Maciej Walkowski
Adam Mickiewicz University in Poznań (Poland)
ORCID: 0000-0003-4293-1084
e-mail: walkowski@poczta.onet.pl

Social Credit System in the People's Republic of China. Theoretical Assumption and Implementation*

Abstract: In the European Union, the United States and other countries of the so-called Western world, the perception of the functionalities of AI, and other instruments of Industrial Revolution 4.0 significantly differs from its perception by the PRC's authorities, which – for a few years – have been implementing solutions aimed at comprehensive scrutiny and social supervision rather than facilitating life and work. This idea has been reflected in the so-called Social Credit System since at least 2014 and has given rise to plenty of controversies and disputes, unfortunately based on emotions and imprecise interpretation of the characteristics, aims, and implementation of the project rather than knowledge. While the new, digital model of social management in China is extensively discussed in the literature, it is rarely addressed in Polish studies, which results in the scarcity of publications on this subject. This paper attempts to fill this gap by presenting the essence of the system and the progress of its implementation.

Keywords: *China, European Union, case study, scoring, social credit system, Sesame Credit*

1. Introduction

It is correctly emphasised by the European Commission in the key document *Artificial Intelligence for Europe* that *Artificial intelligence (AI) is already part of our lives – it is not science fiction. From using a virtual personal assistant to organise our working day, through travelling in a self-driving vehicle, to our phones suggesting songs or restaurants that we might like, AI is a reality. Beyond making our lives easier, AI is helping us to solve some of the world's biggest challenges: from treating chronic diseases or reducing fatality rates in traffic accidents1 to fighting climate change or anticipating cybersecurity threats. Like the steam engine or electricity in the past, AI is transforming our world, our society and our industry. Growth in computing power, availability of data*

and progress in algorithms have turned AI into one of the most strategic technologies of the 21ˢᵗ century (EC 2018).

In the European Union, the United States and other countries of the so-called Western world, the perception of the functionalities of AI and other instruments of Industrial Revolution 4.0 significantly differs from its perception by the PRC's authorities, which – for a few years – have been implementing solutions aimed at comprehensive scrutiny and social supervision rather than facilitating life and work (such as digital wallets in EU)[1].

This idea has been reflected in the so-called Social Credit System since at least 2014 and has given rise to controversies and disputes, unfortunately, based on emotions and imprecise interpretation of the project's characteristics, aims, and implementation rather than on knowledge. While the new digital model of social management in China is quite widely discussed in the world literature, it is rather rarely addressed in Polish studies, which results in the scarcity of publications on this subject. This paper attempts to fill this gap by presenting the essence of the system and the progress of its implementation. In order to learn about the objective reality concerning the diagnosed problem and its various implications both for Chinese society and, potentially, other countries in the world, we applied the method of cause-and-effect and institutional-legal analysis in the study. We focused not only on explaining the essence of the Social Credit System but also on generalising the phenomena and processes accompanying the implementation of this globally innovative instrument of socio-economic management. We prove that the SCS has some advantages in the Chinese socio-cultural reality, although it also justifies the authoritarian CCP politics. At the same time, and for many reasons, it should never be used in Western culture.

We also used elements of the decision, historical, comparative methods, and the statistical research method. The deductive reasoning method has attributed the principal role in terms of methodology, which enables the identification of facts based on an in-depth analysis of numerous and varied source data. Moreover, when making conclusions and recommendations, we used the exploration method, which combines predictive reasoning

[1] Under the new regulation of the European Commission of June 2021, EU member states will offer so-called digital wallets to their citizens and enterprises. They will be able to link their digital identity with proof of other digital attributes, such as a driving licence, diplomas or a bank account. The wallets will be provided by public authorities or private entities, provided they are recognized by a member state. The digital identity wallets will enable the citizens of EU member states to access services online without having to use private identification methods or unnecessarily sharing personal data. Owing to this solution, Europeans will have full control of what data they share and to what organisation.

with studying developmental processes occurring in the PRC. They come from both sides, requiring a proper diagnosis and a scientific analysis, including assessment and prognosis. The presented scientific article tries to meet these expectations.

2. The Essence and Implementation of the System

The Social Credit System – SCS, 社会信用体系, *shèhuì xìnyòng tǐxì*, is a nationwide political programme consisting of several pilot projects to establish the system of social rating, which, based on data collected over decades and stored both analogue and with the use of state-of-the-art technologies will create profiles of citizens and businesses in the People's Republic of China. The system focuses on four main spheres – national enterprises and economy, society, the judiciary, and public administration. It is in them that the higher level of social trust and security will be ensured, law regulations better observed, corruption eliminated, and proper transparency guaranteed. At present, there is no single, combined system of social evaluation. Instead, there are many different private and state systems – compatible with each other to a large degree – for monitoring and assessing enterprises, citizens, and government institutions (Wojciechowska, 2021; Marszałek-Kawa & Dmochowski, 2021).

The system was conceived in 1999 when Zhu Rongji sought to ease the difficulty of foreign firms in obtaining information on their Chinese partners. According to Lin Junyue, one of the most important minds behind the system, research and planning for a national credit score in China started at this time. It began as a research project led by the World Economics and Politics Institute of the Chinese Academy of Social Sciences. For years after the system was mentioned at the 16th Party Congress in 2002 as a part of the effort by the Communist Party of China (CPC) to create a "unified, open, competitive and orderly modern market system", it was discussed in official documents only in the context of market reforms (Cho 2020). At the 16th Congress of the CPC, the Party Secretary, Jiang Zemin, expressed the need to build a system of evaluating social credibility, which would meet the requirements of the modern market economy. In 2003, the original name was proposed: *Shèhuì xìnyòng tǐxì*. Four years later, in 2007, for the efficient implementation of the concept, the Joint Inter-Ministerial Council on the Construction of the Social Credit System / Shèhuì xìnyòng tǐxì jiànshè bù jì liánxí huìyì was established, and it was decided that the first pilot monitoring and ranking systems would be created, introduced and tested (Wojciechowska, 2021).

As it was mentioned, „Social credit" is a term which was introduced in 2002 by the Chinese government. After many years of discussions and preparations, in 2014, the Chinese State Council announced plans to build the Social Credit System. According to responsible government officials, social credit would rate citizens in five dimensions: „lawfulness, moral behaviour, social engagement, activities of public interest and environmental protection" (Pohlmann, 2018).

According to respected German think tank Merics, the "roots of the Social Credit System go back to the early 1990s as part of attempts to develop personal banking and financial credit rating systems, especially to facilitate lending in rural areas, where individuals and small enterprises often lacked documented financial histories. The first blueprints of the SCS were drafted in 2007 by a group of government bodies. Since 2011, there has been a marked shift in the SCS's objectives from financial credit rating system to panacea for a broad set of socio-political ills. Complaints that China is a "low trust" society have long been widespread: Chinese society is seen as suffering from a moral vacuum due to the turbulent economic and social changes since the beginning of reform and opening in 1978. The growing wealth in economically developed regions came at a price, as they suffered most from the insufficient supervision of market actors, environmental and food safety scandals, violations of labour law and intellectual property /IP rights, widespread corruption, and rent-seeking" (Drinhausen & Brussee, 2021).

The analysis of Merics largely coincides with the observations of the Chinese authorities. According to the Chinese Ministry of Commerce, the annual economic loss caused by the lack of credit information is more than 600 billion yuan. The Chinese central bank has the financial data from 800 million people, but only 320 million have a traditional credit history. China's lack of a national credit system is why the government is adamant that Citizen Scores are long overdue and badly needed to fix what they call a "trust deficit". Next is fulfilment capacity, which it defines in its guidelines as a "user's ability to fulfil his/her contract obligations" (Hong, n.d.).

"The level of micro corruption in China is enormous", Kevin Hong stresses. The government also argues that the system is a way to bring in those people who are left out of traditional credit systems, such as students and low-income households. Without such a mechanism, doing business in China is risky, and about half of the signed contracts are not kept. Indeed, the State Council aims to raise the "honest mentality and credit levels of the entire society" to improve the overall competitiveness of the country (Hong, n.d.).

The Social Credit System's main purpose turned to enforce existing laws and regulations. This significant expansion culminated in the "Planning Outline for the Construction of a Social Credit System (2014–2020)", issued by the Chinese State Council, and led to its most crucial construction period. Social credit has become a fixture of the new ideological canon of "Xi Jinping Thought on Rule of Law". In January 2021, the CPC's Central Committee issued a new roadmap for the "construction of a rule of law society" until 2025. It includes a section on the SCS, highlighting its importance for China's legal development agenda as a supporting pillar of the legal system. The broad range of policy goals projected on the system explains why what is generally translated as "social credit" is not a clearly and legally defined concept. Documents and discussions of the system contain a set of terms that range from financial creditworthiness (征信) to broader trustworthiness, law-abiding behaviour, or even moral values such as honesty and integrity (诚信/守信) (Drinhausen & Brussee, 2021).

A document published on June 14, 2014 stipulated the full implementation of the social rating system by the end of 2020. The priority was to introduce the SCS supervision system of enterprises. The document specifies that the system will be based on regulations, agreements and acts, and its principal goal is to promote honesty and enhance social trust, build the state's position in the international arena, and strengthen the economy. The four most important spheres covered by supervision (zhèngfǔ—shìchǎng—shèhuì—sīfǎ) are, respectively: the government and administration, the economy, the society and the judiciary.

From the conceptual perspective, the most important area under scrutiny is not, contrary to popular belief, citizens. It is the sphere of companies and the national economy. The system is intended to ensure China's economic growth and make the country the global leader, simultaneously eliminating corruption and dishonesty and increasing transparency in the Chinese market. At the same time, other issues remain to be of significance: environmental protection, healthcare supervision, the supervision of financial operations made both by businesses and private entities, and trade. In practice, however, the SCS is most concerned with citizens to assess their daily behaviour. Only in the longer term will the system assess the behaviour of all PRC citizens.

From the start, the SCS had a wide remit targeting individuals, enterprises, social organisations, and government organisations. Only CPC organisations are exempt. However, the main target group has been companies, in line with the overall policy goal of increasing public trust in commercial products and services and China's market economy. In dealing with individuals, the SCS is largely focused on debt repayment. Despite this, major violations of laws are also tracked and sanctioned. Foreign individuals with residence in China have occasionally been affected, especially in their function as legal representatives of a company or for debt default (Drinhausen & Brussee, 2021).

In the document entitled "Planning Outline for the Construction of a Social Credit System (2014–2020)", it was stated in the first paragraph:

> *A social credit system is an important component part of the socialist market economy system and the social governance system. It is founded on laws, regulations, standards and charters, it is based on a complete network covering the credit records of members of society and credit infrastructure, it is supported by the lawful application of credit information and a credit services system, its inherent requirements include establishing the idea of a sincerity culture, and carrying forward sincerity and traditional virtues, it uses encouragement to keep trust and constraints against breaking trust as incentive mechanisms, and its objective is to raise the honest mentality and credit levels of the entire society. Accelerating the construction of the Social Credit System is an important basis for comprehensively implementing the scientific development view and building a harmonious socialist society, it is an important method to perfect the socialist market economy system, accelerating and innovating social governance, and it has an important significance*

for strengthening the sincerity consciousness of the members of society, forging a desirable credit environment, raising the overall competitiveness of the country and stimulating the development of society and the progress of civilisation (Planning Outline…., 2014).

From the point of view of the creators of the system, there are thus very serious assumptions to justify its introduction. They include: raising social honesty and economic efficiency, the restoration of social capital and mutual trust, proper economic development and the improvement of the financial status of millions of citizens, combatting corruption and crime, eliminating other undesirable and illegal behaviours, and, consequently, the establishment of a loyal and disciplined society and more effective companies operating in the interest of the efficient economy to match the global aspirations of the Chinese authorities. The State Council's statement concerning the building of the system and guidelines for the Five-Year Plan (2016–2020), published on the official government website in June 2014, reveals that the authorities put much emphasis on the issues of citizen care in the spirit of cultivating the virtues of honesty, sincerity and morality. The system is supposed to be the foundation of a harmonious socialist society. It will become a new, innovative tool of social management serving the purpose of strengthening the feeling of social integrity, promoting mutual trust and reducing social conflict, and – what is very important – creating a transparent credit surrounding for business activity (规划纲要（2014–2020年).

According to a renowned expert in the field, Rogier Creemers, the "SCS will rate individuals and companies based on various aspects of their activity – where they go to, what they buy and who they know – this evaluation becomes integrated with a big database, which is linked not only with government information but also with the data gathered by private enterprises. Therefore, the system creates citizens' ratings by combining personal data stored by banks, e-commerce sites and social media" (Creemers, 2018).

*T*he SCS has been implemented for a relatively short time but has a historical justification as well. One of them is the *baojia* system. It is a traditional Chinese system of a collective neighbourhood organisation, by means of which the government in the time of the Chinese Empire was able to maintain order and control through all levels of society. According to Britannica, the *baojia* system was practised throughout China until 1949. It was abolished after the communist government took control in 1949 (https://www.britannica.com/topic/baojia). Next is the *hukou system*, originally created to maintain a sense of social order, protect the rights of Chinese citizens, and "be of service to the establishment of socialism". China's hukou system was introduced in 1958 as a modern means of population registration. By dividing the population into two classes, rural and urban, hukou system determines where citizens can receive public services. For Chinese citizens, hukou status determines a wide range of social benefits and services, "where they can receive healthcare, what kind of pension they're entitled to, their ability to receive loans, which public schools their children are allowed to attend, and more" (Jaramillo, 2022). The hukou's current version fulfils three

main functions: the control of internal migration, the management of social protection, and the preservation of social stability. With its emphasis on promoting societal stability, this system is similar to the SCS. The hukou system, too, allows for different treatment of individuals by the authorities based on their classification (Boquen, 2021).

Today, the commitment of Chinese big tech companies such as Alibaba or Tencent proves the links between SCS and two other important programs: *Made in China 2025* (MIC, 2025) and *China Standards 2035*. MIC 2025 is an initiative which strives to secure China's position as a global powerhouse in high-tech industries. The aim is to reduce China's reliance on foreign technology imports and invest heavily in its own innovations to create Chinese companies that can compete domestically and globally. China seeks to end its reliance on international technology and upgrade its industrial capability and smart manufacturing by ensuring that innovation, product quality, efficiency, and integration drive manufacturing across "10 key industries". Those industries include, among others, advanced information technology (Made in China, 2025). The *China Standards 2035* plan will lay out a blueprint for China's government and leading technology companies to set global standards for emerging technologies like 5G internet, the Internet of Things (IoT), and artificial intelligence, among other areas. It will work in concert with *Made in China 2025* policy, as the country's leaders seek to become global leaders in high-tech innovation (Koty, 2020).

3. Suining Pilot Scheme and Its Continuation

The introduction of a pilot scheme in Dazhong Xinyong in Suining in Jiangsu province was important for the practical part of project implementation in 2010. Although the scheme, having been heavily criticised for the subjective and arbitrary scoring system, had been quickly abandoned, it constituted a significant test of the system's functioning. Under the assumptions of the pilot project in Suining, the maximum number of points was 1,000. Even a minor traffic offence, such as jaywalking or driving a car under the influence of a small amount of alcohol, cost, respectively, minus 20 and 50 points. Even the private life of the project participants was subject to scrutiny. Negligence in caring of an elderly family member or false accusations towards other people on social media led to subtracting from 50 to 100 points. The consequences of poor social rating included, for example, the rejection to admit a child to school, slow Internet connection or problems finding a job (Kopka, 2018).

According to Markus Pohlmann, "in Suining County, Jiangsu Province, since 2010, each of a little over one million citizens has had their social credit score with 1,000 credit points, to begin with. They refer to more than 400 indicators used for the evaluation. If the citizen fails to help, say, their parents, who are in a situation that requires caring, they get 50 points deducted. Anyone who accuses someone wrongly on the Internet or by SMS gets 100 points deducted – a kind of license for the officials who decide on it. However, if the citizen, helps an elderly lady cross the street, they receive 10 points. If they get a government commendation, they get another 100 points" (Pohlmann, 2018).

Table 1. Score table for the Suining Mass Credit System

1. *Commercial services credit information (150 points):*
- Bank loans (50 points).
- Credit card non-repayment (50 points).
- Contract performance (30 points).
- Peer-to-peer loans (20 points). (both non-repayment and illegal lending were punished)

2. *Social services credit information (120 points):*
- Tax arrears or evasion (50 points).
- Utility fee payments (35 points).
- Social security payments

3. *Social management credit information (530 points):*
- City management (25 points).
- Producing or selling fake goods (35 points).
- Pyramid selling, swindling (35 points).
- Birth planning (35 points).
- Heretical activities (50 points).
- Household virtue (50 points) (this includes domestic violence and failure to take care of the elderly or children)
- Social order (50 points) (this refers to "encircling, stalking or harassing Party and government bodies, enterprises or construction sites". Exposure by news media was sufficient for points deduction).
- Property theft (50 points).
- Traffic violations (50 points).
- Offering and taking bribes (50 points).
- False accusations and slander (100 points).

4. *Special Social Credit information:*
- Civil litigation (50 points).
- Administrative punishment (50 points).
- Criminal punishment (100 points) (Creemers, 2018).

More provinces and institutions began working on pilot versions and databases over time. The progress of the system was monitored by the National Development and Reform Commission (NDRC) of the PRC and the People's Bank of China. In 2017, the NDRC and the People's Bank of China selected 12 model cities, including, among others, Suqian, Rongcheng, Weihai, Hangzhou, Wenzhou and Xiamen (Wojciechowska, 2021)[2].

---

[2] In 2013, the People's Bank of China issued a regulation in which it permitted the publication of the so-called black and red lists of citizens. The blacklist (黑名单, hēi míngdān) is a list of companies or citizens who committed frauds, broke the rules, failed to respect regulations or did not comply with court judgments. The blacklist 失信被执 行人 (shīxìn bèi zhíxíng rén) or *laolai* l (老赖) contains the names of companies or private persons, who deliberately ignored court verdicts and did not rectify their behaviour. Since 2014, lists with the names of such people have been published online and can be freely accessed. Both individuals and enterprises can be entered on the blacklist. Being blacklisted has huge repercussions for the life of a person or the business operations of a company. According to the binding regulations, this fact has implications for all other aspects of life and activity of a citizen or an entrepreneur. Penalties related to being put on such a list are varied and depend on the type of an offence. So-called *public shaming* is often used – consisting in displaying the photographs of blacklisted people on screens and billboards located

According to Merics analysts, at present, 47 institutions are involved in shaping the system. These include the State Council as a cross-ministerial coordinator, the National Development and Reform Commission (NDRC) and the People's Bank of China in the lead. Many of these institutions are also responsible for implementing the system by establishing and managing platforms to track "social credit" in their respective policy fields. Examples include financial regulators or supervisory bodies tracking legal compliance in environmental protection, food safety or, most recently, epidemic prevention (Drinhausen & Brussee, 2021)[3].

Currently, a scoring system has been introduced or tested in approximately 43 cities and districts to assess social behaviour. But the Chinese government is now building a comprehensive social credit scoring system to reward and punish the social behaviour of all its citizens. Anyone who does poorly in the rating can be restricted in all areas of life (Pohlmann, 2018).

In the county-level city of Rongcheng, Shandong Province, for which data on the number of points are available since 2014, citizens have been sorted into five grades from A+, A, B, and C to D. Citizens with more than 1000 points belong to Grade A+. Grade C citizens only have somewhere between 600 and 849 points, and those whose points stand below 599 languish in Grade D. Citizens of Grade A+ or A move around with as much freedom and opportunities accordingly, whereas citizens of Grade C and D face numerous serious restrictions for a period of two and five years, respectively. They cannot get loans anymore. They have big problems renting or buying new apartments. They no longer have access to good jobs while their children are excluded from good schools. All these accesses and

---

in different parts of a city (like in Anhui province). The redlist (红名单, hóng míngdān) is a list of people awarded for special merits and model behaviour. There are rewards for respecting the rules specified by the system and penalties for breaking them (system of rewards and punishment: 联合奖惩, liánhé jiǎngchéng). Despite assurances that the mandatory nationwide system would be introduced by 2020, it is still not ready and, thus, it is not fully operable yet.

[3] Blacklisting is one of the key elements of China's social credit system. The largest blacklist in China is the Defaulter Blacklist, managed by the Supreme People's Court, which keeps a record of laolai – individuals and companies who fail to fulfil court-ordered obligations. Blacklist data is a matter of public record, and there are at least a dozen apps that allow users to search the court's dataset. Laolai checker (老赖查询) is one of these – a search app for debtors that have landed on the Defaulter Blacklist. Laolai application (Laolai Checker) is thus used to track debtors whose names are recorded in the main register of laolai. Thanks to the app (usually installed on a smartphone), the users can easily search others by their names, go through the details of court cases, and check the current status of debt payment. The Chinese government has launched two central platforms for public access to this type of information. The first of them is Credit China, which provides access to information about blacklisted individuals, while the other one is The National Enterprise Credit Information Publicity System, dedicated exclusively to enterprises. More: Kendra Schaefer, The apps of China's social credit system, October 14, 2019 https://ub.triviumchina.com/2019/10/long-read-the-apps-of-chinas-social-credit-system/

opportunities are tied to the score. Even entrepreneurs who only possess a few points can also be barred from winning orders (Pohlmann, 2018).

The government has given eight private companies a licence to develop systems and algorithms for social credit scores. The first is with China Rapid Finance, a partner of the social-network behemoth Tencent and the developer of the messaging app *WeChat* with more than 900 million active users. The other, Sesame Credit, is run by the Ant Financial Services Group (AFSG), an affiliate company of Alibaba with AliPay at the head. Sesame Credit had also teamed up with other data-generating platforms, such as Didi Chuxing, the ride-hailing company that was Uber's main competitor in China before it acquired the American company's Chinese operations in 2016, and Baihe, the country's largest online matchmaking service. Individuals on Sesame Credit are measured by a score ranking between 350 and 950 points. Alibaba does not divulge the "complex algorithm" it uses to calculate the number, but they reveal the five factors taken into account. The most important is a credit history, but also personal characteristics, verifying personal information such as someone's mobile phone number and address, behaviour and preference and interpersonal relationships, also checked online (Hong, n.d.).

The users of Sesame Credit, a subsidiary of Alibaba, are already being evaluated electronically for personal characteristics (qualification, occupation, income, etc.), their handling of money, their reliability in the online trade of goods, behavioural preferences, and the personal networks in which they move. More than 100 million users can access their scores anytime on their smartphones. At the same time, this rating has a strong social impact because Sesame Credit serves a range of partners with this information. These include, for example, China's largest online dating service, Baihe, where partner seekers can already see each other's score point. It is both a reward and a punishment system. In order to get „better" partners, you must adjust your behaviour and networks to it (Pohlmann, 2018).

There are many "special privileges" for those citizens who prove themselves to be "trustworthy" on Sesame Credit. If their score reaches 600, they can take out a Just Spend Loan of up to 5,000 yuan to use to shop online, as long as it's on the Alibaba site. Having collected 650 points, they may rent a car without leaving a deposit. They are also entitled to faster check-in at hotels and the use of the VIP check-in at Beijing Capital International Airport. Those with more than 666 points can get a cash loan of up to 50,000 yuan, obviously from Ant Financial Services. If they get above 700, they can apply for a trip to Singapore without supporting documents such as an employee letter. And at 750, they get fast-tracked application to a coveted pan-European Schengen visa. Higher scores have already become a status symbol, with almost 100,000 people bragging about their scores on Weibo (the Chinese equivalent of Twitter) within months of launch. A citizen's score can even affect their odds of getting a date, or a marriage partner, because the higher their Sesame rating, the more prominent their dating profile is on Baihe (Hong, n.d.).

Sesame Credit already offers tips to help individuals improve their ranking, including a warning about the downsides of befriending someone with a low score. It might lead to the

rise of score advisers, who will share tips on how to gain points, or reputation consultants willing to offer expert advice on how to strategically improve one's ranking or get off the trust-breaking blacklist (Pohlmann, 2018).

Hu Tao, Sesame Credit's chief manager, warns people that the system is designed so that "untrustworthy people can't rent a car, can't borrow money or even can't find a job". Indeed, on September 25, 2016, the State Council General Office updated its policy entitled "Warning and Punishment Mechanisms for Persons Subject to Enforcement for Trust-Breaking". The overriding principle is simple: "If trust is broken in one place, restrictions are imposed everywhere" the policy document states (Pohlmann, 2018).

Mo Chen, Severin Engelmann, Felix Fischer, Jens Grossklags, and Ching-yu Kao, the authors of the analysis entitled „Clear Sanctions, Vague Rewards: How China's Social Credit System Currently Defines „Good" and „Bad" Behaviour", having examined various SCS pilot schemes, describe reports of "good and bad" behaviours of citizens. For example, the "Credit China" platform presents them as "Stories of Sincerity" (诚信人物/故事) in the special section "The Sincerity Culture" (诚信文化). All of the twenty selected positive cases showed how the character sacrificed his or her own interest (both material and immaterial) for the nation's common good. All the presented cases focused on "trustworthiness" and "sincerity" as the key merits of the system. They also had the same narrative structure: first, they provided detailed biographical information about a given person (full name and surname, social class, profession, family status), and then presented a dilemma: "the character could either get involved in an 'insincere' behaviour and receive a small reward instantly or could get a big reward in the future thanks to being 'sincere'". When a person puts into practice a "sincere" behaviour, which occurred in all the analysed "positive" reports, the narration ends with a sequence of merits and praises directed at him or her. In turn, reports of "bad" behaviours were marked as "typical cases" (典型案例)". 26 selected "negative" cases concerned seven subjects and focused on a single common area, "laolai (老赖)": the term referring to companies and people who refuse to pay their debt and a threat of "public shaming" if they fail to fulfil a specific obligation, including a court order (Chen et al., 2019).

As the result of the implementation of pilot schemes, in the years 2014–2018, about seven million Chinese citizens with poor ratings were put on the no-fly list, while another three million were banned from travelling by high-speed rail (HSR), which is very popular and well developed in China. It seems to be a large number in terms of absolute figures, but if we have in mind how populous the Chinese nation is, the number is not so impressive and confirms the thesis that the system promotes pro-social behaviours rather than punishing them for their absence. However, not all researchers share this point of view.

4. The Conceptual and Operational Assumptions of the System

According to Rogier Creemers, Assistant Professor in Modern Chinese Studies at Leiden University and co-founder of DigiChina, a joint initiative with Stanford University and New

America: „SCS policy documents claim its objective is to stimulate "sincerity" (chengxin) and "trustworthiness" (yongxin). The Joint Punishment System, explicitly targets acts of "un-trustworthiness" (shixin). The SCS can also be seen as a response to a political moral crisis. It became prominent when the political initiative moved from the centre to the localities, resulting in the perceptions of weak central leadership and rampant local corruption. To the extent that the SCS is also aimed to better check the performance of local administrations, it forms part of efforts started in the second half of the Hu Jintao administration and accelerated under Xi Jinping to centralise power, strengthen discipline and return the Party and its mission civilatrice back to prominence" (Creemers, 2018).

As mentioned earlier, the behaviours of enterprises, citizens and public institutions are subject to evaluation, which specifies whether a given organisation or a person are trustworthy and useful to the economy and society. People score "positive points" for, among others, obeying the law, promoting ethical attitudes and various "good deeds", such as being a blood donor or working for charity. People who obtain a sufficient number of points can enjoy many privileges, such as a discount on electricity and heating, cheaper public transport or priority in admission to school or hospital. The Social Credit System also provides for penalties in the form of a point deduction for specific offences, such as tax arrears, theft attempts or drunken driving. Analogically, people with low personal scoring may receive sanctions. For example, they can be excluded from access to prestigious places, such as restaurants, theatres, cinemas, golf courses, or even nightclubs. They can also be banned from participating in mass events, lose the right to go abroad, be forbidden from travelling by high-speed rail, or even have Internet connection slowed down or cut off (Szewerniak, 2018).

Points can be deducted for many reasons, not only because of debt or traffic violations. Among penalised acts are: too much video console gaming, buying excessive amounts of alcohol or junk food, walking a dog without a leash or having a dog that barks too often, spitting in public places, posting fake news on social media, entering improper or forbidden websites, or even having friends who have very low scoring on the SCS scale (Kozieł, 2019).

Apart from using personal data concerning payments and financial obligations (loans, alimonies, etc.), the purchasing history is used to assess the Chinese citizen's traits such as his or her daily behaviour, lifestyle or private interests. Li Yingyun, the technology director at Sesame Credit, the leading SCS operator, confirmed that "someone who plays computer games ten hours a day will be deemed lazy, while a person regularly buying diapers will be verified as a responsible parent and, thus, will be more likely to score points […] similarly, for praising the government's activity in social media" (Chiny: System…, 2017).

In 2014, the government released bullet points of proposed penalties for those who "break social trust". According to the main policy documents, if one is a low-scoring Chinese:

- Will not be considered for public office;
- Will lose access to social security and welfare;

China Watching

Beijing wants to create a nationwide 'social-credit' system that compiles digital records of citizens' social and financial behavior to calculate a personal rating that will determine what services they are entitled to — and what blacklists they go on. Here's a look at how the system might work.
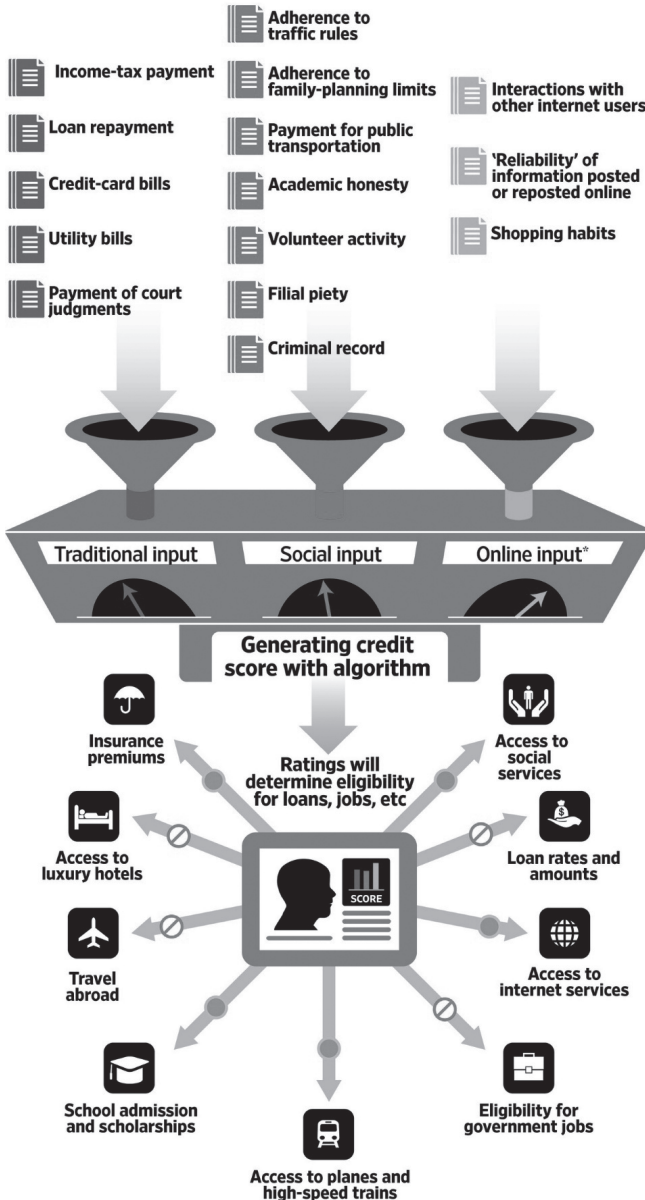
Adherence to traffic rules

Income-tax payment

Adherence to family-planning limits

Interactions with other internet users

Loan repayment

Payment for public transportation

'Reliability' of information posted or reposted online

Credit-card bills

Academic honesty

Utility bills

Volunteer activity

Shopping habits

Payment of court judgments

Filial piety

Criminal record

Traditional input   **Social input**   **Online input***

Generating credit score with algorithm

Insurance premiums

Access to social services

Ratings will determine eligibility for loans, jobs, etc

Access to luxury hotels

Loan rates and amounts

SCORE

Travel abroad

Access to internet services

School admission and scholarships

Eligibility for government jobs

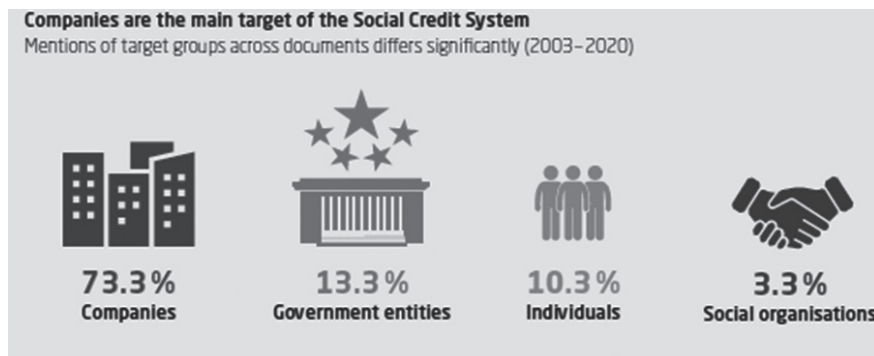**Access to planes and high-speed trains**

* It is currently unclear how "online inputs" will be implemented.
Source: WSJ reporting based on government blueprints, state-media reports and interviews with architects of the plan.

THE WALL STREET JOURNAL.

Diagram 1. SCS structure and goals

Source: Chin & Won, 2016.

- Will be frisked more thoroughly when passing through Chinese customs;
- Will be shut out of senior-level positions in the food and drug sector;
- Will not get a bed in overnight trains;
- Will be shut out of higher-starred hotels and restaurants and will be rejected by travel agents;
- One's will not be allowed into more expensive private schools (Clinton, 2016).

The SCS could not function so efficiently if modern video surveillance systems did not support it. In 2018, it was estimated that there were approximately 200 million CCTV cameras. There was thus one camera per seven inhabitants of the country. At the same time, the estimated number of CCTV cameras in the US was about 40 million (one camera per eight people). In the US, however, unlike China, most cameras are installed by private entrepreneurs and ordinary citizens, who protect their businesses and premises in this way, rather than by the state – mandatorily and on the whole country's territory. The Chinese authorities predicted there would be as many as 626 million public surveillance cameras in the country by 2020. According to the report by the British portal Comparitech, the number of CCTV cameras in China will reach… 2.29 billion, i.e., two cameras per two people (Kozieł, 2019).

The extensive use of big data and AI for social management within the framework of the SCS is also reflected in the application of increasingly advanced CCTV cameras and surveillance performed with semi-autonomous devices such as drones. The SCS also takes advantage of other technological tools, such as face recognition technologies or even a gait recognition system. Face recognition technologies have been used by pilot cities, including Shenzhen, Jinan, and Fuzhou, for a few years. They are applied, among other things, in road traffic, at airports, in banks and hotels when checking in (Creemers, 2018).

What arouses interest in the world is the social component of the system. As mentioned before, the SCS is dedicated mainly to businesses, which is usually forgotten in the debate. The Corporate Social Credit System (CSCS) is the rating system covering all enterprises and corporations which operate on Chinese territory. Foreign companies investing in China are also subject to evaluation. In the scoring processes, various data concerning the profile and history of a company are gathered. The founders, chairpersons, directors and other top managers are also assessed. The system checks whether these people have a criminal record and whether and how they fulfil their responsibilities. However, the key information for evaluation is whether the company observes the law or pays taxes. Its past projects are also appraised and its annual reports are analysed. Other important factors include the company's licences, its care of the natural environment, whether it respects employees' rights and other CSR elements, the awards and distinctions it has received and the assessment of the company's online activity (this particularly concerns the e-commerce industry). Based on the obtained score, companies are grouped into four categories: 1. the top 优 (yōu), meaning perfection, 2. the second – good 良 (liáng), 3. the third – average 中 (zhōng), 4. the fourth – unsatisfactory 差 (chà). The company's rating directly translates into its position

Companies are the main target of the Social Credit System
Mentions of target groups across documents differs significantly (2003–2020)

73.3% Companies   **13.3%** Government entities   **10.3%** Individuals   **3.3%** Social organisations

Picture 1. SCS main targets.
Source: Merics, 2021.

and opportunities in the market. A low score means many hindrances and administrative and fiscal difficulties. The CSCS supervision covers many industries that are considered to be key, such as the automotive branch, agriculture and food industry, pharmaceutics, transport and logistics, telecommunications, and e-commerce (Wojciechowska, 2021)[4].

5. Conclusions

From China's national interest perspective, the need to establish and implement the SCS seems justified. The explosive economic growth in the last four decades has not been accompanied by the proper development of legal and cultural norms in China. Outstanding obligations in relations with banks and other types of financial institutions, failing to respect the provisions of contracts with companies, cultivating guanxi, characteristic of so-called crony capitalism, which often means "connivance" with corruption and fraud (counterfeiting food and medicines, polluting the natural environment, etc.), the deficit of empathy in social life and violating numerous legal regulations, are all serious problems in China – the problems which the authorities want – and rightly so – to eliminate[5]. Although some

---

[4]   See also: A comprehensive study on China's Corporate Social Credit System is The European Union Chamber of Commerce in China [in cooperation with Sinolytics] publication: *The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors*, https://www.europeanchamber. com.cn/en/publications-archive/709/The_Digital_Hand_How_China_s_Corporate_Social_Credit_System_Conditions_Market_Actors, 2019–08–28.

[5]   *Guanxi* (关系) refers to having personal trust and a strong relationship with someone and can involve moral obligations and exchanging favours. Sometimes perceived in Western business as bordering on unethical behaviour associated with corruption (i.e., awarding projects to a friend's company rather than the most qualified firm), it is a core part of doing business in China. *Guanxi* is often translated as "connections", "relationships" or "networks". However, none of these terms do justice to the fundamental

researchers emphasise this is more CCP's interest to consolidate political power than the general public interest.

The SCS is the system that promotes proper social behaviours and condemns criminal and unethical activity on the level of companies, public institutions and citizens. By reinforcing the sense of social integrity, promoting mutual trust and reducing conflict, it is aimed at restoring social capital and creating the right environment for business activity and the efficient, transparent governance of the state and society. At the time being, as part of social gamification, rewarding rather than punishing is promoted. However, some sanctions appear to be severe.

What is more, with social acceptance at the level of 76 per cent – as shown in the study of a respected German scholar, Genia Kostka – the system can be of use not only to China and its citizens but also to foreign investors and foreigners living or studying in the Middle Kingdom, or tourists visiting this beautiful country. From this perspective, its implementation seems justified (Kostka, 2018). However, one point should always be kept in mind: not all public opinion polls in China confirm these results. Many surveys in China do not happen in a free setting. Even respected Genia Kostka's findings have been countered by other surveys, showing less approval for SCS.

Everything indicates that after the forced lockdown due to the COVID-19 pandemic, the Chinese authorities will revive the idea of making the SCS a nationwide system, ultimately – although it is not certain yet – within the framework of a single, common (state or private) platform for supervision and evaluation which does not exist yet. The initial experience, not always successful, makes this solution highly likely.

On the other hand, at least from the Western point of view, many questions and at least partly well-founded doubts remain. The critics see the SCS as a mechanism of "social segregation", a new tool for digital scrutiny which restricts civil liberties and any spontaneity in human behaviour. They believe that the introduction of digital mechanisms for the supervision of the activity of entrepreneurs, private individuals and public institutions, monitored and assessed in real-time in order to automatically confront them with the positive and negative consequences of the positive and negative consequences of their actions, is unethical, multidimensionally harmful and unworthy of emulation, especially in free-market liberal democracies (Hoffman, 2018).

---

and complex concept of guanxi and its central role in Chinese culture. Guanxi can also be used to describe a network of contacts which an individual can call upon when something needs to be done and through which they can exert influence on behalf of another. These networks can have a direct impact on conducting business in China, including market expansion and sales growth. Many foreign companies have to struggle to integrate *guanxi* into their business practices. The key is to remain diligent and be aware that the reciprocal nature of *guanxi* also dictates an informal obligation to 'return the favour'. More: *Understanding the concept of 'guanxi'*, https://asialinkbusiness.com.au/china/conducting-business-in-china/understanding-the-concept-of-guanxi?doNothing=1

In the discourse on this issue carried out in the countries of liberal democracy, the SCS is usually perceived as "Orwell's nightmare vision in which Big Brother and big data conspire to finalise the totalitarian plans of China's autocratic leaders". This vision is often compared to one of the episodes of the popular dystopian Netflix series "Black Mirror", in which citizens constantly assess their interactions, converting them into scores[6].

According to the critics: international organisations and institutions like the European Union or UNESCO, scholars, experts, journalists and representatives of NGOs, who usually come from the Western cultural circle – led by Western Europe, the United States, Canada and Australia – the Chinese authorities, by implementing the SCS, decided to control the life and work of people in an almost unlimited and arbitrary way. They believe that variable parameters can be used – following the model of participation and competition in computer games (gamification) – to freely increase or decrease one's rating, thus determining the quality of life and work of citizens and the future of business operations, with an opportunity to win and get promoted or a threat of loss and demotion. In line with this projection, the SCS will ultimately become a universal and very effective digital tool for comprehensive surveillance and monitoring of business and personal activity. It will also serve the purpose of politicising every business, public and private sphere in China, strengthening the authoritarian power of the CPC and threatening with the export of such solutions to other countries and regions in which the authorities wish to enhance its autocratic political influence in the way analogical or similar to unhuman China's model (Szewerniak, 2018).

The following questions, intriguing from the cognitive and practical perspective, deserve to be answered in a separate paper, which I plan to publish in the next issue of PPSE:

- Which of the interpretations seems to be closer to the truth?
- Can the SCS have, at least partially, a universal character in the world, especially in societies with a different system of values and countries with a different political system than the one of the PRC?
- What might be the implications of its use in the cultural and economic environment other than the Confucian one?
- Is the SCS a unique solution or just the creative digital extension of practices that Western IT and e-commerce corporations have used for years?
- What is the European Union's attitude to such a type of digital forms of socio-economic management, and what may be its implications?

---

[6] In October 2016, the British dystopian TV series 'Black Mirror' aired *Nosedive*. In that episode, citizens use their cell phones to review each other on a five-star scale after each social interaction and everyone's average score is visible to everyone else. In such a world, any unpopular behaviour or opinion leads to lower reviews and, from there, to social ruin (Kayser-Bril, n.d.).

References:

„规划纲要（2014–2020年）的通知. http://www.gov.cn/zhengce/content/2014–06/27/content_8913.htm

Boquen, A. (2021, June 28). *China's Hukou System Explained*. https://nhglobalpartners.com/the-chinese-hukou-system-explained.

Chen, M., Engelmann, S., Fischer, F., Grossklags, J., & Kao, Ching-yu. (2019, January). Clear Sanctions, Vague Rewards. How China's Social Credit System Currently Defines „Good" and „Bad" Behaviour. In *FAT* '19: Proceedings of the conference on fairness, accountability, and transparency*.

Chin, J., & Won, G. (2016, November 28). China's New Tool for Social Control: A Credit Rating for Everything. *The Wall Street Journal*. https://www.wsj.com/articles/chinas-new-tool-for-social-control-a-credit-rating-for-everything-1480351590

Chiny: System oceny „wiarygodności" obywateli ma ruszyć od 2020 roku. (October 28, 2017). https://www.polska-azja.pl/chiny-system-oceny-wiarygodnosci-obywateli-ma-ruszyc-od-2020-roku

Cho, E. (2020, May 1). *The Social Credit System: Not Just Another Chinese Idiosyncrasy*. https://jpia.princeton.edu/news/social-credit-system-not-just-another-chinese-idiosyncrasy.

Clinton, N. (2016, October 26). China might use data to create a score for each citizen based on how trustworthy they are. *Business Insider*. http://www.businessinsider.com/china-social-credit-score-like-black-mirror-2016

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS. (2018, April 25). Artificial Intelligence for Europe, Brussels. COM(2018) 237 final (SWD(2018) 137 final).

Creemers, R. (2018, May 9). *China's Social Credit System: An Evolving Practice of Control*. http://dx.doi.org/10.2139/ssrn.3175792

Creemers, R. (2018). The International and Foreign Policy Impact of China's AI and Big Data Strategies. In *AI, China, Russia, and the Global Order: Technological, Political, Global, and Creative Perspectives A Strategic Multilayer Assessment (SMA) Periodic Publication December*. https://nsiteam.com/social/wp-content/uploads/2018/12/AI-China-Russia-Global-WP_FINAL.pdf

Drinhausen, K., & Brussee, V. (2021, March 3). CHINA'S SOCIAL CREDIT SYSTEM IN 2021. From fragmentation towards integration. *MERICS CHINA MONITOR*. https://merics.org/en/report/chinas-social-credit-system-2021-fragmentation-towards-integration

Hoffman, S. (2018). Managing the State: Social Credit, Surveillance and the CCP's Plan for China. In *AI, China, Russia, and the Global Order: Technological, Political, Global, and Creative Perspectives A Strategic Multilayer Assessment (SMA) Periodic Publication December*. https://nsiteam.com/social/wp-content/uploads/2018/12/AI-China-Russia-Global-WP_FINAL.pdf

Hong, K. (n.d.). *Big data meets Big Brother as China moves to rate its citizens. The Chinese government plans to launch its Social Credit System in 2020. The aim? To judge the trustworthiness – or otherwise – of its 1.3 billion residents*. https://www.wired.co.uk/article/chinese-government-social-credit-score-privacy-invasion

Jaramillo, E. (2022, April 20). *China's Hukou Reform in 2022: Do They Mean it this Time?* https://www.csis.org/blogs/new-perspectives-asia/chinas-hukou-reform-2022-do-they-mean-it-time.

Kayser-Bril, N. (n.d.). *Personal Scoring in the EU: Not quite Black Mirror yet, at least if you're rich*. https://algorithmwatch.org/en/personal-scoring-in-the-eu-not-quite-black-mirror-yet-at-least-if-youre-rich

Kopka, A. (2018, May 17). *Azjatycki Wielki Brat, czyli Social Credit System*. Centrum Studiów Polska-Azja. http://www.polska-azja.pl/a-kopka-azjatycki-wielki-brat-czyli-social-credit-system

Kostka, G. (2018, July 23). *China's Social Credit Systems and Public Opinion: Explaining High Levels of Approval*. Freie Universität Berlin. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3215138

Koty, A. Ch. (2020, July 2). *What is the China Standards 2035 Plan and How Will it Impact Emerging Industries?* https://www.china-briefing.com/news/what-is-china-standards-2035-plan-how-will-it-impact-emerging-technologies-what-is-link-made-in-china-2025-goals

Kozieł, H. (2019, December 27). *1984 w 2020 roku. Rusza system totalnej kontroli miliarda ludzi*. https://cyfrowa.rp.pl/globalne-interesy/art17997741–1984-w-2020-roku-rusza-system-totalnej-kontroli-miliarda-ludzi

Made in China 2025 Institute for Security & Development Policy. (2018, June). https://isdp.eu/content/uploads/2018/06/Made-in-China-Backgrounder.pdf

Marszałek-Kawa, J., & Dmochowski, T. (Eds.) (2021). *Selected Socio-Economic and International Relations Issues in Contemporary Asian States*. Wydawnictwo Adam Marszałek.

Marszałek-Kawa, J., & Plecka, D. (Eds.) (2019). *The Dictionary of Political Knowledge*. Wydawnictwo Adam Marszałek.

Merics China Monitor. (2021, March 3). https://merics.org/sites/default/files/2021–03/MERICS%20ChinaMonitor%2067%20Social%20Credit%20System%20final2.pdf

Planning Outline for the Construction of a Social Credit System. (2014, June 14). https://chinacopyright-andmedia.wordpress.com/2014/06/14/planning-outline-for-the-construction-of-a-social-credit-system-2014–2020

Pohlmann, M. (2018, February 9). *GEORGE ORWELL IN CHINA – DIGITISATION AS A METHOD OF TOTAL SOCIAL CONTROL*. Heidelberg Research Group for Organization Studies. https://heigos.hypotheses.org/8546

Szewerniak, M. (2018, September 14). *Chiny wprowadzają System Zaufania Społecznego*. https://gdpr.pl/chiny-wprowadzaja-system-zaufania-spolecznego

UNESCO. (2021, November 22). *Report of the Social and Human Sciences Commission (SHS) 41 C/73*. https://unesdoc.unesco.org/ark:/48223/pf0000379920#page=14.

Wojciechowska, G. (2021, May 24). *Social Credit System – inteligentny panoptykon z chińską charakterystyką czy sposób na zbudowanie społeczeństwa przyszłości?* Instytut Boyma. https://instytutboyma.org/pl/social-credit-system-inteligentny-panoptykon-z-chinska-charakterystyka-czy-sposob-na-zbudowanie-spoleczenstwa-przyszlosci/; https://www.britannica.com/topic/baojia