
Hobbling Big Brother: Top-Level Design and Local Discretion in China's Social Credit System

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ABSTRACT

This article argues that policy implementation in China has moved toward a system under which the center formulates a blueprint or “top-level design” from which local officials devise detailed regulations through a process of “crossing the river by feeling for stones.” This applies to the development of China’s new social credit system. To minimize political risk, when implementing it local officials have selected easier goals from the “top-level design” blueprint. In City Z, for example, we find that promoting integrity among businesses is less risky than promoting integrity among civil servants or the general public, so less progress has been made in the latter two areas when putting in place integrity credit-point systems. The risks involved in promoting social credit among the general populace are the greatest, so the city’s efforts in this have been limited. From our empirical study of China’s social credit system in City Z, we draw some conclusions about policy implementation under Xi Jinping.

How the Chinese Communist Party (CCP) implements its policies has been an important topic among English-language political scientists who study China.¹ For a long time, the academic community has realized that the CCP tries to minimize the risks involved in the introduction of reforms by proceeding gradually and gingerly, what is known as “crossing the river by feeling for stones” (*mozhe shitou guohe* 摸着石头过河), sometimes referred to in China as the “feeling for stones theory” (*mo lun* 摸论), to avoid the kind of “big bang” errors that

*We gratefully acknowledge suggestions from the two anonymous *China Journal* reviewers, the editing by Anita Chan and Jonathan Unger, and Taiwan’s Ministry of Science and Technology (Project Number: MOST 109-2410-H-001-024-MY2 and MOST 109-2410-H-004-089-MY3) and China’s National Social Science Foundation (grant 18BZZ114) for their support for this study. Corresponding author: Ruihua Lin (emmy388@gmail.com).

1. Kevin J. O’Brien and Lianjiang Li, “Selective Policy Implementation in Rural China,” *Comparative Politics* 31, no. 2 (January 1999): 167–86; Anna L. Ahlers and Gunter Schubert, “Effective Policy Implementation in China’s Local State,” *Modern China* 41, no. 4 (2015): 372–405.

hobbled the Soviet Union under Gorbachev.² “Feeling for stones” helps explain why the CCP regime has been so resilient.³ With this in mind, the central government regularly introduces innovative policies by means of local pilot projects. This phenomenon has been characterized by Sebastian Heilmann as “experimentation under hierarchy.”⁴

Having adopted “feeling for stones” practices for about three decades, the CCP came up with another concept in the Twelfth Five-Year Plan of 2011—“top-level design” *dingceng sheji* (顶层设计).⁵ According to this concept, the central government first devises a comprehensive, long-term plan for any reform or innovation.⁶ Local governments are then required to formulate detailed policies in line with the plan and with local conditions. This article will use China’s new social credit system (*shehui xinyong tixi* 社会信用体系) as a case study of how this gets implemented and the limitations of this approach.

In 2014, the State Council of China promulgated the Outline for the Development of a Social Credit System, 2014–2020 (hereinafter referred to as the Outline), specifying that this system was to be completed in 2020. The Outline can be regarded as the long-term, comprehensive “top-level design” for social credit. The Outline sets out a system of credit scores for business owners, civil servants, the judiciary, and all individual members of the public.⁷ Under this system, Chinese businesses and individuals whose credit scores are too low can be blacklisted.⁸ The original motive for establishing the social credit system was the need to maintain

2. Ronald McKinnon, “Gradual versus Rapid Liberalization in Socialist Economies: The Problem of Macroeconomic Control,” *World Bank Economic Review* 7, no. 1 (October 1993): 63–94. Yasheng Huang, “Information, Bureaucracy, and Economic Reforms in China and the Soviet Union,” *World Politics* 47, no. 1 (October 1994): 119; Minxin Pei, *From Reform to Revolution: The Demise of Communism in China and the Soviet Union* (Cambridge, MA: Harvard University Press, 1994).

3. Andrew Nathan, “Authoritarian Resilience,” *Journal of Democracy* 14, no. 1 (2003): 6–17.

4. Sebastian Heilmann, “From Local Experiments to National Policy: The Origins of China’s Distinctive Policy Process,” *China Journal*, no. 59 (January 2008): 1–30.

5. Wu Xiaowei, “Liu He: The Driving Force of Economic Policy,” *Wenhui wang* (Wenweipo), October 24, 2013, <http://news.wenweipo.com/2013/10/24/IN1310240023.htm>, accessed October 11, 2020.

6. Anna L. Ahlers, “Introduction: Chinese Governance in the Era of ‘Top-Level Design,’” *Journal of Chinese Governance* 3, no. 3 (2018): 263–67.

7. In the CCP’s planning of the social credit system, “judicial integrity” is an independent category. This was in response to public opinion in recent years, and intends to improve the quality of case reviews through the credit rating of judicial officers. In practice, we find that the difference between the judicial category and other categories of “government integrity” in the social credit system is not that obvious. Both emphasize that civil servants must abide by the law, observe discipline, and properly disclose information in the process of executing public duties. Thus, this article incorporates judicial credit into the “government integrity” category. “Guowuyuan shehui xinyong tixi jianshe guihua gangyao (2014–2020 nian)” [Outline for the development of a social credit system (2014–2020)], Central People’s Government of the People’s Republic of China, June 27, 2014. http://www.gov.cn/zhengce/content/2014-06/27/content_8913.htm.

8. Rogier Creemers, “China’s Social Credit System: An Evolving Practice of Control,” SSRN, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3175792, accessed October 11, 2020.

stability by subjecting business owners, local civil servants, and the public to comprehensive surveillance.⁹

The city of Rongcheng (荣城) in Shandong has been designated by the CCP as a model city for the implementation of social credit, and therefore has attracted particular attention from observers.¹⁰ The media has publicized that the rating system established by the city has enabled its government to control the behavior of citizens. The city annually selects people with high scores to be “stars of integrity” (*chengxin mingxing* 诚信明星) and announces the names to provide good examples to the people, encouraging them to abide by the government’s requirements in order to receive high scores.¹¹ Observing such practices and China’s technological advances, some academics believe that the social credit system is enabling the Chinese government to play a Big Brother role as portrayed in George Orwell’s novel *1984*—that is, the role of a terrifying and omnipresent monitor.¹²

In contrast to such a scenario, during our on-site fieldwork we were surprised to find that as of late 2020, local government promotion of social credit is far from this outcome, let alone meeting the requirements of the Outline. One important reason is the lack of clarity in the central government’s top-level design, with local governments reportedly confused about how best to implement the numerous requirements of the Outline. For one thing, the implications of “integrity” (or “credit”) in the Outline are not entirely clear, and they take on different meanings in business, government, and societal settings. An official in another city, City W, even told us, “What’s the definition of credit or integrity in the social credit system? I really can’t figure it out. Is it possible that you scholars can do some research in this respect and tell me?”¹³ Officials are also worried about the political risks if their performance falls short of the central government’s expectations, including a risk of the officials’ punishment or even dismissal.¹⁴

9. Maintaining stability may be the most important goal of the CCP’s social management measures. Jonathan Benney, “*Weiwen* at the Grassroots: China’s Stability Maintenance Apparatus as a Means of Conflict Resolution,” *Journal of Contemporary China* 25, no. 99 (2016): 389–405.

10. Zhao Qiuli, “Shandong Rongcheng: Rang xinyong chengwei chengshi ‘jinzi zhaopai’” [Shandong’s Rongcheng: Let Credit Become the City’s “Golden Signboard”], *Xinhua wang* [Xinhua Net], 2018, http://www.xinhuanet.com/politics/2018-09/27/c_1123488320.htm, accessed November 11, 2020.

11. “Quanyang shi pingfenzhi, chenggong caokong cunmin xingwei” [Captive-bred-typed rating system, successfully manipulate behaviors of villagers], *Pingguo Ribao* [Apple Daily], October 3, 2019, <https://hk.appledaily.com/local/20191003/YSJE4BJKTAJKNUQCYHJ6MEXLJE/>, accessed March 15, 2021.

12. Shoshana Zuboff, *The Age of Surveillance Capitalism: The Fight for a Human Future at the New Frontier of Power* (New York: PublicAffairs, 2019), 388–94; Fan Liang, Vishnupriya Das, Nadiya Kostyuk, and Muzammil M. Hussain, “Constructing a Data-Driven Society: China’s Social Credit System as a State Surveillance Infrastructure,” *Policy & Internet* 10, no. 4 (2018): 415–38; Kai Strittmatter, *We Have Been Harmonized: Life in China’s Surveillance State* (New York: Custom House, 2020).

13. Interview with a staff member in the Development and Reform Commission of City W, September 23, 2020.

14. Interview with a member of the production team from German C Media, filming the documentary *Social Credit System*, Taipei, September 27, 2020.

Our findings about the social credit program are based largely on field work. We have augmented written sources by personally carrying out interviews in City Z in China's eastern coastal region from September to November 2020. We interviewed 23 people in the city, including 6 officials who are directly engaged in the program, 11 ordinary members of the public, 5 scholars, and one reporter. In addition, we also conducted field observations and collected data at the city's Development and Reform Commission (*fagaiwei* 发改委) and the municipal Big Data Commission (*dashujuwei* 大数据委).

City Z was one of several cities selected in 2018 and 2019 as a “model city” to promote the social credit system.¹⁵ Given its status as a model city, we expected City Z to be one of the most advanced areas of the country with regard to the establishment of social credit. However, the results on the ground have not lived up to expectations. If a model city like Z cannot fulfill the reform's goals, how can other cities be expected to do any better? Far from running smoothly, China's Big Brother may only be hobbling along. This article will discuss the reasons for this and the implications for China's current system of policy implementation.

FROM “FEELING FOR STONES” TO “TOP-LEVEL DESIGN”

In 2020 Liu He (刘鹤), deputy director of the national government's Office of the Central Leading Group for Financial and Economic Affairs said, “Although the reform methods of experimentation and trial and error are still very important . . . no partial reform experiment can replace the top-level design of a new round of reforms.”¹⁶ The introduction of top-level design has not been accompanied by the complete abandonment of “feeling for stones” practices. Instead, the two operate in tandem—as Xi Jinping has noted, “crossing the river by feeling for stones and strengthening top-level design are dialectically unified.”¹⁷ In other words, the current paradigm of policy promotion in China is a combination of top-down and bottom-up approaches. For important policies, the central government will first issue a comprehensive blueprint; and it then leaves implementation to be worked out by local governments. In the case of social credit, local governments

15. “Di er pi shehui xinyong tixi jianshe shifan chengshi mingdan chulu” [The list of the second batch of model cities for the construction of a social credit system is released], Sina, August 15, 2019, <http://finance.sina.com.cn/roll/2019-08-15/doc-ihytcern0934358.shtml>, accessed November 5, 2020.

16. Liu He, “Guanyu gaige zongti guihua dingceng sheji he zhongdian neirong” [About the top-level design and the key content of the reform master plan], Sina, May 20, 2011, <http://finance.sina.com.cn/review/sbzt/20110520/09059872522.shtml>, accessed October 11, 2020. On this reform, see Gunter Schubert and Björn Alpermann, “Studying the Chinese Policy Process in the Era of ‘Top-Level Design’: The Contribution of ‘Political Steering’ Theory,” *Journal of Chinese Political Science*, no. 24 (2019): 199–224.

17. *People's Daily* Commentary Department, “Yao jiceng mosuo, yeyao dingceng sheji” [Exploration at the grassroots level as well as top-level design is needed], *Renmin wang* [People's Daily Net], January 8, 2013, <http://theory.people.com.cn/BIG5/n/2013/0108/c40531-20126372.html>, accessed October 10, 2020.

discovered during trials that the top-level design was not fully implementable, so the policy is still in an experimental stage after a decade.

THE SOCIAL CREDIT SYSTEM AND MAINTENANCE OF STABILITY

In October 2011, Premier Wen Jiabao (温家宝) stated that he would “step up the establishment and improvement of a credit information system covering the whole society and increase the punishments for untrustworthy behavior.”¹⁸ In 2012, an Inter-Ministerial Joint Meeting for the Construction of a Social Credit System was convened under the joint leadership (*qiantou* 牵头) of the National Development and Reform Commission and the People’s Bank of China and attended by 36 agencies that oversee banking, public finance, markets, enterprises, quality inspection, transportation, and public security. In 2014, the State Council’s Outline was issued, in which it was envisaged that the system would be fully operational by 2020.

The Outline divides the social credit system into four categories: “business integrity” (*shangwu chengxin* 商务诚信), “government integrity” (*zhengwu chengxin* 政务诚信), “judicial credibility” (*sifa gongxin* 司法公信), and “social integrity” (*shehui chengxin* 社会诚信).¹⁹ The “government integrity” and “judicial credibility” aspects of the policy both target the internal workings of the public sector, the former directed against government agencies and officials, and the latter targeting the procuratorate and other legal departments and their officials. According to information we gathered from interviews, local governments have combined judicial integrity and government integrity, so we too will treat these two as one category in our discussion below.

The “business integrity” aspect of social credit is aimed at business owners, who are expected to ensure the quality of their products, such as not selling food that is harmful to health, and not violating occupational and safety regulations at workplaces or being responsible for labor unrest. Another aspect of business integrity is ensuring that the supply and sale of goods comply with market regulations. For example, business owners should not jack up their prices and engage in profiteering. In recent years, discontent over the sale of fake products has been rising in China.²⁰ The Outline specifies enhanced inspection for industries such as coal mines or plants dealing with hazardous chemicals. It also calls for better quality controls on consumer goods. Companies with defective production processes will lose

18. “Wen Jiabao zhuchi zhaokai guowuyuan changwu huiyi, bushu zhiding shehui xinyong tixi jianshe gui Hua” [Wen Jiabao presided over an executive meeting of the State Council to make arrangements for the development of a social credit system plan], *Zhongguo zhengfu menhu wangzhan* [Chinese government portal], October 19, 2011, http://www.gov.cn/ldhd/2011-10/19/content_1973304.htm.

19. “Guowuyuan ‘shehui xinyong tixi jianshe gui Hua gangyao (2014–2020 nian).’”

20. Yunxiang Yan, “Food Safety and Social Risk in Contemporary China,” *The Journal of Asian Studies* 71, no. 3 (August 2012): 705–29.

credits and may even be blacklisted, as will firms that commit financial crimes, evade taxes, or jack up their prices.

The main targets of “government integrity” are civil servants. This involves ensuring that official information is shared and that the civil service is administered according to the law. According to the Outline, it is necessary to enhance information flows within the government through the exchange of information among various units. One example is sharing information about court trials among the four levels of courts across the country (central, provincial, municipal, and county). It also includes the establishment of a “civil servant integrity file” (*gongwuyuan chengxin dangan* 公务员诚信档案) to ensure that civil servants abide by the law in their work. Local governments should publicize cases of dishonesty or dereliction of duty by public servants and punish the wrongdoers. All of these practices are designed to win public trust in the government.

Finally, there is “social integrity,” which applies to the general public. In practice, local governments assign a “social credit code” (*shehui xinyong daima* 社会信用代码) to each citizen to encourage them to do their best to “be good people” (*danghaoren* 当好人) according to government-defined indicators of good and bad. People’s activities are recorded in their code, and their credit scores are calculated through various indicators. For example, by participating in social welfare work,²¹ people reduce the burden on government services. If people take part in illegal organizations, engage in antigovernment behavior, or spread rumors in the media, including on the Internet, their credit scores will be reduced. Social credit is important in various aspects of people’s lives. For example, people with higher scores are supposed to find it easier to obtain loans and when applying to good schools, for jobs and for social security funding.

How the three broad categories of the social credit system—business, government, and social integrity—are supposed to contribute to the maintenance of social stability is summarized in table 1. This summary is based upon our interpretation of the contents of documents, interviews with officials, and our observation of the system’s implementation.

TRIAL AND ERROR IN CITY Z: THE POLITICAL RISK OF INNOVATION FOR LOCAL OFFICIALS

The Outline, as a top-level design, provides only a rough framework for the development of the social credit system and does not contain any specific regulations or clear indicators. As with other central government policies, local governments are

21. For the impact of charitable organizations, such as senior care institutions, on the maintenance of social stability in China, see Yanhua Deng and Kevin J. O’Brien, “Societies of Senior Citizens and Popular Protest in Rural Zhejiang,” *China Journal*, no. 71 (January 2014): 172–88.

Table 1. The Central Government's Top-Level Design for the Social Credit System

	Business Integrity	Government Integrity	Social Integrity
Main purpose		Maintenance of social stability	
Target	Business owners	Civil servants	General public
Meaning of integrity	<ol style="list-style-type: none"> 1. Guaranteeing the quality of goods 2. Ensuring that goods are supplied in line with market regulations 	<ol style="list-style-type: none"> 1. Ensuring the circulation and sharing of official information 2. Ensuring that civil servants behave honestly and comply with the law 	<ol style="list-style-type: none"> 1. Ensuring that the public obeys the law 2. Promoting social harmony
Main practices	<ol style="list-style-type: none"> 1. Assigning scores to businesses 2. Giving preferential treatment or rewards to businesses with higher scores; punishing those with lower scores 	<ol style="list-style-type: none"> 1. Ensuring exchange of information between government units 2. Establishing civil servant integrity files 3. Rewarding civil servants who achieve higher credit scores and punishing those with lower scores 	<ol style="list-style-type: none"> 1. Assigning "social credit codes" 2. Establishing rating indicators 3. Rewarding citizens who have higher scores and punishing those who have lower scores

expected to fill in the details in line with local circumstances (e.g., is an area rural or urban) and local leaders' preferences.²²

To implement the content of the Outline, almost all administrative regions above the county level have established cross-departmental "social credit system construction leading groups," hereafter referred to as "leading groups" (*lingdao xiaozu* 领导小组).²³ The leading group of City Z, established in 2015, is headed by the mayor.²⁴ Its lead department is the Municipal Development and Reform Commission, responsible for coordinating the responsible officials of dozens of

22. Susan Whiting, *Power and Wealth in Rural China: The Political Economy of Institutional Change* (New York: Cambridge University Press, 2001).

23. For discussion of the CCP's leading groups, see Wen-Hsuan Tsai and Wang Zhou, "Integrated Fragmentation and the Role of Leading Small Groups in Chinese Politics," *China Journal*, no. 82 (July 2019): 1–22.

24. The secretary of the City Z Party committee does not play a formal part in the operations of the leading group. However, the head of the leading group will ask the Party secretary for advice when a critical issue arises and the secretary will make the final decision, according to a cadre working in the Big Data Commission of City Z who was interviewed in November 2020.

bureaus, including the directors of the Civil Affairs Bureau, the Industrial and Commercial Bureau, the Education Bureau, and the Finance Bureau. The leading group is administered by an office within the Credit Department (*xinyongchu* 信用处) of the Development and Reform Commission.

Since the transmission of information is a big part of the social credit system, in 2016 City Z reorganized a Big Data Development Management Commission (hereinafter referred to as the Big Data Commission) to handle this. City Z's Big Data Commission was originally just a "public institution" (*shiyedanwei* 事业单位), but its status was raised to that of an independent government unit in 2016.

City Z's Big Data Commission created an online platform at the end of 2017 for sharing information among participating government agencies.²⁵ As of November 2020, 667 government units in City Z, including city-level departments and counties or districts under the jurisdiction of the city, have uploaded data onto this platform, which is closed off from public view. It includes, for example, social security data from the Human Resources and Social Security Bureau and data related to the construction industry from the Municipal Commission for Housing and Urban-Rural Development.

As an example of how this operates, after the outbreak of the coronavirus pandemic in 2020, in order to promote resumption of work and production (*fugong fuchan* 复工复产) in the quickest possible time, the Chinese government encouraged banks to speed up the approval of loans to corporations, especially to business owners with a higher score for business integrity. In this platform's data, there are records of the relevant integrity of business owners. For instance, the tax agency deposits data in the platform concerning whether business owners' payment of taxes. The departments responsible for the loans to spur the resumption of production—the Development and Reform Commission, and the China Banking and Insurance Regulatory Commission—instructed the Big Data Commission to submit the platform's latest data on the business' integrity to the two departments' own databases for storage. When a bank receives a loan application, it is supposed to request information from these two departments about the business integrity scores of the applicant in deciding whether to issue the loan or not.²⁶

Similarly, after the outbreak of the coronavirus, in order to mete out rewards and punishment, the public security bureaus of local governments imported information into the platform about people who "spread rumors" online, which caused serious deductions in the social credit scores of these people. When these people went to government offices to get something done, once the clerk attending to them

25. It is titled the Public Credit Information Sharing Platform (*gonggong xinyong xinxi gongxiang pingtai* 公共信用信息共享平台).

26. Interview with a cadre working in the Development and Reform Commission of City Z, November 5, 2020.

entered their names into the computer, the platform instantly highlighted their “bad” record to the clerk, which might result in their failure to secure an application or documents.²⁷

OFFICIALS’ BEHAVIOR UNDER THE STRATEGY OF RISK MINIMIZATION

Of the three aspects of the social credit system, City Z has made the most progress in relation to business integrity, followed by political integrity, and finally social integrity. This can be observed with reference to the degree of political risk faced by the officials who are involved in the implementation of the system.²⁸ Here, political risk refers to the possibility of punishment by an official’s superiors. Officials assess this risk with reference to their previous experience of implementing innovative policies.²⁹ In an authoritarian system, due to unclear norms and lack of information, cadres can never be certain about the results of reforms; yet they have no choice but to follow the principles of any innovative policy in order to ensure their political security.³⁰ The rational choice for local officials is to try to “increase [their] power of prediction when introducing innovations,”³¹ to minimize the risk of incurring punishment.

One way for officials to minimize risk of innovation is to examine how previous policies have been implemented and learn from that experience. This can explain why City Z has prioritized implementing a credit system for businesses above other aspects of the social credit system. Measures to improve production safety and improve the working of the market economy have been in place in China for a long time, so local governments have many ready-made systems that can be invoked.

Political integrity is their number two priority, since the CCP has in the past introduced some improvements to internal government information flows and the management of civil servants. So, the officials in charge of implementing the new credit system have some experience in investigating political integrity that

27. Interview with a member of the Big Data Commission of City Z, October 20, 2020.

28. For discussion of the relationship between reform and risk, see Wen-Hsuan Tsai and Nicola Dean, “Experimentation under Hierarchy in Local Conditions: Cases of Political Reform in Guangdong and Sichuan, China,” *China Quarterly*, no. 218 (June 2014): 342–46.

29. It is up to cadres to decide what level of risk they are willing to incur in implementing reforms. Some policy entrepreneurs are willing to take higher risks and promote innovation. See Yapeng Zhu, “Policy Entrepreneurship, Institutional Constraints, and Local Policy Innovation in China,” *China Review* 13, no. 2 (Fall 2013): 97–122.

30. Ronald Wintrobe, *The Political Economy of Dictatorship* (Cambridge: Cambridge University Press, 1998), 20–39.

31. For a related discussion, see Frank H. Knight, *Risk, Uncertainty, and Profit* (New York: Harper & Row, 1971), 239.

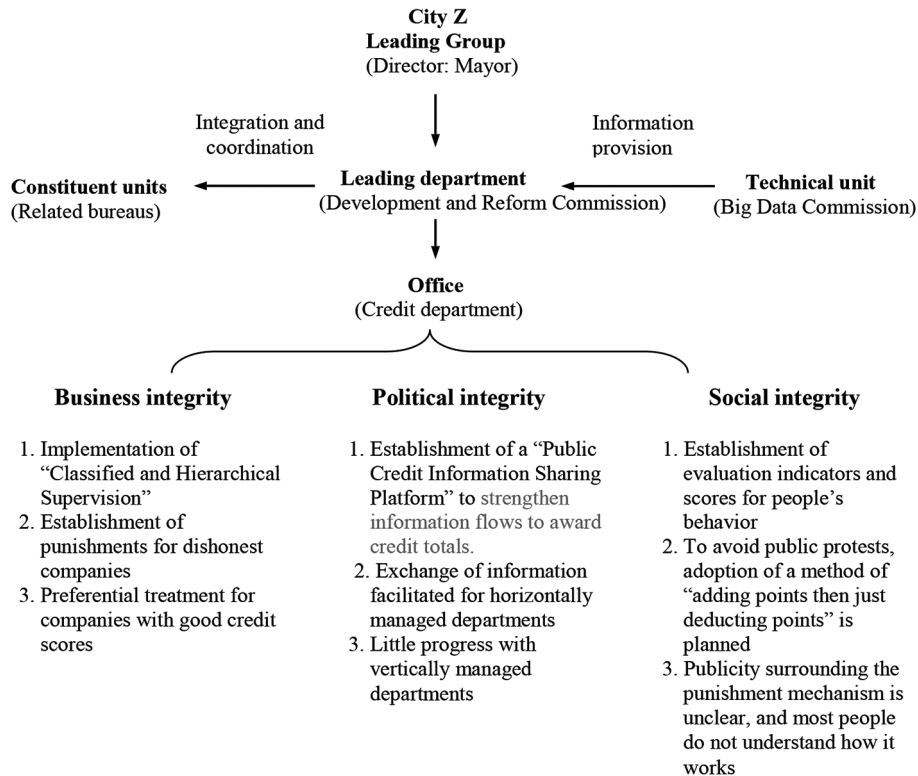


Figure 1. Implementation of the social credit system, City Z. This chart was prepared by the authors and is not directly based on an official document.

they can apply to the social credit system.³² The final aspect of the credit system is social integrity, which applies to all of China’s adult citizens. Although this aspect is directly related to the maintenance of social stability, it has been more difficult to implement as there were almost no systems or regulations in place that could be adapted to deal with it.

Figure 1 shows the framework for the implementation of the social credit system and the progress thus far in City Z. This reflects how the cadres in charge of implementation have been groping forward under the guidance of the central government’s framework while taking into consideration the political risks involved. This situation is summarized in the following extract from an interview in November 2020 with a cadre from the city’s Development and Reform Commission:

32. Nina P. Halpern, “Information Flows and Policy Coordination in the Chinese Bureaucracy,” in *Bureaucracy, Politics, and Decision Making in Post-Mao China*, ed. Kenneth G. Lieberthal, and David M. Lampton (Berkeley: University of California Press, 1992), 125–48; John P. Burns and Wang Xiaoqi, “Civil Service Reform in China: Impacts on Civil Servants’ Behaviour,” *China Quarterly*, no. 201 (March 2010): 58–78.

Business integration currently takes the lead in the implementation of the *social credit system*. Because all places have to develop their economies, “credit” becomes a tool for strengthening the business environment.³³ Although there has been advances in measuring political integrity, there are still some difficulties. After all, departments tend to suffer from sectionalism, and we cannot interfere with some centrally and vertically managed systems. As for the scores for individuals (social credit), we’re very cautious. After all, categorizing people into different levels is sure to encounter great resistance. We’re still exploring how to do it and to what extent.

THE THREE CATEGORIES OF CREDITED INTEGRITY

Business Integrity

According to the central government’s top-level design, business integrity involves the correct reporting of information or data by business owners during the production process, including accurate declaration of business turnover, which affects the amount of tax payable and, ultimately, the government’s revenues. In addition, the government needs to know whether business owners have indulged in illegal or dishonest practices in order to adjust their credit scores. In general, City Z is scoring enterprises and handing out rewards and punishments based on those scores.

City Z has adopted “classified and hierarchical supervision” (*fenlei fenji jianguan* 分类分级监管) for rating corporations, which means that each department of the city government rates the companies in the area of business for which it is responsible. For example, the Civil Affairs Bureau rates elderly-care institutions, the Education Bureau rates training institutions, and the Commission for Housing and Urban-Rural Development rates construction companies. In 2019, the Education Bureau of City Z evaluated the integrity of private education and training institutions’ financial controls, teachers, and institutional management.

The scoring process is divided into three steps, according to a November 2020 interview. For example, in the first step the Education Bureau reviews the written information provided by an institution, focusing on whether its financial situation matches its tax payment, whether its insurance premium or the amount of its Housing Provident Fund is consistent with its number of employees, and whether the foreign teachers employed by an educational institution have the necessary work and residence permits. In the second step, the Education Bureau commissions the Ministry of Education to arrange for a team of experts to

33. Although the creation of the credit system is supposed to help in the operation of corporations, the rating indicators of the credit system focus on whether there are any violations of laws and breaches of regulations rather than on their operational situation.

conduct on-site inspections of institutions. These inspectors will talk to the heads and employees of the institution to understand its operations, and then will rate the enterprise. Finally, the City Z Education Bureau averages out the scores from its paper-based assessment and those of the Ministry of Education inspectors and award one of five ratings: AAA, AA, A, B, or unqualified. The province to which City Z belongs adopted this “classified and hierarchical supervision” approach to the management of food and drug safety as early as 2015; and City Z has followed suit.³⁴

The frequency that a business owner is subject to being rated differs according to the regulations of each department. For example, a rating for food safety occurs once every season. Once a business has been assessed, business owners with higher integrity scores are entitled to certain forms of preferential treatment. For example, they can go through the “green channel” (*lüse tong dao* 绿色通道) when applying for loans, which means their applications will be approved more quickly. The application procedures are also more convenient as they are only required to complete a “credit promise form” (*xinyong chengnuoshu* 信用承诺书). Supporting documentation can be handed in after the application has been submitted. Loan applications from business owners with low credit scores, however, will be closely scrutinized, and the scores will affect whether the application will be successful.³⁵ In 2020, City Z joined together with several banks to launch an online preferential loan (*xinyidai* 信易贷) scheme that allows companies to use their “credits” as collateral when applying for bank loans. This is helpful for small and micro business owners with good business integrity scores who do not have any real estate to offer as collateral.³⁶

Businesses found guilty of serious malpractice are blacklisted on the Credit China (*xinyong zhongguo* 信用中国) website. Such business owners are mostly those who have been prosecuted for failing to pay wages, defaulting on their debts, or committing other serious violations of the law. These people are restricted from making major transportation purchases, such as airline or high-speed rail tickets, and from staying in luxury hotels. Their children are barred from attending private schools, as the school fees count as a major purchase. Some counties and districts within City Z’s metropolitan area cooperate with telecom companies to change the ring tone of the blacklisted business owner into “I’m a deadbeat” (*Wo shi laolai* 我是老赖).³⁷ This makes it difficult for them to continue working

34. “Fujian shixing shipin yaopin anquan xinyong fenji fenlei guanli” [Fujian trial implementation of food and drug safety credit classification management], Wenming Feng [Civilized], August 24, 2015, http://wmf.fjzen.com/topic/2015-08/24/content_16532626.htm, accessed November 10, 2020.

35. Interview with a cadre working in the Development and Reform Commission of City Z, November 5, 2020.

36. Interview with a member of the Big Data Commission of City Z, October 20, 2020.

37. Interview with a staff member in the Development and Reform Commission of City W, September 23, 2020.

in the business world. The penalties imposed by City Z on blacklisted business owners also include restrictions on remittances, imposed by the Foreign Exchange Bureau; strict supervision of their imports and exports by customs authorities; and a ban on registering national patents, imposed by the Intellectual Property Bureau.³⁸

In general, the current trial of the business integrity aspect of the social credit system in City Z has been successfully implemented. The Chinese government has been monitoring businesses for many years, and the city has built on this experience to devise a similar system to implement the new credit system. There is a high degree of public support for this.³⁹ Some local officials also favor it. City Z must compete with other cities in China's eastern coastal region, and officials said that monitoring business integrity through the social credit system improves the city's business environment. An official interviewed for this study in November 2020 observed, "In the new credit-based monitoring model, credit is an important tool for the business environment. Credit must serve economic development."

Political Integrity

The political integrity aspect of the credit system is targeted at improving the personal ethics of civil servants, to incentivize them to share official information, to act in accordance with regulations and the law, and to behave honestly. However, we have discovered the effectiveness of this system is limited.

As of November 2020, 667 units in the city had uploaded data to the information sharing platform amounting to 1.26 billion items.⁴⁰ Civil servants are free to use this information to improve administrative efficiency. Nationally, regulations concerning a similar system were issued by the State Council in 2017, which provides a direct precedent that City Z could draw upon to build the new platform.⁴¹ However, the city has encountered two challenges in promoting the sharing of official data. First, it is difficult to share all data, because it involves both vertically managed (*tiaotiao* 条条) and horizontally managed (*kuaikuai* 块块) departments. For example, institutions such as the People's Bank, the customs authority, the tax office, and the courts, among others, come under the jurisdiction

38. Interview with a cadre working in the Big Data Commission of City Z, November 5, 2020.

39. Genia Kosta, "China's Social Credit Systems and Public Opinion: Explaining High Levels of Approval," *New Media & Society*, forthcoming, <https://journals.sagepub.com/doi/full/10.1177/1461444819826402>, accessed October 11, 2020.

40. Author's field notes, an internal document of City Z, November, 2020.

41. "Guanyu yinfa zhengwu zixun xitong zhenghe gongyong shishi fangan de tongzhi" [Notice on issuing the implementation plan for the integration and sharing of government information systems] *Zhongguo Zhengfu wang* [China Government Net], May 3, 2017, http://www.gov.cn/gongbao/content/2017/content_5197010.htm, accessed November 12, 2020.

of their corresponding central and provincial systems. If these higher-level authorities are unwilling to release data, City Z's government has no power to order them to do so. For example, the City Z courts come under the jurisdiction of higher-level courts, so they are not required to pass information to the City Z government, with the exception of important cases that have attracted public attention in the outside world.⁴² In these circumstances, if local leaders need to access data, they must first negotiate with the higher-level unit. Once they have obtained the higher-level unit's agreement, they must submit a request for information.⁴³

Departments such as the Public Security Bureau or the Development and Reform Commission come under the leadership of the City Z government, so information sharing is much simpler. However, such departments are not always willing to share their information with other units. When it conducted the most recent census, the City Statistics Bureau found no information on the platform from the Public Security Bureau, which was not willing to upload it. Similar situations often occur, and the city leaders must themselves enforce and coordinate the uploading of information. The city's Development and Reform Commission is the lead department for the credit system, and the leading group's office is located within the Commission's Credit Department; but it has no authority over vertically managed units nor does it have sufficient staff or resources to carry out its duties properly. Thus it is difficult for the Commission to effectively control the implementation of the social credit system.⁴⁴

The second task of the political integrity aspect of social credit concerns the conduct of civil servants. An evaluation system for civil servants already exists at all levels of government in China. In City Z, this was put in place as early as 2007, covering personal morality, ability, performance, and integrity. The Outline's requirement that "integrity files" be kept on all civil servants also overlaps with the system of personnel files held by the city government's Organization Department. In short, the city barely needed to adapt existing practices to abide by the Outline.⁴⁵

Social Integrity

The Outline envisages that the government will issue each ordinary member of the public with a social credit score according to whether they abide by the law

42. Interview with a staff member in the Development and Reform Commission of City W, September 23, 2020.

43. A staff member in the Development and Reform Commission of City Q, October 17, 2020.

44. Interview with an official in the Development and Reform Commission of City Z, November 5, 2020.

45. *Ibid.*

and contribute to social harmony. People with high credit scores enjoy preferential treatment, while those with low scores are punished. However, due to the lack of existing systems to which they can refer, the City Z authorities are still at the trial-and-error stage in the operation of this aspect of the social credit system.

The Outline proposes that each Chinese citizen be assigned a “social credit code.” However, this is tantamount to issuing every adult in the city with a second national ID card that is incompatible with the original ID system. Since the cost and risks involved in this innovation are high, City Z continues to use the existing ID code to track people’s behavior. Everyone is scored in six categories: personal credit, public credit, professional credit, financial credit, administrative credit, and judicial credit. Personal credit refers to the score of a person’s socioeconomic status. In general, City Z will award a higher score to citizens with higher education levels and income. Public credit refers to the good and bad records of a person in the public sphere; extra credit points could be awarded for participating in charity services, whereas credit points are deducted for not obeying traffic rules. Professional credit refers to the reward or penalty given by an organization to a person in light of their performance in the workplace (*danwei* 单位). Financial credit refers to a person’s financial condition; for example, a person severely in debt will have points deducted. Administrative credit refers to whether a person has been punished by administrative departments. Finally, judicial credit refers to whether a person has been sentenced in court. Each category contains many subindicators, a total of 189 indicators altogether.⁴⁶

The relevant departments are responsible for recording people’s scores and passing them on to the Big Data Commission. Departments involved in the scoring of professional credit, for example, include the Taxation Bureau, the Human Resources and Social Security Bureau, and the Provident Fund Management Center. Each of these agencies designs an index to add and subtract credit scores. If people are rated as model workers or are awarded medals for their professional performance, they will earn extra points. For example, doctors and nurses who volunteered to go to Wuhan or other cities to deal with the COVID-19 pandemic had 30–50 points added to their professional credit scores. Points are deducted if people commit crimes such as tax evasion or insurance fraud.⁴⁷

City Z has been rating its citizens since 2018. Currently points tend to be added to people’s scores rather than being deducted. Each person starts with 550 points, and the maximum number of points they can achieve is 1,000. A score above 650 is considered good.⁴⁸ In City Z, anyone with more than 686 points

46. Interview with an official in the Development and Reform Commission of City Z, November 5, 2020.

47. Interview with a cadre working in the Big Data Commission of City Z, November 5, 2020.

48. Interview with a staff member in the Development and Reform Commission of City Z, October 14, 2020.

Table 2. The Distribution of Social Integrity Scores in City Z

Social Credit Score	Credit Rating	Number of People
850–1,000	Extremely excellent	0
750–849	Excellent	462
650–749	Good	6,892,409
550–649	Average	8,242
350–549	Poor	13,448
< 349	Bad	3
Total		6,914,564

Source: Internal data of City Z, November 5, 2020.

enjoys preferential treatment in terms of transportation, education, book borrowing, and travel. They receive a 20 percent discount on subway tickets, may defer payment of tuition fees, and do not have to pay a deposit to borrow library books. Those with scores below 550 who are guilty of major violations of the law may be blacklisted on the Credit China website, which will restrict their actions and their opportunities for consumption.

Table 2 shows the distribution of social credit scores among approximately 6.91 million citizens over the age of 18 with household registrations in City Z. As many as 99 percent of the citizens have scores in excess of 550. Almost all of them are categorized as having “good credit,” with only about 1 percent classified as “average” and less than 0.1 percent as “excellent.” Only a handful of convicted criminals score below 549.

However, during our research, we found that people do not seem to understand this set of scores, or even know that their behavior is being rated by the government. Most said that the social credit system had no impact on their lives. Take discounted subway tickets, for example. Anyone who uses City Z’s phone app can obtain discounts; there is no need to win them through credit scores.⁴⁹ City Z is not alone in this. People in the model city of Rongcheng also have little understanding of the social integrity system.⁵⁰

We speculate from our interviews and related data that City Z has so far not dared to disclose the details of the personal social credit system to the public; it has instead “rigged” the system to satisfy the requirements of its superiors. In fact, no rewards or penalties have yet been handed out. As a city official told us, “dividing the people into different levels will definitely cause protests. The

49. Interview with a citizen of City Z, October 15, 2020.

50. Interview with a member of the production team from German C Media, filming the documentary *Social Credit System*, Taipei, September 27, 2020.

risk involved in forcing these policies is too great.”⁵¹ The city of Suzhou introduced a personal credit scoring system in September 2020, the Suzhou Civilization Code, which had to be withdrawn three days after it was launched due to a public backlash and media criticism.⁵² When a local government has no specific experience or similar system to which it can refer, officials must be very careful to minimize the risk of provoking public protests.

In these circumstances, one can understand why officials in City Z are reluctant to deduct points for poor social integrity and only add points instead. City Z knows that it needs to make announcements about the system to the public in the near future, and it aims to start by giving people points to encourage them to demonstrate social integrity in order to obtain rewards. If this trial implementation goes well, the authorities will start deducting point for bad behavior and handing out punishments. The 189 indicators and scores have largely been designed to satisfy the requirements of the Outline; but many of them require further consideration. For example, an official in the city’s Development and Reform Commission commented that some farmers may never have needed to borrow money from a bank, so their “financial credit” scores cannot be calculated.

CONCLUSION

Our investigations in City Z reveal that the city’s officials are doing all they can to minimize the political risk involved in the implementation of the credit systems.⁵³ The top-level design represented by the Outline indicates that the credit system should cover the areas of business integrity, political integrity, and social integrity, but did not provide any clear indication of how the system should be implemented. The requirements for giving every adult citizen a social credit code and handing out rewards and punishments according to their social credit scores have no precedent in China. To create a new system is risky, which is why, as this article has shown, social credit for the general public has lagged behind the credit system for business and civil servants.

Political risk in this article mainly refers to the price cadres may have to pay if introducing an innovation. For example, a cadre may be demoted or dismissed for formulating an overly “bold” strategy without any palpable results. The political

51. Interview with a cadre working in the Development and Reform Commission of City Z, November 5, 2020.

52. “Suzhou wenming ma shijian: Zhongguo ‘heijing’ mengxiang de shehui jifen weihe zongbuhang” [Suzhou civilization code incident: Why the social points of China’s “Black Mirror” dream always fail], United News Network, September 8, 2020, https://global.udn.com/global_vision/amp/story/8664/4844171, accessed October 11, 2020.

53. For a related discussion, see Jack S. Levy, “Prospect Theory, Rational Choice, and International Relations,” *International Studies Quarterly* 41, no. 1 (March 1997): 87–112.

Table 3. Handling Political Risk by Officials Involved in the Credit Systems

Type Content	Business Integrity	Government Integrity	Social Integrity
Existing system that can act as reference	Credit rating regulations in related fields	Relevant regulations on information sharing Cadre personnel files	Hardly any
Difficulty	Less	Vertical and horizontal management relationship	Hardly any systems to refer to
Political risk	Low	Medium	Extremely high
Effectiveness	High	Medium	Low

behaviors of cadres are based on rational calculations.⁵⁴ The Outline handed down by the central government required all regions to complete constructing and implementing the credit systems by 2020.⁵⁵ Under the stipulations of the mandate, regional and local officials must carry out this task so as to avoid being seen by their superiors as not obeying the instructions of the central government. Yet the requirements of the central government's top-level design were not precise, so to reduce the risk posed by innovation, officials took their reference as far as possible from existing related regulations. Table 3 shows this mentality of the cadres.

In the three categories of business, government, and social integrity, the less that existing systems can be used as a precedent that can be followed, the greater the difficulty and risk for cadres in introducing an innovation and thus the greater the reluctances to actually implement the new measures. For example, as has been discussed, there are no related regulations to refer to regarding how to mete out rewards and penalties based on the social integrity scores of local citizens. So the officials of City Z establish the social integrity credit scores for all adults simply to satisfy their superiors, but they did not disclose the scores to the public, nor mete out the corresponding rewards and punishments. As a result, the effectiveness of implementation was extremely poor.

The CCP had hoped to improve the residual effects of “feeling for stones” in policy-making by means of developing a longer-term “top-level design.” It

54. This sometimes also entails deliberately taking on risk rather than avoidance. For example, Party officials sometimes allow media supervision and criticism, but their purpose is not to improve freedom of the press but may rather be premised on an attempt to pressure their subordinates into carrying out a policy through media pressure and public opinion. In other words, the risk of media criticism can be a price these officials are willing to pay in order to fulfill a policy that furthers their career. See Dan Chen, “Supervision by Public Opinion’ or by Government Officials? Media Criticism and Central-Local Government Relations in China,” *Modern China* 43, no. 6 (2017): 620–45.

55. For discussion of the “rule of mandates” in the CCP system, see Mayling Birney, “Decentralization and Veiled Corruption Under China’s ‘Rule of Mandates,’” *World Development* 53 (January 2014): 55–67.

seemed apparent to the top leadership that the “feeling for stones” approach since the 1980s had become increasingly problematic as China entered a new century. The practice whereby each individual department devised its own systems had led to a rather serious situation of “fragmented authoritarianism,” which runs contrary to Xi Jinping’s attempt to integrate the interests of the various parts of the bureaucracy to limit this fragmentation.⁵⁶ The top-level design method used by the CCP since 2011 to replace the feeling for stones approach provides a blueprint from which local officials can devise more detailed policies. But there is always tension between the policy framework decided at the center and local realities. Since local officials always have to keep one eye on the reaction of their superiors,⁵⁷ they can only feel their way forward while seeking to minimize their exposure to political risk.

Under these circumstances, when faced with a new national program to install credit systems, local officials have been more willing to promote those aspects of the top-level design with which they are familiar and that are therefore less risky. But they have been loath to touch the personal social credit system that the regime is trying to install to enforce social stability. At a time when Xi Jinping has imposed so many restrictions, they fear popular unrest and invoking the wrath of their superiors if they introduce any unpopular innovations; and they know that following a well-trodden path is the easiest way to avoid punishment.⁵⁸ This political atmosphere helps explain why the results of local trials of the political and personal social credit systems have so far not been successful.

As we have observed, the business integrity aspect of the credit system involves rating companies according to the safety of their products and their level of compliance with market regulations—a type of monitoring with which local officials are familiar. China also already has systems for promoting information sharing among government units and for rating the conduct of civil servants, so officials can refer to these when they are implementing this aspect of the credit system, but efforts have been seriously hampered by a lack of cooperation among a range of vertically and horizontally managed organizations. The personal credit system for all of China’s adult citizens is a novel scheme, and potentially very unpopular, and so it is no wonder that local officials are worried that implementing personal

56. Kjeld Erik Brødsgaard, “Fragmented Authoritarianism or Integrated Fragmentation?” in *Chinese Politics as Fragmented Authoritarianism: Earthquakes, Energy and Environment*, ed. Kjeld Erik Brødsgaard (New York: Routledge, 2017), 38–55.

57. Shih-Shen Chien, “Local Responses to Globalization in China: A Territorial Restructuring Process Perspective,” *Pacific Economic Review* 13, no. 4 (2008): 508–9.

58. Wang Tao, “Zhaozhun wenti yuantou, genzhi ‘lanzhen daizhen’” [Identify the source of the problem and cure the cadres’ “indolence, sloppiness, and neglect of their duties”], *Renmin wang* [People’s Daily Online], August 30, 2016, <http://dangjian.people.com.cn/n1/2016/0830/c117092-28676535.html>, accessed November 12, 2020.

social credit will cross an invisible line drawn by their superiors and they will be punished. Therefore, progress in this area is extremely limited.

Our conclusions regarding City Z may not necessarily apply to all counties and cities in China. Some local governments might have received more support from their superiors and as a result may have made a breakthrough in implementing the personal social credit system. However, we believe City Z does reflect the rational choices made by most cities in China's eastern coastal region regarding the social credit system, since they are under pressure to advance economic development and to minimize their own political risk. The regime under Xi Jinping seems intent on continuing its efforts to set up a comprehensive system for monitoring all aspects of society. However, given local cadres' awareness of the political risks involved, it may be a long time before the national authorities achieve that goal.