

# Are Factions Self-Enforcing Contracts: Identifying the Impact of Patrons' Promotions and Exits on the Careers of Clients<sup>1</sup>

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**Abstract:** A growing literature shows robust evidence that patronage by high level politicians greatly enhances an official's chance of promotion in the largest authoritarian regime in the world, China. There has been no work on whether a patron's purge or retirement has an impact on a follower's career prospects. This question concerns the core theoretical issue of whether factional ties are self-enforcing mechanisms. That is, patron-client relationships are only useful for patrons if they knew that clients will suffer if they fell from power. This mechanism creates strong incentives for clients to engage in political struggle on behalf of their patrons, regardless of the patrons' monitoring capacity. We show using causally identified estimates that a patron's exit from the political elite had a significantly negative impact on a client's chance of promotion and also diminished her chance of retaining her current position.

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Patron-client ties are important tools of maintaining political control for leaders in weak democracies and authoritarian regimes. A growing literature shows robust and systematic evidence that patronage by high level politicians greatly enhances an official's chance of promotion in the largest authoritarian regime in the world, China. Yet, why do senior politicians in such political systems pursue such a strategy? In electoral autocracies, or in weak democracies, clients are expected to deliver votes to patrons, thus yielding the patron real benefits (Lust-Okar 2005; Magaloni 2006; Blaydes 2011). In one-party dictatorships without regular elections and where overt political contests are rare but high stakes, regularly bestowing benefits to a group of officials would not necessarily guarantee their loyalty when the patron faces real challenges. If factional ties are not self-enforcing mechanisms, why have them at all? Short of having perfect information on the loyalty of clients, patron-client relationships are only useful for the patron if she knew that her clients will suffer with high certainty if she fell from power. This mechanism would create strong incentives for clients to engage in internal political struggle on behalf of the patron, thus making the relationship a worthwhile one for the patron.

To provide evidence for the self-enforcing nature of patron-client ties, we use two causally identified research designs to test whether high level patronage (or the withdrawal thereof) had an impact on both promotion and exit of alternate members of the Central Committee in the Chinese Communist Party from 1993 to 2015. We focus on alternate members of the Central Committee because they have no voting power, not even nominally, over the selection of Politburo Standing Committee members, which excludes the possibility of endogeneity (Li 2007). We find that the retirement and purge of the patron significantly reduce one's chance of promotion and increase the chance of exit. Our findings provide further evidence that high level patronage is a crucial factor in an official's career trajectory.

The negative impact of a patron's exit from power on a client's own fate creates strong incentive for clients to engage in factional infighting on behalf of the patron. To be sure, this self-enforcing mechanism requires regular turnovers and a pyramidal power structure that make higher level positions highly desirable. These features are somewhat unique to one-party dictatorships and may provide further ground for relative stability in one-party dictatorships.

## **Theoretical Motivations**

The literature on authoritarian rule has long pointed out that dictators do not rule alone and need a ruling coalition to maintain power (Bueno de Mesquita et al. 2003; Svobik 2012; Wintrobe 1998). Yet, ruling a large authoritarian regime requires the help of a sizable number of officials, some of whom may form sub-coalitions to undermine or to overthrow the incumbent ruler (Wintrobe 1998; Acemoglu et al. 2008). In response to these threats, dictators deploy a wide range of strategies, from the appointment of incompetent officials (Egorov and Sonin 2011) to employing ethnic minorities in the secret police (Gregory 2009) to constantly rotating officials to different positions (Debs 2007).

In more institutionalized autocracies, high level officials often formed patron-client ties with more junior officials in order to mitigate the threats of defection by junior officials. In essence, patron-client ties are implicit contracts whereby patrons bestow jobs, promotions, fiscal subsidies and rent-seeking opportunities to clients in exchange for cash payments, the delivery of votes, and inner party political support for the patron (Doner and Ramsay 1997; Kang 2002; Keefer and Khemani 2003; Lust-Okar 2005). In post-revolutionary authoritarian

regimes, strong patron-client ties formed during the revolutionary struggle played a major role in maintaining these regimes in power (Levitsky and Way 2012). For example, in the early years of the Soviet Union, much of the country was run by networks of patron-client ties based on shared revolutionary experience, which allowed the young regime to enact policies even in far-flung edges of the Soviet Empire (Easter 1996). Likewise, the early Chinese Communist government and the military were dominated by a handful of “mountaintops” which had developed in relative isolation through the nearly three decades of revolutionary struggle (Huang 2000; Whitson and Huang 1973).

With the passing of the revolutionary generation, some observers speculated that factionalism has diminished as a mechanism to assign key positions and resources, replaced by formal institutions (Huang 2008; Miller 2008). Yet, a large body of qualitative works on post-revolutionary regimes continues to show the importance of factionalism as a key organizing principle in post-revolutionary regimes (Shih 2008a; Fewsmith 2001; Taubman 2003). An emerging quantitative literature on the Chinese Communist Party also shows factionalism continues to drive senior level appointments, a key “good” in parties with Leninist pyramidal structures (Jia et al. 2014; Landry et al. 2014; Keller forthcoming; Meyer et al. 2016; Shih et al. 2012). For the clients, having factional ties can also mean additional financial benefits (King et al. 2014).

The literature, however, has overlooked the rationale of pursuing factionalism for the patrons. For patrons, the risk of cultivating entourages of fair weather friends is substantial. Although the patron can enforce the factional bargain by cutting off all future benefits to a defecting underling, the effectiveness of such a threat is reduced during an attack on the patron, when her survival is most at stake. Knowing that, clients can pretend to be loyal in ordinary times in order to receive benefits from the patron, only to defect to a rival coalition at the first sign of serious trouble.

Other typical mechanisms to enforce contracts also are not available to an authoritarian leader under attack. For example, a community of participants can help the patron identify and punish defectors, which would create incentives for followers to come to the aid of the patron during a crisis (Dixit 2009: 12). To be sure, without a severe attack on the patron, members of a faction may patrol each other for signs of defection, although the veracity of the information provided to the patron is undermined by competition between the clients. However, when a faction faces an attack from a rival group, the patron cannot know whether an accuser of shirking behavior is not in fact the person who has defected to a rival coalition, who uses the accusation to sap the strength of the previous patron. Certainly, a factional patron cannot count on her enemy to help monitor the behavior of her followers.

To guard against such fair weather friends, patrons need to periodically verify the willingness of their clients to defend their interests during costly political struggles (Wintrobe 2001). Electoral authoritarian regimes have an advantage in that patrons can periodically ascertain in a credible way whether the clients remain loyal by observing the delivery of votes to the patrons (Magaloni 2006; Lust-Okar 2005; Keefer and Khemani 2003; Simpser 2013; Way and Levitsky 2002). Elections, if carefully managed, also create credible information of a faction’s dominance which deters defection from the ruling coalition (Magaloni 2006).

In an established one-party dictatorship without meaningful elections at the elite level such as China, overt political competition may occur once every ten years in the lead up to major leadership turnovers. Despite the rarity of overt political competition, senior politicians in China still pursued a strategy of patron-client relationships.

However, what if their followers were fair weather friends who defected from their patrons at the first sign of trouble? To be sure, the literature suggests mechanisms for verifying loyalty, such as using propaganda campaigns to provide clients with groveling opportunities (Shih 2008b). However, groveling to alienate oneself from one's peers still falls short of a convincing signal indicating one's willingness to engage in highly risky actions to defend the patron during struggles with rival factions.

Indeed, recent events in China suggest that factional clients often rolled over when the going got tough. Even before former internal security Tsar Zhou Yongkang was arrested in 2014, several, perhaps all, of Zhou's putative followers provided evidence of Zhou's duplicity and corrupt dealings to the authorities (Caixin 2014). Even Zhou's own son and wife provided evidence of his transgressions during his trial (Aredy 2015). On the other hand, the history of the Chinese Communist Party also records several cases where clients provided spirited defense of their patrons. According to long-time Chen Yun follower Deng Liqun, he was the one who nominated Chen Yun as the head of the Central Finance and Economic Leading Group in 1962 after the Great Leap disaster (Deng 2015: 365). During the 9<sup>th</sup> Party Congress at the height of the Cultural Revolution, a long-time follower of Liu Shaoqi and a Central Committee member, Chen Shaomin, refused to vote for his expulsion from the party despite otherwise unanimous support for it (Li 2007: 210). Similarly, at the beginning of the Cultural Revolution, several of Deng Xiaoping's long-time followers chose to lose power along with their patrons than to betray him (Vogel 2011: 151). Because of such mixed results, historical cases do not provide sufficient evidence showing that the factional bargain was a worthwhile one for factional patrons. Scholars can only assume that the factional bargain was worthwhile, else senior politicians in the CCP wouldn't have pursued it.

The literature on corporate governance has long explored the problem of "cheap talk" by agents in a principal-agent relationship (Farrell and Rabin 1996; Spence 1973; Spence 1976). In corporate governance, agents have strong incentive to exaggerate their own ability and performance to principals in order to obtain employment and bonuses. The literature has long identified a mechanism for overcoming such cheap talk--aligning the incentives of the principal and the agent in a self-enforcing way. That is, if the agent shirked in her effort to perform a job for the principal, the agent would suffer automatically, regardless of the monitoring capacity of the principal (Farrell and Rabin 1996). For example, if an employee's lagging effort led to diminishing reputation for the firm overall, the employee's own employability in the market would suffer (Bull 1987). This mechanism has the merit that regardless of the information obtained by the two contractual parties—the employer and the employee—suboptimal effort by the employee would diminish the firm's reputation, thus making even the employee less valuable in the labor market (Bull 1987). To be sure, the assumption in this model is that firms operating in the market have sufficient information to evaluate the quality of other firms with some accuracy.

A similarly self-enforcing mechanism would be valuable in authoritarian politics because principals also have a hard time detecting the credibility of agents' loyalty in such an information poor environment. Patrons would see patron-client relationships as credible if clients suffered significant, costly consequences with the purge or retirement of the patrons. This would provide strong incentive for clients to defend the interests of patrons, as well as incentives for patrons to strengthen the resources available to clients. Essentially, if patrons can be assured that clients are exerting significant effort in their aid, patrons would pour scarce resources to the clients. Historical studies of Communist politics provide ample evidence linking the fate of clients with that of patrons. During the Cultural Revolution, for example, followers of Liu Shaoqi were systematically purged (MacFarquhar and Schoenhals 2006). Stalin systematically purged the followers, real or imagined, of Trotsky, at the beginning of the Terror

(Gregory 2009; Montefiore 2003; Thurston 1996).

However, such periods of wholesale purges were rare, even in places like the Soviet Union and China. Beyond these unusual periods, one-party dictatorships tended to have two features that gave rise to self-enforcing contracts: the pyramidal power structure and regular turnovers of senior officials. The fact that fewer positions were available the higher one ascended in the party hierarchy in itself may have created self-enforcing contracts between patrons and clients, regardless of the loyalty of the clients. Of course, this mechanism applied only where high level turnovers were fairly regular, or the clients' incentives would have been weak.

If all senior politicians naively assumed that their clients were loyal and worked to promote them higher in the hierarchy, any client whose patron has been purged or has retired will automatically suffer in the promotion game, assuming that the patron's effort had an impact on the client's career prospects. Even if rival clients did not naively assume the loyalty of their clients, no patron could afford to assume that other patrons weren't working hard to promote their respective clients. For example, suppose three candidates vied for one higher level position and that, initially, all three candidates had higher level patrons rooting for them. The exit of one patron would have automatically put her client in a disadvantageous position relative to the other two candidates, all else being equal. This logic also worked for the client's job security. Given the large number of potential candidates for any position in the higher reaches of the party hierarchy, the exit of one's patron would have left one vulnerable to forced retirement or a purge. Empirical evidence already shows that the dearth of patron placed an official at a disadvantage for promotions (Shih et al. 2012; Jia et al. 2014). The literature still needs to identify whether a patron's exit in itself exerted a negative influence on an official's promotion prospect, or even her prospect of staying in her current position in the party. Given these potential pitfalls of losing a patron, it is in the interest of all clients to delay the retirement or to prevent the exit of their patrons.

This causal signal took on great importance in patron-client relationships in one-party states. If indeed the system automatically placed patronless officials at a clear disadvantage in obtaining higher level positions or even holding on to the existing posts, patrons, even those who had little information about the loyalty of the clients, could take comfort in the clients' strong incentive to defend their interests. The greater this causal relationship, the less the patron needed to know the loyalty type of the client, even though the literature often identifies the loyalty of the client as an important factor in the patron's continual rule (Zakharov forthcoming; Egorov and Sonin 2011). If clients automatically suffered, the loyalty problem may well be less intractable than is often portrayed in the literature.

Moreover, in the existing literature on authoritarian regimes, a one party dictatorship is seen as more stable because of its ability to credibly deliver benefits to members of the ruling coalition and to provide incentives for lower level officials to maintain the status quo (Brownlee 2007; Svoboda 2012; Magaloni and Kricheli 2010). The literature on electoral authoritarian regimes further suggests that the party apparatus can mobilize overwhelming electoral victories, thus deterring potential oppositions from gaining strength (Magaloni 2006).

The one-party state structure may contribute to political stability in another way. That is, ensuring incentive compatibility between patrons and clients only worked in a pyramidal structure with institutionalized turnover mechanisms such as retirement rules and party congresses (Manion 1993; Miller 2008). In the absence of such mechanisms, a patron would have needed to derive credible information about the loyalty of her clients

through other means, including periodically initiating political turmoil or resorting to institutional changes, which can be destabilizing. The absence of such destabilizing mechanisms of obtaining information about client loyalty may have accounted for the relative stability of one-party dictatorships (Geddes 1999)

If factions were indeed credible contracts for the patron, we would expect two simple hypotheses:

*H1:* A patron's retirement or purge from a Politburo Standing Committee level position would decrease a client's likelihood of obtaining a promotion within the party hierarchy

*H2:* A patron's retirement or purge from a Politburo Standing Committee level position would increase a client's likelihood of being purged or removed from her existing position in the party hierarchy

### **Alternate Central Committee Members as Testing Ground**

Ideally, we would identify the impact of a patron's exit on her immediate followers' fate. In a hierarchical political system, higher level officials have greater impact on political outcomes than lower level officials (Gregory 2009: 61; Cai and Treisman 2006). Therefore the incentives for higher level officials are crucial for the well-being of top level patrons. Methodologically, however it is challenging to identify the impact of a patron's exit on the fate of her immediate followers because the patron might have fallen due to shirking or betrayal by her immediate followers. Ideally, we would like to show that a cadre's career is hurt by a patron's exit *irrespective* of that cadre's own effort to help/harm the patron. To be sure, Jones and Olken's (2005) famous study overcomes this endogeneity problem by focusing on cases where the dictator died in office of natural deaths. Since 1949, only three Politburo Standing Committee members had died in office of natural causes, Chairman Mao himself, Zhu De, and Zhou Enlai. Unfortunately, they all died within six months of each other between the 10th and the 11th Party Congress. Thus the impact of their demise on their followers might have been caused by the political turmoil associated with the unusual period of Mao's illness and death.

Our strategy, although not perfect, focuses on a layer of officials in China just below the level where politicians have an impact on the patron's fate. Yet, because these officials are close to the power elite, strong evidence of them suffering from their patron's exit would indicate the existence of a self-enforcing patron-client contract even at the highest level.

This empirical strategy is further supported by formal rules within the party and historical studies of elite politics in China. In the Chinese Communist Party, the Central Committee is divided into two bodies. First, full Central Committee (CC) members have full voting power to vote the politburo and the standing committee into office once every five years at party congresses and during emergency situations. They also vote on important policy changes during the annual CC plenum. Finally, full CC members are often consulted on high level appointments (Shirk 1993; Fewsmith 2003). Shirk (1993) identifies full CC members as the "selectorate," who had direct impact on the fate of the highest level politicians in the party. After all, it was the Central Committee which voted to expel Liu Shaoqi from the party. Ten years later, the Central Committee also promoted Hu Yaobang into the Party Secretary General position and also catapulted a relatively unknown Zhao Ziyang into the Politburo Standing Committee. Central Committee members also reportedly participated in the discussion to decide

whether Jiang Zemin or Qiao Shi should retire at the 15<sup>th</sup> Party Congress, even though they were of similar age (Lam 1999: 333). To be sure, the Politburo and the Standing Committee had even greater impact on elite political outcomes. However, full central committee members possessed a great deal of formal power.

In contrast, although alternate members of the Central Committee (ACC) attended Central Committee plena, they had no voting power on any decision made in the Central Committee. When a full Central Committee member died naturally or was purged, an alternate sometimes took his seat, although such occurrence was rare.<sup>2</sup> Also, our theoretical argument posits that the self-enforcing faction mechanism works best where the party structure is pyramidal and where turnovers are frequent. Table 1 shows that during the five-yearly party congresses, roughly 36% of ACC members were promoted into full Central Committee members after one term. At the same time, 37% of ACC members were retired or removed from office to a lower level after one term. Given such a high probability of being removed, ACC members who benefited from elite patronage had strong incentives to hope for the best for their patrons. Because of the institutional arrangements surrounding ACC members, they provide a nearly perfect testing ground for the self-enforceability of the factional bargain.

On the one hand, party rules and norms minimized both formal and informal influence ACC members had on high level politicians in the party. In the history of the Chinese Communist Party, there was never a case where alternate members alone conspired to change any major policy or high level personnel. At best, alternate members of the Central Committee may have had a stronger tendency to zealously carry out the policies of the top leadership in order to curry favors (Kung and Chen 2011), but that should not have any direct impact on the fate of individual patrons in the Politburo Standing Committee. On the other hand, alternate members sat just below the power elite such that if their careers were negatively impacted by their patron's exits, it was very likely that full central committee members faced similar or even stronger incentives to protect their patrons.

### **Table 1 Around Here**

## **Data and Identification Strategies**

Both the dependent and the main independent variables are derived from a database of the Chinese elite, which include all Central Committee full and alternate members, as well as provincial level standing committee members from 1993 to 2015. Following an earlier data base of Central Committee members (Shih et al. 2008), this data base tracks every stage of officials' careers, records the years in which they served in various positions, and records other biographic information. This detailed biographical information allows us to generate factional ties variables, defined as overlapping work units over one year between the patron and the client within two administrative steps of one another prior to the patron entering the Politburo.

Table 2 shows that ACC members with at least Politburo level or above connections accounted for the majority of promotions at the ACC level for every party congress in question. At the 16<sup>th</sup> Party Congress, connected ACC members accounted for nearly all of the promotions. This pattern suggests a patronage effect.

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<sup>2</sup> Even with the recent anti-corruption purges, which saw the arrests of scores of current and former CC members, only three ACC members were promoted to full CC membership. See (Cui 2015)

Over the course of the two decades, the average age of ACC members remained stable at 57-58. They continued to be overwhelmingly male and Han. Average education level rose from below college level (college=2) in 1992 to above college level in 2007. Over time, those holding central level positions increased their representation among ACC members, while local representation declined, although local officials remained in the majority as of 2007. People's Liberation Army (PLA) representation ebbed and flowed between 12 and 17%.

### **Table 2 Around Here**

Because the dependent variables are binary (promote, not promote and exit, not exit), we estimate the models using logit regressions. In terms of model specification, we use several causally identified designs to address shortfalls in this regard in the existing literature. In essence, the existing literature on the impact of factional ties on cadres' careers mainly compares the promotion probability or the average expected promotion level of cadres with certain factional ties with that of cadres without factional ties (Jia et al. 2014; Opper et al. 2015; Keller 2014; Shih et al. 2012). Despite the robustness of the finding that factional ties helped promotions, this approach suffers from a potential selection bias, which would cause a bias in the estimation. In essence, the observed correlation between factional ties and promotions may be driven by observed and unobserved traits shared by the patrons and promoted officials.

The literature sometimes refers to this as the homophily problem (Knox 2013; Opper et al. 2015). For example, alternate Central Committee (ACC) members with good class background were more likely to be followers of Politburo members, who also had good class background, and also more likely to obtain full CC membership. The observed advantage of connected ACC members to obtain promotion may just be driven by their class background. Thus, comparing the promotion chances of connected ACC members with their unconnected rivals may uncover spurious relationships between factional ties and the promotion of ACC members. At the very least, such an effect might have been over-estimated.

In order to address potential omitted variable bias, we first focus our analysis on only ACC members with at least Politburo or above level connections and estimate the impact on an ACC member's career of a Politburo level patron's promotion into the Standing Committee. We also estimate the impact on an ACC member's career of a Standing Committee level patron's exit from the elite body. However, another selection bias can arise from heterogeneity between ACC members whose patrons received promotions and those whose patrons did not receive promotions. For example, under Deng's open door policies, reform oriented cadres enjoyed a higher chance of being promoted in the 1980s, whereas conservative cadres might have suffered from a higher chance of being forced into retirement. The fate of reformers and conservatives might have flipped in the early-1990 during a generally conservative period. Thus, Politburo promotions and ACC promotions in the same faction might have occurred in tandem because of the shared ideological dispositions of its members rather than due to the promotion or demotion of its patron per se. In the extreme, perhaps all of the promoted Politburo patrons and the promoted ACC members had been reformers in the 1980s, which explains why they were promoted in tandem. Without additional identification, ideology effect might have been misinterpreted as factional effect.

To identify the impact of factional ties, scholars ideally would randomly assign factional ties to junior officials (Knox 2013). However, that is impossible in the real world. In order to control for such selection biases, we include different fixed effect variables to our base model in order to confirm that the effects of promoted and demoted patrons are consistent regardless of unobserved characteristics shared with each other through a variety of formal and informal channels. We use five kinds of fixed effect variables: party congresses, job positions, job categories, individual patrons, and individual ACC member. We control for party congress fixed effect in case



something unusual occurred during a party congress, which resulted in unusually high or low number of promotions or exits.

We control for both positions and job categories, which record an ACC member's job and job category at the time of a party congress. Job position is applied as a proxy of unobserved shared characteristics that potentially affect patron's and follower's career outcomes at the same time. In our model, there are three job categories: central, local, and PLA positions of ACC members. If PLA officials shared some distinct attributions that were prized by the top leadership such as loyalty, it is possible that the simultaneous promotions of Politburo patrons and ACC followers were observed because of the perceived loyalty trait, not because of factional ties between patrons and clients. Another specification is bureaucratic classification by job categories: organization, propaganda, military, economic affairs and industry, civil affairs and security, and others. Officials in the provinces, the State Council, or the military could have specialization in these areas, which could have equipped these officials with skills that were prized by the top leadership. For example, Politburo members and ACC members who had worked in the Ministry of Finance may have had an advantage in obtaining a promotion at a time when the central leadership was planning fiscal reform.

We also control for followers of a given patron in case there is unobserved shared characteristics across the network groups clustered by promoted or exiting patrons (i.e. factions). This eliminates any time-invariant components at the faction level that may confound the estimates. The fixed effect estimator only concerns within faction variations, and thus, any confounder across the network clusters that affect patron's promotions and follower's promotions at the same time, is wiped out. Returning to our example of ideological dispositions, if reformers were systematically promoted in the 1980s and also clustered around a few factions, adding the factional patron dummy would eliminate the unobserved effect of ideology and focus our estimates on the effect of particular patrons getting promoted or demoted.

To be sure, this estimation technique is not without costs. By including dummy variables for factional patrons, we will not be able to capture the effect of patron promotion or demotion on clients who only had one patron, potentially biasing our estimates downward. This potentially is a major bias because presumably the most loyal followers with only one patron can benefit the most from that patron's promotion or is harmed the most from the patron's exit. Therefore, we present results both with and without patron fixed effects. The issue with individual level fixed effect is even greater. Without taking the first difference in the ACC member's status, we don't even have enough observations to make inferences. After taking the first difference, however, this still reduces our observations from 430 to 71.

In all of our estimations, we examine the effect of a patron's promotion to the Politburo Standing Committee (PSC) or demotion from the PSC on a client's fate in the five years after the patron's changed status, including the subsequent party congress.

Our base model is as follow:

$$Y_{it} = \beta_1 PP_{it} + \beta_2 PSC_{it}^D + \gamma_1 PSG_{it} + \gamma_2 PSC_{it}^{ND} + \delta' X_{it} + \sum \omega(A_{it} * C_{it}) + \sum \theta F_{it} + \epsilon_{it}$$

The dependent variable  $Y_{it}$  is the binary indicator that equals one if ACC member  $i$  in  $t$ -th party congress is promoted to full CC membership or removed from ACC membership. We have two main parameters of interest.

First,  $\beta_1$ , represents the effect of  $PP_{it}$  (promoted patron, hereafter), the indicator of ACC member  $i$  being connected to a Politburo members who becomes a PSC members in the current party congress. Second  $\beta_2$  denotes the effect of  $PSC_{it}^D$  (demoted patrons, hereafter) capturing ACC member  $i$  being connected to a PSC member who stepped down from power at the current party congress ( $t$ -th party congress).

$PSG_{it}$ , connection with the current Party Secretary General and,  $PSC_{it}^{ND}$  connection with the current PSC members who are not removed, are also included as control variables since we are only concerned with the marginal impact of a promotion and demotion out of the Politburo Standing Committee.  $X_{it}$  is a vector of individual characteristics of ACC member  $i$  at  $t$ -th party congress such as age, gender, ethnicity, education credentials, the number of years after entering the CCP, whether an ACC member's age is over 55 at  $t$ , and whether a member has worked in the central or PLA departments in the first twenty years of his/her career.

We also include the interaction terms between age over 55 and all the connection variables.  $A_{it}$  refers to a dummy variable whether a member's age is over 55 and  $C_{it}$  indicates a set of the connection variables such as  $PP$ ,  $PSC^D$ ,  $PSG$ , and  $PSC^{ND}$ . Age is one of the most decisive factors in the Chinese political selection process. Age 55 is particularly important because ACC members whose age will exceed 60 in the subsequent party congress will need to retire then due to the formal retirement age (of 60) for vice-ministerial officials, who make up the bulk of ACC members. Therefore, we presume the effect of political connections with the top leadership also significantly differ depending on whether an ACC member's age is over 55 in the current party congress. We are mainly interested in the marginal impact of a patron's status on the careers of ACC members *below* the age of 55 because the fate of those above 55 presumably converged to retirement in the five years after a party congress.

Lastly,  $F_{it}$  is a series of fixed effect variables to control for unobserved components across different sets of configurations. Again, these fixed effects include party congresses, job positions, job categories, individual patrons, and individual ACC member

Due to the small number of observations in the case of individual ACC member fixed effect, we use a first difference estimator for those equations:

$$Y_{it} - Y_{it-1} = \beta_1(PP_{it} - PP_{it-1}) + \beta_2(PSC_{it}^D - PSC_{it-1}^D) + \gamma_1(PSG_{it} - PSG_{it-1}) + \gamma_2(PSC_{it}^{ND} - PSC_{it-1}^{ND}) + \epsilon_{it} - \epsilon_{it-1}$$

In our presentation of the findings on Figure 1 and 2, we are more interested in the average marginal effects (AME) of the patron variables on the probability of promotion or removal than the coefficients of the non-linear logit estimators. Many scholars favor AME over marginal effect at the mean because the sample means of dummy variables are not realistic and it becomes biased when some of the parameter estimates are large (Bartus 2005; Greene 2003; Long 1997; Williams 2012). We calculate the discrete differences of our main patron variables in the predicted probabilities for each observation and average them over all observations. We report logit coefficients in the table, but interpret results by calculating AMEs.

$$AME = \frac{1}{n} \sum_{i=1}^n P(Y=1 | X_i, PAT=1) - P(Y=1 | X_i, PAT=0)$$

## Findings

On Table 3, the results of estimations with different specifications are shown. On the Table, models 1-6

predict ACC promotion chances, while models 7-12 predict the chance of ACC members' exit from the elite body. The main variables of interest are "PSC Promotion," the promotion of a Politburo patron into the PSC, and "PSC Exit," the exit of a PSC level patron through mainly retirement. In essence, as the literature has shown, a patron's promotion into the Politburo Standing Committee had a significant impact on the client's chance of promotion. Similarly, a patron's exit from the PSC negatively impacted the clients' chances of promotion into the Central Committee. These results alone show that the factional bargain was a credible one because a patron not being promoted lowered the chance of the client's own promotion. Worse, a patron's exit from the PSC further reduced a client's own chance of promotion substantially.

What about the impact of a patron's career on the chance of a client losing her job? The results here are nearly as consistent. Across most of our regressions, a promoted patron on average reduced an ACC member's chance of being forced out. This is even the case when we control for individual level fixed effects. Across most of our estimations, having a patron who just left the Standing Committee raised an ACC member's chance of being removed, as expected. For the regression with individual level fixed effect, the coefficient for patron's exit is not significant, although the sign of the coefficient is as expected. Given the steep reduction in the degrees of freedom and increase in standard error, the insignificant coefficient for that model is not unexpected. Taken as a whole, these largely consistent findings suggest that it was in the strong interest of the clients to defend and promote the interests of the patrons because higher status for the patrons brought direct benefits to the clients and prevented them from being removed from office in a highly competitive environment. In contrast, patrons who retired or were purged decreased their followers' chance of promotion and increased the likelihood of their removal from office.

We note that for ACC members above the age of 55, the situation was almost completely reversed. Even with a promoted patron, they saw a reduced chance of promotion, while their chance of demotion rose. This is not surprising. Given the mix of ministerial and vice-ministerial level officials among ACC officials, the expected retirement age for this body of officials was between 60 and 65. As such, if factional rivals were attempting to unseat one's clients, it would not be worthwhile for the patron to defend clients above the age of 55, who would retire a little after five years anyway. The patron's energy was much better spent focusing on those under 55, who had a decent chance serving the next ten or more years at the ACC or even full CC level. In other words, given that patrons themselves faced retirement constraints, even if softer ones, focusing their energy to defend and promote younger ACC members afforded them longer-lasting post-retirement influence.

Our findings also reveal that for those above 55, a patron's exit seems to have little effect on both promotions and exits. Here, the explanation may be the limited political resources of the rivals of a patron, who presumably preferred to focus their resources on younger officials who were expected to serve many more years instead of officials who would have had to retire in a few years anyway. Given their impending political demise through retirement, there was little reason for political opponents to block their promotions or to force them out of their positions. We also find that although incumbent PSC members could not affect the promotion chances of their ACC followers above the age of 55, they were able to defend their followers from being removed.

In terms of the coefficients of our other control variables, being male in the upper echelon of the Chinese Communist Party definitely improved one's chance of being promoted and reduced one's chance of removal. Being an ethnic minority reduced one's chance of gaining entry into the Central Committee, but did not increase

one's chance of losing alternate membership of the Central Committee. This is not surprising given affirmative action for minorities at party congresses at the alternate CC level (Li 2007). Somewhat surprisingly, education was not significant in determining ACC members' fate. As expected, having experience in the central government both afforded a higher chance of promotion and reduced the chance of removal. This variable could be proxying for density of connection in the central government. Having military experience had no impact on promotion or removal at the ACC level, although we suspect such ties may become useful at a higher level, such as promotion into the Standing Committee.

### Table 3 Around Here

To be sure, Table 3 just shows the raw coefficients for logit regressions, which are difficult to interpret. We calculate the average marginal effect (AME) of patron promotion into the PSC and patron removal from the PSC and present them in Figures 1 and 2. Figure 1 plots the AMEs of a patron's promotion and exit for regressions where an ACC member's promotion is the dependent variable, including specifications with no fixed effect and with party congress, job, job category, patron, individual ACC member fixed effects along with whiskers of the 95% confidence intervals. The plotted AMEs show clear advantage of patron promotion on ACC members' own chance of promotion to the tune of 20-35% increase in promotion odds. It also shows that patron exit from the PSC reduced an affiliated ACC member's chance of promotion by 20-35%. This suggests that compared with a client with a promoted patron, the client of an ousted patron had roughly 40-70% lower chance of being promoted.

This made a major difference in the careers of many ACC level officials in the highly competitive tournament for higher offices in the Chinese Communist Party. For example, several officials who had worked closely with Xi Jinping in Zhejiang, including Xia Baolong and Chen Min'er, enjoyed promotions into the Central Committee at the 18<sup>th</sup> Party Congress due to Xi's promotion into PSC at the 17<sup>th</sup> Party Congress. Of course, more Xi followers will be promoted into the CC at the 19<sup>th</sup> PC after Xi became the party secretary general at the 18<sup>th</sup> Party Congress. In contrast, several promising ACC level officials in 2007, including former Shanxi Provincial Vice Governor Chen Chuanping and China Commercial Aircraft Corporation CEO Jin Zhuanglong, may have languished as ACC members at the 18<sup>th</sup> PC due to patrons' retirement or purge.

In Figure 2, we present the AMEs of patron promotion and exit on an ACC member's own exit for models without fixed effects and with party congress, job, job category, patron, and individual ACC member fixed effects. Here, the impact of patron's promotion is also very clear. When a Politburo level patron was promoted to the Standing Committee, the clients' chance of being removed decreased by 10-30%, depending on model specifications. A particularly glaring example is Politburo member Li Zhanshu, who, at the age of 57, had been an aging vice governor on his way to an early retirement at the 2007 17<sup>th</sup> Party Congress. After all, he would have been 62 by the 18<sup>th</sup> Party Congress in 2012, two years above the retirement age for vice provincial level officials. However, his long-time friend Xi Jinping was promoted to the Politburo Standing Committee in 2007. After that, Li's risk of being removed plummeted as he enjoyed a series of rapid promotions, culminating to his elevation straight to the Politburo at the 18<sup>th</sup> Party Congress, where the retirement age was 70 or above. In the mean time, when a Politburo Standing Committee level patron retires or is purged, her clients' chance of being removed rose by 10-15%. The exits of numerous Zhou Yongkang and Hu Jintao followers since the 18<sup>th</sup> Party Congress have followed this pattern. Similar to promotions, the risks of being removed also differed drastically depending on

whether one's patron had been promoted or removed.

### Figure 1 and 2 Around Here

## Discussion

Scholars of authoritarian politics have long assumed that the factional bargain was a worthwhile one for both the patrons and the clients, else they wouldn't have struck the implicit bargain in the first place. Although this model has been a powerful tool in analyzing elections in electoral autocracies, economic allocation in rentier states, and promotions in one-party dictatorships, it is not without problems. In authoritarian states without regular elections, what were clients delivering to patrons in exchange for regular monetary and political benefits? To be sure, patrons counted on clients to help them when political challenges emerged, but in systems without regular elections or institutionalized power competition, how could patrons know that the clients would have come to their aid when the crucial moment arrived? For high level politicians in one-party states, pyramidal party structure and regular turnovers at the lower level afforded patrons a mechanism to ensure loyalty. Because promotions were fiercely fought over in a pyramidal system, clients knew that they must have the support of strong patrons to receive a promotion or even to retain their current positions. This created incentive for clients to help maximize the power of the patrons, regardless of whether the clients were genuinely loyal and regardless of the patron's ability monitor clients' loyalty.

In our empirical analysis, which takes into account several potential selection biases, we find that patron's promotion and exit had a clear effect on the client's chance of promotion. This alone created incentives for the client to struggle on behalf of the patron. We also clearly show that a patron's well-being also affected the clients' ability to hold on to existing positions as alternate members of the Central Committee. This linkage provided the strongest incentive for lower level clients to support their patrons because the fall of one's patron potentially meant the end of one's career.

The self-enforceability of patron-client relationships may have provided another reason for the relative longevity of one-party states. Because regular turnovers afforded patrons a credible way of incentivizing clients, patrons had no need to initiate overt political competition with rivals in order to discern the loyalty of clients. Still, one party dictatorships such as China and the early Soviet Union saw major political turmoil initiated by the top level leaders of these regimes. Why? Both Mao and Stalin faced entrenched elites of revolutionary veterans who had carved out empires for themselves. Because these revolutionary veterans had been relatively young in the two decades or so after these regimes had come to power, they were not going to retire, thus minimizing turnovers in the leadership. For elite patrons, this presented a problem because low turnovers did not incentivize clients, especially those who were not revolutionary veterans, to struggle on behalf of the patrons. This left the dictators even more vulnerable to challenges by coalitions of rival revolutionary veterans.

In China, when Mao announced a delay of holding the party congress, which would have delayed turnovers, no one objected, suggesting that the political elite preferred the status quo of low turnover. Future historical and

quantitative research may explore whether the desire to create incentive compatible clients constituted an important reason for Stalin and Mao to each launch their bloody purges against entrenched elites. In both the Soviet Union and in China, elite turnovers accelerated long after the purges. In China, Deng continued Mao's system of regular elite turnovers, albeit under the more peaceful guise of retirement rather than radical revolution. Finally, the need to launch these purges may highlight a fundamental dilemma of authoritarian rule. Even when the struggle to obtain absolute power succeeded, the top leader of the regime still needed to generate political competition and elite turnovers, else faced lackeys whose loyalty was increasingly uncertain.

**Table 1: Mobility of ACC Members**

<i>Description</i>	<i>Alternative Central Committee</i>
<b>Party Committee</b>	From 14 <sup>th</sup> to 17 <sup>th</sup>
<b>N (Unique N)</b>	606 (475)
<b>Removal in the Next Term (0)</b>	162 (37.24%)
<b>Promotion in the Next Term (1)</b>	157 (36.09%)
<b>Removal after Two Terms (0,0)</b>	66 (15.17%)
<b>Promotion after Two Terms (0,1)</b>	31 (7.12%)
<b>Removal after Three Terms (0,0,0)</b>	9 (2.07%)
<b>Promotion after Three Terms (0,0,1)</b>	5 (1.15%)

**Table 2: Summary Statistics by Party Congress (1992-2015)**

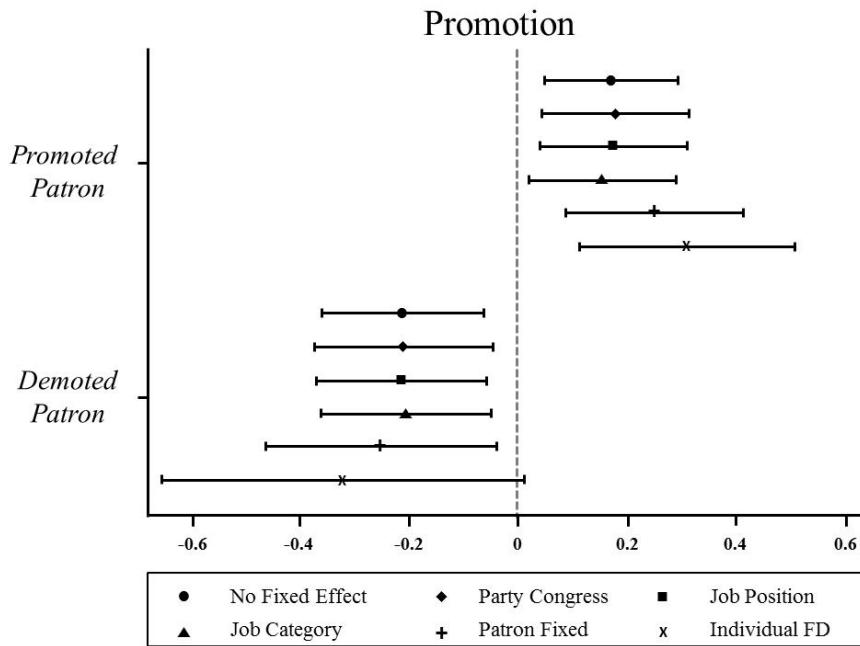
	<i>14th</i>	<i>15th</i>	<i>16th</i>	<i>17th</i>
<b>N</b>	130	151	158	167
<b>Promotion</b>	46 (35.38%)	42 (27.81%)	47 (29.74%)	59 (35.33%)
<b>Removal</b>	40 (30.77%)	66 (43.71%)	68 (43.04%)	63 (37.72%)
<b>Tied N</b>	75 (57.69%)	105 (69.53%)	123 (77.84%)	127 (76.04%)
<b>Tied Promotion</b>	27 (36.00%)	32 (30.47%)	41 (33.33%)	46 (36.22%)
<b>Tied Removal</b>	23 (30.67%)	43 (40.95%)	49 (39.84%)	49 (38.58%)
<b>Promoted Patron Ties</b>	14 (13.08%)	115 (76.66%)	70 (28.45%)	113 (50.44%)
<b>Demoted Patron Ties</b>	10 (9.345%)	74 (49.33%)	82 (33.33%)	130 (58.03%)
<b>Position:</b>				
Central Position	35 (26.92%)	36 (23.84%)	45 (28.48%)	54 (32.34%)
Local Position	75 (57.69%)	89 (58.94%)	93 (58.86%)	90 (53.89%)
PLA Position	20 (15.38%)	26 (17.22%)	20 (12.66%)	23 (13.77%)
<b>Job Category:</b>				
Organ. & Propa.	45 (34.61%)	66 (29.80%)	67 (42.41%)	56 (33.53%)
Military	21 (16.15%)	25 (16.56%)	19 (12.03%)	24 (14.37%)
Econ. & Industry	19 (14.61%)	19 (12.58%)	24 (15.19%)	33 (19.76%)
Civil & Security	9 (06.92%)	11 (07.28%)	16 (10.13%)	17 (10.18%)
Others	28 (21.53%)	27 (17.88%)	29 (18.35%)	35 (20.95%)
<b>Biography:</b>				
Age	58.02	57.46	58.01	57.82
Age over 55	0.25	0.32	0.36	0.25
Party Experience	36.3	33.25	32.45	33.57
Male	0.90	0.92	0.89	0.87
Minority	0.15	0.15	0.16	0.14
Education	1.89	2.11	2.12	2.44
Central Experience	0.49	0.43	0.54	0.61
PLA Experience	0.21	0.21	0.20	0.16

**Table 3: The Impact of Patron Promotion Into or Retirement From the Politburo Standing Committee on ACC Member's Own Promotion into the Central Committee or Exit from Alternate Membership**

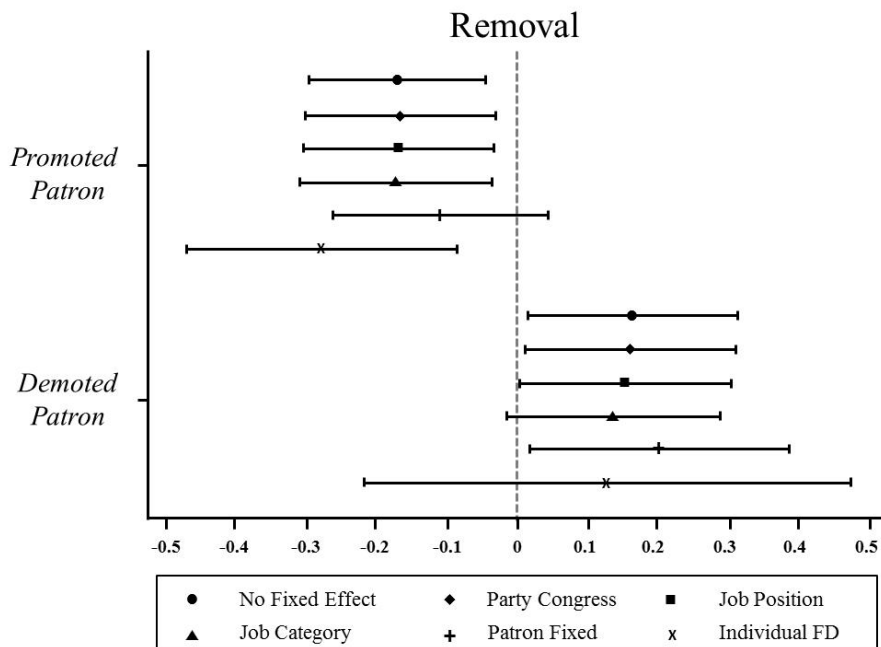
VARIABLES	(1) Promotion	(2) Promotion	(3) Promotion	(4) Promotion	(5) Promotion	(6) Promotion	(7) Removal	(8) Removal	(9) Removal	(10) Removal	(11) Removal	(12) Removal
Age	0.0200 (0.0411)	0.0214 (0.0413)	0.0308 (0.0422)	0.00680 (0.0453)	0.0672 (0.0641)		0.279*** (0.0512)	0.274*** (0.0513)	0.281*** (0.0521)	0.291*** (0.0536)	0.358*** (0.0699)	
Age over 55	-1.014** (0.467)	-1.021** (0.470)	-0.966** (0.477)	-0.770 (0.495)	-1.318* (0.684)		0.520 (0.464)	0.572 (0.468)	0.628 (0.475)	0.597 (0.485)	1.444** (0.662)	
Party Exp.	0.0164 (0.0205)	0.0181 (0.0209)	0.0250 (0.0212)	0.00735 (0.0240)	0.0215 (0.0321)		-0.0150 (0.0206)	-0.0192 (0.0210)	-0.0148 (0.0214)	-0.00066 (0.0232)	-0.00539 (0.0323)	
Male	1.818*** (0.473)	1.813*** (0.474)	1.842*** (0.474)	1.910*** (0.504)	2.122*** (0.660)		-0.808** (0.370)	-0.760** (0.371)	-0.721* (0.375)	-0.647* (0.386)	-0.987* (0.515)	
Minority	-1.066*** (0.379)	-1.048*** (0.382)	-1.081*** (0.383)	-1.265*** (0.408)	-1.242** (0.593)		0.367 (0.351)	0.288 (0.354)	0.255 (0.358)	0.257 (0.356)	-0.107 (0.524)	
Education	0.361 (0.223)	0.420* (0.252)	0.342 (0.254)	0.205 (0.273)	0.285 (0.364)		0.0291 (0.234)	-0.158 (0.265)	-0.205 (0.269)	-0.142 (0.276)	-0.394 (0.371)	
Central Exp.	0.898*** (0.268)	0.899*** (0.300)	0.920*** (0.300)	0.974*** (0.323)	0.582 (0.516)		-0.950*** (0.306)	-0.919*** (0.305)	-0.850** (0.338)	-0.904** (0.352)	-0.824 (0.547)	
PLA Exp.	-0.382 (0.341)	-0.380 (0.345)	0.260 (0.445)	0.380 (0.465)	0.468 (0.721)		0.131 (0.359)	0.113 (0.367)	0.492 (0.462)	0.435 (0.467)	1.542* (0.923)	
PSG Tie	0.654 (0.416)	0.649 (0.416)	0.634 (0.419)	0.876* (0.457)	1.477* (0.852)	0.0747 (0.651)	-0.704 (0.490)	-0.685 (0.492)	-0.702 (0.493)	-0.711 (0.497)	-1.022 (0.819)	-0.380 (0.614)
PSC Tie	-0.511 (0.390)	-0.529 (0.409)	-0.620 (0.414)	-0.724 (0.441)	-1.318* (0.690)	-0.983 (0.676)	1.101** (0.428)	1.218*** (0.454)	1.161** (0.457)	1.150** (0.467)	0.969 (0.662)	0.774 (0.642)
<b>PSC Promotion</b>	<b>0.932***</b> (0.354)	<b>0.972**</b> (0.386)	<b>0.966**</b> (0.387)	<b>0.935**</b> (0.416)	<b>2.058***</b> (0.673)	<b>1.686***</b> (0.638)	<b>-0.716*</b> (0.387)	<b>-0.886**</b> (0.425)	<b>-0.901**</b> (0.429)	<b>-0.864**</b> (0.439)	<b>-0.854</b> (0.626)	<b>-1.345**</b> (0.559)
<b>Exit from PSC</b>	<b>-1.146***</b> (0.443)	<b>-1.141**</b> (0.449)	<b>-1.169***</b> (0.449)	<b>-1.229**</b> (0.485)	<b>-2.060**</b> (0.901)	<b>-1.755*</b> (0.998)	<b>0.979**</b> (0.461)	<b>0.964**</b> (0.466)	<b>0.929**</b> (0.470)	<b>0.859*</b> (0.479)	<b>1.633**</b> (0.768)	0.622 (0.868)
Age55*Promotion	-1.949** (0.757)	-1.949** (0.759)	-1.733** (0.762)	-1.776** (0.784)	-2.944*** (1.068)		1.460** (0.685)	1.505** (0.687)	1.635** (0.696)	1.597** (0.703)	2.852*** (1.012)	
Age55*Exit	0.168 (0.821)	0.158 (0.825)	-0.115 (0.838)	-0.179 (0.859)	1.144 (1.214)		-0.617 (0.731)	-0.628 (0.736)	-0.779 (0.760)	-0.753 (0.768)	-2.101** (1.045)	
Age55*PS Tie	0.279 (1.040)	0.282 (1.049)	0.145 (1.056)	-0.191 (1.102)	-0.0715 (1.585)		-0.187 (1.006)	-0.155 (1.024)	-0.232 (1.018)	-0.112 (1.028)	-0.0630 (1.506)	
Age55*PSC Tie	0.664 (0.690)	0.653 (0.695)	0.367 (0.709)	0.354 (0.736)	1.785* (1.034)		-1.193* (0.680)	-1.239* (0.683)	-1.414** (0.702)	-1.406** (0.716)	-2.426** (1.000)	
PC Fixed	NO	YES	YES	YES	YES	NO	NO	YES	YES	YES	YES	NO
Position Fixed	NO	NO	YES	YES	YES	NO	NO	NO	YES	YES	YES	NO
Category Fixed	NO	NO	NO	YES	YES	NO	NO	NO	NO	YES	YES	NO
Patron Fixed	NO	NO	NO	NO	YES	NO	NO	NO	NO	NO	YES	NO
Individual FD	NO	NO	NO	NO	NO	YES	NO	NO	NO	NO	NO	YES
Observations	430	430	430	430	422	71	430	430	430	430	426	71



**Figure 1: The Marginal Effect of Patron's Promotion and Exit on ACC Member's Promotion, with No Fixed Effects and Party Congress, Position, Job Category, Patron, and Individual Fixed Effects, with 95% Confidence Intervals**



**Figure 2: The Marginal Effect of Patron's Promotion and Exit on ACC Member's Removal, with No Fixed Effect and with Party Congress, Position, Job Category, Patron, and Individual Fixed Effects, with 95% Confidence Intervals**



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