PUBLIC ADMINISTRATION AND DEVELOPMENT

Public Admin. Dev. **30**, 177–190 (2010)

Published online in Wiley InterScience
(www.interscience.wiley.com) **DOI**: 10.1002/pad.573

CENTRAL-LOCAL RELATIONS IN THE PEOPLE'S REPUBLIC OF CHINA: TRENDS, PROCESSES AND IMPACTS FOR POLICY IMPLEMENTATION

LINDA CHELAN LI*

City University of Hong Kong, SAR

SUMMARY

Central–local relations are a matter of great importance to developmentalists because they highlight an intriguing puzzle in public administration especially in large states: how policies decided at higher echelons of the formal system *can* possibly be implemented by the multitude of intermediary and local actors across the system. In the case of China—the most populous nation in the world, the contrast between the authoritarian façade of the Chinese regime and yet the proliferation of implementation gaps over many policy arenas adds additional complexity to the puzzle. This article reviews changes in central–local relations in the 60 years of history of People's Republic of China (PRC) as the outcome of four co-evolving processes, and clarifies the roles of each process: state building and national integration, development efficiency, career advancement and external influences. It points out the continuous pre-dominance of administrative decentralization from 1950s to present time, and the new emphasis on institutionalized power sharing in the context of new state-market boundaries since 1980s. In conclusion, the article suggests going beyond the traditional reliance on the compliance model to understand central–local interactions and the abundant implementation gaps in a context of central–local co-agency, thereby improving policy implementation. Copyright © 2010 John Wiley & Sons, Ltd.

KEY WORDS — central–local relations; decentralization; China; implementation gap; compliance or co-agency

INTRODUCTION

Central–local relations are a matter of great importance to developmentalists because they highlight an intriguing puzzle in public administration especially in large states: how policies decided at higher echelons of the formal system *can* possibly be implemented by the multitude of intermediary and local actors across the system.[1] In the case of China, an additional dimension has been the contrast between the authoritarian façade of the Chinese regime—which suggests higher propensity of central control—and conspicuous implementation gaps over many policy arenas. The proliferation of implementation failures casts doubt on the capacity of the Chinese state to respond adequately to domestic governance challenges and meet its expanding international commitments.[2] Some analysts have accordingly advised foreign governments to engage not only the central government but also provincial and local governments (Bergsten *et al*., 2009).

Given the high stake, there has been a continuous search for equilibrium in central–local relations historically (Xin, 1995: 20). This search for an 'optimal balance', amidst oscillations between more central control and local

*Correspondence to: L. C. Li, Department of Public and Social Administration, City University of Hong Kong, Tat Chee Avenue, Kowloon, Hong Kong. E-mail: salcli@cityu.edu.hk

[1]The notion of 'central–local relations' as used in this article follows the convention of the China studies and central–local relations literature to refer to the relationship between the national and provincial (regional) levels of government, whilst acknowledging the plurality of government tiers beyond the central level in China (Goodman, 1999, 2002).

[2]See the special issue on 'state capacity building in China' (Vol. 29, Issue 1) in this Journal for discussions of shortfalls in implementation and state capacity, and attempts to address the shortfalls, in a range of systemic areas and specific policies: budgeting (Ma, 2009), audit (Gong, 2009), performance measurement (Gao, 2009), local administrative reform (Li, 2009b), land (Yep and Fong, 2009), clean air (Li and Chan, 2009) and enterprise reform (Chan, 2009).

discretion, has become especially intense during the contemporary era of the People's Republic of China (PRC) (Goodman, 1986; Chung, 1995; Huang, 1996; Li, 1997, 1998a). What characterizes the relationship between central and local authorities in this latest chapter of Chinese history? Is there a consistent pattern over time, or are there significant points of departures? What has driven the twists and turns, as well as continuities? Taking insights of the institutionalism literature (Greenwood *et al*., 2008), in this article I see central–local developments in the PRC as the outcome of a confluence of four concurrent processes. Understanding how these processes have co-influenced central–local relations over time is instrumental to anticipating future trends. In turn, by getting to know *how* central and local state actors collaborate and antagonize with each other, we are more likely to be able to work towards better implementation of policy.

In the next section, I shall survey the trends in central–local relations since the establishment of PRC in 1949, and identify three phases of development and their characteristics. Then I discuss the four processes underlining the trends: state building and national integration, development efficiency, career advancement and external influences. Domestic players are dominant in the change processes, with influences from Soviet, and more recently, Western, sources. I conclude that administrative decentralization continues to dominate the scene from 1950s to the present time. At the same time, the new state-market boundaries resultant of economic reform, which kicked off in the late 1970s and are still ongoing, have added urgency to better jurisdiction demarcation and institutionalized power sharing between government levels, against an almost sole emphasis on resource allocation in central–local politics previously. Understanding central–local relations in a context of co-agency of central and local actors promises a way to place previous central–local tensions, including the abundant implementation gaps, in their proper context, thereby improving policy implementation.

TRENDS OF CENTRAL–LOCAL RELATIONS

This section discusses three partially overlapping phases in the development of central–local relations in post-1949 China. First is the 1950s–1980s. There was an explicit political discourse within the Chinese leadership on the 'pros' and 'cons' of centralization *vis-à-vis* decentralization. Parallel to the discourse were frequent and sometimes violent policy reversals in centralization–decentralization strategy. During the second phase of 1980s–90s, the economy underwent massive changes in the direction, generally, of liberalization and growth. The resultant shifts in state-market boundaries fuelled the trend of decentralization and added new complexities to central–local relations, including a new indeterminacy as to which level of government should be responsible for re-drawing state-market boundaries in specific policy areas. The current phase from around 2000 is marked by a renewed urgency of delineating powers and responsibilities between government tiers, as ambiguity in jurisdiction demarcation is increasingly perceived as posing a major barrier to efficient delivery of public services and, more generally, to effective government performance. As a consequence, new reform initiatives have sprung up in the areas of fiscal revenue sharing, expenditure and fund management, public service delivery and the regulatory framework.

Centralization-decentralization (1950s–1980s)

The movements towards centralization or decentralization have been described as *the* major 'contradictions' driving policy and political developments in the People's Republic (Schurmann, 1968). Schurmann distinguishes two types of decentralization in the first decades of the newly founded Republic: Type 1 or economic decentralization refers to transfer of powers between state and production units and Type II or administrative decentralization between central branch agencies and regional-level governments. After a brief period of opening when an eclectic approach comprising a '*combination* of centralization, decentralization I, and decentralization II' was proposed for decentralization reform in 1956–57 (Schurmann, 1968: 197; Wu, J., 1999: 59–60), administrative (Type II) decentralization emerged as the favoured strategy, setting off a massive delegation of economic management and planning powers from the central government to the provinces in 1957–1958. What followed till the 1970s were cycles of administrative decentralization and re-centralization, and acute tension between central

DOI: 10.1002/pad

branch agencies and local party committees and governments. Central leaders often sought *re*centralization to rectify excesses of earlier decentralization measures. After some time, they would relaunch decentralization to 'unleash' local enthusiasm for development and various state projects yet again. Despite the intermittent recentralizations, successive rounds of administrative decentralization led to a substantial growth of stature of provincial level administration in the Chinese party-state when compared to the Soviet Union. Owing to the 'diminishing returns of repeated recentralization'—each round of recentralization reclaimed only *part* of the powers decentralized to lower levels in the previous round of decentralization—provinces were able to accumulate, over time, an increasing amount of powers and resources and became the clear winner of the strategy of administration decentralization (Riskin, 1991: 143; Li, 1998a: 34; and Lieberthal and Oksenberg, 1988: 349).

Questions were subsequently raised that had economic, rather than administrative, decentralization been adopted in 1957–1958, the central government would have focused its function on macro-management and regulation to enable economic units more autonomy over production matters, as in the post-1980 economic reform. The abrupt reversals in centralization–decentralization in the 1960–1970s, together with their drastic social impacts including the infamous Cultural Revolution, might then be possibly avoided. This scenario was, however, not plausible given the incompatiability of the pro-market impacts of the economic decentralization strategy with the prevailing ideology of the late 1950s, with events including de-Stalinization in the Soviet Union, the 1956 Poland–Hungary uprisings and Anti-Rightist purges in China all pushing for a leftist turn in China (Wu, 1991: 6).

The reliance on administrative decentralization as a strategy persisted into the 1980s. The fiscal contractual reform (separating the stoves) in the early 1980s, which enabled the provincial and local governments to retain a larger portion of fiscal revenues than before for local discretionary use, was described as a means to 'energize' the enthusiasm of provincial and local governments to foster local economic growth. Along with other delegation measures (for example, material management, investment planning, credit supply, enterprise management) (Zhang and Huang, 1991; Li, 1998a: 52–79; Chung, 2001), this new round of administrative decentralization led to a political phenomenon that some has described as 'federalism, Chinese style' (Montinola *et al*., 1995). During the 1980s, the earlier debates over the relative merits of administrative or economic decentralization also resurfaced. Economic decentralization gained attention briefly in 1985–1986, informing the formulation of a 'comprehensive reform strategy' to address emerging inflationary pressures. It quickly fell out of favour again when another round of administrative decentralization was launched in 1987 to delegate further fiscal and economic planning powers from the central agencies to subnational governments (Wu, 1991: 8–16; Shi and Shi, 1994). Reflecting the domestic debates over decentralization strategy, the fiscal federalism and decentralization literature is divided over the impact of administrative decentralization for economic growth, the quality of governance and national integration (Chang, 1992; Oi, 1992; Li, 1998a). For instance, whilst some attributes China's impressive economic growth record since 1980s to the stimulating effects of regional competition under fiscal federalism (Jin *et al*., 2005), others have contended that economic growth has continued *despite* fiscal re-centralization in 1994, and stressed the absence of conclusive evidence of the existence of fiscal constraints and 'hardened' budgets under fiscal federalism (Sinha, 2005; Cai and Treisman, 2006). Drawing attention to negative dimensions brought by increased local powers, such as corruption and rent-seeking behaviours, the critics have suggested other factors, for instance competition between central government factions and central–local linkage mechanisms synchronizing central and local preferences, like the personnel appointment system, explain better the China Miracle than administrative decentralization.

State and market, adjusting roles (1980s–1990s)

The Chinese Government changed track when it announced the new national development strategy of 'opening up and economic reform' in late 1978. At the core of this change was the 'freeing up' of enterprises from government control. State-market boundaries have since witnessed sweeping changes. The market's phenomenal expansion in economic activities in the 1980s did not, however, follow directly from the adoption of the new reform strategy. In fact during the 1980s, 'commodity economy' was used in official and public discussions instead of the 'market', which was still felt to be a feature of capitalism. Only when the notion of 'socialist market economy' was formally

DOI: 10.1002/pad

adopted in a Party Plenum in 1993 that the 'market' was securely incorporated into the evolving socialist system (Chen, 2008; Liu, 2008). The expansion of the market as an economic phenomenon during the 1980s was thus not due to official advocacy, but an outcome of *administrative* decentralization measures taken at that time. Provincial leaders enjoying enhanced delegated powers as a result of administrative decentralization made use of the non-state and outside-plan sectors to extend their 'sphere of autonomy' *vis-à-vis* the central authorities. In two exemplary cases, authorities in the provinces of Guangdong and Zhejiang were known for their creative market-fostering strategies in order to outwit unwelcome central oversight over their discretions (Li, 1998a, He, 2008).

These interactions between market development and administrative decentralization remind us that Decentralization Type I and II, as activities, are not mutually exclusive. Indeed one school of thought dominating the Chinese policy circle in the mid–late 1980s has argued that administrative decentralization was an 'essential route' to market-oriented reform given the wide regional disparity in resource endowment and weakness of market forces then in China (Shi and Shi, 1994: 149). Over 30 years of central planning and political mobilization had turned enterprises into administrative arms of the party-state bureaucracy. Their historically weak capacity to function as independent economic units made decentralization of the Type I genre from central branch agencies practically suspect, especially in the short run: 'the economy would be in chaos' (Wu, 1991: 15). On the other hand provincial governments had enjoyed stronger 'clout' as intermediaries in the party-state hierarchy and beneficiaries of previous rounds of decentralization (Li, 1998a: 34, 299). Provincial and local governments, not enterprises, were well placed to 'receive' powers of economic management formerly held by central branch agencies to *foster* the gradual development of the market during the first decade of economic reform.

Nonetheless, it soon became apparent that the critical question in central–local relations was *not* control over resources, but powers to regulate. A study on central–local relations by the State Planning Commission during 1988–1994 has explicitly described the assignment of economic *regulatory* powers as key to central–local economic relations (Wei, 1994: 1). Central and provincial (and lower-level) governments were competing not only for direct control over tax revenues, investment, credit, enterprises and other resources, but increasingly also for regulatory powers over the emerging market activities, and powers to define who should have which regulatory power, suggesting a transition in central–local politics from 'politics over resources' to 'politics over jurisdiction' (Li, 1998a: 289–291).

Thus, when the inter-governmental fiscal regime raised, in 1994, the central share of revenue from 33 to 55 per cent in a year, the change was more than an act of recentralization to claw back the excesses of previous fiscal decentralization under the fiscal contracts of the 1980s. Resources mattered still: central leaders did intend to control more resources to 'rein in the lieutenants' (Wang and Hu, 1993), which was achieved through assigning the major taxes to central budget. At the same time, the 1994 reform was also conspicuously different from previous recentralization measures in its explicit reference to a rule-based principle. Contrary to reliance on bilateral bargaining between the central government and individual provinces in the past, with little consistency between deals and no transparency on their details, after 1994 a standard rule governed the specific taxes and portion of taxes to go to central or provincial coffers, which was made public and uniformly applied to all provinces.

Demarcating responsibilities over public service provision (2000s–)

At the turn of the century, as market economy gained legitimacy and the Chinese government declared for itself a more circumscribed role as market regulator and provider of public goods, the focus of discussion on central–local relations in the Chinese policy circle shifted to improving the demarcation of responsibilities *over specific services* between government levels. Which level of government should, for example, be responsible for the education of school students of families living in villages, in towns, counties and cities? Should county-level governments pay for the expenses of school education in the county, regulate/oversee school management, have control over the curriculum? Should cities, provinces and/or central government have a role, in which specific educational activities, and by what portion of the expenditures?

A characteristic of discussion in this phase is its emphasis on *expenditures* rather than, as previously, revenues. In an assessment of the 1994 fiscal reform published in 1999, six out of the seven identified issues were related to

DOI: 10.1002/pad

revenue, with only one related to expenditure responsibilities (Zhang and Hao, 1999: 249–250).[3] This changed rapidly as the emerging discourse on public finance, which took off in the late 1990s to review the proper roles of the government in society, redirected attention to the expenditure responsibilities of the government by the turn of the century.[4] Two recently completed studies are illustrative of the latest trend. In a project funded by the China Development Research Foundation, which has links with the State Council National Development Research Center, An *et al*. (2007) elaborately differentiates 17 public expenditure categories in three broad areas of government responsibilities: political, economic and social. A range of responsibility demarcation models are proposed for different types of expenditures and public services. In another assessment of inter-governmental expenditure responsibility, researchers from the National Development and Reform Commission in the central government and Chinese Academy of Social Sciences, a major academic policy think-tank, called for the national/provincial levels to take up the financing and regulation of 'basic public services', which had previously been regarded largely as a local responsibility (Feng, 2005, Song, 2005a, 2005b).

These suggestions have subsequently found their way into policy deliberations. The Eleventh Five-Year Development Plan approved in March 2006 declared the policy of 'equalization of basic public services for all people', which would require the government to ensure accessibility of all citizens to a more or less equal level of provision of basic public services.[5] A direct consequence of this new government responsibility is that the central government is *beginning* to take up a larger role in financing and regulating public services, given the varied capacity of local governments across China. In relation to this enlarged role of the central government, the State Council administrative reform in 2008 sought to further clarify responsibility demarcation, strengthen checks and balances and foster coordination amongst government tiers, branches and agencies (Hua Jianmin, 2008). An area identified for further reform has been the 'lack of parity' between expenditure responsibilities and fiscal revenue available to various government levels,[6] or the 'finance follows functions' requirement as recited in fiscal decentralization literature (Andrews and Schroeder, 2003: 29). The transfer payment mechanism moving monies from central coffers to local sites where expenditures took place is a reform priority (Guanyu guifen, 2007). At the same time, there are signs that a more decentralized fiscal system, including the assignment of more own-source revenues to subnational governments is being seriously contemplated.[7] Thirty years after the launch of administrative decentralization reforms in 1979 setting off changes leading to the 'China miracle', the cause of decentralization has returned, once again, to the central place.

PROCESSES AND ACTORS

Most studies on central–local relations in China have adopted an 'actor-centric' framework, focusing on the key actors who *drive* changes (Hardy and Maguire, 2008: 201–2). The main task of researchers in these cases is to delineate the actors' ideas of the desirable direction of change and their choice of action strategies. Distinction has

[3]The expenditure-related issue was loosely worded as 'unclear demarcation of expenditure responsibilities'. The six revenue-related issues were: (1) the 'grandfathering' of the 1994 fiscal system with the earlier fiscal contracts has compromised the principle of the new tax-sharing system and diluted its intended effects in revenue allocation; (2) the 'subordination principle' (with regards to enterprises) was retained in the new revenue allocation system; (3) the 'division' of taxes into central/local/shared taxes required further rationalization; (4) the sharing formula of 'incremental' revenues was a disincentive to local 'enthusiasm', and had differential impacts across provinces; (5) the central–local transfer payment mechanism was still underdeveloped and lacked transparency and consistency and (6) local governments lacked sufficient fiscal autonomy and independence, for example, local governments did not enjoy the power to legislate local taxes or issue local bonds.

[4]The notion of 'public finance' was officially adopted in late 1998 to denote the new nature of government budget under market economy (Zhang and Yang, 2001: 5).

[5]The 'equalization' notion was further elaborated at the Sixth Plenum of Central Committee in October 2006 (Jin Renqing, 2006).

[6]An explicit reference to the 'parity' rule dates back to the Eleventh Five-Year National Development Plan (2006), which is repeated in the Seventeenth Party Congress Report (2007). At a meeting of National People's Congress Standing Committee in June 2007, former Finance Minister Jin Renqing stressed the need to speed up reform to achieve better 'parity' between fiscal capacity and expenditure responsibilities of government tiers (Caizheng Buzhang, 2007).

[7]Finance Minister Xia Xuren wrote in a major Party publication in April 2010 of the need for deepening the reform of the fiscal and tax system, including enabling more local fiscal management powers and broadening the local tax base. See http://www.qstheory.cn/zxdk/2010/201007/201003/t20100326_25267.htm, accessed on 3 April 2010. Earlier, the director of the Institute of Fiscal Research of the Ministry of Finance had advocated a more decentralized tax base (Jia, 2004, 2007).

DOI: 10.1002/pad

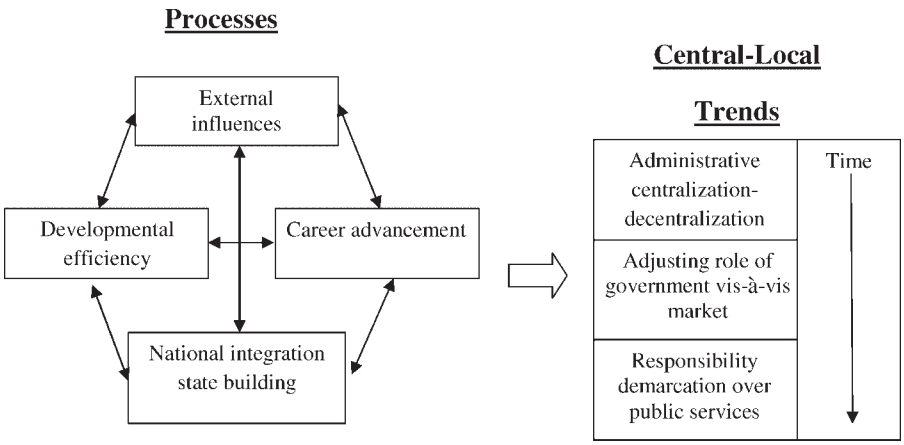

Figure 1. Processes underlining central–local trends.

been drawn between actors over their objectives, strategies, command of resources and roles in the change process. For example, some are described as the 'core', *vis-à-vis* the 'peripheral', entrepreneurs of change.

A major challenge in these analyses is, thus, to identify the *key* actors. As a matter of practice, however, the answer of this inquiry is often *assumed*, *a priori*, in empirical studies, with the scope of search focusing on those actors who occupy central or leadership positions in the formal organizational structure. Under this 'centrist bias' (Li, 1998a: 30), instead of keeping open the referents of 'key actors', which may vary from case to case, a specific group of actors, usually those occupying senior positions, are taken to be *the* major players. Leaders of the central government are thus accorded more prominence in many studies of the actor-centric type, as against local leaders, even when the subject of inquiry *should be* about the relative role and influence of the central and local actors.

Problems of reifying the key actors may be avoided by adopting a process-centric approach, which lays emphasis on the discursive and social constructivist dimensions (Hardy and Maguire, 2008: 213). Studies of this genre scrutinize the roles of actors through the alternative accounts and ideas of *other* actors, allowing a *continuous* problematization of who constitute the key actors. Attention is paid to contingencies, inertia, unintended consequences, co-evolution and failures in the change processes, as well as to objectives, interests and strategies in the 'actor-centric' accounts.[8] To identify the role of the central government in a policy, one needs to examine not only the decisions and activities of central government, but also those taking place outside the central government by other government and societal actors. The need for a broader framework to contextualize the role of *any* specific actor(s) or process is brought out by Christensen *et al*.'s (2008) study on the extent of 'learning from the West' in China's administrative reform. Observing parallels in reform themes, measures and outcomes between China and Western countries would not be sufficient, it is argued. Whilst the parallels may indicate *some* degree of learning, it requires a 'multi-causal' model to study the pluralist actors involved in the multi-faceted learning process to better interpret the meanings and implications of the learning activities: whether learning is actively sought and selective, or passive, generalized and diffused; what characterizes the relationship between 'student' and 'teacher'; what specific impact the learning has for policy formulation, and so on.

This section adopts the process-centric approach to explain the developments in central–local relations outlined above. Through a thorough review of the literature, four concurrent processes are identified to have played a major role in the change processes of central–local relations during the PRC period. Figure 1 summarizes the picture.

[8]See Hirschman (1967/1995) for a classical statement of the large roles, and interactions, of underestimates, overestimates, uncertainties and unintended outcomes in decision-making and implementation.

DOI: 10.1002/pad

State building and national integration

Modernizing state structures to meet new demands whilst holding the country unified has been a constant theme in government reforms in the PRC since 1949. Six regional governments, each incorporating several provinces, were first set up in 1949 as a political integration project of the central government. The Regions were soon dismantled in 1953–1954 after the domestic situation stabilized; their continued existence was felt to pose a potential threat to the newly found authority of the central government (Solinger, 1977). From the late 1950s to the mid-1970s, the spectre of national disintegration was never distant, as the central leadership oscillated between drastic decentralization to localities and recentralization, and local leaders were from time to time accused of building 'independent kingdoms'. Indeed, even with the adoption of a less politicized, technocratic political language in the 1980s, the unity of the nation was seen as 'under siege' by the 'economic fiefdoms'—the increasingly assertive provincial governments with expanded economic management powers—as suggested by the proliferation of 'China in disintegration' studies at that time, both inside and outside China (Chao, 1990; Chang, 1992; Ge, 1994). The disintegration of Soviet Union, Yugoslavia and the Soviet zone of influence in Eastern Europe in the early 1990s deepened domestic worries of localism and centrifugalism, leading to measures aimed at strengthening the central government capacity in 1994 and thereafter (Wang and Hu, 1993). More recently, with the increased agitation of the ethnic peripheries, the issue of national integration once again topped the national agenda (Dreyer, 2005; Sautman, 2005; Israeli, 2010), inviting questions as to the definition and locale of the centre and peripheries in the political sense.[9]

For most provinces other than the 'peripheral' regions of ethnic conflicts, the obsession with integration did subside somewhat after the mid-1990s. This is partly reflected in new trends in the literature, with studies stressing the complex central–local interactions in a 'non-zero-sum game' (Huang, 1995, 1996; Li, 1998a). Nevertheless, as the central government became more concerned about its lack of capacity to steer the national economy and redress emerging problems, such as widening regional disparity and deficits in public service provision, it took measures to centralize more resources and powers, leading to a criticism that the 1990s was a 'decade of regression' (Huang, 2008).

The 1994 fiscal reform was often cited as an example of centralization in the 1990s, as the share of central fiscal revenue in national revenue jumped to 55 per cent in 1994 from 33 per cent a year earlier. The problems of reforms in the 1990s did not lie in centralization of resources *per se*, however, as most of the centralized revenues were in fact returned to local governments in the form of central grants to finance local expenditures (Li, 2009a). Nor was the case that the secretive bilateral fiscal contracts of the 1980s were preferable to the rule-based tax-apportionment system of 1994 and thereafter. The problem was, as Hirschman (1967) notes in his analysis of implementation failures of a number of World Bank development projects, that capacity building had lagged behind what was required of the tasks, which turned out to be more complex than earlier envisaged. In the case of 1994 fiscal reform, the Chinese government had sought to take things into its hands before it had developed sufficient capacity for the tasks. Revenues were centralized but expenditure responsibilities remained highly dispersed, and indeed became *more* localized after 1994. Subnational spending accounted for 59 per cent of total in 1992. It was 75 per cent by 2007. The mismatch of revenue recentralization and expenditure decentralization led to an over-reliance of the crudely managed mechanism of transfer payments and created new fiscal hardships at the local levels. Local officials had to wait for the transfer monies from upper levels to arrive every month—and they often came late—to pay for salaries and official expenses (Li, 2005). The 1994 reform was premised upon a national fiscal mechanism with the central government acting as a clearing house of most local revenues and expenditures. The necessary institutional infrastructure was, however, not in place—the rationalization of the budget and the establishment of a centrally coordinated treasury system commenced only after 1998, and is still an ongoing project as of 2010.

[9]Goodman (2002: 263) argues that Xinjiang and Tibet are, in fact, 'political centres' in China as their political status is always a central concern in the national political agenda. As part of the efforts to keep things under control after the recent waves of ethnic clashes, the central government and 19 other provinces and cities will, reportedly, invest more than 17 billion yuan in the next 5 years in Xinjiang (Xinjiang at centre of fact-finding missions, 2010)

DOI: 10.1002/pad

Developmental efficiency

The state building process is closely linked to the search for developmental efficiency. What kind of state infrastructure would facilitate a fast pace of development? With a low baseline and a sharp curve to climb, the post-1949 consensus has favoured a high degree of centralization, which was effected through a concentration of powers and resources in firstly, the central *vis-ã-vis* lower levels of government, and secondly, in the state as against the non-state sector. Until economic reform of the 1980s, the domination of the state in the command of social resources was absolute, and was considered the raison d'être of the Communist People's Republic. Thus, there have been protracted debates within the central party elites over the status of state plan and the market from early 1980s to 1990s before the idea of the 'market' was formally incorporated into that of 'socialism' to form the new notion of 'socialist market economy' in 1993, 15 years after the announcement of economic reform by the post-Mao leadership (Chen, 2008; Liu, 2008).

One consequence of the prolonged domination of the state over society is that, for most of the years during the PRC history, central leaders were left with no politically viable option other than administrative decentralization to local governments whenever over-centralization was diagnosed as posing the 'bottleneck' for development, although the longstanding suspicion over localism should have made leaders wary of decentralization. Indeed having ferociously purged a close aide in the name of anti-regionalism in 1954,[10] Mao Zedong in 1956 elaborately talked about the importance of invigorating the 'enthusiasm' of regional and local units in order to achieve developmental goals.[11] The subsequent wholesale decentralization of planning and managerial powers to local governments marked the beginning of the infamous 'cycles' of decentralization and recentralization in the next two decades, before economic reform in the 1980s set off the 'state or market' debate.

Control and career advancement, or local agency

Discussions so far suggest that the distribution of powers was adjusted between government levels in view of the changing needs of national integration, state building and development. But how could central leaders ensure that local officials would follow their changing tunes, as they sometimes opted for more delegation, and at other times more central direction? The conventional wisdom in the literature points to central control over the careers of local officials as the key link to local compliance. In a recent statement of this thesis, Landry (2008) argues the central leaders have successfully deployed the promotion mechanism to keep local officials in control, whilst achieving rapid economic development. Within China, Zhou (2009) identifies a common logic of action running through local leaders from the days of the Great Leap Forward in late 1950s till today: local leaders would work their best to outperform each other to achieve goals set by the Centre, once it becomes clear that the Centre is serious about those goals. Despite sweeping decentralization since economic reform and substitution of socialist class struggle with market-based economic growth as the national objective, the implied message is that China remains essentially an authoritarian system with a high degree of political centralization.

However, to suggest local leaders complied with central directions because the Centre controlled their careers runs the dual risks of overshooting and saying the obvious. From Mao Zedong through Deng Xiaoping and to Hu Jintao, and from national- to grassroots-level officials, that the Centre has the most powers is shared knowledge. Indeed the notion of 'two enthusiasms' (central enthusiasm and local enthusiasm)—which is often cited in official speeches and documents when delegation of more authorities to local levels are called for—suggests that the

[10]Gao Gang was once a close aide and favourite of Mao when he was the top man in the North-East Bureau and then Regional Government in 1949–1954, before he was fiercely accused of constructing an 'anti-Party and anti-socialist clique' in the North-East. Gao was put under 'house arrest' in February 1954 and he died of a second suicidal attempt in August (Zhao and Zhang, 2008).

[11]'On the Ten Great Relationships' was delivered in April 1956 at an 'extended' meeting of the CPC Politburo. Central–local relationship is the fifth issue on the list. The other nine relationships are: industry and agriculture, heavy industry and light industry; industry in the coastal regions and industry in the interior; economic construction and defence construction; the state, the units of production and the individual producers; Han nationality and the national minorities; Party and non-Party; revolutionary and counter-revolutionary; right and wrong; and China and other countries (Mao, 1977: 267–288).

DOI: 10.1002/pad

'enthusiasm of the Centre' is the 'main enthusiasm' to be relied upon, which is to be complemented by the second source, local enthusiasm, as and when necessary. At the same time, if central control over local careers had been effective, the central government would not have complained frequently about local *non*-compliance, and localism would not have been seen as rampant and threatening. To make sense of the co-existence of authoritarianism and decentralization in political practice, it is insufficient to dwell into the role of central control, that is, authoritarianism, alone.

This difficulty in understanding 'decentralized authoritarianism' stems from an over-emphasis in many studies on central–local relations over the role of compliance, whilst overlooking the possibility of central–local co-agency (Li, 1997, 1998b). The concept of compliance assumes a principal–agent relationship, where the central principal exercises control over the local agent. Activism of the local agents is recognized in a negative form: resistance against central directives, resulting in problems in agency control and implementation gaps. Local officials acting in accordance with the demands of the central leaders are hence without exception interpreted to have 'complied' *as a result* of the controlling mechanism put in place by the central principal, rather than to have taken similar choices of their own as actors capable of independent agency. This sole reliance on control/compliance to explain interactions between central and local officials is problematic, however. On the one hand, research by psychologists into individual behaviour in an organizational context has identified at least two more types of orientations in addition to compliance: identification and internalization (Kelman, 1958; O'Reilly and Chatman, 1986). On the other hand, the prevalence of local implementation gaps suggests that central control over local behaviour has been, in the least, ineffective.

Huang (1996: 312) notes that whilst implementation gap was rampant, the discrepancies between central government directives and local government actions were in fact rather small when compared to other transitional societies in Eastern Europe and former Soviet Union. In other words, whilst many local officials were not implementing central directives in full, most deviations were marginal, and various efforts were staged to camouflage the deviations. At the same time, cultural and historical studies have observed broad similarities in the outlook and basic values amongst people in China from different regions, political orientations and organizational positions (Siu, 1994; Liu and Faure, 1996). Studies of local reform initiatives have amply illustrated the active agency of local government actors, whose efforts often advanced the frontiers of change and reform and were instrumental to subsequent changes in national policy (Kelliher, 1992; Li, 2004, 2006; Li and Chan, 2009). Here the insights of psychologists may provide us a way to better understand the co-existence of authoritarianism and decentralization through the mechanism of internalization. In internalization, individuals adopt attitudes and change their behaviour because they accept the underlying values of such attitudes and behaviour as their own, not because they want to obtain rewards or avoid penalties handed out by external authorities (Kelman, 1958). Local leaders acting under this logic make their judgments of courses of action as actors of independent agency, and it is not surprising for their choices to differ from those of the central leaders, though the discrepancy is not large given their cultural affinities. The remaining difficulty—closing the multifarious implementation gaps—is one of organizational coordination, the solution of which will involve the development of better institutional arrangements and work mechanisms as part of the ongoing state building project.[12]

External influences and learning

As in the decentralization experiences of many developing countries,[13] sometimes domestic choices were imposed or influenced from external sources. In the 1950s, the Soviet model was the obvious source of reference for defining

[12]The importance of having the 'right' mix of administrative/legal structures, procedures and mechanisms in place for the well functioning of inter-governmental relations and government performance has been well noted in the literature on decentralization, public administration and intergovernmental relations (Smoke, 2003; Painter, 1998).

[13]International organizations such as World Bank and United Nations have been particularly active in shaping decentralization and local government strategies of developing countries, usually through their role as donors and advisors. See Fritzen (2007) and Romeo (2003) for discussion on the role of external assistance in decentralization strategies and how to make the assistance work better.

DOI: 10.1002/pad

state–society boundaries in China, including central–local jurisdictions (Westad, 1998), though state and central domination in the Chinese model was much weaker than the Soviet system (Schurmann, 1968: 177). Deviations from the Soviet model accelerated after the Soviet purge of Stalin at the Twentieth Party Congress of the Communist Party of Soviet Union (CPSU) in February 1956, as a new attitude to learning Mao elaborated at a meeting to discuss a 'secret' 'anti-Stalin' report of the Soviet Party would foretell:

> The release of this anti-Stalin report by Khrushchev is, in a respect, a good development: it lays bare to all that Stalin, and Soviet Union, could be wrong. Communist parties of other countries should henceforth drop their 'superstition' about the Soviet Party and make decisions in accordance with their own circumstances.[14]

Mao further differentiated two approaches to learning at a subsequent Politburo meeting:

> 'Shall we continue to consult the works by Stalin (in view of the purge)? . . . These books (by Stalin) certainly contain some flaws, but we should still consult them. There are two approaches to learning from Soviet Union, and indeed any other countries. First is an orthodox, pedantic way of learning. The learning is by rigid copying and wholesale application. There is little analysis and reflection, and minimal integration with the actual situations of our own needs and circumstances. This way of learning is obviously problematic and should not be followed. We committed mistakes of such kind of learning before. The other way is a Marxist approach to learning. We'd analyze critically. We'd integrate external advice with our local, practical circumstances. This is the correct way to go.' (Wu, 1999b: 22–23)

Thus, the Chinese leadership had, apparently, decided to adopt a more selective learning approach by 1956. External experiences were to be studied, and then selected to suit local circumstances. The conscious adoption of a selective learning approach was embedded in historical experiences: the costs, or failures, arisen of previous passive learning. When external advice turned out to be counterproductive and failed to bring about the desired outcomes, the 'efficiency gap' would force upon actors the need to change course, to reflect on the effectiveness of previous learning and to identify *what* should be learned or unlearned.

Mao explicitly referred to incidences in which passive learning from Soviet Union had cost the Chinese Party dearly, to demonstrate the need for 'critical learning' (Wu, 1999b: 12–13). The question is, empirically, to what extent learning has been active and selective, or passive and diffused over various periods, and what impacts have resulted over the developments of central–local relations. Scepticism of the applicability of others' experiences contributed to the 'self-reliance' strategy in the late 1950s, which persisted till the 1970s. During the 1980s, as the central leaders once again resorted to releasing the 'second enthusiasm' in kicking off economic reform, external experiences in managing the central–local relations were again consulted on a large scale, and this time attention turned to the Western market economies.[15]

Learning can also be of a negative nature, seeking not to emulate but avoid undesirable external practices. The dramatic changes in socio-economic-political systems of the former Soviet Union and Yugoslavia in the early 1990s, culminating in disintegration of the two countries, were a case in point. These developments alarmed the Chinese leaders of the vulnerability of established socialist systems and further fuelled their desire to 'rein in' the 'unruly' provinces. Ironically, despite scepticism of the role played by the capitalistic West in the events leading to the break-up of the former Soviet bloc, the scrutiny of Western systems and practices for insights on strengthening the capacity of the Chinese state continued unswayed. Wang and Hu (1993), for instance, based its arguments of enhancing central government's fiscal capacity on a comparison of fiscal extractive powers in a number of Western and developing countries. Since the late 1980s and especially into the 1990s, international bodies became active disseminators of international experiences in public administration and governance to the Chinese government,

[14]Meeting of the Central Party Secretariat (equivalent to the Politburo Standing Committee after September 1956), 17 March 1956 (1999: 6)
[15]A typical textbook on state administrative structure during the 1980s would include chapters on the Western systems. For an example in the area of central–local relations, see the monograph *A Comparative Study of Contemporary and Modern Local Governments,* by Bo (1988), then professor of Jinin University and currently of National College of Public Administration.

DOI: 10.1002/pad

often acting as partners or sponsors in government-led policy research programmes.[16] In 1994, for one example, an international conference on reforming central–local relations convened in Hainan was attended by experts and resident officers from World Bank, International Monetary Fund and United Nations, Western academics, Chinese academics, policy researchers and central and provincial officials (Wei, 1994). Chinese and Western academics acted as mediating agents in this process of collaborative policy research and exchange of ideas. In the 2008 administrative reform on 'mega-ministries', state reformers and scholars involved in reform design attributed the reform ideas to practices in the developed market economies (Dabuzhi gaige shanglu, 2008). As the Chinese leadership became more concerned about the need for a more refined delineation of inter-governmental jurisdiction in the day-to-day work of government, they have again turned to international experiences and practices for reference in the ongoing reforms over central–local relations (Song, 2005a; An *et al*., 2007).

CONCLUSION

By now it is conventional wisdom that government performance hinges upon both public administration—how well the various parts making up the governmental system 'work together'—as well as political accountability—how well the government responds to, and works with, the society and the people in it. This article is about the first dimension, which is also the more salient and articulated facet in the Chinese political context. The vast expense of the Chinese territory and the ambitious revolutionary agenda of the post-1949 regime demanded a complex administration system. As successive Chinese leaders experimented with an optimal approach to national development, tensions accumulated within the political system and in society alongside successes. The authoritarian nature of the political system keeps a lid over tension, but containment is less successful for intra-state tensions, and central–local tensions in particular, than for societal tensions (Li, 1998a: 299). Conflicts between national and local interests, and between central and local officials have thus entered the official and public discourse in China since the 1950s to a larger extent than conflicts between the Party, or the state, and various parts of society. Many policies have also accordingly manifested an explicit central–local dimension from policy design to implementation, to which success or failure of the policies is often attributed.

Despite the salience of central–local relations in politics and policy, and the frequent manipulations to the relationship, tensions have remained strife and implementation failures abundant. It is with this paradox in mind that this article conducts its survey and analysis of the trend of central–local relations. Two themes in this discussion stand out that are of particular relevance to policy implementation.

First is the importance to acquire a better understanding of the continuity and change in central–local relations during the past 60 years and in particular the recent trend. At first sight, it appears that the familiar cyclical movements between decentralization and (re)centralization in the Maoist decades have continued to haunt central–local relations in China-after-Mao, with the 1980s in the 'decentralizing' phase, and the 1990s till now in the 'centralizing' phase. On closer analysis, the powers 'centralized' since the 1990s are significantly different from those in the Maoist centralizations: macro-, regulatory and redistributive powers *vis-à-vis* micro-managerial, production and allocative powers. In addition, the processes and politics wherein the adjustments to central–local powers were conducted in different phases of the relationship display different characteristics, partly due to the vast changes to state–society boundaries since the 1980s. Whilst recent demands for enhanced local powers appear to follow the familiar path of Type II, administrative, decentralization, the core of these demands is institutionalized power sharing, rather than more resource delegation *per se* or slackening of central control previously. This shift in the genre of demands testifies the increasing relevance of norms and rules, and a propensity to collaborate, in central–local contentions, rather than interests and competition. How the new ground rules governing central–local

[16]An early involvement in the late 1980s by the World Bank was the sponsorship of a multi-year study of the Chinese central government, led by the State Planning Commission, on the demarcation of economic management responsibilities between central and local governments. Since then World Bank has had an active research agenda and long list of publications on the governance of China, in which central–local relations featured strongly (for example Agarwala, 1992; World Bank, 2002, 2007).

DOI: 10.1002/pad

interactions impact on the behaviours of central and local officials and thus on policy making and implementation will be of interest to note.

Here the role of central and local *actors* is of direct relevance. In many studies, central and local officials are often juxtaposed as two groups of actors at the opposite sides of each other: principal versus agent, reformer versus stake-holder, supervisor versus supervisee. A classic compliance model is used to define the behaviours of central and local actors in which concurrence of central and local behaviours means local compliance with central policy and deviation denotes non-compliance. The narrow focus on compliance not only fails to explain the motivations of many local innovators; it also classifies all non-conforming local behaviours as motivationally non-complying and antagonistic, thus exaggerating the scope of local non-compliance and central–local tensions. Indeed, studies have shown that resisters to reform *can* be partners; subversive locals are also indispensable allies of national policies, when their independent agency status is fostered and channelled for collaborative uses.[17] Failure to take into account other motivational mechanisms which also guide local behaviour and to understand central–local interactions in a context of co-agency thus underlines a lot of difficulties, past and current, in central–local relations in China. More than four decades ago Hirschman (1967) insightfully proposed the 'Principle of the Hiding Hand' which increases the propensity of a project being attempted through an underestimate of the project's complexity, while it may never get off the ground should all difficulties are made known at the beginning. The logic of central–local relations is similar, if in a different direction. As co-partners are wrongly relegated as subordinates, and allies as opponents, cost of a policy increases and its prospective benefits decreases, making the policy less viable. The potential for improving policy and implementation is substantial, thus, when central–local difficulties are placed in their proper context and understood as coordination problems between central and local actors as co-agents.

REFERENCES

Agarwala R. 1992. China: Reforming Intergovernmental Fiscal Relations, *World Bank Discussion Papers no. 178*, Washington, DC.

An X, Li G, Li C, Xiao P, Ma J, Liang H, Ma H, Li Y. 2007. *Zhongyang yu Difang Zhengfu Jian di Zeren Huafen yu Zichu Fenpei Yanjiu* [A study of the demarcation of responsibilities and expenditure allocation between central and local governments]. Zhongguo caizheng jingji chubanshe: Beijing.

Andrews M, Schroeder L. 2003. Sectoral decentralization and intergovernmental arrangements in Africa. *Public Administration and Development* **23**(1): 29–40.

Bergsten CF, Freeman C, Lardy NR, Mitchell DJ. 2009. *China's Rise: Challenges and Opportunities*. Peterson Institute for International Economics and Center for Strategic and International Studies: Washington, DC.

Bo G. 1988. *Jinxiandai Difang Zhengfu Bijiao* [A comparative study of contemporary and modern local governments]. Guangming chubanshe: Beijing.

Cai H, Treisman D. 2006. Did government decentralization cause China's economic miracle? *World Politics* **58**: 505–535.

Caizheng buzhang Jin Renqing cheng jiang huafen zhongyang defang shoure fenpui. *Diyi Caijing Pao* [First Financial Daily] (Beijing), 28 June 2007.

Chan HS. 2009. Politics over markets: integrating state-owned enterprises into Chinese socialist market. *Public Administration and Development* **29**(1): 43–54.

Chang MH. 1992. China's future: regionalism, federalism, or disintegration. *Studies in Comparative Communism* **XXV**: 3.

Chao CM. 1990. Transition from authoritarian rule: is Eastern Europe's today Mainland China's tomorrow? *Issues and Studies* **26**: 11.

Chen J. 2008. Shichang jingji tizhi zai zenglun he fanfu zhong shuidao qucheng [The market economy: emerging out of debates, twists and turns]. *Quancheng* [Heritage] **1**: 8–11.

Christensen T, Dong L, Painter M. 2008. Administrative reform in China's central government: how much ''learning from the West''? *International Review of Administrative Sciences* **74**(3): 351–371.

Chung JH. 1995. Studies of central-provincial relations in the People's Republic of China: a mid-term appraisal. *The China Quarterly* **142**: 487–508.

Chung JH. 2001. Reappraising central-local relations in Deng's China: decentralization, dilemmas of control, and diluted effects of reform. In *Remaking the Chinese State: Strategies, Society and Security*, Chao CM, Dickson BJ (eds). Routledge: London and New York; 46–75.

Dabuzhi gaige shanglu 2008. [On the road to 'mega-ministry' reform], *Twentieth-first Century,* (Guangzhou) 16 February 2008. Available at: http://www.21cbh.com/content.asp?newsid=25984 [Accessed on 16 February 2008].

Dreyer JT. 2005. China's vulnerability to minority separatism. *Asian Affairs* **32**(2): 69–85.

[17]Li (2009b) discusses, through the example of local administrative reform, how habitual overestimates of costs and underestimates of benefits have inhibited national policy making capacity in China, and how policy-making may be improved through a new perception of actors' roles to recognize co-agency and foster cooperation.

DOI: 10.1002/pad

Feng X. 2005. Gonggong fuwu gongji zhong geji zhengfu shiquan caizheng huafen wenti yanjiu, part 2 [A study of the demarcation of responsibilities and fiscal powers between government levels in public service provision, part 2]. *Jingji Yanjiu Cankou* [Economic Research Intelligence] **1890**.

Fritzen SA. 2007. Linking context and strategy in donor support for decentralization: a diagnostic framework. *Public Administration and Development* **27**(1): 13–25.

Gao J. 2009. Governing by goals and numbers: a case study in the use of performance measurement to build state capacity in China. *Public Administration and Development* **29**(1): 21–31.

Ge J. 1994. *Tongyi Yu Fenlie: Zhongguo lishi di qishi* [Union and Break-up: Lessons from Chinese history]. Joint Publishing House: Beijing.

Gong T. 2009. Institutional learning and adaptation: developing state audit capacity in China. *Public Administration and Development* **29**(1): 33–41.

Goodman DSG. 1986 (2009 reprint). *Centre and Province in the People's Republic of China: Sichuan and Guizhou 1955–1965*. Cambridge University Press: Cambridge.

Goodman DSG. 1999. Continental China: the social and political consequences of reform and openness. In *The Study of Modern China*, Sandschneider E (ed.). Hurst & Co: London; 52–78.

Goodman DSG. 2002. Centre and periphery after twenty years of reform: redefining the Chinese polity. In *China's Communist Revolution: Fifty Years of the People's Republic of China*, Draguhn W, Goodman D (eds). Routledge: London; 250–276.

Greenwood R, Oliver C, Sahlin K, Suddaby R. 2008. *The Sage Handbook of Organizational Institutionalism*. Sage Publications: London.

Guanyu guifen caizheng zhuanyi zhifu qingkuang di baogao [A report on rationalization of transfer payments], submitted to *28th meeting of Standing Committee of the 10th National People's Congress*, 27 June 2007. Available at: http://www.npc.gov.cn.cwh/common/zw.jsp?hyid=0210028____&label=WXZLK&id=367839&pdmc=yw [18 July 2007]

Hardy C, Maguire S. 2008. Institutional enterpreneurship. In *The Sage Handbook of Organizational Institutionalism*, Greenwood R, Oliver C, Sahlin K, Suddaby R (eds). Sage Publications: London; 198–217.

He X. 2008. Zhejiang defang zhengfu chuangxin shijian di shengcheng jingji yu yanjin luoji [Local government innovations in Zhejiang: emergence mechanisms and evolution logics]. *Journal of Ningbo Party School* **5**: 15–22.

Hirschman AO. 1967. (1995 reprint). *Development Projects Observed*. Brooking Institution: Washington DC.

Hua Jianmin shuo ming Guowuyuan jigou gaige fangan [Hua Jianmin elaborating on the State Council Administrative Reform Plan], speech made at the *First Plenum of the Eleventh National People's Congress*, March 2008. Available at: http://www.chinareviewnews.com/doc/1005/8/9/3/100589310.html [11 March 2008]

Huang Y. 1995. Why China will not collapse? *Foreign Policy* **99**: 54–68.

Huang Y. 1996. *Inflation and Investment Controls in China: The Political Economy of Central–Local Relations During the Reform Era*. Cambridge University Press: Cambridge.

Huang Y. 2008. *Capitalism With Chinese Characteristics: Entrepreneurship and the State*. Cambridge University Press: New York and Cambridge.

Israeli R. 2010. China's Uyghur problem. *Israel Journal of Foreign Affairs* **IV**(1): 89–101.

Jia K. 2004. Zhongguo caizheng gaige: Zhengfu cengji, shiquan, zhichu yu shuishou anpai di silu [China's fiscal reform: thoughts on government tiers, responsibilities, expenditure and revenue arrangements]. *Difang Caizheng Yanjiu [Local fiscal studies]* **1**: 9–11.

Jia K. 2007. Caizheng di bianpinghua gaige he zhengfu jian shiquan huafen [Leveling reform in public finance and demarcation of government responsibilities across tiers]. *Journal of the Party School of the Central Committee of the Communist Party of China* **11**(6): 42–48.

Jin H, Qian Y, Weingast BR. 2005. Regional decentralization and fiscal incentives: federalism, Chinese style. *Journal of Public Economics* **89**: 1719–1742.

Jin Renqing: Ranshan jiben gonggong fuwu tixi liqiao ''jundenghua''. 2006. [Jin Renqing: seeking ''equalization'' in further improving the basic public services system. Available at: http://news3.xinhuanet.com/politics/2006-10/16/content_5209130.htm [21 June 2009]

Kelliher D. 1992. *Peasant Power in China: The Era of Rural Reform, 1979–1989*. Yale University Press: New Haven and London.

Kelman HC. 1958. Compliance, identification and internalization: three processes of attitude change. *Journal of Conflict Resolution* **2**: 51–60.

Landry PF. 2008. *Decentralized Authoritarianism in China: the Communist Party's Control of Local Elites in the Post-Mao Era*. Cambridge University Press: Cambridge.

Li LC. 1997. Towards a non-zero-sum framework of spatial politics: the case of centre–province in contemporary China. *Political Studies* **45**(1): 46–65.

Li LC. 1998a. 2002 (reprint). *Centre and Provinces, China 1978–1993. Power as Non-zero-sum*. Clarendon Press: Oxford.

Li LC. 1998b. Central-provincial relations: beyond compliance analysis. In *The China Review 1998*, Cheng J (ed.). Chinese University Press: Hong Kong; 158–185.

Li LC. 2004. The Prelude to government reform in China: the big sale in Shunde. *China Information* **18**(1): 29–65.

Li LC. 2005. Understanding institutional change: fiscal management in local China. *Journal of Contemporary Asia* **35**(1): 87–108.

Li LC. 2006. Path creation? Processes and networks: how the Chinese rural tax reform got started. *Policy and Society* **25**(1): 61–84.

Li LC. 2009a. Economic reform since 1978: fiscal decentralization. In *Encyclopedia of Modern China*, Vol. 4, Pong D (ed.). Charles Scribner's Sons: Famington Hills, MI; 455–456.

Li LC. 2009b. Decision-making in Chinese local administrative reform: path dependence, agency and implementation. *Public Administration and Development* **29**(1): 79–87.

Li W, Chan HS. 2009. Clean air in urban China: the case of inter-agency coordination in Chongqing's blue sky program. *Public Administration and Development* **29**(1): 55–67.

Lieberthal K, Oksenberg M. 1988. *Policy-Making in China: Leaders, Structures and Processes*. Princeton University Press: Princeton, New Jersey.

Liu G. 2008. Huigu gaige kaifang 30 nian: Jihua yu shichang guanxi di biange [Review 30 years' opening and reform: the transformation of relationship between plan and market]. *Caimou Jingji* [Finance and Trade Economics] **11**: 5–10.

Liu TT, Faure D. 1996. (eds). *Unity and Diversity: Local Cultures and Identities in China*. Hong Kong University Press: Hong Kong.

DOI: 10.1002/pad

Ma J. 2009. If you can't budget, how can you govern?—A study of China's state capacity. *Public Administration and Development* **29**(1): 1–8.
Mao Z. 1977. *Mao Zedong Xuanzi* [The selected work of Mao Zedong], Vol. 5.
Montinola G, Qian Y, Weingast BR. 1995. Federalism, Chinese style: the political basis for economic success in China. *World Politics* **48**: 50–81.
Oi J. 1992. Fiscal reform and the economic foundations of local state corporatism in China. *World Politics* **45**(1): 99–126.
O'Reilly C III, Chatman J. 1986. Organizational commitment and psychological attachment: the effects of compliance, identification, and internationalization on prosocial behaviour. *Journal of Applied Psychology* **71**(3): 492–499.
Painter M. 1998. *Collaborative Federalism: Economic reform in Australia in the 1990s*. Cambridge University Press: Cambridge.
Riskin Carl. 1991. Neither plan nor market: Mao's political economy. In *New Perspectives on the Cultural Revolution*, Joseph W, Wong C, Zweig D (eds). Harvard University Press: Cambridge, Mass; 133–152.
Romeo LG. 2003. The role of external assistance in supporting decentralization reform. *Public Administration and Development* **23**(1): 89–96.
Sautman B. 2005. China's strategic vulnerability to minority separatism in Tibet. *Asian Affairs* **32**(2): 87–118.
Schurmann F. 1968. *Ideology and Organization in Communist China* (2nd edn). University of California Press: Berkeley;
Shi D, Shi X. 1994. Guanyu zhongyang yu defang jingji guanli quanxian guanxi di bitong guandian zhongshu [A review of the different schools of thought on central-local economic management demarcation]. In *Shichang Jingji Zhong di Zhongyang Difang Jingji Guanxi* [Central–Local Economic Relationship in the Market Economy], Yi L (ed.). Zhongguo jingji chubanshe: Beijing; 146–163.
Sinha A. 2005. Political foundations of market-enhancing federalism: theoretical lessons from India and China. *Comparative Politics* **37**(3): 337–356.
Siu H. 1994. Cultural identity and the politics of difference in south China. In *China in Transformation*, Tu W M (ed.). Harvard University Press: Cambridge, Mass; 19–44.
Smoke P. 2003. Decentralization in Africa: goals, dimensions, myths and challenges. *Public Administration and Development* **23**(1): 7–16.
Solinger D. 1977. *Regional Government and Political Integration, 1949–1954: A Case Study*. University of California Press: Berkeley.
Song L. 2005a. Gonggong fuwu gongji zhong geji zhengfu shiquan caizheng huafen wenti yanjiu, part 1 [A study of the demarcation of responsibilities and fiscal powers between government levels in public service provision, part 1]. *Jingji Yanjiu Cankou* [Economic Research Intelligence] **1889**.
Song L. 2005b. Zhengfu shiquan, caizheng huafen wenti yanjiu [A study of demarcation of government responsibilities and fiscal authorities]. *Jingji Yaochan* [Major Economic Intelligence] **38**.
Wang S, Hu A. 1993. *Zhongguo Guojia Nengli Baogao* [China State Capacity Report], Liaoning renmin chubanshe: Shenyang.
Wei L (ed.). 1994. *Shichang Jingji Zhong di Zhongyang yu Difang Jingji Guanxi* [Central–Local Economic Relationship in the Market Economy]. Zhongguo jingji chubanshe: Beijing.
Westad OA (ed.). 1998. *Brothers in Arms: The Rise and Fall of the Sino–Soviet Alliance, 1945–1963*. Woodrow Wilson Center and Stanford University Press: Washington DC.
World Bank. 2002. *China: National Development and Subnational Finance. A Review of Provincial Expenditures*, report no. 22951-CHA, World Bank publications: Washington DC.
World Bank. 2007. *China: Public Services for Building the New Socialist Countryside*, report no. 40221-CN, World Bank Publications: Washington DC.
Wu J. 1991. Zhongguo jingji gaige zhanlue wenti de fenqi yu xuance [The strategy of the Chinese economc reform: diverse views and choices]. In *Zhongguo Shinian Jingji Gaige Lilun Tansuo* [Theoretical Inquisitions of Ten Years of Economic Reform in China], Zhang Z Huang F (eds). Zhongguo jihua chubanshe: Beijing; 1–25.
Wu J. 1999. *Dangdai Zhongguo Jingji Gaige: Zhanlue yu xianshi* [Studies on China's Economic Development: Strategies and implementation]. Shanghai yuandong chubanshe: Shanghai.
Wu L. 1999. *Shinian Lunzhan, 1956–1966: Zhongsu guanxi huiyilu* [Debates of a Decade, 1956–1966: Memoirs on Sino–Soviet Relations], Vol. 2. Zhongyang wenxian chubanshe: Beijing.
Xin X. 1995. *Daguo Zhuhou: Zhongguo zhongyang yu defang guanxi zijie* [Fiefdoms in a Large Country: Crux to Central–Local Relations in China]. Zhongguo shehui chubanshe: Beijing.
Ng T-W. Xinjiang at centre of fact-finding missions. *South China Morning Post*, 18 May 2010, A4.
Yep R, Fong C. 2009. Land conflicts, rural finance and capacity of the Chinese state. *Public Administration and Development* **29**(1): 69–78.
Zhang X, Hao L. 1999. Zhongguo caizheng tizhi gaige di lilun tanshuo yu shijian chongxin [China's fiscal reform: theoretical explorations and innovations in implementation]. In *Zhongguo Caizheng Lilun Qinyuan* [Frontier of the Theoretical Development in China: Public Finance], Liu R, Zhao Z (eds). Shehui kexue wenxian chubanshe: Beijing; 227–254.
Zhang X, Yang Z. 2001. Gonggong caizheng lilun yu tizhi kuangjia goujian [Constructing the framework of public finance system and theory]. In *Zhongguo Caizheng Lilun Qianyuan II* [Frontier of the Theoretical Development in China: Public Finance II], Liu R, Zhao Z (eds). Shehui kexue wenxian chubanshe: Beijing; 1–36.
Zhang Z, Huang F. (eds). 1991. *Zhongguo Shinian Jingji Gaige Lilun Tansuo* [Theoretical Inquisitions of Ten Years of Economic Reform in China]. Zhongguo jihua chubanshe: Beijing.
Zhao J, Zhang X. 2008. *Gao Gang Zai Beijing [Gao Gang in Beijing], Da Feng [Strong Wind]*. Publishing House: Hong Kong.
Zhou F. 2009. Jinbiaosai tizhi [The tournament system]. *Sociological Research* **3**: 54–77.

DOI: 10.1002/pad