

Local Governance in China: Incentives & Tensions

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Abstract: China faces major challenges from social instability and general societal disaffection, which have continued to grow even as the economy has developed. In recent years, the Chinese government has tried to address such issues by diverting increasing resources to raising the income of villagers and providing social services to the urban and rural population alike. So why have “mass incidents” – public protests that sometimes turn violent – continued unabated? This article argues that the structure of central-local relations leads local governments to discount the interests of residents on the one hand, and distort central policies to the benefit of the local government on the other. The “party manages the cadres” principle, through which the central government exerts vertical control, prevents horizontal and bottom-up accountability, and thus ends up setting the interests of local cadres against those of local residents. The central government’s interest in preserving its own power makes it reluctant to reform the central-local relationship, thus perpetuating crises.

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Relations between central and local governments are increasingly seen as critical both for governance issues and for economic development. Overly centralized states pose the threat of killing market incentives and dampening economic development, whereas overly decentralized states risk stifling economic development through cronyism and sometimes predatory behavior.¹ A combination of a Weberian-style central bureaucracy and a decentralized political system is generally recognized as conducive to good governance.²

But the question is not simply one of centralization versus decentralization, as important as that discussion may be; rather, the question is also one of how local governments are nested within hierarchical political systems. For instance, Brazil’s political system has historically been characterized by extreme decentralization; a tradition that resumed in the 1980s following the nation’s return to democracy, much to the detriment of coherent policy-making and economic growth.³ In contrast, contemporary

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India has a highly centralized bureaucracy, though individual states have been empowered to set economic policy within their regions. Some states have lobbied New Delhi for investment and have moved ahead economically, whereas others have pursued oppositional strategies, bolstering the popularity of local politicians but falling behind economically.⁴ Under the Partido Revolucionario Institucional (PRI), Mexico had a highly centralized government, but also a patrimonial bureaucracy that was not conducive to rapid economic growth. Decentralization reforms in recent years, however, have brought about better governance in Mexico, if not greater income equality.⁵

Over the past three decades, China has developed extremely rapidly, averaging nearly 10 percent growth by GDP per year. Built around a revolution-era mobilizational party system that combines strong centralism and local initiative, China's political system seems to have developed a strong mix of capable leadership at the center and incentives for building "developmental states" at the local level.⁶ Indeed, much of China's success and uniqueness in the contemporary period is attributed to its local governments, which are seen both as laboratories for policies that can be extended throughout the whole country, and as competitive units that "race" each other in a battle for development.⁷

If China in the post-Mao period (since 1978) has achieved a benevolent balance between centralization and decentralization, it is in part a result of historical accident. Following the Cultural Revolution, China's economy was quite decentralized, and planners, led by senior economic policy-maker Chen Yun, worked hard to recentralize the economy. They could only do so much, however, and they ended up achieving only a modest recentralization of the fiscal system and a strengthening of the planning system, while at the same time

rewarding decentralization. The system of fiscal contracting (*caizheng baogang*) allowed the provinces, particularly Guangdong and Fujian (which struck better deals with the central government), to remit a fixed amount of revenue to the center for a specified period of time. This system incentivized provinces, and below them counties and townships, to maximize revenue by allowing them to keep any revenue collected above the amount owed to the central government. Thus, it encouraged localities to increase economic production. The southeast province of Guangdong was in an especially good position, being geographically located next to Hong Kong and also the native home of many of its residents. The province offered favorable terms for investors from Hong Kong, who were then facing rising labor costs, and thus Guangdong managed to move, in East Asia scholar Ezra Vogel's terms, "one step ahead."⁸

As this short summary suggests, there are two critical linkages binding central and local authorities in China: the party system (particularly the cadre management system) and the fiscal system. In addition, through the approval process and the transfer of funds, Beijing can shape, if not determine outright, economic and spending priorities of localities. Collectively, these factors condition the behavior of local cadres, providing incentives and disincentives for governance and economic behavior.

Over the first decade or so of reform, the incentives given local cadres aligned with the objectives set by central leaders (primarily economic growth). But the decentralization associated with fiscal contracting and the "delegation of power and yielding of benefits" (*fangquan rangli*) went too far, eroding the fiscal authority of the central state – that is, until the major tax reform policy of 1994 shifted the balance back toward Beijing. Because this tax reform

Joseph
Fewsmith &
Xiang Gao

was negotiated between the center and the provinces, however, little consideration was given to the fiscal needs of the lower levels of government, particularly the counties and townships. This neglect of fiscal resources for lower levels of government, in turn, exacerbated relations between local cadres and peasants. The fiscal deprivation of counties and (especially) townships worsened in 2006, when the central government ended the collection of agricultural and miscellaneous taxes. Together, these changes in the fiscal system, combined with the exercise of vertical accountability through the cadre management system, have created frictions and dysfunctions at the local level. The benign alignment of incentives between the principle (the central government) and its agents (local governments) that characterized the early years of the Dengist reforms no longer prevailed.

The cadre management system is the core political mechanism that binds the different levels of Chinese government together. There are five levels of government in China: central, provincial, municipal (prefectural), county, and township. Villages are below townships, but are considered “self-governing” because their cadres are paid by the villages themselves rather than by the state (though there have been moves in recent years to pay some village cadres in poor areas using state funds). But self-governing does not mean autonomy, since village affairs are still dominated by the local party branch.

The cadre system holds these levels together through a hierarchical arrangement in which each level (with the exception of township) is responsible for appointing and evaluating cadres at the level below. The cadre system is also task-oriented: cadres are not given job descriptions, but are rather assigned tasks to perform. Such tasks can change depending on the

needs of the superordinate leaders, and subordinate leaders are evaluated not by how well they serve their “constituents,” but by how well they perform these tasks. Because power remains highly concentrated, there is a strong tendency for authority to be personalized; and because the ties between leaders at one level and the cadres below them at the next are often quite close, relationships tend to be corrupt.

The cadre system was built as a mobilizational system, not a professional bureaucracy. Mobilizational systems can be quite flexible, and that flexibility was very useful in the rapidly changing environment of the revolution, the civil war, and then the political campaigns that dominated the first quarter-century of the People’s Republic of China (PRC).⁹ The cadre system proved malleable once again when the party-state began to execute Deng Xiaoping’s economic reforms in 1978. Instead of being evaluated by their effectiveness in carrying out revolutionary or political campaigns, cadres were now evaluated largely by their success in economic development. This shift in tasks was accompanied by new recruitment criteria that emphasized being “more revolutionary, younger, better educated, and more professionally competent,” though “more revolutionary” was generally thought of as “politically reliable” in practice. Retirement was gradually institutionalized. The party school system was reprogrammed to train cadres in updated ideology and, eventually, management skills.¹⁰

This system proved highly effective in promoting growth, as China’s high-speed development over the past three decades attests; but its very focus on economic growth meant that other areas of governance – including health care, education, and environmental protection – were neglected. This imbalance was caused by four factors. First, the cadre system privileges targets that are easily counted. Thus, the

one-child policy could be implemented with remarkable effectiveness and, at times, ruthlessness.¹¹ Similarly, economic development can be counted, albeit with some slippage, through the calculation of GDP figures. Second, pursuit of economic development has been relatively uncontroversial at all levels of government, which makes it a consensus target. Prioritizing economic development as the core task and weighing it heavily in the cadre evaluation system avoids arguments about how to measure and compare “softer” tasks. Focusing on economic development also aligns the personal interests of cadres – who often benefit personally through privilege and corruption – with the goals of the state, making economic goals more likely to be attained. But again, the focus on development inevitably comes at the expense of softer social services. Though some of these service areas, such as education and, even more so, medical care, have received greater attention recently, they continue to suffer from years of neglect and are typically not emphasized in local government plans. Third, particularly with increasing pressures to develop and the rising price of land, there are strong incentives for cadres to requisition peasants’ land, often with little or no compensation given in exchange. There is also considerable temptation to pocket some of the proceeds. Such actions put local government in direct conflict with at least some of its people and create resentment through the local cadres’ public displays of wealth.

Finally, the broader fiscal environment influences the way cadres interact with common citizens. When the state moved to recentralize the fiscal system through the tax reform of 1994, local cadres, under pressure to develop the economy, reacted by over-collecting taxes, provoking popular tax resistance. The abolition of the agricultural tax in 2006 certainly ben-

efitted most peasants, but cadres responded by requisitioning land to attract development projects. Land seizures may have affected fewer peasants, but those affected were hurt badly, and they reacted strongly against their local officials. Increasingly, development issues have set the interests of local cadres against those of the people they govern, and the cadre management system sharpens the conflict. Together, these four factors point to the cadre system itself as the primary cause of social instability.¹²

Local governments pursued the primary goal of the central government – economic development – because the interests of central and local governments largely overlapped; but local governments also pursued their interests in their own way. That is to say, the central government can define tasks for local authorities to implement, but it cannot stipulate the way in which local governments pursue those goals. The differences between the interests of the central and local governments become more obvious when the central government takes steps to diversify its goals, moving from economic development to new pursuits such as controlling corruption, protecting the environment, and building a health care system. This divergence of interests became apparent when the central government began to address the issue of instability both through modest political reform and, more important, when it tried to establish a “service-oriented government.”

Political reform, though that term must be understood modestly, was one way China tried to deal with the growing problems of cadre networks and social protest that developed in the wake of the 1994 tax reform. In 1995, the Central Organization Department, then under the leadership of Zeng Qinghong, issued the “Interim Regulations on the Selection and Appoint-

Joseph
Fewsmith &
Xiang Gao

ment of Leading Cadres of the Party and State.”¹³ These regulations tried to open up the cadre selection process by requiring wider participation and mandating processes of “democratic recommendation,” inspection, preparation, discussion, and decision-making. Such processes were intended to constrain the ability of leading party secretaries to gift promotions to their followers single-handedly. The 1995 decision laid the foundation for the experiments in “inner-party democracy” that would unfold first in Sichuan province and later in other provinces.

Neither the 1995 regulations nor the burgeoning inner-party elections at the township level were intended to lay a foundation for the democratization of China. Rather, the hope was that by involving more people in the selection process, the party could break up the tight-knit groups that formed around local leaders, tighten control over lower-level party organizations, reduce the potential for corruption (by multiplying the number of people who would have to be paid off if bribery were attempted), and give promotions to people who might be less predatory. Reformers hoped that by exploring a democratic process, however narrowly and gingerly, the party might be led along a path that would increase public participation and accountability. Perhaps in the long run, such measures might, in fact, form a bridge toward democracy.

Social scientists are accustomed to thinking that if there are sufficient incentives to provoke social innovation, there will likely be increasing returns, which in turn lead to path dependency and a benevolent cycle of ever-deeper innovations. In China, there certainly were incentives to innovate. The adoption of new regulations on cadre selection reflected the central authorities’ concerns about social stability (as explored by Ching Kwan Lee in her essay in this volume) and their will-

ingness to innovate, if only cautiously. Similarly, local cadres who faced social pressures and who, perhaps more important, wanted to show their superiors that they could deal with such pressures creatively, were willing to innovate. But that does not mean there were sufficient pressures to produce a benevolent cycle. On the contrary, there were countervailing pressures that minimized, and perhaps rendered meaningless, the impact of political reform. According to a study on China Local Governance Innovations Awards, the number of local innovations in political reform has decreased since 2005–2006.¹⁴ Not even the innovation of “participatory budgeting” (*canyuxing yusuan*) in Wenling, Zhejiang, widely acknowledged to be a successful (if limited) experiment in reform, has spread to neighboring cities. It remains to be the only existing case of “deliberative democracy” (or perhaps more accurately “consultative authoritarianism”) in Zhejiang province.¹⁵

What are these countervailing pressures weighing against experimentation in political reform? First, even if the central government were concerned about poor governance and social stability at the local level (and it has been), it had no interest in weakening the party. In any contest between the organizational principle of “the party manages the cadres” and efforts to constrain local party secretaries, the organizational principle – and therefore the party secretaries – would prevail. Hierarchical control of the party was simply too important to sacrifice, even if doing so improved local governance. Second, inner-party democracy innovations took place at the township level, and the county party committees that supervised them had mixed motives. On the one hand, county party committees wanted to be seen by their superiors as skilled in responding to local problems. Electing a new township head or party secretary might help an area

past a difficult time, either by calming social concerns or by helping to raise funds for construction projects. On the other hand, choosing a new township leader might be more about jump-starting a career than serving the interests of the public. Thus, leaders chosen in the course of an inner-party election were frequently moved to new posts shortly after being elected; the county may have discovered a new talent, opening the door for the newly elected leader to move on to a better position. The social impact of his election on the area, then, was minimal. Perhaps more important, the official who had organized the election may also soon move on to a new position, and the next party secretary might very well feel that further elections are unnecessary. Thus, there are very few areas that have held more than two township-level elections.¹⁶

Ever since reform and opening began in 1978, authoritative party documents have maintained that the primary contradiction facing China is that between the “ever-growing material and cultural needs of the people and the backwardness of social production.” That is to say, the most important task was economic development. The implication was that whatever social problems China might face, they would eventually be solved through further economic growth. This conclusion was implicit in General Secretary Jiang Zemin’s “Three Represents” (*sange daibiao*): the doctrine, first introduced in 2000, that posited that the Chinese Communist Party (CCP) represented the “advanced forces of production,” advanced culture, and the fundamental interests of the overwhelming majority of the people. The theory that the party represented the advanced forces of production was what justified allowing entrepreneurs and other “new forces” to join the party. Nevertheless, by the end of Jiang Zemin’s term of office in 2002, more

and more people were discussing the need to address social problems in addition to economic growth. For instance, Li Peilin, a prominent sociologist at the Chinese Academy of Social Sciences (CASS), argued that the Chinese government thought for years that it could grow its way out of social problems, but “a new round of economic growth would, on the contrary, exacerbate things, even to the extent of severely threatening sustainability and stability of continued growth.” Has the time come, Li asked, when China should adjust its development strategy from “taking economic development as the center” to “taking the coordinated development of the economy *and* society as the center”?¹⁷

The SARS (Severe Acute Respiratory Syndrome) crisis of late 2002 to early 2003 drove the point home: economic growth could not solve all governance problems in China. The central leaders started to realize that the uneven development and the diversification of interests meant that there would be “winners” and “losers” in the reform process. As reform deepened and the economy developed, Chinese society became increasingly made up of distinctive social groups with different and sometimes conflicting interests. During the Jiang Zemin era, CCP leaders paid more attention to the private entrepreneurs, since they were perceived as both the most dynamic demographic in the rapidly evolving society and the greatest potential political opposition. The Three Represents successfully co-opted the so-called red hat entrepreneurs (private entrepreneurs who registered as “collective” enterprises), but overlooked the welfare of peasants, laid-off workers, and others left behind in China’s economic boom. By the late 1990s, it was increasingly clear that reform was creating not only winners, but also losers.¹⁸ Premier Zhu Rongji reflected the increasing consciousness of this reality when he for the first time used the term “vulnera-

Joseph
Fewsmith &
Xiang Gao

ble groups” (*ruoshi qunti*) in the Government Work Report of 2002.¹⁹

Recognizing the diversity of interests and China’s uneven development, General Secretary Hu Jintao and Premier Wen Jiabao put social development on top of their policy agenda, emphasizing the importance of providing public service. The central leaders came to believe that by compensating those who lost out in the course of economic development, they could lessen public dissatisfaction with the government. This belief was given life in the new slogan “Scientific Development Concept” (*kexue fazhanguan*), which soon became the leading development principle in China. Whereas Jiang Zemin’s Three Represents had emphasized “advanced productive forces” (economic development), the Scientific Development Concept shifted the emphasis to the third of the Three Represents, namely the interests of the vast majority of the people.

The Scientific Development Concept, like the idea of a “harmonious society” (which appeared in 2006), was embodied by the proposal to build a “service-oriented government” (*fuwuxing zhengfu*). As a reform agenda, the idea of a service-oriented government tried to redefine the function of government by highlighting social management and the delivery of public service, which had long been ignored.

In line with this idea, the government focused much attention on the countryside. Beginning in 2004, the government resumed publication of “Central Document No. 1,” the annual document that had led the way in rural reform in the early and mid-1980s. In 2006, the government abolished agricultural taxes and unveiled plans to build a “New Socialist Countryside” that focused on infrastructure construction and improving the income of rural residents. By 2011, the Chinese government’s expenditure on rural and agricultural issues reached nearly three trillion

yuan, which was ten times the same expenditure in 2004. As part of this effort, the government invested 105 billion yuan over the course of the Eleventh Five-Year Plan (2006 to 2010) for the Safe Drinking Water Project, which provided clean drinking water for more than 210 million rural residents.

The government also publicized a series of social policies related to education, health care, employment, and social security, ending the long history in which rural areas were excluded from the state welfare system. In less than ten years, the Chinese government successfully built a basic social safety net for rural residents. Initiated in 2003, the New Rural Cooperative Medical System had more than 830 million rural participants by 2010. The New Rural Social Pension System, another key policy of the Hu–Wen administration, began to be implemented nationwide in 2012, three years after it was first experimented with on a smaller scale. Besides such new policies, the central government also increased the standard of public services. For instance, in 2011, it increased the minimum standard of living in rural areas to 2,300 yuan per household per year, which is 92 percent higher than it was only two years earlier in 2009.

In urban areas, public service provisions that emphasized the needs of migrant workers were also introduced. By the time Hu and Wen left power in 2012–2013, rural migrant children without local household registration could go to primary and junior middle school (though the family’s obedience to the one-child policy was still a precondition), while the migrant workers themselves became covered by the endowment insurance system for urban workers. But all of these policies could not be carried out without a significant increase of government expenditure. Between 2007 and 2010, the Hu–Wen administration increased annual expenditures on education,

science and technology, culture, sports and media, the social safety net, employment-effort rewards, medicine and health care, environment protection, urban and rural community affairs, agriculture, forestry and water conservancy, and transportation by 265.2 million yuan, which made up 66.16 percent of total increased expenditures in those years.

But just how successful these efforts were in building a service-oriented government is a subject of controversy. On the one hand, there seems to be some narrowing of the urban-rural income gap since 2010. In 2012, rural residents' annual per capita net income reached 7,917 yuan, growing 13.5 percent over the previous year, a slightly higher growth rate than that of urban residents. Thanks to the improved social policy system, 1.3 billion citizens are protected by different forms of the health care insurance system, and two hundred million citizens are getting pensions from the state. Such data suggest that a service-oriented government has been successful to some degree.

On the other hand, the crisis in local governance has not eased and may, in fact, have gotten worse. While problems of environmental pollution, which have intensified since the industrialization boom in the 1980s, remain unresolved, new problems such as land acquisition have emerged and have triggered severe mass incidents, especially in well-developed areas. According to a local survey conducted in 2007, popular distrust of local cadres' commitment to the public is still significant.²⁰ The crux of the problem is that local governments must implement central policy, and the local governments, facing limited accountability, do not have strong incentives to build a service-oriented government.

Local governments are usually considered to be either rational actors or a stra-

tegic group with shared interests.²¹ Yet local governments are just as fragmented as the governments above them. Moreover, the Hu–Wen emphasis on the third of Jiang Zemin's Three Represents – the fundamental interests of the overwhelming majority of the people – did not mean encouraging the formation of interest groups (“civil society”). Rather, the party relied on the “mass line,” a traditional means of cadres determining the needs of the “masses” for them.

Under these circumstances, local governments, especially the county-level governments – the lowest level to have complete functions as well as independent fiscal and budget powers – responded to the new initiative as an opportunity to increase their budgets. Not surprisingly, the heads of departments in charge of social management or public services became the biggest supporters of the idea of a service-oriented government, pushing their local governments to adjust their budgets to meet central documents' guidelines. But other department heads, including local party secretaries, were not as enthusiastic. They continued to look on economic development as their primary goal and were reluctant to divert expenditures to meet social needs. Despite the fact that the cadre management system was adjusted in 2009 to include social management and public service indicators, and to reduce the weight of economic development indicators, it failed to provide a strong motivation for party secretaries to implement the Scientific Development Concept.²²

Beijing was also aware of the weak incentives for local governments to pursue a service-oriented government. In response, the central government created specially earmarked funds (*xiangmu zhi*) to offer direct support to local service departments. This mechanism provided special funding, which bypassed the local budget process,

Joseph
Fewsmith &
Xiang Gao

for projects supported by the local service departments. The intention of the mechanism was to avoid the abuse of special funds by other local authorities and to enhance vertical management. Ideally, the service departments with additional resources would improve the performance of public service delivery and social management. In 2012, more than 40 percent of the central government's transfer payment to local government was spent as special transfer payments via these earmarked funds.²³

But even this mechanism could not necessarily improve local governance. Local service departments, unable to secure more funds from the local level, scrambled to apply for these special funds from higher-level governments. But when they received such funding, cadres preferred to spend it on construction projects – which brought them personal gain – instead of increasing the standard of public services. For instance, a huge amount of money was spent on building online networks for social security, while the transfer of migrant workers' social insurance funds has remained an unsolved problem. Despite the directive from the central government to improve the social security situation of migrant workers, local officials in social security departments still permit migrant workers to take only part of their pension insurance account with them if they move to another area, a policy that clearly hurts workers. In other words, local cadres cared more about their departments and personal interests than they did about the welfare of many in their communities.

The goal of building a service-oriented government is further hindered by China's decentralized fiscal system, which serves to make local governments more profit-oriented. This is contrary to the conventional wisdom of political economists, who tend to support the argument that a decentralized government system is more

efficient than a centralized system, since local governments have more information and are able to adjust their policy priorities according to the preferences of local communities.²⁴ But this can only be true if local residents or local people's congresses can seriously constrain the corruption and unethical practices of local governments, which is not the case in China. Without any horizontal or bottom-up accountability at the local level, responsiveness becomes a serious problem in building a service-oriented government. A survey in early 2009 showed that the most desired public services of rural residents, including environmental protection and public safety, were all neglected by local government.²⁵

Instead of improving the quality of governance at the local level, the decentralized fiscal system has created a strong motivation for local governments to maximize their revenues. Case studies show that local governments respond to the central government's demand for service-oriented construction in name only. It is not until an opportunity for enhancing revenue emerges that all actors in the local government work together to initiate social policy innovations.²⁶ In China today, land acquisition is widely implemented under the guise of "rural community construction" or "urbanization," though the real intent of local government is to increase revenue through the seizure of rural construction land for urban development. By distorting central policies, local governments are creating more governance crises even as they claim to be building a service-oriented government.

Overall, actors in local governments have one of two divergent interests: they either neglect the policy agenda of the central government because of the limitations of the cadre evaluation system; or they take advantage of programs intended to build a service-oriented government

in order to benefit themselves. Local governments may implement the minimum policy to create a service-oriented government, but local actors are simply not accountable to the local community. The lack of such a mechanism reduces the effectiveness of service-oriented government and causes tensions in local governance.

Local government in China is responsible for implementing the policies of the central government, but it also wields considerable power within its sphere of control. Although local government must perform those tasks that leaders at the next highest level prioritize – particularly “hard targets” – its primary incentive is to maximize its own revenue. Thus, the cadre management system has held China together and propelled economic development, but it has not promoted good governance. The cadre management system has given local cadres incentives that are contrary to the interests of many local residents, either through overtaxing or through land requisitions and sales. The central government’s efforts to promote a service-oriented government can only mitigate this basic structural contradiction to a certain extent. Indeed, even though local residents benefit from the growth of social programs, local governments benefit more.

If the central government is aware of widespread bad governance at the local level, why does it not pursue more systematic government reform? As discussed above, the government did initiate experiments with limited elections, but those reforms soon faded out. Apart from such political reforms, the central government could set up a vertical management system to implement directly those functions that local government does not have strong incentives to pursue.

The central government, however, does not seem to have the motivation to change the current system of central-local rela-

tions. The current arrangement puts local government in charge of policy implementation, even though it seems to reduce the quality of local governance. Nevertheless, by espousing popular initiatives, the central government creates a good image for itself and wins peoples’ trust – as verified by the many surveys that show citizens have a high degree of satisfaction with the central government but are far less satisfied with their local governments.²⁷

In fact, the central government is not only unwilling to experiment with enhanced vertical management, it is also reluctant to publicize the ways in which it intervenes in local affairs, except for when doing so results in favorable publicity, such as for the initiation of new social policies. For instance, since 1978, the central government has delegated some economic management power to the local governments, but has only allowed the localities to approve projects within a certain scale and category. For big projects that exceeded these limits or belong to a particular industry type, local governments had to submit proposals to higher levels for approval. This is the administrative device through which the central authority implemented, and continues to implement, macro-control. However, this approval process occurs within the governmental system and is not widely known to the public. If such projects go awry, people blame the local government where the project is located, rather than the higher-level government that approved the project or perhaps even demanded it. Thus, when there is a crisis, people protest and take action against the local government, which may well only be implementing a project that was conceived of at a higher level.

Such was the case with the controversial paraxylene (PX) plant that was being built in Ningbo, Zhejiang. The project was approved by the National Development and Reform Commission (NDRC) in Beijing,

Joseph
Fewsmith &
Xiang Gao

though local residents were unaware of this point. So when protestors took to the streets in late 2012 to object to the PX plant, they first went to the Zhenhai District government, which had no authority to stop the project. Two days later, the protestors moved on to the Ningbo city government, which under pressure, announced the termination of the PX plant development – though that project was actually a smaller part of a major petrochemical project, with other initiatives still scheduled to be carried out. More important, because this project was approved by the NDRC, involves the powerful oil company Sinopec, and includes many additional components, it is not at all clear that the protest was as successful as reported. What is clear, however, is that the local government has borne the blame for decisions made much higher in the governmental chain. Public trust is eroded, but governance is not improved.

The cadre system emerged in the course of China's revolution as a way of maintaining party discipline and mobilizing populations. While it enforced central policy, it was always a decentralized system in which officials were appointed to posts and given great authority to see that tasks were completed. It gave the CCP flexibility, allowing it over time to unite with the Kuomintang (Nationalist Party), to split with it, and to unite with it again; to ally with the Soviet Union, but later to oppose "Soviet revisionism"; and to carry out land reform and, eventually, to allocate land to households in the name of reform (among other things). There is no question that the cadre system was central both to China's revolutionary quest and to its later economic development. The cadre system centralized China in unprecedented ways, but the country remained decentralized enough for local cadres to maintain great influence in the areas they controlled, for

better or worse. Thus, it is very different from the federal system of Brazil, the centralized system of Mexico under the PRI, and the combination of central bureaucracy and intense localism in India. China, of course, shares many similarities with the former Soviet Union, but the long revolutionary struggle and the Cultural Revolution seem to have given China a flexibility and an incentive for reform and economic development that the Soviet Union did not have.

The inauguration of reform in late 1978 unleashed tremendous changes in China, stimulating unprecedented economic growth and opening up unimagined opportunities for millions of citizens. The CCP was itself revamped, with younger, better-educated cadres replacing older, more ideological revolutionaries. But for all these changes, the cadre system has remained remarkably consistent. The curriculum they study at party schools has changed dramatically, but the core hierarchical personnel system remains the same.

Viewed from the perspective of local government, however, the cadre system has produced distinctly ambivalent results. On the one hand, China's infrastructure and its economic development owe much to the mobilizing abilities of China's cadres. But on the other hand, the people who have borne much of the cost of this rapid development have been those who should have been its beneficiaries: the local residents. The cadre management system revolves around vertical accountability (higher-level cadres judging the performance of lower-level cadres), but lacks horizontal or bottom-up accountability (be it from a freer media, a healthier civil society, or elections). The result is a high-pressure system that drives economic development but also creates unfairness and discontent among ordinary people. Whether overtaxed in the 1980s and 1990s, or forced to yield their land for minimal

compensation following the elimination of the agricultural tax in 2006, local residents have often felt taken advantage of, and have expressed their frustrations through public opinion surveys, in collective petitions, and through mass incidents.

Well aware of the situation, the central government has reacted in at least two ways: it has experimented with political reform, searching for new ways to select cadres and to involve wider circles of cadres, and sometimes even non-party people, in governance; and it has adopted measures to benefit the people, relieving peasants of the burden of agricultural taxes and creating a rural medical system and a rural pension system in an effort to build a service-oriented government. However, abolishing agricultural taxes and paying for the unfunded mandate of public service delivery put new pressures on local governments, particularly those without local industry, to find new sources of revenue. Meanwhile, measures intended to provide more and better services to residents are frequently distorted to benefit local governments through the construction of new projects.

Ironically, higher-level governments, especially the central government, not only seem immune to the discontent expressed at the local level, but actually garner praise for their efforts. By putting local government in charge of implementing policies, the central government distributes the risk among thousands of local governments and thus does not itself have to deal directly with the people. If when public discontent erupts into crisis the local government is able to resolve it, higher levels of government do not have to intervene. But if the crisis is not successfully resolved at the local level, higher levels of government can use their control over the personnel system to remove responsible cadres from their positions, thereby reducing public anger. By playing this role of medi-

ator between local governments and local residents, the higher levels of government, particularly the central government, are not only able to contain governance crises at the local level, but are also able to win support from the public.

Thus, despite the many systemic problems, it is not difficult to understand why the central government does not want to reform the current central-local relationship. The combination of a decentralized administrative system and a centralized personnel system offers the central government a vital risk-prevention mechanism. Were the central government to restructure governmental agencies and claim more direct responsibility for policy implementation, it would then have to face the residents – and their grievances and political expressions – directly. And if something did go wrong, the central government could not maintain its largely positive image. Balancing between its desire to stay in power and the hope of promoting better governance, it is no wonder that the central government maintains the status quo. So the tensions in local governance go on.

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ENDNOTES

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