

# Approaches to Central-Local Relations in China

During the 1989 pro-democracy movement, the power struggle between Zhao Ziyang, then the General Secretary of the Chinese Communist Party (CCP), and conservative leaders was intensified; consequently, the so-called unified central leadership was no longer viable. Provincial officials who seemed to have lost contact with the central government apparently gained greater autonomy in dealing with local issues since they were not informed by the central leadership of what should be done.

Nonetheless, interestingly, they were not prepared to make independent decisions. Instead, they tried to figure out what the central government's intention was and what was going on inside *Zhongnanhai*. Local officials also turned to their colleagues in other provinces in an attempt to find out what action they should take. Jiang Zemin who was summoned to Beijing to replace Zhao Ziyang recalled that when he was not able to get information from the Central Committee, he turned to Li Ruihuan, then the party secretary in Tianjin, to discuss what they should do.

In telling this story, Jiang was implicitly criticizing Zhao Ziyang, since it had been Zhao's decision during the 1989 student movement

## 2 *De Facto Federalism in China*

that had led to a split in the top leadership and caused local officials to lose their identity towards the central government, i.e., that represented the center. What is of interest in Jiang's story is a serious question: Why did the provinces not take independent action to deal with the central government? At the height of the 1989 movement, all provincial governments did take action quite independently from the central government to bring the student movement in their territories under control. They exercised their authority in managing local affairs. Nevertheless, when they faced their relations with the central government, they did not use this autonomy. What mentality did Chinese provincial officials have when they dealt with the central government? How did such a mentality form? How has this mentality affected central-local relations?

Indeed, one single important puzzle that has preoccupied Western observers since the early Jesuits first began to write about China is: How was it possible for a country of continental dimensions, inhabited by people who speak mutually unintelligible languages and exhibit an amazing array of regional differences, to be organized by a unitary state and governed by one power center (Watson, 1993: 81)? The question has been repeatedly asked among scholars in the West since China began its reform in the late 1970s. *The Economist* (1998: 75) asked, "in a world of almost 200 countries, is it likely that a quarter of humanity (1.3 billion people) will remain citizens of just one nation-state — China?" The issue was raised largely because of China's rapid economic development in the past two decades. An immediate question is whether the established institutions of central-local relations can accommodate such unprecedented drastic economic growth and consequent sociopolitical changes in the human history.

The issue was not raised without sound reasons. In the Soviet Union and Eastern Europe, radical reform not only brought down the communist regimes there, but also resulted in the collapse of nation-states that had been built up for years under the rule of communism. The breakup of the Soviet Union and Czechoslovakia and the civil war in Yugoslavia led scholars to realize that these communist regimes that were once regarded as indestructible were in fact

very fragile. Reconstructing these post-communist nation-states has become the most difficult issue confronting political elites there (e.g., *Daedalus*, 1993; Linz & Stepan, 1996).

Will the Chinese nation-state follow the Soviet Empire and collapse? In the aftermath of the crackdown on the 1989 pro-democracy movement and the breakup of the Soviet Empire, not a few observers, both at home and abroad, predicted an imminent Chinese collapse. In their study of the capacity of the Chinese state in the early 1990s, two Chinese scholars, Wang Shaoguang and Hu Angang, claimed that the decline of Beijing's ability to amass revenue was leading the country to follow Yugoslavia's fate, i.e., breakup (1994a, 1994b). According to W. J. F. Jenner, "the state, people and culture known in English as China are in a profound general crisis... The very future of China as a unitary state is in question" (1992: 1). Similarly, Gerald Segal (1994) argued that excessive decentralization in the post-Mao era transformed China from a Middle Kingdom into a muddle state. Jack Goldstone even claimed that "we can expect a terminal crisis within the next 10 to 15 years" (1995: 99).

Why and how could a Chinese collapse happen? Among others, three major views can be easily identified. First, the impending collapse could result from excessive decentralization. For Wang and Hu (1994a, 1994b), this was due to Deng Xiaoping's strategy of decentralization that led to the weakening of the capacity of the central state. Two well-known Chinese economists Shen Liren and Dai Yuanchen (1990) believed that decentralization promoted the formation of independent dukedoms at different administrative levels. According to Segal (1994), decentralization enabled local governments to nullify central authority; Beijing now could only pretend to rule the provinces, while the provinces only pretended to be ruled by Beijing. Indeed, China as a nation-state needs to be redefined.

Second, there is the argument of the contradiction between economy and politics. According to this argument, a Chinese collapse could be a consequence of the Chinese model of reform, i.e., "economic reform without political reform." According to Susan Shirk (1993), who has theorized this model, the very success of

#### 4 *De Facto Federalism in China*

Chinese reform is due to “economic reform without political reform.” But for others, it is this model of reform that will contribute to the collapse of the central authorities. According to Goldstone (1995: 41–46), without political reform, the communist regime has shown four major vulnerabilities like those associated with the collapse of earlier Chinese regimes, including the split within the ranks of the Party leadership; the rift between the Party leaders and China’s other elites; the decline in the Party’s direct control of Chinese society; and discontent among the foot soldiers of the revolution (peasants and workers). Similarly, according to James Miles (1996), China will split apart, as it has repeatedly from the dim beginning of time through the warlord period of the 20th century. The very nature of the authoritarian regime creates a myriad of destructive emotions that will spill over just as they did in some of the former communist countries of Eastern Europe and parts of the former Soviet Union.

Third, there is the cultural or civilizational argument. Lucian Pye, who has developed this theme, argued that China is a civilization pretending to be a nation-state, which if left to take its own course, could fragment into separate political entities (1990: 60). The argument consists of two main points. First of all, while modern nation-states are based on nationalism, the Chinese state is based on culturalism. The Chinese do not have a strong national identity; what they identify with is their culture rather than their nation-state.

Furthermore and related, while modern nation-states are highly organized and institutionalized, China as a civilization lacks institutional coherence. This applies not only to the relations between the center and the provinces, but also to the center of the country and the peripheral regions. At its peripheries, until this century, the west and northwest were dominated by a mosaic of peoples whose cultures were more closely linked to India, Persia and Turkey than to coastal China. Geographically and culturally, the contrasts between Inner Asian China and heartland China are sharper than those between North and South America or Eastern Europe (Nathan & Ross, 1997). Three areas, Tibet, Xinjiang and Inner Mongolia, have

demonstrated their “splittist” or independent tendencies for years. Even in the most heavily populated and wealthy areas, the relations between the center and the provinces have not been easy. The issue here is not ethnicity, but central control vs. local autonomy. The struggle between central authorities in Beijing and provincial governments in prosperous places such as Shanghai and Guangdong still continues. It is still uncertain whether “provincial authorities [will] eventually tire of taking orders and giving tax revenues to far-away Beijing” (*The Economist*, 1998: 76).

A coming collapse, however, is not the only image that scholars both at home and abroad have presented to us. There are arguments, based on substantial evidence, that the Chinese state is becoming more integrated, rather than disintegrating. For those who argue for a more integrated China, the impending collapse argument puts too much emphasis on the (negative) economic aspect of central-local relations. There are signs that even with rapid decentralization, the central government has not lost its control over the provinces.<sup>1</sup> The center-province relationship is not a zero-sum game (Li, 1998). The center has been able to bring provincial economic behavior under its control (Huang, 1996). Decentralization is not a matter of who gains and who loses. More importantly, it is about how the two actors, the center and the provinces, interact with each other. Furthermore, the economic (and fiscal) approach is not the only means by which the center controls the provinces. There are many other capacities in which the central government can keep central-local relations on an even keel. Though the central government did not introduce radical changes into central-local relations, it had continuously adjusted its relations with the provinces in order to accommodate rapid changes in the provinces. Consequently, the center has been able to solicit provincial compliance amidst radical decentralization (Huang, 1996).

---

<sup>1</sup> There has been a debate among Chinese scholars over whether the central government has lost control over the provinces, for instance, see Wang Shaoguang and Hu Angang (1994a, 1994b); Wu Guoguang and Zheng Yongnian (1994); Yang Dali (1994); Rao Yu-qing and Xiao Geng (1994); and Yasheng Huang (1996).

There are also arguments against the China-as-a-civilization argument. There have been powerful civilizational or cultural forces supporting the unity of the Chinese nation-state. Though the Chinese people's identity towards the nation-state is rather weak, their strong identity towards the unity of the state is undeniable. For centuries, China as "a great systemic whole" (*da yi tong*) has been one important theme of Chinese political values, in terms of central-local relations, and thus a cultural force behind the unity of the Chinese state (Bockman, 1998).

The Chinese did often show their apathy towards the disunity of their state, as the opening passage of the historical novel, *Romance of the Three Kingdoms* (*Sanguo Yanyi*), states: after a long separation, there is bound to be unity; after a long unity, there is bound to be separation (*fen jiu bi he, he jiu bi fen*), or as Arthur Wright summarized: "While political disintegration was thought of — in terms of various life-cycle analogies — as periodically inevitable, reunification, by the same analogies, was regarded as inevitable" (cited in Bockman, 1998: 328). Nevertheless, under the influence of the mindset of China as a great systemic whole, unity was regarded as normal, and disunity not. As a matter of fact, even though China is still an empire-state, powerful cultural forces make it impossible for China to disintegrate like other empires.

Moreover, realizing that the worldwide failure of the communist ideology and the associated legitimacy crisis are undermining the capacity of the government to rule the country, the Chinese government has "eagerly embraced Chinese nationalism as a new fount of legitimacy" (Huang, 1995b: 57). Various studies have shown that the Chinese government has initiated waves of nationalistic education movements aimed at cultivating or reinforcing the Chinese national identity (Zheng, 1999; Clausen, 1998; Dong, 1997). These deliberate efforts by the government indeed have brought about a new national identity among the political elites and the general public. Implicit in this argument is that so long as the government is consciously making efforts to foster national identity, localism or regionalism will not become excessive and impose a major threat to China as a nation-state.

How can these conflicting images of central-local relations be reconciled? In effect, both are supported by substantial evidence and can be regarded as two different interpretations of changes in central-local relations in the reform era. Certainly, it is changes in central-local relations, which are themselves often contradictory with one another, that have led observers to reach conflicting conclusions. Efforts have to be made to reinterpret central-local relations to reconcile these images. Changes are contradictory, but forces that have led to these changes have coexisted for years. We need to identify what these forces are and how they have affected and will affect central-local relations in China.

This brings us to a methodological issue. Different images of central-local relations were largely reflections of changes in the scholarship of Chinese studies over the past few decades. In general, three main approaches have been widely used by scholars of central-local relations: structural, procedural and cultural.<sup>2</sup> This chapter discusses these approaches and provides a critique on each of them. The next chapter attempts to develop a new institutional perspective to explain China's central-local relations.

## **THE STRUCTURAL APPROACH**

The structural approach has dominated the study of China's central-local relations for several decades. Its emphasis is on the formal organizational (or structural) distribution of resources and authority between the center and the provinces. According to this approach, it is the formal institutional arrangements between the center and the provinces, which determine how the center and the provinces interact with each other. Within this approach, three sub-models can be identified, namely, the totalitarian model, the cellular model and the pluralist model. What model one takes to study China's central-local relations depends on which actor, the center or the provinces, is the analytical focus. A brief discussion of each of these models follows.

---

<sup>2</sup> For a discussion of this classification, see Lieberthal (1992) and Chung (1995).

## The Totalitarian Model

Initially developed to analyze the overthrow of the old order and the rapid consolidation thereafter of the new communist regime, the theory of totalitarianism gave explanatory primacy to the Chinese state and ideology. The Chinese state included the Chinese Communist Party, the government, the People's Liberation Army and other organizations, which mobilized the populace. This system, modeled after the Soviet Union and Eastern Europe, was described as totalitarian and highly coercive.<sup>3</sup> In terms of central-local relations, the proponents of this model did not believe that the provinces possessed any real autonomy in such a highly-centralized system. The provinces carried out central policies to the letter. Decentralization did happen, but only took place when the center wanted it to. Power thus could easily be recentralized if the need arose (Barnett, 1967).

Furthermore, the center not only monopolized all aspects of political power, but also exercised direct control over the Chinese economy. The state owned and managed the major means of production. Private property was strictly limited and the allocation of strategically significant resources occurred through state command, rather than the marketplace. The state sought to regulate the economy through five-year and annual plans, rather than through monetary and fiscal instruments of control. Prices of key commodities were bureaucratically administered, rather than set in the market.

Various studies showed how the Chinese state sought to manage economic growth through non-market mechanisms. Dwight Perkins (1966) emphasized state control of the market. Other authors (Lardy, 1983; Parish & White, 1978) examined how the Chinese state controlled the rural economy. Though these studies differ in their assessments of the effectiveness of bureaucratic allocation, they shared a common assumption that the Chinese state was hostile to the allocative role of the market. China was pictured as effectively

---

<sup>3</sup> Classic studies on totalitarianism include Friedrich (1954); Friedrich and Brzezinski (1956); Ulam (1963); and Schapiro (1967). On China, major works include Barnett (1967); Lewis (1963); and Perkins (1966).

organized and led. The top political leaders had sufficient power to extract compliance from lower levels on almost any issue at any time. This perspective focused on the top leaders and the bureaucratic apparatus at their command. Leaders like Mao Zedong and Deng Xiaoping were able to obtain the desired response from officials through the vast Chinese party and government apparatuses.<sup>4</sup>

Within this framework, there existed a modified centralist vision of central-local relations (Schurmann, 1968; Lardy, 1975). According to this view, though China's political power was highly centralized, there was a balance between political initiatives at the center and those that originated from the provinces. General policies were formulated at the center, but the provinces were allowed flexibility in their implementation. Nevertheless, the center could either decentralize or recentralize according to its own perceptions of the need to adjust central-local relations.

Two important aspects can be summarized. First of all, the analytical focus of the totalitarian model is on the central level such as the party, the government and its bureaucracies. Second, the provincial (local) government is merely the agent of central control in Beijing (Barnett, 1967). Since the center serves the central nervous system in China's political hierarchy, it is able to bring the provinces under control. On the other hand, as agents of the central government, the provincial governments do not enjoy territorial autonomy, but only have "operational autonomy." According to Franz Schurmann, "Regional government has a unique importance in Communist China... Though there have been few separatist tendencies in China, most of the provinces have a distinctive character, the product of long historical development... There are thus historical reasons for the operational autonomy of provincial government in Communist China" (1968: 174–175).

The totalitarian model, according to Walder (1986), places too much emphasis on the role of coercion, impersonal ideology and social atomization. Even before the post-Mao reform, the central

---

<sup>4</sup> Roderich MacFarquhar presents a sophisticated example of this image (see MacFarquhar, 1974, 1983).

government did not always use coercion to govern all localities. Great diversities among different regions posed a serious obstacle to state control and often disabled the center from soliciting provincial compliance. Even if the center did not always consult with the provinces in the formation of national policies, it would have been extremely difficult for the center to implement its policies without provincial cooperation.

Furthermore, the totalitarian model sees local governments as mere instruments of policy implementation, thus overstating their administrative functions and neglecting their political functions. Economic decentralization in the post-Mao era has introduced great changes into local-central relations. The central state is no longer able to control every aspect of Chinese society and local governments as well. In terms of policy formation and implementation, the state tends to resemble “fragmented authoritarianism” (Lieberthal & Oksenberg, 1992) or “consultative authoritarianism” (Harding, 1986). The local-central relationship thus needs to be redefined.

Also, although the totalitarian model sheds light on the role of the Chinese state in the evolution of the Chinese political economy, it neglects the role of the state in economic transition, more specifically, in the development of the market mechanism in the post-Mao era. The model is not able to explain new developments in the Chinese political economy. As Victor Nee (1989) points out, the argument that the Chinese state was hostile to the allocative role of the market needs to be reconsidered. According to Nee (1989), before the current market reforms, there was little reason to question this view. Nevertheless, this assumption continues to color the discussion of the Chinese state, even after the post-Mao reformers launched their program of economic reforms, and consequently, “the analysis of state interventions to encourage market arrangements has been overlooked by analysts through force of habit: we have grown accustomed to thinking about the socialist state as inherently hostile to markets” (Nee, 1989: 170).

More importantly, the totalitarian model has overlooked the institutional basis of local dynamics in China’s development. Most advocates did not realize that local governments have their

institutional instruments to serve local interests and thus to change the power distribution between the center and the provinces.

It is also worth noting that the defects of the totalitarian model are also due to the fact that China was not open to outside researchers for a long period after the establishment of the People's Republic in 1949. To do research on China, scholars had to rely heavily either on interviews with former lower-level government officials, especially those who fled to Hong Kong, or extensive readings of the Chinese press, especially officially released documents. Therefore, it was almost impossible for outside scholars to develop a deeper understanding of central-local relations. Instead, they had to take it for granted that what happened to the Soviet Union would necessarily happen to China. In some sense, the totalitarian model was not developed out of the Chinese experience, but was imposed onto China from outside. Consequently, a distorted image of central-local relations became inevitable.

## **The Pluralist Model**

While the totalitarian model focuses on the central government, the pluralist model sees the provincial (local) governments as its analytical unit. The formation of the pluralist model was heavily influenced by various theories of interest groups. Many studies of communist political systems argued that, as political terror and mass mobilization subsided, there was an accompanying revival of genuine political competition within the framework of political control. Thus, "real" political activities are based on groups that share common interests, and these groups act through formal or informal political institutions.<sup>5</sup>

As reflected in the study of China's central-local relations, the group theory puts much emphasis on the importance of local government. David Goodman argued that provincial party first

---

<sup>5</sup> For original group theories on the communist countries, see Skilling (1966, 1983); Skilling and Griffiths (1971). On Chinese politics, see Goodman (1984, 1986) and Falkenheim (1987).

secretaries played an important role in the decision-making process. According to him, “the importance of the provincial party first secretary undoubtedly stems from his position as the key link in the spatial hierarchy between policy formulation and policy implementation... The identification of the provincial party first secretary as a ‘political middleman’ thus highlights not only the spatial dimensions of decision-making in the PRC, but also the possible group dynamics of that process” (1984: 76). To Goodman (1984), provincial territory or space is of more than passing significance to decision-makers in China.

The simple fact that China is such a huge country requires that provincial government, as a middleman, plays an essential part in policy-making process. National policy-making in China is almost always an incremental process. Guidelines are generally drafted and policy then implemented on an experimental basis. Central directives frequently specify only the general aims of a policy and leave the specific arrangements to each province. Furthermore, the choice of “experimental points” is crucial to the emergence of policy. The period and mechanisms of experimentation provide an access to influence in not only the implementation, but also the formulation of national policy. Political power is thus not an undifferentiated commodity. The central government is tolerant toward provincial variations in the implementation of national policy. The principle of “do the best according to local conditions” means that the central government lays down the broad outlines of a policy, while the provinces adopt specific provincial measures for its implementation. This process allows considerable potential for deviation from central policy. A province might claim to be adapting a central policy to local conditions when, in fact, its provincial implementation is intended to achieve some other goals. In other words, the power of the provincial government comes from the very fact that, due to great diversities among different provinces, the central government is not able to make a decision applicable to all regions. Provincial government, therefore, has an important, even a crucial, say, both in the formation and the implementation of national policies.

Several authors have pointed out the shortcomings of the pluralist perspective on Chinese politics. According to Shue, who has also questioned seriously the totalitarian model, the pluralist model does not tell us about politics and the power of the state vis-à-vis society. The model “quite missed the point in a realm of other issues where the underlying understanding of politics is not a problem of allocation but a problem of control, or rule, of us against them” (1988: 19). The pluralist model simply cannot be applied to China’s development in the post-Mao era. Instead, “the Chinese party/state must be seen as a modernizing dictatorship, seizing resources from some segments of society to serve its planned goals of economic development and social transformation... As a self-described dictatorship it has necessarily sought domination over certain elements in society” (1988: 19).

According to the pluralist model, the provincial government can be a protector of provincial interests by negotiating with the central government on provincial affairs. They are also creators of provincial interests, however. This means that they are not only agents of policy implementation of the central government, but more importantly, they also frequently initiate policies that are often not in line with the central government’s priorities. In other words, they are actors with their own interests and passions. Therefore, taking the provincial government as the analytical unit helps us to understand the dynamism of changes in central-local relations in post-Mao China.

The pluralist model, however, overlooks the impact of the central government on the local government. The local government does have autonomy in its decision-making, but its decision-making process is constrained by given institutional conditions. Provincial governments formally exist within the structure of the state. They pursue their own interests, but their behavior is constrained by this structure. The role of the central government is to provide institutional settings in which the local government behaves. These institutional conditions are an important power resource for the center because it can change the behavior of the provincial government by changing institutional backgrounds.

Moreover, on the provincial government's side, it also has its own power resources to initiate policy within its jurisdiction and influence the formation and implementation of policies of the central government. So, what is important is not to see which is more powerful, the center or the local government, but to examine their respective power resources and policy constraints, and the interplay between the two within the Chinese political-economic system.

## **The Cellular Model**

The cellular model has been provided by a group of scholars writing about decentralization, with its emphasis on the problematic interaction between the center and the provinces. According to this perspective, the center and the provinces do not interact in accordance with a formal organizational formula. Though the center possesses institutional advantages, it is not always able to get its policies implemented. The local government is not only the leader of the province, but also its acknowledged representative to the center and in discussions with other provinces. Though much emphasis was put on the role of coerciveness and the impersonal ideology of the Chinese state, many authors do not think that provincial governments are merely agents of the central government. Therefore, at the operational level, there is a balance between the center and the provinces, and decentralization was an inevitable process.

Audrey Donnithorne, one main advocator of the cellular model, argued that "China is not a monolithic society, but a cellular one" (1967: 506) and the center cannot always solicit compliance from the province. There are always loopholes left, and there are plenty of examples of the free way in which law is interpreted, or ignored, according to local requirements. According to Donnithorne (1967: 506–507),

The real limit on the expansion of central revenues lies in the relations between the center and the major local authorities. The center depends on the cooperation of these authorities in many different ways and only in an extreme situation can it afford openly to use crude force — i.e., its control over the armed forces — to secure increased levies of revenue or

commodities. The tension between the center and provinces in respect to transfers in cash and kind must be seen in the context of their mutual dependence.

Donnithorne (1967) here primarily refers to China's economic system. But later, Vivienne Shue (1988) formed a more systemic expression of the cellular model and extended it to the political system. She focused on the spatial aspect of the Chinese political economy and suggested that we should pay attention to the importance of the non-market economy in shaping a pattern of local-central relations. Her analysis proposed "less direct and unmediated central penetration ... than is frequently supposed" (1988: 54). Rather than dividing the populace into new, irreconcilable political factions, Mao's anti-capitalist policies buttressed "cell-like communities" and a "sub-culture of localism" that had predated the revolution by centuries. Shue (1988) uses the term "honeycomb polity" to describe the character of Chinese politics caused by the tension between center and periphery. The "honeycomb polity" refers to the segmented, parochial structure of politics that was prevalent in China over the centuries. According to Shue, although the Chinese government was highly centralized and was of a coercive nature, "the Chinese party/state,... a self-described dictatorship..., has provoked resistance; sometimes outright resistance, sometimes indirect or evasive resistance, and sometimes only privately internalized resistance, or alienation" (1988: 19).

Under the cellular model, the provincial government tends to be an extremely important factor in the Chinese economy. Localities act like entrepreneurs: developing local industries, providing coordination, and finding customers. As a result, central ministries and planning organs lose major sinews of financial and material allocation powers; important centrally-managed industries find themselves in competition with localities for needed materials; local investment soars; and protectionism hampers the movement of goods between localities (Donnithorne, 1972). According to this image, policies made in Beijing bear little resemblance to reality at lower levels. There is a great concentration of power in the hands of provincial-level officials and leaders of lower-level units. China is thus a cellular economy

and polity, with the territorial components of the system surprisingly self-sufficient and capable of frustrating and subverting Beijing's demands.

Within this school, some scholars even go further to argue that the Chinese system is highly decentralized (Whitney, 1970). The center is nothing more than an amalgam of local representatives in competition, or an arbiter of competing local interests. As a result, decentralization is a natural state that the center cannot control.

Differing from both the totalitarian and pluralist models, the cellular model has enabled us to see enormous practical conflicts between the center and the provinces during the process of their interaction. Nonetheless, the model is not without criticism. Many observers reject the cellular model and maintain that China has actually had an integrated national economy. Earlier on, Nicholas Lardy (1975) concluded that economic growth after the decentralization during the 1957–1958 period was not characterized by a strong pattern of regional self-sufficiency. According to William Snead (1975: 305), Donnithorne's explanation is very questionable, and "her conclusion that China was moving towards a cellular economy... is incorrect." Similarly, for Alan Liu (1975: 174–177), national integration could be seen in the penetration of a single governmental and party system into every region and in the establishment of a nationwide communication infrastructure.

The debate between Donnithorne, Lardy and others was mostly due to changes in local-central relations over time. Donnithorne (1967) raised the conception of cellularity to characterize what she saw as the relative fragmentation of the Chinese economy in the wake of the Cultural Revolution's attacks on central and local party/state bureaucracies. But Lardy (1975), after carefully observing the organization and management of the economy before the Cultural Revolution, found little evidence of entrenched cellularity in the 1950s, and emphasized the relatively high degree of centralized state control over planning and finance in that era. Even for individual scholars, their perceptions of central-local relations change from time to time. For example, before the Cultural Revolution,

Schurmann (1966) strongly argued for the role of organization and ideology in governing the country. But after Mao Zedong began to attack the Party during the Cultural Revolution, Schurmann (1968) revised his earlier judgment and found the continued vitality of Chinese traditions and social organizations beneath the formal organizational facade. All these scholarly exchanges happened decades ago, but they suggested to us the importance of the dynamic aspect of local-central relations in China.

### **Recent Development of the Structural Approach**

Even with drastic changes in the reform era, the structural approach still dominates the study of central-local relations. As in the past, how the center and the provinces interact depends on what perspective the individual scholar takes. Though scholars now do not use old terms such as totalitarianism or pluralism, the study of central-local relations, generally speaking, is still characterized by the dichotomy of the top-down approach and the bottom-up approach. While the bottom-up approach stresses how rapid development at local levels has enabled local governments to nullify central policies or not to take orders from central authorities, the top-down approach highlights how the central government has utilized its organizational advantages to bring the provinces under its control.

Given the fact that China's post-Mao development has been characterized by decentralization, scholars have overwhelmingly concentrated on decentralization and its impact on central-local relations.<sup>6</sup> A common argument is that after a decade of decentralization, the central government's economic capacity has declined, while that of localities has increased. Great local power has frustrated many of the goals of the reform movement by protecting inefficient industries, feeding high rates of investment and inflation, depriving

---

<sup>6</sup> The literature of the impact of decentralization on central-local relations continues to grow. An incomplete list would include the following: Li (1998); Wong (1997); Yang (1997); Breslin (1996); Jia and Lin (1994); Wang and Hu (1994); Goodman and Segal (1994); Agarwala (1992); White (1989); Perry and Wong (1985).

the center of funds and raw materials for high priority projects, etc. (Shirk, 1985). So, decentralization, rather than promoting reform, limits its progress (Naughton, 1987; Bachman, 1987). Consequently, “to save decentralization, the reform coalition must first recentralize” (Kelliher, 1986: 480).

A structural analysis of the impact of decentralization has often led scholars to conclude that an impending collapse of central-local relations is possible and recentralization becomes imperative in order to maintain China as a nation-state. Take the study of Wang Shaoguang and Hu Angang (1994a, 1994b) as an example. According to Wang and Hu (1994a, 1994b), radical economic decentralization in the Deng era has resulted in a major power shift between the center and the provinces. The decline of the central government’s share of national income has had serious consequences for China’s “state capacity” (central power). With “extractive capacity” falling, other capacities of the state would inevitably fall too: the capacity to steer the use of resources; the capacity to legitimate itself in the eyes of the people; and the capacity to force obedience. Wang and Hu argued that the breakup of Yugoslavia could not be blamed on ethnic hatred, but rather on the fiscal weakness of the central state. With central power seriously weakened, a mere push was enough to bring the whole regime crashing down into a heap of rubble. This could happen to China due to excessive decentralization. “If the center is weakened to the point where it cannot control the advancing power of the regions, there is no avoiding civil wars” (1994b: 13–14). Recentralization thus should be given the highest priority to maintain the unity of the country.

In contrast, other scholars take a top-down approach (Huang, 1996; Naughton, 1995; Shirk, 1993). Even though these scholars acknowledged the impact of decentralization on central-local relations, they argued that the central government has been able to solicit provincial compliance by using various economic and political means. According to this approach, since the center and the provinces coexist in the same political hierarchy, the center has enormous organizational capacities to influence the provinces. For instance, Yasheng Huang (1996) still regards provincial government officials

as agents of the center with only limited operational autonomy. According to Huang (1996), under China's highly centralized political system, the central state is equipped to bring local officials into line through a variety of bureaucratic carrots or sticks such as the nomenklatura (personnel) system, various monitoring means and administrative control. So long as the central government possesses various organizational advantages, it is able to achieve successful control of local authorities, while retaining the incentives and dynamism of rapid local development through decentralization.

Central to the structural approach is the assumption that the interaction between the center and the provinces is institutionally dictated. The approach enables us to examine the formal institutional aspects of China's central-local relations. Since its emphasis is on the distribution or arrangement of the power between central and local governments, it tends to focus overwhelmingly on how various economic factors affect central-local relations. Certainly, according to the formal organizational charts, the center without doubt occupies a dominant position and the provinces have to subordinate themselves to the center. Therefore, the proponents of authoritarianism or centralization prefer to look at how the center has utilized its economic and political power to solicit compliance from the provinces. By contrast, the proponents of decentralization tend to focus on how decentralization has resulted in a major power shift between the center and the provinces, and how the provinces are utilizing growing economic power to nullify central policies and defend their own interests.

Undoubtedly, most studies within the structural approach on central-local relations of post-Mao China are concerned with fiscal and planning arrangements.<sup>7</sup> Nonetheless, changes of central-local relations are not solely economically determined. As one scholar pointed out, "budgetary figures are an imperfect indicator at best of the relative powers of central and local governments and therefore, attention needs to be more diversified to personal, information

---

<sup>7</sup> For a survey of the literature on central-local economic relations, see Chung (1995: 491–492).

control and implementation issues” (Chung, 1995: 491). In effect, simply identifying how various forms of source are distributed between the center and the provinces prevents us from seeing how the center and the provinces have interacted. A more dynamic approach is needed to reflect the nature of China’s central-local relations in the reform era.

## **THE PROCEDURAL APPROACH**

While the structural approach examines the formal structure of the Chinese system, the procedural approach focuses on how the system works at the behavioral level. It is only until recently that enormous efforts were made to examine the inner dynamics of the Chinese system. The development of this approach is attributable to several major factors.

First, the reform that began at the end of the 1970s resulted in drastic socioeconomic changes in China. Certainly, it is important to see how these changes have occurred. To do so, scholars cannot simply look at formal organizations and institutions. From an organizational point of view, the Chinese political structure almost remains intact. But it is certain that the political system behaves differently now than it did in the past. Organizational changes have lagged behind behavioral changes. There is a need to understand the behavior of the Chinese political system.

Second, the open-door policy has created tremendous opportunities for unprecedented scholarly access to government agencies in China. Except for organizations relating to national security and national defense, the Chinese system has been opened gradually to outsiders. This is especially true in various economic areas. Given the fact that foreign investment has played an important role in pushing China’s economic development, the Chinese leadership has had to allow outsiders access to not only general economic formation, but also to how Chinese bureaucrats make economic decisions at different levels. Nowadays, outsiders can interview pertinent Chinese officials, staff in the country’s enterprises and foreign businessmen in China. Moreover, the decision by the Chinese government to allow

international organizations such as the World Bank to play a role in the country's economic decision-making has provided outsiders with a legitimate way to access inside-bureaucratic information (Jacobson & Oksenberg, 1990). All these changes have removed, to a great degree, the limitations of the documentary sources and émigré interviews, which scholars had relied on in the pre-reform period and enabled us to understand China from within.

Third, the development of the procedural approach is also due to scholarly developments in social sciences. Recent decades have witnessed a growing literature of organizational and decision-making theories (for instance, Allison, 1971; Grindle, 1980; March & Olson, 1989), from which the procedural approach to China is heavily drawn. This still-growing intellectual enterprise has shown why in all organizations and polities, there is a disjuncture among leadership intention, organizational behavior and the actual results of action; and how such a disjuncture forms. In the 1970s and early 1980s, scholars made great efforts to understand the difficulty in assuring congruence between policy intent and actual outcomes. Summarily, these factors included: the scope of affected interests; the characteristics of implementing agencies; the level of available resources and elite attention; the clarity and complexity of policy; the time span over which policy must be implemented; incentives for compliance; capacity to monitor policy implementation; and the relationship of implementors to clients.<sup>8</sup>

These newly-developed theories have enabled scholars to develop a procedural approach to the Chinese politics (for instance, Lampton, 1987; Lieberthal & Oksenberg, 1988; Lampton & Lieberthal, 1992; Shirk, 1993). The procedural approach has had a profound impact on the study of central-local relations in China. As discussed above, with the structural approach, scholars look at Chinese politics either from the "top down" or from the "bottom up." But with a procedural approach, scholars want "both strictly 'top down' and 'bottom up' views of Chinese politics" (Lieberthal,

---

<sup>8</sup> See Pressman and Wildavsky (1973); Bardach (1979); Leichter (1979); Nakamura and Smallwood (1980); Ripley and Franklin (1982); and Williams (1982).

1992: 12). The structural approach tends to identify the strengths and weaknesses of the center and the provinces in terms of the formal distribution of power. According to Lieberthal, a major advocate of the procedural approach, the structural approach provides “at best an inexact guide to the real operations” of the Chinese political system, and the focus of much scholarly analysis should be “the actual policy process that characterizes decision-making and implementation.” In other words, scholars have to pay attention to “the effects of the interactive processes among the constituent elements of the Chinese polity” (Lieberthal, 1992: 12).

The procedural approach enabled Lieberthal and others to have a modified assessment of China’s central-local relations, i.e., “fragmented authoritarianism”, an assessment different from those by scholars of the structural approach. On the one hand, China’s political system is not as coherent as many (e.g., Huang, 1996) have argued; instead, it is quite fragmented. According to Lieberthal, “authority below the very peak of the Chinese political system is fragmented and disjointed” (1992: 8). This is due to several factors (Lieberthal, 1992: 7–9). First of all, the post-Mao reform has resulted in a major structural change in the distribution of basic decision-making in the country’s economic arenas: a significant devolution of economic authority, with the party and government officials at lower levels greatly increasing their influence over economic decision-making. Second and related, the coexistence of the functional and vertical division of authority has produced a situation in which no single body has authority over the others. Third, the reform has led to many procedural changes, such as reducing the role of ideology as an instrument of central control, decentralizing personnel management, and encouraging different policy proposals. These changes, originally designed to produce more effective information and incentive systems, had contributed to the fragmentation of authority.

On the other hand, the fragmentation model does not mean that the Chinese leaders at the top of the system are helpless. While many (e.g., Wang & Hu, 1994) warned that decentralization could lead to a collapse of the political system, the fragmentation model

concluded that the system still retained some important elements of coherence. As Lieberthal (1992: 10) summarized,

The fragmented authoritarianism model thus did not present the Center as helpless, the bureaucracies as unable to cooperate, or the localities as all-powerful. But it did seek to identify the causes of fragmentation of authority among various bureaucratic units, the types of resources and strategies that provide leverage in the bargaining that evidently characterizes much decision-making, and the incentives of key individuals in various units, in order to gain a better grasp on the ways in which bureaucratic structure and process affect Chinese policy formulation, decision-making, and policy implementation.

The procedural approach regards central-local relations as the function of discrete strategic interactions between the center and the provinces to achieve consensus. By looking at the inner dynamics of central-local relations, the approach enables us to see how central-local conflicts are produced and how they are resolved. Therefore, the approach has not only provided a new way of understanding China's central-local relations, it has also opened a new area of the field.

Nevertheless, the approach also suffers from some limitations. First of all, the model is drawn from three groups of literature, the rationality model, the power politics model, and the cellular model (Lieberthal & Oksenberg, 1988: 11–16; Lieberthal, 1992: 10–11). Central to this model is that central-local relations are about politics in which rational actors (the center and the provinces) interact to maximize their own interests and power. Since all actors are self-interested, conflicts become inevitable among them and fragmentation is a natural result of the interaction between the two actors. Without doubt, the emphasis of the procedural model is the conflicts between the center and the provinces, albeit in a modified version. As we will see later, both the center and the provinces are not only motivated by self-interest, but are also culturally motivated. Without taking cultural or ideational factors into account, the model is still very weak in explaining the nature of China's central-local relations.

Second, in explaining Chinese politics in general, and central-local relations in particular, scholars of the procedural approach

have focused on particular sets of policy issues or bureaucratic clusters. This, of course, enables us to see the very inner dynamics of the operation of the Chinese political system. The approach *per se*, however, often generated some “fragmented” pictures of central-local relations. I argue that central-local relations are not only about power politics; more importantly, they are about the structure of governance in which the center and the provinces interact. In order to see the nature of central-local relations, both the center and the provinces need to be taken as a whole. We have to look at not only how the center governs the provinces, but also how the provincial governments govern their territories.

Third, most studies of this approach have predominantly focused on central-local resource relations. Scholars have identified the resources that the center and the provinces own and how these resources affect the interaction between the two actors. However, the model has failed to show why the two actors utilized their resources in the way they actually did. In other words, the model does not answer the question: What is the ideational rationality behind a particular pattern of the interaction between the center and the provinces?

## **THE CULTURAL APPROACH**

The cultural approach is heavily influenced by various theories of modernization developed in the 1950s and 1960s. According to the modernization paradigm and its branch theory of national integration (relevant to central-local relations), cultural transformation or value change is the key to a given country's political development. It assumes that successful national integration, which is symbolized by effective governance over localities by central authorities, is dependent on successful value transformation on the part of the locality, since parochial and primordial values, such as localism and regionalism, prevent the cultivation of loyalty for the nation as a whole (Binder *et al.*, 1971).

The cultural approach to politics in the PRC is as old as the structural approach. When scholars of totalitarianism (both centralists

and decentralists) argued that the structure determined the behavioral pattern of the Chinese politics, Lucian Pye (1968, 1981, 1988) and others (e.g., Solomon, 1971) proposed a cultural approach to Chinese politics. According to authors of totalitarianism, the Chinese leaders established its governance system according to the Soviet Union system. By contrast, Pye (1968) and Solomon (1971) argued that the Chinese communist system was unmistakably Chinese. According to this perspective, an understanding of Chinese culture is crucial for scholars to have a proper understanding of the behavior of the political system in the PRC, since culture can explain the nature of political alliances; expectations of political behavior; attitudes towards authority relations; and even the fundamental strength of political organizations.

The cultural approach has had a major impact on the understanding of China's central-local relations. According to Pye (1968) and Solomon (1971), the organizational apparatus that so impressed scholars of totalitarianism was indeed vulnerable to rapid breakdown, and localism or regionalism could be inevitable. This is the case because of two major cultural factors.

First, even though the Chinese communists established a totalitarian political system, its operation was largely in accordance with Chinese cultural practices such as patron-client relations and patrimonialism, rather than formal institutional rules. Subordinates placed excessive faith in the capacity of their patrons. Nevertheless, when their hopes were dashed, anger came to the fore.

Second and more importantly, as mentioned at the beginning of this chapter, the Chinese do not have a strong national identity and the nation-state is, therefore, not as well-organized as nation-states in Europe are. Under the strong influence of culturalism, central sovereignty over the provinces becomes symbolic. According to Pye (1990: 59–60),

Although government in the People's Republic involves more concerted policy efforts, it is one of the great illusions of the day that Chinese authorities are as omnipotent as they pretend to be. In a host of fields, from tax collecting to controlling economic activities in Guangdong, Fujian and other dynamic provinces, central authorities know that feigned

compliance still reigns and that it is best not to attempt the impossibility by demanding precise obedience. Sovereignty, after all, calls for theatrical representation.

The cultural approach has been used to deal with issues of national integration in China (Solinger, 1977; Goodman, 1986). Interest in this approach seems to have grown rapidly recently (e.g., Dittmer & Kim, 1993; Friedman, 1994, 1995). Scholars have begun to examine the pluralistic nature of the Chinese political culture and its impact on national integration (e.g., Friedman, 1995; Yang *et al.*, 1994; White & Li, 1993; Goodman, 1992; Waldron, 1990). White and Li (1993) argued that the post-Mao reform has reinforced the multiplicity of Chinese cultural identities, especially in coastal areas. According to them, national identity in coastal areas becomes situational, since it is not the only identity option open to coastal Chinese. In other words, the Chinese nation-state is not the only, or even the most important, experienced reality in their psycho-cultural consciousness and historical time. State-centered political identity is less salient in Guangdong with the rise of a more assertive commercial civil society. Consequently, the concept of one China seems like a myth that papers over economic, political, and identity disparities, and tensions between coastal and inland China. The center can hardly exercise its rule over the localities, but go back to a more traditional form of governance, i.e., doing less and less is really achieving more and more.

Edward Friedman (1994) goes even further to raise the prospect of China being divided into a northern and a southern part as a result of the modernization processes. According to Friedman, the North can be uniformly regarded as Leninist and be subject to procrastination, while the South is dynamic and modern. He seems to suggest that the theory of the Yellow River region as the cradle of Chinese civilization is a Communist construction, and that the ancient near-coastal cultures of Wu and Yue belonged to the ancient inland Chu culture (1994: 85). Friedman (1994) concluded that given the importance of the south in the construction of a modern Chinese identity, southern culture would be the main constituent part in a new Chinese national identity, instead of the existing Leninist ideology.

Nevertheless, at the subjective level, we can find substantial evidence against the above-discussed disintegration argument. For example, as mentioned earlier, one major theme of Chinese political culture (in terms of national integration) is “a great systemic whole,” a political value that has survived from the *Chunqiu* (Spring and Autumn) period, through various dynasties, to the Communist regime. Though the rise of regional forces often led to the breakdown of the Chinese Empire, the aim of all local power pretenders was always to restore the imperial order, a political value that was embedded in the popular saying “striving to gain the political order of the Central realm” (*zhulu zhongyuan*). This is also true of the Chinese warlords in the 1920s and 1930s. As one commentator pointed out, “one sign of the strong tradition of centralization is the way in which the warlords asserted provincial sovereignty... The warlords fought each other in order to unify the country; the territorial divisions came about only because they disagreed over who should do the unifying” (Huang, 1995b: 58–59). Such historical developments enabled Bockman to conclude that “within this conceptual framework (i.e., China as a great systemic whole), there has been no room for a notion of developing different nation-states within the Chinese cultural realm” (1998: 312).

This political value is still relevant in China today. When compared to national states in Europe, China still looks like an old empire. Nonetheless, powerful cultural forces make it impossible for China to disintegrate like other empires. According to Harald Bockman, the Chinese Empire differs from the Romanov/Soviet Empire, arguing:

Those who extended their analysis to the Chinese scene after the breakup of the Soviet Union did so primarily from a “Communist systems” approach. They tended to forget that the Chinese Communist also inherited — as a deliberate policy — the geographical configuration of the former empire... the Chinese imperial tradition is infinitely more entrenched and durable than the brief Romanov empire (1998: 310).

Other authors have argued that there has been a transformation from cultural identity to national identity (Levenson, 1964; Schwartz, 1964; Whitney, 1970). According to this argument, the modern Chinese national identity that came to the Chinese around the turn of the

20th century is radically different from earlier forms of Chinese identity. The high culture and ideology of pre-modern China were principally forms of cultural consciousness — an identification with the moral goals and values of a universalizing civilization. Without regard to national boundaries, Confucianism was said to represent a universal ethic; highlighting a “civilized” way of life accessible to any population through education, virtue and good government. On the other hand, modern Chinese nationalism sees the nation-state as the ultimate goal of the community. Culturalism is a natural conviction of cultural superiority that seeks no legitimation or defense outside the culture itself. Only when culturalism was challenged in the late 19th century was there a transformation to nationalism.

When Chinese leaders saw the role of nationalism in the development of the modern nation-state, building a new national identity became their central concern. This is especially true in post-Mao China. As Bockman pointed out, “What we have witnessed during the past decade or so is that ethnic Chinese nationalism has not only been given freer rein, but has been used more actively by the political leadership as a lever for implementing the politics of economic reform, as a lever in the efforts to regain Hong Kong and Taiwan, and finally as a source of legitimation for the ailing regime” (1998: 323). It is found that though nationalistic voices inside China have been pluralistic, the regime has made enormous efforts to build up an official nationalism aimed at bringing all of the population within the national boundaries under its control (Zheng, 1999).

The significance of cultural factors in explaining Chinese politics can be hardly denied. As discussed above, there are arguments both for and against central control over localities. To a great degree, how cultural factors influence central-local relations depends on how we interpret them. Since culturally, there exists both centrifugal and centripetal forces, how one assesses whether the center can bring the provinces under control depends on which force is emphasized.

Since the cultural approach meets enormous methodological difficulties in linking the subjective factors of values and cultures to

institutional dynamics, most studies within this framework “have been content with producing results that are either too abstract to be analytically useful or that are interesting yet insignificant or irrelevant” (Chung, 1995: 490). We know that cultural factors have an important impact on central-local relations, and make efforts to “dig” them out and conceptualize them. But this is not enough. An analytically useful cultural argument has to be empirically relevant. In other words, in order to see how culture affects central-local relations, we have not only to conceptualize cultural factors, but also to operationalize these cultural concepts.

## **SEARCH FOR A NEW PARADIGM**

I have discussed three main approaches or paradigms in the study of China’s central-local relations. All these perspectives have contributed to our knowledge, but we are still unclear about the nature of their relations. While scholars use terms such as “unitary state” or “federalism” to refer to central-local relations in other countries, they have failed to find such terms to conceptualize China’s central-local relations.

Certainly, simply looking at the formal institutions of central-local relations will not enable us to see the nature of China’s central-local relations since formal organizational adjustments have lagged far behind informal behavioral changes. This requires a proper understanding of China’s central-local relations beyond an examination of formal institutions and tautological cultural variables. Following the call for behavioral studies, the procedural approach has enabled scholars to examine changes in central-local relations at the operational level. This approach has enriched our knowledge of how the system of central-local relations operates. While previous studies of the procedural approach have overwhelmingly focused on the economic side of central-local relations, scholars (e.g., Chung, 1995) have called for greater attention to other issue areas such as governance policy (e.g., personnel and communication), resource policy (e.g., allocation and distribution), and substantive

policy (e.g., provincial compliance).<sup>9</sup> Recently, scholars have made enormous efforts to study provincial China; research designs of these studies combine provincial histories, single-province case studies, comparative case studies, statistical analyses and so on.<sup>10</sup> But by focusing on some specific policy issues or provincial cases, these studies tend to either be lost in rich empirical descriptions or provide us only with some fragmented pictures of central-local relations.

This study takes a new institutional approach to integrate all three approaches discussed above, i.e., the structural approach, the procedural approach and the cultural approach. It conceptualizes China's central-local relations as *de facto* federalism, identifies main institutions that are embedded in this *de facto* federal structure, and examines how these institutions mediate the interaction between the center and the provinces.

---

<sup>9</sup> Lieberthal (1992) identified six bureaucratic clusters, including economic bureaucracies, propaganda and education bureaucracies, organization and personnel bureaucracies, civilian coercive bureaucracies, the military system, and Communist Party territorial committees. While previous studies have focused on the economic bureaucracies, Lieberthal called for greater attention to the rest, especially the military system, the security apparatuses and the territorial Party leaders (Lieberthal, 1992: 2–4).

<sup>10</sup> The Institute for International Studies at the University of Technology in Sydney has organized a series of annual workshops to examine China's regional developments since the mid-1990s, and some primary research results have been reported in the newsletter, *Provincial China: Research, News, Analysis*. Also see Goodman (1997), and Hendrischke and Feng (1999).