

Jonghyuk Lee
Doctoral Candidate, UC San Diego

"Economic Compensation for Political Dismissals in China"

Abstract

Personnel promotions and dismissals of high-ranking officials in authoritarian regimes are ubiquitous. However, political and economic consequences of these events are not well-known. This paper explores the consequences of political dismissal in China, one of the most durable authoritarian regimes in the world. In the face of dismissals, a regime's concern lies in ensuring that the dismissed officials do not form an opposing coalition against the regime. However, the regime cannot make a credible threat to the dismissed because they are already excluded from its winning coalition. As such, the regime's strategies switch to the other side of the possible opposing coalition: the public. The regime would like to preempt the possibility of the opposing coalition by enhancing the state-public relationship. To realize this cooperation, the regime can distribute economic benefits to the public. The satisfied public is highly unlikely to support the dismissed leaders against the regime because the coalition with marginalized officials involves significantly higher risk. By using the government spending data of the People's Republic of China, this paper shows that the Chinese government compensates the local public by increasing government spending in the locality that has recently experienced a dismissal of one of its high-ranking officials. The results of this paper also indicate several important qualifications. First, local governments in China systematically respond to a dismissal of its high ranking officials, while there is no evidence of central engagement. Second, a removal of a top local leader leads to a decrease in spending in the region, while a dismissal of one of his/her subordinate's results in the opposite effect. Third, local governments also compensate special interest groups, especially those involved in real-estate industry, as well as the general public in the case of dismissals.