

# Institutions and Inequality in Single-Party Regimes

## A Comparative Analysis of Vietnam and China

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Despite the fact that China and Vietnam have been the world's two fastest growing economies over the past two decades, with average annual growth rates of 9.88 percent and 7.53 percent, respectively, their income distribution has diverged widely. China's economic inequality has grown rapidly, while Vietnam's remains moderate. Economic accounts fail to explain these divergent pathways, and in fact, predict higher inequality growth in Vietnam. Socio-cultural explanations predict similar inequality in the two countries. Macrolevel political science measurements of institutional difference are also insufficient, with China and Vietnam coded exactly the same,<sup>1</sup> thus blurring differences in the powers, representativeness, and competitiveness of elite political institutions within these single-party regimes.

The overlooked elite institutional differences are critical to understanding why two nominally communist, single-party regimes have come to differ so dramatically in their income inequality levels. Studies of the political economy of democracies show that institutional configurations can redistribute political power to the economically disadvantaged, thus ultimately leading to more balanced economic initiatives.<sup>2</sup>

Scholars have demonstrated the importance of broad coalitions to political victory. Higher numbers of actors with the ability to run for office and participate in the selection of office holders limit economic inequality because the interests of more actors must be accounted for when constructing coalitions for economic policy decisions. Winning Coalition Theory, a formalization of this argument, focuses on the number of actors participating in decisions relative to those who selected them.<sup>3</sup> Other scholars assign more weight to the diversity of policy preferences represented in broad coalitions.<sup>4</sup> The bottom line remains the same; the more open the policymaking process is to divergent interests, the more likely there will be greater public goods provision and redistributive policies.<sup>5</sup> Underpinning this outcome is the important and related institution of electoral rules, which influences the size and representativeness of a winning coalition through allowable degrees of political competition and openness of participation. Together, both have been shown to reduce inequality.<sup>6</sup>

The above institutions are commonly referenced in explanations of differences within democracies and between democratic and authoritarian regimes. Still missing, however, is a satisfactory explanation for divergent redistributive outcomes within non-democratic regimes. This article seeks to address this deficiency, thus contributing to an existing literature on authoritarian typologies and their subtypes. Through this lens,

scholars have explained divergent outcomes across military juntas, monarchies, dictatorships, and single-party states—including regime longevity,<sup>7</sup> rates of economic growth,<sup>8</sup> and corruption.<sup>9</sup> These accounts arrive at a dead end, however, when it comes to intermediate cases or variation within subtypes, as in Vietnam and China.<sup>10</sup>

Using insights from studies of the political economy of democracies, this article focuses on differences in elite political institutions to make sense of divergent income inequality patterns within these two single-party regimes. The evidence indicates that Vietnam's political institutions force greater accountability upon its leadership, resulting in higher equalizing transfers across provinces, and ultimately less growth of economic inequality. First, Vietnam is characterized by broader and more diverse governing coalitions. Vietnam makes critical economic decisions in its 160-member Central Committee, while China primarily utilizes its 24-member Politburo for important economic initiatives. Second, Vietnam has greater electoral competition, with more political competition for leadership positions both within and outside the party. It does so through more open nominating procedures, direct elections of the general secretary, and higher candidate-to-seat ratios. These differences, detailed below, arose in response to exogenous shocks that faced each ruling party in the late 1980s, resulting in a diffusion of political authority in Vietnam and its greater concentration in China.

Elucidating the dependent variable, economic inequality, shows that inequality growth is less pronounced in Vietnam across a range of different measures, and that structural, economic, and sociocultural explanations fail to account for the differences. While inequality is a multidimensional phenomenon, the critical distinction between the two regimes is the percentage of their budgets devoted to public spending; specifically, large-scale expenditures in poorer jurisdictions that are known as equalizing transfers in both states.

Such expenditures represent billions of dollars collected in revenue from rich provinces, which each government reallocates to poorer provinces for education, infrastructure spending, social welfare, and poverty alleviation programs. Equalizing transfers represent 6 percent of GDP in Vietnam and 2 percent of GDP in China. In 2006 these transfers were 200 percent larger than locally produced revenue in the median Vietnamese province and over 700 percent in its poorest. The large scale of equalizing transfers in Vietnam had a dramatic effect on limiting the unequal forces of economic growth, effectively overcoming inequality in provincially produced revenue.

This outcome requires a political explanation. Redistribution through fiscal transfers involves a choice, the composition and direction of which originates in differences within the elite political institutions of Vietnam and China and not necessarily in the type of authoritarian regime. Consequently, the explanatory variable, political institutions, reveals differences linked to redistributive choices across cases.

### **Trajectories of Inequality in Vietnam and China**

China's Gini coefficient in 2004 (0.472), a common metric derived from household expenditure surveys, is far more unequal than Vietnam's present (0.371). More important,

since 1993, the first date of available comparable household surveys, China's inequality grew at an annualized rate of 1.35 percent compared to Vietnam's 0.55 percent.<sup>11</sup> The resulting data are based on a basket of common expenditures recorded in household surveys. Using an income-based Gini coefficient reveals an even starker difference. Income inequality has declined in Vietnam (0.45 to 0.37) and risen in China (0.28 to 0.50) during the same period of time.<sup>12</sup>

The most well-known explanation for differences in inequality is Kuznet's hypothesis of a quadratic relationship between per capita income and inequality.<sup>13</sup> As others have observed, rapid economic growth at low starting levels of GDP per capita is associated with rising levels of income inequality.<sup>14</sup> While inequality expands with economic growth, it eventually reaches an inflection point after which wages across sectors begin to equalize. Thereafter, inequality decreases with increases in average income.

Direct tests of Kuznet's hypothesized quadratic relationship have been controversial.<sup>15</sup> Nonetheless, they offer a helpful starting point for thinking about differences in income inequality between the two cases.<sup>16</sup> Because Vietnam begins at a lower level of income, the slope of the predicted relationship between inequality and income should be slightly steeper as China is closer to the curve's inflection point.<sup>17</sup> In actuality, inequality rose at a slower pace in Vietnam between 1993 and 2004.

Relative differences in economic development might explain variation in levels of inequality, but alone they fail to account for the acceleration in Chinese inequality relative to Vietnam. Kuznet's hypothesis would have expected just the opposite, based on China's greater wealth and earlier implementation of structural reforms.<sup>18</sup> The above results are also robust to different measures of inequality. Both expenditure ratios of the top and bottom quintile and direct indicators of welfare, such as life expectancy and infant mortality, all indicate that Vietnam did a better job of ameliorating the distributional consequences of rapid economic growth. Most striking, it has reduced poverty at a faster rate and has a lower percentage of its population living on less than one dollar a day—8.4 percent as compared to 10.8 percent in China.<sup>19</sup>

### **Theoretical Explanations for Increasing Inequality**

Alternative theories of the relationship between growth and inequality either predict higher inequality in Vietnam or, if they predict higher inequality in China, fail to account for the faster pace of inequality growth in China.

Some argue that global economic integration is a source of distributional differences and therefore inequality.<sup>20</sup> Vietnam is, however, more exposed to the international economy both in terms of exports (68 percent to 34 percent) and foreign direct investment inflows as a percentage of GDP (4 percent to 3 percent). Perhaps other structural differences are more relevant. There is no question, for example, that China has a considerably larger population than Vietnam—1.4 billion to 84 million. However, cross-national empirical investigations of the relation between population size and inequality document a significant negative relationship.<sup>21</sup> Vietnam is also the twelfth most populous

country in the world (84 million in 2009), so whatever theoretical impact population size is hypothesized to have should affect Vietnam as well. Another factor is ethnic heterogeneity, a feature often associated with higher inequality.<sup>22</sup> Along this measure, Vietnam again ought to exhibit greater inequality as its ethnic fractionalization of 0.22 is greater than China's 0.15. Ethnic Vietnamese (*kinh*) account for 86 percent of the Vietnamese population, as compared to Chinese (*han*) dominance in their country of 92 percent.<sup>23</sup> Finally, Vietnam's relatively higher rural population (74 percent to China's 61 percent) and larger agricultural sector (20 percent of GDP to China's 12 percent) also predict faster inequality growth.<sup>24</sup>

The two leading explanations for inequality growth among China specialists (household registration and special economic zones, or SEZs) are also unhelpful, as Vietnam had the exact same policies throughout its reform period. Each country has largely kept its household registration system (known as *hukou* in China and *hộ khẩu* in Vietnam) intact, restricting permanent rural-to-urban migration and furthering rural-based industrial development that might be expected to ameliorate inequality growth.<sup>25</sup> Both countries also pursued policy experimentation through SEZs in relatively wealthy coastal (or southern) areas that were gradually expanded to poor inland (or northern) areas.<sup>26</sup> China's greater reliance on wage employment as the source of income also indicates that income distribution should be less unequal.<sup>27</sup>

A final explanation for growth in Chinese inequality is more helpful. Fiscal reforms adopted in China since 1994 created a situation where county governments have nationally determined mandates to provide basic public services, but lack the requisite tax base to fund them properly.<sup>28</sup> To make up for this deficiency, county governments have marketized service provision, including health and education, through private fees that only exacerbate inequality by pricing-out many poor Chinese.<sup>29</sup> These trends primarily worsened inequality levels between counties within individual Chinese provinces. Recognizing the impact of the fiscal reforms on inequality within provinces does not obviate discussion of inequality between Chinese provinces. Significant inter-provincial inequality not only exists but also has grown since the 1994 fiscal reforms.<sup>30</sup> The broader question is why Chinese authorities chose a set of fiscal arrangements that exacerbated inequality, while in sharp contrast Vietnamese authorities chose a set of fiscal arrangements that are premised on avoiding increases in inequality, even at the expense of faster growth within existing economic hubs.<sup>31</sup> An examination of redistributive transfers helps to reveal the political roots of income inequality in China and Vietnam.<sup>32</sup>

### **Economic Transfers: Divergent Central-Provincial Fiscal Arrangements and their Effect on Income Inequality**

The first three columns of Table 1 show that Vietnam devotes a larger percentage of its national income to government spending, a common proxy for transfers in comparative political economy.<sup>33</sup> Vietnam has higher public expenditures even when including

Chinese extrabudgetary expenditures, which are incurred mainly by local governments and do not appear in national accounts.<sup>34</sup>

Simply comparing the size of expenditures, however, may be misleading. It says little about how these funds are allocated or whether they are reaching individual households in any significant way. To buttress this basic difference, it is helpful to look at subcategories of fiscal transfers across cases and their effect. Central transfers to provinces in China consist broadly of four components: (1) revenue-sharing, (2) tax rebates, (3) equalization grants, and (4) earmarked or ad hoc transfers.<sup>35</sup> Only equalization grants and earmarked transfers are explicit development transfers targeted at local governments with greater expenditure needs than their revenues allow. Revenue-sharing transfers and tax rebates, in contrast, are general purpose transfers based on local government revenue-generating capacity. While some portion of these transfers potentially might be used for development, their role in reducing disparities is not explicit. In fact, these transfers are usually counterequalizing as local governments with larger tax bases receive more of these transfers and rebate types.<sup>36</sup> In 2006 central transfers accounted for over 6 percent of GDP in China, but the majority of official transfers were revenue-sharing and tax rebates. Only a third of the central transfers, in the form of equalization grants and earmarked transfers, were distributed in favor of poor local governments.

Vietnam has two forms of central transfers that are directly comparable to China's equalization grants and earmarks. The first form, the budget transfer, is provided to poor provinces unable to meet general expenditure targets for education, health, and infrastructure development through local revenue collection. The transfer is based on a preset formula. The second form, the block grant, is allocated to provincial governments according to special national programs that address regional disparities in education, poverty, health, and environmental degradation.<sup>37</sup> These grants are received as lump sums and allocated at a province's discretion.

Programmatic transfers in Vietnam are also less ad hoc than earmarked grants in China, although the two are analogous in their stated development objectives. Therefore, by separating revenue sharing and tax rebates from equalizing and programmatic transfers/earmarks, China's redistribution efforts can be compared directly to those of Vietnam.

Consistent budget data for Vietnam is available only after 2000. Table 1 nonetheless demonstrates that, for this period, Vietnam spent over three times as much (as a proportion of GDP) on equalization transfers than China (5.73 percent to 1.71 percent). Even more striking results can be seen in a second comparison of development investment, that is, capital outlays for infrastructure and public buildings. Vietnam spent nearly four times as much as China in terms of its income (9.01 percent to 2.24 percent) on these projects. Similar differences can be found across a range of redistributive expenditures aggregated at the national level. Vietnam spent over three times as much on direct poverty alleviation programs (0.48 percent to 0.18 percent), nearly twice as much on basic education (4.33 percent to 2.52 percent), and slightly more on public expenditures for health (1.30 percent to 0.80 percent). These categories are especially notable given that China analysts have identified them as key drivers of inequality.<sup>38</sup>

**Table 1** Differences in Transfer Regimes

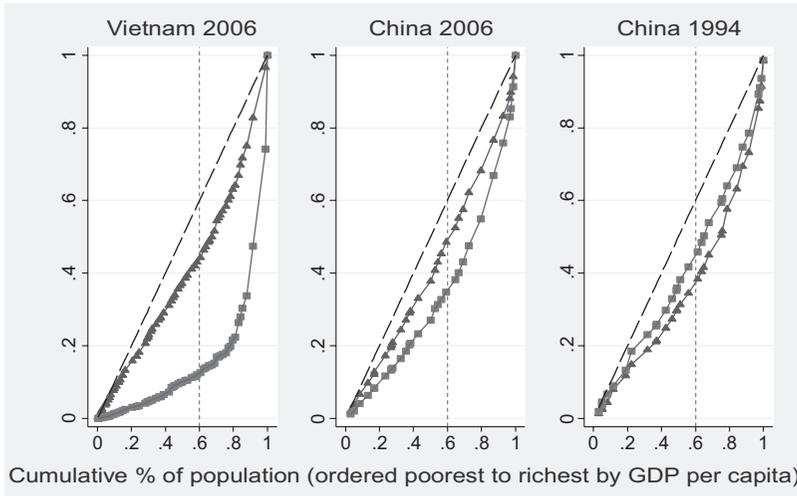
Year	Government Expenditures/GDP		Including Extrabudgetary Expenditures	Equalizing Transfers to Provinces/GDP		Development Investment/GDP	
	China	Vietnam		China	Vietnam	China	Vietnam
2001	17.24%	24.67%	20.75%	2.72%	5.73%	2.32%	8.36%
2002	18.33%	26.96%	21.51%	1.37%	5.00%	2.63%	8.44%
2003	18.15%	27.66%	21.21%	1.16%	7.03%	1.98%	9.72%
2004	17.82%	29.54%	20.54%	1.40%	5.53%	2.04%	9.24%
2005	18.52%	29.94%	21.38%	1.40%	5.84%	2.26%	9.44%
2006	19.07%	27.30%	21.84%	2.21%	5.25%	2.22%	8.84%
<b>Average</b>	<b>18.19%</b>	<b>27.68%</b>	<b>21.21%</b>	<b>1.71%</b>	<b>5.73%</b>	<b>2.24%</b>	<b>9.01%</b>
Year	National Poverty Programs/GDP			Education and Training Expenditures/GDP		Health Expenditures/GDP	
	China	Vietnam		China	Vietnam	China	Vietnam
2001	0.27%	.		2.22%	3.70%	0.73%	1.48%
2002	0.25%	0.48%		2.43%	4.05%	0.73%	1.76%
2003	0.23%	0.51%		2.61%	4.22%	0.76%	1.61%
2004	0.21%	0.48%		2.48%	3.73%	0.84%	0.88%
2005	0.12%	0.52%		2.52%	3.54%	0.82%	0.84%
2006	0.10%	0.41%		2.55%	3.41%	0.85%	0.91%
<b>Average</b>	<b>0.18%</b>	<b>0.48%</b>		<b>2.52%</b>	<b>4.33%</b>	<b>0.80%</b>	<b>1.30%</b>

Authors’ calculations based on Data from: 1) China National Bureau of Statistics (<http://www.stats.gov.cn/english/statisticaldata/yearlydata/>); 2) China Finance Yearbooks; 3) Vietnamese General Statistical Office ([www.gso.gov.vn](http://www.gso.gov.vn)); and 4) Vietnamese Ministry of Finance National Budgets ([www.mof.gov.vn](http://www.mof.gov.vn)). Equalizing Transfers include grants to balance provincial budgets according to formula-based targeted expenditures and conditional (or ad hoc) grants used to supplement local spending on national social welfare or environmental programs. They do not include tax rebates or money transferred as a result of revenue sharing arrangements with the central government. Development Investment includes capital outlays for infrastructure, investment in support of enterprises and socioeconomic organizations, supplements to state reserves, targeted national programs for social welfare and poverty alleviation, and other investments as provided for by law. Data on extrabudgetary expenditures from Wong 2007. (Similar data not available for Vietnam).

Although Vietnam invested more in redistribution than China, transfers may not necessarily go to those most in need. Patronage, corruption, or alternative political goals play a large role in the determination of recipients as well. For this reason, whether transfers actually help to equalize incomes is an even more significant indicator. Sub-national data for Vietnam’s sixty-four and China’s thirty-two provinces allow an examination of this question. In Figure 1 the important role of fiscal arrangements in the two countries is depicted by using a Lorenz Curve. The x-axis measures the share of the population accounted for by each additional province with provinces ordered from poorest to richest, according to GDP per capita. The y-axis displays the relative share of the outcome variable (revenue/public expenditure) for which each province is responsible. Pretransfer tax revenue per capita for each province is depicted with squares; post-transfer public expenditure is denoted by diamonds. The dashed vertical line provides the main message of the graphic, as it delineates the relative share of revenues/public

expenditures of the poorest 60 percent of Vietnam's population. It is dramatically evident that the poorest 60 percent of provinces in Vietnam earn only 13 percent of the country's locally collected tax revenue, but are responsible for roughly 45 percent of public expenditures. In China, by contrast, the poorest 60 percent of provinces produce 35 percent of local revenue and account for 48 percent of expenditures. Thus, both countries show signs of fiscal equalization, but Vietnam far more dramatically aids its poorer regions.<sup>39</sup>

**Figure 1** Lorenz Curves Provincial Revenue and Public Expenditures



Note: Squares represent provincially generated revenue in a particular province, while diamonds depict provincial public expenditures. The dashed line illustrates the level of revenue/public expenditures accounted for by the poorest 60 percent of provinces. Raw data is from Chinese National Bureau of Statistics and Vietnamese Ministry of Finance and General Statistical Office.

More generally, these results demonstrate that public expenditures in Vietnam are used to compensate for provincial differences in income and own-source revenue and have had an important role in reducing household-level inequality, calculated in constant 1993 US Dollars. Both countries demonstrate well-documented growth in household expenditures for individuals in the median provinces, but the range between top and bottom is far more constrained in Vietnam. That is, variance in household expenditures has grown over time, but the average household in Vietnam's richest province still spends only \$250 more than the average household in the poorest province. In China the gap was about \$2500 in 2008.<sup>40</sup> Given that household expenditures are used in the calculation of Gini-coefficients, clearly there is a connection between a government's equalizing transfers and lower household inequality. These results confirm other analyses of inequality in Vietnam and China that use Theil decompositions to demonstrate geographic inequality between provinces in Vietnam and China.<sup>41</sup>

In sum, economic inequality is lower in Vietnam. It results not only from a higher commitment to transfers but also from those transfers having a stronger equalizing effect across regions and ultimately households. Why has this happened, and what are its implications for understanding political decision making within authoritarian regimes?

### **Political Accountability in Authoritarian Regimes: Moving Beyond Typologies**

**The Origins of Divergent Political Institutions** While the countries entered the late 1980s with very similar institutional arrangements, respective political shocks propelled them in opposite directions. Prior to 1989 both political systems made important economic decisions in their Politburos, with their general secretaries serving as the paramount leaders. Party elders were active in both countries, occasionally intervening by extraconstitutional means in key decisions.<sup>42</sup> Separate presidents and premiers also existed in both states, exercising powers over policy that procedurally limited the strength of the general secretaries. Interestingly, movement for increasing accountability of political institutions was stronger in China during this period than Vietnam. Throughout the 1980s, in China there was a sustained push by Politburo members Hu Yaobang and Zhao Ziyang to liberalize the polity in China by abolishing party committees within government agencies and explicitly delineating the separate functions of the party and government.<sup>43</sup>

All that was put on hold, however, when more conservative leaders, led by Li Peng, persuaded Deng Xiaoping that continued single-party rule was under threat. The Tiananmen protests in 1989 ultimately led to defeat of the political reformers. A concentration of decision making among a small coterie of leaders in the Politburo and strengthened party control over government institutions emerged instead. The unconstitutional selection of Jiang Zemin, the first post-Tiananmen General Secretary, at a special session of the Politburo Standing Committee (PBSC) that included notable elders further weakened the CCOM as the relevant institution for leadership selection.<sup>44</sup> Deng's support for consolidating China's three most important political positions—that of president, head of the Military Commission, and general secretary—under the singular leadership of Jiang Zemin also continued the institution of paramount leader. Deng's decision, while perhaps made with the expressed intention of warding off inner-CCP strife, simultaneously eliminated important checks on executive decision making.<sup>45</sup> The legacy of these institutional changes is enshrined in China's institutional architecture today.

In Vietnam, by contrast, four of the most important figures in the Politburo, each linked to the country's anticolonial independence movement and communist transition, passed away between 1986 and 1989. Their deaths occurred at a time when the Vietnamese Communist Party itself was subject to popular criticism, both for years of economic crisis and continued war in Cambodia.<sup>46</sup> Yet discontent did not translate into a narrower concentration of power at the highest political levels or regime collapse. Instead, greater pressure for checks and balances within party institutions emerged, in large measure because the new generation of Vietnam's political leaders had yet to reach consensus on the country's future direction.

With these important pillars of the old guard gone, political competition among the new elite strengthened.<sup>47</sup> As no individual or subgroup was able to trump the others, a series of mutually self-serving compromises resulted. Among them, expanded power of the CCOM vis-à-vis the executive Politburo was the most important. Top leaders first expanded representation within the CCOM to fill it with their respective supporters.<sup>48</sup> Two high-ranking Politburo members, Nguyen Van Linh and Vo Van Kiet in particular, were instrumental in pushing through a series of reforms that expanded the representativeness of the institution to include provincial leaders and mass organizations.<sup>49</sup>

Subsequent debates among these new groups within the CCOM led to a paring back of VCP authority over state administration. Before 1991 the Vietnamese general secretary, as in China, was the dominant center of authority; a chairman of the Council of Ministers (prime minister) administered the bureaucracy; and a chairman of the State Council (president) held primarily ceremonial responsibilities. This architecture was revised as part of a compromise at the 1991 Seventh Party Congress.<sup>50</sup> In the run up to the event, three clear centers of power emerged among members of the CCOM. First, party officials, ideologues, and supporters of continued state sector economic domination collectively found their voice in General Secretary Do Muoi. These supporters of the state sector faced resistance from a second group of modernizers led by Kiet, who advocated further opening to the international economy and bolstering of the domestic private sector.<sup>51</sup> A third group, headed by Le Duc Anh, commander of forces in Cambodia, strongly advocated for reassertion of the role of the military in politics.<sup>52</sup> The three groups debated up through the first plenum of the Seventh CCOM, where a compromise was finally reached. All three sides acquired institutionalized cross-cutting powers, and made sure this deal was codified in the revised 1992 Vietnamese Constitution, leading to the current cross-checking power between general secretary, prime minister, and president in Vietnam's "diffused troika" of top leaders, which contrasts with China's "fused troika" of party and state positions.<sup>53</sup>

The necessity of building broad coalitions within the Vietnamese CCOM facilitated the compromise. Each of the three blocs was too large to appease through private side payments. They had to be rewarded formal institutional powers of some kind, ones that they subsequently defended and passed on to protégés, allowing the diffused troika to persist. The specific outcomes of these changes in Vietnam, documented below, show how they constrain any one group from gaining too much power, and thus far have necessitated compromise between these political leaders and more broadly their allies in the CCOM in order to move forward with economic policies. This outcome is contrasted with what has occurred in China since the 1990s.

**The Size and Representativeness of the Governing Coalition** As a result of the political changes described above, the key governing coalition in Vietnam is drawn from the 160-member party legislature Central Committee (CCOM), while China primarily relies upon the 25-member Politburo (and often the even smaller PBSC), which are elected from within the Central Committee. A governing coalition in the CCOM is larger and contains a much broader range of preferences, particularly a larger number of

provincial leaders, which explains why Vietnam spends more on equalizing transfers than China. Many provincial leaders must be appeased with equalizing transfers before acceding to other economic policies. In addition to the institutional differences between the regimes, public spending decisions are strongly correlated with the party congresses that select CCOM representatives in Vietnam. The same dynamic does not appear to operate in China.<sup>54</sup>

The Chinese CCOM, with 198 members, has been left to function only symbolically throughout the CCP history. The CCOM has the authority to choose party leaders, but delegates are comprised of party, government, and military officials who were appointed by the party leadership, and therefore owe some allegiance to them. Thus, while the CCOM might offer a horizontal check on CCP leadership powers, top party leaders effectively have had control over the composition and membership size of the CCOM. As a result, the role of the CCOM is important primarily when the winning coalition in China is not unified on a particular policy path or during a leadership transition.<sup>55</sup> In these cases, the CCOM becomes the bargaining arena between various blocs or factions.<sup>56</sup> This stands in contrast to its position as an arena for constant coalition building in Vietnam. In China, when there is general agreement among the top leadership or any opposition has been silenced, the CCOM's role seems to grow far less pronounced. For this reason, China experts generally regard the CCOM as subordinate to the Politburo as an institution, and even more so to the PBSC.<sup>57</sup>

In Vietnam the CCOM has had a more institutionalized presence and plays a far more decisive role in national policy debates since 1991.<sup>58</sup> According to VCP statutes, only an elected body has executive power. Consequently, all decisions made by the Politburo cannot stand without ratification by members of the CCOM at their next regularly scheduled plenum. On these occasions, the Vietnamese CCOM has repeatedly demonstrated its ability to overrule Politburo decisions made in the interim between plenums. The most striking example took place in 2001, when the CCOM rejected the Politburo's recommendation that Le Kha Phieu continue as General Secretary of the Party. Its members selected instead the President of the National Assembly, Nong Duc Manh.<sup>59</sup> Another famous veto occurred in 1996 when the Vietnamese CCOM rejected a Politburo plan to create a PBSC as the "highest leading nucleus" of the VCP, similar to the PBSC in China. The Vietnam CCOM allowed the PBSC to exist, but neutered its proposed powers to the extent that it functioned only as a glorified secretariat.<sup>60</sup> In 2001 they voted to disband it entirely. By contrast, the Chinese CCOM has rarely demonstrated its disapproval of Politburo proposals, let alone openly reject a candidate for the position of general secretary.

More systematically, the higher significance of the CCOM as an institution in Vietnam, as compared to China, can be observed by two indicators—the number of plenums or regularized meetings held and the number of legal documents that directly cite CCOM legislation. China scholars have focused on more regularized CCOM meetings as a sign of growing institutionalization since the Mao era.<sup>61</sup> The Chinese CCOM is required to convene plenums only once per year, according to the party constitution.<sup>62</sup> In contrast, the Vietnamese CCOM is obligated by Article 16 of its party statutes to meet at least twice a year, and in practice has met far more often than that. In fact, since 1982, the year Deng

institutionalized new rules for party organization in the post-Mao era, Vietnam has averaged over twice as many plenums per party congress than China.

The second indicator of institutional strength is the authority assigned to decisions made by the CCOMs. Government legislation in both countries includes a preamble, which cites the original party documents that either authorized or set the groundwork for current legislation. By this indicator as well, the Vietnamese CCOM appears to be the more legitimate representative of the VCP, with nearly four times the citation rate. By contrast, very few documents in China acknowledge the influence of the CCOM.

Raw counts of citations and meetings are not the only indicator of differences in the importance of the CCOM in the two countries. The requirement that Vietnamese leaders reconvene the CCOM for important decisions brings the differences into even sharper relief. When General Secretary Do Muoi retired before the end of his term in 1997, for example, his replacement, Le Kha Phieu, was elected at a reconvened plenum of the entire CCOM. This stands in sharp contrast to the replacements of General Secretaries Hu Yaobang in 1987 and Zhao Ziyang in 1989. Both took place at emergency sessions of the Chinese Politburo alone, which included all Politburo members along with notable elders who did not have any constitutional right to decide the party leadership.<sup>63</sup> Moreover, in contrast to the VCP leadership, CCP leaders chose not to call a special session of the CCOM, even though party statutes explicitly called for it. VCP leadership continues to reconvene plenums of the CCOM to address urgent matters. Special plenums were also called to deal with the economic effects of financial crises in 1998 and 2008, reflecting the need to secure consensus across the wider group of individuals who comprise Vietnam's winning coalition within the CCOM.<sup>64</sup>

Former Vietnamese Prime Minister Kiet recently summarized the relationship between CCOM and Politburo as one of a legislature (CCOM) and an executive (Politburo) that implements the CCOM's decisions, emphasizing that the Politburo does not rank above (*cấp trên*) the CCOM.<sup>65</sup> Together, Kiet's comments and repeated evidence of the CCOM's ability to overrule the Politburo reinforce the notion that the CCOM is the relevant forum for decision making in Vietnam.

The Vietnamese decision-making body not only necessitates a larger governing coalition than China, but also represents more diverse constituencies. The Vietnamese CCOM is composed of members of the party apparatus, government officials, state-owned enterprises, provincial leaders, military, mass organizations (such as the Women's Union and Peasant Union), business associations, ethnic organizations, and research and educational institutions. While all are high-ranking leaders in Vietnam's cadre system, they are elected to attend the national party congress from within their own provinces and institutions. As such, they represent a much broader collection of interests than the elite members of the Politburo in either country.

The fact that the Chinese Politburo is of greater importance than the CCOM is revealing. The Politburo represents a much narrower base, consisting primarily of high-level CCP leaders, cabinet members, top military officials, and top local officials from several wealthy provinces. Mass organizations, business groups, research institutes, and other interest groups are not represented. Moreover, the role of regional leaders is very

different in each country. In contrast to Vietnam, regional leaders in China typically are not from the provinces they represent, but have instead been transferred there as part of China's rotational cadre appointment system.<sup>66</sup> Most Vietnamese local leaders were born in the provinces they represent.<sup>67</sup>

### **Competitiveness of Elections for the Central Committee and General Secretary**

The impact of the size and representativeness of a governing coalition is reinforced by the competitiveness of elections to participate in this elite decision-making body. The more competitive the selection process, the more likely representatives are to represent the constituency that elected them at the elite bargaining table. Vietnam has a more open and competitive selection process for top political offices than currently exists in China, with the result that top leaders in both countries are compelled to follow two lines of action that impact redistribution. First, they must take into account the interests of those who nominated them, thus facing constraints often assumed absent or at least insignificant to political processes within nondemocratic regimes. Second, more competitive elections allow for the wider range of preferences represented in Vietnam's CCOM. Because leaders must accommodate the groups they represent, and because the range of represented preferences is wider, institutional theory predicts more redistributive policies in Vietnam.

In Vietnam and China, there are two types of elections—those for party leadership and those for the national assembly or congress. In both cases, formal institutions of electoral accountability are stronger in Vietnam than in China, although pressure is building for China to narrow the gap by adopting more “inner party democracy.” Due to space constraints, this article focuses only on party elections, reserving government contests for future work. The two countries differ dramatically in the competitiveness of their elections, as measured by the number of candidates and openness of nomination processes. In both countries, elections begin with a party congress, which meets every five years to set the new direction and elect the new CCOM of each country. In Vietnam delegates to the Congress are chosen through initial elections at the provincial level and among central institutions of the party, military, government apparatus, and state-owned enterprises. Consequently, these delegates have some downward accountability to the constituencies that elected them. In both countries, delegates from the previous Central Committee are also included as delegates.<sup>68</sup>

In China the Politburo of the outgoing CCOM recommends a list of candidates at the party congress. Delegates then vote on the list at congress, choosing both full and alternate members of the CCOM. The Thirteenth Party Congress in 1987 introduced a competition mechanism for the CCOM selection, allowing the number of candidates to exceed the number of seats by 5 percent. Since then, the rejection rate of full nominees has been fixed at 5 percent. It increased to 8 percent in the Seventeenth Party Congress,<sup>69</sup> but the low rejection rate and the CCP's control of the nomination process are clear signs of little vertical check on the will of the Chinese Politburo.<sup>70</sup>

The Chinese general secretary is usually selected along with the Politburo at the first plenum of the CCOM, which is convened immediately after the party congress. Traditionally, the outgoing Politburo produces nominees for the general secretary and the new Politburo members, after which the candidates receive an up or down vote from the members of the CCOM. Since the competition mechanism (*cha'e xuanju*) is not applied to the selection of Politburo and higher party and state leaders, the CCOM does not have much leverage to influence the selection of the Politburo. Instead, factional considerations play a role in the process, with senior members trying to place associates in the successor body.<sup>71</sup> As a result, political participation in China is very limited when it comes to the selection of high-level party positions. This situation has not changed much since 1949. Members of the Politburo and PBSC, as well as provincial party chiefs, are all selected at party conclaves. Moreover, the vetting role of higher ups in the selection of a small group of candidates necessarily means that these individuals see their interests in terms of a narrow constituency from above rather than broad opinion from below and within a CCOM that might hold them accountable under threat of election loss.

By contrast, both the nomination procedure and voting in Vietnam allow for more competition, and ultimately then to a greater degree of electoral accountability to underlying constituencies. For example, the outgoing Ninth CCOM in 2006 prepared a list of 175 candidates for full members and 30 alternate members at the Tenth Party Congress. In addition, newly elected delegates at the Party Congress were allowed to propose candidates from within their own ranks. In total, 328 candidates were either nominated or self-nominated. After the collection of nominations, a vetting process whittled down the candidates to exclude first-time nominees over the age of 55 and incumbents over the age of 60. The vetting resulted in 207 candidates for full positions, of which 33 were nominated by the delegates at the Tenth Congress and two were self-nominated. Forty-six candidates were nominated for nonvoting, alternate positions. From the list, the Tenth Congress elected 160 full members and 25 alternates, rejecting 23 percent and 54 percent, respectively.<sup>72</sup> It is important to note that all nominees of the outgoing CCOM were elected.

Notably, the rejection rates in Vietnam are determined only by the number of nominees, whereas in China they are set by statute. VCP officials may attempt to manipulate the election through procedural rules, such as the appropriate age of nominees, but they do not limit participation in the same manner as China. Thus, Vietnam's CCOM selection procedures allow for more choice and competition than those of China. According to theories linking democracy and inequality, this competition should force delegates to consider a wider swathe of society in their policy positions, as they know they must ultimately be voted upon again by this same group.

A second feature of competition in Vietnam is the selection of the general secretary of the VCP. Like China, the general secretary is usually selected along with the Politburo at the first plenum of the CCOM convened immediately after a party congress. While China still selects the general secretary through an up or down vote, the Vietnamese CCOM has asserted its authority much more vigorously in recent years, demonstrating its role as the forum for decision making. This was illustrated dramatically at the Ninth

Congress in 2001, when the Vietnamese CCOM rejected, by a majority vote, the Politburo's nomination of the incumbent general secretary.

Even more radical changes came in the 2006 Party Congress. Reflecting the Political Report of the VCP's call for more democracy in Vietnamese institutions, the Tenth Congress conducted a straw poll of all delegates. While the results were never published, sources close to the Congress revealed that Nong Duc Manh, the incumbent General Secretary, received 900 votes, followed by Nguyen Minh Triet, the Party Secretary of Ho Chi Minh City with 200 votes.<sup>73</sup> Eighteen other candidates received at least one vote. The entire list of recipients was rank-ordered and sent to the CCOM for a final vote. Notably, it was the second and third leading vote recipients in the straw poll who were appointed president and prime minister, respectively, rounding out the famed diffused troika of the Vietnamese leadership that ostensibly reflects the will of the Vietnamese electorate.<sup>74</sup>

More choice and competition over seats also grants CCOM members in Vietnam greater authority to hold party leaders accountable. Leaders who diverge too far from a majority view have been voted out of office on several occasions. In addition, greater competition allows more opportunities for different preferences to be seen in elite circles. This includes individuals from mass organizations and research institutes. Even more relevant to the discussion of inequality is the greater regional representation within Vietnam's CCOM as compared to China.

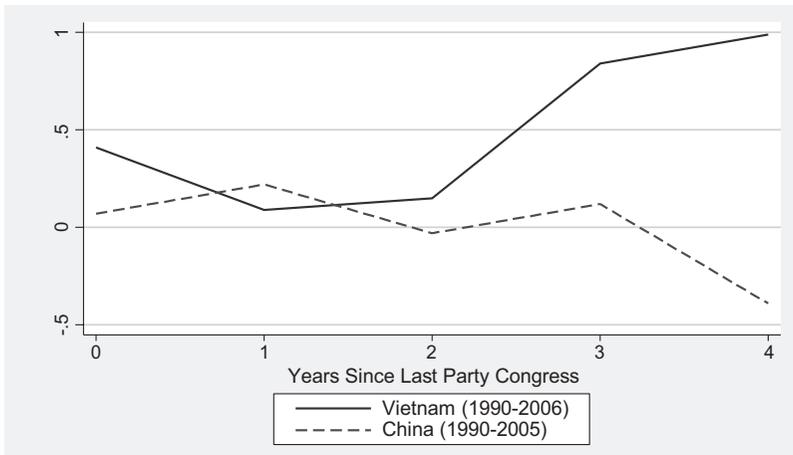
Scholars of China have celebrated the higher number of local delegates in the CCOM,<sup>75</sup> but the greater choice of delegates in Vietnam has led to a larger percentage of provincial representatives as both alternate and full-time members in the Vietnamese CCOM. The larger number of provincial representatives in CCOM combined with the greater importance of the institution help explain why Vietnam opted for a fiscal system so strongly weighted toward regional redistribution. Local delegates represent almost 42 percent of votes in the CCOM. While they may occasionally disagree on economic policy, provincial interests nonetheless must be included in any winning coalition on economic policy.<sup>76</sup> The effect of provincial interests on prospective voting will likely grow even stronger in Vietnam. Provincial representatives now possess 71 percent of the alternate seats, which constitute a testing ground for future leaders.

The diversity of preferences in Vietnam's CCOM implies greater need for coalitions that include a more disparate membership intent on log-rolling to win acquiescence in votes for policy changes. Based on this logic, Vietnamese leaders should choose economic policies that are more broadly beneficial, as more individual interests must be taken into account. Jonathan Pincus and Thanh Tu Ahn Vu claim that there is just such a tendency to distribute rents widely across the political system in Vietnam:

This problem is evident in the allocation of public investment. Vietnamese politicians approve ten projects when one will do, and spread them across the landscape. For example, Vietnam is building a string of deep sea ports in central Vietnam despite the fact that port infrastructure in the southern provinces...which together comprise more than 50 percent of Vietnam's job growth and non oil budget revenues—is stretched to the breaking point.<sup>77</sup>

Figure 2 tests this claim empirically, charting average annual changes in public investment as a percentage of GDP over the years 1990–2006 in both countries. On the horizontal axis is the number of years since the last party congress. The two countries show remarkably different patterns. In Vietnam public investment spikes in the two years prior to the next party congress and declines thereafter. This finding confirms that top Vietnamese leaders routinely allocate public investment as a way of shoring up their electoral support prior to party congresses in order to win votes in the CCOM. Vietnam, in other words, possesses an identifiable political business cycle. In China the pattern is far more haphazard. Most years are not significantly different, but investment declines directly before a party congress, suggesting that motivations other than ensuring CCOM votes are behind investment decisions.

**Figure 2** Association between Public Investment and Party Congresses



Note: Raw data from Chinese National Bureau of Statistics and Vietnamese General Statistical Office.

The relative degree of competitiveness of elections and power of the CCOM in each country reinforce one another in their impact on inequality. In Vietnam the need to win over a more diverse coalition of voters matters because the CCOM is the most critical decision-making body, while the elections force leaders to use redistributive spending as a way to ensure a majority coalition. If the CCOM was unimportant politically, its more competitive elections would be meaningless. Without competitive elections and nomination procedures, the composition of the CCOM could be manipulated by top leaders, so that preferences would align without the need to engage in redistributive policies that garner more votes. This appears to have been the case for China since the 1990s.

## Conclusion

This article demonstrates that opening the black boxes of regime type, and autocratic typology in particular, obtains more leverage on critical policy outcomes. At stake is a move away from assuming a link between regime type and political behavior. Instead, the focus should be on how elite political institutions operate in authoritarian practice and on the resulting political incentives generated. The puzzle of divergent patterns of inequality in these two high-growth, single-party regimes, in other words, only remains a puzzle from the aggregate view of existing datasets. Upon drilling down, it becomes clear that Vietnam's institutions empower a larger group of decision makers and place more constraints on the party leadership through vertical checks and semicompetitive elections. Because Vietnamese economic policies must consider a larger cross section of society, they spend a larger portion of revenue on public expenditures and engender greater equalization between provinces and individuals. The primary dependent variable here, economic inequality, is only the beginning of potential outcomes that can be explored through the lens of institutional configurations within authoritarian types. Most immediate, there is reason to suspect that Vietnam's architecture privileges equality over long-term growth prospects by choking development in its economic engine.

## NOTES

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