Institutions and Inequality in Single-Party Regimes: A Comparative Analysis of Vietnam and China

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Abstract: Despite the fact that China and Vietnam have been the world's two fastest growing economies over the past two decades, their income inequality patterns are very different. In this paper, we take a deep look at political institutions in the two countries, demonstrating that profound differences between these polities influence distributional choices. In particular, we find that elite institutions in Vietnam encourage the construction of broader policy-making coalitions, have more competitive selection processes, and place more constraints on executive decision-making than exists by way of elite institutions in China. As a result, there are stronger political motivations for Vietnamese leaders to provide equalizing transfers that limit inequality growth among provinces.

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Despite the fact that China (9.88%) and Vietnam (7.53%) have been the world's two fastest growing economies over the past two decades, 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. All predict higher inequality growth in Vietnam. Conversely, socio-cultural explanations predict similar inequality across cases. Macro-level political science measurements of institutional difference are also insufficient, with China and Vietnam coded exactly the same,ⁱ thus blurring differences in the powers, representativeness, and competitiveness of elite political institutions within these single-party regimes.

In this article, we argue that 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. The differences that we consider are well-documented in the political economy of democracies literature and show that institutional configurations can redistribute political power to the economically disadvantaged, ultimately leading to more balanced economic initiatives.ⁱⁱ

To begin, scholars in this literature have demonstrated the importance of broad coalitions to ensure political victory. Wider numbers of actors with the ability to run for office and participate in the selection of office-holders limits economic inequality, because the interests of a greater number of actors must be accounted for when constructing coalitions over 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.ⁱⁱⁱ Other scholars assign more weight to the diversity of policy preferences represented in broad coalitions.^{iv} The bottom line remains the same; the more open the policy-making process is to divergent interests, the more likely we are to see greater public goods provision and redistributive policies.^v

Underpinning this outcome is the important and related institution of electoral rules, which influence 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.^{vi}

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. Our work sets out to meet this deficiency,

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thus contributing to an existing literature on authoritarian typologies and their sub-types. Through this lens, scholars have explained divergent outcomes across military juntas, monarchies, dictatorships, and single-party states. These outcomes include regime longevity,^{vii} rates of economic growth,^{viii} and corruption.^{ix} These accounts arrive at a dead-end, however, when it comes to intermediate cases^x or variation within sub-types, as in the case of Vietnam and China.

Using insights from the political economy of democracies literature instead, we look at differences in elite political institutions to make sense of divergent income inequality patterns within these two single-party regimes. We find 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. Specifically, we find that 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.
- Greater electoral competition. Vietnam has 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, as we demonstrate, 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.

We make our case in Section 1 by elucidating our dependent variable - economic inequality, demonstrating that inequality growth is less pronounced in Vietnam across a range of different measures, and that structural, economic, and socio-cultural explanations fail to account for the difference. While we recognize that inequality is a multi-dimensional phenomenon, we illustrate that 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. Respectively, equalizing transfers represent 6% and 2% of GDP in Vietnam and China. In 2006, these transfers were 200% larger than locally produced revenue in the median Vietnamese province

and over 700% in its poorest. We demonstrate empirically that 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 we contend originates in differences within the elite political institutions of Vietnam and China, and not necessarily the type of authoritarian regime. Consequently, in Section 2 we turn to our explanatory variable, political institutions, charting differences across cases and linking them to redistributive choices.

1. 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 importantly, since 1993, the first date of available comparable household surveys, China's inequality grew at an annualized rate of 1.35% compared to Vietnam's 0.55%.^{xi} 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.^{xii}

The most well-known explanation for differences in inequality is the Kuznets hypothesis of a quadratic relationship between per capita income and inequality.^{xiii} As others observed, rapid economic growth at low starting levels of GDP per capita is associated with rising levels of income inequality.^{xiv} 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.^{xv} Nonetheless, they offer a helpful starting point for thinking about differences in income inequality between the two cases.^{xvi} 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.^{xvii} 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. Kuznets hypothesis would have expected just the opposite, based on China's greater wealth and earlier implementation of structural reforms.^{xviii} 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 strikingly, 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% as compared to 10.8% for China.^{xix}

1.1. Theoretical Explanations for Increasing Inequality

A host of alternative theories on the relation between growth and inequality exist. These arguments 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.

Turning first to global economic integration, some argue that it is a source of distributional differences and therefore inequality.^{xx} Vietnam is, however, more exposed to the international economy both in terms of exports (68% to 34%) and foreign direct investment inflows as a percentage of GDP (4% to 3%). Perhaps other structural differences are more relevant. There is no question, for example, that China has a considerably larger population than Vietnam, that of 1.4 billion to 84 million respectively. However, cross-national empirical investigations of the relation between population size and inequality document a significant negative relationship.^{xxi} Vietnam is also the twelfth largest country in the world (population 84 million, 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.^{xxii} 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 (*kinl*) account for 86% of the Vietnamese population, as compared to Chinese (*hun*) dominance in their country of 92%.^{xxiii} Finally, Vietnam's relatively higher rural population

(74% to China's 61%) and larger agricultural sector (20% of GDP to China's 12%) also predict faster inequality growth.xxiv

The two leading explanations for inequality growth among China specialists (household registration and special economic zones (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 *ho khẩu* in Vietnam) intact, restricting permanent rural-to-urban migration and furthering rural-based industrial development that might be expected to ameliorate inequality growth.^{xxv} 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.^{xxvi} China's greater reliance on wage employment for income source also indicates that income distribution should be less unequal.^{xxvii}

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.xxviii 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.xxix 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.xxx For our purposes, then, 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.xxxi To answer, we look to redistributive transfers, arguing that they take us a good deal further in understanding the political roots of income inequality in China and Vietnam.xxxii

1.2. Economic Transfers: Divergent Central-Provincial Fiscal Arrangements and their Effect on Income Inequality

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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.^{xxxiii} Vietnam's higher public expenditures continue even if we include Chinese extra-budgetary expenditures, one incurred mainly by local governments and which do not appear in national accounts.^{xxxiv}

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, we need to look at sub-categories of fiscal transfers across cases and their effect. To start, it important to note that 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.^{xxxv} 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 might potentially be used for development, their role in reducing disparities is not explicit. In fact, these transfers are usually counter-equalizing as local governments with larger tax bases receive more of these transfers and rebate types.^{xxxvi} In 2006, central transfers accounted for over 6% 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 pre-set 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.^{xxxvii} 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, we can compare China's redistribution efforts directly with those of Vietnam.

[TABLE 1 ABOUT HERE]

Consistent budget data on 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 (5.73% to 1.71%) than China. 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% to 2.24%) 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% to 0.18%), nearly twice as much on basic education (4.33% to 2.52%), and slightly more on public expenditures for health (1.30% to 0.80%). These categories are especially notable given that China analysts have identified them as key drivers of inequality.xxxviii

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 64 and China's 32 provinces allows us to examine this question. In Figure 1, we depict the important role of fiscal arrangements in the two countries 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. On the y-axis, we display the relative share of the outcome variable (revenue/public expenditure) for which each province is responsible. Pre-transfer 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% of Vietnam's population. Here, we can see dramatically that the poorest 60% of provinces in Vietnam earn only 13% of the country's locally-collected tax revenue, but are responsible for roughly 45% of public expenditures. In China by contrast, the poorest 60% of provinces produce 35% of local revenue and account for 48% of expenditures. Thus, both countries show signs of fiscal equalization, but Vietnam far more dramatically aids its poorer regions.^{xxxix}

[FIGURE 1 ABOUT HERE]

More generally, the above 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 is about \$2500 in 2008.^{x1} Given that household expenditures are used in the calculation of Gini-coefficients, it is clear that 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.^{xli}

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 this happened and its implications for our understanding of political decision-making within authoritarian regimes is the focus of the next section.

2. Political Accountability in Authoritarian Regimes: Moving Beyond Typologies

2.1 The Origins of Divergent Political Institutions

We begin with a discussion of the origin of the modern institutions in the two countries, demonstrating that 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 the Politburo with its General Secretary serving as the paramount leader. Party elders were active in both countries, occasionally intervening by extra-constitutional means in key decisions.^{xlii} Separate Presidents and Premiers also existed in both states, exercising powers over policy that procedurally limited the strength of the General Secretary. 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.^{xliii}

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 instead emerged. The unconstitutional selection of the Jiang Zemin, the first post-Tiananmen General Secretary at a special session of the Politburo Standing Committee (PBSC) that included notable elders only further weakened the CCOM as the relevant institution for leadership selection.^{stiv} Deng's support of 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.^{stiv} The legacy of these institutional changes is enshrined in China's institutional architecture today.

In Vietnam, by contrast, four of the most important figures on the Politburo, each linked to the country's anti-colonial 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

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criticism, both for years of economic crisis and continued war in Cambodia.^{xtvi} 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, and 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 now gone, political competition among the new elite strengthened.^{xlvii} As no individual or sub-group was able to trump the others, a series of mutually self-serving compromises resulted. Of 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.^{xlviii} 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 organization.^{xlix}

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 administered the bureaucracy (Prime Minister); and a Chairman of the State Council (President) held primarily ceremonial responsibilities. This architecture was revised as part of a compromise at the 1991 7th Party Congress.¹ 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 the General Secretary Do Muoi. These supporters of the state sector faced resistance from a second group of modernizers led by Kiet, who wanted to see further opening to the international economy and bolstering of the domestic private sector.¹⁶ 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.¹⁶ The three groups debated up through the first plenum of the 7th CCOM, where a compromise was finally reached. Namely, all three sides acquired institutionalized cross-cutting powers, and made sure this deal was codified in the revised 1992 Vietnamese Constitution, leading to the cross-checking power we see today 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.^{liii}

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. Below we document the specific outcomes of these changes in Vietnam, showing 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 move forward with economic policies. We contrast this outcome with what has occurred in China since the 1990s.

2.2. 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 25member 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. After illustrating the institutional differences between the regimes, we show how 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.^{liv}

The Chinese CCOM, which presently has 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 the 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.^{Iv} In these cases, the CCOM becomes the bargaining arena between various blocs or factions.^{Ivi} 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.^{Ivii}

In Vietnam, the CCOM has had a more institutionalized presence and plays a far more decisive role in national policy debates since 1991.^[Niii] 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 the General Secretary of the Party. Its members selected instead the President of the National Assembly, Nong Duc Manh.^[ix] 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.^[k] 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, we can observe the higher significance of the CCOM as an institution in Vietnam, as compared to China, 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.^{1xi} The Chinese CCOM is required to convene plenums only once per year, according to the Party Constitution.^{1xii} In contrast, the Vietnamese CCOM is obligated by Article 16 of its party statutes to meet at least twice a year,

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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 need of Vietnamese leaders to reconvene the CCOM for important decisions brings its 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.^{1siji} 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 financial crises in 1998 and 2008, reflecting a need to secure consensus across the wider group of individuals who comprise Vietnam's winning coalition within the CCOM.^{1siv}

Former Vietnamese Prime Minister Kiet, recently summarized the relationship between CCOM and Politburo as one of a legislature (CCOM) and an executive that implements the CCOM's decisions (the Politburo), making clear to emphasize that the Politburo does not rank above ($c\dot{a}p$ trên) the CCOM.^{lxv} 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 they are all 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, because it 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.^{lsvi} Most Vietnamese local leaders were born in the provinces they represent.^{lsvii}

2.3. 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. In this section, we demonstrate that Vietnam has a more open and competitive selection process for top political office than currently exists in China, with the result being 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 non-democratic 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 "innerparty democracy." Due to space constraints, we focus our attention only on party elections and reserve government contests for future work. The two countries differ dramatically in the competitiveness of their elections, as measured by number of candidates and the 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.^{[xviii}]

In China, the Politburo of the outgoing CCOM recommends a list of candidates at the Party Congress. The list is then voted on by delegates at the Congress, who choose both full and alternate members of the CCOM. The 13th Party Congress (1987) introduced a competition mechanism for the CCOM selection, allowing the number of candidates to exceed the number of seats by 5%. Since then, the rejection rate for the full nominees has been fixed at 5%. It increased to 8% in the 17th Party Congress,^{lxix} 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.^{lxx}

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

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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.^{Ixxi} 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 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 in terms of 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. To give an example, the *outgoing* ninth CCOM in 2006 prepared a list of 175 candidates for full members and 30 alternate members at the 10th 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 selfnominated. 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 10th Congress and two were self-nominated. Forty-six candidates were nominated for non-voting, alternate positions. From the list, the 10th Congress elected 160 full members and 25 alternates, rejecting 23% and 54% respectively.^{[axii} It is important to note that all nominees of the outgoing CCOM were elected.

Of note is that 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 that 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.

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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 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 9th Congress (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 10th 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.^{Ixxiii} 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 selectorate.^{Ixxiv}

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 seen themselves voted out of office on several occasions in Vietnam. 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,^{lxxv} 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 on CCOM combined with the greater importance of the institution helps us to understand why Vietnam

opted for a fiscal system so strongly weighted toward regional redistribution. Local delegates represent almost 42% of votes in the CCOM. While they may disagree on economic policy occasionally, provincial interests nonetheless must be included in any winning coalition over economic policy.^{lxxvi} The effect of provincial interests on prospective voting will likely grow even stronger in Vietnam. Provincial representatives now possess 71% of the alternate seats, which is 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 logrolling to win acquiescence in votes for policy changes. Based on this logic, we should observe that Vietnamese leaders choose economic policies more broadly beneficial, as more individual interests must be taken into account. Pincus and 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 10 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% of Vietnam's job growth and nonoil budget revenues -- is stretched to the breaking point."^{hxxvii}

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 ABOUT HERE]

The relative degree of competitiveness of elections and power of the CCOM in each country reinforce one another in their impact on inequality. For Vietnam, the need to win over a more diverse

coalition of voters only matters because the CCOM is the most critical decision-making body, while the elections force leaders to use redistributive spending as a way of ensuring 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 aligned without the need to engage in redistributive policies that garnered more votes. This appears to have been the case for China since the 1990s.

3. Conclusion

This study demonstrates that if scholars open up the black-boxes of regime type, and autocratic typology in particular, they can obtain more leverage on critical policy outcomes. At stake is a move away from assuming a link between regime type and political behavior. We need to focus instead on how elite political institutions operate in authoritarian practice and 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. Once we drill 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 semi-competitive 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. Our primary dependent variable has been economic inequality, but we believe this is only the beginning of potential outcomes that can be explored through the lens of institutional configurations within authoritarian types. Most immediately, there is reason to suspect that Vietnam's architecture privileges equality over long-term growth prospects by choking off development in its economic engine.

Table 1: Differences in Transfer Regimes									
Year	Governmemt Expenditures/GDP		GovernmemtIncluding Extra- budgetary ExpendituresEqualizing Transfers 				Development Investment/ GDP		
	China	Vietnam	China	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%		
Average	18.19%	27.68%	21.21%	1.71%	5.73%	2.24%	9.01%		
Year	National Poverty Programs/ GDP			Education and Training Expenditures/ GDP		Education and Training Expenditures/ GDP Health			
	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%		
Average	0.18%	0.48%		2.52%	4.33%	0.80%	1.30%		

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); 4.) Vietnamese Ministry of Finance National Budgets (www.mof.gov.vn). <u>Equalizing Transfers</u> 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. <u>Development Investment</u> includes capital outlays for infrastructure, investment in support of enterprises and socio-economic organizations, supplements to state reserves, targeted national programs for social welfare and poverty alleviation, and other investments as provided for by law. Data on Extra-budgetary expenditures from Wong 2007 (Similar data not available for Vietnam).



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% of provinces. Raw data is from Chinese National Bureau of Statistics and Vietnamese Ministry of Finance & General Statistical Office.



Figure 2: Association between Public Investment and Party Congresses

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

Institutions and Inequality in Single-Party Regimes: A Comparative Analysis of Vietnam and China

Web Appendix

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This appendix includes supplemental material for which there was no space in the *Comparative Politics* manuscript.

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Appendix 1: Kuznets Predictions v. Actual Relationship between Growth and Inequality

Here, we plot with solid lines the growth of their expenditure inequality between 1993 and 2004. As a reference, we simulate the Kuznets curve, based on the Higgins and Williamson (2002: 284) panel estimates of inequality for over 100 different countries. This is shown by the dotted black line. Along that curve, we plot the estimated relationships (shown with dashes) between changes in GDP per capita and Gini coefficients, calculated based on the line tangent to their respective incomes in 1993. 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. A one-unit shift in Vietnam's income is therefore predicted to yield a 6-point rise in inequality as opposed to a 5-point increase for China. In actuality, inequality rose at a slower pace in Vietnam between 1993 and 2004. The slope was 3.4 as compared to China's 4.9. Data from World Bank 2007.



Appendix 2: GDP Growth and Total Expenditures in China and Vietnam

In Appendix 1, we can see that throughout the period under consideration, Vietnam devoted a larger percentage of its national income to government spending, a common proxy for transfers in comparative political economy (Easterly and Rebelo 1993). Vietnam's higher public expenditures continue even if we include Chinese extra-budgetary expenditures, one incurred mainly by local governments and which do not appear in national accounts (Wong 2007). Note: Data from World Bank 2007 and data on Extrabudgetary Expenditures from Wong 2007.



Appendix 3: Distribution of Household Expenditures in Vietnamese and Chinese Provinces

To facilitate comparison, all figures are shown in constant 1993 US Dollars. Diamonds represent the average household expenditures in the median province. Range bars represent household expenditures in minimum and maximum provinces. Both countries show the well-documented growth in household expenditures for the median provinces, but the range 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 average household in the richest province currently spends \$521 more than the average household in rural areas and \$753 more than the average household in urban areas. Comparing the average Chinese households in the richest urban province and the average household in the poorest rural province, the difference is \$1162, doubling since 1993.



Appendix 4: Flow Chart of Chinese and Vietnamese Polities

Appendix 3 offers a schematic overview of the political systems of Vietnam and China. On the left side of each diagram is the Communist Party structure, including the Party Congress, CCOM, Politburo, and Politburo Standing Committee the latter of which only exists in China. The membership size of these institutions has varied slightly over time, with final membership size decided at each country's Communist Party Congress held every five years. The right side contains the government or administrative apparatus. Though names differ slightly, China and Vietnam both have elected parliaments (National Assembly (NA)/National People's Congress (NPC)) and an executive nominally approved by the Congress that presides over the government ministries (the Prime Minister /Premier).

Appendix 5: Differences in Inequality and Divergence in Vietnam and China

Panel 1: Indicators of Inequality	China	Vietnam	Source
Gini Coefficient in 2004 (Based on Household Expenditures)	47.25	37.08	ADB 2007
Gini Coefficient in 2004 (Based on Income)	50	37	MBB 2008
Expenditure Ratio of Top 20%/Bottom 20%	11.37	6.24	ADB 2007
Percentage of Population Living on under \$1 per day in 2004	10.8	8.4	ADB 2007
Life Expectancy at Birth	72.5	73.7	HDR 2007
Infant Mortality (per 1,000 Births) in 2004	23	16	WDI 2007
Adult Illiteracy Rate	90.9	90.3	HDR 2007
People without access to improved water source (%)	23	15	HDR 2007
Access to Primary School (lowest region) 2004	57.79	99.3	WDI 2007
Access to Health Facilities (lowest region) 2004	61.1	96.6	WDI 2007
Panel 2: Changes in Inequality	China	Vietnam	Source
Annualized Growth in Expenditure Gini since 1993	1.35	0.55	ADB 2007
Annualized Growth in Income Gini since 1993	11.57	-1.62	MBB 2008
Annualized Growth in Expenditure Ratio since 1993	2.68	1.31	ADB 2007
Δ Expenditures of Top 20%/ Δ Expenditures of Bottom 20%	7.1/3.4	4.69/3.37	ADB 2007
Δ Percentage of Population Living on under \$1 per day since 1990	21.7	42.3	ADB 2007
Δ Infant Mortality since 1993	15	22	WDI 2007

(On a range of measures, inequality is lower in Vietnam and has grown at a slower rate.)

ADB: Asian Development Bank. 2007. Key Indicators 2007. Asian Development Bank: Manila, Philippines; WDI: World Bank. 2007. World Development Indicators. World Bank: Washington, DC (http://devdata.worldbank.org.ezp2.harvard.edu/dataonline/); HDR: United Nations Development Program. 2007. Human Development Report 2007/2008: Fighting Climate Change: Human Solidarity in a Divided World. UNDP: New York; MBB: McCaig, Brian, Dwayne Benjamin, and Loren Brandt. 2008. "The Evolution of Income Inequality in Vietnam 1993-2006". Manuscript; Benjamin, Dwayne, Loren Brandt, John Giles, and Sangui Wang. 2008. "Income Inequality During China's Economic Transition." Chapter 18 of China's Great Economic Transformation, ed. Loren Brandt and Thomas Rawski. Cambridge: Cambridge University Press.

Appendix 6: Theoretical Determinants of Inequality in Vietnam and China

	and pointed out	produce p						
Determinants	China	Vietnam	Theoretical Predictions	Source				
GDP per capita in 2004 (Constant 2000 US\$)	1323.14	503.27	H1: A Cini Vietnam > A Cini China	WDI 2007				
Average Growth in GDP (1993-2004)	9.88	7.53	$111. \Delta Olin Vietnan > \Delta Olin China$	WDI 2007				
Exports as a Percentage of GDP in 2004	34	68	H2: Cini Vietnem > Cini Chine	WDI 2007				
FDI as a Percentage of GDP in 2004	3	4	112. Ghin vietnam > Ghin China	WDI 2007				
Population Density (people per square mile)	139	264	H3: A Cini Vietnam > A Cini China	WDI 2007				
Average Population Growth (1993-2004)	0.89	1.45	115. Δ Ohn Vietnam $\geq \Delta$ Ohn China	WDI 2007				
Percentage of Population Urban	39	26	H4: Cini Vietnem > Cini Chine	WDI 2007				
Percentage of GDP from Agriculture	11.8	20.4	114. Oni vietnam > Oni China	WDI 2007				
Ethnic Fractionalization 2003	0.154	0.223		Fearon 2003				
Percentage of Population from Dominant Ethnicity	92	86	H5: Gini Vietnam > Gini China	Fearon 2003				
Cultural Fractionalization 2003	0.154	0.21		Fearon 2003				
Dominant Cultural Influence	Confucist	Confucist	H6: Gini Vietnam = Gini China	Kelley 2006				
Full Hypotheses								

(Most common theories in economics and political science predict higher inequality for Vietnam)

H1: Kuznets Inverted U (1955) - Growth should lead to increasing inequality up to a point, when it reverses. Prediction: Vietnam is poorer meaning the slope, at the tangent to the Kuznets' curve, between growth and inequality should be steeper (e.g.. Change in inequality should be higher for Vietnam). H2: Greater openness to the international economy leads

to higher inequality.

H2: Higher population density implies higher inequality; Higher population growth rate implies higher inequality.

H3: Rural areas should be poorer than urban centers and income from agriculture should be lower than services and industry. Vietnam should have higher inequality.

H4: Ethnic and Linguist fragmentation (heterogeneous societies) should lead to less provision of public goods/higher inequality

H5: As a tributary of China for 1,000 years, Vietnam shares its Confucist heritage and Theravada Buddhism

Sources

WDI: World Bank. 2007. World Development Indicators. World Bank: Washington, DC (http://devdata.worldbank.org.ezp2.harvard.edu/dataonline/)

Fearon, James. 2003. "Ethnic and Cultural Diversity by Country." Journal of Economic Growth 8: 195-22.

Kelley, Liam C. 2006. "Confucianism in Vietnam: A State of the Field Essay." Journal of Vietnamese Studies. 1:1 (Fall): 314-371.

Appendix 7: Regime-Type Classification Schemes

Country	Freedom House - Civil Liberties (2006)	Freedom House - Political Rights (2006)	Combined Polity IV Democracy Score (2006)	Polity IV: Constraints on Executive (2006)	Cheibub and Ghandi (2002)
China	6	7	-7	3	1
Vietnam	6	7	-7	3	1
Scale	1 Highest; 7 Lowest	1 Highest; 7 Lowest	10 Most Democratic; -10 Least Democratic	7 Highest; 1 Lowest	0 Democracy; 1 Dictatorship
Country	World Bank: Voice and Accountability (2006)	Bueno de Mesquito, Smith, Siverson, and Morrow (2003)	Henisz Political Constraints on Decision Making (2004)	Geddes Classification of Authoritarian Regimes (1999)	Brooker Non-Democratic Regimes (2000)
Country China	World Bank: Voice and Accountability (2006) -1.38	Bueno de Mesquito, Smith, Siverson, and Morrow (2003)	Henisz Political Constraints on Decision Making (2004) 0	Geddes Classification of Authoritarian Regimes (1999) Single-Party	Brooker Non-Democratic Regimes (2000) Non-Personalist Dictator
Country China Vietnam	World Bank: Voice and Accountability (2006) -1.38 -1.36	Bueno de Mesquito, Smith, Siverson, and Morrow (2003) .5 .5	Henisz Political Constraints on Decision Making (2004) 0 .13	Geddes Classification of Authoritarian Regimes (1999) Single-Party Single-Party	Brooker Non-Democratic Regimes (2000) Non-Personalist Dictator Non-Personalist Dictator

(Common measures of governance and accountability demonstrate no difference across the two regimes)

Freedom House, Polity, Cheibub and Ghandi, and World Bank measures were all collected from the The Quality of Government Institute Website (http://www.qog.pol.gu.se/) at the University of Goteborg, Sweden (Holmberg and Rothstein 2006)

For information on Henisz Political Constraints see Henisz, Witold, J, 2000a, "The Institutional Environment for Multinational Investment." *Journal of Law, Economics, and Organization* 16 (2): 334-364 (http://www-management.wharton.upenn.edu/henisz/)

Geddes, Barabara. 1999. "What do we know about democratization after twenty years?" Annual Review of Political Science 2, 115-44.

Brooker, Paul. 2000. Non-Democratic Regimes: Theory, Government, and Politics. London: MacMillan

Bueno de Mesquita, Bruce, Alastair Smith, Randolph M. Siverson, & James D. Morrow. 2003. The Logic of Political Survival. Cambridge: The MIT Press.

Appendix 8: Comparative Income Equalization in Vietnam and China

Columns 2 and 3 of the table calculate provincial-level Gini coefficients for local revenue and public expenditures per capita for each year that provincial budget data are available for the two countries. This analysis illustrates higher inequality in locally-produced revenue among Vietnamese provinces than among Chinese provinces (0.64 to 0.44 on average) has been consistent over time. In both countries, the Gini coefficients for provincial expenditures are lower than for pre-transfer revenue, but equalization is greater in Vietnam with an average Gini coefficient of 0.24 since 2000 compared to China's 0.32.

Appendix 8 extends the analysis provided in Figure 2 of the *Comparative Politics* paper.

Going further in Columns 4 and 5, we regress the natural log of revenue and expenditures per capita on the natural log of GDP per capita in order to calculate income elasticities. These regressions reveal that income is highly correlated with locally produced revenue in both countries. In Vietnam, a 1% growth in GDP per capita is estimated to yield a 1.7% growth in local revenue per capita, while in China, the revenue elasticity is about 1%. In both cases, the coefficient for local revenue elasticity is significant at the 0.01 level. Expenditure elasticity is also high and strongly significant in China; GDP per capita growth of 1% would is associated with a 0.6% growth in public expenditures per capita. In Vietnam, however, public expenditure elasticity is only 0.3% on average and is not statistically significant in most years, indicating that provincial public expenditures are not necessarily correlated with income.

The preceding analysis assumed that provinces in the two countries are directly comparable, but Vietnam has twice as many provinces as China and consequently a median provincial population that is $1/30^{\text{th}}$ of a Chinese first-tier unit. Panel 3 of the Table 3 reveals that using a larger aggregation of Vietnam's seven regions, which have no political jurisdiction but play a role in socioeconomic planning, does not alter the assessment that Vietnam's fiscal system leads to more

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equalization. There is high inequality in local revenue at the regional level that also is equalized through transfers. Thus, we can dismiss the notion that Vietnam's smaller size is responsible for its greater equalization.

Vietnamese Provinces (64)										
Year	1. Population in Millions	2. Pre-Transfer Revenue Per Capita	3. Expenditure Per Capita	4. Provincial Rev	4. Provincial Revenue Per Capita			kpenditur Dita	es Per	6. Ratio of
	Median	Inter-Provincial Gini Coefficient	Inter-Provincial Gini Coefficient	Income Elasticity	SE	R^2	Income Elasticity	SE	R ²	Elasticities
2000	1.05	0.62	0.22	1.80	(0.29)	0.594	0.40	(0.45)	0.021	4.49
2002	1.08	0.77	0.24	2.46	(0.49)	0.712	0.43	(0.48)	0.042	5.72
2003	1.09	0.63	0.23	1.72	(0.14)	0.739	0.20	(0.10)	0.060	8.67
2004	1.10	0.54	0.27	1.40	(0.12)	0.675	0.24	(0.11)	0.074	5.85
2005	1.12	0.53	0.26	1.35	(0.13)	0.637	0.20	(0.11)	0.054	6.64
2006	1.14	0.74	0.26	1.87	(0.16)	0.686	0.44	(0.098)	0.250	4.22
Average	1.10	0.64	0.24	1.77			0.32			5.93
				Chinese Province	es (31)					
Year	1. Population in Millions	2. Pre-Transfer Revenue Per Capita	3. Expenditure Per Capita	4. Provincial Revenue Per Capita		5. Provincial Expenditures Per Capita			6. Ratio of	
	Median	Inter-Provincial Gini Coefficient	Inter-Provincial Gini Coefficient	Income Elasticity	SE	R^2	Income Elasticity	SE	R ²	Liasticities
1993	35.4	0.29	0.38	0.60	(0.16)	0.330	1.10	(0.12)	0.752	0.54
1994	35.7	0.33	0.40	0.64	(0.17)	0.346	1.09	(0.13)	0.727	0.59
1995	37.1	0.39	0.33	1.13	(0.095)	0.834	0.65	(0.16)	0.360	1.73
1996	37.4	0.39	0.33	0.08	(0.13)	0.015	0.37	(0.083)	0.420	0.22
2000	36.05	0.41	0.32	1.18	(0.13)	0.752	0.65	(0.17)	0.344	1.80
2001	37.99	0.44	0.33	1.23	(0.090)	0.865	0.62	(0.15)	0.358	1.97
2002	38.13	0.45	0.34	1.23	(0.090)	0.865	0.61	(0.16)	0.338	2.02
2003	38.15	0.45	0.34	1.23	(0.090)	0.865	0.67	(0.15)	0.408	1.83
2004	38.17	0.45	0.33	1.22	(0.097)	0.845	0.67	(0.14)	0.429	1.82
2005	37.30	0.45	0.32	1.25	(0.076)	0.903	0.64	(0.14)	0.425	1.96
2006	34.60	0.44	0.30	1.23	(0.082)	0.886	0.61	(0.13)	0.428	2.01
Average	37.20	0.44	0.32	1.22			0.64			1.92
		-		Vietnamese Regio	ons (7)		•			
Year	1. Population in Millions	2. Pre-Transfer Revenue Per Capita	3. Expenditure Per Capita	4. Provincial Rev	venue Per	Capita	5. Provincial Expenditures Per Capita			6. Ratio of
	Median	Inter-Provincial Gini Coefficient	Inter-Provincial Gini Coefficient	Income Elasticity	SE	R^2	Income Elasticity	SE	R ²	Elasticities
2000	10.10	0.55	0.09	2.14	(0.39)	0.721	0.38	(0.18)	0.202	5.71
2002	10.30	0.64	0.12	2.74	(0.37)	0.803	0.46	(0.20)	0.289	5.97
2003	10.41	0.87	0.42	2.27	(0.33)	0.731	0.44	(0.17)	0.266	5.14
2004	10.5	0.49	0.14	1.91	(0.33)	0.724	0.48	(0.15)	0.338	4.02
2005	10.62	0.48	0.13	1.95	(0.35)	0.722	0.52	(0.16)	0.349	3.77
2006	10.67	0.61	0.17	2.56	(0.35)	0.779	0.81	(0.20)	0.540	3.16
Average	10.43	0.61	0.18	2.26			0.51			4.63
Authors' ca	alculations based on I	Data From: 1) China I	National Bureau of St	atistics (http://www	.stats.gov.	cn/englisl	n/statisticaldata/vea	rlydata/); 2	2) China Fi	nance Yearbooks:

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); 4.) Vietnamese Ministry of Finance National Budgets (www.mof.gov.vn). Data and .do file available upon request. Ba Ria Vung Tau province is dropped from Vietnam, because of its extraordinarily large amount of oil revenue. *Provincial Gini Coefficients* for revenue and public expenditures calculated following method proposed by Deaton 1997. Income elasticity of revenue (expenditures) is the regression coefficient on income obtained from regressing log of revenues (expenditures) on log of income per capita and a constant. When income elasticity of revenue is greater than income elasticity of expenditures, the economy is considered to be equalizing. That is, income has a greater impact on what the government receives in taxes than what it spends on its citizens.

Appendix 9: Equalization Analysis on Chinese Districts

As a second robustness test, we assess the level of equalization from provincial governments to districts in two Chinese provinces that are of roughly comparable size to Vietnam: Sichuan, and Henan, finding evidence of equalization among Sichuan's 140 counties, but not in Henan.

	Districts in Sichuan Province, China (140)									
Vear	1. Population in Millions	opulation in Millions2. Pre-Transfer Revenue Per3. Expenditure Per Capita4. Provincial Revenue Per Capita			Capita	5. Provincial Expenditures Per Capita			6. Ratio of	
lean	Median	Inter-Provincial Gini Coefficient	Inter-Provincial Gini Coefficient	Income Elasticity	SE	R^2	Income Elasticity	SE	R^2	Elasticities
2000	0.350	0.38	0.39	1.05	(0.061)	0.682	0.19	(0.11)	0.023	5.42
2001	0.355	0.41	0.44	1.11	(0.058)	0.724	0.164	(0.12)	0.014	6.75
2002	0.354	0.38	0.37	1.02	(0.055)	0.716	0.17	(0.099)	0.021	5.99
2003	0.354	0.38	0.38	0.99	(0.052)	0.722	0.137	(0.10)	0.013	7.24
2005	0.352	0.45	0.40	1.36	(0.072)	0.725	0.149	(0.12)	0.011	9.13
2006	0.352	0.46	0.36	1.36	(0.076)	0.701	0.108	(0.11)	0.008	12.57
Average	0.353	0.42	0.36	1.17			0.17			8.34
			Distric	ts in Henan Provin	ce, China ((110)				
							5. Provincial Expenditures Per Capita		6. Ratio of	
Year	1. Population in Millions	2. Pre-Transfer Revenue Per Capita	3. Expenditure Per Capita	4. Provincial Re	venue Per	[.] Capita	5. Provincial Ex Car	xpenditur Dita	es Per	6. Ratio of
Year	1. Population in Millions Median	2. Pre-Transfer Revenue Per Capita Inter-Provincial Gini Coefficient	3. Expenditure Per Capita Inter-Provincial Gini Coefficient	4. Provincial Re	se	Capita <i>R</i> ²	5. Provincial Ex Cap Income Elasticity	spenditur oita SE	R ²	6. Ratio of Elasticities
Year 2001	1. Population in Millions Median 7.06	2. Pre-Transfer Revenue Per Capita Inter-Provincial Gini Coefficient 0.19	3. Expenditure Per Capita Inter-Provincial Gini Coefficient 0.32	4. Provincial Re Income Elasticity 1.02	SE (0.0685)	• Capita <i>R</i> ² 0.677	5. Provincial Ex Cap Income Elasticity 0.52	spenditur pita SE (0.0531)	<i>R</i> ² 0.473	6. Ratio of Elasticities
Year 2001 2002	1. Population in Millions Median 7.06 7.10	2. Pre-Transfer Revenue Per Capita Inter-Provincial Gini Coefficient 0.19 0.17	3. Expenditure Per Capita Inter-Provincial Gini Coefficient 0.32 0.27	4. Provincial Re Income Elasticity 1.02 0.87	SE (0.0685) (0.0567)	Capita R ² 0.677 0.691	5. Provincial Ex Cap Income Elasticity 0.52 0.45	spenditur oita SE (0.0531) (0.0480)	<i>R</i> ² 0.473 0.449	6. Ratio of Elasticities 1.97 1.96
Year 2001 2002 2004	1. Population in Millions Median 7.06 7.10 7.10	2. Pre-Transfer Revenue Per Capita Inter-Provincial Gini Coefficient 0.19 0.17 0.19	3. Expenditure Per Capita Inter-Provincial Gini Coefficient 0.32 0.27 0.38	4. Provincial Re Income Elasticity 1.02 0.87 1.19	SE (0.0685) (0.0567) (0.0565)	Capita R ² 0.677 0.691 0.808	5. Provincial Ex Cap Income Elasticity 0.52 0.45 0.52	spenditur bita SE (0.0531) (0.0480) (0.0422)	<i>R</i> ² 0.473 0.449 0.593	6. Ratio of Elasticities 1.97 1.96 2.27
Year 2001 2002 2004 2005	I. Population in Millions Median 7.06 7.10 7.10 7.10 7.16	2. Pre-Transfer Revenue Per Capita Inter-Provincial Gini Coefficient 0.19 0.17 0.19 0.22	3. Expenditure Per Capita Inter-Provincial Gini Coefficient 0.32 0.27 0.38 0.49	4. Provincial Re Income Elasticity 1.02 0.87 1.19 1.51	SE (0.0685) (0.0567) (0.0565) (0.0681)	R ² 0.677 0.691 0.808 0.822	5. Provincial Ex Cap Income Elasticity 0.52 0.45 0.52 0.52 0.57	spenditur bita SE (0.0531) (0.0480) (0.0422) (0.0421)	<i>R²</i> 0.473 0.449 0.593 0.636	6. Ratio of Elasticities 1.97 1.96 2.27 2.63
Year 2001 2002 2004 2005 2006	1. Population in Millions Median 7.06 7.10 7.10 7.16 7.16 7.16	2. Pre-Transfer Revenue Per Capita Inter-Provincial Gini Coefficient 0.19 0.17 0.19 0.22 0.22	3. Expenditure Per Capita Inter-Provincial Gini Coefficient 0.32 0.27 0.38 0.49 0.49	4. Provincial Re Income Elasticity 1.02 0.87 1.19 1.51 1.49	<i>SE</i> (0.0685) (0.0567) (0.0565) (0.0681) (0.0661)	R ² 0.677 0.691 0.808 0.822 0.828	5. Provincial Ex Cap Income Elasticity 0.52 0.45 0.52 0.57 0.55	spenditur bita SE (0.0531) (0.0480) (0.0422) (0.0421) (0.0387)	<i>R</i> ² 0.473 0.449 0.593 0.636 0.658	6. Ratio of Elasticities

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); 4.) Vietnamese Ministry of Finance National Budgets (www.mof.gov.vn). Data and .do file available upon request. Missing data results from insufficient data in statistical yearbooks. Gini Coefficients for revenue and public expenditures calculated following method proposed by Deaton 1997. Income elasticity of revenue (expenditures) is the regression coefficient on income obtained from regressing log of revenues (expenditures) on log of income per capita and a constant. When income elasticity of revenue is greater than income elasticity of expenditures, the economy is considered to be equalizing. That is, income has a greater impact on what the government receives in taxes than what it spends on its citizens.

Appendix 10: Indicators of Central Committee Power

We can observe the higher significance of the CCOM as an institution in Vietnam, as compared to China, by two indicators – the number of plenums or regularized meetings held and the number of legal documents that directly cite CCOM legislation. 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. Table 2 also provides the number of times CCOM legislation (political reports, resolutions, and decisions) are cited in the legal documents of government bodies. 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.

		China				Vietnam			
<u>Year</u>	Party Congress	Central Committee Plenums	Total Legal Normative Documents Promulgated by Government Institutions	Percentage Citing Central Committee Legislation	Party Congress	Central Committee Plenums	Total Legal Normative Documents Promulgated by Government Institutions	Percentage Citing Central Committee Legislation	
1982	12th	1st	285	7.72%	5th	1st, 2nd, & 3rd	237	21.52%	
1983		2nd	444	9.68%		4th	165	26.06%	
1984		3rd	483	6.42%		5th, 6th, & 7th	203	25.62%	
1985		4th & 5th	613	6.53%		8th & 9th	249	26.91%	
1986		6th	952	7.04%	6th	10th & 1st	247	13.77%	
1987	13th	7th & 1st	1057	6.62%		2nd, 3rd & 4th	249	20.88%	
1988		2nd & 3rd	1093	3.84%		5th	253	26.88%	
1989		4th & 5th	1354	5.02%		6th, 7th, 8th	261	27.59%	
1990		6th & 7th	1495	4.55%		9th & 10th	284	26.76%	
1991		8th	1677	5.13%	7th	11th & 1st & 2nd	383	25.33%	
1992	14th	9th & 1st	1892	6.87%		3rd	440	23.86%	
1993		2nd & 3rd	1949	6.46%		4th & 5th	428	27.80%	
1994		4th	2586	5.14%		6th & 7th	493	22.31%	
1995		5th	2682	3.91%		8th & 9th	633	21.33%	
1996		6th	3030	4.85%	8th	1st & 2nd	761	26.02%	
1997	15th	7th & 1st	2817	5.01%		3rd & 4th*	1017	21.73%	
1998		2nd & 3rd	3203	5.53%		5th & 6th ^(A&B)	963	24.82%	
1999		4th	3877	6.94%		7th & 8th	1184	20.35%	
2000		5th	3330	7.42%		9th & 10th	1175	19.32%	
2001		6th	4217	5.36%	9th	11th, 1st, 2nd, & 3rd	1384	17.92%	
2002	16th	7th & 1st	4073	4.49%		4th, 5th, & 6th	1312	18.06%	
2003		2nd & 3rd	5116	3.67%		7th & 8th	1485	22.96%	
2004		4th	5426	4.44%		9th & 10th	1207	22.78%	
2005		5th	5260	4.37%		11th & 12th	1841	23.57%	
2006		6th	8341	3.74%	10th	1st, 2nd, & 3rd	1803	22.68%	
2007	17th	7th & 1st	8815	2.47%		4th & 5th	951	23.24%	
2008		2nd				6th & 7th			
Total Number	6	36	67252	5.51%	6	61	18657	23.08%	
Per Congress	1	6.00	11208.67			10.17	3109.5		

Data on Chinese Congresses and Plenum from Miller, Alice. 2008. and (http://news.xinhuanet.com/ziliao/2003-01/21/content_698625.htm); Data on Chinese legislation from Peking University Law Information Database. (http://www.chinalawinfo.com); Data on Vietnam from the official website of the Vietnamese Communist Party - Party Official Documents. (http://www.cpv.org.vn/tiengviet/tulieuvankien/tulieuvedang/?topic=168&subtopic=9&leader_topic=551); Data on Vietnamese Legislation from National Legal Database at Vietnamese Ministry of Justice. (http://vbqppl2.moj.gov.vn/law/vi/lawdocument_search_form) *Party Secretary Do Muoi was replaced by Le Kha Phieu in a special session; (A&B): Hardship caused by the aftermath of the Asian Financial Crisis caused Party Officials to divide the Plenum into two session. Session A focused on economic responses to the crisis. Session B focused on Party Building.

Appendix 11: Electoral Institutions in the Central Committee

(Vietnam has more open nomination and selection procedures, and therefore more regional representation).

Institution	China XVII	Vietnam X
Nomination Procedures		
Outgoing CCOM Nominates	Yes	Yes
Delegates at Congress Nominate	No	Yes
Self Nomination	No	Yes
Competition		
Number of Full Seats	198	160
Number of Full Nominees	208	207
Rejection Rate (Full)	4.8%	22.7%
Number of Alternate Seats	158	21
Number of Alternate Nominees	167	46
Rejection Rate (Alternate)	5.4%	54.3%
Representation of Subnational Officials		
Full Time Delegates	65 (32.8%)	68 (42.5%)
Alternate Delegates	89 (56.3%)	15 (71.4%)

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