

Eroding Trust Could Further Undermine Confidence in Governance and Development

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What We're Watching

China is currently marked by a notable, accelerating erosion of trust. This decline is reshaping the dynamics between political elites, the state and society, central and local governments, and among the general populace. This erosion of trust could potentially lead to a unique “modernization trap,” undermining confidence in China’s governance and development.

The Context

China is currently experiencing a simultaneous erosion of trust across multiple domains:



Among political elites: Since the advent of the 20th Party’s Congress in 2022, China has witnessed a pronounced transformation in elite political dynamics. The combination of relentless anti-corruption campaigns and an aggressive push toward concentration of power has disrupted the previous relatively stable equilibrium. This has led to a breakdown in the predictability of the rules and norms of elite politics, and a diminishing sense of consensus and security among the political elite.

Between the state and society: In the post-Mao era, China has operated under an implicit social compact: political compliance in exchange for increasing prosperity. However, the resurgence of Marxist-Leninist ideology has transformed the once-celebrated maxim “to get rich is glorious” into “to get too rich is dangerous.” This ideological shift, together with a strategic pivot from prioritizing economic growth to emphasizing security, has led to policy inconsistencies, as starkly revealed during the COVID crisis. These developments have significantly eroded the long-standing pact among the government, private entrepreneurs, and society at large, resulting in a substantial and likely enduring trust deficit.

Between central and local governments: China’s governance framework is evolving, characterized by increased centralization of power. As local governments grapple with financial challenges due to dwindling revenues from land sales and a lack of new revenue sources, their ability to effectively implement national policies is increasingly questioned by the central government. This situation is exacerbated by local protectionism, which further complicates the central-local relationship. Coupled with a shift in the criteria for evaluating and promoting officials, from performance-based metrics to political loyalty, this has produced a noticeable impact on the efficiency and enthusiasm of local bureaucracies, historically essential for the rise of political elites. These shifts within China’s

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governance structure are leading to a growing erosion of trust between central and local governments, adding complexity to the dynamics of China's political landscape.

Among the general populace: The expansion of the Party and state's control and influence over more and more aspects of life is shrinking space for the private sector, civil society and non-governmental organizations, and the practical activities of everyday self-governance. Concurrently, state-led security campaigns encouraging community members and students to surveil and report on each other (especially on specific groups of particular suspicion, such as overseas returnees and teachers) are further eroding basic social trust and altering social dynamics.

What to Expect in 2024

- **Greater political instability:** with a record number of political purges in 2023, continuous changes in political rules and norms, and intensifying power struggles, the political landscape in 2024 may become increasingly unpredictable.
- **More economic unpredictability:** economic challenges, a yet unclear chain of economic decision-making authority, and the breakdown of the established social compact between state and society mean that overall confidence in the Chinese economy will remain constrained.
- **Societal fragmentation:** declines in societal trust could lead to greater social fragmentation, as individuals and groups are further atomized from traditional community structures and grow more distrustful of institutions and each other.
- **Governance challenges:** Chinese central and local governments may confront increased governance challenges, including reduced capacity to respond effectively to unforeseen events, such as social unrest, natural disasters, or international instability.



无信不立
(Without Trust,
Nothing Stands)

Overall, by 2024 China could find itself ensnared in a unique modernization trap marked by internal trust deficits and governance challenges that broadly undermine its ability to develop. Avoiding this scenario hinges on the Chinese leadership's ability to rebuild trust and confidence within the country, as well as on the international stage.