Local Government Reform in the People’s Republic of China: Stipulations, Impact, Cases and Assessment

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Local governments are administrative arms of central governance. They play critical roles in policy implementation, service delivery, local economic development, and maintenance and improvement of local political, economic, social, and environmental infrastructure, particularly in political and administrative systems that are large in size. China is such a large system. Amidst its repeated administrative reform efforts at the central level in the past two decades, significant changes have also been brought about at the local government level. These changes have greatly contributed to China’s fast economic growth and social transformation. However, the reforms have also revealed many deep-structure problems hidden in Chinese society. This paper is an effort to examine some of these problems and search for directions for future change.

China’s Central—Local Administrative Structure

China’s central-local administrative structure is roughly illustrated in Figure 1. Theoretically, the National People’s Congress (the Legislature) is the highest decision-making body. In reality, because of China’s emphasis on the leadership of the Communist Party, the Political Bureau of the Party is the de facto highest decision-making body in that it can exert significant influence over vital national policies, key candidates elected to the National People’s Congress, and cabinet ministries. In the past, under special circumstances, the Political Bureau could even influence the verdicts made by the Supreme Court or China’s other legal bodies or the compliance of these verdicts. In this sense, China is a highly centralized system.

The National People’s Congress of Political Consultation is an organization through which elected members from various walks of life and other parties can have their voices heard by the nation’s highest decision makers. The State Council is the executive branch of the government. It has had 29 ministerial cabinet departments and commissions since the 1998 administrative reform.

At the sub-national level, there are 22 provinces (populations range from 25.4 million (Gansu) to 85.5 million (Sichuan); (the island province of Hainan,

Abstract: This paper traces the locus of China’s local government reforms in recent years. It discusses their impact and searches for future directions for further changes. The author argues that China’s local government reforms may have come a long way, but what happens next will be more important in determining whether China’s local government reforms will enjoy lasting success. (A previous version of this paper was presented at the 2001 Annual Political Science Association Conference, San Francisco, Aug. 20, Sept 3.)
which was established in 1988, has a population of 7.6 million); four large municipalities enjoying provincial level administrative privileges (Beijing, 12.6 million; Shanghai, 14.7 million; Tianjin, 9.6 million; Chongqing, 30.8 million); five autonomous regions (Guanxi, 47.1 million; Inner Mongolia, 23.6 million; Xingjiang, 17.7 million; Ninxia 5.4 million, and Tibet, 2.5 million, populated mostly by people of Zhuang, Mongolian, Urgur, Hui, and Tibetan ethnicity) (China Statistical Yearbook, 2001); two Special Administration Regions (Hong Kong and Macao); and one out-of-control province (Taiwan), which has been trying a variety of tactics to claim independence.

Under the provincial level, there are administrative prefectures and administrative prefecture level municipalities medium-sized cities with supervision authority over a few adjacent counties), counties, and townships. The central government normally does not have a direct working relationship with the governments at or below the level of prefecture governments. It can only reach them through provincial authorities. National laws and central governmental policies and directives
Autonomous regions, districts, and counties, as well as ethnic rural districts are afforded greater self-governance privileges than ordinary local governments.

Since 1978, China has also established a number of Economic Zones along its well-developed coastal areas. Regions within these zones enjoy governmental policy favors regarding taxation and the manner by which economic and local issues are handled.

What merits attention is the relationship between the Central government and the autonomous regions where a large proportion of the residents are ethnic minority groups. Other than the five provincial level autonomous regions, there are also autonomous prefectures or counties in other provinces such as Qing Hai, Yunnan, and Gui Zhou, where there are significant sizes of ethnic minority populations (China has more than 50 ethnic groups). The Constitution clearly stipulates that the principal governmental leaders, such as the Chairman of the Autonomous Regions (either at the provincial, prefecture, or county level), should be ethnic minorities. The people's Congresses at the corresponding levels have the authority to make local laws that are suitable for the region's culture, customs, and political heritage. The Constitution even allows some of these regional governments to have local public security troops for the purpose of maintaining local stability. These privileges of the autonomous regions are subject to the approval of the appropriate authorities at the central government level.

Before 1978, the Central Government kept tight control over these autonomous regions. The policy changes it has made in these areas have been relatively gradual. Resistances were met in Tibet and Xingjian in the 1950s, but were suppressed quickly through force and massive political persuasion. From the 1960s to the 1970s, these minority regions suffered China's Cultural Revolution, as did everywhere else in China. When reform started in 1978 to promote decentralization, small-scale ethnic skirmishes resurfaced in Xingjian and Tibet. In more recent years, small groups of people in these regions voiced a desire for independence.

It should be noted that, in China, the term “local governments” typically means all types of sub-national governments including provincial/municipality, prefecture, county/city, and township governments. In the United States, sub-national governments are always distinctly described as state and local governments, with the term “local governments” specifically meaning sub-state (provincial) level governments such as counties, municipalities, townships, and school districts, etc. In this paper, local government broadly refers to sub-national government, while the focus of the study is concentrated more on the county and municipality level governments due to their closeness to the grassroots masses.

Local Government Reform Efforts in China

Between August 1948 and July 1950, the State Administrative Council (Zhen Wu Yuan) divided the entire country into six large administrative regions (Northern China, East China, Northeast China, Northwest China, South-central China, and Southwest China) in correspondence to its military establishment (six large military regions). Military generals were transferred to be regional leaders, who were responsible for both civilian and military affairs in the region. These large administrative regions served in-between the Central Government and the provinces for the purpose of assisting the Central Government in controlling the provinces. In June 1954, the Central Government
abolished the large administrative regions and merged a few provinces and some counties (Sun, 1995, p. 162).

Published in September 1954, the first Constitution of the People’s Republic of China established the basic rules of China’s administrative jurisdictional infrastructure. Administrative jurisdictional definitions from the previous Nationalist regime were extensively borrowed, yet were modified when needed. The whole administrative system was divided into a multi-level hierarchy.

1) Province, autonomous region (provincial level), and provincial level municipality directly supervised by the central government.

2) Autonomous district (county level), county, autonomous county, municipalities.

3) Ethnic rural district (township level), rural district (Xiang), township, and urban district.

Autonomous regions, districts, and counties, as well as ethnic rural districts are afforded greater self-governance privileges than ordinary local governments. Also, the People’s Republic of China’s Organizational Law, derived from the Constitution, stipulates that the provincial or autonomous region level governments may, in times of necessity, establish administrative prefecture bureaus that serve as the administrative arm of the provincial level of government in order to supervise the operation of the county, autonomous district, or municipal governments. The number of prefecture level of governments fluctuated from 150 to 199 between 1951 and 1983, and ultimately decreased to 113 after the 1988 reform (Sun, 1995, p. 168).

Between March 5, 1978 and July 1, 1979, China amended its original Constitution (known as the Second Constitution), whereby “rural district” (Xiang) was renamed “People’s Commune.” This change was reverted in the third revision of the Constitution on December 4, 1982 (known as the third Constitution). The new constitution also amended an article stating the following: In times of necessity, the Central Government could establish a Special Administration Region (Sun, 1995, p. 160). This picture shows that as a large administrative system, China has made various efforts to accommodate differences in spite of its highly centralized system.

After 1978, a number of major reform endeavors have led to significant changes in China’s central local relations. The endeavors are as follows:

1) In 1980, China’s financial system went through a significant reform. Under the catchwords “reform and decentralization,” a “contractual revenue sharing system” (Feng Zao Chi Fang) was established. Most of the provinces started to enjoy a multi-year fixed revenue contract (five years) with the Central Government. These provinces were allocated a number of revenue sources (enterprises which pay profits and taxes) from which they could spend more should they manage to collect more revenues. (Si Chuan, Shanxi, Gansu, Henan, Hubei, Jiangxi, Zhejiang, Shandong, Shangxi, Hehe, Liaoning, Heilongjiang, Jilin, Zhejiang, etc.). The Central Government continued to give fiscal support to the five autonomous regions in addition to Yunnan, Qinghai, and Guizhou where there were large ethnic minority groups. Moreover, the Central Government promised an annual increase of 10 percent in revenue subsidies. It further fixed the revenue amount Guangdong province had to hand to the Central Government, and fixed the subsidies the Central Government would pay to the Province of Fujian. Additionally, through the contractual financial system experiment started in Jiangsu since 1977, Jiangsu enjoyed the privilege of continuing its fixed ratio (61 percent to the Central Government and retaining the rest). Starting in 1985, the directly supervised municipalities of Beijing, Shanghai, and Tianjin also joined others in participating in the contractual revenue sharing system with the Central Government (Ren, 1998, p. 259). This contractual revenue (profit) sharing system was later replaced by the new tax-sharing system established in 1994 (Lan, 1998).

2) The Constitution was revised and passed in 1982, and clearly laid down the principle that there should be a division of function and power between the Central and the Local government. Furthermore, under the unified leadership of the Central Government, incentives should be provided in order to motivate the creative initiative of the local governments. The People’s Congress and the
State Council are the authorized to ensure that this will happen.

3) The Constitution also empowered the provincial level of governments to pass laws and regulations, known as Having Changed from One Level Legislation to Two Level Legislation. Other than the People’s Congress at the Central Level, the People’s Congress at the provincial level (including the autonomous regions and directly supervised municipalities) could act as formal legislative bodies, passing laws governing regional and local affairs so long as these laws are not in contradiction with national laws and the Constitution. This change is further accompanied by expanded local powers of the autonomous regions.

4) Special economic zones were established that gave some localities jurisdictional power they have yet to enjoy. In April 1979, China established Shenzhen, Zhuhai, Shantou, and Xiamen as special economic zones. Three months later, the Central Government decided to give special policy favors to Guangdong and Fujian. In May 1985, the State Council opened 14 coastal cities (Dalian, Qinghuang Dao, Tianjing, Yantai, Qingdao, Lianyun Gang, Nantong, Shanghai, Ninbo, Wenzhou, Fuzhou, Guangzhou, Zhenjian, and Northsea). These policy favors helped to attract foreign investments and technologies. They further facilitated greater cooperation with foreign organizations, as special economic zones were granted the authority to approve contracts with foreign organizations.

5) The jurisdictional power of the municipalities was expanded. More specifically, in 1982, the Central Government issued an announcement to reform the prefecture level of the administrative system, adopting a system in which counties were organized around large municipalities and supervised by the municipalities. The system was first tested in 1983, and was implemented nationwide afterwards. By now, all but Hainan implemented the new system of county organized around municipality. Among them, Liaonin, Jiansu, and Guangdong have essentially eliminated their prefecture districts and replaced them with prefecture level municipalities. Amid this organizational reshuffle, many county seats were turned into municipalities.

Except for some large operations related to the military, railway, airlines, navigation, postal, and communications, which require national coordination, many central government and provincial government owned state enterprises were also decentralized into the hands of the municipalities. Even for those enterprises that still report to their ministerial or provincial level management authorities, the function of providing support for living facilities and production coordination became largely the responsibilities of the municipalities.

Additionally, major cities, such as Wuhan, Shenyang, Dalian, Haerbin, Xian, and Guangzhou, gained approval for inclusion in a special list for national economic planning (Ji Hua Dan Lie). That is, these cities are treated as provincial level governments in terms of privileges when it comes to matters of economic affairs. It has overwhelmingly increased their powers in urban management, local economic development, local capital project investment, transportation, foreign trade, science and technology development, education, health, cultural policies, taxation, employee compensation, tourism, banking, price, commerce, and raw material and resources management. (Bo, 1991, p. 119).

Other than the discussed changes, China’s repeated administrative reforms at the Central Government level have also impacted local reforms. As we know, China’s major administrative reforms included its 1982-83, 1988, 1993, and 1998 reforms. The 1982-83 reform’s major objective was to downsize the government and increase administrative efficiency. The 1988 reform was attributed to the failure of the 1983 reform in that the basic system of governance remained unchanged. It targeted changing the role of the government by preventing agencies from running profit-making enterprises, and separating the Party apparatus from the administrative apparatus on top of the routine objectives of downsizing and reorganization. The 1993 reform re-proposed the reform objectives advanced in 1983 and 1988. And the 1998 administrative reform sought to streamline government, remove direct governmental control over profit-making enterprises, and move China in the direction of the rule of law. Each of
these efforts penetrated down to the local governments (Lan, 1999) and resulted in workforce reduction in the governmental sector (though these proved to be temporary successes later on). In 1991, the State Council established the “Central Government Employee Quota Evaluation Committee,” which served in the capacity of laying down personnel reform principles, evaluating personnel reform proposals, and supervising the streamlining of governmental organizations. Each subnational government followed suit and established an executive office at its level. Each time, the local governments’ workforce was reduced by 25 percent to 50 percent. The number of employees, however, quickly bounced back, ultimately surpassing its original number. Between 1979 and 1991, the personnel increase had a compounded annual rate of 9.5 percent, which nearly equaled the average annual rate of growth for its public finance before controlling for inflation during the same period of time (average rate of price index growth is 7 percent) (Lan, 2000). Government jobs at the local level became a harbor for many in need of good jobs. The local governments took a free ride on the fast-growing economy.

Another important highlight in local government reform is the 1992 initiative regarding county-level reform. As former Premier Li Peng said in his speech, “County level government’s comprehensive reform is very important. The county establishment is the level of government at the grassroots level that has relatively comprehensive governmental functions and directly faces the vast rural areas. Of the over 1.1 billion population, 900 million live in rural areas or cities and townships under the jurisdiction of counties” (Chinese Local Government Reform Editorial Group, 1995, p. 113).

Prior to 1992, county or city level government reform was essentially trial-based, or they merely followed the Central Government’s workforce reduction initiative. About 200 of the counties went through these trials and experiments. Based on those experiences, the 1992 national campaign for county government reform established the following principles:

1) Reform should follow the principle of small governments and extensive governmental service. Emphasis should be placed upon government’s function in terms of planning, coordination, supervision, service, and information, without excluding the possibility of directly managing certain aspects.

2) The key is to change the role of the government from a comprehensive management and service organization to one that steers. Enterprises should be separated from the government. The government should refrain from directly running profit-making entities.

3) The relationship between county, city, and township government should be clarified. While the Central Government has decentralized its function to the provincial government, and the provincial government to the county, the county should likewise decentralize some powers to the cities and townships.

4) Reasonably allow for diversity regarding organizational structure and policy preferences in different counties, since factors such as economic development, population, and land resources are vastly different in these regions.

5) Pay attention to entities that provide fee-based services, and gradually turn them into financially independent non-profit organizations.


In short, the operational objective of county level government reform is to promote economic development and eliminate “deficit counties (many of the counties in the nation are deficit counties).” In time, the role of the government will be changed (ibid. p. 121).

Since its establishment, the Central Government Employee Quota Evaluation Office has acted as a constant supervisory body for local government personnel control.

From this reform locus, we can clearly see that reform for local governments means their expanded legislative power (at the provincial level), increased executive power, enhanced tax authority, more jurisdictional responsibility (more enterprises under its wing, more territory and municipalities under its control), more central mandates, and differentiated local privileges based on individually negotiated terms with
the central government. In many localities, there is greater latitude to work with international organizations and businesses. A unified system has thus become one of great differentiation. The vast power vacuum left by the Central Government, coupled with increased amounts of economic activities at the local level, has given local government officials tremendous flexibility in terms of trying out their own ideas, capabilities, and aspirations. How have these changes affected local behavior? The following section will attempt to answer the aforementioned question.

Impact

The reform efforts have greatly enhanced local powers in regional political and economic affairs. Until recently, 50 percent of the industrial outputs, 70 percent of the GDP, 80 percent of governmental revenues, 85 percent of the value added for the service industries, and 90 percent of higher educational and research resources have been in the urban areas, which are under the control of local governments (People’s Net, 2001). Local initiatives and creativity have helped China maintain a sustained period of high economic growth (double digit growth in most of the 1980s and 1990s except for 1997, 1998, and 1999, during which the growth rates were 9.69, 5.21, and 4.55 respectively) (China Statistical Yearbook, 2001). Local governments are also the major spenders of public expenditures, moving from 60 percent in the 1980s to more than 70 percent of the total governmental revenues (See Table 1).

The areas blessed with capable local leaders, especially those who have good connections with the Central leaders and are able to negotiate favorable terms and privileges for their localities, have begun to thrive. Those areas, however, which are not naturally or politically well endowed, must face many problems.

The extra-budgetary revenue is a major source of income for local governments. As Table 1 shows, the budgetary local revenues are typically in the range of 49 percent to 51 percent between 1997 and 1999. However, when “reported” extra budgetary revenues are included in the calculation, local revenues proved to be 60 percent of the total governmental revenues. This does not include the large amount of extra budgetary revenues that are not reported to the Central Government. Often, the authority to impose fees and surtaxes at the local level has made this part of the local income a dark box for outside auditors. Some localities are endowed with high levels of economic development and abundant revenue sources. Others are not as fortunate, as they are not afforded a healthy tax base, and consequently, service delivery suffers. For example, during the mid 1990s, one province had reported budgetary revenues of 16 billion yuan (RMB). The provincial party secretary knew this to be an underestimation. He completed an informal survey among the local magistrates (many of them promoted by him) within his province, promising that he was not going to take away their local money. The informal survey revealed that the local off-the-budgetary revenue was 18 billion, larger than the official budgetary revenue. It was rumored that Zhu Rongji, China’s premier, was completely surprised by the demonstrated wealth from the personal gadgets some county level magistrates

| Table 1: The Changing Importance of Local Governments in China (all numbers in percent) |
|-----------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Budgetary Local Revenue | 70   | 72   | 78   | 44   | 48   | 51   | 51   | 50   | 51   |
| of Budgetary Central Expenditure | 32 | 31 | 28 | 30 | 29 | 27 | 27 | 29 | 32 |
| Budgetary Local Expenditure | 68   | 69   | 72   | 70   | 71   | 73   | 73   | 71   | 69   |
| Total Central Revenue Incl. Extra-budgetary Rev | 36   | 37   | 41   | 41   | 38   | 39   | -   | -   | -   |
| Total Local Revenue Incl. Extra-budgetary Rev | 64   | 63   | 79   | 55   | 59   | 59   | 62   | 61   | -   |

possessed. As China’s de facto economic leader, Zhu could not understand how this could be possible. Where did his governmental expenditure rules go? Regarding another example, a provincial leader (from a more agricultural province) was transferred to work in a more industrialized province. Even though he was serving in a similar capacity, he did not dare accept his first month’s salary from the secretary. That is, thinking that it was an error, he was paid more than three times what he had received previously, not to mention the other fringe benefits.

The retreat of central level state power has created many power vacuums. Due to the vastness of China’s local areas, it is impossible for the central government to have unified policies governing all areas. In order to maintain power and protect local revenue bases, the local officials started to work more closely, sometimes in an illegal capacity, in order to ensure local economic vitality at the expense of other governmental policy objectives.

In their article, “Selective Policy Implementation in Rural China,” O’Brien and Li have illustrated how a pattern of selective policy implementation has emerged in the Chinese countryside. It is not the incidents themselves but the extensiveness of such practice that is appalling. There have been periodical reforms targeted at downsizing and reorganization, resulting in the reshuffling of local officials. With this, short-term oriented local officials work to secure promotions, or they attempt to amass wealth before specific reforms can be implemented. The relaxed central control has given many their opportunities. They sometimes even turn a well-liked central policy, such as economic growth, into a harmful “local policy” that justifies wasteful investments and wasteful resource extraction (O’Brien and Li, 1999, p. 167). These practices have become all too common, particularly in rural areas, where local leaders violate governmental regulations and laws in the interest of personal gain. Excessive tax imposition is common. Social conflicts between farmers and rural leaders, workers and management, and citizens and officials have been on the rise. Organized tax revolts or other forms of protest are frequent. Jiang Zeming, Party Secretary General, has personally urged to crack down on local “emperors” (O’Brien and Li, 1999). A few small cases could reveal the extent of such local practice.

Conflicts between farmers and rural leaders, workers and management, and citizens and officials have been on the rise.

Case 1: Image Engineering Projects of the County Party Secretary of Luzhi County, Henan

Luzhi County is a nationally defined “poverty county” with an insignificant industrial base and revenue sources. When Du Bangang became the Party Secretary of the county (top leader), he initiated large-scale image projects, such as the city’s Night Scene Project, the Greenbelt Project, the Fenced Public Parks Project, and the Fancily Paved Pedestrian Walks Project. He imported exotic trees, which were to be planted regardless of climate compatibility (many trees died.). He liked the red color and asked all the urban constructions to be painted red, which averaged 20 yuan (Chinese currency) extra burden for each household. Since 1986, when Luzhi was classified as the poverty county, it has received an annual budget subsidy from the Central Government (a total of 130 million yuan up to the year 2000) and the Henan Provincial government. The secretary did not use this money to help with the lives of the poor. His over spending resulted in a large financial deficit (over 100 million). The government constantly owed salaries to its officials, teachers, and government employees. He had no choice but to allow all sub-county level governments to figure out innovative ways to impose extra taxes and fees upon the already poor people. On April 14, 1998, over 30 county officials and local police drove to one village, guided by two township leaders, broke into people’s houses, and confiscated assets of relative value, as people living in these households could not afford to pay the fees and taxes. He also ordered the county seat to be a non-smoking city. He received awards for the environmental project he implemented. When traveling throughout the county, he did so with a large number of assis-
The government views business entities as organizations through which it can carry out social and economic actions.

When asked why the local government would help the mine owner cover up the accident, Huangyi, the spokesperson for the National Supervisory Bureau for Production, and deputy bureau head of its Law and Regulation Department said, “Some local government leaders do not understand the safety production laws and regulations issued by the Central Government. Out of their local protectionism, they may want to resist outside supervision. Of course, we can not rule out that some local officials have interests in those illegally operated mines, became their protective umbrella, and made it possible for the illegal operations to prosper. If they dare to cover up serious accidents of such magnitude, they certainly would not hesitate to cover up smaller accidents. Some localities depend heavily on the mining industry (or other industries of potential hazard such as fireworks production). Seventy to 80 percent of the revenues come from these industries. If you close them down, revenues will be affected.” (Du, 2001)

Case 3: Local Government Making Foreign Policy

Conveyed by a foreign expatriate manager: “We have been paying a ‘local’ tax in Shanghai relating to relocation fees for returned servicemen. This issue was raised about the time of the military exercises off the coast of China near Taiwan. To my way of thinking, returned service’s entitlements should not really be a ‘local’ issue. The defense of the country is pretty much a central government activity, and we were being asked by the Shanghai authorities to make a contribution to this fund... It wasn’t a huge amount of money. It was a tax on the amount of tax you already paid...” (Blackman, 2001).

Case 4: Blood Donation in Shanghai

Conveyed by a foreign expatriate manager: “There are things which pop up from the government and take some understanding. There was the forced blood donation, which was imposed on our enterprise. A foreign government donated a blood bank to Shanghai... To fill
the blood bank the authorities decided to impose targets for donations. Since we are one of the bigger enterprises, we were given a target of 26 people every six months. I found that unpleasant to swallow. We had to tell our workers, ‘You’ll go. You will give blood.’ I said, ‘Should the enterprise be doing this? It is your blood, it should be a voluntary thing.’ But the government thought otherwise. So we had to encourage them to go by drawing lots. Foreigner’s blood was not accepted, so we were excluded... [The government] decided that our company was to give them (the workers who donated blood) an allowance of seven days’ leave for giving 500 ml of blood and a cash allowance of 700 Yuan Reminbi. From the company’s point of view, we were losing 26 people a week plus some money. We asked them, ‘How did you arrive at this decision?’ The government says, ‘We are just doing our job. You can delay, you can pay us a fee not to do it. We’ll be back in six months’ time.’ Although these extra taxes are not crippling, they demonstrate that the government views business entities as organizations through which it can carry out social and economic actions. Since the introduction of economic reforms in 1978, local officials have forced private Chinese businesses to pay ad hoc contributions to local infrastructure developments, such as city appearance, traffic regulation, and sanitation. Similarly, Chinese officials expect joint ventures to fund social security, retirement, medical, and housing programs for employees” (Blackman, 2001).

The first case reveals rampant power abuse by some local officials for personal gain (awards and promotion, for example) at the expense of local citizens’ quality of life. The local police silence voices of opposition, rather than uphold the integrity of the law and justice. The second case shows how local officials can cooperate with local businessmen to protect the “so called local interests” at the expense of citizens’ life, rights, and central governmental policy objectives. This could involve corruption as well. After all, local and individual interests conflict with central interests. The third case demonstrates how local governments are overstepping their bounds and making foreign policy decisions. The fourth case shows how local governments can go out of their way to levy extra taxes in violation of the basic tax principles of equity and fairness. They are under pressure to raise money because the Central Government has deferred a large number of spending responsibilities to them. And they may also unscrupulously collect money for local government employee compensation and fringe benefits. After all, the Central Government did not provide them with enough tax sources, and they are allowed by law to raise local money to supplement their work. In many cases, local officials from poorer areas try to emulate officials in relatively wealthy areas in terms of lifestyle, office facilities, and city appearances, often at the expense of the citizenry’s well being. The reform has gone so far that a tremendous amount of local energies have been released. How to channel them to move along the lines of national policy objectives remains a real challenge. This could still be a question for China’s Central leaders.

Not a Conclusion

Overwhelming problems at the local level are sources of constant headaches for China’s Central leaders. As ultimate leaders, they have been lied to constantly. While the western world thought it was an incomprehensible premise, China’s premier leader felt well justified to tell the American media, “If China goes democracy, people will go hungry.” At the local level, going hungry is by no means the worst possibility. For a while, the central leaders thought that after decentralization, the central government could relax from daily management and think more broadly. There were even beliefs in Lao Tse’s (an ancient Chinese philosopher) philosophy that “managing a big country should be like cooking a small dish, leaving it alone and not to stir too much.” China’s status quo tells us that before a fully relaxed situation can manifest, the country must cultivate a healthy and conducive management environment.

First, it needs to straighten out its legal system and assure legal independence. China has tried many different approaches of social control, including building charismatic leaders, inculcation of ideology, neighborhood network, regular police force, alternative police force which is relatively more centrally controlled, and others. These controlling mechanisms are either insufficient or quickly become corrupted if management goes sour, making it a necessity to look for even more
controlling mechanisms. This is a heavy burden upon government’s size and budget. Unless an independent legal system can be established nationwide and can properly function, there is no way to ensure the legal integrity of China’s local governments. With retreating state power at the local level, China’s traditional local forces, such as the family tree oriented patriarchal system and local mafias are starting to resurface, which pose a threat to social stability. With the escalation of cadre-and-people conflict, the likelihood of social unrest is increasing. The integrity of its legal system proves to be a critical factor in terms of ensuring social stability.

Second, an independent legal system of high integrity works best in a positive institutional environment in which roles, responsibilities, and jurisdictional authorities are well defined. China’s sub-governmental governments often copy the functions of the Central Government, repeating the bureaucratic structures created at the superior level of government. The result is that the Central Government performs its supervisory role of the regional authorities by relying on the corresponding agencies or units at the local level. And those agencies or units are often where the problem started in the first place, resulting in easy cover-ups in cases where there are wrongdoings. Unless an institutional system can be set up in which different levels of the government have complementary functions in governance, management, supervision, and service delivery, efficient supervision of local operations without jeopardizing regional economic dynamics and ingenuity cannot be possible.

Third, China’s local governments need a new system of accountability and performance measurements. Currently, local officials are more accountable to their supervisors at the higher level of governments, and less to the people they are serving or working for at the local level. The way local official performance is measured is more based on a supervisor’s impression than an index of carefully developed performance indicators that present an objective and clear picture of local situations. Efforts are being made to implement local elections. However, successes of the elected officials in running local affairs are sporadic, due to upper level interference, traditional local power resistance, or the lack of having higher-up support in obtaining policy favors or preferential status. Without policy favors, a locality cannot compete with those that do.

Fourth, a system of checks-and-balances would be essential for ensuring the smooth operation of the local governments. China’s current official theory denies the existence of bureaucratic interests. It argues that all the cadres are people’s servants and that they should have no interest of their own. Western bureaucratic theories have long proven that bureaucrats as a social group do have their unique interests. If unchecked, the public power could be diverted into serving the personal interests of bureaucrats or local officials. Currently, the only check on local bureaucracy in China is the higher-level government. As an ancient Chinese saying goes, “The Heaven is high, and the Emperor is far away.” As long as local officials can manage to cover up their wrongdoings or make good excuses for them, they can practically do whatever they desire.

Fifth, after many years of revolution that started with the May 4 Cultural Movement in 1919, China again finds itself in need of healthy and upbeat cultural values to serve as a glue to hold the society together. Wherever power and law cannot reach, ethics become important. As a developing prismatic society, law and regulations are far from mature. Loopholes are everywhere. The need for ethics to govern people’s behavior is more acute. The revolutions have significantly undermined the traditional value system; a new value system has yet to be formulated and accepted. Currently, China’s leaders are hoping to recreate a value system that is more compatible with the fast-moving modern world. It can be anticipated that if no significant measures are taken quickly in this area, there will be many more casualties along the way before China can join the group of the world’s well-developed nations.

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Endnote

1. On July 1, 1979, China revised and passed "People's Republic of China Organizational Law for People's Congresses and Governments at Various Levels". It was revised and passed on December 2, 1986, and revised and passed again on Feb. 28, 1995. This law has served as the basis of China local government reforms.

References


