

Edited by  
Barry J. Naughton  
Dali L. Young

# HOLDING CHINA TOGETHER

Diversity and  
National  
Integration  
in the  
Post-Deng Era

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## HOLDING CHINA TOGETHER

Despite many predictions of collapse and disintegration, China has managed to sustain unity and gain international stature since the Tiananmen crisis of 1989. This volume addresses the “fragmentation – disintegration thesis” and examines the sources and dynamics of China’s resilience. Through theoretically informed empirical studies, the volume’s authors look at several key institutions for political integration and economic governance. They also dissect how difficult policies to regulate economic and social life (employment and migration, population planning, industrial adjustment, and regional disparities) are designed and implemented. The authors show that China’s leaders have retained authoritarian political institutions but have also reinforced and modified them and constructed new ones in the light of changing circumstances. In policy implementation, China’s leaders have learned by doing and made significant adaptations to improve the effectiveness of socioeconomic policies. Institutional and policy adaptations together have helped shore up political authority and create an environment for rapid growth while accommodating growing diversity.

Barry J. Naughton is an economist who specializes in China’s transitional economy. He has written on economic policy making in China and issues relating to industry, foreign trade, macroeconomics, and regional development in China. Naughton teaches at the Graduate School of International Relations and Pacific Studies of the University of California at San Diego. In 1998, he was named the first So Kuanlok Professor of Chinese and International Affairs. His study of Chinese economic reform, *Growing Out of the Plan: Chinese Economic Reform, 1978–1993* (Cambridge University Press, 1995), won the Masayoshi Ohira Memorial Prize. His research on economic interactions among China, Taiwan, and Hong Kong, focusing on the elections industry, led to the edited volume *The China Circle: Economics and Technology in the PRC, Taiwan and Hong Kong* (1997).

Dali L. Yang is Associate Professor of Political Science and Director of the Committee on International Relations at the University of Chicago. He has also served as a Distinguished Visiting Professor at Nankai and Tsinghua Universities in China. He is the author of *Calamity and Reform in China* (1996), *Beyond Beijing: Liberalization and the Regions in China* (1997), and *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China* (2004).



# Holding China Together

Diversity and National Integration in  
the Post-Deng Era

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**BARRY J. NAUGHTON**

*University of California, San Diego*

**DALI L. YANG**

*University of Chicago*



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## Contributors

*Zhiyue Bo* is Assistant Professor and Chair of the Department of International Studies at St. John Fisher College in Rochester, New York. Widely published in the areas of local governance and provincial leadership in China, he is the author of *Chinese Provincial Leaders: Economic Performance and Political Mobility since 1949* (Sharpe, 2002).

*Yanzhong Huang* is Assistant Professor of Political Science at the John C. Whitehead School of Diplomacy and International Relations at Seton Hall University and Inaugural Director of its Global Health Studies Center. He has published a variety of studies on China's public health.

*Cheng Li* is the William R. Kenan Professor of Government at Hamilton College. He is the author of *Rediscovering China: Dynamics and Dilemmas of Reform* (Rowman and Littlefield, 1997) and *China's Leaders: The New Generation* (Rowman and Littlefield, 2001). He was a fellow at the Woodrow Wilson International Center for Scholars during the 2002–2003 academic year. He is working on a book on Chinese technocrats. Li thanks the United States Institute of Peace and the Chiang Ching-kuo Foundation for International Scholarly Exchange for their generous support of the research in his chapter.

*Barry J. Naughton*, an economist, is the So Kuanlok Professor of Chinese and International Affairs at the Graduate School of International Relations and Pacific Studies of the University of California at San Diego. His study of Chinese economic reform, *Growing Out of the Plan: Chinese Economic Reform, 1978–1993*, won the Masayoshi Ohira Memorial Prize. He edited the 1997 volume *The China Circle: Economics and Technology in the PRC, Taiwan and Hong Kong*, and he has published extensively on China's economic transition, regional development, and foreign trade.

*Dorothy J. Solinger* is Professor of Political Science in the School of Social Sciences at the University of California, Irvine, and Senior Adjunct Research Scholar at the Weatherhead East Asian Institute at Columbia University. Her

current work is on unemployment and economic reform in China, and her most recent books are *Contesting Citizenship in Urban China* (University of California, 1999) and a coedited volume, *States and Sovereignty in the Global Economy* (Routledge, 1999).

*Fubing Su* is the Joukowski Post-Doctoral Fellow in Political Science and East Asian Studies at Brown University. His research and publications have been on China's political economy, with a special interest in regulation.

*Susan H. Whiting* is Associate Professor of Political Science at the University of Washington in Seattle. Among her publications is *Power and Wealth in Rural China: The Political Economy of Institutional Change* (Cambridge University Press, 2000).

*Dali L. Yang* is Associate Professor of Political Science and Director of the Committee on International Relations at the University of Chicago. His books include *Calamity and Reform in China* (Stanford University Press, 1996), *Beyond Beijing: Liberalization and the Regions in China* (Routledge, 1997), and *Remaking the Chinese Leviathan* (Stanford University Press, 2004).

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# Holding China Together: Introduction

Barry J. Naughton and Dali L. Yang

During the 1980s, China experienced a steady decline in central government control over the economy, the political system, and society as a whole. Economic reforms emphasized decentralization of resources and decision-making authority, which empowered local governments and enterprises at the expense of the national government. Economic liberalization fostered the creation of literally millions of new economic entities, combined with new market rules and incentives. Rapid economic growth not only led to a much larger and more complex economy but also greatly expanded regional diversity. Government demands for conformity receded, allowing a more relaxed and diverse society to develop. Although conservatives sought to roll back some of these reformist changes after the Tiananmen massacre, they were unable to reverse the most fundamental changes. Indeed, there is universal agreement that the 1980s witnessed a historic retreat of the Chinese central government. Given breathing space by the rollback of the Chinese state, Chinese society and the Chinese economy came alive.

Nevertheless, the decline in the authority of the Chinese state was not a smooth or trouble-free process. Like governments in all transitional economies, China's leaders abandoned crude but powerful tools of government resource allocation before market-friendly indirect and regulatory institutions were available. Inevitably, government effectiveness declined and the central government's financial prowess steadily eroded. The Chinese government simply seemed ill equipped to carry out the tasks demanded of it in the new economic environment. Even more troubling, the Chinese government frequently seemed unable to override particularistic, regional, and sectional interests. While decentralizing reforms moved forward, other reforms that required an authoritative state to

impose uniform, equitable rules on many different groups – such as fiscal and tax restructuring, or administrative and regulatory reforms – consistently failed. Concerns began to be raised regarding the overdecentralization of power and the maladaptation of the Chinese government to the new demands placed upon it.

At such a pivotal time in the process of economic restructuring came the Tiananmen crisis of 1989. The profound political crisis into which the Chinese regime was plunged revealed disarray at the center. Moreover, in the aftermath of the government's deployment of massive brutal force against unarmed civilians, the ruling elite seemed to have lost the ability to use remuneration or legitimacy to govern and was left only with raw coercive power. China seemed to be on the verge of unraveling. Following the Tiananmen crisis, the collapse of the Soviet Union, the fall of other communist governments, and the disintegration of Yugoslavia all highlighted the shaky ground on which China's ruling elite stood, lending plausibility to scenarios of collapse or disintegration in China.

In the wake of these events, and throughout the 1990s, an influential literature developed that saw China as being undermined by centrifugal forces, in danger of coming apart or collapsing in on itself. This "disintegration" literature was a reaction both to the trends of the 1980s and to the shock of Tiananmen. Focusing on the fissiparous forces that had developed in China following more than a decade of decentralizing reforms, this literature extrapolated from the trends of the 1980s in order to look into the future, and it predicted an increasingly decentralized, unregulated, and ultimately uncontrollable society. At the same time, under the influence of the harsh crackdown that occurred at Tiananmen, these authors tended to be profoundly pessimistic about the ability of the Chinese government to adapt to and cope with these trends. In this view, a series of increasingly complex social and economic problems were poised to overwhelm a government that was incapable of mobilizing the social resources or the political will necessary to confront them.

This disintegration view has had a remarkably broad and enduring influence. Authors ranging from political dissidents to Chinese neoconservatives suggested that China faced the prospect of fragmentation or collapse. Various scholars, particularly those with a Taiwan background, began to note parallels between the rise in regionalism in contemporary China and the dynamics of fragmentation in Chinese history. They contended that

rising regionalism would lead to the disintegration of the Party-State.<sup>1</sup> In Japan, Kenichi Ohmae went so far as to suggest that eleven Chinese republics might emerge out of China's breakup and then form a loose "Federal Republic of China."<sup>2</sup> The disintegration thesis gained special prominence within China in 1993, when two scholars noting parallels between China and Yugoslavia warned of China's possible disintegration. In their view, although the decentralizing reforms were enabling economic growth by devolving economic management authority and resources to enterprises and local levels of government, the reforms also served to undermine the fiscal foundations of the state. They foresaw that the fiscally enervated central government might not be able to hold the country together, and China might suffer the same fate as Yugoslavia.<sup>3</sup>

By the mid-1990s, the disintegration thesis was making major inroads. *China Deconstructs*: This was the witty and evocative title Goodman and Segal gave their edited volume on national and regional trends.<sup>4</sup> In the United States, the Pentagon's Office of Net Assessment convened a thirteen-member panel to assess China's future and found that a majority predicted disintegration.<sup>5</sup> In the summer of 1995, the journal *Foreign Policy* printed a major article boldly titled "The Coming Chinese Collapse." In this article, Professor Jack Goldstone of the University of California drew on his formidable knowledge of comparative history and sociology to predict "a terminal crisis [for the Chinese ruling regime] within the next 10 to 15 years." According to Goldstone, "China shows every sign of a country approaching crisis: a burgeoning population and mass migration amid faltering agricultural production and worker and peasant discontent – and all this as the state rapidly loses its capacity to rule effectively"

<sup>1</sup> Cheng Chu-yuan, *Behind the Tiananmen Massacre: Social, Political, and Economic Ferment in China* (Boulder, CO: Westview, 1990), pp. 196–7; Maria Hsia Chang, "China's Future: Regionalism, Federation, or Disintegration," *Studies in Comparative Communism*, 30, No. 3 (September 1992), pp. 226–7.

<sup>2</sup> Kenichi Ohmae, *The Borderless World: Power and Strategy in the Interlinked Economy* (New York: Harper Business, 1990).

<sup>3</sup> Wang Shaoguang and Hu Angang, *Zhongguo guojia nengli baogao [Report on China's State Capacity]* (Shenyang: Liaoning renmin chubanshe, 1993). For an English version of the main arguments, see Wang Shaoguang and Hu Angang, *The Chinese Economy in Crisis: State Capacity and Tax Reform* (Armonk, NY: Sharpe, 2001).

<sup>4</sup> David Goodman and Gerald Segal, eds., *China Deconstructs: Politics, Trade and Regionalism* (London: Routledge, 1994).

<sup>5</sup> Eduardo Lachica, "Hedging Bets for China's Post-Deng Era," *Wall Street Journal*, February 21, 1995, p. A20.

because of leadership conflicts and fiscal weakness.<sup>6</sup> Other commentators highlighted the dramatic differences between a capitalist South and bureaucratic–authoritarian North or contended that the Indonesian collapse during the Asian financial crisis might be a harbinger of China’s fate.<sup>7</sup> More recently, Gordon Chang, in his best-selling *The Coming Collapse of China*, bemoaned the weakness of China’s economic institutions and claimed that China’s entry into the World Trade Organization would prove to be the proverbial straw that broke the camel’s back.<sup>8</sup>

Ironically, while the disintegration thesis spread broadly in the 1990s, an alternative assessment emerged that stressed China’s irresistible emergence as a great power. Drawing on the other set of key trends in the 1980s – namely the early success of economic reform and the rapid growth of the economy – this literature discussed ways to deal with a rising China. Fueled by the International Monetary Fund and the World Bank’s purchasing power parity estimates of the size of China’s economy and sustained by China’s ability to weather the Asian financial crisis relatively unscathed, this view has extrapolated growth into the future, assuming that no domestic problems or external shocks will seriously disrupt China’s rise. This second image has been seized on both by boosters of China touting its economic and business importance and by Cold Warriors who see China replacing the former USSR as an emerging threat to the United States.<sup>9</sup>

These two contrasting assessments of China, despite their apparently opposite natures, are like twins separated at birth. Both draw on the distinctive experience of China in the 1980s and early 1990s and extrapolate

<sup>6</sup> Jack Goldstone, “The Coming Chinese Collapse,” *Foreign Policy*, No. 99 (Summer 1995), pp. 35–52, quotes on pp. 51–52.

<sup>7</sup> Edward Friedman, “China’s North–South Split and the Forces of Disintegration,” *Current History* 92(525), (1993), pp. 270–4; Minxin Pei, “Will China Become Another Indonesia?” *Foreign Policy*, No. 116 (Fall 1999), pp. 94–109.

<sup>8</sup> Gordon Chang, *The Coming Collapse of China* (New York: Random House, 2001).

<sup>9</sup> For one side, see William Overholt, *The Rise of China: How Economic Reform Is Creating a New Superpower* (New York: Norton, 1994); for the other side, see Richard Bernstein and Russ Munro, *The Coming Conflict with China* (New York: Knopf, 1997). For an anthology of debate on China as a strategic threat, see Michael Brown, Owen Coté, Jr., Sean Lynn-Jones, and Steven Miller, eds., *The Rise of China* (Cambridge, MA: MIT Press, 2000). The rise of China has even become the preoccupation of fiction writers, who produced titles such as *The Bear and the Dragon*, by Tom Clancy, *China Attacks*, by Chuck Devore and Steven Mosher, and *Dragon Strike*, by Humphrey Hawksley and Simon Holberton.

from there into the future. Both raise important questions but do so in an alarmist and one-sided fashion. One sees only the problems and assumes the achievements are fragile; the other sees only the achievements and assumes the problems will be overcome. Neither takes adequate account of the extent to which the achievements and problems are intertwined, with the achievements possible only because certain problems could be left unaddressed, deferred to an uncertain future. Neither perspective seems to appreciate the extent to which its own conclusions should be modified by the insights of the other perspective. China is indisputably becoming a more diverse society, with a much larger economy, greater regional diversity, and many areas of social life slipping out of government control. At the same time, China has thus far managed to sustain national unity, and the government has proven itself remarkably resilient while its counterparts in many other transitional countries have fallen apart. What are the forces holding China together? Which institutions are most important and most likely to reinforce national unity? Can we expect Chinese leaders to formulate effective policies and maintain national unity as the country undergoes massive social, economic, and political transitions?

#### FRAMEWORK OF THE VOLUME

The present volume is the result of a multidisciplinary, collective effort to examine some of these questions. It was initially conceived in 1996, as an effort to analyze more carefully the impact of greater regional diversity and openness on national unity, national integration, and the capacity of the national government to adopt policies in the national interest. It was begun with an attitude of skepticism toward some of the more extreme claims of the “deconstruction” literature. At that time, it appeared to us that the “fragmentation” view of China was mistaken because advocates of this view failed to take into consideration the strength of some of the essential institutions holding China together, and they misunderstood the key adaptive processes in which economic transition reshaped state and society relations.<sup>10</sup> Since that time, as China has continued to change and evolve and as our knowledge has deepened, some of the deeper flaws

<sup>10</sup> Dali Yang and Houkai Wei, “Rising Sectionalism in China?” *Journal of International Affairs*, 49, No. 2 (Winter 1996), pp. 456–76; Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform, 1978–1993* (New York: Cambridge University Press, 1995).

of the fragmentation perspective have become obvious. Not only has China not blown apart, it has in many respects succeeded in remaking institutions and reshaping policies in ways that enhance institutional integrity and strengthen national unity. However, few observers have taken note of the breadth and depth of the Chinese response. Since 1994, important changes in the administrative and political system have become increasingly manifest in the policy arena. In that sense, institutions fostering national unity existed in the 1980s, but their impact was obscured by problems of economic transition and a breakdown of political cooperation within the Communist Party elite. The potential effectiveness of those national institutions, which have also undergone adaptations and transformations, has become more evident during the 1990s.

The volume addresses questions of national unity and diversity from a variety of different vantage points, and from each it shows that the fragmentation thesis is inadequate to encompass China's development. The chapters in Part One examine the national political and administrative system. The authors analyze the manner in which political elites are rewarded and monitored, and the way government has been reorganized to perform new functions and strengthen regulatory capacity. The common finding is that the political system has made significant adaptations to the challenges of an increasingly diverse and marketized society. These adaptations, on balance, have tended to shore up political authority and national unity, even as they have created new problems for the future. The chapters in Part Two are case studies of the implementation of central government policies. In four different issue areas – birth control, internal migration and urban employment, coal production, and regional development – the authors analyze the way in which central government mandates are shaped to local conditions. Elucidating the interaction between central and local authorities, and between state and society, the authors show that a diversity of policy outcomes is not equivalent to political fragmentation.

The contributors to this book approach diverse subjects by using a variety of analytic methods; their chapters also reflect their own individual viewpoints. Nevertheless, a common view emerges from this volume. Without doubt, increasing diversity and a larger society create centrifugal forces in China that undermine the traditional monolithic state structure. However, there are also important political, economic, and cultural forces that tend to reinforce national unity and integration. These “centripetal

forces” imply that diversity and integration in China develop in a kind of dynamic tension. The fragmentation literature on China is misleading – and ultimately simply wrong – because it examines only one side of this tension and fails to see the forces working against fragmentation. In fact, many of the examples of increasing diversity pointed out by the fragmentation literature are simply that – examples of increasing diversity. There is no evidence that this diversity cannot be accommodated within the framework of a growing and developing China. At the same time, the “China threat” literature seems to willfully ignore the evidence of increasing diversity in China and the enormous domestic challenges China still faces. These challenges significantly constrain the Chinese leadership, making it extremely difficult for them to simply impose solutions on a complex domestic society, and limit their ability to project influence internationally. A dynamic tension between increasing diversity and national unity may not be a bad thing: at a minimum, it is preferable to either of the twin extremes of an all-powerful central government or a society in disintegration. Indeed, it is even possible that this tension may provide just the kind of creative pressure that helps keep China’s social and economic transformation moving forward.

In this volume, we seek to provide a more coherent and realistic account of the resilience of the Chinese state. The authors represented herein share a conviction that the fragmentation view of China was mistaken. It was mistaken *at the time* because those observers failed to understand the strength of some of the key institutions holding China together, and they misunderstood the crucial processes of economic transition reshaping state and society relations. Moreover, in the years since 1990, Chinese leaders have undertaken an impressive effort to rebuild central government authority in the wake of further stages of economic transition. Therefore, the fragmentation literature was additionally mistaken because it *failed to predict* the ability of the Chinese government to reformulate power relationships and rebuild institutions on an altered basis. This failure to predict also rests on a failure to appreciate the Chinese leadership’s command of crucial institutional resources.

Finally, the contributors to this book describe policies and implementation in their areas of specialization by using the language of principal-agent analysis. However, the “principal” in almost all cases refers to the top leadership of the Communist Party and government of China; it almost never refers to the people of China. The people of China lack

institutions to exercise their choice, or even a modest oversight over the top leadership. In this respect, China in the twenty-first century is not further advanced than it was in 1989, and, indeed, it may have slipped backward. Thus, despite the relatively positive appraisal of the strength and resilience of Chinese national unity, the authors in this volume share a realistic assessment of the defeat of, and retreat from, the potentially democratizing reforms of the 1980s. The 1980s policies of separating Communist Party from administration and reducing the scope of Party interference in management died during the 1990s. Despite its increasing diversity and the growing scope for civil society, China remains autocratic. This autocracy, in turn, influences the perspective of the volume, which tends to be from the top down, because many of the changes we describe have been driven from the top down.

Indeed, during the 1990s, rather than the Communist Party being removed from other administrative hierarchies, the reality was that the Communist Party was more tightly integrated into other chains of command. The hierarchical relationships in the government and Communist Party were more clearly specified, monitored more effectively, and tied more closely to material rewards. Administrative capability was increased, and there was a general trend toward professionalization. At the same time, the Communist Party also stepped up its involvement with the other administrative hierarchies. These changes are described in Part One of this volume; it is apparent at the outset that change of this type creates tensions and conflicts that must be resolved in the future. Meanwhile, the trend of change has shifted dramatically away from continuous decentralization and weakening of government power and toward a clearer division of responsibilities among governmental levels, with a tendency toward moderate recentralization in certain areas.

#### PART ONE. THE INSTITUTIONS FOR POLITICAL AND ECONOMIC CONTROL: ADAPTATION OF A HIERARCHICAL SYSTEM

The first part of the book analyzes the Chinese political and administrative structure. The first three chapters give primary attention to the vertical dimension of the political structure. They examine the incentives at work in the hierarchy through the patterns of promotion and reward, and the rules that govern this process. Because these processes ultimately determine who exercises power, these “vertical” analyses include the stuff of

daily politics, the competition among different factions, and the tensions between center and province and between institutionalization and arbitrary power. Chapter 4 gives primary attention to what we might term the “horizontal” dimension of the political and administrative structure. As the government develops more professional capabilities, it develops new functions and abandons some old issue areas. This reorientation is essential to the movement in the direction of a regulatory state, and the issues are also central to the argument in Chapter 3. Together, these vertical and horizontal approaches permit us to draw a comprehensive picture of the evolution of China’s political and administrative hierarchy since the beginning of the 1990s.

An important factor in the evolution of the Chinese administration is that decentralization in China was never what it became in the former Soviet Union – a disintegration of central power and the seizure of power “lying in the streets” by the local authorities.<sup>11</sup> In contrast to Yeltsin’s Russia, where regional governors gained power and autonomy at the expense of the center, China has retained a core element of central control: the *nomenklatura* system of personnel management. Under this system, higher-level leaders determine the appointment of lower-level officials, and they also structure the incentive systems that apply to the entire hierarchy. In short, unlike in Russia, China has retained a personnel system that gives the central leadership enormous power vis-à-vis local authorities.<sup>12</sup> This *nomenklatura* personnel system is the most important institution reinforcing national unity.

The fact of a unified national personnel hierarchy is at the core of the analysis in each of the first three chapters. The central government has much greater control over local decision makers than is initially apparent, simply because personnel power is hierarchically organized. Personnel officials at the central level have the authority to appoint and remove officials at local levels: Even when not actually utilized, this power remains

<sup>11</sup> Steven Solnick, *Stealing the State: Control and Collapse in Soviet Institutions* (Cambridge, MA: Harvard University Press, 1998).

<sup>12</sup> John P. Burns, “China’s Nomenklatura System,” *Problems of Communism*, 36 (September 1987), pp. 36–51; idem., *The Chinese Communist Party Nomenklatura System: A Documentary Study of Party Control of Leadership Selection* (Armonk, NY: Sharpe, 1989). Yasheng Huang has emphasized the importance of the *nomenklatura* system in understanding central-local relations. See his *Inflation and Investment Controls in China* (Cambridge, England: Cambridge University Press, 1996).

latently available to central officials, making the Chinese political system far more unitary than it might otherwise appear.<sup>13</sup> Moreover, the personnel function is a monopoly of the Communist Party. It is one of the most important bases – perhaps the ultimate foundation – of Communist Party power. But Party decision making is not exposed to public scrutiny, and it is forbidden to publicly discuss personnel decisions or decision making.<sup>14</sup> Therefore, it is easy to underestimate the degree of hierarchical control and overemphasize the degree of effective local autonomy.

The era of economic reform has fundamentally altered the environment in which government officials operate. Economic changes – and especially state enterprise restructuring – have created massive opportunities for private gain. Officials have numerous alternatives to commitment to government-mandated tasks. They can neglect government duties and go into business; they can become corrupt; and they can mix public and private interests through complicated intermediate strategies. With the sources of wealth diversifying, it is now impossible to monitor consumption and simply insist that officials live frugal lifestyles. In and of themselves, these changes tend to undermine the authoritativeness of the government and Party hierarchy: With the onset of economic reforms, the party lost its monopoly over reward and remuneration.

If central policy makers did nothing in response to these trends, they would inevitably watch the commitment to national goals of local officials gradually erode. If they act, they must increase the rewards given to government officials for compliance with their objectives (personal or programmatic) and increase the monitoring of officials to restrain their desire to deviate from central goals. In fact, steadily throughout the reform period, the Chinese government has increased both rewards and monitoring. It has responded and adapted to the challenges of the reform environment by altering the incentive environment that cadres face. The general theory of incentives proposes that, in designing optimal incentives for an agent with multiple tasks, one must consider both rewards for

<sup>13</sup> This criticism applies not only to proponents of the disintegration view, but also to theories of “market-preserving federalism” in China. See Barry Weingast, Gabriela Montinola, and Yingyi Qian, “Federalism, Chinese Style: The Political Basis of Economic Success in China,” *World Politics*, 48, (October 1995), pp. 50–81.

<sup>14</sup> Yan Huai, “Organizational Hierarchy and the Cadre Management System,” in Carol Lee Hamrin and Suisheng Zhao, eds., *Decision-Making in Deng’s China: Perspectives from Insiders*. (Armonk, NY: Sharpe, 1995).

engaging in a task and the agent's opportunity costs of committing effort to the task.<sup>15</sup> In the reform environment, the proliferation of competing tasks and options for officials means that the government must step up its rewards and monitoring in order to elicit the effort and commitment it desires. This is exactly what has happened in China, resulting in a kind of rough institutional equilibrium in which the continuing survival of the administrative hierarchy has thus far been ensured.

The common argument of Part One of the volume thus comprises four points: First, the national administrative and personnel system makes an important contribution to national unity by its very existence. Second, that hierarchical system has been significantly adapted over the past decade, in ways that tend to strengthen it. It is not simply or primarily that the system has been "recentralized," although that is sometimes the case. Rather, the hierarchical structure has been strengthened by stronger incentives that more consistently align the interests of local politicians with central government. Third, the hierarchical system has become more regularized, or rule driven. Fourth, the administrative system has been reoriented, and it has developed stronger resources, more capabilities, and more differentiated capabilities. In some cases, this means that administration has become more professional and more transparent, but not always. These four points together imply that the national government, in reformulating itself, has become a potent force for national integration and unity.

Cheng Li, in Chapter 1, describes the interplay of central and local politics in redefining the political hierarchy. Li describes a process in which locally based political forces are more powerful, but also more regularized and legitimate, than ever before. Each province now has two "seats" on the Communist Party Central Committee, and a large majority of Central Committee members have provincial power bases. Moreover, local politicians are encouraged to establish their careers in their local area and to identify their own personal success with the economic progress of their locality. Finally, success in provincial posts is becoming a near prerequisite for success at the national political level. These facts would seem to indicate an unambiguous increase in local power at the expense of the center, but the reality is more complex.

<sup>15</sup> Bengt Holmstrom and Paul Milgrom, "Multi-Task Principal-Agent Analysis: Incentive Contracts, Asset Ownership, and Job Design," *Journal of Law, Economics, and Organization*, 7, special issue (1991).

In the first place, the center uses its nomenklatura power to rotate the top provincial leaders, the party secretaries. By 2003, only three out of a total of 31 provincial party secretaries were natives of the province they led. Furthermore, a system of term limits and age limits – described more fully in Chapter 2 – ensures that no provincial leader can remain indefinitely in charge of his local power base. Finally – and most importantly – the national leaders who had previously served as provincial chiefs had been posted to the provinces by their patrons in the national government. Although provincial leadership is increasingly an indispensable prerequisite to national power, provincial leadership is also a stage through which potential national leaders are rotated to demonstrate their mettle. Provincial leadership is part of a unified national pattern in which the career paths of the most prominent candidates for leadership run through the provincial capitals and back to Beijing.<sup>16</sup> Provincial power is stronger, but it is also more systematically integrated into the national political system.

Li also describes the interplay between factionalism and professionalization in the bureaucratic hierarchy. Clearly, the top-down, personality-driven hierarchical system allows central leaders enormous discretion in shaping the careers of their underlings. Li uses a wealth of data and anecdotal information to show that, although the national leaders have issued various regulations to curb localism in personnel appointments and institutionalize the personnel selection processes, they have never let process stand in the way of their efforts to strengthen their own personal power and influence. From the time Jiang Zemin moved from Shanghai to become Party General Secretary in 1989 to his retirement from that post at the end of 2002, he promoted many of his friends from Shanghai to important national leadership positions. Continued favoritism and factionalism characterize the political process in China, and this factionalism now has a stronger regional component. At the same time, new rules shape the process of political competition, and contenders use whatever rules are available to enhance their own prospects. As Li writes, the “new leaders are far more interested than their predecessors in seeking legitimacy through institutional channels” rather than ties of blood, native place, and

<sup>16</sup> Benedict Anderson attributed a key role to the rotations of elites through a single “capital” in the gradual constitution of a unified national narrative, which he in turn saw as pivotal in the development of the imagined solidarity central to modern nationalism. See his *Imagined Communities: Reflections on the Origin and Spread of Nationalism* (New York: Verso, 1990).

common service. However, they will not hesitate to use whatever means are available to them in the struggle for power.

Zhiyue Bo, in Chapter 2, examines the national political hierarchy and the personnel system, just as Cheng Li did in the previous chapter. However, Bo stresses two different themes that make his chapter complementary to Li's. First, Bo stresses the position of the Communist Party among the other political hierarchies in China. As Bo explains, there are several overlapping hierarchical systems in China, which can be grouped into party, government, and military hierarchies. The party hierarchy is the most powerful because of its personnel and ideological powers. The basic thrust of political reform during the 1980s was to "separate party from government," allowing the governmental hierarchy to be more professional and ultimately, perhaps, more democratic. However, when Deng Xiaoping turned against first Hu Yaobang (in 1987) and then Zhao Ziyang (in 1989), political reform on these terms was aborted. In the more than 10 years since, political reform according to this model has not been revived. Indeed, as already stated, the ability of the party to influence and control outcomes in the other hierarchies has been given renewed "legitimacy," in the sense that it has been explicitly warranted and justified by party documents and policies. Thus, the actual movement of political change in the 1990s has been precisely the opposite of that envisaged by political reform of the 1980s.

However, in China's increasingly diverse and articulate society, the Communist Party cannot simply assert its dominance over the other hierarchies. The government administrative systems have become more professional, and they have developed their own institutional, financial, and information resources. Most tricky is the relationship with the people's congresses – the legislative branch of government – at the national and provincial levels. As Bo notes, the people's congresses have formidable institutional resources, because only the people's congresses can claim to represent the ultimate will of the people. Moreover, the Communist Party wishes to strengthen the people's congresses in order to shore up the legitimacy of its own hold on power. The result is an elaborate set of procedures through which the party dominates (but not totally) the nomination and election processes at the people's congresses, all the while insisting that the party's role remains in the background. Even with these careful shows of respect, the party has found the people's congresses too potentially powerful to be safely managed at a distance. As a

result, today most provincial-level party secretaries – 23 out of 31 as of March 2003 – also serve concurrently as chairmen of provincial people’s congresses. This allows the party secretaries to legitimately get involved both in recommending appointees (as party leaders) and in approving the appointments in the legislatures (as legislative leaders).

In its relations with the people’s congresses, then, the party displays increasing adherence to rules, or institutionalization, the second of Bo’s two main themes. On the one hand, the party increases its interpenetration of non-party administrative systems; on the other hand, the party itself is increasingly bound by a set of rules of its own making. The rules are most important in shaping the way the cadre promotion system functions. Bo describes a series of key features that all tend to increase the institutionalization of the personnel system. These include the following:

- Rules for systematic promotion. No cadre should have more than 10 years in a job; cadres should retire at the age of 60 or 65 (depending on their final rank).
- Explicit evaluations of high-level cadre performance by the Organization Department and personnel bureaus.
- Requirement of credentials for higher office, including university education and minimum party tenure.
- Modest but significant external checks on individual performance and abuse of power. These include requirements for election by local and national people’s congresses, consultation with various bodies, and audits by the Audit Office.<sup>17</sup>

These provisions have not been mere exhortations; they have been applied in practice with few exceptions. Put together, these features change quite fundamentally the expected nature of a successful career path. They ensure steady promotion paths and responsiveness to whatever promotion criteria the center chooses to emphasize. Politicians are much more likely to understand that success can only be achieved by visible, apparent compliance with central mandates.

<sup>17</sup> Note that these requirements are not significant enough to be considered “democratization,” but they are significant enough to shape career incentives. Different constituencies must be consulted and at least minimally satisfied for a political career to develop smoothly.

Both Bo and Li point out that the measures that increase centralization were taken in response to other changes that had centrifugal effects on the cadre management system. For one thing, certain mechanisms designed to check individual performance tend to increase localism, because they give local organs – especially the local people's congresses – which are outside the immediate hierarchy, input into the selection of local leaders. In response to the increased articulation of local interests, the center again strengthens specific provisions needed to combat localism. Here the most important measure is the reinstatement of the rule of avoidance, which is discussed by both authors. For another, the trend toward reform and professionalization has continued. From early in the reform era, a process of administrative rebuilding had led to the strengthening of separate hierarchical systems, and an increasingly explicit set of administrative rules and professional standards to guide the operation of these systems. That process has continued throughout the 1990s and into the first years of the new century; Bo makes clear that the identity of the separate hierarchies has continued and been strengthened. In Chapter 4, Dali Yang shows just how far that process has progressed in the governmental administrative hierarchy, particularly in the sphere of economic governance.

This has given a new complexity to relations among hierarchies. In important respects, the Communist Party has bound itself to accept modest checks and balances on its decision-making authority, and especially its personnel decision making. Of course, we should not be deluded: These are extremely modest checks, and they take place within the framework of continued Communist Party dominance. However, the changes are important enough to affect the way power is maintained and transmitted through the system. Most important is the requirement at many levels of government hierarchy that Party candidates must win an election. To be sure, these are nothing like free elections. The selectorate is carefully delimited, and the Communist Party exercises enormous power over the membership of the selectorate, the process through which candidates are nominated, and the actual election.<sup>18</sup> Nevertheless, the process does bind the Party to consult with other members of the selectorate and obtain their

<sup>18</sup> The classic analysis of the selectorate and reciprocal accountability in China is Susan Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993).

acquiescence. Though somewhat less prominent than in the late 1980s, the voting mechanism has also been retained in the choice of Central Committee members (Party Congress) and of provincial officials (People's Congress meetings). In the early 1990s, this mechanism resulted in poor showings for the "princelings" (children of veteran revolutionaries) and was thus a boon to Jiang Zemin, but more recently this institution has served to embarrass a number of candidates backed by Jiang. Bo argues that these steps are part of a process of steady institutionalization.<sup>19</sup> These changes provide a modest increase in the influence of local society on the selection of political leaders. Although certainly not democratizing the system in a formal way, they provide an additional access point for local interest groups. Thus, they can be seen as partial political reforms that reduce the degree of centralization of the system, reinforcing the argument in Chapter 1 about the greater institutionalized influence of local interests.

Whereas Li and Bo train their eyes on the national political system, Susan Whiting (Chapter 3) offers us a fascinating study of how local elites are monitored, evaluated, and rewarded. On the basis of careful fieldwork, she finds that county-level officials have adopted a cadre evaluation system – complete with detailed performance criteria and incentives – to motivate local cadres at township levels toward specific policy goals reflecting the main concerns of the central government. Although Whiting notes that the formal system of evaluations must interact with informal factors, she concludes that the formal cadre evaluation system with relatively high-powered incentives has been able to "elicit minimal acceptable levels of performance on the part of local officials." It has also helped "reinforce commitment to party goals, thereby contributing to the durability of CCP rule." Whiting shows how strengthening compliance incentives affects the lower levels of the hierarchy. In this case, by rewarding specific performance outcomes with substantial financial bonuses, local government and party officials are induced to renew their commitment to the Party-State structure. At the same time, the specific activities for which local cadres are rewarded are quite different from those cadres would have been expected to perform in the 1970s. In that sense, Whiting is describing a process not just of increasing compliance incentives, but also

<sup>19</sup> See also Andrew J. Nathan, "Authoritarian Resilience: China's Changing of the Guard," *Journal of Democracy*, 14, No. 1, (January 2003), pp. 6–17.

of shifting the nature of the activities in which officials are expected to engage. Whiting is observing the local manifestation of the ongoing re-definition of the state during the reform era. Indeed, since about 1994, we have witnessed a burst of activities to reconstruct the framework of the state to make it more responsive to emergent situations or as part of the effort to build a modern regulatory state.

Chapter 4, by Dali Yang, steps back and gives a broad national perspective on this process. Yang points to a variety of areas where the central government has stepped up its intervening role, including the collection of revenue, the regulation of banking and financial markets, and the enforcement of laws on quality, safety, environment, and intellectual property rights. In all these areas, the administrative hierarchy has been streamlined and made more responsive to the center by adopting the practice of vertical administration. If left to the devices of the administrative hierarchy, some of these and other areas would have seen rampant localism fostering the tendencies of fragmentation. In the banking system, for example, had the banks been left at the mercy of local authorities, monetary chaos would have ensued and China would probably have truly fallen like a domino during the Asian financial crisis. Instead, since 1993, the Chinese leadership not only has worked hard to bring about monetary stability but also has undertaken arduous political negotiations to reform the fiscal and taxation system, the banking system, and other issues mentioned earlier.

In that sense, the reconfiguration of government has corresponded with a dramatic shift in the orientation of economic policy that occurred around 1994 as well. Policy since 1994 has been more authoritative – more able to override particularistic interest groups – and supplied a higher level of public goods. This shift has been widely noted and is often linked to the administration of Zhu Rongji.<sup>20</sup> For current purposes, what is important is that reconfiguration of the administrative hierarchy has given the government new capabilities that has allowed it to adopt new policies. New

<sup>20</sup> Barry Naughton, “Changing Horses in Midstream? The Challenge of Explaining Changing Political Economy Regimes in China,” in Jaushieh Joseph Wu, ed., *China Rising: Implications of Economic and Military Growth in the PRC* (Taipei: Institute of International Relations, 2001), pp. 37–65; Yingyi Qian and Jinglian Wu, “When Will China Complete Its Transition to the Market?” in Nicholas Hope, Dennis Yang, eds., and Mu Yang Li, *How Far Across the River? Chinese Policy Reform at the Millennium* (Stanford, CA: Stanford University Press, 2003); Yongnian Zheng, *Zhu Rongji Xinzheng: Zhongguo Gaige de Xin Moshi [The New Policies of Zhu Rongji: A New Model of Chinese Reform]* (Singapore: Bafang wenhua qiye gongsi, 1999).

policies, in turn, have generated new economic resources that have been used, in part, to build new administrative capabilities. As Naughton argues in Chapter 8, the upturn in budgetary revenues after 1995 – traceable to the tax reforms in the previous year – was an essential prerequisite of the Western Development Program. New policies thus depend on the ongoing reconfiguration of the government.

These reconfigurations may seem like functional responses to system needs, but demand for institutions and state capacity is not always met with a ready supply. Instead, these reconfigurations of administrative hierarchy were the products of political negotiations and renegotiations. They reflect and embody a strong commitment to construct a functioning regulatory state, capable and effective in the enforcement of the relevant laws on the environment, safety, intellectual property rights, and other issues. What is equally important is that they demonstrate the Chinese leadership's ability to convert ideas, often incorporating lessons learned from abroad, into institutional reality. Thus, the Chinese state continues to surprise with its capacity to reformulate, reconfigure, and reorganize.

## PART TWO. CASE STUDIES OF POLICY IMPLEMENTATION

The second part of the volume consists of four case studies. Each examines the reach of the Chinese state by studying policy implementation in an issue area that would test the capacity of any state. The picture that emerges is certainly not one of disintegration. In each case, the Chinese national government adopts and implements national policies of significant scope, but only after reformulating and adapting policy to the demands of local interests. Each author delves into unique features of the policy implementation process in their chosen field of study. All of the authors seek to explain the policy implementation process as a whole by referring to two underlying questions: What explains regional differences in policy implementation? Can we identify a process of interaction and policy reformulation as central government preferences and local interests negotiate policy outcomes? The answer to these questions with respect to specific policy arenas complements the generalizations about the overall capacity of the Chinese government in the first part of this book. If the center is able to implement difficult and sometimes unpopular policies, allow local input into the degree of implementation, and still gradually shift the focus of implementation toward a more professional mode, then