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Abstract

A government's political identity is a key factor in meta-governance; it powerfully shapes a government's policy aims and implementation preferences at the most abstract level and forms a stable governance mode. Dissonance between a pre-existing governance mode and the government's evolved political identity will lead to governance failures and pose political challenges to the government. In the case of vegetable retail in Shanghai, the neoliberal developmental state transformed the hierarchical governance into market governance; but as it evolves into a corporatist welfare state, market imperfections become perceived as governance failures, and the government responds by reintroducing hierarchical measures.

Key words:

Meta-governance, political identity, comparative analysis of governance modes, urban food retail, archival research and interview, China

Introduction

Supplying highly perishable fresh vegetable to a large urban population at affordable prices is no small challenge. In a study of vegetable supply and marketing under socialist China, William Skinner (1978, 733) perceptively pointed out that, "the logistics of feeding urban population is critical in any complex society, indicative *inter alia* of priorities and procedural preferences in the social system." In this instance of governing, urban governments, based on their political identities and strategic goals, choose various coordination principles and policy instruments to allocate social resources to meet this essential need of its citizens.

The vegetable retail system in urban China started a long process of liberalization and privatization when economic reform began in early 1980s. By the end of last century, China has completed a paradigmatic shift from a hierarchically organized vegetable retail system entirely run by the state to a market-base system dominated by private actors. Yet, in this area where market governance is widely believed to be most desirable, the transition from hierarchy to market, however, has led to unintended negative outcomes, most notably declining accessibility of vegetable retail outlets and rising prices. In the eyes of both the public and a state that has now put "social harmony" among its top political priorities, a "governance failure" is emerging in the urban vegetable retail sector, even though the problems in China are not worse than what one would find in market systems of food retail elsewhere. To provide remedies to this, municipal governments in China respond by bringing back policy tools from the hierarchical mode of governance that they abandoned not long ago.

These two episodes of governance reform—one radical, one incremental—help to illustrate the central role of governments in meta-governance—the choice and coordination of governance mechanisms in meeting the challenges of governing (Jessop 1998). Governments played the leading role in initiating reforms, designing the new governance mode, and implementing new institutions and policies. These reforms also raise questions that have not yet been fully addressed in the meta-governance literature. What were the political dynamics that drove the government to initiate a paradigmatic shift from hierarchical to market governance, given that the former had served the government's policy aims remarkably well in the past? Then, when the market mode was functioning as expected, what political changes problematized the inherent imperfections of markets into a perceived governance failure, and motivated the government to reintroduce hierarchical measures as remedies?

I propose that the state's political identity—its sources of legitimacy, its ideological commitment, and the societal conception of its role in society—is a key force in developing the governance mode that a government adopts in any policy area, and China provides an ideal case to study this process, because in few other places the political identity of the state has undergone significant changes in such a short period of time as China did in the past thirty years of reform. The state's political identity sets both the strategic policy aims and implementation preferences of the government; these macro-level constraints then shape both the meso- and micro-level policy ends and means of implementation (Howlett 2009). When there is dissonance between the existing governance mode and the state's newly evolved political identity, the governance mode will then face difficulties in meeting the state's new policy aims and become perceived as a governance failure, prompting the state to introduce reforms. These reforms, depending on how big is the change in state's political identity, can be either paradigmatic or incremental.

Meta-governance and State Political Identity

In its broad sense, governance can refer to any arrangements about the relationships between governmental and non-governmental actors in the governing process of allocating resources between social actors. These arrangements are manifested through long-term and stable combinations of policy aims and policy implementation preferences, or *governance modes* (Howlett 2009, 76).Three such governance modes are most commonly observed: the anarchy of market exchange, organizational hierarchy of governments, and self-organizing 'heterarchy' (or, network governance) (Jessop 1998).

In the past two decades, some scholars have both advocated for and expected a transition from hierarchical governance mode dominated by governments to non-hierarchical governance modes (market and network governance) (Kooiman 2000; Rhodes 1996). The rise of this so-called "new governance" literature reflects developments in public sector reform in developed countries since the 1980s (Tollefson et al. 2012). These changes in policy practices are particularly salient in areas such as environmental protection and resource management, where two processes have profoundly transformed the "systems-to-be-governed" (Kooiman 2008), demanding new adaptations in the governing system. First, the rise of non-territorially based policy challenges has made it nearly impossible for states to govern alone, and the participation of non-governmental and inter-governmental actors essential; and second, growing uncertainty and complexity in these policy domains has given rise to a host of "wicked problems" that require much greater flexibility and responsiveness in regulatory instruments and governing processes than can be offered by the hierarchical governing model that states traditionally relied on.

The theoretical arguments about how network governance can combine the best of both government- and market-based arrangements, however, are based on specific contexts and should only be applicable to specific policy realms.[1] An often neglected element that constitutes the specific context in which "new governance" becomes desirable is the political identity of the state. More specifically, for liberal-democratic governments, public

[1] Even in these areas, critics of the new governance literature have pointed out that the desirability of network governance has not been supported by evidence from policy practices (Adger and Jordan 2009; Hysing 2009).

participation, societal self-governing, and limited role of the government—all key characteristics of network governance—are all important normative ideas about the state and sources of its legitimacy. Therefore, what makes new governance both desirable is in fact that it politically fits the identity of liberal-democratic governments in the context of global neoliberalism.

In the current literature on meta-governance, scholars approach the question about what determines the mix of governance mode mainly from a technical point of view focusing on governance failures (Jessop 2003). Each of the three governance mode is inherently vulnerable to specific types of governance failure. Depending on the nature of the policy issue and the tools and resources a government has at its disposal, it should judiciously select and mix the most fitting and effective governance mode from the tool box. What I propose here is a different approach that emphasizes the political logic in meta-governance. Following Bob Jessop's (2003, 156) argument that "all technical activities of the state are conducted under the primacy of the political, i.e., the state's concern with managing the tension between economic and political advantages and its ultimate responsibility for social cohesion", I propose that, besides—and probably above—the technical considerations about potential governance failures, a government's selection of a mix of governance mode is both motivated and constrained by its political identity.

This view is an extension of the governmental perspective on meta-governance and argues against the managerial perspective. It stresses a political logic in meta-governance: the alleged technical superiority of a governance mode in meeting governance challenges (for example, the network mode now in vogue) is only realized in a specific political context, when its operational characteristics fit the policy aims and implementation preferences defined by the government's political identity.

There are three key components that form a government's political identity: sources of legitimacy, ideological commitments, and the societal conception of the role of state in society and economy. Sources of legitimacy can be understood in the Weberian sense to mean the basis upon which a government builds the positive belief of its rule among its citizens. Governments whose sources of legitimacy are similar types of legal-rationality can still have diverging political commitments to different ideological traditions, for example, libertarianism, communitarianism, socialism and so on. Governments are also embedded in societies that have inherited long-standing cultural traditions that define for their citizens what roles the state is expected to play in the society and economy—both its responsibilities and its boundaries. The political identity formed from the confluence of these three forces then becomes a core part of what is often called the state model, such as the developmental state, corporatist state and welfare state.

The state's political identity, rather than any inherent technical superiority of a governance mode, is the primary factor in determining the mix of governance mode designed and adopted in any policy areas. If we think about policies and policy-making from a multi-level perspective and see policy design at each level in a nested relationship (Howlett 2009; Howlett and Cashore 2009), at the most macro-level, the most abstract and general policy aims and implementation preferences—the governance mode—of a government are clearly shaped by its source of legitimacy, ideological commitment and perceived role in society. This governance mode will then determine the identification of policy objectives and selection policy tools at the meso-level and the calibration of policy tools and quantification of policy deliverables at the micro-level. For this study, the dependent variable is the macro-level policy aims and implementation preferences that constitute the governance mode. It examines how incongruity between the governance mode and state's political identity leads the state to readjust its governance mode, which then brings in changes of policy means and ends at the meso- and micro-levels.

Governance failures are also construed by both the state and citizens in reference to the political identity of the state. In a liberal-democratic government, for example, a governance arrangement that successfully achieves its substantive policy goals can still be seen as a governance failure if it violates the procedural rules of democratic participation and deliberation that are central to its political identity. In the contemporary context of high degrees of social differentiation and rising complexities, policy decisions almost always involve compromises between different constituencies, competing policy goals and limited resources. When no policy is perfect, then political acceptability—or, the congruity of a governance mode with the government's political identity—becomes the yardstick in measuring success and failure.

Evolution of the Chinese State

In China's three decades of economic reform, we can identify three distinctive phases through which the state's political identity has evolved. In the first phase, 1978-1992, the central government, under Deng Xiaoping's leadership, could still rely on Marxist-Communist revolutionary ideology and Deng's personal charisma for its claim to legitimacy. But the reigning ideology had been radically changed by Deng from Mao's revolutionary orientation to a new version that was primarily based on economic rationality: Socialism blended with market mechanisms was offered as the only viable way to economically develop China—or, as Deng famously put it: "Development is the highest priority." The government's need to accelerate economic development was made even more urgent by the long-standing societal conception of the Chinese state as a paternalistic power whose primary duty is ensuring its subjects' subsistence (Perry 2008), a duty that many thought the government had not successfully discharged under Mao's rule.

These changes infused a new political identity into the state that, in terms of its role in the economy, can be summarized as a *paternalistic developmental state*. The most widely known manifestation of this is the "local corporatist state" in rural areas, which, through taking charge of local economic development and actively managing township-and-village enterprises, rapidly pushed forward successful rural industrialization (Oi 1992).[2]

During the second phase of reform (1993-2002), the central government under Jiang Zemin's leadership faced severe challenges to its claims to legitimacy. The Tiananmen Square incident of 1989 greatly damaged Deng's personal charisma within the country; the collapse of communism in Europe made Marxism-Communism an increasingly untenable ruling ideology; and, last, the struggling and bloated state-owned sector was dragging down economic growth. Now that two pillars of its basis of legitimacy had been weakened, the state had to double down on its promise of delivering economic development. On the economic front, the new administration adopted a neoliberal market ideology to guide its reform and development strategies, which led to rapid privatization of the chronically underperforming state-owned enterprises and massive lay-offs. In its relationship with an increasingly differentiated society, the state assumed a corporatist identity that aimed to maintain social cohesion and incorporate new economic elites into the political structure (Dickson 2003). The government's embrace of neoliberal reforms coincided with the rise of a neoliberal conception of the state among the intellectual and economic elites that advocated for the retreat of state from the economy to a night-watchman role.

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[2] Despite its name, Oi's "local corporatist state" is a variant within the category of "developmental state". See Blecher and Shue (2001) for a discussion, and a summary of the literature on developmental state in China.

When the third phase (2003-2012) started, the Hu Jingtao-Wen Jiabao administration inherited a country plagued by social inequalities and conflicts created by the neoliberal market reforms of their predecessors. Rising challenges to the state's legitimacy had become increasingly focused on social justice. In response, the central government prioritized its corporatist identity and started to build an incipient welfare state. On the economic front, the role of state-owned companies was again emphasized and enlarged, with the hope that they would enhance the government's redistributive capacity. On the social front, more redistributive policies and welfare program were implemented. These market-restricting reforms were also guided by new ideological adjustments, now expressed in Hu Jingtao's doctrines of "Harmonious Society" and "Scientific Development". While many commentators are now lamenting this phase as the lost decade for market reform and economic liberalization, the new identity of the government as a *corporatist welfare state* has helped to bolster the state's faltering legitimacy among the mass.

There is certainly a great deal of continuity among the three phases; but the political identity of the Chinese government has not been static. The evolving political identities have guided the government's relationships with the rapidly developing economy and changing society and shaped its choices of governance modes. In the following, I use the vegetable retail sector in Shanghai to illustrate this point.

Political Identity, Governance Failure, and Governance Reform: Vegetable Retail in Shanghai

This paper conducts a case study on China's largest city, Shanghai. Shanghai is the most studied case in the literature on urban food retail in China (Hu et al. 2004; Skinner 1978; Wang and Zhang 2005). It not only has the largest urban population in China (23 million), but also a local dietary tradition that stresses year-round consumption of fresh leafy vegetables. Convenient access to fresh vegetables at affordable prices has particular political sensitivity in Shanghai; providing such access to a large population in a sprawling city presents a high challenge to both the local state and market actors.

This paper will only focus on the traditional format of vegetable retailing, general food markets, which is still the dominant format. Modern retail formats such as supermarkets, hypermarkets, and convenience stores only have market shares below 20 percent in big cities and much lower in smaller cities (Hu et al. 2004); most policy changes were also targeted at this traditional format.

Among the nine central-city districts in Shanghai, I selected Yangpu— the most populous district (1.31 million) located in northeast—to conduct primary data collection. Over a three-month period in 2011, I visited all types of vegetable retail outlets and interviewed various actors involved in vegetable retailing. These include different types of retailers (vendors in general food markets, owners of small shops and itinerant street hawkers), shoppers, managers in market-operating companies and government officials. Officials from two types of government agencies were interviewed: the specialized regulatory agency in charge of retail commerce, the District Commerce Committee, and the sub-district, grassroots level governments. To allow for a historical comparison, I also collected archival data about vegetable governance before the 1990s. The data sources include government statistical yearbooks, policy documents that are either public released or provided by informants, retrospective accounts of interviewees and media and scholarly publications.

Although not widely studied in the "new governance" literature, the agro-food system—the production, distribution and consumption of food—is an arena where new, plurilateral governance regimes are likely to emerge. In many countries, transnational supermarket chains and other nongovernmental actors are gaining dominance in agro-food governance through private certification schemes and other standard-making processes, as "quality"—an umbrella term that covers a host of complex issues—becomes the driving force in the restructuring of the global agro-food system (Reardon and Farina 2002).

The agro-food system deals with consumer goods. Other studies in this Special Issue look at the role of governments in social services such as education, healthcare, and environmental protection. In these policy arenas where public goods are at concern and governments have traditionally played dominant roles, the idea of "governance without government" is highly questionable. But a more diminished role of the government—or even its absence—in the governance arrangements of a market-based commercial system that revolves around the production and distribution of consumer goods is a more widely accepted position. In this area where network and market governance are believed to be more desirable, a study of how governments' evolving political identities led to the perception of the market mode as a governance failure and the re-introduction of state intervention and hierarchical measures into the mix can particularly put the importance of "government in governance" in sharp relief.

Hierarchical Governance in Socialist Urban China

In Maoist China, producing and distributing a large quantity and variety of highly perishable fresh vegetable to urban populations posed a serious challenge to municipal governments in a war-torn country that faced severe shortage in transportation infrastructure and storage facilities. The central government's solution was to establish a hierarchical governance regime based on bureaucratic coordination. It implemented two sets of policies: self-sufficiency in production and, in distribution, centralized procurement and monopolized retailing. This study only focuses on the latter.

At the center of this hierarchical governance regime of vegetable distribution was a newly created government agency, the Municipal Vegetable Company (MVC). The MVC was part of a larger hierarchical system run by the municipal government's Second Commercial

Bureau, which contained several other specialized companies that managed the supply and marketing of various foodstuffs. The supply of vegetables into cities and retailing within cities were both monopolized by the MVC. The MVC set up procurement stations in rural areas where vegetables harvested from production units were delivered there to be weighed, graded and valued. These MVC procurement stations were the exclusive agents for procuring vegetables; vegetables procured by them were then fed into the system of centralized procurement and monopolized retailing.

The MVC distributed vegetables through a hierarchy of wholesale and retail outlets spread throughout the city. It had a branch office in each urban district that managed a retail cluster in that district. Generally speaking, within an urban district, each ward—the administrative sub-unit—had at least one general food market (*caishichang* in Chinese, GFM hereafter), supplemented by a number of smaller specialized shops and stalls selling vegetables, mostly staffed by salaried employees of the MVC. Large GFMs in densely populated city wards had thousands of square meters of floor space and hundreds of full-time employees, serving tens of thousands of customers and selling vegetables by the tens of thousands of kilograms on a daily basis (Skinner 1978). In these GFMs, the vegetable departments were invariably the largest in floor space among all departments. In 1977, Shanghai's MVC had 12 branch offices, which together managed over 200 GFMs and over 500 vegetable shops and stalls, distributed across the 110 city wards; on average, each GFM served a population of 27,000 to 28,000 (Skinner 1978).

This extreme form of hierarchical governance was a conscious choice made by the communist government, in line with its political identity as a revolutionary state embarking on a radical socialist transformation of the economy and society. By replacing market coordination, the MVC helped the communist government to achieve crucial policy aims. It replaced the market-determined, highly unpredictable food retail prices with bureaucratically planned prices, which were made artificially low to help transfer surplus from agriculture to feed the state's plan of rapid industrialization. It transformed a sector that used to be highly disorganized and dominated by un-coordinated self-employed small vendors into one staffed by a docile labor force of state employees who depended on the state for their social welfare.

From Hierarchy to Market

This system of centralized procurement and monopolized retailing, first established in the 1950s, had many advantages in socialist China's specific context. In over 30 years of operation, despite the country's severely underdeveloped infrastructure, the system had managed to maintain a relatively stable supply of fresh vegetables at low costs to the large urban population (Skinner 1978). The system was not without problems: the quality of vegetables was poor and seasonal fluctuations sharp, and MVC employees were notoriously rude; in managing this system, municipal governments also had to shoulder the financial burdens caused by inefficient operation and price subsidies.

As the market reform unfolded, the new developmental state now started to see vegetable retail in the light of its primary policy aims of raising efficiency and fostering competition. The hierarchical governance structure run by the MVC became perceived as a governance failure that violated the basic principles of a market economy. This dissonance between the socialist planned distribution of vegetables and a marketizing economy became untenable during the 1990s, when the state had become openly committed to the neoliberal ideology of free markets, limited state intervention, and private ownership (Harvey 2005).

This new political identity of the neoliberal corporatist state ushered in new policy aims (efficiency and competition) and new implementation preferences (auctions, contracts, financial incentives and penalties, and market regulations). A paradigmatic shift in the governance mode was in order. In the 1990s, municipalities all across China started to reform the hierarchical governance mode in vegetable retailing. Many gradual steps were taken over the next decade and local variations abounded;[3] but in general, municipal governments retreated first from directly retailing vegetables and then from operating the market places. They allowed private actors to enter vegetable retailing and increasingly relied on them for the construction and operation of market places.

Liberalization and Privatization. The liberalization of the whole state-controlled agrifood governance system started in the mid-1980s in the urban fresh food retail sector. Municipal governments opened state-run food markets to private retailers, tolerated hawking of fresh produce by farmers on city streets, and even encouraged nongovernmental actors, including collective organizations and private firms, to set up wholesale and retail markets on government-granted land (Hu et al. 2004; Wang 2008).

Competition from these non-state food markets undermined the viability of their state-run counterparts and soon turned the already unprofitable MVCs into an even heavier financial burden for municipal governments. After a few failed attempts of incremental reforms, municipal governments finally resorted to wholesale privatization in the urban commercial system, as a part of the larger ownership restructuring in state-owned sector that started in 1993. All kinds of retail establishments run by the commercial bureaus of municipal governments, including food markets, restaurants, barber shops, and department stores, were privatized. They were mostly sold to managers and employees of the enterprises at heavily discounted prices.

Privatization of the vegetable retail cluster in each district was carried out by the district government, leading to variations in methods and pace within the same city. But overall, the

[3] Chinese-language publications include many studies of the reforms implemented in various cities. See, for example, Wang (2008) on Wuhan and Office of Shanghai Chronicles (1996) on Shanghai.

privatization process has been thorough. Yangpu was the slowest in Shanghai; among the 52 GFMs in Yangpu today, more than half remain owned and operated by state-owned companies. In contrast, state-owned GFMs in Zhabei and Pudong districts have been fully privatized. Overall, of the 930 GFMs in today's Shanghai, about 80 percent are privately operated, a sea change from just two decades ago (Qian 2011).

Regulatory State and Entrepreneurial State During the neoliberal turn under the Jiang Zemin administration, governments at various levels still kept on playing the role of developmental state in selected industrial sectors (Blecher and Shue 2001). But in consumer-goods sectors such as urban food retail, municipal governments followed more closely the prescriptions of neoliberal doctrines and tried to change their identity into a regulatory state that provided supportive functions to market mechanisms and private actors.

After the liberalization and privatization reform, core decisions in vegetable retail governance—who can sell vegetables, where and at what prices—were now made by corporate entities that operated food markets. Municipal governments provided regulatory functions in a decentralized manner. The Administration for Industry and Commerce was in charge of registering businesses and issuing licenses. The Bureau of Public Health monitored hygienic standards. The Bureau of Quality Inspection conducted quality inspection and provided certified scales used in markets. The Bureau of Prices collected and published statistics of food retail prices. The Commerce Committee formulated development plans for the entire retail sector in areas such as market capacity, market location, and service standard. Last, individual city wards had the authority to discipline food markets under their jurisdictions over issues such as waste disposal and noise control.

The downsizing and regulatory transformation of local governments during the neoliberal reform had an unintended consequence. Besides the ownership restructuring in SOEs that pulled local states out of managing enterprises, the central government instituted two other reforms—fiscal re-centralization and bureaucratic restructuring—both of which were aimed at downsizing local state bureaucracies and creating more room for market growth. These reforms triggered a counter process—the emergence of "local entrepreneurial state" —that pushed local governments into setting up and running a new kind of market-oriented and profit-seeking businesses to both make up for lost revenues and divert redundant employees (Duckett 1998). Unlike the traditional SOEs, which produced under central planning and had few profit motives, these new enterprises used the state-owned assets they controlled to seek profit in competitive markets. The entrepreneurial local state created them not to provide public welfare but to generate profits.

The remaining 20 percent of GFMs in Shanghai still owned by state entities are the products of local state entrepreneurialism. Take the reform of the Yangpu district branch of MVC for example. When privatization of the commerce system started in Shanghai in the early 1990s, because of lack of private capital in the less developed Yangpu that could take over the large assets of GFMs, the district government took a different approach. It re-structured its MVC branch into two new entities. One is a shareholding company called Yangpu Markets Operation and Management Ltd. Co. (hereafter, Yangpu Markets); the other is a holding company called Shanghai Yangpu (Group) Company, which owns majority shares in the former. Some of the state-owned GFMs run by the MVC in Yangpu were privatized; the rest were taken over by Yangpu Markets. Today, Yangpu Markets operates 24 GFMs in the district, a 46 percent market share. Among these, 18 are housed in properties owned previously by the MVC and now by Yangpu Markets and six in properties leased from other state entities.

Through this restructuring, the former MVC branch, a mass retailer of vegetables, was transformed into Yangpu Markets, a commercial real estate operator that has adopted the same mode of operation and profit motive as their private counterparts. The Yangpu (Group) Company, on the other hand, manages the affairs of pensioners and laid-off workers from the disbanded MVC branch and relies on profit remittance from Yangpu Markets to pay for its functions.

Sub-district level governments also have their own entrepreneurial ventures. The Wujiaochang town under Yangpu district, for example, owns the Xiangying Industry and Trade Company, whose core business is operating five GFMs in the town.

The newly established market mode of governance, like the hierarchical governance mode it replaced, is not immune from failures—practices such as "supermarket redlining" and the creation of "food deserts" as a result attest—to market failures in urban food retail in Western countries (Eisenhauer 2001; Smoyer-Tomic et al. 2006). These failures can be widely tolerated as market imperfections without necessitating readjustments of the governance mix, as long as market governance remains desirable for the state's political identity. But once the government's political identity changes, the imperfections may then become incompatible with the government's policy aims and precipitate readjustments of the governance mode.

Market Imperfections, Governance Failures and Readjustments

Market governance in urban vegetable retail in China gave rise to a series of "imperfections". These problems are the results of two inherent characteristics of the market mode of governance: anarchy in planning and coordination and the profit motive of actors (Jessop 1998).

Market Anarchy and Spatial Mismatch During Shanghai's rapid urban development, some of the GFMs—the backbone of the state-run vegetable retail system—simply vanished.

At the same time, both the urban population and demand for vegetable retail facilities have increased. In Yangpu, for example, two processes have reshaped its demography in recent decades. First, municipal and commercial projects in the city center led to the demolition of old neighborhoods and relocation of residents to the less densely populated Yangpu. Throughout the late 1980s and 1990s the municipal government relocated about 200,000 residents from central-city areas to publicly built apartment buildings in the far northeast corner of Yangpu. Second, Yangpu received a massive influx of migrants from outside the municipality. From 2000 to 2010, the migrant population in Yangpu rose from 152,502 to 275,303, an 80.5 percent increase (Yangpu Bureau of Statistics 2011).

While the resident population in Yangpu increased from 1.24 to 1.31 million from 2000 to 2010, the number of GFMs decreased from 73 in 2002 to 52 in 2010.[4] As a result, the average number of residents each GFM serves has increased nearly 50 percent from 17,000 to 25,000. Three processes contributed to the decline of GFMs. First and foremost, once the state had opened up the urban real estate market and retreated from building public housing, it also stopped building new GFMs as matching facilities and instead left it to markets to supply the retail space. Second, urban development gradually took up the idle land on which some GFMs had been located and drove them out, most of which had nowhere else to go. Third, GFMs located in old residential neighborhoods were shut down when the neighborhoods underwent re-development. The government required developers of new real estate projects that would house the relocated residents to compensate the lost GFMs with new ones; however, as shown later, this decree fell on deaf ears.

These two sets of urban development processes—demographic changes that redistributed urban population and physical changes that closed or relocated GFMs—created a spatial

[4] Data cited in this section come from various archival sources.

mismatch between residential congregations and GFMs. To overcome this problem, the state needed to use regulations to provide planning and coordination. In Shanghai, however, these regulatory efforts had not been effective.

Shanghai's municipal government made zoning plans that require developers, as a condition of getting the long-term lease on state-owned land, to build various public facilities and retail outlets, including one GFM plus one small vegetable shop per square kilometer, in designated areas. Officially, the developer of a real estate project needs to submit a plan that specifies that certain space will be built and designated for either public functions such as post offices, neighborhood committees, and police offices, or retail uses, especially kindergartens and GFMs. Construction can only start after this plan has been approved by the municipal Bureau of Planning.

Developers are loath to include in their projects a food market, which requires a stand-alone structure and is thus costly to build, but can only generate limited rental revenues from the low-end retailing activities it houses. Its presence also lowers the market value of the entire project, as home buyers want to keep a distance from a noisy and dirty food market. Therefore, in their dealings with the Planning Bureau, which has the real power in approving the development projects (not the Commerce Bureau that formulated the zoning plans regarding GFMs), developers would either petition to substitute food markets with supermarkets, which devote much less space to vegetables, or, in cases where governments want the investment from developers to revitalize an area, extract concessions from the Planning Bureau to relax this requirement. Details of these practices are beyond the scope of this paper.[5] It suffices to say that from 2000 to 2010, in all the newly built residential estates in Shanghai, vegetable retail space has fallen far behind the target specified in the government's zoning plan.

[5] For a full discussion, see Zhang and Pan (2013).

Once market anarchy replaced state planning in coordinating the supply of vegetable retail space, a very different pattern of spatial distribution emerged. A comparison of two wards in Yangpu illustrates the impact of this. In Yinxing ward, the population has tripled from 60,000 in 1990 to 193,000 in 2010 (Yangpu Bureau of Statistics 2011). Most of the population moved here in the 1990s, when the municipal government started a massive project of building new apartments here to house residents relocated from central city areas. Various municipal agencies that built these housing projects carried out the government's zoning plan and built the matching GFMs. Today, there are 12 GFMs in Yinxing, each serving an average of about 16,000 residents; eight of these were built as matching facilities to new housing projects. In contrast, in Jiangpu ward, nearer to the city center, the population also nearly doubled from 54,000 in 1990 to 95,000 in 2010. But much of this influx was brought in by real estate development led by commercial developers. Jiangpu now has only four GFMs—only one built recently—each serving an average of 23,750 residents.

The Profit Motive In food markets in Shanghai today, the physical setting stays the same as the state-run food markets of yesteryear—the floor space is divided into small stalls, lined along narrow corridors. Small vendors, who lease stalls from market operators, buy fresh vegetables from various sources, sort, clean and package them, and sell to consumers. Market operators collect from vendors both rent for the floor space and fees for utility usage and for services such as waste disposal, security and facility maintenance. The relationships between vendors, market operators, and the government, however, are fundamentally different now.

In the past, the MVC used state-granted properties and hired a large staff to do vegetable procurement and retailing. In contrast, market operators in the liberalized vegetable markets today, who either own the property that houses the market or lease it long term, are instead in the business of *operating commercial real estate*. As the housing boom in Chinese cities in recent years drove real estate prices to ever higher grounds, market operators also kept their rental charges abreast with the rising market, seeking a return comparable to other investments in urban real estate. Market operators' ability to charge excessively high rents to vendors is strengthened by the spatial scarcity of vegetable retail space mentioned earlier.

One investigation conducted by the China Central Television (*30 Minutes on the Economy*, CCTV, 3 December 2010) in several large cities found sharp increases in rents across the board. In one Beijing market, monthly rent for a small vegetable stall rose from 280 yuan in 2002 to 850 in 2010. Although no nationwide or citywide survey data are available, similar rental increases in many cities have been widely reported in Chinese media.

To small vegetable vendors, the rental fee now constitutes a major part of their operating cost. In Mingyan Market, a privately run, small GFM on North Guoquan Road, for example, the operator now charges a monthly rent of 300 yuan/m^2 for vegetable stalls, which usually take two to three square meters. On top of that, a vendor also pays the operator 300 yuan annually for the use of a certified electronic scale, 300 yuan for registration renewal, 200 yuan for security, 1200 yuan for parking, plus the actual usage of water and electricity. All these add at least another 250 yuan each month and raise their monthly costs to around 1200 yuan. For a vegetable stall that has a total revenue of around 20,000 yuan per month, this operating cost cuts deeply into their profit margin, which is already made small and precarious by the heavy wastage in fresh vegetable retailing. They have to recoup these losses from higher prices charged to consumers.

GFMs operated by state-owned companies have adopted the same mode of operation and profit motive. The only difference between private- and state-operated GFMs is that the former are run by private capital and the latter by bureaucratic capital—both profit-seeking capital nonetheless.

Market Imperfections as Governance Failures For more than a decade since its transition, the marketized vegetable retail system has been lauded as a success by both the governments and scholars (Wang and Zhang 2005). But this success seems to be short-lived. Since 2010, rising vegetable retail price has emerged as a public issue across China, adding fuel to the public dissatisfaction with deepening social inequality that was already near the boiling point.

In the past few years, despite the relative stability in both vegetable production and consumption, rising vegetable retail prices have become a recurrent issue in cities across China. In 2010, among all major consumer prices, urban food prices registered the only double-digit inflation for the year and were responsible for 65 percent of the annual rise in the consumer price index (CPI). This rise in food prices was mainly a result of sharply rising vegetable prices, which contributed to about 20 percent of foods' share in the CPI. The trend has since continued, only varying in magnitude. In the most recent inflation data released by the government for April 2013, vegetable prices again led all other categories by rising 5.9 percent from a year ago, and were the single largest contributor to the 2.4 percent rise in the overall CPI (National Bureau of Statistics 2013).

The central government by this point has also evolved away from its neoliberal past. It has proclaimed "social harmony" as its top political priority and has recently implemented a range of social welfare programs in both rural and urban areas to boost its profile as a welfare state and a guarantor of citizens' subsistence rights. To this government, sharply rising vegetable prices and declining accessibility of retail outlets directly affect the daily lives of a mass population and pose a challenge to its new policy aims of providing subsistence guarantee for the disadvantaged population who has been victimized by the neoliberal reforms. Imperfections in the vegetable retail market become a "governance failure" that cannot be neglected.

Since the market imperfections are specific to vegetable retail and the new central government remains committed to the policy aim of fostering the market economy, a paradigmatic shift to abandon the whole market governance mode is out of the question. Instead, an incremental readjustment of the governance mode takes place that elevates the importance of social equity in policy aims and the role of state entities and hierarchical commands in implementation preferences. This is then pursued through readjusting policy tools and objectives at the meso-level.

The central government quickly stepped in with administrative measures to control food prices. On November 19, 2011, the State Council released Policy Document 40, aimed at stabilizing consumer prices. Among the 16 remedial measures proposed in Document 40, five were specifically about vegetable retail price.

At the local level, governments in many Chinese cities started to bring back more hierarchical command-and-control measures to rein in vegetable retail prices. In Yangpu, for example, the district government ordered Yangpu Markets to do the following in the GFMs it operates: set up new counters that supply vegetables at cost directly from farms, give vendors a 15 percent rent deduction, lower the management fee charged to vendors, waive the rental fee for certified scales, and, each week, ask a third of vendors in each market to offer discounts on selected items. Yangpu district can do these only because its state-owned entities still controls half of the market. In other districts, the task is more daunting: they need to return privately owned markets to public ownership. Changning District, for example, started a pilot project in late 2010 that bought back several GFMs from private operators. These markets were reformed into non-profit ventures, managed by the state-owned market-operating company, an equivalent to Yangpu Markets, with substantially reduced rents for vendors (Qian 2011).

The effectiveness of these reforms is too early to evaluate; but the government's reaction is clear: once accessibility and affordability of vegetables has been elevated to a key policy aim, it cannot be entirely left to the anarchy of market, but requires an incremental readjustment of the governance mix to give the state more leverage in pursuing its political goals, which cannot be satisfied by market forces. In fact, many cities across China re-instated the old "Vegetable Basket Project" which puts the mayor directly responsible for ensuring affordable vegetable supply.

Conclusions

When the economic reform progressed into ownership restructuring in cities and the political identity of the government shifted to a neoliberal state that favored market allocation and pursued economic efficiency, the government initiated a paradigmatic shift of vegetable retail governance in urban China. The hierarchical governance mode dominated by a centralized government agency and based on bureaucratic commands was replaced by a market mode, in which the government retreated to a regulatory role, while private actors determined the structure and operation of markets through price-based exchanges.

Yet, as the state's political identity evolved again from the neoliberal state to a more corporatist welfare state that stresses social equity and state redistribution—policy aims that are not fully compatible with the market mode of governance—imperfections of the market mode became perceived as "governance failures" and blamed as the main culprit for rising living costs. It is this change in the government's political identity —rather than changes in the technical operation of markets—that recasts the market mode of governance in a negative light, and in turn, prompted a politically motivated readjustment of the governance mix through bringing back hierarchical measures and state control.

The backlash against the deepening of market governance into vegetable retail in urban China is not an isolated case. In Asian cities like Hong Kong and Singapore, traditional "wet markets", where a congregation of small vendors sells a wide range of fresh produce, still maintain a stronghold in vegetable retail, despite the expansion of modern supermarkets (Goldman et al. 1999). Even in these cities, however, the persistence of GFMs—a more competitive format of retailing in terms of both price and freshness, but a less efficient use of real estate than supermarkets—depends on government's intervention in securing space for them in the highly competitive real estate markets. Government agencies—Urban and Regional Councils and the Housing Authority in Hong Kong and the Housing and Development Board in Singapore—have to step in to build the majority of GFMs in these cities and still directly manage some.

In Singapore in 2010, when the government allowed a supermarket chain to acquire a traditional wet market, the plan met vocal opposition and mobilization by local residents, which forced the supermarket to maintain the market's traditional retailing format and the government to advise the supermarket against raising rents. Then, as rising living cost became mobilized as a political issue during the May 2011 general election by the opposition party, the government responded with more forceful intervention into the food retail markets and announced in October 2011 that ten new wet markets will be built in the next decade to ensure affordable food prices.

These examples highlight the central role of politics in meta-governance. For governments, the political logic is of primary importance in shaping their decisions in designing and selecting the mix of governance mode.

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