

국제학(정치학) 박사 학위 논문

**Why Local Officials in China Work So Hard:
The Penetration of Ideas, Interests, and Institutions**

중국 지방 관료들은 왜 그렇게 열심히 일하는가:
이념, 이해, 제도의 침투

2017년 8월

서울대학교 국제대학원

국제학과 국제 지역학 전공

이재영

Doctoral Dissertation

Why Local Officials in China Work So Hard:

The Penetration of Ideas, Interests, and Institutions

August 2017

Graduate School of International Studies

Seoul National University

International Area Studies (Political Science)

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지도교수: 조영남

이 논문을 국제학 박사학위논문으로 제출함

2017년 8월

서울대학교 국제대학원 국제학과 국제지역학전공(정치학)

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이재영의 국제학 박사학위논문을 인준함

2017년 8월

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Submitting a Ph.D. Dissertation of International Area Studies

August 2017

Graduate School of International Studies

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International Area Studies (Political Science)

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Abstract

Why Local Officials in China Work So Hard:

The Penetration of Ideas, Interests, and Institutions

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In the 2000s and 2010s, local officials in Zhejiang Province, Guangdong Province, and Tianjin City worked hard on both government efficiency (super-department reform and administrative licensing reform) and voice and accountability (social governance and village-level self-governance) governance areas. Such diligence can be attributed to a conjuncture of the central leadership's "ideas" such as the "Scientific Outlook on Development," "Harmonious Society," ideas of public service-driven fiscal system and the "Accurate View on Performance" and "interests" of the fiscal system and the cadre management system such as "Award instead of Subsidy," the special grant mechanism and the strengthened material incentives in the performance evaluation, leading all to the consolidation of the state's power.

This strengthened state power reached the county through the province and the municipality and in the process, the Party School Network played a crucial role in the socialization of the central ideas. And, in order for the state power to penetrate through state-building at the grassroots level, a conjuncture of "reform ideas" and the political economic "interests" of the county leadership such as promotion and prize money played a determinant role. But the factor that weakened the state's power was the "interests" of

the local bureaucracies or “departmentalism.” If the conjuncture of the ideas/interests of county leaderships did not overcome the interests of local bureaus, reforms or institutional building were weakened. On the other hand, if the local departments were persuaded by the conjuncture of the ideas/interests of county leaderships to agree to the reforms of the leaderships, the reform continued and expanded.

There were variations in the ways local officials worked hard on the institutional innovations in these three areas. Zhejiang Province was a social participation-driven model, Guangdong Province was a social pressure-driven model, and Tianjin was a county competition model. The reason for this variation in institutional innovations is that Zhejiang’s counties had the highest financial self-sufficiency rate and the low dependency rate on central grants, resulting in the most active response to societal demands. Guangdong Province was between Zhejiang and Tianjin in terms of the financial self-sufficiency rate and only responded to social pressure passively. Tianjin had the lowest rate of financial self-sufficiency. Its dependency rate was relatively high, which was more sensitive to accountability from the top and to a promotion incentive, thus becoming the county government competition model. Finally, when the state’s power penetrated into the villages of the lowest unit through the “ideas” of county leaderships, the way that the state’s power penetrated through the new agents, such as village cadres with moral motives, rather than directly into the village allowed the state’s power to penetrate into society without being weakened.

The areas in which three regions’ county local officials worked hard are presented in detail in case studies in Chapter 4. To explain why local bureaucrats were working hard, Chapter 2 explains the changes in the intergovernmental fiscal system through case studies, and Chapter 3 analyzes the changes in the vertical mobility of municipal and county-level leaders and cadre management system in Zhejiang and Guangdong provinces through multi-level statistics analysis and case studies. In Chapter 4, the areas where bu-

reaucrats worked hard are both government efficiency and voice and accountability governance areas that were set by the central government in advance through financial and performance management in Chapter 2 and Chapter 3. In Chapter 2 and Chapter 3, the changes in the fiscal system and the performance evaluation institution led to the strengthening of the state's power and a change of the local state role. In order to explain the institutional changes in Chapters 2 and 3, this study emphasized the combination of ideas and interests of central and local leaderships in each chapter. Chapter 4 attempted to show the dynamics of how the ideas-interests of county leaderships interacted with the interests of the local departments in the penetration process of the state's power. Chapters 2 and 3 mainly explore the consolidation of the state's power by scrutinizing the national formal institutions, which affected fiscal and power relations among the province, municipality and county. Chapter 4 describes the strengthened national official system that had impacts on relations among the county, township (sub-district) and village (urban community), and explained how village leaders with moral motives were connected with such formal institutions. Therefore, the purpose of this study is to examine how the state's power travelled down to the local state and penetrated "in order" from the center all the way down to the village society in China.

Keyword: State, Central-local relations in China, Local Governance, Intergovernmental Fiscal Relations, Performance Evaluation, New Institutionalism

Student Number: 2012-30685

Acknowledgements

This work was supported by the Doctoral Dissertation Support Grant Program funded by the Seoul National University Asia Center.

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List of Abbreviations

Administrative Licensing Bureau ALB
Administrative Service Center ASC
Accurate View on Performance AVP
Consultation Council CC
Commission for Discipline Inspection CDI
Comprehensive Law Enforcement Team CLET
Chinese People’s Political Consultative Conference CPPCC
Community Service Station CSS
Community Work Station CWS
District’s Comprehensive Law Enforcement Bureau DCLEB
Extra-Budgetary Funds EBF
Extra-System Funds ESF
Ministry of Finance’s Financial Supervisory Commissioner Board FSCB
Grid Mngement GM
Guangdong Provincial Party School GPPS
Guangdong Zhejiang Political Leader Database GZPLDB
Harmony Promotion Association HPA
Harmony Promotion Project Leadership Small Group HPPLSG
Village Harmony Promotion Society HPS
Home Service Center for the Elderly HSCE
Local Government Financing Vehicles LGFV
Local People’s Congress LPC
Member Representative Congress MRC
National Audit Office NAO

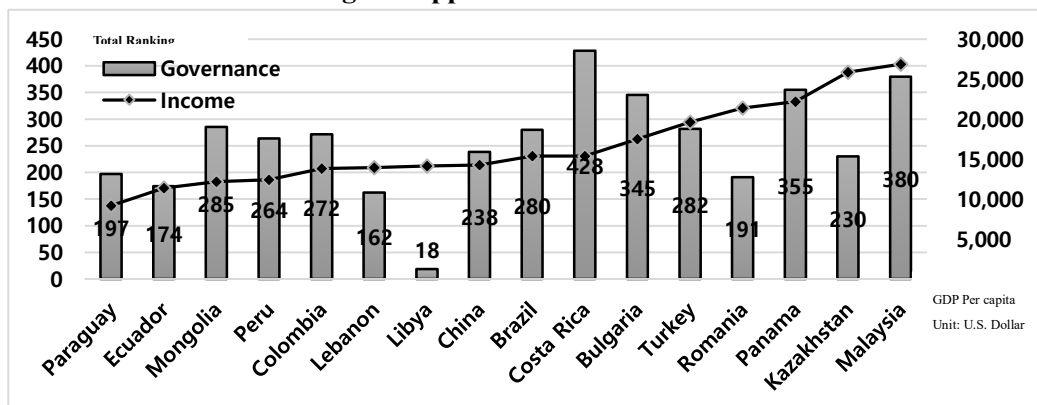
Public Administration & Law Committee PALC
Party-Government Spiral Promotion Model PGSPM
Public-Private Partnerships PPP
Community Residents' Committee RC
Rural Tax for Fee Reform RTFR
Rural Tax for Fee Reform Grant RTFRG
Safety County SC
Safety Municipality SM
Scientific Outlook on Development SOD
Town's Comprehensive Law Enforcement Brigade TCLEB
Xingguang Elderly Association XEA
Villagers Meeting Hall VMH

Chapter 1: Why China’s “Local” Governance Matters and What Matters

Governance in China has been different compared to that of other countries with similar economic development level in some dimensions. The World Bank’s global governance indicators measured corruption controls, government efficiency, political stability (lack of violence and terrorism), quality of regulation, rule of law, and voice and accountability in some 214 countries around the world in 2015. These indicators can be used to compare China's governance with that of other countries around the world.

In the figure below, it is shown that China has a GDP per capita of \$ 14,239 based on the purchasing power index in 2015, and the total percentage of all governance areas is 238 points. The higher the sum, the more efficient the governance. Of the 16 upper middle-income countries except Paraguay (197), Ecuador (174), Lebanon (162), Libya (18), Romania (191) and Kazakhstan (230), the ten countries’ total governance percentage was higher than China’s. In particular, China was much lower in governance than countries such as Costa Rica (428), Panama (355) and Malaysia (380), so China still has room for improvement in governance as a member of the upper middle-income country group.

Figure 1.1. Percentage of Worldwide Governance’s Six Aggregate Indicators among the Upper Middle-Income Countries in 2015



*Source: <http://data.worldbank.org/data-catalog/worldwide-governance-indicators>

China had the lowest voice and accountability ranking (4.93) in the global governance index in 2015 among the upper middle-income group countries, followed by Libya (9.85), whose score was much lower than those of other middle-income countries. On the other hand, China had the highest score in government efficiency (68.27) compared with other dimensions, followed by corruption control (50) and regulatory quality (44.23). In particular, government efficiency was the highest among the selected countries except in the case of Malaysia (76.92).

The quality of regulation and government efficiency in China in the 2000s and 2010s clearly improved. However, it is not possible to identify what kind of governance change has taken place in these dimensions, specifically at the local level, by examining China's overall governance indicators only. Local governance is important because no matter how much central governance improves, if governance cannot be improved at the local level, deterioration of local governance can have a negative impact on central governance in the long run. In addition, although China's voice and accountability governance area is still not improving, there have been various policy trials and innovations in this area in some local governments, which have clearly led to improved governance.

If local governments fail to deal with the problems of local governance including cases such as debt risk and violent demolition, the problems could get so worse that the central government became responsible for socioeconomic and governance risks at the local level. So the supreme leader of China was very sensitive to various potential governance risks at the local level (Zhou, 2014: 21).

On the other hand, Chinese citizens were highly satisfied with the central government, but their satisfaction with the government tended to decline as they moved down to the local government and grassroots level. In a 2014 survey, 92.8% of 3,500 respondents were highly satisfied with the work of the central government, but their satisfaction dropped to 54.8% as they moved to villages and sub-district offices. In the 2008 survey,

44.6% of the respondents showed high confidence in the central leaders, while the confidence in the provincial leaders fell to 24.3% and that in the prefectural and district leaders fell to 17.1%. Confidence in the prefectural and district leaders declined from 14.6% in 2011 to 9.7% in 2014 (Saich, 2016: 6).

However, when respondents' responses were calculated from the most satisfactory four to the most unsatisfactory one, the central government's satisfaction index increased from 3.16 in 2003 to 3.41 in 2009 and then dropped to 3.3 in 2014. In the same period, satisfaction with the provincial government decreased from 3.23 in 2009 to 3.02 in 2014, that with the district or county government fell from 2.88 in 2009 to 2.67 in 2014, and that with the village/township or sub-district office dropped from 2.65 in 2009 to 2.54 in 2014 (Saich, 2016: 8). This change in satisfaction shows that local satisfaction and central satisfaction may fall together, and that complaints about local governance may be transferred to complaints about central governance.

The unit of analysis in this paper is mainly the county. The reason for choosing the county is that it is the most stable local administrative unit in Chinese history, as a unit under the jurisdiction of the province and the prefectural city, that controls the grassroots governments such as towns, townships, and sub-district offices, and manages autonomous organizations such as villages and communities. By analyzing the governance of the county compared with other units of local government, we can clearly see the changes in China's governance at the local level and its impact on central governance and China's overall governance.

And the county government is a major actor in the supply of goods and services in urban and rural areas of China. In particular, the role of the township government had been emphasized since the "Tax-for-Fee Reform" and the abolishment of the agricultural tax, but through the series of reforms, the township's functions and role had been "hollowed out." Thus, the supply of a large number of public services has been left to the county, district or rural villages (Smith, 2010).

Another reason for paying attention to the county government is that the series of incidents in the counties in the 2000s showed how serious governance deficits in the counties had been. In particular, the corruption of the county party cadres or government officials, and their act of traffic in party and government position sales were pervasive. In 2005, 18 county party secretaries, including Dingwen county's party secretary, Chen Zhao feng, Yingxiang county's party secretary, Zhang Huachi and Shi Bo, and Guoyang county's party secretary, Xu Baoting were arrested on charges of corruption and bribery, with a great shock to Chinese society. Sun Kongwen who was a party secretary of Meng cheng county received an average bribe of more than 100,000 yuan a month by selling party and government positions and received a bribe exceeding 3 million yuan for two years. During his four-year tenure, Chen Zhaofeng received a bribe of over 9 million yuan through traffic in party and government position sales (Chen Xianfa & Bao Yonghui, 2005: 8-10).

In Henan Province, 22 county party secretaries have taken advantage of their jobs related to personnel matters since 2006. They were the party secretaries of the counties, whose economies suffered, and there was no other way to build up wealth other than selling positions (Chinese Communist Party Newspaper, 2010.11.01). Li Inkui received bribes of 12.76 million yuan and 8,000 euros, and 8,000 dollars 1,575 times from 142 people during his term of the party secretary in Fengcheng County, Henan province. He set the record of the most bribes (Qin Lailing, 2010).

The prevalence of these predatory state behaviors has been mostly in poor and less autonomous counties. Therefore, if we generalize the local governance at the county level with these cases alone, we will overlook the variations of China's county governments. Various economic and administrative reforms have been promoted in the county government, especially in the east coastal provinces, and political reforms such as inner party democracy have been carried out in poor counties, mainly in Sichuan and Yunnan's counties. There were also developmental state and entrepreneurial state cases such as

Zhouping, Shulu, and Guang'an counties.

And unlike the satisfaction with the government, the citizens tend to generally recognize the improvement of the local bureaucracy's ability and attitude. The view that local bureaucracies were expert and capable in 2014 accounted for 74% of respondents, up from 50.8% in 2003. In addition, most respondents in 2005 felt that the attitude of local bureaucrats was cold and indifferent, but in 2014 only 24.3% of the respondents supported that view, and 74% said local governments were doing their jobs in a kindly and friendly manner (Saich, 2016: 9).

Therefore, this paper aims to identify the mechanism and actual contents that the state's power penetrated below the county level in the 2000s and 2010s to examine various governance changes in the county government. The three key questions in this analysis are: First, why has the county government been an important actor actively involved in state-building at the grassroots level? This will show that reform of the fiscal system has become an important background for the change of governance in local governments. In particular, the mechanism of the central government's special grants to the county government, and the financial system, such as the "award instead of subsidy," has become an important incentive for the local government to actively take charge of institution building at the grassroots level.

Second, how are local officials promoted and kicked out? We will look at how these cadres' mobility affects local governance. Are there any motivations or mechanisms in the cadre management system that will enable them to actively undertake institution building projects at the grassroots level? In order to answer this question, this paper will compare the mobility of local leaders in the prefectural city and the county, and the factors which affect it. Also the performance management system will be clarified in relation to the background of the county government's promotion of the state building and institution building at the grassroots level.

Third, how is the county government actually developing activities related to

government efficiency as well as voice and accountability governance? By analyzing such activities, can we confirm that “the state’s power is well under way?” What are the limits of the state’s power? To answer this question, this paper will analyze the reorganization of the county government, the construction of a service-oriented government which can be categorized as government-efficiency governance; the construction of urban communities, and the building of self-governance institutions in villages, which can be considered as voice and accountability governance. This will enable us to understand the actual activities of the county government in relation to the work of state building at the grass-roots level.

1. Role of the Local State during the 2000s and 2010s

1) Role of the Local State during the 1980s and 1990s: Developmental, Regulatory, and Predatory States

Local governments actively promoted ownership and marketization reforms, focusing on the TVEs (Townships and Villages Enterprises) and private companies in the 1980s and 1990s. Through the cases of Zhouping County and Shulu County, the concept of the developmental state such as local state corporatism, and the entrepreneurial state have been applied at the county level. The developmental and entrepreneurial states emphasize the active role of the state in economic reform, and the various forms of economic intervention in market supervision and regulation meant the emergence of a regulatory state.¹

¹ The analysis of regulatory state and regulatory reforms has so far mainly been applied to the central government or the prefectural city above (Yang, 2004). However, in analyzing the developmental states such as Shulu County and Zhouping County, the county government could also become a regulatory state because the county used a variety of regulatory means such as licensing and auditing for the TVEs or privately owned enterprises (Blecher & Shue, 1996; Walder, 1998). And the tiered economy that emerged from the center’s economic regulations also appeared at the

However, local governments have sometimes become predatory and patronage states, not regulatory states, and aggressive economic interventions have been transformed into rent-seeking and exploitation on peasants among local officials. The main reason for becoming the predatory state is that the reform of the market system cannot be supported by the political reforms. In particular, the lack of political reform in the 1990s can be attributed to the fact that the economic systems and societies in China changed rapidly, while the political system was still in the stagnation of authoritarianism. This has weakened the ability of the political system to deal with challenges such as lack of effective governance, corruption of bureaucracy, impairment of national capabilities, and an imbalance of societies and political systems (Pei, 2008: 11-16).

In China, the activities of predatory state can be characterized as a predation by the state agents in a decentralized system. So called “decentralized predation” is more dangerous than centralized predation because of the simultaneous competition of predation agents with one another for the same revenue and the welfare loss from decentralized predation which is much greater than that from centralized predation (Pei, 2008: 37). In countries such as China, where the transition is under way, the pre-transition state predation was centralized, but the post-transition state predation was decentralized. And during the transition period, thanks to the decentralization of decision-making, a contract has been rewritten between the state and the agent in favor of the later (Pei, 2008: 39-40). Therefore, the key to understanding the rise of decentralized predation is to examine

county level. In other words, the stratified economy can be classified into the top tier of the economy which is strategically important, the middle tier controlled by the local government such as the automobile industry, and the bottom tier of the small business (Pearson, 2015: 82-118). In the case of Shulu and Zhouping counties, the county’s regulations on enterprises were not the same, and the lending and regulatory policies were differentiated onto the companies that were important for local tax revenue and those that were not. On the other hand, factors affecting the control of the national economy in the regulatory states are the strategic value of the sector, the national structure and the political system, and the decisive phase of the specific sector’s exposure to the international economy (Hsueh, 2011). These factors can also be applied to the county government’s economic control.

changes in existing systems that define principal-agent relationships and changes in institutions related to transition. This includes the decentralization of ownership, ineffective monitoring, the choice of a new exit, such as the plundering of national assets by the state agent, and the weakening of institutional norms such as the collapse of communist ideology (Pei, 2008: 40-42).

In order to solve the problem of the decentralized predatory state, political reform such as inner party democracy at the local level, specifically below the county level, was promoted in the 2000s and 2010s. However, political reform has weakened considerably since around 2012, mainly because reforms have naturally weakened and even disappeared once the leadership that led the reforms left the region, and the greater political risks and costs involved in political reform brought about its diminishing marginal returns.² This is the reason that political reform is increasingly being replaced by administrative reforms that have fewer political risks. In other words, a focus on the reforms at the local level shifted from political reform to administrative reform, such as the construction of an administrative service center and urban communities, the adaption of a grid management system, and institutional building for village self-governance.

Lastly, Shulu and Zhouping counties, which have implemented various economic reforms, were categorized as a developmental state model; but it is important to note under what conditions Shulu and Zhouping will become developmental states. In other words, when the conditions of becoming a developmental state disappear or the conditions of becoming a predatory state emerge, two counties can also become predatory states. Therefore, governance deficits are one of the primary characteristics and conditions of a predatory state to be examined from now on.

² For an analytical study of inner party democracy reform, see Fewsmith's book chapter 3 (Fewsmith, 2013: 68-107).

2) Decentralized Predatory State and Developmental State: Governance Deficits and Effective Governance

Conditions of the decentralized predatory states are mainly found in three areas. First, it is the corruption of the local officials. Bureaucratic corruption weakened the integrity of many key institutions which enforced the law, maintained rules and order in the market, and that provided important public services (Pei, 2008: 12-13).

Second, it is a weakening of the state capacity. The tendency of ruling elites not to reform the problematic national system created conditions for systematic corruption and further weakened the effectiveness of the state. In addition, the party-state, center-province, and state-market relations that defined the characteristics and areas of state authority were distorted, uncertain, and unstable (Pei, 2008: 13-14).

Third, it is the imbalance between society and the political system. Such an imbalance included increased inequality in terms of socio-economic status, regional, and urban-rural gaps, increased tensions between ruling elites and the masses, weakened values, consolidation of exclusive ruling alliances based on elites, and the increasing exclusion of marginalized groups. The collapse of the political accountability system that governed the agents of the state was a key factor in state-society tensions (Pei, 2008: 14-15). Specifically, the policy areas where governance deficits have arisen contained public safety, education, public health, environment, and rural finance (Pei, 2008: 169-181). And governance deficits can also be found in the areas of justice system, civil service system, ethnic integration, citizenship or gender issues (Howell, 2004: 227).

In analyzing the governance capacity of a country, it is important to distinguish between weak and strong governance areas. Rather than simply claiming that China belongs to a strong or weak state in terms of governance capabilities, it is crucial to understand that China's national governance capabilities have both strong and weak points and

these are dependent on the nature of each governance area (Zhou Li'an, 2014: 32). Therefore, it is more persuasive to distinguish between decentralized predatory states and developmental states according to specific governance areas rather than a whole region, such as Zouping and Shulu counties. In other words, two counties simply cannot be considered as a developmental state in all the governance areas. That is, they not only have some characteristics of a developmental state in regulation or government efficiency governance areas, but also have some conditions of a predatory state in rule of law or voice and accountability governance dimensions.

The underlying factors of governance deficits can be explained by the combination of political, institutional and economic factors. First, the political aspect is power monopoly by the Communist Party of China. Failure to discipline corrupt party-state bureaucrats tarnishes the party's image and reputation. Second, it is a problem of the Leninist system. The vertically stratified party structure, similar to a vertically organized national administrative system, operates on the principle of democratic centralization. Particularly, departmentalism and localism, which tend to protect the parochial interests of various bureaus in local government and local interest groups, continue to impede the resolution of fundamental issues requiring intergovernmental cooperation such as the environment, poverty and sanitation. Third, it is a problem of economic inequality. For example, the economic gap between the west and the east regions is still widening. Economic reforms have created new losers, but they have also produced new socioeconomic groups such as rich peasants, private entrepreneurs, and professionals who have benefited from new market opportunities (Howell, 2004: 228-233).

Effective governance is crucial to institution building, such as strengthening national administrative functions and capacity, establishing and consolidating rules and regulations to ensure transparency and predictability. Especially in China where instead of meritocracy and rule by law, political loyalty and rule by man weakens the governance structure, such a state building process is needed to be set up for effective governance.

Corruption weakens public confidence in party and state institutions, but strengthening accountability and transparency plays a crucial role in maintaining legitimacy (Howell, 2004: 4-5).

As a result, it is difficult to capture the state of governance as a clear picture in China. It is both wrong to say that China's governance has changed little and has remained authoritarian, or that the changes that have taken place have undergone fundamental changes in the direction of more accountable, transparent, efficient, and even democratic governance. What is important is to identify the trends and patterns of those factors that lead China in some direction (Howell, 2004: 15).

In conclusion, China is still authoritarian, but it is becoming more and more open, allowing competitions of power at the local level. China faced many challenges such as corruption and lack of transparency, rule by man, but China with a much stronger economy, a long history of state administration and political elites who support growth was much better than other countries suffering from national failure (Howell, 2004: 16-17). In other words, China's governance was relatively poor when it comes to the rule of law, but it was relatively effective in terms of economy and administration.

3) Informal Institutions and Patronage States

Local governments can become patronage states in addition to developmental and predatory states. Patronage states are highly relevant to informal institutions such as patron-client relationships. For example, China's economic development has been influenced by informal institutions such as patron-client networks. The same hometown-centered patron-client networks in prefectural cities and counties has played an important role in stimulating economic activity and making it happen in a complicated political bureaucracy environment due to the fragmented authority and weak formal regulations. Clie-

telism provided incentives for bureaucrats to circumvent complex procedures and for personal power use to supplement the lack of formal institutions (Hillman, 2014: 118).

A prime example of patronage state at the county level is the “shadow state.” Agents such as drivers, personal secretaries, friends and relatives of party-state leaderships at the county level formed a “shadow state” to acquire various interests in the national project and policy enforcement process (Smith, 2009). Even bureaucratic corruption by these informal institutions can be compatible with or good for economic growth, and corruption can serve as an oil to the wheels of economic growth by allowing capital to bypass complex and slow regulations (Leff, 1964; Meon and Weill, 2010). When explaining informal institutions, it is an oversimplified concept to divide into predatory and developmental states. An actual formal local state may become both a victim of unofficial and shadow state or a predator itself (Smith, 2013: 1040).

During the reform and opening policy, the area that had been most influenced by informal institutions was the development of private economies. Private entrepreneurs were embedded within patronage networks, and ownership of investors was socially defined and recognized. Trust and cooperation between entrepreneurs and local government officials in the Chinese political economy were based on the social relationships of long-term interaction (Nee & Su, 1996: 113).

In the absence of a strong legal guarantee for private investment, the key protective resource was a patronage relationship with government officials, and a long-term relationship strengthening trust and concern for mutual benefits reduced the possibility of bureaucratic patronage’s opportunistic behavior towards entrepreneurial clients (Wank 1995: 178). This relationship may be a thick one based on families (Lin & Chen, 1994). In addition, informal systems could indirectly affect economic growth through states’ extractive capacity. Private entrepreneurs who had connections with bureaucrats of the local tax bureaus can reduce their tax payments by adjusting their costs and profits (Whiting, 2001: 193).

One thing to note when analyzing informal institutions in patronage state model is that formal and informal institutions interact in a more complex way and need to introduce a more neutral approach to informal institutions (Hillman, 2014: 5). There are “complementing,” “accommodating,” “substitutive,” or “competing” relationships between formal and informal institutions depending on the extent to which results are converged and whether or not there is an efficiency of the relevant formal system. The complementary relationship has an effective formal system, and an informal system converges to enhance the efficiency by solving the problems that the formal system cannot deal with. An accommodating relation also has an effective formal system, where informal institutions modify the effects of formal rules, resulting in poor efficiency. However, because it does not violate the explicit rules of the formal institution in public, the demand for institutional change is low, so that the stability of the formal system can be strengthened. The substitutive relation means that the informal institution is compatible with the formal institution where the formal institution is ineffective and does not function properly. Finally, competition between ineffective formal and informal institutions ignores the rules of formal institution and follows the informal rules (Helmke & Levitsky, 2004).

The relationship between formal and informal institutions is important because the cadre management and the fiscal system that have the greatest influence on the incentives of local bureaucracy in China also contain these two kinds of institutions. The cadre management and the fiscal institutions include a strong element of patronage. For example, in the performance evaluation, which has become a recently important tool in the cadre management system, the formal institution of a performance evaluation and the informal institution such as personal networks accommodated each other. As an informal system modified the rules of a formal performance evaluation system, the effectiveness of performance evaluation’s results was weakened. However, since the patronage of the informal system did not violate the explicit rules of an official performance evaluation

publicly, official performance evaluations continued to exist. In addition, formal procedural systems and informal networks were in place to allocate central special grants to local governments through project governance, which has been emerging as an important tool in the intergovernmental fiscal system. When receiving a special grant related to national projects from upper echelons of governments or the central government, the influence of the official system including formal standards and procedures, has been being weakened by patronage networks.

In summary, various informal institutions found in the Chinese local government's developmental, entrepreneurial, predatory, and patronage states combined in various ways with the formal institutions established through the newly promoted economic reforms, political reforms and administrative reforms. In developmental states, a complementary relationship between an effective formal system and informal system is dominant, and an adaptive relationship is dominant in an entrepreneurial state in which ineffectiveness occurs. The predatory state shows that the informal system replaces the ineffective formal system, and the patronage state is in a relationship where the informal institution is in competition with the inefficient formal institution.

4) The Institutions Affecting the Role of Local Governments: Fiscal and Cadre Management Institutions

The institutions that had the greatest influence on the change of the local government's role in the 2000s and 2010s were the cadre management and the intergovernmental fiscal systems. There is the question of whether effective institutions and material incentives are in place to restrict the actions of local officials. In the meantime, the central government encourages local economic growth through the political and economic rewards of local economic growth. Political compensation refers to the promotion of local leadership by building political achievements through economic development. In other words, it is the

linking of local officials' achievements and promotion in the cadre management system. Economic rewards allow more local fiscal revenues to transfer to local governments or central and provincial governments to provide more financial grants and subsidies. This corresponds to the intergovernmental fiscal system. Central grants, particularly important financial instruments since the 1994 tax reform, have played an important role in controlling the actions and roles of local government officials, particularly regarding special grants and project governance.

In the 1980s and 1990s, local governments sometimes resorted to the method of exploiting peasants and businesses because local governments received political and economic rewards for raising local economic development indicators such as GDP growth, investment attraction, and increased tax collection without any consideration of the methods employed. In other words, although compensation for the economic growth of the developmental state was sufficient, there was a lack of discipline and punishment doled out to the local officials in the predatory state for their corruption and exploitation of others. As a result, the agitation and instability of the grassroots society increased in the 2000s, and social stability, the second goal after economic growth, began to be threatened.

(1) Idea Transformation and Socialization of Ideas through the Party School Network

In order to balance economic growth and social stability, the central government came up with the ideas of “Scientific Outlook on Development and Harmonious Society,” and attempted to change the local government to be a service-oriented government. This idea shift influenced the official cadre management system. First, the cadre management system began to use various social indicators- including social stability, environment and welfare-as a means of assessing the local government officials in tandem with economic

indicators such as GDP achievement and investment attraction.³

This idea shift at the center was socialized among local leaders. Analysis of the promotion factors of the municipal city leaders in Guangdong and Zhejiang provinces and the county party secretaries in Guangdong Province showed that the homophily index - including a joint home, a joint school and common regional work experience factors - were found to be the most powerful variables. In the case of the joint school factor, it was found that the network of the Central and Guangdong Party Schools affected the promotion of local officials through homophily.

In the party schools, local officials exchanged information about the innovation of the local administrative systems, and discourse and ideas of institutional innovation were socialized among them. This socialization has been related to the slogan and principle of political language. In addition, local officials have built a core network in the party schools to promote their career. Local leaders viewed themselves as a group with a common mission and socialized themselves into a community with common consciousness through learning and training in the party schools (Pieke, 2009).

For example, in the Guangdong party school, local officials learned many ideas related to having a scientific outlook on development and harmonious society, and were educated about having an “accurate outlook on achievement.” There were a lot of exchanges among local leaders in the school, and after they completed the courses in the party school and returned to their original work-places, these ideas were implemented and materialized as specific programs in the regions managed by the local leaders who attended the party school. In addition, local officials in the school shared cases of local public finance reforms, specific expenditure areas and items, and reflected directly on their financial budget system.⁴

³ In recent years, welfare and social policy-related indicators and contents began to be included in performance management system in China, see (Cai, 2015).

⁴ An interview with a professor in Guangdong party school, June 26, 2016.

In this way, the county local officials have been trained and have absorbed various ideas and institutional innovations necessary for the institutional building of their own local government from the center or other local leaders in the central and local party schools. Finally, only in the party schools were local officials able to secure a network of policy support by sharing the difficulties, problems and solutions encountered in the reform process; the party school, therefore, was a space in which local leaders could form a policy network through socialization.

(2) Public and Intergovernmental Fiscal System Building: Award instead of Subsidy and Special Grant Systems

In the intergovernmental fiscal system, financial pressure was imposed on the counties and the townships due to the 1994 tax reform and the abolishment of the agricultural tax in 2006. Various projects undertaken by the county and township level governments, particularly in the middle and west regions, relied heavily on the central and provincial financial grants. Reliance on upper-level grants eventually led to the promotion of policies and projects favored by central and provincial governments. In other words, in the 2000s and 2010s, the central government emphasized local governments' role of providing public service and underlined the concept of a public service-oriented fiscal system instead of an economic construction-centered fiscal system to expand the spending of social and welfare areas. In order to build public finances, the central government established an equalization grant and a material incentive of "award instead of subsidy." Therefore, the local government actively responded to the incentives designed by the central government, initiatively promoting nation building at the grassroots level such as constructing urban communities, strengthening the self-governance of villages, and constructing administrative service centers.

The reason that local governments were motivated to follow central preference

is that the central government transferred the grants to the county government in the form of conditional grants. This means that while the center had itself proposed the desired policy with special grants, county governments established the conditions for obtaining such grants. The entire grant can be provided to local governments only when they fulfill the matching funds and various performance indicators assigned by the center.

However, Tianjin, a centrally administered city, and Zhejiang and Guangdong provinces, which are mainly covered in this paper, have relatively low reliance on these grants and a high financial self-sufficiency rate. Thus, the county governments in these regions were not motivated to follow central preferences. Nevertheless, one of the main reasons for pursuing institutional innovation in the areas of social management and public service, which were preferred by the central government, is that county governments in these regions were sensitive to the pressures and demands of society because they depended on society and corporations in terms of tax revenues instead of grants from above. In other words, because the desired reforms and policies in society were these social management and public service policies, they actively promoted institutional innovation in these areas.

Another reason that county governments in these three cases have implemented programs favored by the center is that the general grants aimed at equalizing the local fiscal power have not been received much by these areas compared to the middle and western regions, but demand for special grants was as high in the case areas with strong financial power as in the fiscally poor regions. In other words, the county governments in these areas wanted to satisfy various local demands through special grants in spite of the high fiscal self-sufficiency rate but still higher demands for expenditure.

Local governments' autonomy does not disappear as local governments follow the preferences of the center and society. This is because local governments have secured fiscal capability through lease and borrowing through collectively owned lands and state-owned lands, and this financing was possible for local autonomous use. In other words,

the local government was able to cover the economic construction and administrative expenditure, which it preferred through such land financing.

And yet another condition for local autonomy is that policy instructions, including special grant policies that usually go down from the center, tend to be very general. Rather than specifically describing how a general policy or program should be implemented, it allowed considerable discretion for local adaptation and interpretation (Barnett, 1967: 74). The upper level governments intentionally transferred responsibility to the county and the township to develop the best solutions for themselves in order to solve wicked problems such as social welfare, education, infrastructure, hygiene, rural development, ecological sustainability and urbanization. (Schubert & Ahlers, 2012: 243).

As a result, the grant fiscal system only provides a general policy objective, including central ideas, not a concrete program, even if the central government put pressure on local governments as a way of adding conditions for special grants and evaluating them according to indicators. Local autonomy still exists in the sense that the higher-level government encourages the county government to develop its own action plans in accordance with local circumstances. Therefore, institutional innovations, which are part of the local state-building that the county government pursued in the 2000s and 2010s, are derived from the autonomy of local governments.

(3) Strengthening of Performance Evaluation and Vertical Mobility of Local Officials

There are negative views that performance evaluation brings about the manipulation of evaluation results, distortions, collusion among local officials, and the systematic response of local governments such as system-wide sabotage (Zhou et al., 2013; O'Brien and Li, 1999; Whiting, 2004; Zhou, 2009). However, there are also claims that performance evaluation is effective for the higher-level policy's enforcement (Burns & Wang,

2010; Landry, 2008; Edin, 2003a; Heberer & Senz; 2011; Heberer, & Trappel, 2013; Heimer, 2006; Zhu, 2014).

Performance management can be seen as a mechanism to maintain bureaucratic consistency or system stability as well as incentives and control systems to ensure strict policy enforcement (Smith, 2013). The evaluation system is effective in forming the behaviors of the local agents, but the disadvantage is that there are limitations in dealing with numerous national goals at the same time, especially when the goals are conflicting (Edin, 2003b: 51).

The extent to which performance evaluation or cadre management systems affect the career of local officials at the prefectural city and county level needs to be considered in relation to informal institutions, such as patron-client relationships, which still exist in these two echelons. In other words, the person with a personnel power in the patronage networks wants to fill in party-government positions at the prefectural and the county level with his own person, but this unofficial institution cannot aim to fill the positions with local officials who continue to do bad performance without regard to official evaluation system (Hillman, 2014: 110).

Therefore, it can be seen that the formal system of performance evaluation is adaptive, substitutive, or competitive rather than complementary to the informal system of patronage relations. The desire to select a person in clientelism reduces the efficiency of the formal system, but the stability of the system can be guaranteed because it does not officially ignore the rules of performance evaluation.

The analysis of the relationship between the performance evaluation results of prefectural cities and county level governments in Guangdong and Zhejiang provinces, and their leaderships' promotions shows that the results have a significantly positive effect on the promotion of the leaders in the municipalities and the county party secretaries in the Pearl River Delta in Guangdong Province. Therefore, since performance evaluation

and promotion are linked in these regions, leaderships in these regions are actively involved in government efficiency, voice and accountability governance reforms required for evaluation.

The analysis of the actual performance evaluation cases of the two provinces found that the performance evaluation system in the two regions was strengthened by expanding the evaluation area, subdividing more evaluation grades, expanding the evaluation subject, and increasing rewards for good evaluation and strengthening discipline and punishment mechanism for bad grades. Among the performance evaluation areas, there were many policies belonging to the society, culture, and education areas, as well as the government efficiency and the voice and responsibility governance areas. As a result, local officials in both regions have actively participated in institutional reforms such as organizational restructuring, administrative licensing reforms, and urban community construction.

Lastly, it can be seen from the vertical mobility of the prefectural-level cadres of two provinces and the county party secretaries in Guangdong Province that local leaderships in Guangzhou, Shenzhen, Foshan cities of the Pearl River Delta and Hangzhou and Ningbo, deputy provincial cities, have been promoted more than in other cities. In addition, with the policy support of Guangdong Province, the vertical mobility constraints and the glass ceiling for county party secretaries or county cadres were weakened and the political incentives strengthened. Thus, government efficiency and voice and accountability governance reforms favored by the upper-level and central governments have been implemented a lot in these regions in response to the strengthening of these political incentives. In other words, the officials worked hard in order to get ahead in their careers.

5) A Changing Role of Local Governments: Service-Oriented Government

In order to mitigate the tensions and contradictions that arise in state-society relationships, the center put emphasis on social stability as well as economic growth. To this end, the central government introduced special grants and projects governance in the fiscal system and performance evaluation and a public reprimand in the cadre management system. These institutional changes encouraged the developmental and entrepreneurial states and service-oriented government role of local officials and began to constrain the activities of predatory states. In response to these institutional constraints, local governments began to shift from focusing only on economic management to playing the multi-functional role of providing economic management, social management and public services. The central goal is to build a service-oriented government in local governments by strengthening social management and public service roles. The specific institutional innovations that the local government promoted to transform into a service-oriented government are government efficiency governance, such as government reorganization and administrative licensing reform, and voice and accountability governance, such as the construction of urban communities and rural grassroots self-governance innovations.

Thus, the transition to being a service-oriented government in the 2000s and 2010s is a combination of the center's idea transformation of the role of local state, and local institutional innovations. In order to encourage local institutional innovations, while the central government has used intergovernmental fiscal systems such as special grants and projects and performance management tools, local governments have faced such pressure from the center and promoted various institutional innovations.

On the other hand, service-oriented local governments intervened in society in the way that the developmental and the entrepreneurial states intervened in economy. For example, the developmental state has provided enterprises with financial support, land resources, information and connections, and established leadership small groups in order

to coordinate among the related departments for the development of TVE and private enterprises.⁵ Likewise, the service-oriented local government has mobilized fiscal revenues, information, and various resources for social governance and public services to support social organizations and lead the innovation policy by creating leadership small groups for coordination among relevant departments. In addition, performance evaluation, audit, and project-based resource allocation - which are the management tools used by the upper-level governments to the county governments in the developmental states - were replicated in the management of the grassroots and self-governing organizations by the county government. In this respect, path dependence exists in institutional changes between the developmental states and the service-oriented governments.

However, in the case of service-oriented government construction and social management, new attempts such as the practice of government purchasing services from social organizations, local government reorganization such as super-department reforms, and performance evaluations on social organizations are hard to explain only by historical institutionalism. Thus, through “discursive institutionalism,” how the ideas of the new public management and governance, and the reform ideas of central government such as “Scientific Outlook on Development,” “Harmonious Society,” and service-oriented governments have been transformed and materialized through mutual learning and imitation needs to be explained.⁶

We will also look at what kind of oppositions local leaderships faced in the process of implementing these ideas as policies in each region and how they have taken steps

⁵ The specific role and tools of the county governments in economic development refer to the following studies, (Oi 1999; Blecher & Shue, 1996; Blecher & Shue, 2001; Blecher, 2008; Whiting, 2001; Zhong, 2003; Walder, 1998, Schubert & Heberer, 2015, Ahlers et al., 2016, Ahlers & Schubert, 2015).

⁶ For a discussion of discursive institutionalism, see Schmidt's study (Schmidt, 2010).

to overcome this resistance. In other words, local leadership utilized the discourse of coordination and communication to break through the resistance of reform.

2. Institutional Change: Conjuncture of Ideas/Interests

Institutional change in China can be accounted for by institutional layering, by which new rules were added to the existing system, and there was little change in informal normative and cultural-cognitive elements that constitute a larger part of the system, while the formal and regulatory elements of the system may have changed.⁷ The institutional change of China has been continuing without a big political crisis after the Tiananmen Incident in 1989, so it can be regarded as endogenous institutional change.⁸

1) Inclusive and Extractive Institutions

The role of the developmental state can be achieved through an inclusive system that sustains economic growth and prosperity, while the role of the predatory state is carried out by an exploitative system. Inclusive political economic institutions lead to prosperity but extractive institutions do not. The inclusive economic system is a system that implements ownership, levels the playing field, and encourages investment in new technologies, while an exploitative economic system fails to protect ownership in a structure that exploits

⁷ Refer to the study for an explanation of institutional layering, see Andrews, 2013.

⁸ For a study of endogenous institutional change in China's economic reforms, see Tsai, 2006 and Nee & Opper, 2012. For a study of endogenous institutional change in administrative reform, see Yang, 2004. The types of endogenous institutional change are: displacement, layering, drift, and conversion. This change can be attributed to the nature of the political context (strong veto power, possible weak veto power) and the nature of the system to be changed (low autonomy and high autonomy in interpretation and enforcement of systems) (Streeck and Thelen, 2005: 18-30; Mahoney and Thelen, 2010: 14-31).

resources from many. This is a system that fails to provide incentives for economic activities. An inclusive political system is a system in which political power is widely distributed in a pluralistic manner, while maintaining a degree of political domination in order to establish law and order, secure ownership foundation, and inclusive market economy. On the other hand, exploitative political institutions concentrate power in a few hands, maintain and develop exploitative economic systems for their own interests, and consolidate political power by making use of the acquired resources (Acemoglu, & Robinson, 2012: 429-430).

What is important here is that we cannot classify all of China or county governments as either an inclusive political economy or an exploitative political economy. As the local government becomes a developmental state or a predatory state under certain conditions, inclusive institutions or extractive institutions will change according to the conditions. And at different times and in different regions, these two institutions can appear whenever conditions are formed.

Extractive economic systems can produce some degree of growth if they achieve minimum political centralization, but what is crucial is that growth in exploitative institutions is not sustainable for two reasons. First, sustainable economic growth requires innovations and innovations cannot be separated from creative destruction. Creative destruction also transforms old things into new ones in the economic sphere and destabilizes the vested power relations. Political elites who dominate the exploitation system will resist, because they fear creative destruction, and any growth will eventually end in the short term. Second, the political power of those who dominate the exploitation system to benefit from the sacrifices of the rest of society makes many other groups and individuals fight to get it. As a result, the society under exploitative institutions leads to political instability (Acemoglu, & Robinson, 2012: 430).

Therefore, institutional innovation and institutional changes in China have also caused social resistance if local governments had exploitation systems. In other words, if

an extractive institution causes instability of society and spreads into a large-scale protest incident, the local governments responsible for this unrest were to be punished or disciplined by the central government. Therefore, local governments have been changing an extractive institution into an inclusive one in order to avoid central discipline and punishment.

2) Institutional Conversion: Institutional Drift and Critical Juncture

(1) Limits of Historical Institutionalism

There is a vicious cycle in which extractive systems are sustained once they occur, and there is also a virtuous cycle of inclusive political economy systems. But these virtuous and vicious cycles are not absolute, but convertible. The factor that accounts for the conversion is historical but not historically determined, but a transition occurs as a result of the interaction between the existing system and the critical juncture. The differences in existing systems for each society are the result of changes in the past system. It is because of the institutional drift that the path of institutional change differs from society to society. Two similar societies are slowly institutionalized and conflicts persist over income, power, and institutions. These conflicts are not fair in the field of competition in which they occur, but they often produce accidental consequences. The outcome of this conflict leads to institutional drift, but it is not necessarily cumulative. It does not necessarily mean that the small changes that happen at any moment will surely get bigger over time. On the contrary, small changes occur, disappear again, and appear again (Acemoglu, & Robinson, 2012: 430-431).

But when this small change, which is the result of institutional drift, comes to a critical juncture, it plays an important role in the sudden divergence of societies that would otherwise be similar. History is the key. It is a historical process to create a change that

may result in a critical juncture through institutional change. The critical juncture itself is a historical turning point (Acemoglu, & Robinson, 2012: 431-432).

This explanation of historical institutionalism can account for the historical process of institutional change, but there is a limit to explaining why such change has occurred. In other words, when an institutional drift meets a critical juncture, historical institutionalism does not explain why the critical juncture has happened. Here enters an emerging variable, leadership, and core proxies of leadership are the reform ideas and discourses of central and local leadership. Only when the innovation ideas and discourses of central and local leaderships, with the help of professionals combined with the material incentives of fiscal and performance management institutions, the interests of local bureaus and departments that implemented institutional innovations coupled with societal interests, and the supply of ideas and discourses on institutional innovations of local leadership satisfy the societal demands of state-building at the grassroots level (conjunction of ideas / interests), does a critical juncture in combination with institutional drift result in institutional change.

(2) Explanations of Discursive Institutionalism

Therefore, the variables that have been neglected so far in explaining the political economic phenomenon in central and local China are ideas and discourse. However, in analyzing local governments in China, ideas are emerging as an increasingly important variable (Rithmire, 2014: 174-176). For example, when explaining the variations of IT industry investment and government-business relationship patterns of local governments such as Beijing, Shanghai, Guangzhou and Xi'an, it was found that not only the different material constraints faced by the policy makers in these cities can account for the variations, but also differences in symbolic and political value constraints can explain different pat-

terns (Segal, 2003: 48). In spite of similar geographical, institutional and endowed resource conditions in Guizhou and Yunnan provinces, the different policies of antipoverty are due to the different ideas on poverty among provincial leaders (Donaldson, 2011). Not only the local policy but also the central government's policy such as "the state advances, the private sector retreats" can be accounted for by the idea variable, because the interests-based explanation was not sufficient and the ideas and institutions provided the basis for interests' formation of the state sector and the effective expression of the state sector's interests (Eaton, 2015: 24).

However, although existing research on ideas of the Chinese local leaderships have succeeded in showing the importance of ideas and conjuncture of ideas/interests, but lacked an exploration of how they interact or related with each other. The result of the different combinations of these two variables can change the policy outcome. First, idea functions as a 'road map' in advance of interests. The roadmap helps individual actors to limit the scope of their strategy to clarify or use their goals, and in this case ideas determines interests. The weakness of this explanation, however, is that there is no exploration as to why a particular idea is chosen instead of another. Second, ideas play the role of 'focal points' following interests. Actors choose one of the alternatives that are equally acceptable, and ideas only handles the remaining of things that interests can explain. The weakness of this explanation is that it cannot explain the mechanism by which the particular ideas determined by interests is chosen. Third, idea is embedded in institutions. In this case, instead of ideas, the institutions actually play an important role for actors. Fourth, according to rational choice institutionalists, idea is the after-the-fact legitimation of actors' interest-based action or as a bait for the interests of the elite (Schmidt, 2010: 6-7). Finally, in discursive institutionalism, interests are not objective but subjective. It is the process of negotiation, competition, and consensus around ideas. The ideas persuaded by these discourses leads to institutional changes (Schmidt, 2010).

The nature of the ideas and discourse appearing in the institutional change of

China's local governments as follows. First, idea is not a conceptual competitor with interests but interdependent variables or cluster concept (Blyth 2002; Steinmo, 2003; Hay, 2011). “The power of ideas,” such as Keynesianism, always complements the interests-based rational agent model rather than having the explanatory power itself (Jacobsen, 1995: 285). In the same way, local leaderships’ ideas that come across in the nation building process at the grassroots in China sometimes show the power of ideas by actively forming departmental interests, but it is reasonable to say that these two concepts can be separated only by analysis and basically considered as one variable.⁹

Second, the power of ideas is more evident in the context of structured uncertainty. In other words, as the local governments in China underwent a rapid change in the political and economic structure from the planned economy to the market economy, interests and preferences of the actors became extremely complicated, and it was uncertain which policies would satisfy their interests.¹⁰ Under uncertainty, people's interests are organized and created by politicians (Bates & Krueger, 1993: 456). The larger and the more complex the problem is, the more difficult it is for people to understand a clear vision of their own interests, and the political entrepreneurs eventually define a clear vision that benefits them and present them to the people (Krugman, 1994: 6). This is why leadership intervention is so important in the China’s local state building process. In other words, in the uncertainty condition, the power of the ideas and discourse of the local leadership can play a crucial role in guiding other actors’ interests. Third, in the process of dealing with local problems and demands in different phases by central and local leadership, solutions have been made to various problems. As new logic has gradually become more and more

9 The argument that ideas and interests are one inseparable explanatory variable see Jacobsen's study (Jacobsen, 1995: 309).

10 For the assertion that the interests of actors are extremely complicated in uncertain situations, see the following study (Appel, 2000: 524).

accumulated over time, ideas are institutionalized by a process of ideational bricolage.¹¹

To summarize the discussion so far, the role of local government can be classified as a developmental state (regulatory state), an entrepreneurial state, a patronage, or a predatory state, and there are differences in the conditions under which each role of the state appears. First, the developmental states are highly autonomous and political economic system changes seem to be inclusive, but political institution might be more extractive or less pluralistic. State governance is effective, and the relationship between ideas and interests is a roadmap that limits the scope of strategies that actors can use to clarify or use their goals ahead of interests. And formal and informal institutions complement or accommodate each other.

Second, an entrepreneurial state has a lower degree of state autonomy than a developmental state does, with an inclusive political economy system and effective governance. The relationship between idea and interests is “focus,” that is, ideas follow the interests of informal institutions such as patronage networks. The relationship between the formal and the informal institutions is adaptive and the outcome of an effective formal system is modified by an informal system, resulting in ineffective outcomes, but the sustainability of the system is guaranteed because informal institutions cannot explicitly violate the rules of official ones.

Table. 1.1. Role of the Local States

	Developmental State	Entrepreneurial State	Patronage State	Predatory State
State Autonomy	High	Middle	Low	High
Institutional Change	Inclusive/Extractive	Inclusive	Extractive	Extractive
State of Governance	Effective	Effective	Deficits	Deficits
Ideas and Interests	Roadmap	Focus	Post hoc	Post hoc

¹¹ Refer to the following study for institutionalization by a process of ideational bricolage (Carstensen, 2011).

Informal and formal institutions	Complementing	Accommodating	Competing	Substitutive
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Third, a patronage state is low in state autonomy because state's power is captured by social forces. Institutional change frequently occurs in an exploitative way with governance deficits, and idea is just a post hoc justification of the interests-based actions. The relationship between formal and informal institutions is mutually competitive. Fourth, a predatory state with oppressive state power cannot be restricted by a society at all. Therefore, state autonomy is high and the state has an exploitative political economic system and governance deficits. The relationship between idea and interests is just like that of a patronage state, and *ex post facto* idea plays a role in rationalizing interests. The ineffective formal institution converges with the result of the ineffective informal system, and actors follow the rules of the latter instead of those of the former.

It is important to note that each role of the four state models is not able to be explained in just one case, but all the roles of local states can be applied to different periods or to various governance areas in a single case or region. And the role of the state can also be different according to the level of the local government. In addition, five modes or conditions of four local state models only show relative weight, and each local state model includes all the characteristics to some extent with various weights in each condition.

3. Local Variations of State-Building at the Grassroots Level

The regional differences were mainly raised as a problem in past historical heritage or construction process of central state, and in the analysis of the formation of the European state, local variations were regarded as being removed by the modern nation state which was centralized, bureaucratized and homogenized. In reality, however, the variations of local structures and activities continued or even increased despite the growth of the central

system (Remick, 2004: 7).

On the other hand, regional differences are important because they cause variations in state-society relations and affect central state capabilities. Existing research on state-society relations treats the relationship between them as the same, but it is diverse, as structures and activities of local state vary from region to region. In addition, existing studies do not disintegrate the state but merely present one state capability, but it is necessary to consider the different functional areas of the state and the different local capacity variations. In one policy area, the state is capable of implementing, but it may not be in other areas (Remick, 2004: 8-9).

If so, what regional differences exist in terms of the roles of the county governments and local state-building at the grassroots level? First, there are differences in the ability and autonomy of the county governments in Zhejiang and Guangdong provinces and Tianjin city. Zhejiang Province has implemented a series of reforms that strengthened the county's regional economy and a province-managing-county reform, so Zhejiang has the strongest state capacity and highest autonomy of county governments among the three regions. The autonomy of the society represented by the private economy and social capital is also high in Zhejiang. Zhejiang leaderships have traditionally advocated for a minimal role played by the state and less intervention in the economy. Social participation in state-building at the grassroots level which was promoted by local leaderships in Chixi county-level city and Haishu district governments in Ningbo, Zhejiang Province, has become more prominent than in the other two regions. Therefore, the state-building model of Zhejiang's county governments is social participatory-driven institutional building.

Table 1.2. Local Variations of State-Building at the Grassroots level

Case Areas	State-Building Model	Institutional Innovation Cases
Zhejiang	Social Participatory-Driven Model	Fuyang District's Special Commission Reform, Chixi City's Harmonious Promotion Communities, Haishu District's Home Elderly Service

Tianjin	County Governments' Competition-Driven Model	Nankai District's Time Constraint Licensing, Heping District's Purchasing Services from Intermediary Organization, Binhai New District's Establishment of Administrative Licensing Bureau
Guangdong	Social Pressure-Driven Model	Shunde's Super Department Reform and Constructing Administrative Service Center, Liwan District's Building Administrative Service Center, Nanshan District's Harmonious Community Building, Yantian District's Construction of Community Governance System

On the other hand, the county's state power and autonomy in Tianjin City are weak and low compared to the other two regions. Especially, the districts of Tianjin are vulnerable to the city's strict control and management compared to the other county-level cities or counties due to the characteristics of the upper-level centrally administered city. However, the county governments of Tianjin City competed with each other fiercely. For example, the time-limited administrative licensing of Heping district in Tianjin has not been imitated in the other districts of Tianjin, but rather in the county governments of other provinces, so it can be seen that the pressure of competition among the county-level governments with the same upper level is very strong. In other words, the districts of Tianjin have competed to win political achievement as pioneers of innovations by showing their own institutional-building to be different from those of the neighboring districts. Therefore, the state building of the Tianjin city's districts at the grassroots level is the county government competition-driven model.

Lastly, Guangdong is traditionally an open economy with a minimal government intervention and many foreign investments. In addition, the society of Guangdong Province has developed in the areas of private economies and social organizations. In the Shunde District of Guangdong Province, when the entrepreneurs raised complaints about the slow processing of administrative licenses, the district leaders actively promoted administrative licensing reform by accepting the demands of society. In addition, the construction of harmonious communities in Nanshan District in Shenzhen, Guangdong Province, was implemented by the local leadership when the influx of population from other

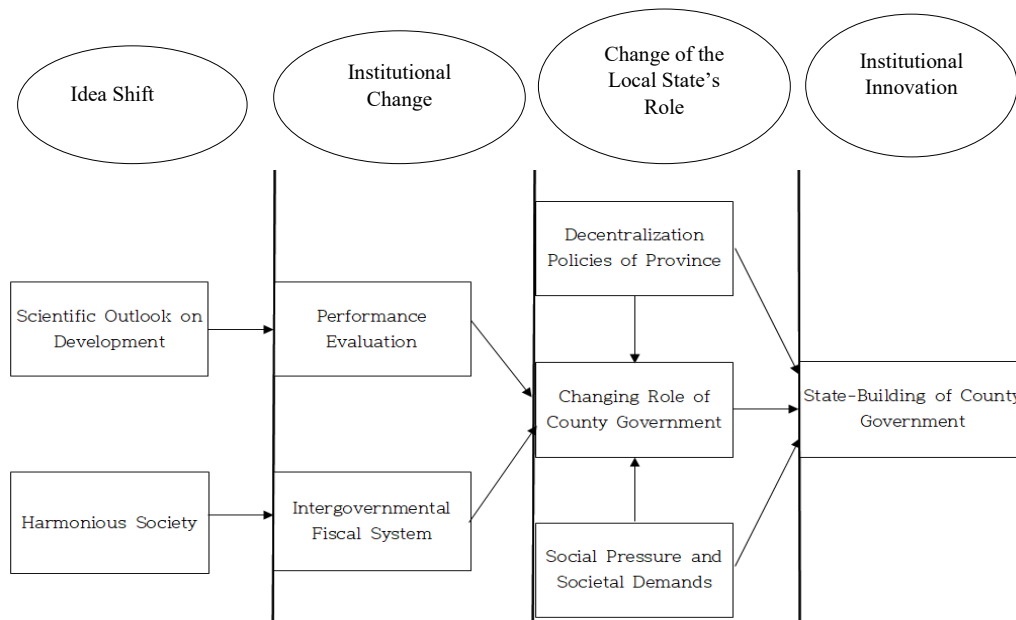
regions caused an outbreak of social insecurity problems. Therefore, the institutional innovation of Guangdong's county governments is a social pressure-driven model.

Why, then, did the variations of these state-building models in the three regions occur? The difference in the intergovernmental fiscal structure of the three areas resulted in a variation of the institutional innovations. In the cases of Zhejiang and Guangdong provinces, the proportion of central or upper-level grants in total tax revenues is low and financial self-sufficiency is high. This suggests that the two local states are more dependent on the financial resources coming from society or business than the central and higher-level grants, which makes them more sensitive to societal demands. Therefore, in the case of Zhejiang Province, the financial self-sufficiency rate is the highest among the three regions and the dependency rate on the grant is the lowest, so the county governments in Zhejiang mobilized the active participation of society to build various institutions at the grassroots level. In the case of Guangdong Province, the financial self-sufficiency rate was lower than that in Zhejiang Province, so it responded passively to societal demands and pressures. On the other hand, Tianjin's fiscal income structure has the highest reliance on grants and the lowest financial self-sufficiency among the three regions. Therefore, the county governments in Tianjin were more responsible and responsive to upper levels than to society. As a result, the leaderships in Tianjin's districts had strong incentives to be well-recognized by the city and to get ahead so that grassroots state-building could occur through competition among the districts.

In sum, the factors that affected the changing role of the county governments are as follows. The first one is a change of ideas. The idea of having a scientific outlook on development and the role of the state, and an idea shift to public finance affected performance evaluation and intergovernmental fiscal systems, respectively. Changes in these institutions had an impact on the selection of county governments' roles, for example, developmental, entrepreneurial, patronage, predatory, regulatory, and service-oriented government roles. In other words, if performance evaluation and the formal system of

grants and projects through idea change have a strong binding force on the incentives and actions of county government officials, and if they have a complementary or adaptive relationship with informal institutions such as patronage networks, there is a high likelihood that a local state at the county level will become developmental, entrepreneurial, or service-oriented. However, if these institutions are ineffective and official institutions have a substitutive or competing relationship with unofficial institutions, there is a high possibility that patronage and predatory states will appear.

Figure. 1.2. Explaining Changing Roles and Institutional Innovations of the County Government



Decentralization policies of the provincial governments and the pressures and demands of the society not only lead to change of the county government role but also affect institutional innovations in the areas of social management and public service. In other words, the Shunde District of Guangdong Province, where many decentralization policies of the provincial government such as the province-managing-county reform have

been implemented, is likely to become developmental, entrepreneurial, and service-oriented through the strengthening of the capacity and autonomy of the county governments. At the same time, it is highly likely that these three state roles appeared in areas where social pressure and demand are strong, such as in Guangdong Province. In the case of Tianjin, although there were few decentralization policies in districts and societal pressure and demand was not as strong as in Guangdong and Zhejiang, these three state roles emerged due mainly to the competition among the county-level governments of Tianjin City.

The “ideas” of central and local leaderships, the “interests” of local officials and bureaus, and fiscal and cadre management “institutions” are the mechanisms by which the central state power penetrates into the local, especially at the county level and at levels below it. The places in which ideas and interests are shared and socialized are the party school networks, which is homophily among local leaders. In other words, important reform and innovation ideas that influence local leaderships in three case regions are exchanged and socialized through the party school networks.

Finally, institutional innovations of local governments can be regarded as a mechanism, by which state power penetrates from the county, all the way down to the village, and a state-building and institutional-building processes at the grassroots level. In other words, the county governments have actively responded to the conjuncture of material incentives (interests) of “awards instead of subsidies,” the project governance of special grants designed by the center and “public” fiscal system (ideas), and political incentives (interests) and the performance evaluation of the cadre management system that reflect a scientific outlook on development (ideas) to be very involved in the government efficiency and voice and accountability governance reforms favored by the center and society. The most representative policies of government efficiency were the super-department reform of government organizational restructuring and a construction of the administrative service center; typical examples of voice and accountability governance reforms

were the construction of urban communities, grid management and rural self-governance institutions.

4. Research Method and Outline

This paper was carried out in two ways, quantitative and qualitative methods. First, the quantitative method is analyzed by using the multi-level model in the promotion factors of the prefectural cities' leaders in Guangdong and Zhejiang provinces and the county party secretaries in Guangdong province. Therefore, the main analytical unit of this paper is the county level, but since the unit that can be compared with were needed, the prefectural level unit was added in the statistical analysis. Another reason for adding the prefectural city as an analytical unit is that the state power penetrates through financial grants and performance evaluations from the city to the county governments. Therefore, the mobility and performance evaluation of upper-level city leaders may affect the governance of the county governments.

The qualitative analysis methods this paper relies on are case studies and interviews. The reason for choosing the county level governments in Tianjin, Guangdong, and Zhejiang provinces is that the county governments of Zhejiang and Guangdong provinces are not only the areas where performance management system operates well, but also the regions where various institutional innovations were implemented. And the district governments of Tianjin were also the most successful area of building administrative service center. Therefore, the case selection method of this paper is basically the intentional case selection.

Interviews in Tianjin, Guangdong, and Zhejiang provinces were conducted from August 2014 to June 2017 occasionally. In particular, field surveys in Tianjin were intermittently performed from August 2014 to August 2015 with grants both from the Confucius Institute of the Chinese government and from the Office of International Affairs at

the Seoul National University, under the direction of Professor Zhu Guanglei of Nankai University in Tianjin City. The fieldwork of Guangdong province was conducted from June 12, 2016 to June 21, 2016, during and after the Advanced Research Training Workshop, which was the collaboration program between the Harvard-Yenching Institute and School of Government, Sun Yat-sen University with a help from the professors of the Sun Yat-sen University and the Guangdong party school. Lastly, the field research of Zhejiang was occasionally performed from 2014 to 2017 by the aid of a researcher at the Zhejiang Development Research Center.

The data required for quantitative analysis and qualitative analysis were collected and analyzed through purchasing or lending in the course of conducting field researches, such as various official documents, Chinese journals, press reports, statistical yearbooks and academic papers. In particular, what is rewarding at the moment in research on the Chinese politics or local governance is that various academic databases are being created in China. For example, CNKI (<http://cnki.net>) was used to search for Chinese scholarly materials, and Beijing University Law Database (<http://www.pkulaw.cn>), National Bureau of Statistics (<http://data.stats.gov.cn/index.htm>) and other databases were used to search official party-state documents and financial and economic data of the case areas.

Chapter 2: The Impact of Intergovernmental Fiscal Relations on Local Governance

This chapter will focus on how the role of local governments has changed through the reforms of local government finance system. Especially, in the institutional change, the central leadership's ideas on public finance and harmonious society had an important influence. In addition, county governments' extractive capacity became strong thanks to the land related tax collection, and in the process of the central ideas being embodied at the local level, expenditures in society, culture, and education areas have expanded. As a result, government officials in counties put more financial resources and efforts in these policy areas. In particular, the construction of urban and rural communities to be discussed in Chapter 4 is directly related to such expenditure areas.

Another reason why local officials have worked hard in these areas is that material incentives designed by the center have been combined with the central ideas. In other words, through "the awards instead of subsidies" mechanism, local officials were motivated to work harder in the areas. Finally, central grants, which became another axis of local finance system to replace the extra-budget funds in 2011, played an important role in forming incentives for local bureaucrats. Among the institutional innovations the chapter four will explain, there are general grants related to the institutional building for village self-governance, and special grants included expenditures related to the construction of community. Through these grants, the center sent down the policy programs in its preferred areas to the local, and local bureaucrats worked harder in these areas to obtain grants, and gain performance recognition from the upper-level in the performance evaluation to earn prize money and political promotion.

Therefore, what is emphasized in this chapter is the combination of central leadership ideas and the material incentives designed by the center, resulting in a change in the fiscal institution, and this institutional change creates incentives for local officials,

resulting in a change of local government role.

1. Harmonious Society and its Fiscal Policy Tools

In 1998, the center proposed that the financial system should shift from the traditional “economic construction -oriented finance” to “public service -oriented finance,” and the focus of public expenditure of the government gradually shifted from past economic construction expenditure to public service expenditure such as education, health and hygiene and social welfare. However, this transition was difficult to realize for a variety of reasons. In other words, from 1998 to 2005, the national expenditure ratio of education, science, health and sanitation, etc. declined rather. The reason for this difficulty is that there had been a conflict between the incentive structure of the local governments and the center’s ideas about the local fiscal institutions, since public finance was largely dependent on local governments’ participation (Zhou Li’an, 2008: 118).

Therefore, we will examine the process of construction of public finance at the county and levels below it through the ideas’ transformation, the change of local extraction capacity, the structure of fiscal expenditure and central grants to the county level governments and take a look at the transition process from economic construction -oriented to public service -oriented fiscal system specifically at the county level in the 2000s and 2010s.

1) Idea Transformation of the Public Finance System: Economic Construction to Public Service Provision

Since the founding of Socialist China, the public financial system has undergone many reforms, but the topic has always been to solve the problems related to the creation and distribution of tax revenues among the local governments. That is, how to give incentives

to lower-level governments to expand revenue resources and to save spending, while securing tax revenues of higher-level governments. The arrangement of the fiscal system was also related to the transfer of administrative tasks by upper-level governments to lower governments and the accompanying supervision by the former.

In the late 1990s, the idea's transition from economic construction-oriented finance to public service provision-oriented finance system was raised at the central level, and public service driven finances were the means by which citizens enjoyed equal rights to public services, emphasized fiscal system's public service provision capabilities at the local level. In the past, public finance was mainly concerned with the incentives of local agents to collect tax revenues, and financial incentives were strengthened through various types of contracts between upper and lower level governments. This model needed to be transformed into public service-driven financing in which public service satisfies people's preferences and demands (Zhou Li'an, 2008: 155). In other words, while the economic construction-driven public financial idea in China focused on economic growth-oriented budgeting, the public service -driven idea focused mainly on the strengthening of public service capabilities of local governments specifically at the county level.

The reforms of public fiscal management, which began in 1999, was the introduction of a broad reform package by the center for three to four years. For example, this included budget preparation, budget classification, financial management, government procurement, and the establishment of new financial information systems (Wong, 2005). And strengthening the department budget was to clarify expenditure items and responsibilities of each bureau in the use of public finance (Wong, 2016: 2-3).

The public financial ideas at the local level became more concrete in 2003, since Hu Jintao and Wen Jiabao promised to increase public spending on service improvement and to expand the spending to overcome the shortage of services specifically in rural areas. Under the "harmonious society" introduced in the 4th plenum of the 16th Party Congress in 2004, the central government began to inject financial resources into social safety nets

and to improve social service provision including rural areas (Wong, 2010). In other words, public finance idea has been more powerful in combination with the idea of harmonious society. In addition, the material incentives designed by the center have further strengthened the effect of these ideas. That is, the incentive for awarding prize money was introduced to increase the welfare expenditure. As a performance management system and incentives of awarding prizes for increased public service spending were in place, local governments gradually began to switch from economic construction to public service driven fiscal system.

Although the idea of public service -oriented fiscal system was presented at the end of the 1990s by the center, the idea was not realized immediately because of the local resistance and unmet conditions. In particular, the central reason for this not being applied at the local level in the first place is that the fiscal relations between the center and local have not been properly coordinated. Until now, there has been an insufficient coordination between the local administration expenditures including public security, judicial, prosecution items, and the social spending including education, public health, medical care, social security, social relief, and agriculture, forestry, irrigation expenditure items, so almost all the social expenditures have always been under the responsibility of the local governments (Zhou Li'an, 2008: 165).

To iron out such difficulties, the State Council issued “A Guidance Opinion on Implementing the Reform of Classifying the Expenditure Authorities and Responsibilities between the Central and Local Governments (hereafter Opinion)” in August 2016, and asked for further classification of each function of the central and local governments.¹² This “Opinion” emphasizes that the distinction between central and local government expenditure authority and responsibility is an important part of the construction of the modern fiscal system as a precondition for the government to effectively provide

¹² The State Council, August 16, 2016, GuoFa [2016] No. 49, http://www.gov.cn/zhengce/content/2016-08/24/content_5101963.htm (Accessed August 25, 2016).

basic public services.

This reform was driven in the situation of the absence of financial instruments to redistribute wealth and the rise in income inequality among local governments in China. Financial distortions were also responsible for the large number of debts that local governments relied on shadow financing to provide local development funds. Since the most stable fiscal income has been centralized since the Tax Sharing Reform in 1994, it was necessary to adjust the central budget to cover more spending responsibilities in order to avoid the constant increase in local government debt. According to the former Finance Minister, Lou Jiwei, the local government was responsible for about 73% of the public spending (South China Morning Post, Aug. 28, 2016).

As a result, although the central fiscal idea has shifted from economic construction to public service provision, the fact that this idea's transition has not been realized at the local level is due to the fact that the scope of fiscal expenditure between the center and the local government has not been clarified and established, local governments were responsible for too much public spending, and fiscal inequality of local governments has been rising. Nevertheless, the financial structure of local governments has been gradually shifting toward the public service provision and service-oriented government idea as education and social welfare expenditures began to increase. Next let's take a look at how extractive capabilities needed to be transformed into public service provision -oriented fiscal system differ by provinces and the case areas.

2) Extractive Capacity of Local Government: Land Financing and Urbanization

If idea's transition is mainly to transform the role of local governments through the fiscal spending in public services, analysis on the extractive capability of local governments is about explaining the changes in the local government's financial income structure in the

process of raising funds for such expenditures. In particular, land-related financial revenues play an increasingly central role in the local government's fiscal revenue structure.

From 1993 to 2010, the growth rate of county-level government revenues among local governments exceeded that of the national revenues most of the year. In particular, the average annual growth rate of the county government revenue in 1994-2010 was 19.6%, which was ahead of the national average annual growth rate of 19.04%. The share of county government revenue in the national revenue also rose from about 10% in 1994 to about 16% in 2010. In addition, the share of county revenue in national GDP has more than tripled from 1% in 1994 to 3% in 2010. What this means is that the extraction capacity of the county government, represented by the growth ratio of its revenues, has increased overall during the period.

Table 2.1. National County Government Revenue

Year	National Revenue (a hundred million yuan)	Growth Rates(%)	Percentage of National Revenue in GDP	County Government Revenue(a hundred million yuan)	Growth Rates(%)	Percentage of County Government Revenue in National Revenue	Percentage of County Government Revenue in GDP
1993	4,348.95	24.8	12.31	804.56	-	18.50	2.28
1994	5,218.10	20.0	10.83	529	-34.25	10.14	1.10
1995	6,242.20	19.6	10.27	692.88	30.98	11.10	1.14
1996	7,407.99	18.7	10.41	859.72	24.08	11.61	1.21
1997	8,651.14	16.8	10.95	962.98	12.01	11.13	1.22
1998	9,875.95	14.2	11.70	1,130.49	17.39	11.45	1.34
1999	11,444.08	15.9	12.76	1,456.17	28.81	12.72	1.62
2000	13,395.23	17.0	13.50	1,609.78	10.55	12.02	1.62
2001	16,386.04	22.3	14.94	1,979.48	22.97	12.08	1.81
2002	18,903.64	15.4	15.71	2,077.25	4.94	10.99	1.73
2003	21,715.25	14.87	15.99	2,501.50	20.42	11.52	1.84
2004	26,396.47	21.56	16.51	3,120.70	24.75	11.82	1.95
2005	31,649.29	19.90	17.11	4,212.06	34.97	13.31	2.30
2006	38,760.20	22.5	17.92	5,359	27.23	13.83	2.48
2007	51,321.78	32.4	19.31	7,291	36.05	14.21	2.74
2008	61,330.35	19.5	19.53	9,020	23.71	14.71	2.87
2009	68,518.30	11.7	20.10	10,781	19.52	15.73	3.16
2010	83,101.51	21.3	20.71	13,939	29.29	16.77	3.47

*Source: Chinese Statistical Yearbook, Chinese Finance Statistical Yearbook,

Local Finance Statistical Data, various years

More recent data show that in 2012, local government revenue was about total 6.1 trillion yuan, of which provincial revenue was about 1.2 trillion yuan, 21%, prefectural city's revenues was 1.8 trillion yuan, 31%, that of the county government accounted for 36.5%, 2.2 trillion yuan, and that of the township government reached about 700 billion yuan, accounting for 11.5%. According to the major revenue items of local government, there were 18.9% of provincial VAT revenue, with 32.6% of VAT revenue for the prefectural city, and 48.5% for the county. Provincial revenue of business tax accounted for 26.6%, with 27.7% for the municipal city and 45.7% for the county. There were 34.2% of provincial enterprise income tax, with 30.2% of the municipal city and 35.6% of the county revenue. Finally, 33.9% of the individual income tax went to the province, that of 29.2% went to the municipal city, and that of 39.9% went to the county (Ministry of Finance of the People's Republic of China, 2013: 134).

In the ratio of main tax revenue items in 2012, it can be seen that the county-level extractive capability is the strongest compared with other levels of local government. In addition, in the fiscal expenditure, the county occupied almost half of the local expenditure and played the most important role in the local government finances. In particular, the county government has the highest ability to extract value added tax, business tax, enterprise income tax, and individual income tax, which are the main taxes of local government.

Nonetheless, the county's budget deficit was also the highest due to the excessive fiscal spending. The total budget deficit for the county was 2.818 trillion yuan in 2012. Looking more closely at the county budget deficit, in 2012 the number of the counties with a fiscal deficit was 245 and it decreased by 40 from 2011. Of these, 42 in the eastern region, 60 in the central region, and 143 in the western region, the western region had the most. There were 47 deficit counties in Shaanxi province with the most, and none of the 13 provinces such as Beijing, Tianjin, Jilin, Shanghai, Jiangsu, Shandong, Hubei, Hunan,

Guangdong, Hainan, Tibet, Chongqing and Ningxia had a county with deficit (Ministry of Finance, 2013: 134-135).¹³

On the other hand, the fiscal structure of county in China has undergone complex changes and is composed of budget, Extra-Budgetary Funds (EBF), and Extra-System Funds (ESF). A recent reform that had a relatively large impact on the county budget structure was an abolition of the extra-budgetary funds. In 2010, the Ministry of Finance announced “Notice on the Payment of Extra-Budgetary Funds(EBF) into the Budget,” and from 2011, the education fee collection was required to be transferred into the special fiscal accounts of local governments, with all the EBFs putting into the budgetary funds, (Lou Jiwei, 2013: 122).

In order to compensate for the reduced fiscal power due to the abolition of EBF, local governments became dependent on other financial resources such as lease and debt. The lease revenue is the land rental income obtained by the local government transferring use rights of the state owned land such as the land use right’s transfer income. Local debt is reimbursed income such as bank loans, corporate bonds, and municipal bonds issued by the Local Government Financing Vehicles (LGFV), which are collateralized by state-owned land transfer revenues. In addition, local governments have absorbed social funds by the LGFV’s participating in the stake through equity-type financing and controlling their ownership. In recent years, public-private partnerships (PPP) method was used to secure funds (Guo Yuanqing, 2015: 112).

In addition to the EBF that was abolished in 2011, ESF, which is another axis of the county budget system, depended on the burden of farmers, land-related development and land transfer income. And these funds are used not only for economic construction, but also for social security, social welfare for public officials, and so on. After the 2000 rural “Tax for Fee” reform, the center canceled the unreasonable burden on the farmers

¹³ In particular, studies showing that fiscal deficits have become more serious since the tax for fee reform in 2002 and the abolition of agricultural taxes in 2006, see Yep, 2004 and Kennedy, 2013.

and strictly supervised them. Therefore, some of the ESF that depended on farmers' burden have almost disappeared.

On the other hand, after the 1994 Tax Sharing reform, the land transfer fee was no longer paid to the central government and was fully owned by local government. In addition, the collection of land related expenses and land transfer income did not go into the budget. At the same time, land transfer, real estate development, and attracting investment by cheap land transfer has promoted local economic expansion and increased the tax base within the budget. As a result, land development and transfer income became the main source of ESF of the county government revenues, and the collection of land-related tax became a major route to improve the financial situation of local governments at all levels (Tao Yuan, 2014: 147).

Among budget income, Extra-Budgetary Funds (EBF), and Extra-System Funds (ESF), which were the three pillars of the county government's extractive capacity, EBF was included in the budget income, and budget income and ESF became the most dependent resources of county government. And now instead of EBF, the central grants to the county have replaced EBF and formed another pillar of county's fiscal resources. In particular, among the budget income and ESF, most of the tax revenue related to the land can be spent by county government itself without transferring to or sharing with the upper-level. As a result, a county government changed the strategy from locating fiscal resources through managing companies to securing financial revenues through managing land and urbanization.

(1) Land -related Government Revenue: Managing Enterprises to Managing Urbanization

Local governments lacked the financial resources needed to provide infrastructure and public services in the 1980s and 1990s as they pursued urbanization. However, as rapid

urbanization raised land prices, land has become the largest financial resource of local governments. Such land financing provided collateral resources through the establishment of investment corporations to local governments that cannot directly borrow (Wong, 2016: 5-6). On the other hand, land financing was used not only to build infrastructure for urbanization but also to supplement the ever-growing fiscal deficits of local governments, especially county governments, and to provide financial bases for institutional innovations and infrastructure building in the governance areas to be analyzed in the Chapter 4.

At present, land ownership in China includes collective and state ownerships. All the urban land in China is state-owned, and rural land belongs to the rural collective. Land acquisition is a kind of measure by which rural land owned by a collective is transferred to a state owned land in accordance with the conditions and procedures prescribed by law. If local governments wanted to use the original collective land during the construction of the city, they changed the original property right of the collective land through land acquisition. First, after converting the collective land into the state-owned land, the land was transferred to the land user in the forms of paid transfers, administrative allocation or lease in the land market. The process of transition from a rural collective land to a city state owned land was normally led by the local government. Since 2002, the right to transfer farm land has been attributed to the contractor (farm), not the owner (collective). The price of the transfer rights was determined by the relevant parties, and the revenue of the transfer rights became the contractor's income. Land acquisition was an important way for local governments to acquire rural resources based on the legal forms such as “the 1998 Land Management Act (Zhou Feizhou, 2012: 208).”

Local governments, in particular, needed to borrow money because of lack of financial resources in the budget. Therefore, the resource with the strongest repayment ability was lease income derived from the land. With the rapid promotion of urbanization, industries continued to be concentrated, and the urban land scarcity has been strengthened as capital and population continued to be converged in cities. As a result, land prices rose

rapidly. Because of a fairly high degree of discretion of land transfer income, local governments actively implemented farmland acquisition and city demolition by relying on the rapid promotion of urbanization and the rise of land price caused by high population density, and they transferred land through bid invitation, auction and registration, covering the fiscal deficit caused by overinvestment in basic infrastructure construction (Guo Yuqing, 2015: 97).

Local governments did not have the ability to satisfy a budget deficit in the basic construction investment of urbanization solely by funding a certain percentage of disposable land transfer revenues in areas such as agricultural development, education and social insurance. This led local governments to seek new sources of funding. A new source was a borrowing secured on land lease revenue as leverage. Depending on this borrowing, local governments could continue to expand disposable extractive capacity, and the circle of “land acquisition and registration transfer → acquisition of revenue from land borrowing approval → with a land income to provide borrowing collateral → depending on the LGFV to raise a secret loan → putting a fund into an urban construction → promoting increase in urban land asset value → land acquisition and registration transfer” was formed. If the local government’s land income declines, its debt repayment ability also falls, and furthermore, the amount of leverage financing borrowed by banks and citizens decreases, so local governments try harder to raise the land related funds (Guo Yuqing, 2015: 97).

The center emphasized the protection of the 1.8 billion *mu* red line and appropriately controlled the price of construction land by allocating the certain construction land indicators to local governments every year. But land development inevitably resulted in collusion of power and capital. For example, in the early stage of acquiring agricultural land as a construction land, the price of one-*mu* land in the relatively developed area was ten thousand *yuan*, and the price that the local government transferred to property devel-

opers after the construction of infrastructure had a price difference of over a hundred thousand *yuan*. The market price after completing construction by property developers may be over one million *yuan*. Thus, the income generated from the price difference between the land acquisition price and the land transfer price became the largest tax revenue in the EBF (Huang Zongzhi, et al., 2014: 153). This land fiscalization was a mutual consensus and benefits for local governments to expand their financial revenues and for property developers to seek excessive profits in the development phase (Huang Zongzhi, et al., 2014: 156).

On the other hand, this mutual collusion can be a hotbed of corruption if it goes wrong, and it may cause social unrest such as collective letters and visits or street demonstrations if the compensation for the villagers is not provided enough in the process of land acquisition. Since 2002, the income tax has been shifted to the shared revenue between the center and the local governments and recently, the business tax, which was a big part of the county level finance, also began to come under the value-added tax, the shared revenue. Therefore, county government's tax collection incentive for various land-related extra-system incomes and land mortgage which are more at their disposal, is strengthened.

(2) Trilateral Model of Land Financing: Direct Tax, Indirect Tax, Land-related Fee Collection

The development of land financing began with the centralization of fiscal revenue in 1994 and the benefits gained by local governments through economic growth were supposed to be transferred to upper levels or the center. However, land transfer fees were beginning to be included in the local extra-budget funds. Thus, the land was subject to competing leases, not administrative distribution, and was allowed to exchange land for capital by local governments. The central government thus wanted to create an efficient market-based

land-use environment and at the same time to centralize extractive capacity. Therefore, in the 1990s and 2000s, local governments began to rely more on land income (Rithmire, 2015: 57).

Land income is related to land acquisition and transfer revenues that the government acquired in the form of taxation, fee collection or management. There are three types of land incomes: direct land tax, indirect land tax related to land acquisition and real estate business, and fee collection by land administration -related departments, and the land transfer income which is collected by local finance bureaus.

① Direct Land Tax

Direct land taxation includes the city and town land use tax, the land value-added tax, the arable land occupation and use tax, and real estate acquisition tax levied by local fiscal bureaus. City and town land use tax is a tax levied differently according to the sizes of cities such as large, middle or small towns, and these cities include areas of county cities, towns, and mining and manufacturing industries, but it does not include rural collective owned lands. Land value added tax is a tax -adjustment -measure that regulates land value added income in order to standardize the land and real estate transaction order. Its main purpose is to restrain the irrational acts of the property development and excessive transfer incomes. Compared with the city and town land use tax, land value added tax can reflect the value of land. Arable land use tax is collected according to the area of arable lands for occupation and use where housing is built and land is transferred to other non-agricultural construction enterprises and individuals. Finally, deed tax is a tax that is levied on the sale or transfer of land use rights or the sale of real estate where the ownership transfer of land and real estate occurs.¹⁴

¹⁴ Among the direct land tax revenues, City and town land use tax and real estate acquisition tax have the local autonomy to select tax rate within a certain range (Ahmad, 2008: 112-113).

First, let's take a look at the direct land taxation of each administrative unit of Chinese local government. The table below shows the amount of direct land tax revenue from province to township and the share of the direct land income in total local revenues in 2007 and 2009. According to the total amount, among the four level governments, the local government with the largest portion of the direct land tax in 2009 was the county level. In other words, the direct land tax revenue of the county rose from about 77.3 billion yuan in 2007 to about 159.4 billion yuan in 2009, which accounted for 40% of total local direct land tax revenues with an increase from the share of 36% in 2007. The proportion of land tax revenue in the total tax revenue at the county level increased from about 10% in 2007 to about 14% in 2009. Recently, it is shown that while the business tax, which was most dependent on by the county government, has been shifting to the shared value added tax with declined importance, the direct land tax is getting more important.

Table. 2.2. Each Local Government Level's Direct Land Tax Revenue
(unit: a hundred million *yuan*)

Tax Revenues	Local Level	2007	2009
Arable Land Occupation and Use Tax	Province	5.21(3, 0.1)	25.17(4, 0.3)
	Municipality	28.28(15, 0.4)	121.43(19, 1.1)
	County	106.32(58, 1.5)	364.19(58, 3.4)
	Township	45.23(24, 1.9)	122.28(19, 3.5)
Real Estate Acquisition Tax	Province	119.38(10, 2)	158.54(9, 0.02)
	Municipality	630.37(52, 7.9)	833.74(48, 7.8)
	County	359.86(30, 4.9)	587.38(34, 5.5)
	Township	96.64(8, 4.1)	155.38(9, 8.9)
City and Town Land Use Tax	Province	28.43(7, 0.5)	62.53(7, 0.8)
	Municipality	115.64(30, 1.5)	270.69(29, 2.5)
	County	152.09(40, 2.1)	374.37(41, 3.5)
	Township	89.33(23, 3.8)	213.39(23, 6.1)
Land Value Added Tax	Province	38.68(10, 0.6)	85.63(12, 1.1)
	Municipality	159.34(40, 2)	269.12(37, 2.5)
	County	154.93(38, 2.1)	268.73(37, 2.5)
	Township	50.15(12, 2.1)	96.09(14, 2.7)
Total Direct Land Tax	Province	191.7(9, 3.2)	331.87(8, 2.2)
	Municipality	933.6(43, 11.8)	1,494.98(37, 13.9)

	County	773.2(36, 10.6)	1,594.67(40, 14.9)
	Township	281.4(12, 11.9)	587.14(15, 21.2)

*Left in parenthesis: each level's proportion in all levels' direct land tax; Right in parenthesis: each level's shares of direct land tax in each level's all the government revenues
*Source: 2007, 2009 Local Fiscal Statistical Data

In particular, the share of the arable land occupation and use tax, and the city and town land use tax in the county were 58% and 40%, respectively, which accounted for a larger proportion than other local levels. This can be regarded as an increase in the tax revenue due to the increase in the taxation on the land used for the conversion of existing agricultural land into housing complex or industrial complex caused by the urbanization from rural counties to city districts or county level cities. In terms of the amount, real estate acquisition tax was the largest at 58.7 billion yuan in 2009. This reflects the fact that as the urbanization accelerates, the sale of real estate, as well as the sale or transfer of state-owned land use rights began to increase.

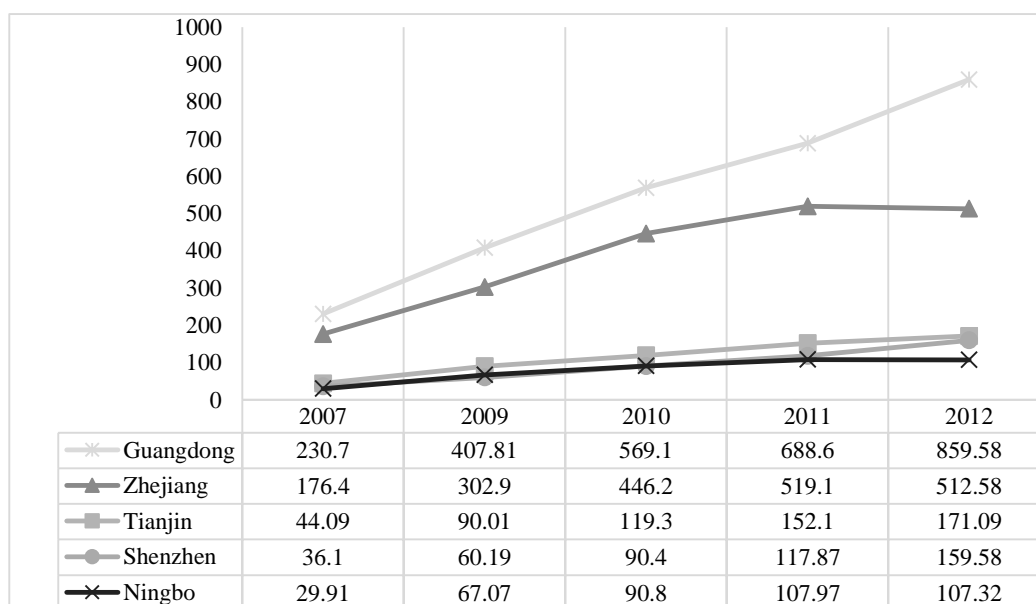
In addition to the county level, the proportion of municipal land-based direct tax revenue was also high. Especially, the land value added tax of the city was the largest among the local units due to the high added value of the urban land, and the acquisition tax was also the most because of the brisk real estate trades. In addition to the city, it should be noted that the proportion of total direct land tax was lowest in the township as low as that of the province, but the proportion of land direct tax became the highest in the township unit's total tax revenue with an increase from 11% in 2007 to 21% in 2009 among all the local units. This indicates that the township was increasingly dependent on the extraction of direct land tax from the conversion of agricultural land into non-agricultural land to secure township's administration maintenance cost and expense.¹⁵

Compared with the direct land tax revenue of the three regions of Tianjin city,

¹⁵ One study shows that after the tax for fee reform in 2002 and the abolition of the agricultural tax in 2006, the township government shifted a strategy from a predatory taxation to survival through land leasing and trading as a new financial income resource (Takeuchi 2013).

Zhejiang and Guangdong provinces, Guangdong province accounted for about 10%, 85.9 billion yuan of the total local direct land tax revenue in 2012, Zhejiang's total direct land tax has grown from about 17.6 billion yuan in 2007 to about 51.2 billion yuan in 2012, but the proportion in the total local direct land tax revenue was only about 6% in both years. With Tianjin's 1.9% in 2012 from about 4.4 billion yuan in 2007 to 17.1 billion yuan in 2012, those of Shenzhen City and Ningbo City were about 16 billion yuan and about 10.7 billion yuan in 2012 respectively.

Figure. 2.1. Total Direct Land Tax by the Case Regions (unit: a hundred million yuan)

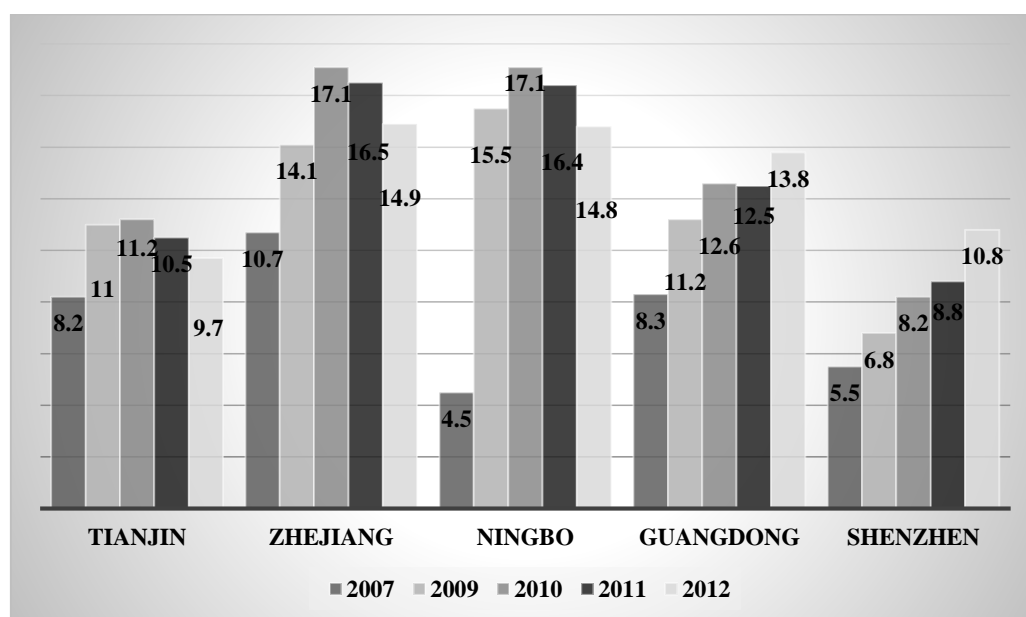


*Source: 2007, 2009 Local Fiscal Statistical Data, 2011, 2012, 2013 Finance Yearbook

The proportion of direct land tax revenues in each case area's total fiscal income has risen overall. The region with the largest increase was Ningbo, rising from 4.5% in 2007 to 14.8% in 2012. The proportion in Zhejiang's total revenue also increased from 10.7% in 2007 to 14.9% in 2012. In Shenzhen, the share rose steadily from 5.5% in 2007 to 10.8% in 2012. The importance of direct land taxation in these areas has been increasing because most of the direct land tax were local tax collection compared to those of shared

taxes such as VAT, income tax and business tax, so incentives for their taxation became stronger. Their increased contribution to the local coffers meant the increase of the financial income that can be directly used as the local expenditure at local disposal without transferring revenues to the upper-level.

Figure 2.2. The Share of Total Direct Land Tax in Fiscal Revenue in the Case Regions



*Source: 2007, 2009 Local Fiscal Statistical Data, 2011, 2012, 2013 Finance Yearbook

The region with the highest value-added tax on land was the Guangdong Province, which increased from about 1.8 billion yuan in 2007 to about 40.8 billion yuan in 2012, which meant that the added value of land in Guangdong was much higher than in other regions. The areas where ownership transfer and property sales were most active also existed in Guangdong and Zhejiang provinces. The two regions collected about 23.4 billion yuan and 23.8 billion yuan in real estate acquisition tax in 2012, respectively.

In the county case areas, the amount of direct land tax in Fuyang in Hangzhou city of Zhejiang province surged since 1999, and until then that of direct land tax remained

constant after the 1994 Tax Sharing System reform. For example, the arable land occupation and use tax increased from 300,000 yuan in 1998 to 1.63 million yuan in 1999. The real estate acquisition tax surged from 1.7 million yuan in 1998 to 5.52 million yuan in 1999. The land value-added tax increased from 600,000 yuan in 1998 to 2.21 million yuan in 1999. In the 2000s, the direct land tax reemerged rapidly, with the arable land occupation and use tax of 45.19 million yuan in 2003, the real estate acquisition tax of 124.47 million yuan in 2005, the city and town land use tax of 14.9 million yuan in 2005, and the land value added tax was 38.87 million yuan in 2004. In particular, the share of the direct land tax revenue in Fuyang District in 1995 right after the Tax Sharing System reform was only 1.4% of total fiscal revenue, but it increased to 15.5% in 2005 (Fuyang City Gazetteers Editorial Committee, 2011: 608).

In addition, the city and town land use tax amounted to 510 million yuan, the land value added tax of 1.38 billion yuan, the arable land occupation and use tax of 130 million yuan, the real estate acquisition tax of 3.32 billion yuan in Nanhai District of Foshan in Guangdong province, and the land value added tax was about 57% higher than that in 2015 and real estate acquisition tax has risen about 105%. And the ratio of direct land tax revenue to total budget revenue was 26.3%, which was the largest tax revenue item, surpassing other major revenue sources such as business tax and value added tax. In the same city's Shunde District in 2016, the direct land tax included the city and town land use tax of about 360 million yuan, land value-added tax of 740 million yuan, arable land occupation and use tax of 330 million yuan, real estate acquisition tax of 2.49 billion yuan, and 20%, followed by the VAT in terms of the share in the local tax revenue.¹⁶

¹⁶ The financial data of Nanhai district are as follows: Foshan City Nanhai district, 2016 budget execution situation, 2017 budget draft report, Nanhai district's Finance Bureau website http://caizheng.nanhai.gov.cn/cms/html/5951/2017/20170405101620802617544/20170405101620802617544_1.html, Accessed: 2017.5.27.). The financial data of Shunde District are as follows: the budget execution situation in 2016 and the 2017 budget draft in Shunde district; the website of Shunde District's Finance Bureau <http://sdcz.shunde.gov.cn/portal/upload/resource/cmsUpload/001001107001/1491556646895.doc>, (Accessed: 2017.5.27.).

As a result, these provinces, cities and county governments became equipped with the extractive capacity to carry out various projects and activities to help improve county governance through the local taxation on land. In particular, policies such as the construction of the administrative service center and urban and rural communities were the state building process at grassroots that required a great deal of local finances. Therefore, county governments in Guangdong and Zhejiang have improved their ability to extract through direct land tax revenues, thus securing funds from land to carry out such costly projects that can help improve the government efficiency and voice and accountability governance areas.

② Indirect Land Tax

Indirect Land tax includes land tax -related business tax, construction and real estate business tax, enterprise income tax, and real estate tax. The business tax related to the land transfer also has the business tax of the land development corporation operated by the local government. Compared to the income tax on the construction and the real estate industries, the business tax on both industries was 100% owned by the local government before 2012 and only 40% of the income tax was allocated to the local government. Such a difference led to the local government's active and aggressive collection of business tax. However, the transformation of business tax, which has been going on since 2012, into value added tax has once again brought about a great change in incentives of local governments. In other words, the business tax, which used to be 100% owned by the local government, was converted into the shared tax, VAT. This reflects the central intent of once again strengthening the central fiscal revenue and cooling the overheated real estate at the local level since the 1994 Tax Sharing System reform. And another purpose of the

reform is to reduce the production cost of the tertiary industry and service industry companies and drive tertiary industry's development.¹⁷

Now, to the exclusion of the shared tax such as the business tax and the corporate income tax, the provincial real estate tax alone grew from about 3.7 billion yuan in 2007 to 5.1 billion yuan in 2009, but the share in the total revenues was only 0.6% to 0.7%. The local units with the largest real estate tax were the municipalities and counties, which increased from 23.9 billion yuan in 2007 to 32.9 billion yuan in 2009 and from 22.4 billion yuan in 2007 to 31.3 billion yuan in 2009, accounting for about 3%. Although the amount of the township's real estate tax was smaller than that of the municipalities and counties, that of the township accounted for about 3% in its fiscal revenue, similar to that of the other two local units (Treasury Bureau of the National Finance Department of the People's Republic of China, 2010; 2011).

By region, real estate tax has increased in all regions. The Tianjin City's tax was worth about 1.4 billion yuan in 2007 and 4 billion yuan in 2012, and Zhejiang's was 4.9 billion yuan and 12.7 billion in the same period, with Guangdong's 8 billion yuan in 2007 to 17.5 billion yuan in 2012, Ningbo City's 0.9 billion yuan in 2007 to 2.2 billion yuan in 2012, Guangdong Province's 8 billion yuan in 2007 to 17.5 billion yuan in 2012 and Shenzhen's increased from 1.6 billion yuan in 2007 to 3.3 billion yuan in 2012. Thus, adding the direct and indirect taxes on land in each region shows that the ratio of land-related direct and indirect taxes in local financial income was comparatively higher than other major tax revenue items.

At the county level, the real estate tax of Zhengcheng District in Guangzhou city in 2015 was about 240 million yuan, that of Liwan district in the same city was about 300 million yuan in 2016, that of Nanshan District in Shenzhen city was about 220 million yuan in 2015, Nanhai District in Foshan city was about 710 million yuan, and Shunde

¹⁷ An interview with a researcher at the Zhejiang Development Research Center, July 6, 2014.

District in the same city was about 1.42 billion yuan in 2016. Among these cases, the regions with the most real estate tax were Nanhai and Shunde districts in Foshan City. In particular, the direct taxation on land was also relatively high in these two regions, so the total of direct and indirect tax revenue together accounted for more than 20% of the total fiscal income, which means the financial contribution of the land -related tax revenue was the highest.¹⁸

If the construction and real estate industries related-company income tax and business tax are combined after transferring some of them to the upper-level or the center, the total amount of indirect land tax may become larger than the direct land tax, depending on the regions. The land development indirectly led to the rapid growth of local financial revenues. In areas where land-related direct and indirect tax revenues are high, such as Nanhai and Shunde, even though some of the indirect taxation of business tax and corporate income tax was paid to the center, there were more resources of other land tax available for spending at their disposal. Therefore, a financial basis has been formed in order to carry out costly projects for various institutional innovations and governance improvement programs in these county level governments.

③ Land-related Fee Collection

Land -related fee collection includes the fees collected by land management bureau, finance bureau, and other bureaus. First, there are arable land cultivation, management, and

¹⁸ The financial data of Zhengcheng district are as follows: “Guangzhou City’s Zhengcheng District, 2016 budget execution situation and 2017 budget draft report,” Zhengcheng district’s Finance Bureau website <http://www.zengcheng.gov.cn/publicfiles/business/htmlfiles/zcmh/85/201702/312440.html>, (Accessed: 2017.5.28.). The financial data of Liwan District are as follows: “Guangzhou City’s Liwan District, the budget execution situation in 2016 and the 2017 budget draft; the website of Liwan district’s Finance Bureau, <http://www.lw.gov.cn/lw26/0600/201703/e6b820753dc147be8cb24240838036a2/files/8ee41e56f22644a9a00258efee1fe2a6.pdf>, (Accessed: 2017.5.28.).

operating expenses by land management bureau. Second, the fee collection of the financial bureau is the land transfer fee such as the land use and rent fees collected from enterprises. This is in accordance with the local laws and regulations. Last, the fee collection of other bureaus is taxation items collected by agricultural, real estate, irrigation, transportation, postal services, cultural bureaus according to the standards established by the provincial government.

The most important of these is the land transfer fee collected by local finance bureau, which is the gross income of the local government after land being transferred in the way of land auction or consultation, etc. It is the profits after subtracting the land transfer costs from the total land transfer income. Land transfer costs include land transfer tax payment, land compensation costs, land development costs, and land transfer operating costs. The land transfer fee began to be taxed after “the Temporary Provision on the Paid Transfer and Allocation of the City and Town State Owned Land’s Use Rights” in 1989. In order to mobilize initiative of local land transfer tax collection, the land transfer fee from 1994 until now has not been transferred to the central coffer but all belonged to the local budget. The land transfer fee is the government fund income, not included in the budget, unlike the direct and indirect land tax, and various local bureaus are responsible for fee collection. The reliance on land transfer fees has been increasing due to the combined benefits of each local bureau and the local government as a whole.

According to the table below, the balance of the land transfer fee shows a surplus for the province and municipality. The provincial surplus increased from about 23.3 billion yuan in 2007 to 32.4 billion yuan in 2009, while the municipal increased from 74.3 billion yuan to 100 billion yuan for the same period. However, the county and township recorded deficits for the same period. The deficit in the county rose from about 100 million yuan to 2.7 billion yuan, and that in the township increased from 8.1 billion yuan to 18.8 billion yuan. The land transfer fees by case areas shows the overall increase in surplus except Guangdong and Shenzhen. Tianjin City’s increased from 200 million in 2007 to

4.7 billion in 2009, Zhejiang Province from 12.4 billion to 17.9 billion, and Ningbo City from 700 million to 7.2 billion. In the case of Guangdong Province, the amount of the land transfer fees was the largest at about 18.3 billion yuan among all the case regions in 2009.

Table. 2.3. Transfer Incomes and Expenses of State-owned Land Use Rights by Local Levels and Case Regions (unit: a hundred million *yuan*)

		2007			2009		
		Income	Expense	Balance	Income	Expenses	Balance
Local Levels	Province	592.29	358.85	233.44	893.86	569.17	324.69
	Municipality	3,989.47	3,245.87	743.6	7,012.1	5,906.65	1,105.45
	County	2,279.67	2,281.24	-1.57	5,510.48	5,537.48	-27
	Township	76.99	158.11	-81.12	238.82	427.33	-188.51
Regions	Tianjin	125.12	122.97	2.15	482.85	435.18	47.67
	Zhejiang	792.39	667.50	124.89	1,897.52	1,717.8	179.72
	Ningbo	76.62	69.22	7.4	460.06	387.49	72.57
	Guangdong	864.27	639.64	224.63	1,026.39	842.52	183.87
	Shenzhen	208.24	190.31	17.93	139.05	124.99	14.06

*Source: 2007 and 2009 Local Fiscal Statistical Data

Because the county and township had deficits in land transfer fees, they made up for the deficits with borrowing or other local fiscal resources. However, in the wealthy county governments, which will be covered in Chapter 4, these deficits were small, or when other land related government funds were combined, they had a surplus. For example, in the case of Zhejiang, Ningbo's Chixi City, while the government fund income on state-owned land's use right transfer income in 2015 was about 920 million yuan and the expenditure is about 1 billion yuan with a deficit, the income in 2016 was about 2.1 billion yuan and the expenditure in 2016 was 2 billion yuan, with its balance being turned to surplus. In addition to these transfer incomes, the new construction land use fee was about 30 million yuan in 2015 and 60 million yuan in 2016, the state owned land income fund

was from 40 million to 120 million yuan for the same period, agricultural land development fund was from 10 million to 9 million yuan for the same period, and all of these land-related government funds combined led to a much larger surplus.¹⁹

Such land transfer fees were first used to supplement expenditure and other costs of land acquisition. In the case of public purpose -related land transfer (road, irrigation, education, sanitation, etc.), because the government's land development revenue was not enough to cover all the land development costs, the rest of the needed money came from a bank loan in some local governments. When developing industrial sites, local governments limited the price of land for attracting investment, so the land revenue of local governments were low. However, land for residential and commercial purposes was relatively free from price restrictions, generating more revenue than land for industrial sites (Zhou Feizhou, 2012: 229).

Another relatively significant use of expenditure is to establish a government-run development and construction financing vehicles (Local Government Financing Vehicles, hereafter LGFV) with the majority of the land transfer fund as the primary asset. The county government usually has several financing vehicles under its jurisdiction. For example, urban investment development, urban transportation investment, urban water affairs group, urban village renovation. and so on. Usually, such vehicles are called "government-run enterprises" and the nature of the enterprise is state-owned investment enterprise. Established since 2000, one of the government bureau's leaders becomes a chairman or president of those enterprises. Most of them, except for the transportation corporation, belong to the nonprofit nature, and the main function is to carry out the investment and construction of the urban public basic infra construction (Zhou Feizhou, 2012: 230).

¹⁹ The financial data of Chixi City are as follows: "Chixi City's 2016 Budget Execution Situation and 2017 Budget Draft Report," Chixi city's Finance Bureau website, http://www.cxcs.gov.cn/art/2017/2/23/art_59831_1372336.html, (Accessed: 2017.5.28.).

Finally, local governments repaid their debts with land transfer income. According to the report of the National Audit Office (hereafter NAO) on the local government debt audit in 2013, 11 provinces, 316 municipalities, and 1,396 county-level governments promised to repay 3.4986 trillion yuan in debt with land transfer income by the end of 2012, which accounted for 37.23% of the 9.3646 trillion-yuan total debt of the three-tier governments. This suggests that land transfer income plays an important role in local government debt repayment.²⁰

Through the trilateral model of land financing structure, it can be seen that the county level's land financing has more increased in the amount and importance than those of the other local levels. In addition, the proportion of the land financing also increased for the township level. The township government used it to mitigate the impact of the tax for fee reform and to compensate the personnel wages under the pressure to reduce government personnel.²¹

(3) Land Banking and Land Urbanization: Trilateral Model of Land, Finance, and Banking

Government-run enterprise can be seen as an investment corporation (LGFV). The ways to receive bank loans were mutual guarantee of corporations and use of financial and land collaterals. The mutual guarantee of the corporation means that several large government-run corporations made loans using capital as mutual security, and the capital of these corporations came mostly from the government's financial revenues. Therefore, these loans

²⁰ NAO's Announcement, The Year 2013, Number 32 Notice, "The Audit Result of the National Government Liabilities," <http://www.audit.gov.cn/n5/n25/c63642/content.html>, (Accessed: 2016.7.15.).

²¹ For a study on the use of land tax revenue by the township government to maintain personnel and to mitigate the impact of the tax for fee reform, see Takeuchi (2013) and Ho & Lin (2003).

were funded mostly by the government coffer. Financial collateral was actually secured by government finance bureaus, and they filled out warranties including details of the lender and collaterals. land collaterals must have a certificate of land use right. Local government usually transferred the land use right for the construction and development projects to such corporations. Such construction land included not only public purposed land but also some commercial and residential land. Local governments' construction corporations provided mortgages to banks and obtained mortgage loans (Zhou Feizhou, 2012: 232).

Looking at the borrowers of local government debt at the end of June 2013, the largest borrower with liability for government reimbursement was the LGFV, which had a debt of about 4.75 trillion yuan. This was an increase from about 3.1 trillion yuan in 2010. In addition, the amount of debt for government collateral, including mutual corporation guarantee, government financial collaterals, and land securities, amounted to 883.2 billion yuan in 2013, followed by the amount of government department's debt.

Table. 2.4. Local Government Debt's Main Agents at the end of 2010 and the end of June 2013 (Unit: A Hundred Million Yuan)

Main Agents of Borrowing	Government Redemption Charge Liabilities		Government Contingent Liabilities	
			Liability for Security	Relief Liability, Other Liabilities
LGFV	2010	31,375.29	8,143.71	10,191.68
	2013	40,755.54	8,832.51	20,116.37
Government Department	2010	15,817.92	9,157.67	0
	2013	30,913.38	9,684.20	0
Expense Aid Based Public Service Unit	2010	11,234.19	1,551.87	4,404.19
	2013	17,761.87	1,031.71	5,157.10
State-owned or State Share Controlled Corporations	2010	-	-	-
	2013	11,562.54	5,754.14	14,039.26
Self-Revenue and Self-Expenditure Based Public Service Unit	2010	-	-	-
	2013	3,462.91	377.92	2,184.63
Others	2010	7,584.91	4,211.75	1,003.45
	2013	3,162.64	831.42	0
Public Use Purposed	2010	1,097.20	304.74	1,096.34

Public Service Unit	2013	1,240.29	143.87	1,896.36
Total	2010	67,109.51	23,369.74	16,695.66
	2013	108,859.17	26,655.77	43,393.72

*Source: NAO's Announcement, The Year 2013's Number 32 Notice, "The Audit Result of the National Government Liabilities," (<http://www.audit.gov.cn/n5/n25/c63642/content.html>, Accessed: 2016.7.15.); NAO's Announcement, The Year 2011's Number 35 Notice, "The Audit Result of the National Government Liabilities," (http://www.gov.cn/zwgk/2011-06/27/content_1893782.htm, Accessed: 2016.7.15.)

At the end of 2010, LGFV accounted for about 46%, the largest share in all the three kinds of debts among the local government borrowers. In particular, the portion of the debt with the government redemption responsibility and other dept were overwhelmingly 46% and 61%, respectively. This shows that in addition to the borrowing share of the government department, that of LGFV in 2010 and 2013 played a leading role in local government debt.

Loans should not normally exceed 70% of the actual value of land, and almost all the collaterals were the commercial and residential land transferred by the LGFVs to the banks, which had good location and high land value. During the land development and urban construction, some of the public lands with a good location were used as management sites, transferred through auction, bid invitation and registration, and after obtaining a large amount of transfer incomes, local governments spent them on public construction expenditure (Zhou Feizhou, 2012: 233).

In this way, a trilateral development model of land, government finance, and banking in the form of a continuously expanding cycle between land income - bank loan - urban construction - land acquisition was formed. This model led to land-based urbanization rather than industrial and population-centered urbanization. The characteristics of this development model are as follows. First, land urbanization does not have to be a precondition for industrialization. Second, land urbanization does not require population urbanization. Third, land urbanization could be operated only by the participation of land, finance, and banking. As such, the land urbanization model is favored by local leadership as the way to earn the greatest profit with the lowest cost, and it is difficult to solve various

side effects such as sprawling development, alienation of population urbanization, and stagnation of industrial development (Zhou Feizhou, 2012: 233-239).

And the land finance model has huge public financial and banking risks. In addition, problems such as deepening of social contradiction, food safety, loss of balance of investment and consumption structure are lurking. First, under the county fiscal system, land-related income was instable and unsustainable. Once land cannot be acquired continuously, the heat of the real estate market and the land market would cool down, and the fiscal balance pressure on the local government suddenly increases and causes a financial crisis. Second, dependence on land financing causes banking risks. From land supply to real estate development and housing purchases of residents, the financing chain was tightly linked at each stage and the final risk was concentrated in banks. Third, the dependence on the land finances of the grassroots-level government damaged the interests of the farmers and exacerbated social contradictions and became the root of large scale popular protests (Tao Yong, 2014: 164-165).

However, the local fiscal deficit, mainly related to land, fell sharply in 2011 compared to 2009, due to the austerity measures in 2010. Nevertheless, the deficits of local finance in 2012 rebounded because local governments continued to evade the supervision of central government through the innovative ways of more implicit lending methods such as BT (build-transfer), trust, and financial lease, expanding the deficit by leveraging land transfer incomes. In 2013, the deficit in the local finance recovered to the “deleveraging” trend under the influence of audit measures by the NAO. In 2014, due to the fall in the land transfer fees in 2012, the implicit deficits of the local government reached a watershed, and the central government gradually removed the traditional model of leveraging land income by loosening the local government's bond financing rights and attempted to make a transition to the local government bond's standardization model under the control of the State Council from 2015 (Tao Yong, 2014: 99). And the newly revised Budget Law in 2014 required that local governments be obliged to report the purpose, size and method

of local debt, detailed supervision and legal responsibility of local government debt. The other related State Council's documents also required the separation of the local investment corporation from the local government (Wong, 2016: 7).

In this way, local governments have been able to enhance the extractive capability by collecting incomes from various extra-system budget such as land transfer fees, and from the land collateral based borrowing with a rapid urbanization, to which the transition was made from a focus on obtaining budget income including business tax by nurturing private enterprises and relying on the extra-budgetary funds of various fee collection by local governments' bureaus.²² At the center of this, the county government played key roles. The county government was not only the leading government level of land urbanization, but also the leading force in establishing LGFVs and expanding borrowing through it.

In conclusion, local governments, especially the county government, have played a key role in the trilateral model of land, finance, and banking and increased borrowing, but this development model was constrained by the strengthening of audit measures by the NAO. Local governments are now in the midst of a shift from land-based lending to borrowing that depended on local government's bonds. However, this model also has some limitations. First, as with land-based mortgages, local government bond financing is not likely to develop into a sound financial system without the transition of the county government's urbanization model itself. If the local government do not promote the urbanization with population urbanization and industrialization that has not been pursued by the county government so far, there is always a limit to the sustainable development even through any means of borrowing.

The case regions with enhanced extraction capabilities, which will cover in

22 This increase in local government land lease revenues and the increasing reliance on related tax revenues is due to the local strategy shifting their focus from economic development to urbanization (Han & Kung, 2015).

chapter 4 could carry out the necessary projects at the local level through this land financing that can be used autonomously at the local level, without relying heavily on central grants. In particular, the government reorganization and construction of the administrative service center in the area of government efficiency governance, which we will see in Chapter 4, have something to do with the administrative expenditure of the local government. The county level government was able to cover these administrative expenditure and various infrastructure construction expenditure through the land financing which was not supposed to be transferred to the center or the upper-level.

3) Local Public Fiscal Spending Structure

Public financial expenditure actually reflects the positioning of government functions. If a certain local level's government spending was relatively large, then that government level's function was also relatively important. The implementation of the centralization reform of the 1994 Tax Sharing Reform and the 2002 Tax for Fee reform did not change the basic framework of fiscal decentralization and the lower local governments were responsible for many functions that the upper governments should take, resulting in the greatly increased amount of the total local expenditure by the lower governments.²³

The changes in local government expenditure structure in the 2000s and 2010s have been the increase in spending on social-cultural-education along with the economic construction area. This area was related to social governance and village self-governance as we will see in Chapter 4. Therefore, by looking at the structure of the county-level

²³ The following study (Wong & Bird, 2008) points out that in 1994 the reform of the tax sharing had centralized financial revenues, but that expenditure accountability did not change among different levels of government. In particular, studies about the transferring of expenditure responsibility by the center and the province to the municipality and the county government are as follows (Wang 1997; Chen 2008; Kennedy 2013).

financial expenditure, we will figure out the policy fields where local officials worked hard in chapter 4.

(1) The Rise of the County-level Fiscal Expenditure

By looking at the share of county level expenditure in the total local government expenditure, we can see the proportion of county level's role in various local projects. And if the county government puts a lot of fiscal spending in the government efficiency and the voice and accountability governance areas to be discussed in Chapter 4, it can be seen as a proof that the county government officials have carried out various projects for the governance of these two areas.

First, when taking a look at the national expenditure share from 1992 to 2010, the share of the national county-level expenditure has been the highest among the local government expenditure since 2002, and was 45.5% in 2010, accounting for almost half of the local fiscal expenditure. On the other hand, the proportion of the township expenditure declined steadily to 6.3% in 2010, almost half from 13.6% in 1992. It can be seen that considering the largest share of the county level expenditure, the importance of the county government's role and function has increased, while that of the township's has decreased.

Table. 2.5. 1992-2010, the Share of the Different Local Levels in the Local Expenditure (%)

Year	Center	Local	Local total	Province	Municipality	County	Township
1992	31.3	68.7	100	27.2	27.7	31.4	13.6
1993	28.3	71.7	100	24.6	30.6	31	13.8
1995	29.2	70.8	100	21.2	36.5	29.3	13
1996	27.1	72.9	100	23.8	33.8	29.9	12.4
1997	27.4	72.6	100	25.1	33.3	29.3	12.3
1998	28.9	71.1	100	26.4	33.9	28.1	11.6
1999	31.5	68.5	100	28.2	29.2	29.8	12.8

2000	34.7	65.3	100	29.5	30.8	29.2	11.3
2001	30.5	69.5	100	29.8	30	29.5	10.6
2002	30.7	69.3	100	28.3	30.3	31.5	9.8
2003	30.1	69.9	100	26.4	30.8	33.5	9.2
2004	27.7	72.3	100	25.9	30.7	34.9	8.5
2005	25.9	74.1	100	25.4	30.6	36	8
2006	24.7	75.3	100	24.3	29.9	38.3	7.4
2007	23	77	100	23	28.8	41.2	7
2008	21.3	78.7	100	22.6	27.4	43.1	6.8
2009	20	80	100	22.9	27	44	6.1
2010	17.8	82.2	100	20.8	27.4	45.5	6.3

*Source: Various years, Statistical Yearbooks; Finance Yearbooks; 1997, 2003, 2007, 2009 Local Fiscal Statistical Data

When we look at the importance of each level of government through fiscal expenditure situation, there was a slight decrease at the provincial and little change at the municipal levels, while the proportion and importance of spending at the township has definitely decreased and the portion of the county level expenditure has increased. Of these, the county's public expenditure on education accounted for a large proportion. As a result, it can be seen that the share and importance of the county level expenditure has been increasing.

Specifically, the reason for this spending share's difference between the county and the township was that since the implementation of the tax for fee reform in the early 2000s, the public finances of many county governments have suffered a short period of difficulty, and the central grants for compensating this loss have always gone through the county level, in order to ensure normal operations at the county level, the fiscal revenue of the township was also transferred to the county government's coffer. Finally, after the township government reorganization reform, the expenditure of the township was strictly controlled in accordance with the central requirements, increased spending for fiscal dependents at the township level grew slowly with the share of township expenditure correspondingly declining (Luo Dan & Chen Jie, 2008: 72).

Table. 2.6. National County Government Expenditure

Year	National Expenditure (a hundred million Yuan)	Growth Rates(%)	Percentage of National Expenditure in GDP	County Government Expenditure(a hundred million Yuan)	Growth Rates(%)	Percentage of County Government Expenditure in National Expenditure	Percentage of County Government expenditure in GDP
1993	4,642.3	24.1	13.13	1033.71		22.27	2.93
1994	5,792.62	24.8	12.01	1184	14.54	20.43	2.46
1995	6,823.72	17.8	11.22	1414.7	19.48	20.73	2.32
1996	7,937.55	16.3	11.15	1732.76	22.48	21.83	2.43
1997	9,233.56	16.3	11.69	1921.2	10.88	20.81	2.43
1998	10,798.18	16.9	12.79	2153.58	12.10	19.94	2.55
1999	13,187.67	22.1	14.71	2676.39	24.28	20.30	2.98
2000	15,886.90	20.5	16.01	3030.17	13.22	19.07	3.05
2001	18,902.58	19	17.24	3878.96	28.01	20.52	3.54
2002	22,053.15	16.7	18.33	4820	24.26	21.86	4.01
2003	24,649.95	11.8	18.15	5780.43	19.93	23.45	4.26
2004	28,486.89	15.6	17.82	7179.19	24.20	25.20	4.49
2005	33,930.28	19.1	18.35	9049.26	26.05	26.67	4.89
2006	40,422.73	19.1	18.69	11,658	28.83	28.84	5.39
2007	49,781.35	23.2	18.73	15,777	35.33	31.69	5.94
2008	62,592.66	25.7	19.93	21,239	34.62	33.93	6.76
2009	76,299.93	21.9	22.38	26,876	26.54	35.22	7.88
2010	89,874.16	17.8	22.40	33,640	25.17	37.43	8.38

*Source: Chinese Statistical Yearbook, Chinese Finance Statistical Yearbook, Local Finance Statistical Data, various years

Looking at the general budget expenditure situation in the county, from 1993 to 2010, the county's expenditure continued to rise and grew at an average annual growth rate of 22.94%. In particular, the spending growth rates in 2007 and 2008 were the fastest 35% and 34% respectively. For most of the year, the growth rate of the county outpaced that of the national fiscal spending. And the share of county expenditure in the national expenditure overall was on the rise, rising from 22% in 1993 to 37% in 2010. The share of county expenditure in GDP also rose from about 3% in 1993 to about 8% in 2010.

The 2012 budget expenditure consisted of the provincial expenditure of 2.1 trillion yuan accounting for 20%, the municipality's 2.8 billion yuan accounting for 26%, the county-level's 5.04 trillion yuan accounting for 47%, the township level's 600 billion yuan accounting for 6.3% among about 10.7 trillion yuan of the total local expenditure (Ministry of Finance of the People's Republic of China, 2013: 134).

(2) Building the Public Finance at the Local level: an Increase in Social·Cultural·Educational Expenditure

Now, let's look at what kinds of work the local government focused on by dividing the fiscal expenditure items of the local government. The table below shows the amount of the expenditure of each item at each level of the local government in 2007 and 2009. The largest expenditure item in economic construction included the agriculture, forestry and irrigation, spending almost half of the 300 billion yuan only by the county government in 2007. The 2007 expenditure's category including industrial, commercial and banking items were further subdivided in 2009. In social, cultural and educational area, educational spending was the highest, followed by social security and employment, and urban and rural community operation. Especially educational expenditure was the largest among expenditure items of the county government. The largest expenditure category of the municipality was the urban and rural community work with about 240 billion yuan in 2009. Agriculture, forestry, irrigation, and social security and employment accounted for the largest at the provincial level in 2009. The township spent the largest part of its expenditures on the general public service expenditure category which referred to the costs of management services required to operate the state agencies such as the local government, the Local People's Congress (herein after the LPC), the Local Chinese People's Political

Consultative Conference (hereinafter the CPPCC).²⁴

Table. 2.7. Provincial, Municipal, County-level and Township-level Expenditure Categories in 2007 and 2009 (unit: a hundred million *yuan*)

Main Category	Small Category	Year	The Local Levels of Spending					
			Total	Province	Municipality	County	Township	
Economic Construction	Agriculture· Forestry· Irrigation	2007	3091	660.3	554.8	1451.2	424.7	
		2009	6401.7	1722.8	952.5	3094.9	631.4	
	Transportation	2007	1133.1	413.1	279.7	421.1	19.3	
		2009	3578.4	1892.7	862.5	803.3	19.9	
	Industry· Commerce· Banking	2007	2885.6	1112.9	945.8	737.9	88.9	
		2009	Power, Information	2370.9	464.4	1051.4	736.5	118.6
			Food, Oil, Material Reservation Management	1437.2	640.2	266.1	493.6	37.3
			Banking Supervision	133.2	58.8	57.2	17.1	0.1
			Restoration after Earthquake Disaster	1043.9	268.9	126.1	607.1	41.7
	Social, Cultural and Education	Education	2007	6727.1	1068.8	1335.8	3772.9	549.6
2009			9869.9	1487.7	1917.3	5815.2	649.8	
Science and Technology		2007	858.4	337.5	279.9	227.9	13.1	
		2009	1310.7	488.2	425.9	369.1	27.6	
Cultural and Sports and Mass Media		2007	771.4	271.5	266.5	207.9	25.4	
		2009	1238.3	406.9	441.2	352.4	37.9	

²⁴ Social, cultural and educational expenditures include education, science and technology, cultural and sports and mass media, social security and employment, sanitation and health, energy conservation and environmental protection, urban and rural community affairs, and housing security. In particular, urban and rural community affairs expenditure, which was the second largest followed by educational expenditure, includes urban and rural community management affairs, community planning and management, community public facilities, community housing, community environment and sanitation, and market supervision building expenditure. Economic construction includes basic infrastructure construction, rural production support, agriculture, forestry and irrigation affairs, transportation, resource exploration and power and information affairs, commercial and service work, financial regulation, restoration after earthquake disaster, land and resources and weather, and food, oil crops and other materials' management. Administration includes general public services, diplomacy, and public safety. Finally, the others include defense, government bond's interest payments and other expenditures.

	Social Security and Employment	2007	5104.5	1355.2	1506.2	1971	272.1
		2009	7851.9	1715.3	2244.9	3505.5	386.1
	Sanitation and Health	2007	1955.7	342.9	521.1	1032.6	59.2
		2009	3930.7	613.2	977.3	2242.3	97.9
	Environmental protection	2007	890.7	352.2	201.9	310.2	26.5
		2009	1896.1	427.9	489.4	922.7	56
	Urban and Rural Community Affairs	2007	3238.5	193.3	1563	1289.1	193.1
		2009	5103.8	365.8	2401.9	2018.3	317.7
Administration	General Public Services	2007	6354.1	1392.8	1617.6	2479.7	864
		2009	8080	1672.1	1945.8	3339.5	1122.6
	Diplomacy	2007	1.5	0.8	0.3	0.2	0.2
		2009	1.2	0.9	0.2	0.1	0.02
	Public Security	2007	2878.3	693.3	1042.3	1113.6	29.2
		2009	3898.3	884.1	1352.9	1619.1	42.3
Others	Defense	2007	72.6	25.8	22.4	23.8	0.7
		2009	126.1	46.4	47.7	30.9	0.9
	Government Bond Interest	2009	170.6	52.4	92.1	25.7	0.5
	Others	2007	2376.7	600.8	914.6	738.1	123.1
		2009	2601.4	739.3	854.1	883.2	124.9

*Source: 2007, 2009 Local Fiscal Statistical Data

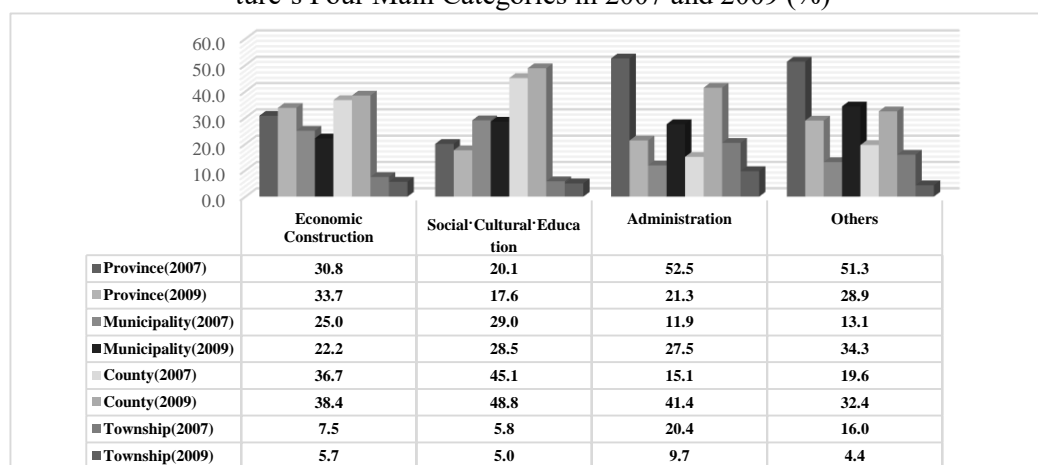
In fact, after the Tax Sharing System reform in 1994, while the expenditure of local finance showed a rise in the spending on the basic infrastructure construction, the ratio of expenditure on culture, education, science and hygiene decreased. This implies that local government officials generally reduced social spending under the incentive of political competition and shifted more of their financial resources to economic expenditures that could quickly highlight their political achievements (Guo Yuqing, 2015: 121).

But since 2000, things have changed. Of the total spending in 2007, social, cultural and educational expenditure accounted for about 40%, and in 2009, the proportion increased to 51%. Economic construction spending also increased from about 14% in 2007 to 24% in 2009, but it was much smaller than social, cultural and educational expenditure. Unlike the two areas, administrative spending and other expenditure fell from about 36% and 10% in 2007 to 20% and 5% in 2009, respectively. It can be seen that the

local finance expenditure structure was shifting from the economy construction -focused expenditure to the public service -focused social expenditure mainly led by the municipality and the county.

The administrative unit that made the greatest contribution to the transformation of the fiscal expenditure structure was the county government. The share of the county government in social, cultural and educational expenditure increased from about 45% with 881.1 billion yuan in 2007 to about 49% with 1.25 trillion yuan in 2009, followed by about 29% of the municipality and about 20% of the province responsible for this expenditure category in 2007. And the county level spending made the largest contribution also to the economic construction. With about 260 billion yuan accounting for 37% in 2007 and 570 billion yuan accounting for 38% in 2009, the largest share of the county level along with the municipality was spent on economic construction. In administrative and other spending categories, the county governments accounted for 41% and 32%, respectively in 2009. It can be seen from the fact that in the 2000s, the county level government was responsible for a considerable number of national projects through fiscal spending, and actively participated in education, social security, and urban and rural community -related policies.

Figure. 2.3. The Share of Different Local Government Levels in Local Fiscal Expenditure's Four Main Categories in 2007 and 2009 (%)



*Source: 2007, 2009 Local Fiscal Statistical Data

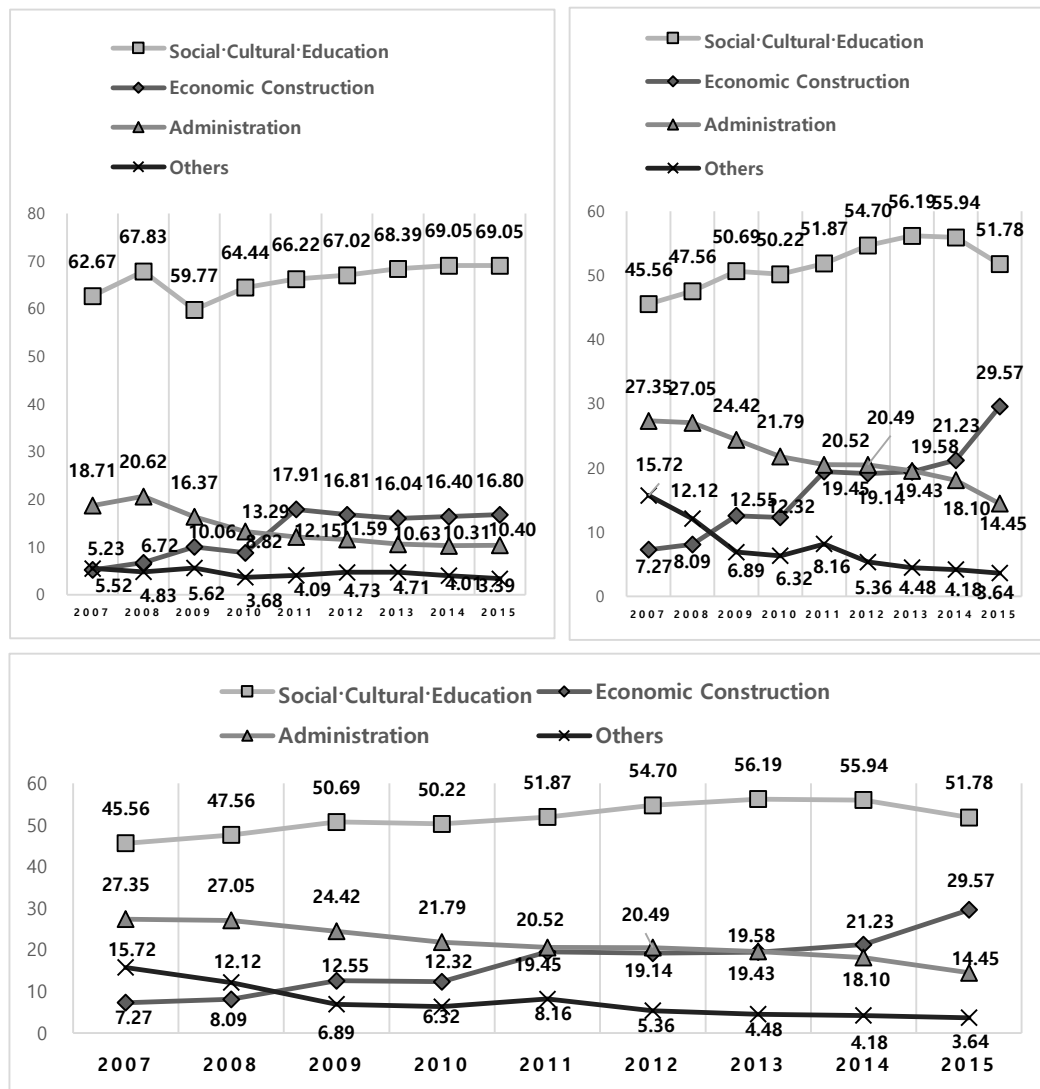
As the county level expenditure became increasingly important, government re-organization reforms and administrative licensing reforms that improved government efficiency in the 2000s and 2010s, and various social governance activities and institutional innovations that strengthened voices and accountability governance areas have been carried out through the fiscal expenditures of the county governments in Tianjin city, Zhejiang and Guangdong provinces. The county-level governments in these regions have been able to finance their various activities and projects to strengthen the government efficiency and the voice and accountability governance areas by strengthening extraction capabilities through land financing. The following is a detailed analysis of the fiscal spending structure in Tianjin City, Zhejiang, and Guangdong provinces, and specifically the difference between the municipal and the county-level expenditure structure.

(3) Tianjin City, Zhejiang Province, Guangdong Province's Fiscal Spending Structure: Difference between Municipal and County-levels' Expenditure Structures

The largest main category of the government expenditure in Tianjin City, Zhejiang, and Guangdong provinces was social, cultural and educational expenditure. From 2007 to 2015, the category accounted for the largest portion of fiscal spending in three provincial level governments, with Tianjin rising to about 70% in 2014. The other two regions' spending on that category also accounted for more than half for the same period. In the social, cultural and educational expenditure area, the proportion of the education was the highest in Zhejiang and Guangdong provinces. Zhejiang's educational expenditure in 2015 amounted to about 100 billion yuan, followed by social security and employment, and urban and rural community affairs which were about 50 billion yuan respectively. And health and hygiene expenditure was 48.8 billion yuan in Zhejiang in 2015. Guangdong's spending on education in 2015 was about 200 billion yuan, the highest among the

three regions, followed by urban and rural community expenditure of about 110 billion yuan and social security and employment of about 100 billion yuan. Unlike these two regions, Tianjin had the largest expenditure of about 90 billion yuan in urban and rural community affairs, followed by about 50 billion yuan in education and about 30 billion yuan in social security and employment spending.

Figure. 2.4. The Local Government Expenditure's Different Structures of Tianjin, Zhejiang and Guangdong (%)



*Top Left: Tianjin; Top Right: Zhejiang; Bottom: Guangdong,

the four main categories' shares based on the author's calculation

*Source: National Bureau of Statistics of China, National Data, <http://data.stats.gov.cn/index.htm>

The common feature of these three regions' social, cultural, and education category was that the proportion of expenditure on urban and rural community affairs was relatively high, in addition to the educational expense. This was directly related to the construction of urban and rural community in the three regions to be discussed in Chapter 4. Local governments in the three regions have invested enormous financial resources and actively participated in the construction of community in urban and rural areas. In terms of size, Guangdong province spent the largest amount of money in that area, with about 117.4 billion yuan in 2015, followed by Tianjin's 92.2 billion yuan and Zhejiang's 54.1 billion yuan.

The characteristic of economic construction, administration, and others expenditure categories is that the portion of economic construction expenditure exceeded that of administrative expenditure around 2011. This is because in all three regions, economic construction spending started to include resource mining and information collection affairs, commercial and service business affairs, banking regulation, land resource, weather, food and oil crops and material management expenditure. For example, in 2015, this government expenditure category in Tianjin was 28.7 billion yuan, that in Zhejiang Province was about 63.7 billion yuan, and that in Guangdong Province was 99.9 billion yuan. In Guangdong Province, the administrative expenditure in 2015 was 180 billion yuan, slightly increased from the previous year, but the proportion of administrative expenditure in all three regions was steadily declining. The size of general public service and public safety expenditure, which were major expenditure items in the administration category, increased slightly in all three regions, but the proportion of total expenditure did not change or even declined. Finally, in the case of other expenditure, there was almost no change in Tianjin City, and the trend of Guangdong Province and Zhejiang Province was a declining of other expenditure.

Comparing the expenditure structure of the municipalities and counties in three regions, in the case of the Tianjin City-level expenditure structure, the social, cultural and education area sprang up from 21% in 1997 to 58% in 2007. In the expenditure structure at the county level that category accounted for almost half for the same period. While the proportion of economic construction and other expenditure areas in the city level decreased, the share of administrative expenditure increased at the city level. On the other hand, the share of economic construction spending at the county-level increased by about 3% in the same period and administrative expenditure increased by about 6%. Other spending shrunk dramatically from 30% to 4%.

The proportion of spending on social, cultural and educational spending both at the municipal and county-levels in Zhejiang increased from 18% to 43% and from 31% to 49% respectively over the same period. Unlike the city-level of Tianjin, the share of economic construction spending in both municipalities and counties of Zhejiang increased. The municipalities spent 2.9 billion yuan in the industrial, commercial and banking affairs in the economic construction area in 2007, and about 10 billion yuan was spent on agriculture, forestry, irrigation and weather in the counties. In Zhejiang Province, the proportion of the municipal and county-level's administrative expenditure increased, while the share of other expenditure decreased. It can be seen from this that in Zhejiang, the municipalities and the counties were both more actively engaged in diverse activities and projects in all the areas of economic construction and social and cultural and educational expenditure than in Tianjin. Ningbo city of Zhejiang Province also increased both the expenditure portion of both areas at the municipal and county-levels.

In the case of Guangdong Province, like the Tianjin's case, the proportion of the economic construction expenditure fell from 22% in 1997 to 9% in 2007 at the municipal level, while the proportion of expenditure in the social, cultural and education category rose from 13% in 1997 to 38% in 2007. On the other hand, the proportion of the economic

construction expenditure increased slightly, and social, cultural and educational expenditures increased from 28% to 50% at the county-level for the same period. In the case of Shenzhen, the ratio of economic construction spending was very low at the municipal and county-levels, only 7% and 3% respectively in 2007. However, the share of social, cultural and educational spending was 28% at the municipal level and 42% at the county-level in 2007. Among the county-level cases of Guangdong province, Nanhai District had 15% in the economic construction category and 58% in social, cultural and education. And Shunde had 8% in the economic construction area and 67% in the social, cultural and educational spending. The spending items that occupied the largest portion of social, cultural, and education in all cases were education, urban and rural community affairs, and social security and employment. Therefore, it is shown that the public fiscal expenditure structure based on the social expenditure instead of the economic construction, was being established mainly by the municipal and the county-level governments.²⁵

In sum, the expenditure structure of the local government not only represented an increase in the proportion of social, cultural and educational spending mainly led by the municipalities and counties, but also accounted for the largest portion in their total spending. This suggests that the role of local governments was shifting from economic construction to social management and provision of public services. In this way, the background of the social spending-oriented public fiscal system being established in local governments in the 2000s and 2010s was the continued reforms of the local public fiscal institutions. The key was to establish a ‘award instead of subsidy’ mechanism in the local governments. Next, we will look at what efforts the central and provincial authorities have made to build the local public financial institution.

²⁵ All the local fiscal data of three case regions refer to “the Statistical Material for Prefectures, Municipalities, and Counties Nationwide” in 1997 and 2007.

2. Awards instead of Subsidies: its Impact on the Local Officials

In China, the responsibilities of governments vary at different levels, and the level of economic development among regions is also different, so the imbalance of vertical and horizontal financial power among local governments below the provincial-level is relatively serious. In particular, while the growth rate of financial revenue in the counties and the townships was relatively slow, the growth rate of fiscal expenditure was relatively fast. So the difference of income and expenditure was remarkable. Some counties' financial incomes have been difficult to pay even for the normal operation of the government and the personnel wages. These problems were intensified around 2000 (Lou Jiwei, 2013: 108).

As we have seen, the county and township governments had a higher share of government spending than the provincial and municipal governments, but they were not able to meet the overall fiscal spending as a whole despite the largest portion in the total local fiscal revenues. Therefore, the official abolition of the agricultural tax in 2004 and the transformation of the income tax from local revenue to shared income in 2002 became the hardest hit for the county and township governments which suffered the greatest damage. In November 2005, the Ministry of Finance issued the "Opinion on Thoroughly Resolving Financial Difficulties of the County and Township Governments (hereafter "Opinion")" to raise awareness of financial difficulties in some county and township governments. The "Opinion" stated that difficulties in public finance at the county and the township levels have arisen because the economic development level among regions was uneven, the number of the fiscal dependents grew too rapidly, and the financial allocation and fiscal responsibility were asymmetric among local levels. This financial hardship usually was represented in the case of delayed payment for wage to local governments' personnel

and public service units and lack of public operation's cost guarantee.²⁶

“Opinion” demanded to continually expand central grants to address these problems. Continuing to increase the general grants especially for the middle and west regions, the provincial finances and the municipal finances with some economic conditions were required to use a certain percentage of their finances to expand its grants, and urged to continue to focus their financial resources on counties and townships with financial hardship. In addition, the central government has awarded a prize money according to the number of simplified government organizations and personnel in county and township governments, and given a one-time award money according to the diminished number of townships to the regions where there was some progress in merging towns and townships. Central finances were awarded with a certain amount of money depending on the number of personnel who were reduced, to the areas downsizing fiscal dependents actively. The details of these reforms can be summarized in the central “three awards and one grant” policy to be discussed later.

- 1) Establishing an “Award instead of Subsidy” Mechanism

- (1) The Tax for Fee Reform and County's Management of Township's Public Finance System: Township's ‘Hollowing Out’ and the Consolidation of State Power by the County-level Governments

In early 2000, the central government carried out a pilot program of the rural tax for fee reform in Anhui province, and in 2002, pilot areas of the reform were already fully implemented in 20 provinces across the country. On the basis of this, the program was promoted nationwide in 2003. The main contents of the reform were to cancel the collection of

²⁶ For the Opinion's full text, see the Homepage of Ministry of Finance, http://yss.mof.gov.cn/zhengwuxinxi/zhengceguizhang/200805/t20080522_33629.html, (Accessed: 2016.11.27).

money for the farmers such as rural education funds. In order to compensate for the financial shortfall caused by the reform, the Ministry of Finance released the “Temporary Method of the Rural Tax for Fee Reform (hereafter RTFR) and the Center’s Transferring Grants to the Local Governments (hereafter the “Temporary Method”)” and subsidized the rural areas mainly in the middle and the west regions. It was called “the Rural Tax for Fee Reform Grant (hereafter RTFRG)” and included 24.5 billion yuan in 2002, and 30.5 billion yuan in 2003. The total agricultural tax levy in 2003 after the reform was 33.8 billion yuan. This means that the central government allocated the RTFRG worth the total amount of agricultural tax.²⁷

According to the “Temporary Method,” the subsidy’s direction of the central grants mainly included the three categories of township expenditure, rural expenditure, and rural compulsory education, all of which were used for expenditure of townships and villages. The central government decided to lower the agricultural tax rate every year since 2004 and to cancel agricultural tax in five years completely. The local finance deficit resulting from this was compensated by the central grants which were a method similar to the RTFRG. Accordingly, the local governments canceled the agricultural tax completely by 2006.

Approximately 36.9 billion yuan of the RTFRG as a central general-purposed grant in 2009 was allocated to the counties in the middle region, 23.6 billion yuan to the western and 19.9 billion yuan to the eastern areas. The 70 million yuan was allocated to the county-level governments in Tianjin, 1 billion yuan to those of Zhejiang Province, 20 million yuan to those of Ningbo City and 2.7 billion yuan to those of Guangdong Province in 2009. Henan Province with the most grants at the county-level received 7.9 billion yuan, with 7.1 billion yuan of Shandong Province and 5.7 billion yuan of Sichuan Province (the

²⁷ For the Temporary Method’s full text, see the Homepage of Ministry of Finance, http://yss.mof.gov.cn/zhengwuxinxi/zhengceguizhang/200805/t20080522_33555.html, (Accessed: 2 016.11.27).

National Treasury Bureau, Ministry of Finance of the People's Republic of China, 2011: 273). Thus, in the three areas of Tianjin City, Zhejiang, and Guangdong provinces, the amount of grants was lower than that in other regions because the agricultural tax abolition and the RTFR were not a significant blow to the above regions.

The RTFR have led the county-level governments in the middle and western regions to rely more on central grants, and the central government has used more standardized method to distribute fiscal resources. The center not only resolved the conflict between the state and society through the cancellation of the agricultural tax, but also strengthened the central power through the provision of grants to the local and supervision for use of grants.²⁸

In the education sector, which was one of the most important spending and role of the county governments, they changed its way of financing the public schools through township into forming the direct financial relations with public schools. By concentrating rural compulsory educational expense and township staffs' wages at the county-level, the county governments' financial distribution power has become stronger, while the township-level has gradually begun to be alienated from the official public finance system.

After the reforms, in addition to the education sector, an increasing number of counties have implemented the integrated payment system for the wage of township personnel. Some counties have integrated and wired wages directly into the accounts of public officers or full government funded fiscal dependents in townships without going through the townships' fiscal accounts. However, unlike educational reforms, the funds for the wage were still included in the townships' public coffer, and if the townships could not complete the collection of standard fiscal revenue sent down by the upper-level, the wages of the township personnel would be cut in accordingly (Zhou Feizhou, 2012: 113-

²⁸ The following study (Kennedy, 2013: 1017) argues that the central fiscal control was extended to the grassroots due to the RTFR.

114).

The reforms that started with education and civil servant salary areas were gradually extended to manage the whole financial system of the township by the county-level governments. In May 2003, Anhui Province selected the nine representative counties such as He County and Wuhe County for the first time in the country, and developed a pilot site for reforming the financial management system of the township. The details on the method of managing the township-level public finance are as follows: while the township's budgeting management right, ownership and use of funds and financial licensing remained intact and the township was still considered as self-support accounting unit, township's joint budgeting with the county government, installation of township government's unified bank account, concentration of revenue and expenditure in the official budget funds instead of putting them in the extra-budgetary funds, government purchasing batch processing and receipt batch management. In other words, it is the direct management and supervision of township revenue and expenditure by county finance bureaus. At the same time, the management system and functions of the township finance offices were reformed and reorganized (Tao Yong, 2014: 222-223). At the end of 2012, about 29,000 townships and 86% of the total number of townships in the country were implementing the county-managing-township's public finance system reform pilot areas (Ministry of Finance of the People's Republic of China, 2013: 134).

The township budget was co-organized by the county-level finance, which suggested guidance on budget allocation, and was approved by the county government. The township government planned to formulate a budget in accordance with the needs of the county-level financial bureaus, and requested the upper-level's approval. The budget draft submitted by the township government must be reviewed by the county finance bureau, and relatively large budget items must be ratified by the county government. The unification of the bank account was to cancel the township's full budget accounting and for the

county's accounting audit center to create the county's special fiscal account in the township's financial organization. The concentration of township government's income and expenditure meant putting all the extra-budgetary funds of the township in the budgetary management, concentrating all the funds into the county's accounting audit center. The government purchasing batch process was implemented in a way that township government's purchasing products or services was handled by the county's accounting audit center and transferred to the county government's purchasing center according to the budget review, and the county's accounting audit center paid the purchasing costs directly to the product or service providers. Finally, the receipt batch management meant all the management rights of the administrative affair expense's receipts and agricultural tax certification's receipts used by the township government being transferred to the county's finance department, and the receipts should be attached when using the funds. In other words, the township government was only allowed to manage its income with a receipt, and strictly forbidden from the tax collection and spending in cash and misuse and concealment of various revenue (Tao Yong, 2014: 223).

As a result of such reforms as the county's strengthened budgeting right in the township, the establishment of the county financial accounts in the township financial organization, the county's administration of township government's purchases, the fiscal management of the county government through receipts, and the inclusion of the extra-budgetary funds into the township's official budget coffer, the township became the *de facto* dispatched unit of the county. The county government expanded its power by using its personnel, fiscal resources and materials below the county, and the financial power of the vertical departments, specifically the county's finance bureaus, which established themselves from the province all the way down to the county was extended below the county.²⁹

²⁹ As a result of the RTFR, the role of the township government has evidently been hollowed out

However, there was a limit to the county's management system of the township public finance. Township's government reorganization and personnel reforms made slow progress. Most of the township expenditure was wage costs, and township government didn't reduce that cost, but only saved some other expenditure for that spending. And the ability of the township government to adjust and organize its budget management function and financial resources was weakened. Finally, the county's managing township' finance system exacerbated lack of public service provision in the township government (Tao Yong, 2014: 233). In terms of township government functions, the township should also be responsible for economic development, social management, public service and maintenance of stability, but the majority of the township governments' fiscal power was weak and could not play a major role in these functions (Luo Dan & Chen Jie, 2008: 79).

In addition to the RTFR, central reforms have also been carried out since 1998. For example, there have been various institutional building such as departmental budget system, "separation of income and expenditure," revenue and expenditure's concentration on the budgetary funds and government procurement system. Specifically, the center has begun to build modern budget management systems such as standard budgeting, constraints on budget enforcement, and performance evaluation (Lou Jiwei, 2013: 14). The revised Budget Law in 2014 focused primarily on controlling local government debt and extra-budget revenues, strengthening macroeconomic monitoring of financial resources, and enhancing transparency and accountability of government budgets. The budget disclosure -related stipulation provided clear rules on the scope, timing, and disclosure details of core items such as grants, government debt, and departmental budgets (Wong, 2016: 6-7).

If the RTFR was mainly the state building at the county and township levels, the

(Smith, 2009). Some argue that the township should be abolished and become the county governments' dispatched office. On the other hand, the power and authorities of the county government in the township was enhanced (Kennedy, 2013: 1021).

construction of the modern budget management system can be seen as the institutional building at the center. Thus, the institutional building in terms of the Chinese budget system has been carried out in both the central and the local levels, and the county government played a key role in the fiscal system building among the local levels. To summarize these reforms, ‘hollowing out’ of the township’s finance and the township government becoming the *de facto* dispatched unit of the county, the strengthening of the county’s finance and departmental budgets of various vertical bureaus from the province to the county. Next, let's take a look at the “three awards and one grant policy” of the center that had a major impact on the county’s finance.

(2) Three Awards and One Grant Policy: Prize Incentive Construction

The county and township’s financial situation got worse in some regions around 2000. The main reason of this phenomenon was an imbalance of economic and social development, incomplete policy implementations, improper management and lack of supervision. The economic fundamentals of county and township were agriculture and rural economy, their fiscal resources have long been scarce and the fundamental financial structure has not been changed. As a result, the rate of fiscal revenue growth in the county was slow and the self-sufficiency rate fell, leading all to a higher reliance on upper-level subsidies. The provincial and municipal grants to the county, especially to the county with a financial hardship, were insufficient, and the central government continued to launch reform measures such as wage adjustment, the completion of social security programs, and the implementation of the RTFR pilot areas, all leading to the increased expenditure pressure. Except for this, the effects of government reorganization were very small, and the government operating’s expense still continued to rise due to the expansion of financial dependents. (Lou Jiwei, 2013: 109-110).

In 2005, the Ministry of Finance launched a series of incentive policies with three

awards and one subsidy as their focus, and planned to resolve the financial difficulties of the county for three years. The main content of this policy was for the province and the municipality to award a prize money as a general grant to the county and township governments with financial difficulties, if they increased their fiscal revenues. The central government wanted to mobilize local initiative through this reform. The center also compensated for the simplification of the government organizations and the reduction of the county's personnel in order to promote administrative efficiency and lower administrative costs. In addition, the center awarded funds to the county where the amount of food production was high, as a measure to maintain food security and ensure the robust food production. Such awards were also given to the regions that resolved the financial problems well (Tao Yong, 2014: 239).

And this measure gave local governments incentive to increase tax collection and create profits and induced provincial grants to focus on regions with fiscal hardship, using relatively less central grants. The reward for simplifying the governmental organization and reducing the number of personnel aimed at encouraging and supporting the transition of government functions by reducing the administrative costs and the financial pressure caused by the costs of the government reorganization and the relatively high personnel expense (Lou Jiwei, 2013: 110). From 2000 to 2003, the central government paid a compensation of 400,000 yuan for an abolishment of the township, 500,000 yuan in 2004, and a prize of 3,000 yuan for a reduction of one person and 4,000 yuan for that in 2004 (Li Wanhui, 2011: 159).

The effects of this reform were evident in some areas. For example, in 1997, the number of the pre-reform county-level financial dependents in Tianjin was approximately 75,000 national employees with about 7,000 collective employees and about 45,000 national employees and 600 collective employees in 2003. The number of incumbent employees decreased to 45,000 in 2007, but rose to 47,000 slightly in 2009. But the trend of the number of public employees was a declining (the Budget Bureau, Ministry of Finance

of the People's Republic of China, 1999; 2005; 2010; 2011).

A striking feature of the reforms was that the central government paid a prize for the local governments rather than providing a simple subsidy. This shows that reforms in China were no longer a one-sided top-down model from the upper-level to the lower-level, but a way of providing enough money to meet the goals of reforms in order to mobilize the lower-level's incentives. In other words, 'a policy that replaces subsidies as award' mechanism was introduced in some policy areas.

In addition to a prize money of 15 billion yuan allocated by the central government in 2005, each provincial region maintained the basis of the existing county and township's fiscal capacity grants and newly increased subsidies of 10.8 billion yuan by themselves. In 2005, 791 counties with fiscal hardship earned provincial and municipal fiscal capacity grants, an increase of 32.4 billion yuan compared to those in 2004. The fiscal revenue of county and township governments increased by 6.7 billion yuan from 2004. Due to this financial support, their fiscal revenues increased by 39.1 billion yuan, and the average financial capacity of each county increased by 49.43 million yuan. The number of the counties with financial difficulties shrank from 791 in 2004 to 264 in 2005 (Li Wanhui, 2011, 160).

After that, the central finance continued to adjust and complete the mechanism. In 2008, the "three awards and one subsidy" policy added other measures: First, it was an enhanced incentive to control the gap of the financial power among the counties. The provincial and municipal governments increased financial input to the county and township governments with a weak financial power, reduced the difference of financial power, strengthened the public service provision ability of the county and township governments, and the center awarded to the regions with an ability to coordinate the difference of fiscal capability. Second, the center continued to compensate for the simplification of government organizations and reduction of the number of personnel of the county government,

while evaluating the proportion of spending on education, health and hygiene and agriculture, forestry and irrigation works in each region, and the central finance has made certain rewards to the counties that increased the share of those expenditure and had spending on those areas more than the national average. Third, the center continued to compensate for the counties where the food production was high, considering both the amount of the food storage and the increase in the food production, and built the mechanism that combined the incentives and constraints, while awarding to the counties where the oil crop production was high. Compensation funds of the central finance were distributed to the province, and the provincial governments took into consideration the compensation for the counties, which produced a lot of oil crops in accordance with the principle of “emphasizing priority foods’ varieties and compensating for the priority counties.” Fourth, the provincial and municipal governments continued to increase tax revenues for the counties, which had difficulties financially in the previous year, and they subsidized the counties with a financial hardship by increasing the compensation standard of financial power grants (Xie Xuren, 2009: 592-593).

From 2005 to 2008, the county’s financial strength clearly improved when the total amount of central fiscal support of “three awards and one subsidy” funds of 116.3 billion yuan, local compensation funds, and the increased amount of county tax revenues were all considered. The share of county expenditure in local fiscal expenditure has also been steadily increasing. At the 17th Party Congress, the central finance made attempts to complete the incentive and constraint mechanism in accordance with the completion of the sub-provincial financial management system and the demand for strengthening the public service provision capability of the grassroots regimes (Xie Xuren, 2009: 593).

On the basis of the existing grant system and the “three awards and one subsidy” in accordance with the demands and arrangement of the center, the central finance has spurred the construction of a county-level basic financial power’s guarantee mechanism since 2010. In 2010, the Ministry of Finance issued the “Opinion on the Establishment

and Completion of the Ministry of Finance's County-level Basic Fiscal Power's Guarantee System.” In this document, the basic budgetary's guarantee mechanism of the county government aimed at realizing “wage guarantee, operation guarantee and people's livelihood guarantee,” and securing the basic financial power demands of the county government to conduct public management, provide basic public services and implement central public welfare policies. In accordance with the basic principle of “clarifying responsibilities, replacing subsidies as a prize, and making changes in coordination,” the central government compensated the local governments according to their work performance. The central finance established the coverage standards and guarantee standards for the county-level basic financial power, and measured the need for guaranteeing the basic financial strength in each region. The scope of coverage included personnel expense, public expense, public welfare expenditure and other necessary expenditure, and the guarantee standard was calculated according to the fund raising responsibility and expenditure standard of each item within the guarantee scope. And the guarantee need was determined by classifying the counties according to the guarantee standards and guarantee targets. And the center confirmed the counties with fiscal deficits and the amount of deficits. Finally, the central government rewarded the local governments according to their work performance (Lou Jiwei, 2013: 111).

In 2009, 819 counties across the country incurred a basic fiscal deficit, and the deficit amounted to 89.4 billion yuan. Since 2010, the central finance has continued to increase the financial support to guarantee the basic financial power of the county. From 2010 to 2013, 47.5 billion, 77.5 billion, 107.5 billion, and 152.2 billion yuan have been allocated and awarded to the local governments respectively. Under the guidance of central policy and funds, each region has improved the financial management at the county level through the coordination of the sub-provincial fiscal system and the completion of the sub-provincial grant system. By the end of 2012, there were only 8 counties with basic

deficits and the deficit amounted only to 120 million yuan.³⁰

On the other hand, these fiscal power grants were transferred differently by region. First, the region with the greatest benefit was the counties in the middle region, which had about 22.7 billion yuan in 2009, with 18 billion yuan in those of the western region and 10.5 billion yuan in those of the eastern region. The counties of Zhejiang Province had 1.59 billion yuan, and those of Guangdong Province had 480 million yuan in 2009, which were a big difference with the Shandong's 6.2 billion yuan, the largest amount of grants, followed by the Henan Province's 4.1 billion yuan, and the Guizhou province's 4 billion Yuan (the National Treasury Bureau, Ministry of Finance of the People's Republic of China, 2011: 273).

In December 2013, the Ministry of Finance announced the "Notification of the Opinion on the Coordination and Completion of the Basic Financial Power's Guarantee Mechanism of the County," and it required that the financial system below the province be confirmed by the provincial government and the province be responsible for implementing the guarantee mechanism.³¹ This document specified the goal of consolidating the results of the county-level basic fiscal power's guarantee, strengthening the ruling power of the grassroots government, and promoting the equalization of basic public services according to the request of the fiscal system reforms in the Third Plenum of the 18th Chinese Communist Party Congress. The national coverage of the county's basic budgetary power included personnel expense, public expense, public welfare expenditure and other necessary expenditure. In particular, the expenditure on public welfare mainly cov-

³⁰ Ministry of Finance, 2014/1/13, the new financial network, the Ministry of Finance: the sub-provincial financial system determined by the provincial government, <http://china.caixin.com/2014-01-13/100628342.html>, (Accessed: 2016.11.15).

³¹ GuoBanFa, [2013] No. 112, "a Notification on the Opinion on the Coordination and Completion of the Basic Financial Power Guarantee Mechanism of the County," http://www.gov.cn/zhengce/content/2014-01/10/Content_8093.htm, (Accessed: November 15, 2016).

ered agriculture, education, culture, social security, health and hygiene, science and technology, birth control, environmental protection, ensured housing, and village-level organization operating expense.

This public spending on agriculture, education and social security was an indispensable expenditure for the county government's transition from the existing economic construction-oriented government model to the service-oriented one and from the economic construction-driven finance to the public service-driven finance model. In order to supply these public services, the counties themselves had to finance themselves in the past, but through the central reforms, the state now guaranteed this expenditure. It also strengthened budget oversight and performance evaluation, and management and supervision of the county-level budget, and actively promoted the budget expenditure's performance management system, and expanded the scope of performance evaluation. In terms of government reorganization reforms, they strengthened government organizational management, rigorously reduced the number of financial dependent staffs, intensified public service unit classification work, and demanded the government to improve the public service delivery system.

As a result, the characteristics of all these reforms were not only a strengthening of the county's autonomy by guaranteeing the county's budget, but also a construction of a constraint mechanism and system to supervise and oversee the county government's deviations. In the end, this kind of guarantee for the county budget became the basis for the county government to be able to build up various institutions and implement institutional innovations with strong financial power. In other words, the county government's reorganization, construction of administrative licensing center and urban and rural community, grid management and village self-governance were considered as important policies by the center, and some of them were supported by central subsidies and prizes according to the work performance of the county. For example, urban and rural community

construction was driven by urban and rural community affairs expenditure and social security expenditure's community construction expenditure item, which were the next largest source to the education in municipality and county's spending. The village-level self-governance's institutional construction also corresponded to the operation expense of the village-level organization in the public welfare expenditure category guaranteed by the central government.

If the county government was financially deficient or only capable of barely paying for personnel expense, it would not have been possible to build such costly institutions at the grassroots. And the county governments in the most affluent areas of Tianjin city, Zhejiang, and Guangdong provinces in the eastern provinces could be more actively involved in the state-building at the grassroots with their own strong financial power, even if they did not depend on these central prizes and subsidies. They were able to push more institutional innovations in the state building at the grassroots with more financial power than in the counties of the middle and the west regions.

In this way, the center and the above-county-level local governments have provided a foundation, through which the county could become the center of the institutional building at the grassroots, by guaranteeing the financial support for the county government through a series of reforms and transferring the financial authority of the township up to the county. In addition, the central government contributed to the county's transition to the public service-driven finance, which emphasized social spending by designing clear incentives such as 'award instead of subsidy' for public finances to increase the expenditure's portion of the social welfare sector such as social, cultural and educational expenditure.

But there was a limit to this central policy. This reform was a temporary measure to resolve the difficulties of county finance and has been only slightly revised from the existing financial system of the county. In addition, the sustainability of the policy effect cannot be guaranteed without major changes in the relationships of spending authority

and fiscal authority between the different government levels. Once the county with a fiscal hardship increased its financial revenue, it could reap the rewards of the central or upper-level government, and the county governments tried to increase its main revenues regardless of where it came from. Therefore, the county governments focused only on projects such as industrial development and investment attraction, and did not pay much attention to the impact of the project on the local environment or energy consumption. Finally, the reform guaranteed only part of the basic operation of the county regime and the public spending on people's livelihood, and the various demands of rural and urban public services and farmers' public goods have not been reflected on the guarantee's scope (Tao Yong, 2014: 240).

Although the limits were obvious in the central and local reforms, the state building was carried out in the financial system both at the central and the local levels, and the fiscal institutional building was implemented mainly by the county government among the local government levels. And the center's way of carrying out the reforms was to mobilize the local incentives through the prize money, changing from the simple top-down approach in the past. The policy of replacing subsidies with prize money certainly worked. As we have seen, the proportion of the county government's tax income in local financial revenue and its expenditure has increased significantly compared to other local units, making it the most important financing actor at the local level. And the central government compensated the counties for increasing the proportion of spending on education, health and hygiene, agriculture, forestry, and irrigation work. As a result, the share of social, cultural, educational and economic construction in the county budget has increased. Next, let's explain how the financial situation of the counties has changed since the reforms by reviewing the audit reports of the NAO.

2) County and Township-levels' Financial Situation after the Reforms

During the period from November 2011 to March 2012, the NAO conducted the audits on the financial funds of 54 counties in 18 provinces, investigating their financial power's guarantee situation.³² The 54 counties consisted of one third of the financially good counties, one third of financially middle counties and one third of financially bad counties. First, the county government's financial revenue, which was audited, grew steadily. The total government revenue in 2011 amounted to 111.684 billion yuan, up 16.46% from that in 2010. Among them, the financial revenue excluding grants and subsidies reached 57.965 billion yuan, up 16.67% from that in the previous year.

And the support of upper-level finance continued to expand. In 2010, the counties in 18 provinces received a total of 1.6 trillion yuan of upper-level grants, which were 1.25 times that of their own public revenue that year. After receiving the grants, their public financial revenue reached 3.23 trillion yuan, accounting for 58.45% of the 18 provincial public financial income, an increase of 35% before the transfer of grants. After the 54 counties surveyed received the grants, the average public revenue of the counties was 3,873 yuan, more than double the amount before the grant was transferred.

The public financial pressure gradually eased at the county level. In 2011, the central government built a compensation mechanism for securing the county-level basic financial power on the basis of measures such as "three awards and one subsidy" and the compensation for the counties with a high food production which was carried out in 2005, and the center has allocated a total of 156.968 billion yuan of subsidies and awards to resolve the financial difficulties, which was 3.62 times the amount in 2005.

The 18 provinces also set up a supplementary plan and budget for compensating

³² The NAO's Office, June 26, 2012, 26th Issue of Public Notice: Results of the audit on the financial resources of 54 counties, <http://www.audit.gov.cn/n1992130/n1992150/n1992500/3043614.html> (Accessed: November 18, 2016).

the basic local public service's provision and on the base of compensation funds by the central finance, the provinces spent 43.711 billion yuan to construct the county-level basic financial guarantee mechanism. The difficulties of wage guarantee and operation guarantee of the county were basically solved, and the ability of people's livelihood security has also been continuously improved. According to the Ministry of Finance's calculation, there were no deficits in the counties with the fiscal power's guarantee in the three provinces, and the number of the counties with deficits in the 15 provinces decreased by 161 from that in 2011, resulting in a 10.263-billion-yuan-decrease in the deficit.

Nonetheless, the problems revealed by the audit report of the NAO are: First, the structure of the county-level financial revenue was not reasonable. The source of taxation which was owned by the county government, was relatively decentralized, and the proportion of the non-tax fund income among the county-level financial revenue was relatively high. Among the financial revenue realized by the 54 counties in 2011, non-tax income accounted for 60.45%, and the share of non-tax income was 20.9% higher than that of tax revenue.

Second, some county governments reduced their financial income improperly in the process of attracting investment. These counties reduced the discretionary financial power by returning their revenues to related enterprises including the tax revenues paid by the enterprises and land transfer incomes in the government budget and spending them on attraction of investment. Among the 54 counties surveyed, 53 counties announced the policy documents favorable to the investment promotion, clearly running counter to the 221 national policies from 2008 to 2011. And they reduced 7.043 billion yuan of financial income supposed to be paid for during the same period, of which the reduction was carried out through government spending, and amounted to 3.336 billion yuan in 2011, accounting for 5.81% of the 2011 general budget income.

Third, there was some pressure on the counties' fiscal expenditure. Because the central government lacked the relevant legal system to standardize expenditure authority

and responsibilities among the local levels, the upper-level government transferred spending responsibilities to the lower-level. The responsibilities of county-level budget spending have increased steadily, but fiscal and taxation authorities had not supported it. In the analysis of the expenditure structure of the 54 counties in 2010, the items allocated by the national statutory expenditure's increasing demands included agriculture, education, science and technology, and the completed standard requirements of the central departments were 77.23% of the counties' total public expenditure in 2010. The proportion of financial power left to the county government to organize its spending independently after satisfying the requirements was relatively low, so there was some pressure on the county government's expenditure. The above ratio of the 45 middle and western regions' counties among the 54 counties was 81%, which was about 11% higher than that of the nine eastern regions' counties. The county governments in the eastern region such as Zhejiang Province, Guangdong Province and Tianjin City had the sufficient financial capacity to carry out various projects for themselves, compared to those of the middle and west regions, so they were able to push forward a variety of the state-building programs preferred by the center at the grassroots level. On the other hand, the counties of the middle and western regions has not been able to make various institutional reforms because they lacked financial power to deal with even delegated tasks.

The following is how the central grant system, which included the RTFRG and the county-level fiscal power's guarantee grant, as we have seen so far, has been constructed by the center in order to supplement the fiscal deficit of the local governments. And this study will show that these grants were not only aiming at the equality of local financial power, but also emphasizing the equalization of local public services' provision, but more importantly, the central grant system was being used as a penetration mechanism of state's power that controlled the local governments. If so, we will evaluate whether these two goals of the grant system were truly realized and achieved.

3. Central Grants: How the Center Travels down to the Local Governments with its Money

Central grants to the local governments were influenced by normative factors such as equalization of local financial power and the center's political considerations. In addition to equalization norms, efficiency is also an important consideration in the allocation of grants (Oates, 1999). But a more important factor in analyzing grants in China is a political incentive. In particular, public choice theory attempted to interpret financial resource allocation by considering policy decisions, the influence of interest groups, and political institutional factors (Alperovich, 1984; Dixit & Londregan, 1998; Grossman, 1994).

The reason why the political factors are more important than the efficiency and equalization norms in China's grant system is that the equalization effects of grants have not been successful since 1994, and many studies showed that the financial gap between regions or urban and rural areas was still severe despite the transfer of the central grants (Huang & Chen, 2012; Tsui, 2005; Knight & Li, 1999; Zhao, 2009). However, there were also studies showing that the financial income gap at the sub-provincial level has been reduced by central grants. Nevertheless, the gap was still large. The equalization effect of grants was somewhat significant, but not enough to reduce the sub-provincial fiscal power's gap (Wang & Herd, 2013). And the reason for the weakness of equalization effect was that the grant system was influenced by the informal system of several patronage networks at the sub-provincial level. This is because the official system of grants was not efficient and the unofficial system of patronage networks replaced or competed with the former.

Therefore, analyzing central grants to the local governments in China should take more look at how the informal patronage system that operated at the sub-provincial level was related to the ineffective formal grant institution and what political considerations

there have been in this patron-client relationship than the efficiency and equality norms.³³ In this study, we will argue that social networking or social capital affected allocation of grants among the upper-level senior and the lower-level subordinate government officials in the local political sphere. Although the grants that went down from the center to the provinces had some equalization effects, the effects of the equalization were weakened due to the influence of various informal networks at the sub-provincial level.

Particularly, the political factor influencing central grants that went down to the county level is the municipality-managing-county system, which was the financial relationship between the municipalities and the counties. Although there have been many cases where the grants to the counties have been retained or misappropriated by the municipalities, these problems have gradually been resolved through the implementation of the reforms that directly governed the financial affairs of the counties by the provinces in the 2000s and 2010s.³⁴

³³ One of the political factors affecting the amount of the grants given to the local governments was the political rank of the provincial leaderships in the Central Committee of the CCP (Huang & Chen, 2012). However, the study did not point to the fact that the efficiency and equalization effect of these grants at the sub-provincial level varied depending on the various political and fiscal relations of province-municipality-county during the provincial or municipal allocation process of grants after central grants being transferred to the provinces. Therefore, the political factors of the grant were not only central-provincial political economic relations, but also political and economic relations between the provinces and the municipalities, between the municipalities and the counties or sub-counties.

³⁴ For a study that shows the cases where the municipalities misused the grants supposed to be allocated to the counties under the city-managing-county system (city squeezing county), and these side effects were gradually being resolved by the province's managing the counties' finances directly, see Lee (2012). In other words, when explaining the difficulties of the county governments' finances, many of the studies showed that this fiscal hardship mainly came from the gap between the government revenue and expenditure at the county level, but this gap was reduced through significant central subsidies and non-tax income. Nevertheless, the reason why some of the county governments' finances were still difficult was due to the predatory inclination of the municipalities (Li & Yang, 2015). As shown in the cases of one study, the county government used a strategy of getting a support and assistance from the provincial governments to avoid the predation of the municipalities (Lee, 2012). In the pioneering Zhejiang Province of the province-managing-county reform, because the fiscal relations between the province and counties were well established and the transfer of the grant from the province to the counties occurred smoothly, the counties in

Another discussion on the grants is efficiency problem. One study suggests that grants were inefficiently implemented because they were mainly used for local administration, unlike their original purpose, such as education (Shih & Zhang, 2007). In particular, with regard to the local use of central special grants, the central government strengthened its regulations to achieve the relevant policy objectives, but local governments still avoided such supervision in various ways and weakened the central government's intentions in policy (Liu et al., 2009). In the 1980s and 1990s, the intergovernmental fiscal and redistribution system was weakened or even collapsed, causing local governments to face serious fiscal deficits and problems with providing legal public services at the local level. In the 2000s, harmonious society's programs and service-oriented government reforms were implemented to solve these problems, but the reforms have some limitations because the economic development and human resource gap among regions was still large and financial revenue and expenditure allocations were not adjusted (Wong, 2009).

However, this inefficiency was mainly seen in poor western region, and in the wealthy county areas covered in this study, there was less of a weakening of state's power coming from misuse of grants because they were affected by societal demand and pressure, as well as central rewards and supervision. In other words, because central programs that accompanied these grants were related to government efficiency, social governance, and public services, and society also needed these policies, and societal demands and pressure were strong enough to push the local officials to do their delegated job. Therefore, central preference and social preference became in agreement. As a result, the wealthy counties' local bureaucrats have been more faithful to the policy goals of the central grants due to the dual supervision and pressure caused by the common interests between the center and the social forces.

Zhejiang were able to avoid the municipal predation.

In addition, unlike in the 1980s and 1990s, various institutional-building programs related to a central grant system were carried out in the central and local governments during the 2000s and 2010s. It is necessary to reevaluate the impact of the state-building project on the central grant system and the efficiency of grant allocation. It is also necessary to analyze how the grant affected the richer regions in spite of the fact that many of the other above mentioned studies only emphasized the effects of grants on poor areas, focusing primarily on fiscal equalization effects.

Finally, this study will introduce not only the politics of informal patronage network at the sub-provincial level but also the view that local governments provided the public services of certain types and standards determined by the central government, which was one of the important goals of the grant system.³⁵ The center aimed to provide the services in the various state-building programs at the sub-county level, which can be seen in Chapter 4, through the grant system in the way of promoting the local institutional innovations. Before entering this chapter, let's briefly review the history of the establishment of the central grant system in China and its impact on county government finances.

On November 14, 1993, the concept of central grant was formally presented in the "Decision on Some Problems Constructing a Socialist Market Economy System" passed in the Third Plenary Session of the 11th Communist Party Congress of China. As of January 1, 1994, the Tax Sharing System reform began, and the central government began to implement the intergovernmental grant system corresponding to the system. In order to compensate for the deficiencies of the "standard amount method" used during the construction of the 1994 grant system, the Ministry of Finance designed the transition period grant method in 1995. Based on this through a series of reforms, the center expanded arrangement of the general grant system and the fiscal power grant further. Since

³⁵ The three goals of the grant system are to promote fiscal power equalization, to modify the negative and positive spillovers to induce appropriate amounts of public services, and finally to provide the services set by the central government (Wang & Herd, 2013: 23).

then, the grant system has been consistently completed and the central grants' size has expanded rapidly.

On the other hand, the financial recentralization brought about by the Tax Sharing System was strictly said to be not a complete fiscal recentralization but a revenue or income recentralization measure, and there was no major adjustment of the expenditure responsibilities between the central and local governments. If fiscal revenue was concentrated in the central government and expenditure responsibility was decentralized to the local governments, the independence of local governments in terms of expenditure responsibility was definitely affected by the central government, because of the fact that local governments had no choice but to rely on the central government's financial subsidies or grants to meet their spending requirements.

The reforms that had the greatest impact on the county government's finances in terms of grants were the RTFR since 2002. This tax reform was to alleviate the burden on farmers on the surface, but actually it reformed the financial relations between the central and local governments. In other words, the main contents of the RTFR showed that the central government implemented a large-scale of RTFRG at the county and the township levels, and the central finance paid for the costs of the RTFR through the central grants. Therefore, since 2002, the county and township-level governments relied more on higher-level grants to make up the differences between their revenue and expenditure.³⁶

As a result, the county government has become a major beneficiary of these reforms and a local unit that played a central role in the distribution of the sub-county level grants. The following will analyze the trilateral model of the grant structure such as tax returns, special grants, and general grants, and explain the county's financial situation and the regional financial gap after the increase in grants. Among the grants, we will focus

³⁶ For a study of the overall increase in the county and township-levels' reliance on the upper-level or central grants, see Chen (2009).

more on the salient characteristics and roles of special grants that have emerged recently with the project governance model. Finally, let's review how the state's power has been strengthened through performance evaluation and audit measures on grants, and then examine limitations of the state's power by scrutinizing the problems of the grant system.

1) Trilateral Model of Grant Structure: Tax Returns, Special Grants and General Grants

Grants usually served as public goods' provision and financial redistribution, but in China, grants had more diverse goals. They aimed at appeasing vested interests, promoting local investments, and redistributing the financial resources to the local governments (Shih & Zhang, 2007: 146). These grants fall into three major categories. First, the tax returns of the three types of VAT, consumption tax, and income tax set the range of the central and local tax revenue's shares, the standard amount of local income, the standard amount of local tax return revenue, and the formula of tax return actually obtained by the local governments. (Wu Shengze, 2012: 126).

The tax return grant scheme has designed an incentive effect that "award a prize to a diligent province and punish a lazy province." In the 1994 Tax Sharing System reform, the central tax return to the provinces adopted a method of raising the central local tax return by 0.3% over the previous year whenever the return of the local VAT and consumption tax increased by 1%. As a result, the faster the growth rate of the two kinds of tax revenue, the greater the tax return to the center, and the smaller the amount of tax return to the local. However, when considering local governments' profits, incentives for the increase of local tax revenue were designed because more revenue from the two kinds of tax could lead to more tax returns to the local governments (Wu Shengze, 2012: 128-

129).³⁷

On the other hand, returning the standard amount of local income tax to the center in 2002 did not include the growth factor of the profit margin, so the incentive effect of the local governments could not be created due to a return of only fixed standard amount. However, a return of an increased amount in the two kinds of tax and a return of a standard income tax were designed to reduce a return rate whenever a revenue of two kinds of tax and an income tax did not increase compared to the previous year. If a VAT and an excise tax payment to the center were less than that of the previous year, the central government reduced the amount of a tax return in accordance with the difference in a return of the two kinds of tax's increased amount received in the immediately preceding year and a rate of a decreased amount compared to the previous year. In addition, when an amount of the local governments' annual income tax revenue could not reach the amount in 2001 after the income tax sharing reform in 2002, the central government reduced the standard amount of the tax return to the local government correspondingly or increased the local standard amount of the tax return to the center (Wu Shengze, 2012: 129).

As such, tax return grants were generally used to protect the local gross profits, which did not help much in resolving the gap in local financial power. Nevertheless, there were local incentives because the amount of tax return to the local government increased by a certain rate according to the increased amount compared with the standard return to the center, and when the standard amount was not reached, there was a punishment to reduce the tax return to the local governments according to a certain ratio. The motivation to collect more was still guaranteed.

The Tianjin City's county governments' consumption and VAT tax return grants

³⁷ On the other hand, the center put the authority of the tax return grants' allocation to the sub-provincial level governments under the provincial governments' discretion without any requirements following an official formula (Shih & Zhang, 2007: 148).

amounted to about 60 million yuan in 2003, 130 million Yuan in 2007 and 160 million Yuan in 2009. The two kinds of tax return grants continued to increase, but the income tax return from 2003 to 2009 remained the same amount of 80 million yuan. The two kinds of tax returns of Zhejiang's county governments increased from 5.38 billion yuan in 1997 to 8.5 billion yuan in 2003, 10.6 billion yuan in 2007 and 11.21 billion yuan in 2009, while the income tax return remained the same with 6.2 billion yuan for the same period. The two kinds of tax returns of the county-level governments in Guangdong province increased rapidly by 2007, reaching 10.62 billion yuan, from 3.71 billion yuan in 1997, to 6.85 billion yuan in 2003 and fell to 7.78 billion yuan in 2009. The return of income tax increased from 3.6 billion yuan in 2003 to 6.2 billion yuan in 2007 (the Budgeting Bureau, the Ministry of the Finance of the People's Republic of China 1999, 2005; 2010; 2011). The two kinds of tax returns in all three regions increased while income tax returns remained the same, except for Guangdong Province.

Second, another grant type is a special grant. This is a special purpose fund that the central government transferred. Special grants are "conditional grants," which added certain restrictions and specified the direction of use of funds or required the provision of local matching funds or both when the central government allocated funds to the local governments. Local governments could obtain grants if they met the additional conditions.³⁸ As such, special grants can be categorized according to the availability of matching funds, and both types of special grants had a purpose for achieving the center's policy goals, so they were not as helpful for narrowing the financial gap between local governments as the tax return. Special grants also protected local interests to a certain extent.

The special grants to the county governments of Tianjin City rose rapidly from 87 million yuan in 1997 to 82 million yuan in 2003, 300 million yuan in 2007 and 600

³⁸ Due to the demands for matching funds, the wealthy counties were favored to obtain special grants (Shih & Zhang, 2007: 147).

million yuan in 2009. The special grants to Zhejiang's county governments were 2,060 million yuan in 1997, 3.26 billion yuan in 2003, 22.56 billion yuan in 2007, and 41.69 billion yuan in 2009. The county governments of Guangdong Province also received 3.47 billion yuan in 1997, 12.6 billion yuan in 2003, 23.84 billion yuan in 2007, and 39.16 billion yuan in 2009 (the Budgeting Bureau, Ministry of Finance, 1999; 2005; 2010; 2011). Among the three areas, the region with the largest amount of special grants and the fastest growth rate was Zhejiang's county governments. This special grant contributed to the institutional reforms of the county governments in Zhejiang.

The last is general grants that subsidizes the local expenditure. The general-purposed grant was originally a kind of financial power guarantee grant. It consisted of general grants and semi-special grants, and general grants were considered as unconditional grants. When the central government allocated funds to the local governments, the local governments can freely dispose of the funds in accordance with the demand for their own economic and social development, without adding any conditions and specifying certain use.

General grants increased local governments' fiscal net income, disposable income of the residents living in the local governments, consumption, overall local demand and income level. The general grant was mainly used to fill the local fiscal deficit, to guarantee the provision of basic public services in the local governments, and to solve the balance of different local governments' finance power (Xie Jinghua, 2012: 4). Therefore, the general grant was considered as public service-oriented funds, unlike the tax return that focused only on economic growth (Wu Shengze, 2012: 110).

The general grants of Tianjin City's county governments increased from 150 million yuan in 2007 to 1.39 billion yuan in 2009, and those of Zhejiang Province's county governments grew rapidly from 1.52 billion yuan in 2003, to 1.95 billion in 2007 and 21.29 billion in 2009. The general grants allocated to the county governments of Guangdong Province were the largest among the three provincial governments' counties with

the highest growth rate in 2003, amounting only to the 980 million yuan in 2003, 10.06 billion yuan in 2007, and 30.31 billion yuan in 2009 (the Budgeting Bureau, the Ministry of the Finance of People's Republic of China, 1999; 2005; 2010; 2011).

In terms of local governments' flexibility for use of funds, local governments were most flexible in the operation of general grants, and these unconditional grants had the least central interference and influence on the local governments. In particular, this was used to fill deficits in local finance. Special grants were more efficient than unconditional grants. Matching grants stimulated active involvement of local governments and were more efficient than grants that did not require matching, emphasizing the cooperation between the center and the local government. In the order the local governments had more financial power and interests, their preference for the types of grants as follows: general grants, special grants that did not require matching fund condition, unlimited amount of grants that require matching funds, limited amount of grants that require matching funds (Xie Jinghua, 2012: 4-5).

According to the trilateral model of the central grant structure, among grants to Tianjin's counties, the general grant was the largest with 1.39 billion yuan in 2009, while the special grants to the counties in Zhejiang and Guangdong provinces was the largest with 41.6 billion yuan and 39.1 billion yuan respectively in 2009. Tianjin was able to use the funds more freely and autonomously from the central intervention and influence in the use of grants, while Zhejiang and Guangdong participated more actively in central projects through special grant with their matching funds and used the funds more effectively.

Table. 2.8. Comparison of Different Central Grants' Goals

Goals	Matching Grant	General Grant	Special Grant
Degree of Reflecting Central Intention	Strong	Weak	Strong
Degree of Central Administrative Intervention	Weak	Weak	Middle
Degree of Central Influence on the Local's Policy Decision	Middle	Weak	Strong
Discretion of Local Use of Grant	Middle	Strong	Weak
Improvement for a Certain Effect	Middle	Weak	Strong

*Source: Ma Haitao & Jiang Aihua, 2010: 100

As a function of each type of the grants, special grants, like matching grants and general grants, did not replace local governments' policy decisions and do not change the relative independence of local governments. And it was a kind of economic means for the center to guide the local governments. The purpose of a guide was to make local government actions consistent with the intentions and demands of the central government. In addition, special grants were not merely economic means but included some administrative means. The choice of the central government among the grant's types was mainly determined by the specific situation and purpose, especially the degree of interference. If the central government did not need to specifically influence local governments' policy decisions and actions, they could choose a general grant. However, if the central government needed to engage more in local affairs and wanted to reach a definite effect, a special grant could be selected. If the local government receiving the grants had a certain financial capacity, it was more reasonable for the central government to use a matching grant scheme to influence the local policy decision.³⁹

Thus, the center was able to adjust the control of the local governments by adjusting the types of grants according to the different policy areas and the different periods

³⁹ According to the local officials in some case areas, when the local governments received central or provincial special grants, central and provincial interference and supervision were more intensified, but the center intervened less with general grants because they had the purpose of addressing the financial deficits of the local governments. As a result, local officials usually viewed special grants and 'semi-special grants,' which set some of the grant goals in general grants, as a means of controlling and supervising the local governments by the center (an interview with local cadres in Zhengcheng District of Guangzhou Municipality, June 16, 2016; an interview with local officials in Jin'nan District of Tianjin City, July 28, 2015; an interview with a researcher at the Zhejiang Development Research Center, July 4, 2016; a vice mayor of Qian'an city of Hebei Province; an interview with a deputy secretary-general of the government of Tangshan City in Hebei Province, November 20, 2014; Ma Haitao & Jiang Aihua, 2010: 99). These special grants allowed the central and provincial governments to control local governments at the sub-provincial level with high discretion and ad hoc measures and to secure more means of control (Wong, 2005; Wedeman, 1999).

when desired. If the central government wanted to tightly control the local government, it can use special grants and matching funds. On the other hand, if the central government wanted to allow greater autonomy in the local government, it could guarantee the autonomy of the local governments by allocating general unconditional grants. Therefore, the central government did not apply the financial control power to the local government in a unified manner or in a lump sum, but designed the grant system as a means that can be applied differently depending on the different policy areas and periods or different regions.

Table.2.9 Changes in the Amount of Different Central Grants (1994-2015)

Year	General Grant (Unconditional)		Special Grant (Conditional)		Tax Return (two kinds of tax+ income tax)		Total
	A Hundred Million Yuan	%	A Hundred Million Yuan	%	A Hundred Million Yuan	%	A Hundred Million Yuan
1994	99	4.4	361	16	1799	79.6	2259
1995	133	5.6	375	15.8	1867	78.6	2375
1996	161	6.2	489	18.8	1949	75	2599
1997	199	7.3	518	19	2012	73.7	2729
1998	210	6.6	878	27.7	2083	65.7	3171
1999	364	9.3	1424	36.4	2124	54.3	3912
2000	620	14.0	1613	36.3	2207	49.7	4440
2001	1176	20.7	2200	38.7	2309	40.6	5685
2002	1623	22.1	2401	32.7	3328	45.3	7352
2003	1914	23.2	2598	31.4	3749	45.4	8261
2004	2605	25.0	3423	32.9	4380	42.1	10408
2005	3812	33.2	3529	30.7	4143	36.1	11484
2006	4732	35.1	4412	32.7	4347	32.2	13491
2007	7093	39	7188	40	3831	21	18113
2008	8746	38	9962	43.4	4282	18.6	22991
2009	11317	39.6	12360	43.3	4887	17.1	28564
2010	13236	41	14112	43.6	4993	15.4	32341
2011	18311	45.9	16570	41.5	5040	12.6	39921
2012	21430	47.2	18804	41.5	5128	11.3	45362
2013	24363	50.7	18611	38.8	5047	10.5	48020
2014	27568	53.4	18941	36.7	5082	9.9	51591
2015	28455	51.6	21624	39.3	5019	9.1	55098

*Source: The Ministry of the Finance, central and local budget execution situation, various years, <http://www.mof.gov.cn>

Looking at the changes in the amount of grants in the table above, special grants rose rapidly from 87.8 billion yuan (27.7%) in 1998 to reach a maximum of 1.4 trillion yuan (43.6%) in 2010. Since 2010, the amount of special grants has declined modestly, but there has been no significant change. The size of the special grant exceeded the tax return for the first time with 441.2 billion yuan (32.7%) in 2006, and from 2007 to 2010, special grants accounted for the largest share among the three types of grants.

A specific example of a nationwide special grant was that the central government during the Hu Jintao-Wenjiabao period in the mid-2000s introduced most of the necessary funds in the form of special grants in order to implement the new socialist rural construction policy and the subsequent urban integration programs (Schubert & Heberer, 2015: 10-12).

In terms of the changes in the areas of special grants' expenditure, about 59% of the special grants with about 360 billion yuan in 1993 were spent on price subsidies. The shares of capital construction and welfare assistance were 6% respectively, and that of agricultural support was 4%, and that of enterprise innovation was 3% (Wong, 1997: 53). However, in 2015, the total amount of special grants amounted to 2.16 trillion yuan, including agriculture, forestry, and irrigation with about 600 billion yuan, transportation of about 370 billion yuan, and economic construction spending accounted for almost half of the special grants. The other half of the special grants was accounted for by the social, cultural and education category such as social security and employment with 260 billion yuan, housing security with 230 billion yuan, 190 billion yuan for energy conservation and environmental protection, 160 billion yuan for education and 110 billion yuan for health and hygiene. Other urban and rural community expenditure was spent with 12.4 billion yuan, which was a grant related to the institutional innovations of the local community construction to be discussed in Chapter 4.⁴⁰ In addition, the general public service

⁴⁰ Central tax return for the local governments and grants payment budget explanation in 2015, http://yss.mof.gov.cn/2015js/201607/t20160713_2354963.html, (Accessed: October 17, 2016).

expenditure category of the special grant included increased expenditure items of the village and towns (community) comprehensive service building expense and village organization activity and place-related expense in 2012.⁴¹ This was a grant related to the construction of the village self-governance to be discussed in Chapter 4.

Thus, it can be seen that the central grants to the local governments has shifted from the economic construction oriented model to the model in which both of the economic construction and the society·culture·education were combined. This was in line with the expenditure structure of the local government, as we discussed before. Thus, it can be seen that the local expenditure structure and the central special grant structure have transformed the local finance from economic construction-driven model to public service provision-driven model. As a result, the center has designed material incentives for local governments to work hard in this area by focusing special grants on the social, cultural and educationa sector at the local level, especially on the construction of urban and rural community expenditure. Because special grants involved local active participation and performance evaluation through local matching funds, local governments have been strongly motivated to work diligently on relevant policy programs with central grants.

Why did the center then continue to prefer special grants over the general grants from the 1994 Tax Sharing System to the 2000s? The answer is that if the central government allocated general grants to the local governments which lacked accountability to local residents, they were highly likely to misuse them on expanding bureaucracies and paying for personnel wages and not able to supply public goods and public services to their villages. Therefore, because the center wanted to use them for specific purposes, they preferred to use special grants (Liu & Tao, 2007: 182).

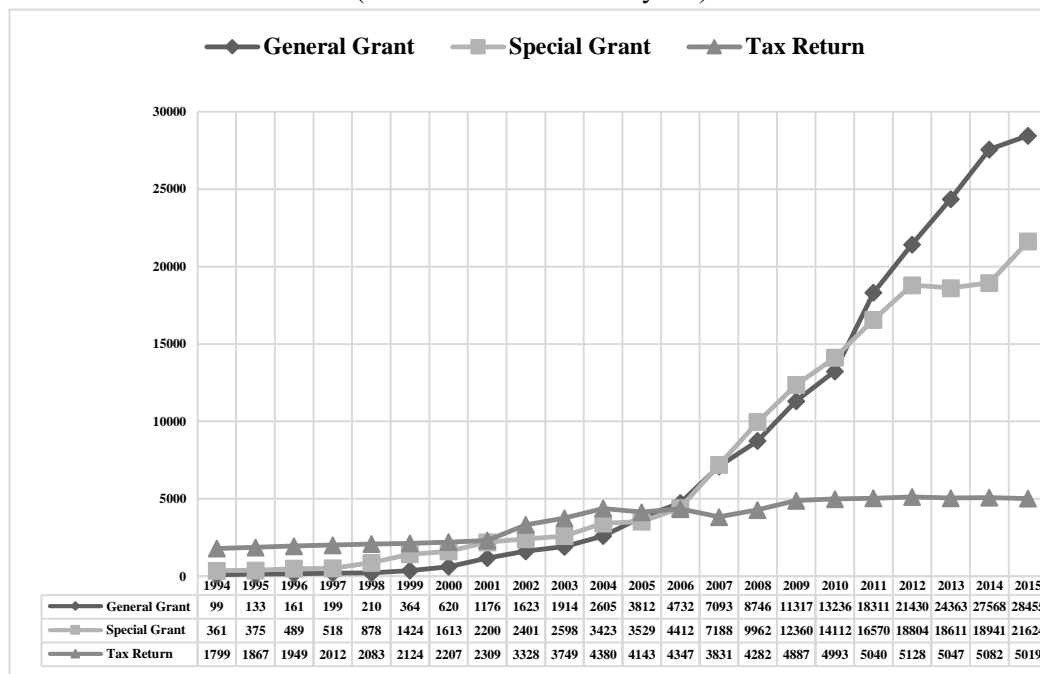
In order to strengthen the comprehensive coordination capacity of the special

⁴¹ Central tax return for the local governments and grants payment budget explanation in 2012, http://yss.mof.gov.cn/2012qhcztjs/201307/t20130715_965322.html html, (Accessed: October 17, 2016).

grants, the Ministry of Finance reviewed the improvement of the special grant management problem in accordance with the demands of the National People's Congress and the NAO, and consolidated special grant-related projects in 2008. The concrete method was to implement and to cancel the one-time projects after they were established in 2008, and if the deadline of the projects was by 2008, they were canceled, meeting the deadline. Projects that were difficult to sustain through a special grant scheme were ordered to be canceled on time and required to incorporate items that were similar in direction and use and could be combined. And the allocated grants with a relatively fixed amount for a relatively long period of time were converted into general grant items. Items that met new demands were held for use. After these adjustments, the number of central special grant expenditure fell by 52 from 209 in 2008 to 157 in 2009 (Xie Xuren, 2009: 634-635).

In 2008, the share of special grants after their consolidation gradually declined, dropping from 43% in 2008 to 39% in 2015. On the other hand, the percentage of general grants has increased steadily since 2008, exceeding the share of the special grants from 45.9% in 2011 to 51% in 2015. General grants have continued to increase since 1994. In particular, the amount of general grants increased to a similar trend to that of special grants, reaching 1.8 trillion yuan (45.9%) in 2011, making it the largest among the three grant types. Although the amount of tax return has steadily increased since 1994, the proportion has continued to fall, reaching 501.9 billion yuan in 2015 with only 9.1%.

Figure. 2.5. Changes in the Amount of the Three Types' Central Grants
(unit: a hundred million yuan)



*Source: Each year, the Ministry of Finance, central and local budget execution situation, <http://www.mof.gov.cn>

In the case of tax return, it was 332.8 billion yuan in 2002, up nearly 100 billion yuan from 2001. This is because the tax return of 2002 included the standard amount's return of corporate income tax and personal income tax. In fact, the tax return system was a kind of strategic choice that made local governments budget themselves with enough fiscal power and reduced local resistance against the tax reform, avoiding the negative impact of reform. The greater the amount of tax revenue earned by a region, the higher its fiscal contribution to the center (Lou Jiwei, 2013: 79).

Regarding the general grant items directly related to the county-level governments, the amount of the counties' awards related to a high food production were 23.2 billion yuan in 2011, 27.7 billion yuan in 2012, 31.8 billion yuan in 2013, 34.9 billion yuan in 2014, and 37 billion yuan in 2015. The prize money of the county-level fiscal power guarantee grant was 77.5 billion yuan in 2011, 100 billion yuan in 2012, 150 billion

yuan in 2013, 160 billion yuan in 2014, and 170 billion yuan in 2015. In addition, the grant related to the construction of the village self-governance institutions to be examined in Chapter 4 was allocated to the local governments in the form of village-level public service work prize money before the 2014 and rural comprehensive reform grant in 2014 and 2015. The village public service work prize amounted to 18.4 billion yuan in 2011, 24.5 billion yuan in 2012, 30 billion yuan in 2013, and rural comprehensive reform grants amounted to 32.27 and 32.32 billion yuan in 2014 and 2015 respectively.⁴²

In particular, the general grant items related to the village consultative institutions to be discussed in Chapter 4 were the subsidy funds for the rural comprehensive reform of village level “one village affair, one consultation” which meant each village affair’s decision made by at least one consultation. For example, in 2015, Zhengcheng District of Guangzhou Municipality in Guangdong Province had the “one village affair, one consultation grants” and they amounted to 590,900 yuan. The cumulative expense income of “one village affair, one consultation’s grants” in Xiawei village was 96,000 yuan in April 2015.⁴³

Through these general grant items, the center established the mechanism of ‘awards instead of subsidies’ at the county level and gradually increased the amount of the prize money so that the county-level, township and village government officials were able to provide more food production, to enhance financial power and to construct “one

⁴² Central tax return for the local governments and grants payment budget explanation in 2014, http://yss.mof.gov.cn/2014czys/201507/t20150708_1269725.html, (Accessed: October 17, 2016); Central tax return for the local governments and grants payment budget explanation in 2013, http://yss.mof.gov.cn/2013qgczjs/201407/t20140711_1111867.html, (Accessed: October 17, 2016); Central tax return for the local governments and grants payment budget explanation in 2011, http://yss.mof.gov.cn/2011qgczjs/201207/t20120710_665285.html, (Accessed: October 17, 2016).

⁴³ For financial information of Shitan Town, please refer to <http://www.zengcheng.gov.cn/publicfiles/business/htmlfiles/zcmh/cmsmedia/document/2016/11/doc98332.pdf>, (Accessed: June 27, 2017). The fiscal data of Xiawei Village was published on the village’s Wechat platform on May 8th, 2015 by the Xiawei Village Wechat platform open source (Wechat official id: xiaweicommu- nity).

village affair, one consultation” by responding to material incentives to work hard in these policy areas.

The main goal of general grants is to promote the equalization of local government's ability to provide public services. The harder the region's fiscal situation, the more the general grants to the region. The central finance created a “transitional grant” for the realization of regional financial equalization in 1995. Since 2002, the center changed its name to the “general grant.” Most of the general grants were made up of “ordinary grant expenditure” and added other national factors, revolutionary bases and border area grant expenditure. Usually, the formula for calculating the grant was the value of the standard expenditure minus the standard revenue, being multiplied by a coefficient of each region. According to the calculation index announced by the central government, the standard income calculation index consisted of 48 items including enterprise profit, wage and important resource production, and the standard expenditure calculation index consisted of 29 items including population, temperature and food production. Last, a grant expenditure coefficient reflected the extent to which central grant expenditure supplemented the local income deficit. In 2007, one of the grant coefficients quantified the degree of financial difficulties in each region. In 2008, the total population of each region replaced the number of financial dependent personnel, and the center considered it as a main factor for calculating the standard expenditure.⁴⁴

⁴⁴ Originally, fiscal dependents included personnel such as state officials, teachers, and retired officers who were allowed by the National Institution and Organization Commission. In standard spending, wages, bonuses and retirement pensions for these people accounted for the largest percentage. By setting the standard number and standard spending on these personnel, the central government designed incentives to prevent local governments from increasing the number of people. However, the results were not very effective (Shih & Zhang, 2007: 149). Grassroots government officials demanded more grants from the central and provincial governments using the threat that social instability could occur if the wages of financial staff were delayed. Because the upper-level wanted the grassroots governments to handle the tasks of most national duties and birth control, they opportunistically increased the number of financial dependent staff and spending, resulting in more grants from the upper-level (Shih & Zhang, 2007: 158). Due to these side effects, the central government replaced the financial dependents with regional total population in 2008.

To ensure the stability of financial operations in each region in 2011 and to promote the equalization of basic public services at the sub-provincial level, a control mechanism of the grant's increased amount and its incentive mechanism were newly added during the allocation of the grants. At the same time, the coefficient calculating the degree of financial difficulty was so advanced that it included the proportion of the local "wage guarantee, operation guarantee and people's livelihood guarantee" in the standard financial income. In June 2012, the Ministry of Finance announced the "2012 Method of Central Balancing Grants to the Local Governments," putting the task index of the guaranteed housing in each region into the calculated weight of the standard expenditure for grants, and the "Basic Public Service Equalization" was further reflected on the allocation of the funds (Li Jiegang, 2014: 150).

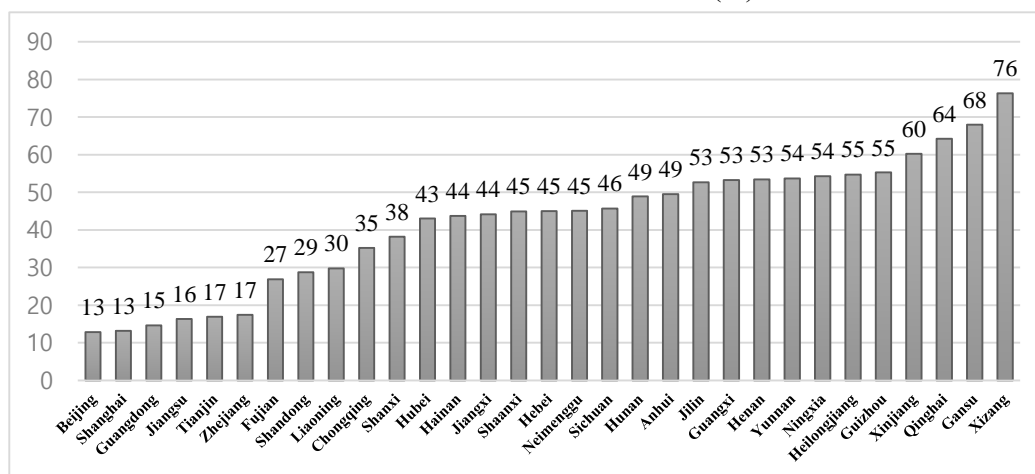
In this way, the center reflected the various weights in the standard income, the standard expenditure and the grant coefficient in the allocation of the balancing grants so that the grants can be distributed according to the specific characteristics and conditions of each region. In particular, the inclusion of people's livelihood -related public spending and the equalization factor of basic public services in the general grant allocation weight has created incentives for local governments to pursue more projects and policies in these areas.

However, there were other informal means by which general grants could be manipulated by local governments, particularly the provincial governments. First, general grants were allocated in two stages: from the center to the province, the standard calculation was applied and the same standard was also applied from the province to the county. In this process, the province could hold a large amount of the funds at the provincial level, which were supposed to be sent down to the counties. Although both of the county and provincial officials knew the standard numerical calculation method, individual county-level governments had only their own data without the other counties' data and the stand-

ard figures were calculated from the total data at the county-level by the province. Therefore, the provincial governments had the information advantage compared to individual county governments (Shih & Zhang, 2007: 149). Due to the information asymmetry between the provinces and the sub-provincial level units, inefficiency occurred during the transfer of grants at the sub-provincial level, and the patronage networks played a key role in the allocation of the grant rather than the equalization logic.

Meanwhile, the dependency of each local finance on the central finance can be seen through the ratio of these grants to the total amount of local finance revenue. In the picture below, the region with the highest reliance on the central grants in 2012 accounted for 76% of Tibet, followed by Gansu Province with 68% and Qinghai Province with 64%. Tibet received an 80.4 billion yuan’s central grant, among 105.3 billion yuan’s total financial revenue. Sichuan Province obtained the largest amount of central grants, amounting to 293.2 billion yuan and Henan Province had 284.8 billion yuan in 2012.

Figure. 2.6. Percentage of Central Grant Income in the Gross Financial Revenue of the Local Governments in 2012 (%)



*Source: The 2013 Finance Yearbook of China, author’s calculation

Beijing, Shanghai and Guangdong had the lowest dependence on central grants, Beijing and Shanghai’s dependence ratio was all 13%, with Guangdong’s 15%, and

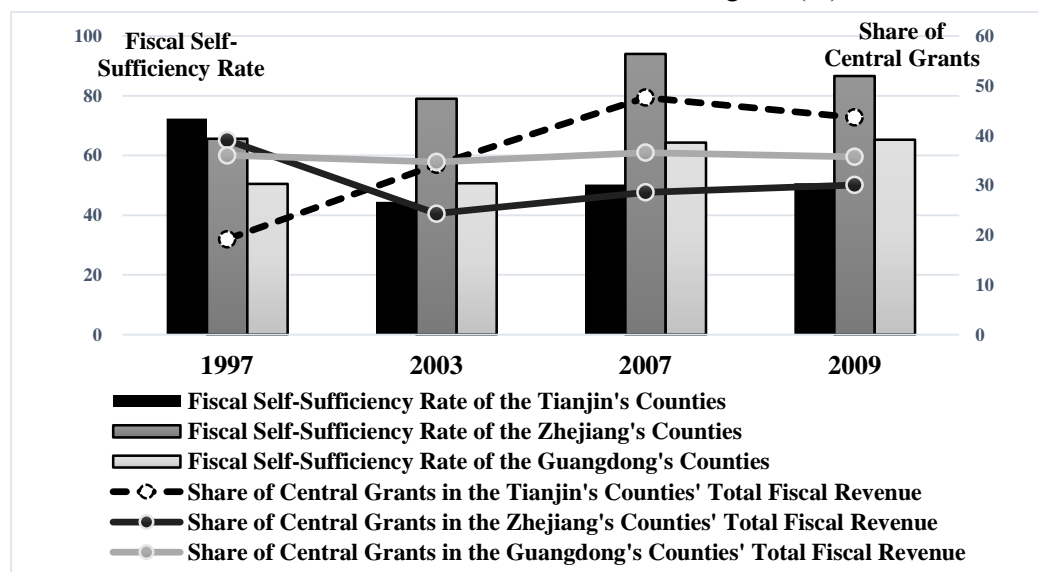
Jiangsu's 16%, Tianjin and Zhejiang's 17%. In particular, the central subsidies and grants to Tianjin amounted to only 41.8 billion yuan, which was the lowest among the 32 provincial-level local governments, followed by 60.4 billion yuan of Shanghai and 56.8 billion yuan of Beijing, so the dependence on central finance in these areas was low because of the small amount of the central grants. Especially, in these regions where financial self-reliance was high, there have been a lot of county-level institutional innovations and grassroots-level state-building, which was supported by sufficient financial resources to be able to dispose autonomously in provincial governments and municipal cities or by the counties' local fiscal funds.

In addition, the level of the local government's financial contribution to the center could be known through local governments' fiscal transfer expenditure to the center. First, the regions with the largest contribution to the central government in 2012 amounted to 19.2 billion yuan, 19.1 billion yuan, and 17.3 billion yuan respectively in Guangdong, Jiangsu and Shanghai. Zhejiang and Liaoning provinces also contributed 14.9 billion yuan and 7.7 billion yuan respectively. Tibet, Qinghai Province and Ningxia Autonomous Region had the lowest contribution of 25 million yuan, 34 million yuan, and 57 million yuan respectively. This shows that, in general, regions with high fiscal dependence on the central finance were less likely to contribute to the central government's coffer. Sichuan Province received the most central subsidies, but the financial contribution to the center was only 800 million yuan, so it enjoyed the greatest benefit from the central government (Ministry of Finance of the People's Republic of China, 2013).

The figure below shows the difference in financial self-sufficiency ratio and grant ratio of county governments in Tianjin City, Zhejiang, and Guangdong provinces, where financial self-reliance and financial contribution to the center were relatively high. Among the three regions, the region with the highest financial self-sufficiency rate was Zhejiang Province's counties with an about 65%'s self-sufficiency rate lower than that of Tianjin's counties in 1997, but up from 79% in 2003, 94% in 2007 and 86% in 2009. In

contrast, that of Tianjin fell from 72% in 1997 to 50% in 2009. In the middle of these two regions, Guangdong increased slightly from 50% in 1997 to 65% in 2009.

Figure. 2.7. Fiscal Self-Sufficiency Rate and Share of Central Grants in the Counties' Total Fiscal Revenue in the Three Case Regions (%)



*Note: Fiscal self-sufficiency rate means the share of budget revenue (to the exclusion of central grants) in budget expenditure; the share of central grants refers to the proportion of the three types of central grants in local gross revenue (to the inclusion of the central grants)

*Source: Based on the Statistical Material for Prefectures, Municipalities, and Counties Nationwide, 1997; 2003; 2007; 2009, author's calculation

The proportion of grants in local gross income was inversely related to the fiscal self-sufficiency rate. That of the Tianjin's counties were the lowest among the three provinces (19% in 1997), but the dependence rate was the highest with 47% in 2007. In particular, the grants that Tianjin City relied most on was the tax return in 2007, but in 2009, the general grants amounted to the most with 26% in the total fiscal income. On the other hand, the share of grants in Zhejiang and Guangdong's counties dropped slightly from 39% and 36% in 1997 to 30% and 35% in 2009, respectively. Tianjin's counties have relied more on general grants than on special grants, but Zhejiang and Guangdong's counties

depended more on special grants. In 2009, the share of special grants in Zhejiang's counties and Guangdong's counties was 15% and 16%, respectively. In particular, not only special grants ratio but also general grants ratio of Guangdong's counties was relatively high with 12%.

In summary, the financial self-sufficiency rate and the proportion of grants in the county governments' total tax revenue in Tianjin, Zhejiang and Guangdong indicate that the financial self-sufficiency rate in Zhejiang's counties was the highest among the three regions and the highest after Jiangsu Province nationwide, and the share of central grants in that of Zhejiang's counties was the lowest. The counties in Zhejiang relied more on corporations, individuals, or taxes on land than on grants from the center and the upper-level governments. Therefore, it was highly likely that the county governments actively promoted grassroots-level state-building in voice and accountability governance area that was mostly influenced by pressure and participation from the bottom or society.⁴⁵

On the other hand, in Tianjin's counties, the financial self-sufficiency rate was the ninth in the nation and the lowest among the three regions, and local officials were most likely to respond to pressure from above because the counties in Tianjin had the highest reliance on central or upper-level grants. Therefore, governance reforms related to government efficiency upper-level governments preferred were more likely to be implemented through competition among local bureaucrats or county governments rather than social participation or social pressure.⁴⁶

⁴⁵ Higher administrative and fiscal decentralization means that local governments had strong incentives and capabilities to meet local demands in more developed regions (Liu & Tao, 2007: 176; Tiebout, 1956). For a study of categorizing Zhejiang's financial structure at the county-level as a decentralized one, see Niu, 2013: 259. In the case of Zhejiang, decentralization of financial revenue and expenditure promoted allocation efficiency (Brehm, 2013). In other words, the county governments of Zhejiang wanted to collect more tax revenue through private economic development, which naturally became sensitive to the demands and requests of private entrepreneurs and motivated local officials to allow private sectors participate more in the policy decision and implementation processes.

⁴⁶ High reliance on grants had the effect of reducing government accountability to local residents (Liu & Tao, 2007: 181). And decentralization at the county-level of Tianjin was the lowest among

Last but not least, Guangdong province was in the middle of Zhejiang and Tianjin, but the financial self-sufficiency ratio was relatively high with 65%, which was the seventh place among the self-sufficiency rate of the national county governments in 2009. Guangdong's counties received not only a high proportion of special grants but also a similar share of general grants with a relatively high local discretion among central grants. It was more likely to actively participate in institutional innovations of voice and accountability in response to societal demands and pressures and requests of private enterprises rather than to the higher pressure.⁴⁷

2) The Rise of Special Grants and Project Governance, and their Limits

The increased importance of special grants in central grants since 1994 has led to the weakening of the regional equalization effect of grants. Despite the equalization effect of general grants and the share's reduction of tax returns with anti-equalization effects, the fiscal gap among localities has not been narrowed because of the strong influence of special grants (Huang & Chen, 2012). So first let's look at the process and the history of these special grants' rise.

In 2000, the central government issued the "Management Method for Central Special Grant Expenditure to the Local Governments," and made clear requests for allocation, management and use of special grants and attempted to improve standards, scientific characteristics, and transparency of grant funds' allocation (Xie Xuren, 2009: 633).

the three regions (Niu, 2013: 259). Therefore, the response to societal demands and pressures was the weakest.

⁴⁷ The degree of fiscal decentralization in Guangdong Province's counties was medium between Zhejiang and Tianjin's counties, and the degree of decentralization was relatively lower than that in Zhejiang because of the large economic development gap among the county governments of Guangdong Province (Niu, 2013: 260). However, in the wealthy county governments of Guangdong, which were the cases of this study, the level of fiscal decentralization was relatively high and it was likely to respond to societal pressures.

Since this specific provision of central special grants, special grants have steadily increased, with the largest share of special grants in the total central grants, especially from 2007 to 2010.

The characteristic of special grants was that the proportion used for public spending has been gradually expanded. The proportion of special grants for people's livelihoods and balanced regional development has increased gradually. Since 2003, the central government has increased spending on social security, rural compulsory education, rural health and sanitation, food risk funding, natural forest protection, and a construction of ecological environment, as well as special funds of a statutory subsidy for poverty areas and economically underdeveloped regions (Xie Xuren, 2009: 633).

And the biggest change caused by the rise of special grants was that the role of local government has changed. In the past, upper-level local governments instructed and approved lower-level governments, and subordinate officials sought to obtain promotion and recognition from upper-level governments. Thus, the role of the upper-level governments was the leadership that led the lower-level officials, and the lower-level played the role of performing the higher-level instruction. On the other hand, after the rise of a special grant, the leadership style of the upper-level governments has been changed to evaluate an outcome and to allocate awards or subsidies for various national projects. Lower-level government officials were motivated to win a contract with upper-level government officials in terms of national project funding and to obtain economic benefits rather than promotion and recognition. While upper-level local officials monitored and evaluated project allocation, lower-level government officials performed various national projects and developed an innovative way of working (Zhang, 2016a: 127).

Depending on the scope of central and local expenditure, special grants can be categorized as special grants for national delegated affairs, central affairs, central and local's common expenditure affairs and special grants for local expenditure affairs. According to payment channels, there are special grants of financial departments, departmental

special funds of other bureaus, and basic construction funds of development and reform local bureaus. Therefore, special grants can be defined as one kind of a central grant that go from the ministry of finance, the development and reform commission, and other ministries to the provincial equivalent departments in order to carry out national delegated affairs, central affairs, central and local common affairs, and local affairs. This, together with the establishment of the departmental budget system, strengthened local bureaus at the provincial and the sub-provincial levels by transferring management and use of special grants to various local departments. Through the allocation and use of special grants, the role of local governments' departments at the sub-provincial level has been strengthened, and as these special grants reached counties and sub-county-level, vertical lines of various departments at the sub-provincial level could penetrate grassroots level with such grants by managing and evaluating use of funds.

Special grants have played an important role in local governance, but there were many problems in terms of distribution and use of funds. First, the formal system of special grants has led to unintended consequences of strengthening informal institutions. Unlike the formal distribution system of general grants, the allocation of special grants co-sited mainly of the project application, evaluation and feedback processes. One of the most important things in obtaining central funds and projects was personal connections and a patronage network. It was easier to get a special grant if local officials in townships and villages had connections with senior local officials at the county-level or above. When local leaderships brought national projects through special grants, they received bonuses or rewards in addition to being recognized as a competent local ruler. This led to a situation in which the most needed regions were not provided with sufficient special subsidies in the distribution of special funds (Zhou Feizhou, 2012: 184).⁴⁸

⁴⁸ Special grants ended up being “poorly targeted patronage-type programs” in which grants were too small and dispersed to meet the basic needs of poor areas (Liu & Tao, 2007: 182). Please refer to various studies on project governance related to central special grants (Zhang, 2016a; Zhou Xueguang, 2015; Zhou Feizhou, 2012b; Qu Jingdong, 2012; Li Zupei & Zhong Zhangbao, 2015;

In particular, project governance related to special grants has strengthened the power of counties and departments at the sub-provincial level. National projects with special grants have penetrated townships and villages, and even village councils and urban communities, which are self-governing organizations. In the process, state power of county governments with the authority to distribute and supervise national projects below the county-level penetrated the grassroots level (Zhou Feizhou, 2012b; Li Zupei & Zhong Baobao, 2015).⁴⁹

According to the local officials of Shitan Town in Guangzhou Municipality, one of the most important tasks in the town was to win national projects from upper-level governments and to organize a project execution in villages. The more project funds the town government won, the more demands on special grants the villages requested. And it was important to build good relationships with bureaucrats and party leaders of the district in the process of winning national projects. In addition, while the district government played an important role in project allocation and supervision, it was not able to supervise and manage all the affairs of the town, so the town had some authority to manage national projects and allocate special grant funds to villages. In other words, local officials in the

Zhe Xiaoye & Chen Yingying, 2011; Li Zupei, 2016). Especially, national projects have reached the most grass roots levels and self-governing villages. The penetration of these projects with special grants was not only the penetration of state's power, but also a process by which villagers voluntarily accepted this state's power. In other words, the villagers must inevitably receive the funds needed for the village's governance and economic development from the province and the center. The reasons for the increase in the national project demands with special grants in villages were the disparity of project supply, the scarcity of projects, and the absence of the project distribution's definite rules and regulations (Li Zupei, 2016).

⁴⁹ Many of the interviews I conducted in case areas show that as special grants with national projects have expanded rapidly, the local government unit that have mainly been empowered was a county government. In Zhengcheng District of Guangdong's Guangzhou Municipality, Jin'nan District of Tianjin City, and Fuyang District of Zhejiang's Hangzhou Municipality, local officials emphasized that the role of the county governments was important in allocating and supervising project funding (an interview with local officials in Shitan Town of Zhengcheng District, June 16, 2016; an interview with the party secretary and local officials in Balitai Town of Jin'nan District, July 27, 2015; an interview with a researcher at the Zhejiang Development Research Center, July 4, 2016).

district listened and referred to opinions and suggestions of the town's local officials who were well aware of a situation of its villages and their suggestions were reflected on allocation decisions when the district's officials allocated projects with special grants to villages. Therefore, it was highly likely that national projects with special grants were distributed only to the villages with village cadres who had good connections and relationships with town leaderships or government officials.⁵⁰

Project governance has become increasingly important not only in townships but also in villages. National project funds were also an indispensable resource for village projects in Xiawei Village of Guangzhou Municipality's Zhengcheng District. According to Guo Qingdong, a party secretary of the village's party branch and a chief of village committee, thanks to the fact that he had the ability to engage in communication and public relations that he had learned and good connections that he had built with various private entrepreneurs when he used to work in Dongguan Municipality before being elected as a chief, and connections that he has built with leaderships of upper-level governments after being elected, he was able to earn more national project funds and special grants for the

⁵⁰ An interview with local officials in Shitan Town of the Guangzhou Municipal Government, June 16, 2016. The role of a town government in terms of management of central grants was not only applied in Guangdong Province but also in Tianjin City and Zhejiang Province. Local officials in Balitai Town of Tianjin's Jin'nan District were interested in what kinds of policies the central government put out or planned to implement every year in order to attract more special grant projects. Since these projects were usually related to important national policies, leadership and government officials of Balitai Town made attempts to acquire project funds as much as possible, and they not only carried out national projects with these funds, but also did other businesses necessary for local needs with the remaining funds after a completion of national projects (an interview with a party secretary and local officials of Balitai Town, July 28, 2015). According to one researcher who conducted a field research in Hangzhou Municipality of Zhejiang Province, many towns' government officials in Hangzhou Municipality also mobilized various connections and patronage networks at the county-level and even at the municipal level to obtain national projects with central special grants (an interview with a researcher at the Zhejiang Development Research Center, July 6, 2016). It was important to establish "economic relationships" between the upper-level and the lower-level governments to obtain special grants (Zhang, 2016a: 123). In particular, "right political connections" were important in order to quickly pass through the complicated and difficult application process for funds and grants (Shih & Zhang, 2007: 147). For a study on the political influence and the pursuit of rent as an important factor during the process of winning grants, see Huang & Chen, 2012.

village. As a result, villagers are now choosing leaders not only who are upright and capable to be a chief of village council but also who are good at public relations and networking to attract more projects and special grants for the village. The key to being able to serve two times consecutively as a chief of village council and to serve as a party branch secretary of the village was to receive credit for the ability of communication, networking and public relations to get as many projects with special grants as possible from the upper-level governments and private companies for village governance in the first term.⁵¹

In this special grant's project governance, informal institutions such as networking had both negative and positive aspects. On the one hand, because only national projects were concentrated in the areas where townships' government officials and village cadres had networking and public relations skills, central funds couldn't be allocated to the areas where such projects were truly needed. On the other hand, township and village leaderships with such competencies improved the governance of the region through national projects and satisfied project demands of the villagers.

Second, a limit of project governance with special grants was to distort local incentives. During the grant resource allocation process, the central government could not differentiate actual costs and profits for all the applications submitted by local governments, thereby laying out funding based solely on performance principle. Thus, local governments had a strong incentive to exaggerate the extent of poverty or to overestimate profits of projects (Guo Yuqing, 2015: 132). And they exaggerated a budget needed to carry out projects in order to obtain more project grants (Zhang, 2016a: 127).

In many cases, preferences of the central government and those of local governments were different, and the central government's special grants could distort the allocation of local financial resources rather. The misuse of grants was inevitable when the central and local preferences were different. There was an incentive for local governments to

⁵¹ An interview with a party secretary in the Xiawei Village Party Branch, village cadres and villagers, June 16, 2016; Li Zu Pei, 2016

misuse funds in their projects that still met their needs after obtaining funding. As a result, the central government's special grants were not able to be effectively realized (Lee Wan-hui, 2006: 186).⁵²

Third, costs for the effective implementation of special grants were considerably high. Because these grants went from the center to the province, from the province to the municipality, from the municipality to the county, the burden of bureaucratic work to manage and enforce a new policy program for special grants has increased significantly. Increased workload at each level ultimately led to a lack of ability to oversee and assess policies that went along with grants, poor program design and financial management, and non-responsive public services. All these problems imposed serious constraints on achieving the policy goals associated with central grants (Wong, 2010; Lin & Wong, 2012).

Specifically, in the process of implementing special grants, without the involvement of township governments, information share and communication between various functional bureaus of county governments and townships and villages incurred high costs. Special grants were hard to enter to grassroots level. Therefore, although the county finance had a lot of special grants, these funds could only be used for counties' development

⁵² However, the fact that central preference and local preference were different cannot be entirely negatively seen. Local governments did not fully follow all of the central preferences in the cases such as counties in Guangdong, Zhejiang, and Tianjin, and there was a local preference different from that of the center. For example, in local governments, local officials still preferred investment attraction, urban construction, and industrial development zone construction, but the center not only requested them to restructure or merge marginalized companies and to enhance environmental protection and energy saving, but also demanded production reduction of companies in overproduction sectors. Thus, in these regions, local officials neither ignored the central preferences entirely nor pursued local preferences only. The strategy they chose would be to first meet certain criteria in central preferences in order to win national projects with special grants and then to invest most of the funds in national projects after receiving project funding, and put the rest of the funds to programs that satisfied local needs. When the remaining of central grants after a local use for national projects was not enough for projects preferred by local governments, they have secured funds through the Private-Public Partnership (PPP), in which local governments cooperated with private capital or borrowing through land financing (an interview with local officials in Shitan Town, June 16, 2016; an interview with a party secretary and local officials in Balitai Town, July 28, 2015; an interview with a researcher at the Zhejiang Development Research Center, July 4, 2016).

and for services to the residents of counties by holding at the county level and may not go down to the sub-county-level (Zhou Feizhou, 2012: 251).

And the cost of the special grant application was high. The licensing authority of special grants was distributed in each functional department and the right of payment was concentrated in local financial departments. For example, a road repair fund was applied to the Ministry of Transportation, an irrigation process fund was applied to the Ministry of Water Resources, and a basic education fund was applied to the Ministry of Education. Local governments usually applied for as many special grants as possible to each functional department. Even if project license was passed, local governments must go to finance departments and apply for funding separately. This is because there were uncertainties as well as time delays in some policies until the payment of funds was made completely. As a whole, the various transaction costs of the central government grant application included the establishment of an agency (local representative office in Beijing), application for approval of higher level grants, formation of network relations, and information collection, and these costs were all covered by various fund-raising channels such as local extra-budgetary funds (Guo Yuqing, 2015: 133).⁵³

In addition, special grants often had many goals. When one subsidy was used to enforce several goals at the same time, its efficiency dropped (Lee Wanhui, 2011, 186). There was also a problem with the transparency of the use of funds necessary for efficient enforcement. The total amount of special grants was disclosed, but no disclosure has been made on specific composition of items and how funds were distributed. According to the audit results, out of the 239 special grant items allocated by the central government in 2005, there was content duplication problem in the 41 items and related funds amounted

⁵³ The number of local representative offices in Beijing to obtain grants from the central departments surged from about 200 in the early 1990s to more than 5,000 in 2010. However, the county government has not been allowed to install such an office and it has registered an office as a semi-corporation (Huang & Chen, 2012: 535).

to 15.637 billion yuan. The 65 items did not have specific management methods or management methods were not disclosed, related funds amounted to 70.589 billion yuan with 20% of the total amount of special grant funds (Li Wanhui, 2011: 188).

Fourth, a requirement of local matching funds at the local level strengthened local vested interests, deepened the unevenness of local fiscal power and public service provision's capability, and exacerbated financial soundness by expanding local borrowing for matching funds.⁵⁴ Without ability to provide matching funds, local governments missed opportunities to win special grants, and became in a disadvantageous position in political achievement evaluations. The problem was that most local government budgets were not enough to cover expense of many items, and the strategy that local governments took to win matching special funds was borrowing through off-budget channels. In other words, local governments expanded deficits outside the budget by creating local government investment corporations (LGFVs), applying for loans to commercial banks, or issuing municipal basic construction's government bonds. Each level of government gradually integrated land transfer revenue, extended leverage loans, and acquired special grants through these matching funds (Guo Yuqing, 2015: 132-133). The paradox was that the central government has introduced various policies to prevent local government debt risks, but the true origin of these debt risks actually was matching funds for special grants required by the central government itself.

In addition, to meet the large-scale matching funds required by central grants, lower-level governments had to hold substantial capital reserves during the year before special grants and matching conditions became clear. Local governments, therefore, were not able to carry out their own spending priorities normally (Xu Yangguang, 2009: 104).

To address these problems and limitations, in December 2015, the Ministry of Finance issued the "Notice on Management Methods of Central Special Grants to the

⁵⁴ The fiscally wealthy areas had a greater advantage in coming up with matching funds for a special grant's application (Shih & Zhang, 2007: 160).

Local Governments” to standardize management methods of special grants. This document included not only the objectives, types, and subject areas of special grants, but also various managements methods from the establishment and coordination of grants to the process of budget preparation, application, screening and distribution of funds, allocation, issuance and use of funds, budget performance management, inspection supervision and the way of being held to account.⁵⁵

In particular, the Ministry of Finance’s Financial Supervisory Commissioner Board (hereinafter referred to as FSCB) resided in each provincial region and conducted the related budgetary supervision tasks of special grants in accordance with the duties and responsibilities requested by the Ministry of Finance. The center established a regular assessment mechanism for fully-funded special grants, requiring the Ministry of Finance to evaluate special grant items in cooperation with other central ministries prior to the year budgeting period. An evaluation focused on whether it complied with laws, administrative regulations, the State Council’s related regulations and deadline or needs to adjust the deadline, an achievement of performance goals or required adjustment or cancellation of performance goals. It also evaluated rationality of use of funds, in which funds should be used in the areas with market competition well under way, and whether local governments established fund management methods as required or not.

The FSCB also played an important role in the performance management of special grants. It reviewed and evaluated special grants’ performance targets reported by provincial finance departments, handed in feedback on provincial reports to local governments. And it supervised local budget’s execution performance, implementation of performance evaluation, resulting reports on performance evaluation and application of evaluation results. The FSCB urged related departments to thoroughly implement opinions on

⁵⁵ The Ministry of Finance, December 30, 2015, Cai Yu [2015] No. 230, http://www.mof.gov.cn/zhengwuxinxi/caizhengwengao/wg2016/wg201603/201607/t20160705_2344730.html, (Accessed: October 17, 2016).

practice of performance evaluation results and reforming requests of relevant effects determined by the Ministry of Finance, and the FSCB also carried out reform demands and the related follow-up policies.

Finally, in terms of supervisory investigation and accountability process, if related departments and their personnel violated the regulations, arbitrarily changed the distribution method, adjusted the distribution factors at will and allocated funds to bureaus that could not meet requirements, the same level of governments received administrative reprimand. In addition, if there were situations such as false reporting, duplicate application, misuse of funds, excess of prescribed range or standard distribution, failure of supervision and refusal, interference or noncooperation of other tasks such as budget supervision, performance evaluation, personnel responsible for these situations were supposed to be called to account. If they were involved in a crime, they were transferred to a judicial institution for judicial process.

This reform of special grants aimed to strengthen performance evaluation and supervision of central grants. In particular, a special agency called the FSCB was installed to oversee and assess the implementation of local governments' special grants. As a result, local governance results will vary depending on how these formal systems are strengthened and how informal institutions such as existing patronage networks among local officials are linked to project acquisition and enforcement process in formal institutions.

3) Performance Evaluation and Auditing of Grants: Strengthening the State's Power

The revised Budget Law in 2014 requested work to improve the efficiency of grants by specifying the principles and objectives of grants and budgeting as well as inter-local government grants. In particular, in order to limit use of special grants, the need to carry out routine assessments was emphasized and a mechanism for cancellation or exit of special

grants was established (Wong, 2016: 6).

In terms of process and result evaluation, a process evaluation is to evaluate the rationality and effectiveness of funding standards, distribution rules, and amount of allocation. A result evaluation is to assess the balancing effects of financial capability, the degree of influence on economic development and the degree of taxation effort (Xie Jinghua, 2012: 181-182). As such, the performance evaluation of grants had the advantage of being able to utilize relatively objective indicators such as distribution rules and balancing effects of financial capability. On the other hand, the disadvantage was that even if objective and persuasive indicators were developed, due to the asymmetry of information, it was difficult to accurately assess the effects of use of grants.

In September 2015, the Ministry of Finance announced the “Temporary Method on the Central Management of Local Special Grants’ Performance Targets.”⁵⁶ This document standardized the setting up of performance goals, the examination of performance targets, and the specific procedures for the issuance, coordination, and practice of performance goals. Performance management was mainly carried out by the Ministry of Finance, central grant-managing –related departments, and local finance bureaus and other related bureaus both at the provincial and the sub-provincial levels.

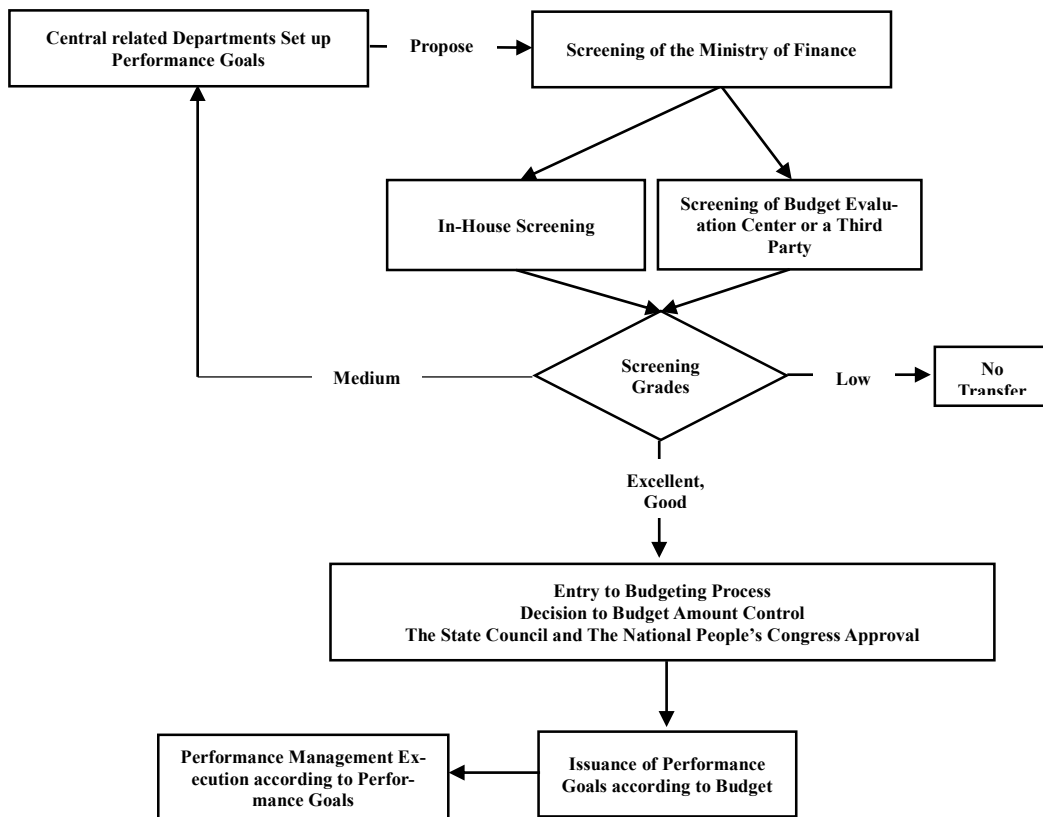
The Ministry of Finance is responsible for the overall organizational guidance of performance and goal management in special grants and presents annual work requirements, reviews the performance targets reported by central relevant ministries or provincial finance departments, and establishes and issues relevant performance targets. In performance targets, one thing to note is that indices such as social efficiency profit, eco-efficiency profit, sustainability impact index that have so far went unnoticed, as well as economic efficiency profit, have been added to the second-level indicators of the efficiency profit index. By measuring the degree of satisfaction with use of a particular grant,

⁵⁶ The Ministry of Finance, September 29, 2015, Cai Yu [2015] No. 163, http://www.gov.cn/xinwen/2015-11/06/content_2961579.htm, (Accessed: November 8, 2016).

there is an advantage in that it can reflect opinions of grants' beneficiaries.

The figure below is a flowchart of the overall performance goal management. The examination grade consists of excellent, good, medium, and low. 'Excellent' means that all the contents meet the requirements, and 'good' suggests that the majority of contents are in conformity with the requirements and some individual contents can be corrected through some minor modification. These two grades can enter the budgeting process. In 'middle,' some contents do not meet the requirements, but they can be completed by modification and examined again through the setting up of performance goals by related departments. If most of the contents do not meet the needs, or if the overall goal has already been realized or canceled, a low grade will be given and a budget will not be paid.

Figure. 2.8. Full Administration of Performance Goal



*Source: “Temporary Method on the Central Management of Local Special Grants’ Performance Targets”

As such, the Center has standardized and streamlined the allocation process of special grants to ensure the efficiency of the results of using grants and to enhance performance evaluation and supervision on local governments by introducing performance management of special grants. As a result, performance management of special grants has become another heavy burden with matching funds to local governments. Local governments not only have to provide matching funds required by the central government to obtain special grants, but also have the burden of receiving a higher screening grade through the Ministry of Finance and third-parties’ review and self-assessment. The central government, on the other hand, strengthened control over local governments through this performance management. In other words, in the performance evaluation of grants, the indicators have become more and more subdivided, the areas have been diversified, and the score range has been widened, and upper-level governments have more room for manipulation through evaluation of lower level governments.

According to the results of the NAO’s audits on the input and use management situation of basic educational expense in 2002 and the first half of 2003, which were implemented in the 50 counties of 17 provinces from October 2003 to January 2004, central grants and provincial financial support has expanded.⁵⁷ In 2002, the center transferred 998 million yuan and 606 million yuan respectively with grants and special subsidies. Those funds of counties and townships also grew 18.7% over the previous year, accounting for more than half of the educational spending. The input mechanism for basic education finance at all local level units was gradually improving.

The problems revealed by the audit on the county-level education funds were

⁵⁷ The NAO, November 2, 2004, “the NAO announced that 43 counties embezzled and misused education funds,” <http://www.people.com.cn/GB/jingji/1037/2958614.html>, (Accessed: 2016.11.14).

misuse of educational funds. According to a result of the audit, the 19 counties changed use of special funds, and misused funds of basic education aid with 28.05 million yuan, which was used for a payment of wages, repayment of debt, transfer of fiscal income to upper-levels and deficit deduction. Special Grants of 20 counties were suspended without using special education funds with 38.1 million yuan, which was allocated by higher level units.

In recent years, an audit has also been conducted on special grants of environment protection. In May 2016, the Ministry of Finance's Inspection and Supervision Bureau investigated use of central special funds for management of air pollution prevention in nine provincial level governments including Beijing, Tianjin, Hebei, Shanxi, Neimenggu, Jiangsu, Anhui, Shandong and Henan from 2013 to 2015. The nine provinces earned 23.94 billion yuan of central special funds, accounting for 94.25% of the total amount of funds. Investigation items of the inspection team were related to the central special funds of 8,072 million yuan, and the scope of the investigation included 34% of the total amount, covering a total of the 121 fund distribution management -related departments and units and 719 units that used special grants.⁵⁸

In particular, according to the investigation, the 10 counties of Anhui Province were found to misuse smog management funds. The ten counties in Anhui Province, including Qiaocheng District and Lixin County, have expanded their spending to include other expenditure items such as personnel expense, awards to bureaus and other work expense into the special grants of prohibiting the burning of straw in 2014-2015. Some counties misappropriated the same special grants with 2.57 million yuan in repairing of-fice buildings, entertaining people, constructing new motor pump wells, purchasing transformers, etc., irrespective of prohibiting the burning of straw, of which 0.9 million yuan

⁵⁸ "Beijing News," December 13, 2016, "Anhui's ten counties misappropriated smog-governing funds, amounting to over 200 million," <http://www.bjnews.com.cn/feature/2016/12/13/426982.html>, (Accessed: 2016.12.13.).

in 2014 and 1.66 million yuan in 2015 were transferred to use.

These upper-level grants were likely to be used by local governments and local bureaus in other areas they needed, unless use of funds were supervised and audited. While the evaluation and auditing system was not supported when the grant system was first built, these problems were prevalent, but as the evaluation and auditing systems have been strengthened recently, the evaluation and auditing activities of the Ministry of Finance and the NAO have been increasing. However, as types and amount of special grants increased, auditing and evaluations had some limitations to supervising all the financial misuse activities of local governments.

In order to solve the various problems of these grants, the State Council issued the “Opinion on Reform and Completion of the Central Government’s Grant System” in 2014 and requested that the grant structure be improved first.⁵⁹ It demanded that fiscal power be balanced among regions and general grants arranged by local governments play a leading role, and the grant system combining general grants and special grants be created. While increasing the proportion of central direct spending was requested, special grants delegated to localities must be correspondingly reduced. The document urged to increase the amount and ratio of general grants up to more than 60%, and to guide local governments to put general grants into a focus area such as people’s livelihood determined by the central government. According to Xiao Jie, a minister of China's Ministry of Finance, the share of general grants in the total grants has increased from 56.7% in 2013 to 60.5% in 2016.⁶⁰

In this way, the central government has promoted the fiscal power’s balancing among local governments through reforms of the grant system and aimed at the equal

⁵⁹ The State Council, December 27, 2014, Guo Fa [2014] No. 71, http://www.mof.gov.cn/zhengwuxinxi/zhengcefabu/201502/t20150202_1187173.htm, (Accessed: 2016.11.8.).

⁶⁰ The Xinhua News Agency, December 23, 2016, “The amount of central grants to local governments reached 5.29 trillion yuan,” http://news.xinhuanet.com/fortune/2016-12/23/c_1120178169.htm, (Accessed: 2016.12.26.).

supply of public services related to the welfare. In order to accomplish this goal, the center has introduced a policy to organize and extend general grants and to reduce the amount of special grants and to give incentives to local governments through various market mechanisms. And it allowed localities to integrate the similar areas in use of local governments' special grants. The expansion of these general grants and the combined use of interrelated areas of special grants suggested that more local autonomy was allowed in use of grants. However, the increased autonomy of localities does not mean that central control has diminished. In other words, the center was equipped with performance evaluation and auditing system, and strengthened control over localities through these tools.

4) Problems and Limitations of Grant System: Limits of the State's Power

Central grants are one mechanism by which state power penetrates localities. If so, limitations of state power can be grasped through the problems of the whole grant system. First, it is a conflict of goals between the different grant categories. That is a clash between a goal of local fiscal power equalization that can be guaranteed by general grants and another goal of protection for vested interests of local governments that can be represented by tax return or special grants. In other words, while wealthy counties have received a lot of tax returns and many special grants, tax return and general grants obtained by poor counties were rather low (Tao Yong, 2014: 126). In particular, a standard amount of income tax's return maintained the gap in income tax revenue among local governments that existed before the reform (Wu, 2009; 132). On the other hand, financial power grants of general grants were called semi-special grants, which were used for specific expenditure. This was against the goal of equalizing local financial power.

In addition, it was difficult to reconcile between goals of general and special grants. Two types of schemes have conflicted in the realization of equalization in inter-governmental grants. To prevent grant funds from being misused, the central government

used local matching as a precondition for acquiring grants, and used conditional matching grants for prevention of localities or permission of localities. This mechanism raised the efficiency for use of funds in concrete projects of conditional grants, but as a whole it was against equalization. Because the regional financial capacity's gap was large, developed localities could easily satisfy conditions for obtaining conditional matching grants, but there were many fiscal limitations in underdeveloped areas (Wu Shengze, 2012: 137). In particular, requirements for local matching funds were too high. Most of the special grant items required 30% to 40% of matching funds, and a matching rate of some items was even 70% or more (Tao Yong, 2014: 126-127).

Second, there was still a regional unevenness of fiscal power. As a result of an investigation of more than 2,000 county-level administrative areas across the country from 1994 to 2000, grants did not effectively play a role in reducing regional inequalities (Tsui, 2005). Most of the provincial governments have fundamentally extended the grant distribution system of the center at the sub-provincial level and have virtually disregarded the expansion of the financial power gap among local governments. As a result, the regional gap within a provincial jurisdiction became larger than the gap between the provincial governments (Wu Shengze, 2012: 143). In other words, the gap in the sub-provincial regions was caused by the fact that the center transferred grants to the agriculture-oriented regions of provinces according to a principle of fiscal equalization, but the provincial governments had a tendency not to support agricultural counties rather to support cities. In addition, since provinces focused on local deficits rather than economic and fiscal equality, grants were paid to localities with deficits, but localities with deficits were not necessarily poor counties (Shih & Zhang, 2007: 157).

Another reason was that grants for local needs has decreased and special grants have increased. And fiscal decentralization preferred and favored localities with more tax revenues and weakened the overall financial redistribution system, resulting in aggravating the regional gap and the gap between urban and rural areas (West & Wong, 1997: 310).

The inequality of financial power among regions at the sub-provincial level appeared between Ningbo City, which is the deputy-provincial municipality of Zhejiang Province, and Huizhou City, which is the prefectural-level city of Zhejiang Province. In the case of Ningbo, the financial self-sufficiency rate of the counties was 104% in 2009, and general budget incomes exceeded expenditure, and the reliance on grants was only about 20%. On the other hand, the Huzhou counties' self-sufficiency ratio in 2009 was only 56%, while the proportion of grants was 41%, more than twice that of Ningbo. In the case of Guangdong Province, the fiscal self-sufficiency rate of the counties in Shenzhen, which is a deputy-provincial city in the Pearl River Delta region, was 77%, while the self-sufficiency rate in the counties in Yunfu Municipality was only 35% in 2009. In terms of the proportion of grants, whereas the counties in Shenzhen had only 23%, Yunfu had 60% at the county-level.⁶¹

This fiscal unevenness among county governments in the same province has also affected state-building activities at the sub-county level. The county governments with strong fiscal power in the coastal city Shenzhen of the Pearl River Delta region of Guangdong and in Ningbo of Zhejiang were equipped with fiscal conditions to involved actively in costly institutional innovations such as construction of administrative licensing center, urban communities and village self-governance. The county governments of Yunfu Municipality in Yuexi Region of Guangdong Province and Huizhou City of Zhejiang Province had weak financial power for such state-building activities at the grassroots level. Therefore, they were inactive for such governance improvement projects.

Third, there were wasted resources, redundant supervision, and lack of coordination because a review and execution of grants and an audit and evaluation of grants were scattered among different ministries. General grants were managed by the Ministry of Finance, and special grants were distributed among the other ministries. The quantity

⁶¹ Based on "the Statistical Material for Prefectures, Municipalities, and Counties Nationwide," 2009, author's calculation.

of each ministry's special grants for sub-provincial level governments was vast and complex, and information on central grants was hard to grasp and organize. In addition, there was a lack of accurate and uniform information sharing between the Ministry of Finance and the other ministries and a lack of systematic policy decisions on the distribution of grants across the regions, making it difficult to organically coordinate the two types of grants without uniform management organization's establishment (Wu Shengze, 2012: 137). And grants were audited by the NAO and an evaluation was conducted by both of the Ministry of Finance and the Organization Department of the Party. Although audit and evaluation of grants were separated in this way, there were many overlapping parts when it comes to items and criteria of audit and evaluation.

Fourth, since the traditional "ideas" of the grant system did not change, the informal system such as patronage networking influenced the effectiveness of the formal system. The concept of grants has been extensively used since the 1994 tax reform, but the perception of intergovernmental fiscal relationships that have long been formed under the planned economy has not changed. There existed still a mind-set that local finance belonged to the central finance and lower level governments' finance belonged to higher level governments' finance. If financial difficulties arose, localities naturally required upper-level grants to subsidize. It was not based on a framework in which intergovernmental differentiation for functions and expenditure responsibilities was already set. Thus, the executive power of the intergovernmental grants was weak. The "ideas" that grants meant a demand for money from the upper level governments clashed with the official arrangement of the intergovernmental grants, and the central ministries had the power and authority to freely distribute various special grants with their own autonomy. In the implementation phase of the general grant to the sub-provincial level governments, the extent to which general grants ultimately were used for certain projects was determined by alumni and friends' networks formed among municipal and county leaderships. But such grants were spent on the areas that represented leaderships' political achievement most,

but it was not sure that such funds were paid to the most needed expenditure in local areas (Wu Shengze, 2012: 158-160).

A formal grant system below the provincial level was not yet fully equipped, so it was inefficient. Informal patronage network still competed with formal grant institutions and sometimes the informal institutions have replaced formal institutions. Thus, it was difficult to achieve equalization goals of local finance and local public services, which were the two major goals of the grant system. However, in recent years, the central government has been reforming and standardizing the grant system, so that formal institutions of grants will be stabilized by adapting to the extent that the informal institution modifies the official grant system to some extent, and furthermore, whether goals of grants are achieved or not will be determined by the fact that the two kinds of institutions' relation develops or advances to the complementary relationship.

The following is an analysis on the vertical mobility of local leaderships in municipalities and counties of Guangdong and Zhejiang provinces, where their extraction abilities were enhanced and their state autonomy was enhanced through land financing and the project-led governance of special grants. And influence of such vertical mobility on local governance will be scrutinized. In addition, by looking at performance management, discipline and punishment on local officials in the Chinese cadre management system, we will look at what motivations and mechanisms make local officials actively take charge of the tasks of improving an efficiency of government and voice and accountability governance areas.

Chapter 3: Too Many Carrots, but Not Enough Sticks

This chapter will examine how the party-state (government) or generalist-specialist spiral model and the local official reselection model have affected local governance by analyzing the vertical mobility of local leaderships in municipalities and counties of Zhejiang and Guangdong provinces. In particular, leaders of the two regions, who alternately performed functions of specialist positions such as heads of local governmental bureaus or party organizations and functions of generalist positions such as party secretaries, mayors or heads or deputy-heads of local governments through the party-government spiral model, were trained to be able to solve various governance deficit problems.

Through the reselection model, after prosperous municipal leaders such as Shenzhen, Guangzhou, and Hangzhou and their county party secretaries have accumulated important work experience at the provincial and central levels as well as the municipal and county-levels, they became leaders of an important deputy-provincial city or its county. Through this reselection model, we can see that these local leaders were talented people who had the ability to solve local governance problems by mobilizing various social networks and social capital accumulated in their past career.

Among the factors affecting mobility of local officials, the three points this study would like to make are: First, a homogeneity or homophily variable has become an important factor at both the municipal and county levels. It was found that a party school network of lower level leaders' school alumni with upper-level party-state leaders among the elements of homogeneity was found to be important. This not only affected the promotion of the local leaders with the social capital of party schools, but also promoted the socialization and the realization of central ideas such as scientific outlook on development and public service provision-oriented finance among local officials.

Second, results of performance evaluation in various social management and administrative areas had a statistically significant effect on the promotion of local officials. This will show that increase in state-building activities at the grassroots level in various government efficiency and social governance areas that we will see in Chapter 4 was the result of strengthening the promotion incentives of local bureaucrats due to the strengthened performance evaluation in these areas.

Third, as a variety of regional moderating factors, deputy-provincial municipality and Pearl River Delta Region's local officials increased the impact of performance evaluation and homogeneity on promotion. These areas were the cases where institutional innovations mainly occurred in Chapter 4. Therefore, local bureaucrats actively participated in state-building at the grassroots level in these regions because the incentives for promotion were reinforced through a performance evaluation and homogeneity.

Finally, the strengthening of performance management and discipline and punishment mechanisms in Zhejiang Province and Guangdong Province increased the efficiency of the cadre management system and played a crucial role of carrots and whips, motivating both regions' local officials to work hard in the desired areas by the center and society. However, it can be seen from the performance management and discipline mechanism in the two provinces that there were too many carrots, but not enough sticks. Meanwhile, the strengthening of the performance evaluation system can be considered as a result that reflected ideas of "a central scientific view on development" and "an accurate view on achievement."

1. Promotion of Local Party-State Leaders and their Political Incentives

The most important issue in the local cadre management system is promotion of local officials and the factors that affected their promotion. First, it is shown that a correlation

between local governments' economic performance and promotion can be found. A performance of leaders can mainly be operationalized as a regional economic growth. When we look at the relationship between these two variables by each local unit, a link between economic performance and local leaders' career and promotion in the township can be seen. Completing indicators assigned by upper-level officials under a pressure system positively affected a career of local officials at the township level (Rong Jingben et al., 1998; Rong Jingben et al., 2001; Yang Xuedong, 2002). And there was a significantly positive correlation between economic variables such as counties' fiscal tax revenue growth and promotion of counties' leaders (Guo, 2007).

When it comes to the relationship between performance and promotion at the municipal level, mayors with good economic performance increased the likelihood of being promoted to outside the municipalities (Landry, 2008: 95-106). Another study shows that mayors on the fast track to promotion were in fact already ahead of being appointed as a mayor in a city, so that these variables can only predict the level of economic development of the municipalities they will be assigned to, and that economic development does not determine promotion of mayors (Lin Tingjin, 2007).

Let's look at the correlation between performance and promotion in the province. Cases of provincial leaders also suggested a correlation between economic performance and promotion. According to one study, the economic growth of each province was not a critical factor of provincial leaders' mobility, but it was advantageous to preserve a current position if economic performance was good, and there were more promotion opportunities for wealthy provinces with more fiscal transfers to the center (Bo, 2002). Specifically, there was a significantly positive correlation between the rate of the provincial leaders' promotion and the growth rate of provincial GDP (Li & Zhou, 2005). On the other hand, the term of local officials and economic growth had the inverted U-type relationship and it was a relatively good choice to set the term of local leaders to five years (Zhou Li'an &

Zhang Jun 2008). Finally, those who had better performance than that of their predecessors before they came in as provincial leaders were more likely to be promoted (Chen et al., 2005).

However, linking these economic indicators to promotions has not helped to mitigate negative effects of an increase in regional gaps, and the central government recently adjusted the incentives to balance and regulate regional growth levels and regional growth strategies. In other words, the increase in regional disparities resulted in social and political unrest, which weakened the effectiveness of the economic performance-based promotion strategy by strengthening central coordination (Opper et al., 2015: 334).

In summary, when we look at the difference in correlations between the economic performance and promotion among various local administrative units, an economic performance of local leaders had limited effects on their promotion and various other factors affected promotion in a mixed way. Although provinces were more prominent than other local units when it comes to the positive effects of economic performance on leaders' vertical mobility, there was also a rebuttal to that argument and results of analysis.

Second, there were correlations between human capital, social capital and local leaders' future career. Human capital was represented by technocrats. Technocrats had a talent with human capital of university education above and professional competence. Since local elites managed society through scientific knowledge, government bureaucrats must be employed from technicians, banking experts and professional managers (Lin & de Jong, 2016: 136). In terms of social capital, blood ties were the most important and friendship-based fictive kinship was also considered as a crucial social capital (Bian, 2001).

First of all, it was revealed that social capital was an important factor in use of power in the sub-county regions. This social capital mainly played an important role in attracting investment to acquire projects and central grant funds. The social capital was composed mainly of vertical patronage networks and horizontal local elite networks, and

the two networks were cross-unified in the daily political ecology and use of power (Fan Hongmin, 2008). Another study found that both social capital and human capital were central to promotion and employment of local officials in the township, but it was shown that their social mobility was stagnant, especially when there was no strong social capital. Only with human capital was it hard to reach a top position in the township without social capital, but only social capital was enough to become middle-management officials in the township (Lin & de Jong, 2016).

In terms of correlation between social capital and human capital, and promotion in the province, homophily among provincial party secretaries and provincial governors had a significant impact on promotion of local leaders, but their economic performance did not. The method of measuring homophily was to operationalize a shared identity resource between provincial leaders and upper-level members of the Standing Committee of the Politburo, such as a joint home, joint school, and shared work experience within the same provincial areas. As a result, provincial leaders with high homogeneity and shared work experience with members of the Central Party's Standing Committee were more likely to be promoted (Opper et al., 2015). And provincial leaders' factional linkage with top leaders, human capital, and provincial fiscal income were more crucial in explaining their promotion results than economic growth achievements of provincial leaderships (Shih et al., 2012). In summary, while social capital was one of the important factors in determining promotion, human capital had a limited impact in both the province and sub-county areas.

Third, a combination of factors such as economic performance, social capital, and political capital affected promotion. While human capital in Chinese cities helped to become professions, a combination of political capital (loyalty to the Party) and human capital helped to occupy government bureaucracy positions (Walder, 1995). In order to become a village cadre, the effect of political capital, which was the indicator of party membership, increased when social capital and human capital were combined. If there

was social capital related to politics and business outside villages, and if someone was born as a dominant lineage, it was likely to become a village cadre (Chen, 2006).

A correlation between these variables at the county-level showed that promotion of county officials was a result of a combination of factors such as performance, ability, relationship, leaders' recommendation, foundation of popular support, opportunities and previous careers (Feng Junqi, 2010: 176). Looking at a correlation between the various variables in the province, if provincial party secretaries were promoted to a central national-level position, both the patronage model and the economic achievement increased their chances of promotion. In the case of provincial governors, economic performance alone was an important factor. This suggests that even if a provincial party secretary belonged to a certain faction, one had to have good economic performances, in order to increase the probability of his or her promotion (Choi, 2012).

The limitations of previous literatures that have been reviewed so far are as follows: First, to examine correlations between promotion and economic achievement of central and local officials, social capital, and human capital, they chose only one local unit of analysis and analyzed the correlation between those variables in some cases and in certain time conditions. However, it is now necessary to generalize these studies to find certain patterns in the local leader's political mobility in the context of unit-to-unit comparisons.

Second, another limitation of the existing literatures was to overestimate the political incentives such as promotion when analyzing actions of local officials and to neglect economic incentives such as bonuses and awards and socio-cultural motives such as morality and ethics of local officials.⁶² In particular, sub-county local officials are more

⁶² For studies that emphasized economic incentives instead of political incentives in the cadre management system, see Kostka & Xiaofan, 2015; Ang, 2009; Whiting, 2004; Zhang, 2016a. For an example of local leaders with the moral incentives, especially the non-reasonable motives of local officials, see a party secretary of Xiawei Village's Party branch in Guangzhou Municipality, Guo Qingdong's case in Chapter 4. In particular, the study of Lily Tsai (Tsai, 2007) shows that the

likely to respond to motivations other than political incentives because their opportunities for political promotion were very limited. On the other hand, in the case of municipal and provincial leaders, they were more likely to respond to political incentives because they had a relatively higher chance of promotion than sub-county cadres. Therefore, it is necessary to consider a difference in incentive structure between administrative units of county above and sub-county regions and to analyze a difference in ways local officials rule and govern regions and in resultant local governance changes.

Third, the existing studies emphasized only economic indicators as a criterion for assessing a performance of local officials and rarely reviewed the cadre management system that reflected the “Scientific Outlook on Development” promoted by the Hu-Wen administration, and rarely identified a correlation between local leaders’ performance in social policies and local leaders’ promotion. The economic indicator-centered target management system, which have been evaluating local officials’ performance in the past, have gradually been replaced by performance indicators covering not only economic indicators but also various social development indicators, so that socio-cultural targets that were difficult to quantify have begun to be quantitatively indexed. This implies that grassroots local officials recognized popular and social policies as “soft targets” that have not been strongly binding in the past, but now have begun to increasingly recognize them as “hard targets.”⁶³

In order to overcome these limitations of the previous studies, we will examine

motivation of village leaders to gain moral honor in the communities in which village leaders belonged, especially in informal solidarity groups such as temples and churches, played an important role in provision of public goods and emphasized the moral motives of grassroots cadres. However, Lily Tsai didn’t mention and suggest recent changes, such as performance evaluations of various indicators that have begun to affect the behavioral motives of grassroots level local officials and provision of public services through the strengthening of bureaucratic official accountability system, such as central grants and public funding through projects.

⁶³ Kevin O’Brien and Lian Jiang Li (1999) pointed out that local officials have differentiated between “hard targets” such as economic growth, tax collection and birth control and “soft targets” and selectively implemented policies of those targets.

the mobility of municipal party secretaries and municipal mayors in Guangdong Province and Zhejiang Province and the factors that influenced it. The mobility and these factors will be analyzed comparing with the mobility of county party secretaries in Guangdong Province and the factors that had impact on it. In this way, incentive structure of local party-state leaders will be differentiated according to different local administrative units and regions

In the cadre management system, the goal management and performance evaluation systems are tools for evaluating a performance of local officials and providing positive political economic incentives such as promotion and bonuses and awards. On the other hand, another important axis in the cadre management system is discipline and punishment that call wrong or immoral cadres to account. After examining recent changes in discipline and punishment mechanisms, we will scrutinize how strong these incentives were binding on local officials' deviations or predation activities.

1) Promotion of Municipal Leaders in Guangdong and Zhejiang Provinces

This study observed a total of 283 term replacements between 1998 and 2017 for the 32 municipal leaders in Guangdong and Zhejiang provinces.⁶⁴ Among them, the number of

⁶⁴ In the case of the two provinces' municipalities, the leaders' term replacement data were compiled through internet sources, the existing political leader database data at the municipal level, and various official documents and local news reports. Internet source refers to the site (<http://www.hotelaa.com/liren/index.html>), which collected the term information of provincial, municipal and county-level party and government leaders in China from the 1990s to a comparatively recent year. In order to increase the accuracy of the observations, I compiled some personnel information of municipal party secretaries from Fudan WTF Social Science Lab's Working Paper, the Department of Economics at the Fudan University, "From Governance to Institutionalization: Political Selection from the Perspective of Central-Local Relations in China -Past and Present (1368-2010)," which summarized personnel information on party secretaries in charge of municipalities nationwide from 2000 to 2010. Comparing this database with existing data I collected, I corrected missing or inaccurate observations on the site. The data consisted mainly of personal information of municipal leaders such as education and hometown, and there was no information on their replacement year or promotion. Therefore, through the web site mentioned above and the Fudan University's database, the names of the municipal leaders of Guangdong and Zhejiang have been identified

mobility of leaders in 21 municipalities of Guangdong Province was 177 times, the promotion was 88 times, and 89 cases of horizontal mobility and exit to the LPC or the CPPCC were observed. In the case of Zhejiang Province, there were 57 times of promotion, 49 times of holding promotion or retirement among 106 cases of term replacement in the total 11 municipalities.

Promotion cases included the 79 and the 47 times-within-province promotion in Guangdong and Zhejiang respectively and 9 and 10 cases' outside-province promotion including the center, in Guangdong and Zhejiang respectively. This shows that most of the leaders in the municipalities mainly circulated inside the provinces, causing them to accumulate political achievement and experience in the same provinces.

When municipal leaderships were promoted to other provinces, they were from economically developed regions of deputy-provincial municipalities or municipal cities such as Hangzhou City (three times), Ningbo City (three times), Wenzhou City (two times) of Zhejiang Province and Shenzhen City of Guangdong Province (four times). This can be interpreted as reflecting an idea of provincial leaderships who wanted to spread the leadership experience of developed regions to other outside regions. For example, Guangzhou's Lin Shushen party secretary was elected as a deputy-party secretary of Guizhou Province in 2006, and Li Hongzhong, a party secretary of Shenzhen, was promoted to Hubei provincial deputy-party secretary in 2007. In Zhejiang Province, a party secretary of Ningbo City, Ba'yin Chaolu was promoted to the Jilin provincial deputy-party secretaries in July 2010.

In addition, the table below shows the differences in the promotion patterns of

from the end of the 1990s to 2010, and the mutual verification has been carried out through the online personnel encyclopedia such as Baidu and Hudong and various press reports, and political mobility and personal information of local political elites were added. Based on the existing data, I have added a lot of information on the term and promotion of leaders by 2017, and systematically organized a variety of personal information besides the existing data to make it a "Guangdong and Zhejiang' Political Leader Database (GZPLDB)." Unless otherwise noted, all contents are quoted from this database.

the party and government leaders in Zhejiang and Guangdong provinces from 1998 to 2017. The areas with the highest promotion rate in Zhejiang Province were Ningbo with seven times, Jiaxing with six cases and Hangzhou with five times. For example, Jiaxing City’s party secretary, Chen Delong was promoted to the Zhejiang Province’s deputy-party secretaries in July 2010, and Liu Qi, a municipal mayor of Ningbo City was promoted to the Ningbo City’s party secretary in 2013. In 2016, he was again promoted to the Jiangxi Province’s deputy-party secretary.

Table.3.1. Mobility of Municipal Party and Government Leaders in Zhejiang and Guangdong from 1998 to 2007

Zhejiang	Hangzhou	Ningbo	Wenzhou	Jiaxing	Huzhou	Shaoxing	Jinhua	Quzhou	Danshan	Taizhou	Lishui
Horizontal mobility or Exit	3	1	4	2	5	4	6	7	5	6	6
Within-promotion	2	4	4	6	4	4	4	4	5	5	5
Outside-promotion	3	3	2	0	0	1	0	1	0	0	0
Guangdong	Guangzhou	Shaoguan	Shenzhen	Zhuhai	Shantou	Foshan	Jiangmen	Zhenjiang	Maoming	Zhaoqing	Huizhou
Horizontal mobility or Exit	2	4	3	6	9	3	5	5	3	5	3
Within-promotion	5	3	2	2	2	6	5	5	5	1	7
Outside-promotion	1	1	4	1	0	0	0	0	0	0	0
Guangdong	Meizhou	Shanwei	Heyuan	Yangjiang	Qingyuan	Dongguan	Zhongshan	Chaozhou	Jieyang	Yunfu	Total
Horizontal mobility or Exit	6	4	5	4	5	3	2	6	3	4	139
Within-promotion	3	4	3	4	4	5	4	2	4	2	125
Outside-promotion	0	0	0	0	0	0	0	0	1	1	19

*Source: GZPLDB

As Liuqi’s case shows, both a municipal mayor and a party secretary are the full department rank, but the mobility from mayor to party secretary was considered as a promotion because a party secretary is half the higher level than a mayor. This phenomenon is due to the functional differentiation caused by the separation of party and government. It refers to the basic division of labor and “a government carries out work, and a Party’s

Committee decides s policy (Feng Jun Qi, 2010: 100).” If most of the mayors were promoted to municipal party secretaries and promotion pattern was same, an analysis on such mobility couldn’t have been statistically significant because a mayor’s position should have been a kind of leap forward step to a municipal party secretary’s position.

However, some of the mayors in GZPLDB were promoted to provincial leaders without going through municipal party secretaries even though the number of the promotion cases was small. For example, a mayor of Ningbo City, Mao Guanglie was elected to the post of deputy-governor in Zhejiang Province without promotion to a municipal party secretary in 2011, and Wang Yongkang, a mayor of Lishui City, was promoted to a head of provincial united front work department. In addition, among the 155 promotion patterns of municipal mayors, 53 of them were horizontal mobility, 99 of them were promoted to positions within the same province, the 88 mayor cases out of 99 were promotion to the same cities’ party secretaries, only nine cases were promotion to other cities’ party secretaries, the two cases were promotion to provincial leaders and three cases were promotion to the other provinces. A promotion to other cities included the cases that Jiangmen’s municipal mayor, Pang Guomei was elected to a party secretary of Yunfu City of Guangdong in 2015 and Zhongshan City’s Chen Liangxian mayor was elected to a party secretary of Shantou City in March 2016.

Therefore, the promotion rate to the same cities’ party secretaries was only about 57%, which was slightly more than half, but the horizontal mobility rate was about 34%, which was a relatively higher rate than expected and there were various other patterns of promotion. In this way, it is hard to say that a municipal mayor’s position was an essential springboard to become a party secretary.

In the case of Guangdong Province, the cities with the most promotion are Guangzhou City (six times), Shenzhen City (six times), Foshan City (six times) and Huizhou City (seven times). For example, Guangzhou City’s mayor, Wan Qingliang was promoted to Guangzhou City’s Party Secretary, and in the Shenzhen City, Zhang Gaoli Party

Secretary was elected to the Shandong Province's governor. In 2007, Huang Longyun as a Foshan City's Party Secretary was promoted to a vice-ministerial rank of the Guangdong Provincial Standing Committee. On the other hand, Shao Zhiheng, a Party Secretary of Huizhou City, was elected in June 2003 as a member of the Party's Standing Committee in Guangdong Province, the Secretary General and Head of the General Office of the Provincial Committee.

In Huizhou City after all the mayors who served from 1996 to 2011 finished their mayor's term, they were promoted to their same cities' party secretaries, and in the case of Foshan City, all leaders who served their mayor term from 2006 to 2015 were promoted to the same cities' party secretaries. In the case of Shenzhen, Li Hongzhong and Xu Qin, two of the four mayors who served from 1995 to 2010 were promoted to party secretaries in the same city in 2005 and 2016 respectively. Li Zibin, a mayor of Shenzhen City, was elected to the position of a Deputy-Head of the National Development and Reform Committee and the rank of the ministerial level.

The fact that municipal leaders in Ningbo City and Hangzhou City of Zhejiang Province and Guangzhou, Shenzhen and Foshan cities of Guangdong had the highest promotion rates means that the political incentives for these regional leaders and cadres were strong. In particular, as noted in Chapter 4, governance reforms that improved government efficiency and raised voice and accountability in these regions were associated with strong political incentives for the local officials in these regions. In other words, municipal and county-level leaders worked hard in promoting projects related to the improvement of local governance favored by the central government for promotion.⁶⁵

⁶⁵ According to local officials in Zhengcheng District of Guangzhou City, local officials in Guangzhou City and its county-level governments were especially promoted by Guangdong provincial leaders, so they worked hard in a place where they had a lot of opportunities for promotion. If they were lucky, they could advance to the center. On the other hand, in places where the promotion rate of the leaders was very low like Shantou City, no matter how hard they worked, the political incentive to work harder was less than local officials with strong political incentives in the above mentioned regions because their promotion was difficult to achieve. Also their motivation was weak because it is relatively difficult for them to receive an attention of the Guangdong provincial

In summary, first, the leaders of municipal cities were more likely to be promoted within the same province than to be promoted outside the provinces they served before. Most of the local leaders worked in the same province, except for the special cases where some of the prosperous municipal leaders such as Hangzhou City of Zhejiang Province and Guangzhou City of Guangdong Province were promoted outside the province. What this means is that municipal leaders were able to create their own social capital by rotating at specific or limited areas. The social capital of municipal leaders will be discussed in detail later.

Second, the general promotional path from municipal mayors to municipal party secretaries was not as common as expected and there were more diverse career paths. In other words, a position of mayor was not a springboard to be promoted to a municipal party secretary. In the case of municipal mayors, only 57% of mayors were promoted to municipal party secretaries, and 34% were transferred horizontally or they exited and retired.

Finally, only nine cases were promotion to other cities, which were not only highly likely to reduce the risk of corruption by extending their influence in one region in the case of one person being promoted to a party secretary from a mayor consecutively, but also possible to objectively evaluate governance problems of existing development strategies of a hosting city and to try new policies and innovations in a hosting municipality.

leaders (an interview with local officials of Zhengcheng District, June 16, 2016). In other words, political incentives of municipal officials vary from person to person but more importantly their political incentives were more influenced by the regional or geographical factor. In particular, the fact that local officials became local leaders in Shenzhen and Guangzhou already signaled that they had been selected as strategically important localities' leaders. There was a lot of attention paid by Guangdong provincial leaderships and naturally more promotion chances than that of other regions (an interview with a division chief of Guangzhou municipal human resources and social security bureau, June 17, 2016).

It can be seen that, through the promotional path of municipal leaders, the promotion model called party-state (government) spiral model of county and township's local officials can be also applied at the municipal level. The specific path of the spiral promotion model for the county and township officials was deputy heads of townships' government - deputy party secretaries of townships - heads of townships' government - party secretaries of townships - deputy heads of county governments - members of standing committee of county party committees - heads of county governments - party secretaries of counties (Feng Junqi, 2010: 100). In many cases, municipal local leaders were also promoted spirally from a party secretary or a mayor to a head of an upper-level government department or a head or deputy-head of an upper-level department of a party committee. The specific route was municipal party secretaries – deputy-governors of provinces; municipal mayors – municipal party secretaries; municipal party secretaries – heads of provincial departments; mayors – heads or deputy-heads of departments of provincial Party Committee.

2) Mobility of County Party Secretaries in Guangdong Province

In order to examine a mobility of the counties in Guangdong province, the promotion data of party secretaries in the 118 counties of the 19 municipalities from 2000 to 2017 except Zhongshan and Dongguan which have no counties under their authorities will be analyzed. Out of 362 cases, 131 (about 36%) were a horizontal transfer and 231 (about 64%) were promoted.

When the mobility of county party secretaries in Guangdong Province was categorized according to the upper-level municipalities, Guangzhou City and Qingyuan City's county party secretaries were the most promoted with 23 cases and 21 cases respectively. In terms of the ratio of a county-level party secretaries' promotion in the municipalities, there were 77% in the case of Shenzhen, 75% in Zhuhai, 67% in Foshan, Chaozhou and

Yunfu, 66% in Qingyuan, 64% in Shaoguan and 62% in Zhanjiang and Maoming. While Shanwei City had the highest percentage of horizontal transfer or exit, followed by Heyuan City with 58% and Jiangmen City with 55%, Huizhou City 54%, the municipalities with the largest number of horizontal transfer or exit included Guangzhou, Huizhou and Meizhou municipalities.

Table.3.2. Mobility of the County Party Secretaries in Guangdong Province from 2000 to 2017

Municipalities	Horizontal Transfer or Exit	Promotion	Total
Guangzhou	12(36)	24(64)	36
Shaoguan	9(36)	16(64)	25
Shenzhen	6(23)	20(77)	26
Zhuhai	3(25)	9(75)	12
Shantou	9(53)	8(47)	17
Foshan	8(33)	16(67)	24
Jiangmen	11(55)	9(45)	20
Zhanjiang	11(38)	18(62)	29
Maoming	6(38)	10(62)	16
Zhaoqing	8(38)	13(62)	21
Huizhou	13(54)	11(46)	24
Meizhou	12(46)	14(54)	26
Shanwei	5(63)	3(37)	8
Heyuan	7(58)	5(42)	12
Yangjiang	2(40)	3(60)	5
Qingyuan	11(34)	21(66)	32
Chaozhou	3(33)	6(67)	9
Jieyang	5(36)	9(64)	14
Yunfu	2(33)	4(67)	6
Total	143(36)	219(64)	362

*In parentheses, the percentage of each mobility category in total

*Source: GZPLDB

Examining the mobility of the county party secretaries in this way allows us to be able to understand how the mobility differed according to the characteristics of upper-level municipal regions. In other words, the promotion of county party secretaries was

related not only to the county areas themselves but also to the characteristics of the municipalities. In the case of municipalities with a similar number of cases, one would look at why county party secretaries in some regions were promoted more than in other regions. For example, there were 26 county party secretary cases of both Shenzhen and Meizhou, while in Shenzhen, 20 county party secretaries were promoted with 77 percent, the number of the Meizhou's county party secretaries' promotion were only 14 with 54 percent. Both Foshan and Huizhou had 24 cases, but the 16 Foshan's county party secretaries were promoted with 67 percent, while the 11 Huizhou's were promoted only with 46 percent. Thus, promotion of county party secretaries was highly likely to be influenced by a nature of each municipality. The factors at the municipal level that affected county party secretaries' promotion will be explained in detail in the later multi-level statistical model.

From 2000 to 2017, the types of county party secretaries' promotion in Guangdong Province can be classified as promotion within the same municipality, promotion to other municipalities, promotion to the positions of Guangdong Province, and promotion to other provinces. As a result, internal promotion within the same municipalities was overwhelmingly dominated by 169 cases, promotion to other cities was only 36 times, that to Guangdong Province was 10 cases, and that to other provinces were only one case. The six county party secretary cases in Foshan and five cases in Shenzhen, where they located in the Pearl River Delta region with a high economic development, were promoted to other municipalities in Guangdong Province. Some of the County party secretaries in Shenzhen were transferred to Heyuan and Qingyuan municipalities, and some of the county leaders in Foshan City were transferred to Jiangmen City and Zhaoqing City.

The county party secretaries who transferred to the Guangdong Province to become provincial officials came from the certain areas, such as Meizhou, Shaoguan, Guangzhou, and Maoming. The county party secretary who transferred to another province was the only case of Foshan City. In this way, for local officials who have been promoted to the positions at the provincial level among county party secretaries, developing

a personal network with provincial leaders may be important in advancing their career ladder (Kostka & Yu, 2015: 477).

Table 3.3. Classification of County Party Secretaries' Promotion in Guangdong Province from 2000 to 2017

Municipalities	Internal Promotion	Other Municipalities	Guangdong	Other Provinces	Total
Guangzhou	19	3	2	0	24
Shaoguan	11	2	3	0	16
Shenzhen	15	5	0	0	20
Zhuhai	8	1	0	0	9
Shantou	7	1	0	0	8
Foshan	9	6	0	1	16
Jiangmen	9	0	0	0	9
Zhanjiang	16	2	0	0	18
Maoming	6	2	2	0	10
Zhaoqing	12	1	0	0	13
Huizhou	10	1	0	0	11
Meizhou	8	2	4	0	14
Shanwei	3	0	0	0	3
Heyuan	3	2	0	0	5
Yangjiang	2	1	0	0	3
Qingyuan	18	3	0	0	21
Chaozhou	4	2	0	0	6
Jieyang	6	3	0	0	9
Yunfu	3	1	0	0	4
Total	169	37	11	1	217

*Source: GZPLDB

Summarizing the promotion pattern of the county party secretaries in Guangdong Province, the common point in all the municipal cases was that there were relatively many county party secretary cases of being promoted to a vice mayor or a deputy party secretary of the upper-level municipalities. For example, Ma Wentian, a county party secretary of the Baiyun District in Guangzhou City, was promoted to a vice-mayor of Guangzhou City in 2017, and Chen Xiangxin, a party secretary of Qujiang District of Shaoguan City, was promoted to a deputy-party secretary of Shaoguan City in May 2012.

The county party secretaries, who were not recruited as deputy-party secretaries

or vice mayors, went to such key departments of a municipal Party Committee as a united front work department, a propaganda department, and an organization department, working as heads. This was because heads of municipal Party Committee's departments or government departments were the full division head rank and were not considered as a promotion, but if some heads in key departments of a municipal party Committee served as members of the municipal party's standing committee, their rank became the deputy department rank and they were considered to be promoted. Particularly, such heads of the party committee's departments in a deputy-provincial municipality was the full department rank. For example, Dai Beifang of Yantian District in Shenzhen City was promoted to a head of a propaganda department (the full department rank) and a member of the party's standing committee in February 2003 and Qiao Lansheng in Doumen District of Zhuhai City was elected as a member of the party's standing committee as well as a secretary of the municipal committee of public administration & law and a head of a social management affairs department. Also some cases were promotion to a head of the provincial governments' departments with a deputy department rank. For example, Yao Yisheng, a party secretary of Haizhu District in Guangzhou City was promoted to a deputy head (the deputy department rank) of the provincial environmental protection bureau.

Second, the pattern of promotion to other cities or provincial level local officials was very different among municipalities. In the case of Foshan City, there were six county party secretaries who were transferred to other cities, while Jiangmen City had no one who was promoted outside the city. For example, Liu Hai of Shunde District in Foshan was selected as a deputy party secretary of Jiangmen City in July 2010, and Wu Xiaomou of Taishan County-level City in Jiangmen was elected as an assistant to the municipal mayor of Jiangmen City (the deputy department rank) and a member of the municipal party's standing committee in 2012 and Guo Wei who was a party secretary of Heshan District of Jiangmen City, was appointed to be a party secretary of work commission for offices directly under the Jiangmen Municipal Party Committee (the deputy department

rank) in December 2013.

On the other hand, promotion to the provincial officials was the most popular in Meizhou City. For example, Chen Guiguang of Xingning County-level City was selected as a deputy head of the Provincial Civilian Affairs Bureau in Guangdong in 2008 and Zheng Weiyi of Mei County in October 2005 as Deputy Head of the Guangdong Provincial Forestry Bureau. In addition, Luo Yugen of Mei County was promoted to a Deputy Head (the deputy department rank) of Guangdong Provincial Grain Bureau in 2009.

Finally, in the case of Guangzhou and Shenzhen, which were the deputy-provincial cities, there were some cases where county party secretaries were directly promoted to the full department rank without going through the deputy department rank. This can be seen as a kind of strong political incentive given to county party secretaries in the deputy-provincial municipalities. For example, Chen Zhiying of Huangpu District in Guangzhou City was promoted to a Standing Deputy Mayor as well as a member of Municipal Standing Party Committee in January 2017, and Lü Ruifeng of Futian District in Shenzhen was promoted to vice mayor (the full department rank) of Shenzhen City in April 2004. Also Liu Qingsheng, another party secretary of Futian District, was elected vice mayor of Shenzhen without serving in the deputy department rank in 2014. The Nanshan District's party secretary who was promoted to a vice mayor of Shenzhen City was Liang Daoheng.

A horizontal transfer or exit of county party secretaries in Guangdong Province was mainly a move to another county, a move to the division chief rank of municipal party or government departments, or an exit to the LPC, the CPPCC, a local court or an enterprise. In the municipalities with the highest retirement rate, Shenzhen had six people with Zhuhai's three people and Yinfu's two people and they were kicked out without horizontal transfers, and Guangzhou had exits of seven county party secretaries and in Meizhou the 8 county party secretaries retired without promotion.

On the other hand, in the area with the highest percentage of horizontal transfers,

Shanwei and Yangjiang had five and two people who moved horizontally, and in Foshan City six people and 75% of the total horizontal transfer or exit cases moved to the full division chief rank. Seven people (64%) of both Zhanjiang and Qingyuan moved horizontally. The reasons for differentiating such horizontal transfers and exits are that while retired local officials were not likely to be promoted due to age restrictions, local officials with horizontal transfers were likely to promote in their future careers.

In the case of Guangzhou City, Liu Yuelun of Liwan District was horizontally transferred to a Tianhe District's Party Secretary in July 2010 and promotion was held, but in July 2011, he was promoted to a Foshan City's deputy party secretary. On the other hand, Yueshu District's party secretary, Xiang Dongsheng moved to a party secretary of Liwan district in December, 2002 and retired to a chairman of Standing Committee in Liwan District's LPC in September, 2006. There were seven county party secretaries who retired to the LPC or the CPPCC of the counties in Guangzhou City, and the other five moved to other counties as party secretaries or heads of municipal departments (the full division chief rank).

While Deng Xiaojie of Wengyuan County in Shaoguan City has retired as a vice chairman of the Standing Committee in the Shaoguan Municipal LPC after passing through a head of the Shaoguan Municipal Health Bureau and a head of the Shaoguan Municipal Education Bureau in 2009, Ye Shuyang of Xinfeng County was transferred to a Secretary of the Party Committee in the Shaoguan Municipal Police Bureau in December 2002 and through a head of the Shaoguan Municipal Police Bureau, he was promoted to a Secretary in the Municipal Committee of Public Administration & Law (the deputy department rank) in May 2004. In this way, there were various career patterns such as direct promotion of county party secretaries, or promotion or retirement after serving two or three terms in different places.

Foshan's Chancheng District's Liang Yimin moved to Sunde District in July 2010 and was promoted to a Deputy Party Secretary of Maoming City in February 2011.

Liu Hai of Foshan's Nanhai District also went to Shunde District in October 2006 and was promoted to Jiangmen City's deputy party secretary in July 2010. Meanwhile, Liang Weidong of Shunde District moved to Nanhai District's Party Secretary in 2014, and then in March 2016, he was promoted to a deputy party secretary and vice mayor of Dongguan City. In this way, four out of six county party secretaries in the city of Foshan with a horizontal transfer at the first observation were promoted after the horizontal transfers. And three of the four were promoted to deputy party secretaries or vice mayors of other municipalities.

When county party secretaries who had two or three full division chief experiences and careers went to different cities, the municipalities that embraced or hosted these leaderships were highly likely to be able to utilize the rich experience of the county party secretaries to develop their city areas. Also, this promotion pattern can be regarded as a reselection model of key organizations' local officials. It does not directly select cadres in their own local units but rather reselects cadres who have been trained several times in other regions and organizations (Feng Junqi, 2010: 60).

In summary, in terms of the promotion and horizontal transfer of the county party secretaries in the Guangdong Province, local officials with horizontal transfer experience were likely to be promoted after having been employed as local officials of the full division chief rank in one or two regions. Such a horizontal transfer has played a role as a springboard for the next promotion, especially in places like Foshan City.

As a result of examining the mobility of the county party secretaries in Guangdong Province, if an analysis on the mobility of the municipal leaders in Guangdong and Zhejiang provinces and the previous literature that scrutinized the promotion pattern of county and township leaderships are combined, the local officials' promotion model can be defined as the party-government (generalist-specialist) spiral and cadre reselection model. The specific career path was that many of the county party secretaries were promoted to a vice mayor of municipalities or they were horizontally transferred to other

counties as party secretaries and then promoted to the full department rank of municipal governments or vice mayors of other municipalities even if there were no promotions observed first. Therefore, this Party-Government Spiral Promotion Model (hereinafter PGSPM) can be regarded as one of the local promotion models that can be applied to all the local units from townships, counties, municipalities and provinces.

The advantage of the PGSPM is to ensure continuity of work and integration of policy decisions. The leadership front of all the local units basically consisted of experienced local political elites who were between 35 and 50 years old. During the promotion competition among them, winners of competition were promoted continuously, while losers who fall behind retired to the LPC or the Chinese Local People's Political Consultative Conference and played a supervision or participatory role, resulting in the hyper-stability structure of entrance and exit (Feng Junqi, 2010: 101).

The next most important and salient feature of the promotion patterns of county-level and municipal officials found was that they could go up, but they could't go down. In other words, it was the cadre management system in which there has been little demotion even if there have been horizontal transfers, promotions or exits. At the municipal level, eleven people -including Li Qihong of Zhongshan City in Guangdong Province - were responsible for corruption and serious accidents, and they were investigated by the upper-level commission for discipline inspection. There were also some cases where they were subjected to judicial review. However, there was no case of demotion due to the immoral or illegal behaviors of local officials in the case of observations in the GZPLDB.

The underlying cause of the problem was that an "idea" of local officials has not changed. While the way of thinking was outmoded, such as "I cannot go down if I do not reach a certain age, and if I do not go wrong, I do not go down," it was difficult to have a new "idea" of "no performance and contribution mean wrong, whereas ordinary means error." This bureaucratic self-protectionism has led to a strong resentment of bureaucrats against demotion of local officials. There was also a lack of clear standards for promotion

and demotion. For example, an official who has failed to reach indicators of job inappropriateness in a democratic assessment process during his or her term of office, or an official who has failed to complete his or her targets or failed to complete yearly targets for two years in a row can be subject to demotion. The important thing is the way local officials go down. It is possible to enforce systems such as lay-off, wait for work, and encouragement or recommendation for local officials who were wrong but did not violate the discipline and had no grounds for demotion measure (People's Daily, November 11, 2012).⁶⁶

In order to resolve this problem, the General Office of the CCCPC on July 19, 2015, notified the “Some Regulations on Implementing the Leadership Cadre System that Could Go Up and Down (enforcement)” and emphasized censure of cadres in Article 7 of “Regulations.” The censure will be carried out, first, when cadres break the principles of the “Strictly Ruling the Party” and the “Responsibility System for Improving the Party’s Work Style and Building Clean Government”; second, when leaderships’ rule of law

⁶⁶ http://news.xinhuanet.com/politics/2012-11/20/c_123972823.htm, (Accessed: April 9, 2017); In terms of the Chinese cadre management system, the important document of the “1998-2003 Outlines of Construction for the Party-Government Leadership Team” revealed that if cadres did not support a public, there was lack of ability in comparison with other cadres or they were judged to be ineligible for their jobs in the evaluation, they were subject to dismissal, resignation or demotion and they took a responsibility and were subject to resignation, and received encouragement and suggestion for resignation. Through these rules, the center wanted to create the cadre management system in which cadres could both be promoted and be demoted for publicity, equality, competition, and selection of talented people that can enter and exit (The Party Document Research Center of the CCCPC, 2002: 444-449). In the “2009 Outline of 2010-2020 Further Reform for the Cadre Personnel System,” the center also demanded to establish effective incentives in these systems. The “Outline” also emphasized an objection against selection for inner circle members in accordance with the principle of selecting cadres with virtue and ability, and use of talent according to cadres’ talent and actual performance. Also, it implemented the public announcement of an appointment result before appointment of party-government leadership cadres (<http://www.jtzw.gov.cn/Article/ShowArticle.asp?ArticleID=15401>, Accessed: 2017.6.11.). In all of these documents, institution building and various disciplinary and punishment mechanisms were introduced for both promotion and demotion. However, there was a lack of discussion on specific procedures, standards and methods, and there was no detailed application of how to introduce these mechanisms in each province.

mindset is weak; third, when leaderships have formalism, bureaucratism and epicureanism; fourth, when there is an illegal action in terms of selection and appointment for cadres; fifth, when education and management of spouses and children are not strict, and they take illegitimate profits by using cadres' authority or influence in the job. And for the cadres who do not have the ability to take charge of their current job, personnel adjustment will be made. These are the cases when cadres do not strictly observe the discipline and political rules of the Party. On the other hand, when ideals and beliefs of cadres get agitated, they violate the Party's democratic centralization system and when their awareness about organization is weak; when they violate the Eight-Point -Regulation of the Centre; When there is a lack of responsibility; when there is a grave error in their jobs; when their behavior is not correct (The Party Document Research Center of the CCCPC, 2016: 618-619).

However, if we look closely at these censure and position adjustment standards, the "Regulations" not only does not give more specific conditions of demotion, but also only suggests abstract and general demotion criteria. For example, it does not provide any specific example that could prove that leaderships' rule of law mindset is weak or that there is a lack of awareness about organization. And there are no concrete standards for any significant level of negligence on their jobs. Therefore, there is a clear limit to make an effective institution that can demote local officials, and the regulations list only the political and abstract censure and demotion criteria of the party organizations, so that the party organizations can be more actively involved in managing local officials and strengthened the existing system of the "party-managing-cadre system" by leaving a lot of room for the party organizations to control local officials or cadres' personnel decisions.

3) Glass Ceiling for County Leaders

What we have seen so far mainly focused on turnover of municipal party and government leaders and county party secretaries. According to one study, from 1990 to 2011, one survey on the career background of municipal party secretaries revealed that the majority had worked in provinces and municipalities before becoming municipal party secretaries, but only a small percentage of them had work experience in counties before. In other words, it is argued that there was a kind of glass ceiling for a county leadership (Kostka & Yu, 2015).⁶⁷

The evidence supporting this argument was that the 234 municipalities in 23 provinces except for centrally administered municipalities had a total 898 vertical mobility of municipal party secretaries, and the result was that the administrative units before they were elected as municipal party secretaries consisted of the province with about 25%, the municipality with about 74%, and the county with only 0.5%. Of the previous five career experiences, only 259 (29%) used to work in the county, while 639 (71%) have never worked in any positions at the county-level (Kostka & Yu, 2015: 478).

However, the limitations of the previous study are that the research object was only limited to the experience of the municipal party secretaries. In other words, to see if there were glass ceilings that went up to the municipal level, it is necessary to examine whether municipal leaders who were responsible for governance in various areas of a

⁶⁷ In a study on career path of county and municipal leaders in Zhejiang Province, nearly half of the leaders responded to personal factors rather than to political promotion incentives because the age restriction and the long term within their hometown led to little chance of advancement. These personal factors could be culture, ethics, and values, and on the one hand leaders with weak promotional incentives could collude with local entrepreneurs for pursuit of their private interests, on the other hand, local officials could reject the center's decisions to protect their local parochial interests (Gao, 2017). However, because the promotion rate of the regions such as deputy-provincial municipalities and the Pearl River Delta Region was relatively high compared to the other regions and as a result, their promotion incentives were relatively high, so they were more likely to respond actively to upper-level or central decisions and policies.

municipality such as vice mayors, especially standing vice mayors had a county-level work experience. In other words, they were also core local officials responsible for municipal governance at the full department and deputy department ranks.

In addition, as in the previous research, it is possible to make a more accurate analysis without omission by using a bottom-up approach to county leadership career as well as a top-down approach to municipal leaders' career. Therefore, a unit of analysis is not restricted to the municipality only, but this study broadens its scope to the county, so that local elites should be examined whether there were municipal cadres with county leaders or officials' experience and county leaders who were promoted to the deputy or full department rank among them in order to verify grass ceiling for county leaders strictly.

In this respect, one meaningful precedent study suggests that county governance's experience was not a key factor for China's top political elites, and as the political elite's rank at the central and provincial level increased, their county governance's experiences became rare (Bo, 2009). In other words, the higher the rank, the more likely there was a glass ceiling for county leaders.

However, the limitations of this previous study are that it did not explain changes that occurred over time by analyzing cross-sectional data at March of 2007 only. The second limit is related to both previous studies. In the first study, although the information on a regional variation of municipal party secretaries' vertical mobility in the 23 provinces was analyzed, the study put more emphasis on the general trend of a glass ceiling for county leaders than such variations. In the second study, the problems of representation and generalization arose with only one case study on Jiangsu Province.

In order to overcome the limitations of these previous researches, this study firstly used longitudinal approach, not cross-sectional approach. This study will look at how county governance's experiences of the municipal and county leaders will change over time. Second, according to the method of the second previous research, this study will conduct a top-down career background survey at the municipal level and a bottom-

up promotion career survey at the county-level.

Finally, in terms of the problems of representation and generalization, this study also has the same limitation. The database of this study included only municipalities of Guangdong and Zhejiang provinces and counties in Guangdong Province. Nevertheless, this study can contribute to a comparison of the time-varying changes between the more recent vertical mobility data in Guangdong and Zhejiang areas and the two previous studies using the more historical data. By comparing 23 province cases' vertical mobility of the first previous study and the Jiangsu Provinces' case of vertical mobility in the second research with that of Guangdong Province and Zhejiang Province in this study, it is possible to identify the meaningful difference in the promotion ladder of county leaders by regions.

(1) Restriction to Promotion of Guangdong's County Party Secretaries (Bottom-Up Approach)

From 2000 to 2017, a career path after the full division chief rank till the most recent position was traced in a total of 362 promotions, horizontal transfers or exit cases of county leaders in Guangdong province. In particular, this study analyzed the limit of vertical mobility that can be reached by county party secretaries by looking at the highest rank that had gone up before they exited to the LPC or the Local Committee of the CPPCC.

First, the number of cases in which promotions were suspended and a rank remained in the full division chief and retired, or the rank could not be promoted to the deputy department even after a certain period of time after being transferred from the county-level to the prefectural level accounted for about 29% with 105 cases. In such a case, the glass ceiling for the county party secretary was the full division chief rank. Ke Qunjian of Funing County-level City in Jieyang Municipality moved to the Jieyang Municipal Land Resources Bureau and became a head of a division (the full division chief

rank) in 2011, and after five years, he resigned in 2017 and became as a vice chairman of the Standing Committee of Jieyang Municipal LPC.

Table. 3.4. Grass Ceiling for County Party Secretaries, 2000-2017

A Ceiling of County Party Secretaries	Exit	Horizontal Transfer	Promotion within Municipality	Promotion to Other Municipalities	Promotion to Province	Total(%)
The Full Division Chief Rank	75	25	5(Deputy-Provincial Level)	0	0	105(29)
The Municipal Deputy Department Rank	0	29	88	15	0	132(36)
The Municipal Full Department Rank	0	1	17	1	0	19(5)
The Municipal Leader	0	12	49	18	1	80(23)
The Provincial Full Department or Deputy Department Rank	0	1	6	2	10	19(5)
The Deputy Ministerial rank	0	0	4	2	1	7(2)
Total	75	68	169	38	12	362(100)

*Source: GZPLDB

On the other hand, restriction of the municipal deputy department rank with the highest rate that promotion of county party secretaries reached had 132 observations with about 36% in total. The 29 county party secretary cases whose promotion was delayed at the first observation were promoted to the deputy department rank after first horizontal transfer, and remained the deputy department rank. The 88 county party secretary cases were promoted to the deputy department rank within the same municipality and remained in the deputy department rank. The 15 cases were promoted to other cities with the deputy department rank, and then retired or remained the same rank.

As described above, the representative job of the deputy department rank was a vice mayor or deputy party secretary, and vice mayor refers to general vice mayor, not standing vice mayor or a member of the Standing Committee of the Municipal Party. The reason for distinguishing a general vice mayor from a standing vice mayor is that the division of labor is relatively clear and that the former can participate in the municipalities'

important policy decisions at a meeting of the Standing Committee of the Municipal Party, whereas the latter cannot participate in such a meeting or only have a voice without voting rights.⁶⁸

The informal difference in rank between a vice mayor and standing vice mayor is a kind of invisible rank's gap that exists also at the county government. Power rank can be listed in ascending order such as members of the leading party group – an assistant to a governor of the county – a vice governor of the county – a standing vice governor of the county. Because a standing vice governor of the county is a member of the county's Party Standing Committee, its rank is lower than that of the deputy party secretary of the county, but higher than that of the vice governor and secretary of the county-level Commission for Discipline Inspection (hereinafter the CDI, Feng Junqi, 2010: 92).⁶⁹

In the cases that county party secretaries were promoted to vice mayors with the deputy department rank became a glass ceiling, Yerui of Xinxing County in Yunfu City was promoted to a vice mayor of Zaoqing City in December 2015 and also worked as a head of the municipal police bureau. His division of labor as a vice mayor was a supervision, a judiciary, a firefighting, people's armed forces, a legal system, letters and visits, emergency management, cracking down on smuggling, and safety production. According to some local officials, this division of labor as a vice mayor becomes more and more clear as their levels goes from the county to the municipality and because the resources and manpower that can be managed are different according to division of labor, a differ-

⁶⁸ An interview with a Deputy Secretary General of the Tangshan Municipal Government in Hebei Province, November 20, 2014.

⁶⁹ On the other hand, differences in informal rank that are not visible in the same formal rank of the county can be also applied at the municipal level. In an interview with a vice mayor of Tangshan City, he emphasized that even within the same official rank, there is an invisible rank and in an ascending order, there are assistant to mayor – vice mayor – secretary of municipal CDI – standing vice mayor – deputy party secretary (An interview with a Tangshan City's vice mayor in charge of the public police area, November 19, 2014).

ence in the power and interests base among vice mayors comes from a difference in division of labor.⁷⁰

Yang Zhiming of Chaozhou City's Laoping County also served as a vice mayor of Chaozhou City in 2012 and at the same time, worked as a head of the municipal Police Bureau and the deputy secretary of the Municipal Committee of Public Administration & Law, and was responsible for the city's public security area. However, the vice mayor were neither standing vice mayors nor a member of Standing Party Committee of the Municipality, so they could not be regarded as a municipal core leadership.

In addition to the vice mayor who took charge of public safety and law, there were also vice mayors who played a key role in other areas. For example, Liu Xiaojun of Huiyang District in Huizhou City was promoted to a vice mayor of Huizhou City in 2017 after serving as a deputy party secretary of the Development Zone of Dayawan in 2015. His division of labor included mainly social and environmental policy areas such as civil affairs, human resource, social security, water management, health and birth control, food and drug supervision, marine fisheries and new rural construction, and he oversighted key departments such as the Civil Affairs Bureau, Human Resources and Social Security Bureau, Water Management Bureau, Agriculture Bureau, Forestry Bureau, Health and Birth Control Bureau, and Food and Drug Administration Bureau.

Thus, county party secretaries of Guangdong Province played an important role in municipal governance although they had a certain degree of glass ceiling. In addition to a vice mayor, county party secretaries became heads of the core municipal party departments. For example, Yao Xinmin of Maogang District in Maoming City was promoted to a head of the organization department of Zhanjiang City in 2013. A head of the municipal organization department also became a head of the main Party education institutions such as a principal of the municipal party school and school of administration, and took

⁷⁰ An interview with a division chief of Guangzhou municipal human resources and social security bureau, June 22, 2016; an interview with a vice mayor of Qian'an City, November 18, 2014.

charge of organizations, cadres, administrative organ institutions and party history. In addition to a head of the organization department, Zhou Zhangxin of Qiaoling County in Meizhou City was promoted to a head of the Meizhou municipal propaganda department as a member of the standing party committee and was responsible for the municipal propaganda system. Huang Jingdong of Qujiang District in Shaoguan City was appointed as a secretary of the municipal Committee of Public Administration & Law in 2016, and then moved to a head of the United Front Department in 2017.

The total number of local officials who reached the full department rank as municipal leaders or the municipal full department rank was the only 19 with about 5%. A Local official who was not the standing vice mayor, but occupied an important position in a municipality was Gong Erzhen of Yuexiu District of Guangzhou. He served as both a vice mayor of Guangzhou City and a vice chairman of the Social Affairs Committee from 2010 to 2014, and exited as a vice chairman of the Guangzhou Municipal Committee of the CPPCC.

On the other hand, in the case of the deputy department rank or full department rank officials whose promotion to municipal leaders was a restriction, promotion within the same municipality was the highest rate with the 49 cases at the first observation, followed by the 18 county party secretaries who was promoted to other cities. Zhou Yawei of Guangzhou City's Liwan District, Chen Zhiying of Huangfu District of the same city and Lu Ruifeng of Futian District and Li Feng of Nanshan District in Shenzhen City were all selected as a standing vice mayor or standing member of a municipal party committee.

A division of labor among standing vice mayors varied. Li Tian of Duanzhou District in Zhaoqing City served as a standing vice mayor of Zhaoqing City and was in charge of agriculture, forestry, water management, civil affairs, weather, and land resources, and Wu Xiaomou of Taishan County-level City in Jiangmen Municipality was elected as a standing vice mayor in Jiangmen City. He was responsible for the day-to-day tasks of the municipal government, municipal government agencies, development reforms,

price management, a finance, state's properties, taxation, statistics, foods, banking, information disclosure of public affairs and administrative service center affairs. Likewise, Li Yuanqing of Meizhou City's Mei County was also a standing vice mayor of Meizhou City, and was mainly in charge of audit affairs. Li Yiyong of Heyuan City's Yuancheng District was selected as a deputy party secretary and standing vice mayor and in charge of business such as letters and visits, maintenance of stability, birth control, rural work, development of poverty support and trade union.

As such, anyone may think that the policy areas that one standing vice mayor took charge of were too much to handle properly. However, according to some local officials, the duties of vice mayors or standing vice mayors were not to determine the details of each area, but "coordination" was a main job for them. In particular, when it comes to suppress or organize departmental parochial interests among various local bureaus and to ensure that resources were distributed fairly among them, coordination among various local bureaus was the standing vice mayors' main role to play. In addition, a standing vice mayor or general vice mayor had a lack of time and energy to deal with all the areas of work. As a result, they made attempts to decentralize coordination work to various bureaus of local governments. But, if general vice mayors' coordination failed in a particular area, standing vice mayors started to involve in coordination work to directly adjust the interests among local government departments, and if such a coordination also failed, municipal party secretaries and mayors eventually came out for coordination work.⁷¹

In this way, county party secretaries in Guangdong Province usually had a clear ceiling of promotion to the full department rank, but they played an important role in the responsibility of the city's overall governance by taking charge of the city's core job such

⁷¹ An interview with a division chief of Guangzhou's municipal human resources and social security bureau, June 22, 2016; an interview with a Tangshan City's vice mayor in charge of the police area, November 19, 2014; an interview with a vice mayor of Qian'an Deputy-Municipal City, November 18, 2014.

as deputy party secretaries, standing vice mayors or general vice mayors. In particular, standing vice mayors affected the efficiency of city governance by coordinating the difficult problems that may arise between local departments on behalf of deputy party secretaries or party secretaries, and contributing to fair distribution of resources such as budgets. Thus, not only county party secretaries worked hard in the economic or social policy area preferred by the upper-level local officials in order to be promoted, but also they affected county governance even after being promoted to municipal leaders through performance evaluation of counties or special grants to counties. As a result, municipal governance had an impact on county-level governance.

On the other hand, among county party secretaries, the number of people who reached the provincial full department or deputy department ranks was the 19 people with only 5%. The nine cases were promoted to the province after promotion to municipalities, and 10 cases were promoted directly to the province. By departments, there were the Party Organization Department, United Front Department, Provincial Environment Protection Bureau, Statistics Bureau, Finance Bureau, Safety Production Supervision Management Bureau. These local bureaus or party's departments had a lot of power and resources within the provincial government and county party secretaries were elected as a full department or deputy department rank officials in such bureaus or departments. Particularly, this promotion pattern followed the PGSPM and created a training system that recruited talents as a generalist such as county party secretaries and transferred them to the role of a specialist such as a head or deputy head of environmental protection, finance, agriculture bureaus, etc.

Finally, the highest level that county party secretaries can reach was the deputy ministerial rank. The number of county party secretaries who were promoted to the deputy ministerial rank was the only 7 people with only 2% of the total. Nevertheless, what was meaningful about these local officials is that they remained a precedent in breaking the glass ceiling in the promotion ladder of county leaders.

For example, Chen Jianhua of Conghua County-level City of Guangzhou Municipality served as a mayor of Guangzhou City from 2012 to 2015, and then resigned as a chairman of the Guangzhou Municipal LPC in February 2016. Also, Chen Yunxian of Shunde District in Foshan City was promoted to a vice governor of Guangdong Province in 2011, after serving as a mayor and municipal party secretary in Foshan City. The reason why he was able to advance to the deputy ministerial rank from a county official was the combination of human capital such as a doctor of economics at Peking University and the training in Foshan City, which traditionally produced many high-ranking bureaucrats. Particularly important was his career as a vice president of Guangdong Development Bank and chairman of Guangdong Securities Co., Ltd. before becoming a bureaucrat. Such career experience seems to have been recognized by upper-level officials so that after he became a vice governor of Guangdong, he cooperated with another vice governor, Jian Fo'an, to take charge of financing reform and development affairs.

Chen Lüping of Shaoguan City's Lechang County-level City was first promoted to a party secretary of Jiayang City and then selected as a vice mayor (the deputy ministerial rank) of Chongqing City in 2015. First, he was able to be promoted as a vice mayor from a county official because he started his first job placement at the province. After graduating from the Huanan Normal University, Chen was in charge of administrative affairs at the school and appointed as a staff member of the Guangdong Provincial Human Resource Bureau in 1988. There were few local officials who could start the deputy section rank position at the provincial level. He was trained as the deputy section and full section rank official in the province, and was promoted to a party secretary of Lechang in 2002. In other words, he was likely to have been recognized for his 14 year-experience in the province when he was promoted to the full division rank. After that, he was recruited again as a deputy head of the personnel department of Guangdong Province and accumulated an experience at the provincial level before he became the full department rank official. From 2006 to 2009, while he worked in the provincial government as a deputy

department rank official, he received his Ph.D. in Psychology at the Huanan Normal University. He was responsible for urban and rural construction, transportation, land resources and housing management, environmental protection, planning and city administration as a vice mayor of Chongqing City.

When put together, the common points of county party secretaries who broke the glass ceiling suggested that human capital was abundant first. In other words, not only most of the educations obtained by them was higher than the master's degree but also they accumulated a lot of career and ability to be recognized in public or private fields before being appointed as the deputy ministerial rank officials. In the case of Chen Jianhua, a vice governor of Guangdong Province, it was highly likely that he has been recognized for his career in the private sector especially in the financial sector with a human capital of a doctor of economics.

Now, let's look at the difference in the glass ceiling for county party secretaries in each municipal region. First, in the case of Guangdong province, the areas with the highest glass ceilings were Shantou City and Yangjiang City. According to the table below, a grass ceiling for 9 of the 17 people in Shantou City were the full division chief rank, and the seven of them were the deputy department rank. There was the only one person promoted above the deputy department rank to become a municipal leader. And in the case of Yangjiang, there was no one who was elected as a municipal leader, and four out of the five people were blocked from promotion above the municipal deputy department rank.

Table.3.5. Variations of Glass Ceiling for County Party Secretaries by Municipal Regions

Municipal Regions	The Full Division Chief Rank	The Deputy Department Rank	The Full Department Rank	The Municipal Leader	The Provincial Full Department or Deputy Department Rank	The Deputy Ministerial Rank	Total
Guangzhou	12	4	8	9	2	1	36
Shaoguan	7	11	0	1	5	1	25
Shenzhen	7	1	9	7	0	2	26

Zhuhai	3	4	0	4	1	0	12
Shantou	9	7	0	1	0	0	17
Foshan	3	5	1	12	2	1	24
Jiangmen	9	7	0	4	0	0	20
Zhanjiang	6	16	0	6	1	0	29
Maoming	6	7	0	1	2	0	16
Zhaoqing	5	12	0	3	1	0	21
Huizhou	8	8	0	7	0	1	24
Meizhou	8	7	1	4	5	1	26
Shanwei	2	4	0	2	0	0	8
Heyuan	6	4	0	2	0	0	12
Yangjiang	1	4	0	0	0	0	5
Qingyuan	5	20	0	7	0	0	32
Chaozhou	2	4	0	3	0	0	9
Jieyang	4	6	0	4	0	0	14
Yunfu	2	1	0	3	0	0	6
Total	105	132	19	80	19	7	362

*Source: GZPLDB

Among the municipalities of Guangdong Province, the county party secretaries with the lowest levels of glass ceilings were from Foshan City, Guangzhou City, and Shenzhen City. In the case of Foshan City, there were the 12 county party secretaries who were selected as municipal leaders, and there were the only three people who were promoted to the province or deputy ministerial rank. In Guangzhou City and Shenzhen City, the nine and seven municipal leaders were produced, respectively. On the other hand, the regions that generated the most number of municipal leaders among the county regions was Nanhai District with the four municipal leaders in Foshan City, followed by Chancheng District and Shunde District all with three leaders in Foshan City and Futian District with three in Shenzhen City. And the county areas that produced the most provincial officials had the two people in Nanxiong County-level City of Shaoguan Municipality and Mei County of Meizhou Municipality.

In conclusion, within the province of Guangdong, there was variation in the glass ceiling for the county party secretaries. The areas with the lowest glass ceilings were the regions with the most municipal leaders above such as Foshan City, Guangzhou City,

Shenzhen City, Shaoguan City and Meizhou City. The areas with the highest glass ceilings for the county party secretaries were Yangjiang City and Shantou City. The reason for this variation is beyond the scope of this study and further research is needed.

How did this municipal and county officials' mobility relate to local governance? First, in Hangzhou City, Ningbo City of Zhejiang Province, Guangzhou City and Shenzhen City of Guangdong Province, the political incentives were so strong that local officials in those areas had more opportunities for promotion than other regions, so they actively participated in improving municipal governance in response to these incentives. Also, in the case of county party secretaries of Guangdong Province, the promotion rate of county party secretaries in Foshan City, Shenzhen City and Guangzhou City was high, and the glass ceiling was relatively low, and the promotion incentive was strong. Therefore, it is highly probable that these local officials have actively pursued the national policy the center or upper-level officials desire in response to these political incentives.

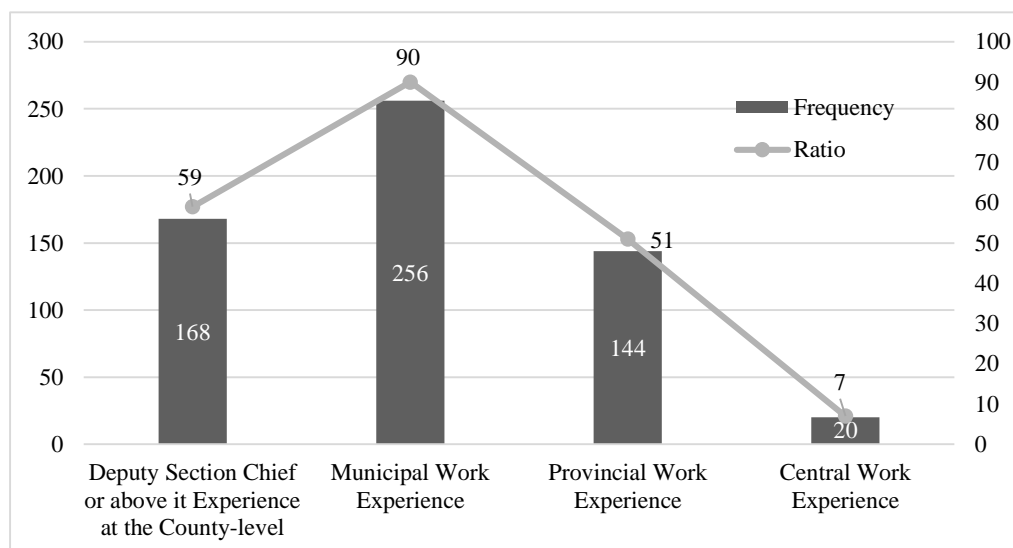
(2) County Work Experience of Municipal Leaders (Top-Down Approach)

This study tracked the past career of municipal party and government leaders, and examined whether they had career experience or above the deputy section chief rank at the county-level. This will determine whether there is a glass ceiling for county officials to municipal leaders.⁷² It did not include sent-down youth experience of municipal leaders in rural counties. This is because this experience was a special experience during the Cultural Revolution and was not related to the cadre management system.

⁷² The reason why among county cadres the standard of above the deputy section chief rank was chosen is because to become a leadership cadre needed starting from the deputy section chief rank to become the basis for the later advancement. In the case of the party dossier management, after being elected as the deputy section chief rank officials, their party cadres' dossiers were transferred from a local personnel bureau to a local party organization department to become a cadre who was managed by a party organization department. Those of numerous cadres below the deputy section chief rank were managed by local personnel bureaus (Feng Junqi, 2010: 72).

From 1998 to 2017, a survey of municipal party and government leaders' past careers in the two provinces showed that the 168 leaders with 59% of the total had work experience in the deputy section chief rank or above at the county-level. These figures were not low compared to other levels' work experience. For example, municipal leaders had the most experience with about 90% of the municipal level. The 144 municipal leaders with 51% of the total used to work in the province. On the other hand, the municipal leaders who used to work in the center had the only 20 people with 7% of the total.

Figure.3.1. 1998-2017, Past Work Experience of Municipal Leaders in Guangdong and Zhejiang at the Different Local Units



*Source: GZPLDB

These results were somewhat different from those of the previous study. In determining the presence of a glass ceiling for county officials, only 289 (29%) of 898 municipal party secretaries used to work as county officials (Kostka & Yu, 2015: 478). The results of this study are as follows. First, the previous study examined only past five term work experiences before a person was appointed as a municipal party secretary. However, this study showed the majority of local officials who had at least one work experience of the deputy section rank or above at the county-level in their whole past career. According

to the results of this study, most of the cases investigated had at least one county-level work experience within their past five terms. Therefore, the difference in the results was not significant in spite of the different time period of past careers investigated.

Second, the reason for the difference in results is that the precedent study included only municipal party secretaries, but this study included municipal mayors together with party secretaries. For example, in the case of municipal mayors, the percentage of officials who had county work experience before was the 101 cases of the total 155 (about 65%). On the other hand, the ratio of the municipal party secretaries having the county work experience was the only about 67(52%) of the total 128 people. In other words, mayors had more county work experience than municipal party secretaries did.

The third reason of difference in results is because of the regional variation. The previous study investigated the cases of municipal party secretaries in 23 provinces, but this study was conducted only in the two province areas such as Guangdong and Zhejiang. However, previous studies also provided information on regional variations. Among the previous five work experience between 1990 and 2011, the municipal party secretaries with county work experience had the 25 (about 60%) cases out of the 42 cases in Zhejiang Province and the 47 (about 60%) out of the 78 in Guangdong Province (Kostka & Yu, 2015: 479). In the case of the 23 provinces, the percentage of municipal party secretary with county work experience was only 29%, but that of Zhejiang and Guangdong provinces had a much higher percentage. In this study, the 72 cases (68%) of the total 106 municipal leaders in Zhejiang Province had county work experience, while the 96 (about 54%) of the 177 in Guangdong Province used to work in the counties. In other words, although the rate of Zhejiang was higher in this study than that of Guangdong, the ratios of the municipal leaders with county work experience in both provinces was high similar to the result of the previous study.

Despite the cross-sectional data in the study that examined the county-level careers of the municipal leaders (party secretaries, deputy party secretaries, members of the

Standing Party Committee, mayors, and vice mayors) in Jiangsu Province in March 2007, municipal local officials who used to work in the county accounted for 44.7% with the 102 cases out of the total 228 leaders (Bo, 2009: 88). It can be seen that Jiangsu Province also had the relatively high rate of the municipal leaders with county career experience along with Guangdong Province and Zhejiang Province.

Finally, the observation period was different. The preceding research was conducted mainly from 1993 to 2001 during the Jiang Zemin period and 2002 to 2011 during the Hu Jintao period. Zhejiang Province had 13 municipal party secretaries with county work experience in the Jiang's era, the 12 people during the Hu Jintao period, and the 21 people had county work experience in Guangdong Province in the Jiang's era and the 26 people had that during the Hu Jintao period (Kostka & Yu, 2015: 479).

In this study, the seven (78%) of the nine cases in Zhejiang Province and the 13 (57%) of the 23 cases in Guangdong Province in the Jiang's era had county work experience. Among the total 61, the 44 (72%) cases in Zhejiang and the 60 (56%) out of the total 108 cases in Guangdong in the Hu Jintao's era (2002-2011) had a deputy section chief rank official experience at the county-level. The 21 (58%) out of the 36 municipal leaders in Zhejiang Province and the 23 (50%) out of 45 people in Guangdong Province used to work in the county during the Xi Jinping period (2012-2017).

It can be seen that the ratio of the municipal party secretaries' county work experience was gradually decreasing from the Jiang's era to the Xi's era. However, it cannot be concluded that the glass ceiling for county officials has been gradually rising. This is because the ratio has decreased compared to the previous period, but the difference was not large or significant, and the number of observations varied from period to period. In addition, as noted earlier, it is difficult to pinpoint the glass ceiling for county officials in municipalities because county cadres were usually promoted to a standing vice mayor of a municipality or a head of important government agencies that played a key role in municipal governance besides municipal party secretaries and mayors.

In sum, the ratio of the municipal party secretaries' county work experience in Zhejiang and Guangdong provinces provided by the previous study and the share in the same regions provided by this study were not significantly different. Even if municipal mayors were included in the municipal leader group and the ratio of mayors with county work experience was higher than that of municipal party secretaries, there was not much difference. Therefore, through the two region cases it can be concluded that the local officials with county work experience in the two provinces were much more promoted to municipal leaders than those in other provinces.

Especially, in the case of Shenzhen City, most of the municipal leaders had no county work experience, while there were the proportion of municipal experience (89%), provincial career (78%) and central work experience (44%). Shenzhen was a strategic city that opened the door and implemented various economic reforms as a special economic zone as well as being a deputy-provincial municipality. Therefore, it can be seen that talented people with rich career experience both in the center and province were selected as municipal leaders in Shenzhen.

Most of the municipal leaders' experiences were mostly accumulated in the municipality, and the 88% of the municipal leaders in both Hangzhou and Ningbo had worked in the province. The 75% and 78% of municipal leaders in Guangzhou and Shenzhen had a career in the province respectively. It is highly likely that the work experience in the province was considered to be an important achievement in terms of career conditions for being selected as a leader of a deputy-provincial municipality such as Hangzhou City, Ningbo City, Shenzhen City and Guangzhou City. And since those who selected leaders of deputy-provincial municipalities were leaders of the provinces, there were many chances for the local officials to get in contact with provincial leaders and get recognition from them before being selected as deputy-provincial municipalities' leaders. Provincial leaders wanted to strengthen the provincial linkage with municipalities and not to sacrifice provincial interests by choosing those who had close connections with provincial leaders

(Kostka & Yu, 2015: 484).

It was also related to the careers of these officials, especially in these deputy-provincial areas, where many institutional innovations have been implemented to improve government efficiency and voice and accountability governance areas. These governance reforms had a lot of national projects and policies that provincial leaders or central leaders wanted or preferred, so municipal local leaders in these regions who developed a career in the province had a lot of opportunities to come up with national projects and special grants by mobilizing patronage networks with provincial leaders. It was highly likely that municipal leaders cooperated with provincial officials to promote such institutional innovations.⁷³

In conclusion, as a result of examining the past careers of the municipal leaders in Zhejiang and Guangdong provinces, the ratio of local officials who had county work experience before was higher next to that of the municipality, whereas the glass ceiling for county party secretaries of Guangdong Province still existed to the full department rank or at least to the deputy ministerial rank. Despite the glass ceiling of the county officials hardly becoming municipal party secretaries in Zhejiang and Guangdong, they were promoted to other municipal leadership positions such as municipal vice mayors, and they also played an important role in municipal governance when they were selected as heads of key party's departments or important government bureaus. In response to these strong political incentives, county party secretaries have been more actively involved in projects that improved local governance favored by the center or upper-level localities.

⁷³ According to some local officials, county-level or municipal local officials who had work experience with provincial officials and built personal connections with provincial officials prior to being appointed as leaders at the municipal or county-levels have taken on more national projects and implemented various programs through these projects to improve local governance (an interview with local officials in Zhengcheng District, June 16, 2016; an interview with Qian'an Deputy-Municipal city's officials, November 18, 2014).

(3) Barriers to Vertical Mobility of County Party Secretaries

The obstacles to vertical mobility of county party secretaries, such as the ceiling for county officials, included age, education, and limited job positions in municipalities, and lack of networks with municipal or provincial leaders. Looking at the age and the level of education factors, the local officials who reached the deputy and full department ranks were too old and even had no bachelor's degree, so they had an obstacle to vertical mobility. According to the official central documents, the promotion age of county-level and municipal leaderships should be maintained at an average of 45 years old, and municipal party secretaries and mayors must have a minimum bachelor's degree. In addition, formal written examinations have been included in the selection process of municipal positions, making it another barrier for county officials (Kostka & Yu, 2015: 482).⁷⁴

Let's look at the age and education factors of the full department rank officials in Zhejiang Province and Guangdong Province. First, the average age was about 52 years old, and it is highly likely that they were promoted to the full department rank at a 49 years old on average, considering their average term was about 3 years. Considering the

⁷⁴ According to the age standard in the notification about the delivery of the "Outlines of 1998-2003 Construction for the Party-Government Leadership Team," municipal party-government leadership groups must have at least two local officials under the age of 45 and among them, the around 40-year-old official must be included. The county party-government leadership team must have at least one person each under 35 years old. In terms of education, all the members of the county and municipal leadership team had to have a higher or same education level as a college or university, and a certain percentage of a bachelor's degree had to be achieved. A member of leadership team must be equipped with macroeconomic management, foreign economic and trade, finance, advanced science and technology's knowledges (The Party Document Research Center of the CCCPC, 2002: 444-449). In particular, the center's demand for age was relatively strict. According to the "Construction Plan for 2009-2020 National Party-Government Leadership Team Candidates," in the process of appointing personnel during the replacement period, the upper-level party committee and its Organization Department did not approve a personnel verification for the lower-level areas that did not reach the requirement for the number of youth local officials with certain age. And the conditions of selection for the local officials emphasized in this document included work performance and people's official recognition, and these criteria could be met through the procedures such as democratic recommendation, public verification and democratic evaluation, etc, see <http://www.waizi.org.cn/law/10723.html>, (Accessed: 2017.6.11.).

age at the first selection as a county leader, it was not much different from the average age of 45.

If we look at changes in promotion according to age among municipal leaders with county work experience, we can see if their ages could become an obstacle to the vertical mobility of county officials. Among them, the average age of those who were not promoted was 53, while the average age of promoted officials was 50. As a result, the Age became an obstacle to promotion to a higher position after county officials became the full department rank officials.

In the case of education, the 72% of the municipal leaders with county work experience had a master's degree or higher. Of those who have not been promoted among municipal leaders with county work experience, the only 34% had an undergraduate degree or below, and the 66% had a graduate degree or above. In contrast, among those who have been promoted, the education level of an undergraduate or below included the 22% and a master's degree or higher included the 78%. However, given that the 66 percent of municipal officials with county careers who had not been promoted had a master's degree and above, human capital of education has not been a crucial obstacle to county leaders' upward mobility.

What we have seen so far is a top-down approach through the track record of municipal officials' past careers, and now let's look at the correlation between the glass ceiling of Guangdong's county party secretaries and their age or education through the bottom-up approach. While the average age at the time of replacing an office at the first observation was 52 years old and the grass ceiling for them was the full division chief rank, the average age of county party secretaries with the grass ceiling of the deputy department rank was 49 years old, the municipal full department rank was 51 years old, and the municipal leaders-including the standing vice mayor- was 47 years old, the provincial deputy or full department rank was 47 years old with the 43 years old for the deputy ministerial rank. That is, the lower the glass ceiling, the lower the age. The officials who

were promoted to the deputy ministerial rank who broke the glass ceiling for county officials were not only the youngest at the time of replacing their terms at the first observation but also had an average age gap of almost nine years with that of the officials who had the restriction of the full division chief rank. The age of 43 years old was younger than the age of 45 as a standard required by the center's official document. Thus, the age can be a factor that hindered the vertical mobility of county party secretaries.

Second, let's examine whether the educational attainment of county party secretaries in Guangdong Province can become an obstacle to upward mobility. The 55% out of the total county party secretaries with the full division chief rank's glass ceiling had master's degree or above, the 71% with the deputy department rank's promotion restriction, the 73% with the full department rank's promotion restriction except for municipal leaders, the 76% with the municipal leader's glass ceiling, the 79% with the provincial full and deputy department rank's glass ceiling and the 86% with the deputy ministerial rank's glass ceiling had the master's degree or above. The lower the glass ceiling of the county party secretaries, the higher the percentage of the people with master's or higher education. Academic ability can be regarded as an obstacle to the vertical mobility of county party secretaries along with age.

These results are in contrast to the results of the correlation between the level of education and the promotion of municipal leaders with county work experience. While the municipal leaders who have not been promoted also had a relatively higher rate of master's degree, in the case of the county party secretaries, the level of education below the bachelor's degree was markedly reduced as they moved up to the higher levels. In conclusion, in the case of the municipal leaderships with county work experience, the constraint factor of the promotion included the age only, while the constraints of county party secretaries' promotion were the education and age factors.

In addition to the age and the human capital, constraints on the upward mobility of the county party secretaries also included limited positions and network shortages in

municipalities. First, the limited number of the positions at the local levels meant that 2,562 out of 500,000 officials worked at the provincial level and above, 39,108 worked at the full or deputy department rank, and the remaining large number of people worked as the county division chief rank officials. So there was fierce competition for limited positions in the municipalities among county officials. And even if some of them were promoted to municipalities, many positions did not have any more career development opportunities, and as a result, some competent county party secretaries did not accept a promotion opportunity to a municipality (Kostka & Yu, 2015: 483).

However, after observing the future careers of county party secretaries in Guangdong Province, they were promoted to the posts of vice mayor, standing vice mayor or heads of key local governments' bureaus or departments of the party. And there were a few of those who were promoted to the deputy ministerial rank beyond the full department rank. Of course, although county party secretaries had a limited number of places to go in municipalities, the number of vice mayors could be increased to accommodate excellent county officials.⁷⁵ Thus, although the majority of ordinary county officials had limited opportunities to enter the municipality, these factors above cannot be a true obstacle to the vertical mobility of talented county officials, as county officials with recognized competencies could be promoted to the position of the full department rank or deputy department rank.

Also, to address the limited positions for the county leaders, Guangdong has undertaken a series of reforms. In the first stage of the county leaders' promotion, the Party

⁷⁵ According to one government official, city leaders made a lot of vice mayor positions to appoint talented county party secretaries. Because the municipal vice mayor's position was not greatly restricted by a limit to the number required by the upper-level leaderships, municipal party secretaries and mayors could have a lot of vice mayors depending on their needs. According to him, he became a municipal vice mayor after working as a county's party secretary and being recognized by upper-level leaders, and Tangshan Municipality had nine vice mayors, including the standing vice mayors (An interview with a vice mayor of Tangshan City).

Committee of Guangdong Province selected five leaders who received the highest recognition in the all counties or districts of Guangzhou City, and after reviewing and voting whether they were eligible to be promoted directly to the full department rank, they decided whether to promote. In 2010, the first five county officials were promoted directly to the full department rank. This experiment was first carried out in Guangzhou only, but then spread throughout the province (Kostka & Yu, 2015: 487).

These reforms were included in the plan to develop candidates for the Party-Government Leadership Team to be promoted by the central government. According to the “Work Regulation on Candidates for the Party-Government Leadership Team” by the Central Organization Department and “Construction Plan for 2009-2020 National Party-Government Leadership Team Candidates,” the party-government leadership officials at the county-level, municipal level and above compiled a list of cadres’ candidates and prepared around 1,000 candidates for the provincial party-government leadership team candidates. Of those candidates, about three hundred candidates could enter the provincial level party-government leadership team, and only about 100 preliminary candidates were available for the full ministerial rank official. In order to nurture these preliminary candidates, the Provincial Party Committee and its Organization Department were in charge of coordinating and preparing candidates in the municipalities and counties. In addition, the Provincial Party Committee’s Organization Department, together with the relevant municipal bureaus, selected a certain number of top talented college students and graduate students who had just graduated each year, and trained them at the grassroots level and linked them to the overall plan for the selection and nurturing of excellent youth cadres.⁷⁶

In sum, the policies promoted by the central government to select and train municipal and county-level candidate officials who could serve as local officials at the full

⁷⁶ <http://www.waizi.org.cn/law/10723.html>, (Accessed: 2017.6.11.).

or deputy ministerial rank, some experimental policies in Guangdong Province and methods such as making a lot of positions such as vice mayors in the municipality gradually weakened obstacles that prevented talented county officials' promotion to municipalities or provinces. Therefore, county party secretaries of Guangdong Province wanted to actively respond to the central and provincial policy incentives, to promote the programs the upper-level governments or center wanted and the projects preferred by the higher level more by accumulating achievements in order to get ahead.

Finally, the previous study suggested that it was difficult for county officials to establish meaningful relationships with provincial and municipal leaders, so there was a lack of networks that influenced their promotion (Kostka & Yu, 2015: 483). However, when we look at the career path of the municipal leaders with county work experience in Zhejiang and Guangdong, there were the 51 officials with both provincial and municipal career experience, the 8 cadres with work experience in the province, the two cases with career in both municipalities and the center, and the 104 cases with municipal work experience. In the case of Guangdong Province, it is highly probable that the county party secretaries in Guangdong had formed a network with municipal and provincial leaders, if they had work experience in the municipality or province before promotion.⁷⁷ Therefore, the lack of network was not a big barrier to the upward mobility of Guangdong's county party secretaries and Zhejiang and Guangdong's municipal leaders.

In conclusion, the municipal leaders of Guangdong and Zhejiang provinces with county work experience were only an age factor for vertical mobility, but in the case of Guangdong Province's county party secretaries, both of age and education became obsta-

⁷⁷ According to one government official, he used to work as an official in Hebei and Tangshan before he became vice mayor in Qian'an City, and that this past experience was not only advantageous in forming a relationship with senior leaders but also beneficial indirectly in next promotion (An interview with a vice mayor of Qian'an City, November 18, 2014).

cles to upward mobility. Both age and human capital were needed to climb above municipal level at the county-level, but human capital did not have a big difference in promoting from municipal leaders to provincial leaders. Because human capital already played important role in selecting municipal leaders, human capital was no longer scarce and lost its value at the municipal level when promoting to the provincial level. In the previous study, the lack of municipal positions and networks, which was pointed out as the main reason for county cadres' promotion restriction, was increasingly overcome by the provincial policy experiment and efforts in Guangdong Province.

Therefore, since the obstacles to the vertical mobility of county officials in Guangdong Province were not significant due to the active incentive policies of the province, in response to such political incentives, local officials in Guangdong actively promoted various innovations to improve local governance desired by the upper-level governments or the center, and also worked hard in order to get promoted by building up their own achievements.

2. The Factors Influencing Local Leadership's Upward Mobility

In this section, we will look at the factors that affected the vertical mobility of local leaders and see what factors they most actively responded to for promotion. Among various variables, we will particularly focus on regional economic development, homogeneity with senior leaders, and see if whether performance evaluation can have a significant impact on the promotion of local bureaucrats. In addition, we will examine the interaction between these variables and various regional moderating factors such as the deputy-provincial municipality and the Pearl River Delta region in a multi-level statistical model.

Specifically, this study analyzed the promotion of the municipal leaders of Guangdong and Zhejiang provinces and county party secretaries of Guangdong Province by using various explanatory variables and the Hierarchical Linear Modeling. First, the

multi-level model assumes that the promotion of local leaders in China can be influenced not only by the leader's own personal attributes but also by the characteristics of the upper-level regions. In other words, the promotion of county officials may be influenced not only by their own personal characteristics but also by various conditions at the municipal level, and the promotion of municipal leaders is also affected by the province.

However, with the limitation that there were only two provincial upper-level regions in the analysis on the municipal leaders, there are not only the dummy variables of the province, but also the personal variables of municipal leaders and the political economic variables at the municipal level. It is assumed that the promotion of municipal leaders was affected not only by individual characteristics but also by the political and economic factors of the province and municipality.

The county party secretaries' promotion data in Guangdong Province and municipal leaders' promotion data in Guangdong Province and Zhejiang Province became the dependent variables. First, the coding of the two data consisted of 'one' for promotion and 'zero' for horizontal mobility or exit. The reason why this model did not divide promotion or retirement into various types is that an analysis couldn't be conducted with statistical significance because there were few cases except for the two kinds of horizontal transfer or retirement and internal promotion variations.

The explanatory variables are divided into a local leader's individual variables and regional variables. The county will use individual characteristics of county leaders at the level one, and municipal economic geography's characteristics at the level 2.

Table.3.6. Summary of Dependent Variables

Promotion	Observation	Average	Standard Errors	Minimum Value	Maximum Value
Municipal Leaders	283	0.5123675	0.5007325	0	1
County Party Secretaries	362	0.6049724	0.4895332	0	1

1) Explanatory Main Variables and Control Variables

Individual level variables that account for the promotion of municipal and county leaders include age, education, gender, and ethnicity. In particular, younger and better-educated Han males in the early years of their term have proved to be more likely to be promoted (Landry 2008; Walder 2004). However, in this study's observation, ethnic groups were not included as a control variable because there were no ethnic minority groups in the county party secretary cases and only two of the municipal leaders were ethnic minorities.

Among all county officials, seven of them were female and 355 were male, and 13 were female and 270 were male in the municipality. Academic achievement is coded 'one' for graduates with a master's degree or higher, and 'zero' for other college graduates, vocational college graduates, and high school graduates. The higher the education level, the higher the probability of being promoted. Age and term years were also added as control variables, and in the case of the age, ages of the municipal and county-level leaders referred to the age at the year of term replacement. Proxies for the economic performance of local leaders were an average annual growth rate of GDP per capita during the term of the leaders. The better the local leader's economic performance, the higher the probability of promotion. Finally, in order to distinguish between municipal party secretaries and mayors at the municipal level, this model used a dummy variable of the party secretary. It is coded 'one' in the case of a party secretary and 'zero' in the case of a mayor.

In the second-level variables, the level of economic development in the region was measured through the average GDP per capita from 1996 to 2015 at the municipal level. In the cases of Guangdong and Zhejiang provinces, four deputy-provincial municipalities of Guangzhou, Shenzhen, Hangzhou, Ningbo were added as a dummy variable. The second-level variables of an analysis on county party secretaries included the average level of GDP per capita from 1996 to 2015 as a substitute for the economic development of municipalities and the average annual economic growth rate. In addition, the broader

geographical division within Guangdong Province was used as a dummy variable for the second level of the county. For example, the Pearl River Delta Region, Yuedong (east region of Guangdong), Yuexi (west region of Guangdong) and Yuebei (north region of Guangdong) were added as second-level dummy variables respectively. In this way, merging the municipalities of Guangdong into the macro regions can be attributed to the fact that the internal variation in Guangdong Province is relatively high in terms of the economic and social development level, and this regional dummy variable in the province may affect the promotion of county party secretaries.

The next two most important independent variables in this study model will be explained in more detail. One is homophily and the other is performance evaluation. Although these two variables are not easy to operationalize, they were operationalized with reference to the previous studies and added to the study model.

(1) Homophily

The method of measuring the homogeneity variable is to operationalize the similarity between county party secretaries and mayors and municipal party secretaries, and mayors and municipal party secretaries and provincial governors and provincial party secretaries. The reason for this is that the cadre management system in China is under the first-level-down-management system and promotion of the municipal leaders is decided upon the provincial authority and that of county party secretaries is decided upon the municipal authority. In other words, the greater the municipal or county-level leaders' similarity with the upper-level leaders, the higher the probability of promotion.⁷⁸

⁷⁸ The first-level-down-management system and the Party's cadre management system are well-known in the name of the *nomenclatura* managed by the center and the names of the cadres' positions administered by each one level higher locality (the center-managing-local cadres' position table refers to http://blog.sina.com.cn/s/blog_48d111f90100c1e1.html, Accessed: 2017.6.11); The data that can be obtained at the county-level is the *nomenclatura* managed by Taizhou County-level City, see, http://www.tczzb.gov.cn/art/2008/9/1/art_14946_17525.html, Accessed: 201

The homophily index has three components. It included a joint origin, a joint school, a joint work experience in the same province or same department with upper-level leaders. The way to operationalize it is to code ‘three’ if county leaders or municipal leaders shared all three elements with upper-level leaders respectively, and if there was none, code it as zero. The calculation method is as follows.⁷⁹

Homogeneity index = the frequency of the same origin or hometown/2 + the frequency of the same school/2 + the frequency of the same work experience/2

For example, if a county party secretary had the joint origin, joint school alumni and joint work experience only with a mayor and $0.5+0.5+0.5=1.5$. The minimum value zero meant that a county official had no homogeneity with two upper-level leaders, and the maximum value meant that she or he shared the three homogeneous elements with the two upper-level leaders.

In the case of the same hometown, in the previous study, the same province was used for a joint hometown, whereas in this study model, the same municipality’s origin was used for a joint hometown. Because municipal and county-level leaders usually rotated within their own home provinces, most of them were from Zhejiang Province or Guangdong Province. That is, even if they were from the same province, they were coded ‘zero’ if they were from different municipalities. In terms of education, some of the county

7.6.11).

⁷⁹ In the previous study which suggested this homogeneity index, homogeneity index was used as a proxy for provincial governors and provincial party secretaries’ similarities with members of Standing Committee of the Chinese Communist Party’s Politburo (Oppen et al., 2015). In the previous study, when calculating the homogeneity index between the five to seven members of Standing Committee and provincial leaders, they were formulated as the number of the same hometown divided by five or seven plus that of the same school alumni divided by five or seven plus that of the same work experience divided by five or seven. In this study, only the five or seven of denominators have been replaced with the two of denominators.

leaders obtained not only a bachelor's degree but also a master's or a doctoral degree. Therefore, if there was only one same school's degree shared among them, it was coded 'one.'

Finally, since most of the same work experience in the same regions or bureaus were in the same province, it was coded 'one' if municipal leaders had worked in the same municipal regions or county areas with provincial leaders or if county leaders shared the same work experience in the same county or below with municipal leaders. There was no distinction made between the party and government organizations and the mass organizations, and if a senior leader used to work in a party or government organization, and the promoted junior officials used to serve as a leader of the Communist Youth League under such a party or government organization, it was coded 'one.' The reason is that these mass groups are guided by local party and government authorities. And it was coded 'one' if a provincial leader or a municipal leader has worked in a senior-junior relationship between a municipal leader and its county leader. For example, while a provincial leader used to work as a mayor or municipal party secretary in a municipality, if promoted municipal leaders had work experience in that municipality as a head of a party or government's department or a county leader under that municipality's authority, it was coded one.

The reason why the homogeneity index was operationalized in more detail than the previous study is that the similarity of the central and the provincial leaders was investigated in the previous study, so it was necessary to find similarity only at the provincial level in most cases, but in the case of the municipal and county-level cases, in the study model, homogeneity factors have to be found in the municipal and below level, so operationalization of homophily index needed to be more detailed.

The homogeneity index contributed to overcoming the disadvantages and defi-

ciencies of the studies to explain the promotion of local officials through various factions.⁸⁰ In the case of factions, only if a certain leader appeared publicly belonging to one faction or she or he was definitely a member of a clearly defined faction group, she or he could only be included in an empirical research. However, the homogeneity index has an advantage that it can be used as a posterior forecasting tool to find candidates who are likely to be promoted to the inner circle of a particular political elite group. And homogeneity provides a social mechanism that promotes trust, commitment, and organizational efficacy in political elites (Oppen et al., 2015: 333).

On the other hand, this homogeneity variable was somewhat competitive with an economic performance variable of local officials. It remains to be seen whether local officials with a high degree of homogeneity with their senior leaders and poor economic performance were highly likely to be promoted or whether promotion was held, whether homogeneity had a more significant effect than economic performance, or whether economic performance was more crucial to promoting local officials.

(2) Performance Evaluation

In China, the previous version of performance evaluation, the Target Responsibility System (TRS), was gradually introduced by the county and the township governments since the mid-1980s, and the system began to be implemented not later than 2005 at the municipality and above (Cai, 2015: 959-960).

The main policy of the TRS was the birth control for the central and provincial governments to set the goal of birth planning to be accomplished by the one-child policy.

⁸⁰ For studies that analyzed the impact of factionalism on party elites' promotion patterns, see Choi, 2012 and Shih et al., 2012.

When the lower level governments achieved the quantified goal for each family or grass-roots organization and reported it to the upper-level governments, the upper-level governments provided the corresponding political and economic rewards in accordance with the results of target achievements or punished them if they failed to meet the objectives.

Performance evaluation, on the other hand, developed more diverse indices in the areas of emerging environment protection and food safety policy, and lower-level measures were implemented in accordance with these indicators, and the results were reported to the upper level leaders. In this way, the two systems have a similar process of higher level leaders' issue of indicators to the lower level localities and their reporting to the center or upper-level localities, but the indicators of the TRS were not diverse and emphasized only the goals or targets, whereas a performance evaluation was based on a multi-faceted evaluation tools including evaluation on various means and processes for achieving the goal and providing points and grades to lower-level units according to a result of evaluation.

Evaluation results are not the only criteria for local officials' promotion, but cadre evaluation rules are very important because they played signaling and guiding roles. That is, they conveyed information about what the higher authorities considered worthwhile (Cai, 2015: 961).

It is not easy to operationalize these performance evaluation results. The previous study presented the two indicators of performance-result and result-career. In the case of performance-result indicators, the higher the score, the more weight is placed on the performance evaluation's result in the final evaluation. In the result-career indicators, the higher the score, the more closely the career development is linked to the final assessment results (Cai, 2015).

However, this precedent study only showed regional difference through indicators developed from the content analysis, and did not link this variation directly to the real promotion data of local officials. By analyzing the contents of the evaluation rules of each

province, it showed only how binding the rules themselves were and how they related to their careers, but it did not show how the actual results of the performance evaluation were related to the promotion of local leaders.

In this study model, to overcome the shortcomings of the previous study, we collected the official documents that published results of the actual performance evaluation in the municipalities of Guangdong and Zhejiang and the county areas of Guangdong Province, and analyzed the correlation between the results in the documents and the actual promotion of local leaders. The reason for choosing Guangdong and Zhejiang cases is that the two provinces implemented the most institutional innovations and trials of the performance management system in China and many scholars and local officials thought Zhejiang and Guangdong as the most pioneering in evaluating the performance of local officials in China.⁸¹

Specifically, this study used the Peking University's Law Database (<http://www.pkulaw.cn>) to collect official documents that published the results of the performance evaluation in Guangdong and Zhejiang provinces.⁸² The advantage of this database is that related documents can be searched by provincial, municipal, county-level documents, and even township level only through entering keywords. Using this database, the documents including the results of Zhejiang and Guangdong's performance evaluation were collected. The search keywords are classified into six categories such as "Evaluation Situation (*Kaoping Qingkuang* or *Kaohe Qingkuang*)," "Evaluation Result (*Kaoping Jieguo* or *Kaohe Jieguo*)," "Excellent Unit's Recognition (*Biaozhang Youxiu Danwei*)," "Advanced

⁸¹ An interview with a professor at the Sun Yat-sen University in Guangzhou City, Guangdong Province, June 20, 2016; an interview with one researcher at the Developmental Research Center in Hangzhou City, Zhejiang Province, June 10, 2016; an interview with a professor at the Nankai University in Tianjin, July 23, 2015.

⁸² This site was developed by the Peking University's Yinghua Science and Technology Co., Ltd., founded by the Peking University in 1999 as a major shareholder, and is a database providing various legal information using the legal resources of the Peking University.

Unit's Recognition (*Biaozhang Xianjin Danwei*)," "TRS (*Mubiao Zerenzhi*)" and "Performance Evaluation (*Jixiao Pinggu*)." Among these keywords, one of the most search results was "Evaluation Situation" with the 148 cases in Guangdong Province and the 175 cases in Zhejiang Province. "Evaluation Results" had the 240 cases in Zhejiang Province and the 99 cases in Guangdong Province, and the number of official related documents the two provinces published was overwhelmingly more than that of other provinces.

With the exception of duplicate documents and the documents that were not related to the results of the evaluation, Zhejiang Province included a total of the 66 official evaluation documents from 2000 to 2016, and Guangdong Province included a total of the 58 official documents from 1998 to 2016. In the documents, the results of the performance evaluation for various policy areas were operationalized and added to the GZPLDB. Most notably, there was an evaluation on birth control policies and some other policy areas such as food safety and environment protection. The details of the performance evaluation will be explained by province in the next section. The results of the performance evaluation for county party secretaries of Guangdong Province were largely the two kinds of evaluation such as the province's evaluation of the counties and the municipality's evaluation of the counties by the 19 municipalities. The results of performance evaluation were operationalized in the total 130 party and government documents. The provincial evaluation of the county was mainly conducted in the area of birth control, and the municipal evaluation of the county was implemented in the various fields such as the "according to the law's administration" and food safety.

Let's look at how to operationalize the results of performance evaluation. The results of the performance evaluation in the official documents of the two provinces can be classified into several categories. First, municipalities and counties were awarded the titles such as 'Excellent,' 'Comprehensive Excellent,' 'Advanced,' 'A,' 'No.1,' 'Gold Award,' 'Demonstration Unit,' and 'Work Innovation Award' which received the best evaluation. Therefore, it was coded five points in the areas that received these grades.

The localities that received the second favorable evaluation received awards such as ‘Honors,’ ‘Good,’ ‘Second Place,’ ‘B,’ ‘Silver,’ and ‘Single Item Excellence.’ For these areas, it was coded four points. The local areas that received the third good evaluation earned the titles of ‘General,’ ‘Third Place,’ ‘Passed,’ ‘Bronze,’ ‘Goal Achieved.’ Three points were awarded for these grade areas. Third, the two points were awarded when there was no evaluation and the documents related to the results of the performance evaluation were not available or no evaluation was implemented in the Zhejiang Province and Guangdong Province from 1997 to 2016. Finally, the lowest rating included the ‘Target Not Completed,’ ‘Criticized,’ ‘Fourth or Below Fourth.’ It was coded one point for these grades.

However, there are some limitations when operationalizing in this way. First, there were differences in the number of times an upper-level locality has published performance evaluation results in each year. For example, in the case of Zhejiang Province, no performance evaluation was conducted from 1997 to 1999, or the results were not disclosed. In the early 2000s, the results of performance evaluations were disclosed only in one or two policies. However, since 2008, the number of evaluation areas disclosed has increased to four policies. This was the same with Guangdong. Therefore, if the above-mentioned operationalization was conducted, the scores of the local leaders who was elected at the end of the 1990s and early 2000s might have been low, of course, and the hypothesis is that they should all have been not promoted and should have exited or transferred horizontally.

On the other hand, in the late 2000s, the types of performance evaluation varied and the number of results was increased. Those who worked as leaders of the regions during this period should have all been promoted because their scores might have all been high. Therefore, the weight that we introduced to eliminate the factors of the performance score’s increase over time was not the absolute evaluation score that the local areas received in the specific year, but the ratio of the score a local leader received in the total

score that the whole same level areas obtained in the certain year. Even if there were not many evaluation results in a certain year, the scores of the area was converted into the ratio of that score in the total points, and if there were many evaluation results in another year, all the localities had relatively high scores and also the scores were changed into the ratio, the systematic bias of the increase in the evaluation score over time can be resolved.

Second, as the length of the the regional leaders' office term increased, the score also increased. In other words, if some local leaders worked for a long time as a leader in a certain area, accumulated evaluation scores should have had a positive impact on their promotion, but if the other local leaders had a short term, no matter how high points they got in a particular year, their evaluation scores could't be higher than that of the local officials with a relatively longer term. Therefore, the study model introduced a second weight, that is, the term average of the evaluation scores a local leader received until the term replacement, in order to solve the systematic bias problem of the evaluation score due to the term's difference. The final coded variable was the percentage of the average evaluation score (%).

2) Multi-Level Analysis

(1) Explaining the Promotion of Municipal Leaders in Guangdong and Zhejiang Provinces

From 1998 to 2017, the factors that affected the promotion of municipal party secretaries and mayors in Zhejiang and Guangdong provinces can be seen at the two levels. In the table, the models one to model three consist of only the level one's variables. In the case of the model four, the multi-level was used to analyze the correlation between the second level of economic geographical characteristics and the level one's individual variables. The advantage of the Hierarchical Linear Modeling is to overcome the error of ignoring

the structure of the data that it assumes all the municipal leaders as one sample and ignoring the fact that they belong to one of the provinces or one of the 32 municipalities.

When analyzing the data of the Chinese local governments, it is important to note that these data were mostly influenced by the M-form state structure of the Chinese state (Qian et al., 1999). Thus, if traditional models such as the multiple regression analysis model or the ANOVA model were used, due to the hierarchical structure of the data, it is likely to lose the validity of the study model's results (Burstein, 1980a, 1980b; Cronbach & Webb, 1975). The multi-level model can analyze the data using one or more units of analysis, such as individual level and group level, and can control variables at the various levels simultaneously and reveal interactions between various levels (Bryk & Raudenbush, 1992).

Let's look at the Model 1, Model 2, and Model 3 in the table below. One of the common characteristics of the three models was their variables at the individual level. Individual level variables, such as age, gender, education, term, and a party secretary dummy variable, were used as control variables. And the three variables that attracted attention in this research model included economic achievement, homophily and performance evaluation.

Table. 3.7. Level-One Variables Affecting Promotion of Municipal Leaders in Zhejiang and Guangdong from 1998 to 2017

Fixed Effects	Model 1 (Economic Performance)			Model 2 (Homophily)			Model 3 (Performance Evaluation)		
	β	Odds	Probability	β	Odds	Probability	β	Odds	Probability
Intercept	1.904***	6.710	0.870	1.821***	6.178	0.861	1.880***	6.555	0.868
Age	-0.024**	0.976	0.494	-0.025***	0.975	0.494	-0.030***	0.971	0.493
Man	0.081	1.082	0.520	0.160	1.173	0.540	0.188	1.207	0.547
Education	0.017	1.017	0.504	-0.029	0.971	0.493	-0.031	0.969	0.492
Term	-0.043*	0.957	0.391	-0.042*	0.959	0.490	-0.026	0.974	0.494
Party Secretary	-0.255***	0.775	0.437	-0.276***	0.758	0.431	-0.272***	0.762	0.432
Economic	0.005	1.005	0.501	0.004	1.004	0.501	-0.000	0.100	0.500

Performance									
Homophily				0.242***	1.273	0.440	0.199**	1.220	0.550
Performance Evaluation							0.024**	1.024	0.506

***p<.001, **p<.01, *p<.05, the Model 1, Model 2, and Model 3 all are the Linear Model

First, the most powerful among the control variables is age. Age is statistically significant in all the models. In all the models, the lower the age, the higher the odds and the probability of being promoted. Looking more closely at the age, the 283 observations showed an average of 52.1 years old, a standard error of 4.3, a maximum age of 62 years old and a minimum age of 38 years old.

By region, the municipal leaders' mean age in Zhejiang was 51.6 years, the highest age was 62 years old, the lowest age was 42 years old, while the municipal leaders' average age in Guangdong was 52.4 years old, the highest age was 61 years old and the lowest age was 38 years old. Among the municipalities, the municipality with the lowest average age was 47.6 years old in Jieyang City in Guangdong Province, while Guangzhou's municipal leaders were 56.6 years old in average age. The city of Guangzhou is a deputy-provincial city, and the promotion to the municipal leaders followed the reselection model, which has already been trained elsewhere during the longer period of time, to become the deputy-provincial municipality's leaders.

According to the types of promotion, the average age of the people who have not been promoted and transferred to another area horizontally or resigned was higher than that of those who were promoted. The former was 53.6 years old while the latter was 50.3 years old. And among the mayors, the average age of those who were promoted to a party secretary in another municipality was the lowest with the 49 years old average age. The average age of the leaders who were promoted to other provinces or the center was 53.8 years old.

In addition, among the control variables, the party secretary's dummy variable

was statistically significant in all the four models, and the term variable was significant in the Models 1, 2 and 4. Let's look at each model. In the Model one, besides the control variables, the economic performance of leaders was the main explanatory variable. The average annual growth rate of GDP per capita during the term of the leader was not statistically significant although the probability of promotion increased by 50% as the growth rate increased.

The reason why the economic growth rate, which was found to be an important factor that affected promotion in other studies, was not significant is that the sample of this study model was relatively developed areas such as Zhejiang and Guangdong provinces and it was highly likely that an economic performance of municipal leaders in such already prosperous regions had no impact on their promotion anymore.⁸³ From 1996 to 2015, the average GDP per capita in the 11 municipalities of Zhejiang was about 36,000 yuan, while in Guangdong, the average GDP per capita of the municipalities was about 27,000 yuan, with more 9,000 yuan in Zhejiang than in Guangdong. Given that the average per capita GDP in China at the same period was about 21,000 yuan, Guangdong and Zhejiang provinces were more developed than the national average.

In the economic performance -focused model one, significant variables included age, term, and party secretary. That is, the lower the age, the shorter the term, the higher

⁸³ The papers that dealt with the correlation between economic achievement and promotion showed different results depending on units of analysis. In the case of the provincial unit, it was found that economic growth was significantly related to the promotion of the provincial leaders (Bo, 2002; Choi, 2012; Li and Zhou, 2005; Li and Zhou, 2005; Maskin, Qian, and Xu, 2000). However, there have been other studies that did not find a statistically significant correlation between promotion of provincial governors and party secretaries and their economic performance (Shih et al., 2012; Opper et al., 2015). It is likely that the different results were due to the difference in the sampling method, variables and operationalization methods selected for analysis. In the case of municipalities and counties, the correlation between economic growth and promotion was not significant (Guo 2007; Landry 2008). Thus, the correlation between promotion and economic performance in municipalities and counties, which are units of analysis selected by this study model, was consistent with the results of the previous researches that selected the same unit of analysis. But this multi level study model can explain further about the correlation and interaction between those variables and various regional moderating factors.

the odds and the probability of being promoted, and the odds of mayors' promotion were higher than that of municipal party secretaries. The average ages of the municipal party secretaries and the mayors were 50.9 years old and 53.5 years old respectively. The mayors were younger than the party secretaries, and according to the government-party promotion model and reselection model, this result stemmed from the fact that the party's leaders were usually more experienced than the government leaders and the latter was supposed to be promoted to the former. In the case of the office's term, the average of the mayors was 3.1 years, and that of the party leaders was 3.6 years.

The promotion probability was higher for males with higher education level, but it was not statistically significant. Of the municipal 283 leaders, only 13 of them were women, and most of them had a master's degree or above except for 78 of 283, and 94 of the municipal leaders with a master's degree or higher graduated from central or local party schools. Through the education level of the municipal leaders in Guangdong and Zhejiang provinces, it can be seen that the human capital represented by education level was generally high in the two regions. Those graduated from the central or local party schools were included in the homogeneity variable to be described later and the party school education had more explanation power through the homophily than through the education variable.

The impact of human capital on promotion can also vary depending on a unit of analysis. In the case of provinces, the benefits of education level tend to be more apparent when graduate degrees were acquired compared to bachelor's degrees, but were limited to very narrow confidence intervals (Shih et al., 2012: 178). There are also studies in which the human capital of education did not have a significant impact at the same level of analysis (Oppen et al., 2015: 340). In this study it is likely for human capital to have not had a significant impact on promotion since it operationalized human capital on a bachelor's degree's basis. Recently, the average education level of local officials has been increasing because of the increasing number of the leaders who received a degree above a bachelor

in the municipality and even in the county.

In the study of the municipality as a unit of analysis, human capital of a master's or higher degree did not have a significant effect on the promotion of municipal party secretaries and mayors. The logit coefficient of an education variable was even negative (-.16), which had a rather negative impact on promotion, even if the municipal party secretary's promotion model did not have statistical significance (Cai, 2015: 973-974). In summary, human capital represented by an education level had a statistically insignificant effect at the provincial and municipal level, though the statistical significance varied depending on a unit of analysis. Therefore, this study model is consistent with the results of these previous studies.

In the Model 2, a homophily variable was added. As the sharing of the same origin, school alumni, work experience with senior leaders, such as provincial party secretaries and provincial governors, increased, the promotion odds also rose. The higher the homophily score, the higher the probability of municipal leaders' promotion by 44%. The homogeneity variable was found to be statistically significant not only in the model 2 but also in the model 3 and the multilevel model 4. And the result of the study model is consistent with that of the previous study. The previous study suggested that provincial leaders' homophily with the Politburo's Standing members had a positive effect on their promotion (Opper et al., 2015). When put together, the higher the homogeneity with the senior leaders, the higher the promotion rate in both the province and municipality.

In terms of the homogeneity by region, the average index score of municipalities in Zhejiang was 0.55 and the maximum value was 2 in the total 106 observations. In the 177 observations in Guangdong Province, the average was 0.36 points and the maximum value was 1.5. The average of Zhejiang was higher than that of Guangdong. The area with the highest homogeneity was 0.87 of Ningbo City in Zhejiang Province, and 0.86 of Taizhou City in Zhejiang Province. Guangzhou City received the highest score in Guangdong province with an average 0.68. The municipality with the lowest homogeneity score in

both provinces was 0.12 of Huzhou City in Guangdong Province. Quzhou City had the lowest in Zhejiang with an average 0.29 points.

In the homogeneity's average score according to human capital of master's or higher degrees, an average homogeneity score of municipal leaders with a bachelor degree or below was 0.29, while that of municipal leaders with a master degree or above except the central and local party schools was 0.40. The group with the highest homogeneity was the municipal leaders graduating from the central and local party schools. In the total 90 cases, the average homogeneity score of the leaders graduating from the central and local party schools was 0.59, and the maximum score was 2 which was significantly higher than that of the municipal leaderst with the general master or undergraduate degrees. It can be seen that the central and local party schools did not directly affect promotion through the acquisition of the degrees or human capital, but the educations the municipal leaders received from the party schools had impact on their promotion through the social capital or alumni network which was related to the education their senior leaders received from the same party schools.

In the Model 3, performance evaluation was found to have a significant effect on promotion of municipal leaders. As the leadership's term average ratio of the performance evaluation score increases by 1%, the probability of promotion increases by 50%. The percentage of performance evaluation score in Zhejiang was 8.14%, while that of Guangdong was 7.46%. The highest score among the municipalities of the two provinces was Zhoushan City in Zhejiang Province, which was 11.73% on average. The highest rate in Guangdong Province was 10.91% in Zhongshan City. The region with the lowest percentage of performance scores in both provinces was Jiangmen City with 5.66%.

In summary, the three linear models revealed that the homophily and the leader's term average rate of performance score, except for economic achievement, were significantly correlated with the promotion of the municipal leaders, among the three main variables of the study model. This research model can contribute to the fact that while the

previous study mainly focused on the provincial unit of analysis, this study model derived meaningful results using the municipal unit of analysis.

All the variables that have been included in the study model so far were individual level variables. However, the promotion of local leaders was influenced not only by these individual level variables but also by the nature of the municipalities or the provincial areas to which the individuals belong. Thus, as shown in the table below, the promotion of municipal leaders in a multi-level model was influenced not only by individual level variables at the first level, but also by local variables at the municipal and provincial units of the second level and by interactions of the two levels.

Table. 3.8. Multi-Level Analysis on Promotion of Municipal Leaders in Zhejiang and Guangdong from 1998 to 2017

Model 4(Unit-Specific Model)				
Fixed Effects		β	Odds	Probability
Level-1	Intercept	13.477***	713419.17	1.0
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	0.658***	1.932	0.659
	Deputy-Provincial Municipality	-1.923	0.146	0.128
	Zhejiang Province	-6.931**	0.001	0.001
	Average Annual Growth Rate of GDP Per Capita (%)	-0.554***	0.575	0.365
Level-1	Age	-0.196***	0.822	0.451
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	-0.012***	0.989	0.497
	Zhejiang Province	0.197***	1.218	0.549
Level-1	Male	1.331**	3.786	0.791
Level-1	Education	-4.235***	0.014	0.014
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	-0.018	0.982	0.496
	Deputy-Provincial Municipality	1.227	3.412	0.773
	Zhejiang Province	-1.547***	0.213	0.176
	Average Annual Growth Rate of GDP Per Capita (%)	0.476***	1.609	0.617
Level-1	Term	-1.857***	0.156	0.135
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	0.002	1.002	0.501
	Deputy-Provincial Municipality	-0.061	0.941	0.485

	Zhejiang Province	-0.448**	0.639	0.390
	Average Annual Growth Rate of GDP Per Capita (%)	0.158***	1.171	0.539
Level-1	Party Secretary	-1.121***	0.326	0.246
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	-0.146***	0.864	0.464
	Deputy-Provincial Municipality	6.430***	620.345	0.998
	Zhejiang Province	1.048**	2.851	0.740
Level-1	Economic Performance	0.033	1.034	0.508
Level-2	Zhejiang Province	-0.024	0.976	0.494
	Average Annual Growth Rate of GDP Per Capita (%)	-0.000	0.100	0.500
Level-1	Homophily	4.851***	127.861	0.992
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	0.145***	1.157	0.536
	Deputy-Provincial Municipality	-5.243***	0.005	0.005
	Zhejiang Province	-0.907*	0.404	0.288
	Average Annual Growth Rate of GDP Per Capita (%)	-0.401***	0.669	0.401
Level-1	Performance Evaluation	0.269***	1.308	0.567
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	0.004	1.004	0.501
	Deputy-Provincial Municipality	0.275	1.317	0.568
	Zhejiang Province	-0.349***	0.705	0.414

***p<.001, **p<.01, *p<.05, No Centering

First, there are the two methods that can be analyzed through the multi-level logit model: Unit-Specific Model and Population-Average Model. In the case of the Unit-Specific Model, the interpretation of the intercept suggests that values of municipal average of GDP per capita and annual average growth rate of GDP per capita all became average values and with controlling the deputy-provincial municipality and Zhejiang's dummy variables, in such "typical areas" of the prefectural level municipalities in Guangdong Province, the multi-level model showed municipal leaders' promotion odds and probability. However, the intercept value of the Model 4 does not have any meaning because neither the level-1 nor the level-2 variables did centering. The odd ratios and probability values of the level one's variables other than the intercept are the actual values of the

effect on the promotion when controlling dummy variables with average values of continuous variables in the same way as the intercept did.

On the other hand, the intercept value of the Population Average Model implied the municipal leaders' promotion odds ratio and probability when values of all variables became average and other dummy variables are controlled regardless of the regions (province or municipality). If a model wants to emphasize the effects of a particular region, it has to use a Unit-Specific Model, but if a model is interested in a general analysis regardless of regional effects, it must use a Population Average Model. This study model used a Unit Specific Model because it focused on analyzing the effect of the specific regions where municipal leaders belong to.

The effects of the level-2 variables in the intercept suggested that those of the municipal average GDP per capita and the annual average growth rate of municipal GDP per capita was opposite to each other. If the growth rate was controlled in the typical municipalities in Guangdong other than deputy-provincial cities, the higher the municipal average GDP per capita, the greater the probability of being promoted by 65%. On the other hand, if the average GDP per capita was controlled in these regions, the probability of promotion was reduced by 36% as the annual per capita GDP growth rate increased by 1%. These results are due to the fact that in the case of the GDP per capita's growth rate, the various tasks required by the upper-level localities were not related to the actual growth rate of the economy or may interfere with economic growth, but their focus was gradually changing to achievement in the social policy areas.⁸⁴ In addition, the fact that the higher the average GDP per capita, the higher the promotion ratio meant that if the leaders who were promoted faster before were selected as leaders of the already developed

⁸⁴ In one study, the results of social education policies such as the growth rate of the teacher-student ratio and the growth rate of the doctor-population ratio did not have a significant effect on the promotion of the municipal party secretaries, but there was a significant correlation between those ratios and the promotion of mayors (Cai, 2015).

cities, the promotion chances of the developed economies' leaders became higher (Lin Tingjin, 2007).

The fact that economic achievements were not correlated to the promotion of municipal leaders has also been found in the multi-level model. All the level-one variables but the economic performance showed statistically significant results and there were no significant interactions between the level-two's Zhejiang dummy variable or the per capita GDP growth rate and the economic performance. Thus, the multi-level model is consistent with the results of the previous studies and the linear model that economic performance variables and promotion were not significantly correlated.

As for the age, the higher the municipal average of GDP per capita in Guangdong Province, the lower the effect of age on promotion. The discrimination effect of the promotion according to the age was small in the municipalities with the higher economic development level in Guangdong Province. On the contrary, in the regions with the low economic development level, the age's influence of municipal leaders on promotion was increased. And among the regions where the economic level was average, the effect of age on promotion was lowered in Zhejiang Province.

In the case of academic achievement, it is found that promotion and education had a negative correlation which was different from the result of the Model 1. In the case of Guangdong's typical municipalities with the average level of economic development and growth rate, the probability of promotion decreased by 1% when the education level was higher. It can be interpreted that there was no great effect of an education factor because the odd ratio and the probability value were not so large. As the economic level and the growth rate became average in Zhejiang, the lower the effects of educational achievement on promotion, while the higher the effect of education on promotion in Guangdong. In this way, the impact of human capital on promotion may vary from region to region.

The other control variables such as leadership term and the party secretary

showed the interactions with the level-2 variables as shown in the table, and many interactions had a significant effect. Now, let us look at the correlation between homogeneity and performance evaluation and the level-2 variables, which are the two important variables in this study model. First, in the case of Guangdong's typical municipalities which had an average economic growth rate and economic level, the higher the homogeneity score, the higher the probability of being promoted by 99%. In the regions where the economic indicators were average, it was not clear which economic standards to decide whether to be promoted. Therefore, by selecting the talented people who had more social capital with the upper-level local officials, they preferred harmony and agreement over conflict and opposition in the process of pursuing various national tasks.

In the typical municipalities of Guangdong, where the economic growth rate was average, the higher the economic level, the more the effects that the homogeneity had on promotion. On the other hand, the lower the economic level of such a municipality, the smaller the impact of homogeneity on promotion. This is because when the economic growth rate cannot be a clear standard for promotion, the talented person has already been promoted to the region with a high economic status and has become the leader of that city. Therefore, when the leader's next career was decided, a homophily with upper-level leaderships was likely to be regarded as a most important factor in determining the promotion. However, in the regions with a low level of economic development, it can be assumed that economic performance was more meaningful factor to decide promotion than homophily because it was difficult or valuable for economic achievement to be recognized.

The interaction between homogeneity and an economic growth rate of a municipality shows that the higher the economic growth rate in the typical municipality with the average level of economy in Guangdong, the lower the effect of homogeneity on promotion. On the contrary, in regions where economic growth rate is low, the effect of homogeneity's variation on promotion was high. This is because, in the regions with high eco-

conomic growth rates, an economic growth rate was considered to be an important achievement, and it was not necessary for upper level leaders to decide promotion based on homogeneity criteria because an economic growth rate was already used as one of the most important promotion criteria. On the other hand, when the economic growth rate was low, a municipal leader had no economic accomplishment, so homogeneity with senior leaderships was likely to be an important criterion for promotion, thus enhancing the effect of homogeneity on promotion.

Finally, in the case of performance evaluation, the higher the performance average score rate in the typical municipalities with average economy in Guangdong Province the higher the probability that the municipal leaders were promoted by 56%. Although not statistically significant, the higher the economic level in the typical municipality of the Guangdong Province, the greater the effect of the performance evaluation on promotion especially in the deputy-provincial municipalities. On the other hand, the lower the economic level, the less the differential effect of the performance evaluation on promotion especially in the ordinary prefectural level city. It can be assumed that if the economic level was already high and a city status was the deputy-provincial level, municipal leaders were promoted through a performance evaluation which consisted of many social and welfare policies other than economic performance. In the case of typical municipalities with low economic development level, it was more likely to focus on economic achievement rather than performance evaluation.

On the other hand, the statistically significant results show that in the typical municipalities with an average economy, the Zhejiang dummy variable lower the effect of performance evaluation on the promotion. On the contrary, it was found that as such cities located in Guangdong, the greater the effect on the promotion of performance evaluation. In the case of Zhejiang Province, there was no negative result such as criticism in the evaluation grade, and the material incentive was not specified. Therefore, when com-

paring the two provinces, it can be concluded that the influence of the performance evaluation on the promotion was the stronger or further increased in Guangdong Province.

(2) Explaining Promotion of the County Party Secretaries in Guangdong Provinces

To analyze the promotion of county party secretaries in Guangdong Province, the Models 1, 2, and 3, used the Population Average Model. This is because these study models were interested in how the outcome varies according to the explanatory variables of the level-1 regardless of the regional characteristics of the level-2. And because we also included the age as a quadratic function among the level-1 variables, the models used the nonlinear model of the Population Average rather than the linear model. Since these three models did not do any centering, the intercept value had no meaning.

Table. 3.9. Level-1 Variables Affecting Promotion of County Party Secretaries in Guangdong from 2001 to 2017

Fixed Effects	Model 1 (Economic Performance)			Model 2 (Homophily)			Model 3 (Performance Evaluation)		
	β	Odds	Probability	β	Odds	Probability	β	Odds	Probability
Intercept	5.462***	235.653	0.996	5.138***	170.419	0.994	5.105***	164.812	0.993
Age(quadratic function)	-0.002***	0.998	0.500	-0.002***	0.998	0.500	-0.002***	0.998	0.500
Male	-0.599	0.550	0.355	-0.515	0.597	0.374	-0.490	0.613	0.380
Education	0.295*	1.352	0.573	0.219	1.245	0.555	0.217	1.243	0.554
Term	0.148***	1.160	0.537	0.169***	1.184	0.542	0.172***	1.187	0.543
Economic Performance	-0.001	0.999	0.500	0.000	1.000	0.500	0.000	1.000	0.500
Homophily				0.523***	1.687	0.628	0.525***	1.691	0.628
Performance Evaluation							0.003	1.003	0.501

***p<.001, **p<.01, *p<.05, Population-Average Model, No Centering

In the three models, another control variable with significant effects other than the age was the term. In the case of the municipal leaders in Zhejiang and Guangdong, the shorter the term, the higher the rate of promotion. On the contrary, the longer the term, the higher the promotion rate in the case of the county party secretaries of Guangdong. This suggests that training and verification of the full division chief rank officials were needed longer than those of the full department rank officials according to the reselection model in the case of promotion from the full division chief rank to the deputy or full department rank.

According to the types of promotion or dependent variables, the retirement category had the longest average four-year-term with 75 cases and the average age in that category was the oldest 53 years old. This means that if they were not able to be promoted to the deputy department rank due to some reasons such as age, they were likely to remain longer in the full division chief rank and highly likely to retire directly.

The average term of the horizontal transfer group with 68 cases was 3.1 years and the average age was 49.1 years old. In 169 cases of promotion to the same municipalities, the average term was 3.5 years and the average age was 48.7 years old. The cases of promotion to the other cities had an average term of 3.2 years and an average age of 48.3 years old with a longer average term and a slightly lower average age in the total 38 observations. The average term of the eleven cases with promotion to the provincial deputy department rank was 3.8 years and the average age was 47 years old. It can be seen that through the cases of county party secretaries with longer term and younger age, who were promoted to the province, the county party secretaries with better conditions was likely to be promoted to the province. It can be inferred that the county party secretaries who has been trained more as a full division chief rank official at a younger age, were highly likely to be selected as a provincial deputy-department rank official.

The central document that stipulated county officials' age limit was the "Opinion on the Strengthening of the Construction of County-level (City, District and Banner)

Party-Government's Full Rank Team." In this document, the county's party-government team leaders should be about 45 years old and should have a cultural level higher than an ordinary university's undergraduate's degree. However, it is recommended that local officials who are at the different ages and had rich practical experience be also employed and not to carry out uniform enforcement on the age and education standards.⁸⁵

According to this document, 45 years old was suitable for the county party secretary. To apply this principle to the study model's case, if the average age of the county party secretaries was 49 years old and the average term was three years, they were selected as a county party secretary around at the age of 46 years old, corresponding approximately to the standard requested by the document. Even when promoted to another municipality, the average age at the time of promotion was 48 years old and the average term was three years and it was around 45 years old. Therefore, it can be said that the promotion of county party secretaries in Guangdong followed the center's age requirement well.

As in the case of the municipal study model, the economic performance was not significant in the county's study model. In addition, the education factor had a weak effect because it had a significant correlation only in the Model 1. That is, the higher the level of education, the greater the probability of being promoted by 57%. This is because, the other municipal study models except for the Model 1 showed that human capital in education had a negative effect on promotion, whereas the county-level Model 1, 2 and 3 showed that an education had a positive effect on promotion, even if the Model 2 and 3 had no significance. In other words, human capital in the municipal study model had a negative effect on promotion, but education was included in social capital or homophily through the party school network to strengthen its effect, while the county-level study model shows that human capital was significant only at the Model 1 and there was a direct positive effect on promotion in that model.

⁸⁵ See, <http://hb.ahxf.gov.cn/nsjg/219078.SHTML>, (Accessed: April 7, 2017).

In the Model 2, the homogeneity variable had a statistically significant and positive impact on the promotion of county party secretaries in Guangdong Province. As the homogeneity score increased, the chances of being promoted increased by 62%. These results are consistent with the model's results at the municipal level. Therefore, the homogeneity variables in both the municipality and the county study model can be regarded as one of the most important variables that had a strong effect on the promotion of the local officials. It is also concluded that the homogeneity variable became one of the most important factors that affected promotion in the province, municipality and county by adding the fact that the precedent study found a significant correlation between homogeneity and promotion at the provincial unit.⁸⁶

However, the homogeneity variables of this study were limited only to Guangdong and Zhejiang provincial cases, and there were limits to the enough number of samples to represent the whole population. That is, among the total number of 291 municipalities and 2,850 counties in China by 2015, there were only the 32 municipalities of Zhejiang Province and Guangdong Province (about 11% in total) and the 118 county-level localities in Guangdong (about 4%) in the study model, causing the problem of the representation and generalization.

Nonetheless, the contribution of this model can be attributed to the strong effects of homogeneity variables in the particular region of Guangdong and Zhejiang, and also in the regions that shared at least the two conditions, such as the eastern coastal regions and economically developed regions. It can be inferred that the homogeneity variables may play an important role in promotion both in a certain kind of regions with the similar conditions at the municipal and county-levels or provincial level.

The Model 3 is to add the leaders' average term ratio of the performance score

⁸⁶ The study that analyzed the correlation between homogeneity and promotion in the province, see Oppen et al., 2015.

to the existing model, except the fact that the meaningful effect of academic achievement disappeared, and the effects of other variables remained intact, and a performance evaluation variable had no statistically significant effect. This was in contrast to the results of the municipal study model. In the municipal study model, the performance evaluation was found to be significant in both the model 3 and model 4, but the performance evaluation variable of the model 3 was not significant in promoting county party secretaries in Guangdong Province.

It can be seen that both homogeneity and performance evaluation had a strong impact on promotion in the province and the municipality, but the homogeneity was the only strong and significant variable that explained promotion at the county-level. There are several reasons for this. First, both the municipality and county officials received performance evaluations from the province. Because the province is closer to the municipality than the county, and the information asymmetry is much more prevalent at the county than at the municipality, the evaluation of the county is less likely to be effective and binding than the performance evaluation of the municipality.

Second, there were some cases where the municipality's performance evaluation of the county was very different from municipality to municipality and many of the results were not disclosed. Especially in the case of Shenzhen, the disclosed official documents about the results of the performance evaluation conducted by the city were not found at all, so the performance evaluation of the counties in Shenzhen City were all operationalized only by the provincial performance evaluation scores on its counties. On the other hand, the city of Guangzhou has published the results of various performance evaluations in the official documents since 2000. Examples included an emergency management, report of incidents, and environment protection, etc.

Finally, it is highly probable that the performance evaluation tool has not yet become more common at the county-level. In the one-child policy, the target and performance management has been carried out on the county, the township, and even the village.

However, it was highly likely that the performance evaluation for the policy areas of receiving attention recently such as social welfare, environment and food safety has still not been widely used on the county-level unit and below.

According to one town's party secretary, the town was required to strictly follow laws and local regulations while the upper-level officials emphasized rule by law during the policy implementation process. However, the town's leadership had difficulties with meeting requirements of the upper-level officials' rule by law and administration according to the law policies because there were no performance evaluation indicators and tools for the rule by law and the administration according to the law to be referred to.⁸⁷

Now let's look at the multi-level Model 4. The main characteristics of the multi-level model are that in the level-2 variables, the Guangdong area was segmented into the four macro regions, focusing on the interaction between the dummy variables and the level-1 variables in these regions. The reason why this segmentation is important is that the regional zoning of the four macro areas is the official classification of Guangdong Province and the center, and various provincial statistics data also presented the economic and social indicators of these areas. And this zoning was based on the official classification according to some standards such as language, culture, natural environment as well as economy.

Table. 3.10. Zoning and Basic Economic and Geographical Indicators of the Guangdong Province's Municipalities

Zoning	Municipalities	Area	Population	GDP
Pearl River Delta Region	Guangzhou, Shenzhen, Foshan, Dongguan, Hui-zhou, Jiangmen, Zhongshan, Zhuhai (total eight)	5.6 thousand square kilometer	30.2457 million people(in 2015, household register)	8.0162 trillion yuan (in 2015)
Yuedong	Shantou, Chaozhou, Jieyang, Shanwei, Meizhou, Heyuan	1.5 thousand square kilometer	17.1721 million people (in 2014, permanent population)	543.012 billion yuan (in 2015)

⁸⁷ An interview with a town's party secretary in Jinnan District, Tianjin City, October 4, 2015.

Yuexi	Zhanjiang, Maoming, Yangjiang, Yunfu	3.17 thousand square kilometer	15.6592 million people (in 2014, permanent population)	634 billion yuan (in 2015)
Yuebei	Shaoguan, Qingyuan	3.7 thousand square kilometer	6.766 million people (2015, permanent popu- lation)	242.784 billion yuan (in 2015)

The zoning of Guangdong proves how the shared economic and social conditions of a particular macro region interacted with the patterns of local leaders' promotion and how they interacted with the local leaders' individual variables at the level-1. That is, a more broadly classified zoning through various factors than artificial administrative regions might better explain the promotion of the county party secretaries in Guangdong Province.

Especially, the Pearl River Delta Region, the Yuedong, the Yuexi and the Yuebei can be classified into the Pearl River Delta Region and other regions including the other three regions in terms of difference in the level of economic development as well as various reforms promoted in Guangdong Province. For example, in the Pearl River Delta Region, where the economy has developed relatively, measures or policies to reform and establish the administrative licensing system by internal demands have been relatively complete, while in the other relatively less developed regions, the economic and social development have been affected by the lax administrative licensing system, there was little or no need for reform or little institutional innovations of the administrative licensing (Wen Song, 2015: 80). Thus, the distinction of these zones may have some significant effects on the promotion model of the county party secretaries in Guangdong.

In the Model 4, the value of the intercept was not centered so that it cannot be given any meaning, but it can be seen whether a value of the intercept, when the variables at the level 2 were controlled, had a positive or negative effect on the promotion. The typical counties with an average municipal economic level and growth rate in the Pearl River Delta Region, which was not the Yuedong, Yuexi and Yuebei regions, increased the

odds ratio and probability of promotion.

Table. 3.11. Multi-Level Analysis on Promotion of County Party Secretaries in Guangdong Province from 2001 to 2017

Model 4(Unit-Specific Model)				
Fixed Effects		β	Odds	Probability
Level-1	Intercept	5.356**	212.075	0.995
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	0.046	1.048	0.511
	Yuedong	-3.248*	0.039	0.037
	Yuexi	-1.068	0.344	0.256
	Yuebei	-3.632*	0.026	0.026
	Average Annual Growth Rate of GDP Per Capita (%)	0.148	1.159	0.537
Level-1	Age(Quadratic Function)	-0.004***	0.996	0.499
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	0.000	1.000	0.500
	Yuedong	0.003***	1.003	0.501
	Yuexi	0.002**	1.002	0.501
	Yuebei	0.003***	1.003	0.501
Level-1	Male	-0.080	0.923	0.480
Level-1	Education	-0.549	0.578	0.366
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	-0.008	0.992	0.498
	Pearl River Delta Region	-0.463	0.629	0.386
	Yuedong	-0.589	0.555	0.357
	Average Annual Growth Rate of GDP Per Capita (%)	0.120	1.128	0.530
Level-1	Term	0.775***	2.170	0.685
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	-0.013**	0.987	0.497
	Yuedong	-0.694***	0.500	0.333
	Yuexi	-0.722***	0.486	0.327
	Yuebei	-0.374*	0.688	0.408
Level-1	Economic Performance	0.105	1.111	0.526
Level-2	Yuedong	-0.043	0.958	0.489
	Yuexi	0.026	1.026	0.507
	Yuebei	-0.053	0.949	0.487
	Average Annual Growth Rate of GDP Per Capita (%)	-0.011	0.989	0.497
Level-1	Homophily	2.677**	14.540	0.936
Level-2	Yuedong	-0.897**	0.408	0.290
	Yuexi	-1.727***	0.178	0.151

	Yuebei	-0.662	0.516	0.340
	Average Annual Growth Rate of GDP Per Capita (%)	-0.151	0.860	0.462
Level-1	Performance Evaluation	0.068***	1.070	0.517
Level-2	Municipal Average of GDP Per Capita (Quadratic Function, Thousand Yuan)	-0.002**	0.998	0.500
	Yuedong	-0.038*	0.962	0.491
	Yuexi	-0.120***	0.887	0.470
	Yuebei	-0.088**	0.916	0.478

***p<.001, **p<.01, *p<.05, Unit-Specific Model, No Centering

The economic performance did not show a significant effect, but the higher the economic performance in the typical region where the economic growth rate was average, the greater the probability of being promoted by 52%. The effect of economic performance on promotion in Yuedong and Yuebei decreased, while that in Yuexi increased. Also, the higher the GDP per capita's annual growth rate in the Pearl River Delta region, the lower the effect of the economic performance on the promotion. This is because the economic performance achieved during the term of the county party secretary was not of great value in the region where the average economic growth rate at the municipal level was already high.

As the homogeneity score increases by one point in the Pearl River Delta Region where the economic growth rate was average, the probability to be promoted increased by 93%. On the other hand, in the cases of Yuedong, Yuexi and Yuebei regions, the regional dummy variables rather lowered the effect of homophily on the promotion. It can be seen from the fact that the richest social capital represented by homogeneity in the most developed region among the four macro regions, such as the Pearl River Delta Region, had more political rewards such as promotion. Although not significant, the economic growth rate showed that the higher the economic growth rate in the Pearl River Delta Region, the less the impact of homogeneity on promotion.

Finally, the performance evaluation factor showed that the probability of being promoted increased by 51% as the performance evaluation score's average rate during the leaders' term increased by 1% in the municipalities with an average economic level in the

Pearl River Delta Region. On the other hand, the effect of the performance evaluation on promotion was lowered in the average municipalities of Yuedong, Yuexi and Yuebei. Similar to the homogeneity, the performance evaluation variable showed a significant difference of the results between the Pearl River Delta Region and the other regions. In the Pearl River Delta region, homogeneity and performance evaluation had a positive and significant effect on promotion, while in the other regions, the regional dummy variables lowered the effects of the two variables on promotion.

The higher the economic level in the Pearl River Delta, the less the effect of performance evaluation on promotion. In the case of the Pearl River Delta Region, the performance evaluation had a significant and positive effect on the promotion in the municipalities where the economy level was average. However, as the economic level increased, the effect of the performance evaluation decreased, and as the economic growth rate increased, the effect of the homogeneity decreased.

In sum, there was a clear difference between the municipalities in the Pearl River Delta Region and the municipalities in the other macro regions in the multi-level model of the county party secretaries' promotion in Guangdong. In the Pearl River Delta Region, homogeneity and performance evaluation had a significant and positive effect on promotion, whereas in the other regions, the effect of these two variables on promotion was decreased.

In conclusion, the multi-level model analysis of municipal leaders and county leaders' promotion has changed the correlations or interactions between the variables in level-1 and level-2 according to the regions or a level of units such as the municipality, the deputy-provincial city, Zhejiang Province, Guangdong Province, Pearl River Delta Region and the other regions. In particular, the county governments of Guangzhou City, Shenzhen City, and Foshan City actively participated in projects and tasks to improve local governance, because the social network of homogeneity and performance evaluation significantly influenced the promotion in a positive direction, and the local officials in

these counties responded to such strong political incentives. Let's take a closer look at the homogeneity and performance evaluation, which were the most powerful variables that affected promotion in the multi-level models.

3) Social Capital of Homophily

(1) Social Network of Municipal Party-Government Leaders

The homogeneity presented in the multi-level model consisted of three components: a joint origin, school alumni and shared work experience with upper-level leaders. In municipalities, three common factors between municipal leaders and provincial party secretaries and governors were examined.

In the table below, it can be seen that the principle of provincial party secretaries coming from other provinces outside the province they governed and the provincial governors coming from the province they governed was observed with some exceptions. In the case of Guangdong Province's party secretaries, there were two provincial party secretaries coming from Liaoning Province, one from Anhui Province and one from Hubei Province. On the other hand, two province governors all came from Guangdong, with the exception of Zhu Xiaodan. He was from Zhejiang Province, while his partner, a provincial party secretary of Hu Chunhua, was from the province of Hubei. The provincial leadership team consisted of the two people who came from different provinces.

In terms of a school alumni, there were six graduates from the central party school, two from the Peking University, two from the Sun Yat-sen University, and a number of other graduates. Among the school alumni of the provincial leaders in Zhejiang and Guangdong, the central party school had the most graduates, and this party school became an important place to share homogeneity with the municipal leaders.

Table.3.12. Personal Information of the Provincial Party Secretaries and Governors in Zhejiang Province and Guangdong Province from 1996 to 2016

Position	Names of Provincial Leaders	Term Period	Hometown	Alumni School of Graduates
Party Secretary of Guangdong	Li Changchun	1998-2001	Dalian City of Liaoning Province	Harbin Institute of Technology
Party Secretary of Guangdong	Zhang Dejiang	2002-2006	Taian City of Liaoning	Kim Il-sung University
Party Secretary of Guangdong	Wang Yang	2007-2011	Suizhou City of Anhui Province	Central Party School
Party Secretary of Guangdong	Hu Chunhua	2012-Today	Yichang City of Hubei Province	Peking University
Provincial Governor of Guangdong	Lu Duanhua	1996-2003	Chaozhou City of Guangdong Province	Sun Yat-sen University
Provincial Governor of Guangdong	Huang Huahua	2004-2010	Meizhou City of Guangdong Province	Sun Yat-sen University
Provincial Governor of Guangdong	Zhu Xiaodan	2011-2016	Wenzhou City of Zhejiang Province	Central Party School
Party Secretary of Zhejiang	Zhang Dejiang	1998-2001	Taian City of Liaoning Province	Kim Il-sung University
Party Secretary of Zhejiang	Xi Jinping	2002-2006	Fuping City of Shaanxi Province	Qinghua University
Party Secretary of Zhejiang	Zhao Hongzhu	2007-2011	Ningcheng City of Inner Mongolia Autonomous Region	Central Party School
Party Secretary of Zhejiang	Xia Baolong	2012-2016	Tianjin City	Peking University
Provincial Governor of Zhejiang	Cai Songyue	1998-2002	Danshan City of Zhejiang Province	China University of Mining and Technology
Provincial Governor of Zhejiang	Lǚ Zushan	2003-2010	Hangzhou City of Zhejiang Province	Central Party School
Provincial Governor of Zhejiang	Xia Baolong	2011	Tianjin City	Peking University
Provincial Governor of Zhejiang	Li Qiang	2012-2015	Wenzhou City of Zhejiang Province	Central Party School
Provincial Governor of Zhejiang	Che Jun	2016-Today	Chaohu City of Anhui Province	Central Party School

In the cases of the provincial leaders and the municipal leaders from the same origin, there were four leaders from Liaoning Province and Meizhou City of Guangdong

Province respectively, five leaders from Wenzhou City of Zhejiang Province, three leaders from Hangzhou City of Zhejiang Province, two leaders from Hubei Province, one leader from Inner Mongolia Autonomous Region and Anhui Province respectively. Particularly, Li Changchun and Zhang Dejiang who served as party secretaries of Guangdong Province from 1998 to 2006 promoted some local officials coming from Liaoning Province. For example, Huang Liman, originally from Yingkou City in Liaoning Province, was selected as a party secretary of Shenzhen City in 2001, and Tong Xing, a native of Shenyang City, was elected as a party secretary of Dongguan City and promoted to a vice governor of Guangdong Province in 2005, while Zhang Dejiang served as a party secretary of Guangdong. Li Hongzhong who also came from Shenyang City was appointed as a vice governor of Guangdong by Li Changchun after Li Hongzhong completed his term of a party secretary in Huizhou City of Guangdong.

When Huang Huahua who came from Meizhou City of Guangdong Province served as a governor of Guangdong, Huang Longyun coming from the same hometown became a party secretary of Foshan City, and became a standing vice governor of Guangdong Province in 2007. Wan Qingliang was born in Meizhou City and selected as a deputy governor of Guangdong in 2008. In the case of Zhejiang Province, Wang Jianman who came from Hangzhou City of Zhejiang was selected as a deputy governor of Zhejiang Province, while Lü Zushan who was also born in Hangzhou City worked as a governor of Zhejiang Province. In 2005, Shi Jiuwu of Taizhou City's party secretary was elected as a head of the Provincial Development and Reform Committee.

Local officials coming from Zhejiang's Wenzhou City were also promoted to the provincial key positions. For example, when Li Chang was a governor of Zhejiang Province, Chen Delong who was a party secretary of Wenzhou and also came from the same city became a standing member of the Zhejiang Provincial Party Committee in 2013. Xiang Qing coming from Wenzhou City as a Quzhou City's mayor, was promoted and then appointed as a head of the Provincial Civil Affairs Bureau in Zhejiang Province in

2012.

In addition, Lu Yi who came from Wuhan City of Hubei and worked as a mayor of Foshan, was promoted to a Foshan City's party secretary in 2015 when Hu Chunhua who also came from Hubei Province was a provincial party secretary in Guangdong. Qingyuan City's mayor, Ge Zhangwei who came from Anhui Province was elected as a Qingyuan City's party secretary in 2011 by Wang Yang who also came from Anhui.

The provincial and municipal leaders coming from the same province, or from the same city, continued to shape their interrelationships by sharing the identity of a particular region, and the top leaders in China, such as Jiang Zemin, Hu Jintao, and Xi Jinping also received strong support from a particular region and preferred to select talented local officials coming from a certain province or region (Opper et al., 2015: 337).

As a matter of fact, the proportion of municipal leaders who had the same hometown with provincial leaders was not high, as we have already seen. However, in the cases of the graduate or undergraduate schools' alumni, which were another element of homogeneity, the share of provincial leaders and municipal leaders' same school alumni was relatively higher than those of their same hometowns. The two schools that had the most alumni of leaders were the central party school and the Sun Yat-sen University.

Table.3.13. Central Party School and Sun Yat-sen University's Alumni among Provincial and Municipal Leaders

Alumni School	Provincial Leaders	Municipal Leaders	Promotion Path of Municipal Leaders
Central Party School	Wang Yang of Guangdong Provincial Party Secretary	Zhu Xiaodan(Guangzhou Municipal Party Secretary)	Guangdong Provincial Standing Vice Governor
		Liu Rizhi(Meizhou Municipal Party Secretary)	Guangdong Provincial Party Committee Deputy Secretary General
		Wan Qingliang(Jieyang Municipal Party Secretary)	Guangdong Provincial Vice Governor
	Lǚ Zushan of Zhejiang Provincial Governor	Li Qiang(Wenzhou Municipal Party Secretary)	Zhejiang Provincial Party Committee Standing Member Secretary General
		Hunag Xingguo(Ningbo Municipal Party Secretary)	Tianjin City Deputy Party Secretary
		Feng Shunqiao(Shaoxing Municipal Party Secretary)	Zhejiang Provincial Government Secretary General

		Wang Huizhong (Danshan Municipal Party Secretary)	Zhejiang Provincial Party Committee Standing Member Head of Provincial Police Bureau	
Zhao Hongzhu of Zhejiang Provincial Party Secretary; Lü Zushan of Zhejiang Provincial Governor		Zhang Hongming (Taizhou Municipal Party Secretary)	Zhejiang Provincial Government Secretary General	
		Chen Ronggao (Lishui Municipal Party Secretary)	Zhejiang Provincial Head of Audit Bureau	
		Ge Huijun (Jinhua Municipal Mayor)	Zhejiang Provincial Party Committee Standing Member Vice Governor	
Li Qiang of Zhejiang Provincial Governor		Wang Huizhong (Ningbo Municipal Party Secretary)	Zhejiang Provincial Deputy Party Secretary, Secretary of Public Administration & Law	
		Huang Kunming (Hangzhou Municipal Party Secretary)	Central Propaganda Department Deputy Head	
		Li Weining (Jiaxing Municipal Party Secretary)	Zhejiang Provincial Government General Office Party Group Secretary	
		Chen Tiexiong (Taizhou Municipal Party Secretary)	Zhejiang Provincial Land Resource Bureau Party Group Secretary	
		Xiang Qing (Quzhou Municipal Mayor)	Zhejiang Provincial Civil Affairs Head	
		Lu Ziyue (Li Shui Municipal Party Secretary)	Zhejiang Provincial Vice Governor	
Zhu Xiaodan of Guangdong Provincial Governor		Deng Haiguang (Maoming Municipal Party Secretary)	Guangdong Provincial Vice Governor	
Zhao Hongzhu of Zhejiang Provincial Party Secretary		Mao Guanglie (Ningbo Municipal Mayor)	Zhejiang Provincial Vice Governor	
Che Jun of Zhejiang Provincial Governor		Xu Jiaai (Jinhua Municipal Party Secretary)	Zhejiang Provincial Police Bureau Head and Deputy Secretary of Public Administration & Law	
		Huang Zhiping (Lishui Municipal Mayor)	Zhejiang Provincial Marine Fishery Bureau Head	
Sun Yat-sen University	Lu Duanhua of Guangdong Provincial Governor	Huang Huahua of Guangzhou Municipal Party Secretary	Guangdong Provincial Governor	
		Huang Longyun (Zhuhai Municipal Party Secretary)	Guangdong Provincial Standing Vice Governor	
		Yu Youjun of Shenzhen Municipal Mayor	Hunan Provincial Deputy Party Secretary	
		Li Chunhong (Shantou Municipal Mayor)	Guangdong Provincial Committee Deputy Secretary General (Full Department Rank)	
		Jiang Haiyan of Zhaoqing Municipal Mayor	Guangdong Provincial Government Deputy Secretary General	
		Tanghao of Jieyang Municipal Mayor	Guangdong Provincial Government Deputy Secretary General	
	Huang Huahua of Guangdong Provincial Governor	Xu Shaohua of Zhanjiang Municipal Party Secretary	Guangdong Provincial Standing Vice Governor	
		Lin Xiong of Zhaoqing Municipal Party Secretary	Guangdong Provincial Party Committee Standing Member Propaganda Department Head	
	Lu Duanhua of Guangdong Provincial Governor; Huang Huahua		Zhou Zhenhong of Zhanjiang Municipal Mayor	Maoming Municipal Party Secretary (2002) Guangdong Standing Member United

	of Guangdong Provincial Governor		Front Department Head (2007)
	Zhu Xiaodan of Guangdong Provincial Governor	Xu Pinghua of Qing Yuan Municipal Mayor	Zhaoqing Municipal Party Secretary (2011) Guangdong Provincial Government Deputy Secretary General (2016)

Among the provincial leaders who graduated from the central party school, the people who have chosen and promoted the most alumni was Li Qiang of Zhejiang Provincial Governor. He served as a provincial governor from 2012 to 2015, while the total six graduates from the central party school were recruited. By appointing them to the important positions of the province, they have maintained a sustained relationship through the shared identity of the central party school. For example, Wang Huizhong was selected as a deputy party secretary of Zhejiang Province and a secretary of the Public Administration & Law, and Lu Ziyue was elected as a Zhejiang Provincial Vice Governor. A network of alumni has been formed by arranging the leaders of the alumni to the provincial party and government's key positions such as the provincial land and resource bureau, civil affairs bureau and the propaganda department

From 2001 to 2004, when Li Chang was a party secretary in Wenzhou City, he studied global economy as a part-time graduate student at the central party school. Wang Huizhong studied in the Department of Economics and Management at the central party school from 1993 to 1995 as an undergraduate student. When Li Wei'ning served as a deputy head of the provincial development and reform committee in Zhejiang Province, he completed a part-time graduate course in the Department of Economic Management from 2002 to 2005. The main courses of the central party school were largely cadre training and regular degree courses. In this study, the cadre training was not included, but only the regular degree program was included. Most of the local officials completed a part-time graduate course in the regular degree programs.⁸⁸

⁸⁸ A part-time graduate of the Party Schools was not required for local officials of the full division chief rank and above to be promoted to higher ranking officials. In order to be promoted, local

The party schools consisted of the regular degree programs in which students paid tuition fees and were registered for a degree program, a core training course, and an additional training course. The candidates for the degree program included the full-time general graduate students and the part-time local officials who received their degree programs on weekends. By completing the degree program, they passed the standard exam, filled the employment requirements, or qualified for the promotion (Lee, 2015: 44-45).

It can be seen from this that rather than acquiring a degree from a general college or university in order to have the academic qualifications required for promotion to higher than the deputy division chief rank, local officials preferred to enter the degree program of the party schools, which was recognized by an upper-level leadership without the need for special verification procedures on thought and curriculum of the programs.⁸⁹

Because the party schools were not only recognized as an educational institution that aimed to implement the party's emphasis on discipline, proper thinking and actions, and unity of organization, but also recognized as a place to strengthen individual commitment to the party's organization and to train ideal leaders (Lee, 2015: 14).

If we look more closely at the education programs of the central party school, the Advanced Study Department of the school was in charge of the circulating trainings

officials had to be trained at least for three months in a party training institute or other training institutions (Lee, 2015: 48). Therefore, most of the local officials with the full division chief rank and above have participated in these short-term training programs. And local officials who have completed a minimum two to three years of graduate study were more likely to share homogeneity as school alumni than those who only participated in short-term training programs.

⁸⁹ In an interview with a professor at the party school conducted in one study, a professor argued that universities and colleges may not propagate "the right" ideology and that ideological training must be preserved and that China should not let liberal professors teach local officials (Lee, 2015: 13). According to a professor at the Guangdong Provincial Party School, the reason why local officials preferred diplomas of the central party school or provincial party school was to pass the rigorous verification of local officials' ideology during the senior leaders' personnel verification process. In the cases of the central party school and the provincial party school, it was relatively easy to pass the ideological examination, while non-Party or general universities and colleges were not helpful for local officials to pass an ideological verification test (an interview with a professor at the Guangdong Provincial Party School, June 25, 2016).

of the provincial ministerial rank and municipal department rank local officials and county party secretaries, and the Training Department was responsible for the training of the Youth Cadre Candidates and the minority group cadres. The Graduate Studies School trained Ph.D. and Master's degree students in the Marxist Theorists Department. The curriculum was based on the basic problems of Marxism, basic problems of Mao Zedong ideology, Chinese Characteristic Socialist Theory System, contemporary world economy, contemporary world science technology, contemporary world law system, contemporary world military, contemporary world ideology and contemporary world nationality and religion.⁹⁰

On the other hand, in the case of Lǚ Zushan who had been in charge of Zhejiang Government from 2003 to 2010, four municipal leaders from the Central Party School alumni were elected and promoted by him, among which the Feng Shunqiao was chosen as a secretary general of the Zhejiang Provincial Government. This position supported a daily government and administrative work for a provincial governor. In addition, in Zhejiang Province, Zhao Hongzhu, a party secretary and Chejun, a municipal governor, were also the leaders from an alumni of the central party school and they promoted the talents from the central party school alumni. The promoted local officials who graduated from the same school with senior leaders cultivated trust and loyalty to each other through work relations, and maximized harmony and cooperation while minimizing the friction or disagreement that may arise in work relations.⁹¹

⁹⁰ For the official website of the Central Party School, see http://www.ccps.gov.cn/ccps_overview/201701/t20170110_88465.html, (Accessed: April 12, 2017).

⁹¹ China's bureaucracies, especially in the upper-lower level relationship, in principle, stick to the command and discipline, but in favor of bargaining and negotiations, rather than the command and discipline, if the interests are sharply intertwined among the subordinates in certain policy areas. For the importance of these negotiations in China's political system, see the following study, Lamp-ton, 1992; Naughton, 1992. The negotiation process can proceed more smoothly if there were such homogeneity elements including a same hometown, school alumni and joint work experience when negotiations and bargaining were needed. But without such elements of homogeneity, the negotia-

In a statistical analysis of the correlation between the party school training and the promotion, the impact of the section chief rank and division chief rank officials' experience, who received the non-degree training program of the Party School on their promotion was significant, but the effect of the degree completion was not significant (Lee, 2015: 75). The difference in the results between the previous study and this study came mainly from a difference in a subject of analysis. There was a significant difference in the results between the section chief and division chief rank and the division chief rank and above. The precedent study chose an experience of training in the party school as an independent variable, while this study selected a graduate or undergraduate degree of the party school as one element which played one component's role in the homogeneity and had impact on promotion.

The previous study also emphasized that the party school can be an important place for the formation of the network among local officials. For example, in an interview with a vice principal of the Municipal Party School, he said that the party school was the only place where a network can be formed and the network was usually stronger than the ordinary university's network because the trained cadres in the local party schools were concentrated in one region, and in the central party school, local officials were able to form a nationwide network (Lee, 2015: 195-196).⁹²

tion process can easily lead to conflict and disagreement, and the cost of reaching consensus increased. Thus, homogeneity played an important role in reducing a cost of reaching consensus and agreement (an interview with a deputy director of one bureau in the Ministry of Commerce, June 18, 2015; an interview with a retired director of the central government's Statistics Bureau, March 18, 2016; an interview with a party secretary of a town in Jin'nan District of Tianjin City, July 21, 2015; an interview with a deputy secretary general of Tangshan Municipal Government, November 20, 2014).

⁹² The local officials who completed the part-time degree program were more affectionate to the school than those who completed the short-term training program of the central party school or local party schools, and they were easier to form intimacy with colleagues or alumni from the same school. After graduation, they formed networks to help each other in terms of local reforms and policies and to accumulate more social capital through the party school alumni (an interview with a professor at the Guangdong Provincial Party School, June 25, 2016).

If the party school's influence on the promotion through social capital was emphasized in this study, the preceding research presented the two mechanisms of the party schools such as cadre-based signaling and party-driven screening. In terms of cadre-based signaling, the local officials who can enter the party schools had a political ambition and sent a signal about the person who had support of a patronage, which was favorable for the promotion, while the party-driven screening meant that local officials were evaluated in various aspects during the training program and rigorous evaluation was carried out and this record was included in a personal dossier, influencing promotion because the record can be easily observed by a higher-level organization department which reviewed lower level officials' promotion (Lee, 2015: 78-79).

Whether the party school network affected the career of local officials through the social capital or the two mechanisms presented in the previous studies played an important role on promotion, the three aspects of the party school did not run counter to each other, regardless of their effects on promotion. Social capital, cadre-based signaling and party-driven screening explanations were all convincing elucidation for why local officials were more likely to be promoted or not to be promoted.

In Guangdong Province, there were many provincial leaders who graduated from not only the central party school, but also the Sun Yat-sen University. Lu Duanhua, a Guangdong Provincial Governor graduated from Sun Yat-sen University and has selected six alumni at the provincial important positions. Among them, Li Chunhong, Jiang Haiyan and Tang Hao were selected as a Guangdong Provincial Government's Deputy Secretary General, the closest official to a governor of Guangdong Province. The difference between the Sun Yat-sen University's graduates and the Central Party School's graduates was that the alumni of the Sun Yat-sen University graduated with full-time bachelor or master's degrees, while the Central Party School's alumni completed a party-time degree program.

Sun Yat-sen University's graduates also shared the identity of the alumni network as well as those of the central party school. According to one professor at the Sun

Yat-sen University, there were a number of local officials who have been directly taught by him, who have continued to meet and network since graduation, discuss various issues or governance problems in their respective regions, and share solutions. And some of them sometimes came to find him asking for his advice on issues that were not solved in terms of the various local governance issues.⁹³

In the homogeneity, the factors that influenced promotion along with a joint hometown and school alumni were the experiences of municipal leaders who have worked together in the past or in the same area with provincial leaders. This is because if they had experience working together in the same province or city, they were more likely to share the same ideological or political tendencies in a particular area and were more likely to establish a trust relationship that lasted while working together. One of the most representative examples suggested that in the case of Jiang Zemin, a former General Secretary of the CPC Central Committee, the network he formed when he worked as a Shanghai City's mayor and then a party secretary before he became the top leader in China has influenced his talent appointment and recruitment. He placed many local officials who used to work together in Shanghai to the important positions of the center and the locality to the extent that they were called "Shanghai Clique" (Opper et al., 2015: 337).

It is the assumption of this study that municipal leaders were likely to be promoted if they had worked with the incumbent provincial leaders in the same city or county as upper-lower level work relations in the past. Huang Kunming, a party secretary of Hangzhou City was in charge of the Zhejiang Provincial Propaganda Department and a Standing member of provincial Party Committee from 2007 to 2010 before becoming a party secretary. At that time, he used to work with Xia Baolong of a deputy party secretary in Zhejiang and Li Qiang, a secretary general of the Zhejiang Provincial Party Committee. When Huang Kunming was elected as a party secretary of Hangzhou, Xia Baolong was a

⁹³ An interview with a professor at the Sun Yat-sen University, June 22, 2016.

provincial party secretary and Li Qiang was a provincial governor in Zhejiang. The two then sent Huang to a deputy head of the center's Propaganda Department.

In the case of Guangdong Province, a Qingyuan's municipal mayor, Ge Zhangwei used to work as a deputy division chief rank official at the office of the Anhui Provincial Government from 1996 to 1999 before becoming a mayor, while Wang Yang then used to work in Anhui Province as a deputy party secretary and vice governor. And when Ge became a deputy secretary general of the Guangdong Provincial Party Committee, the then provincial governor of Zhu Xiaodan in Guangdong Province used to work together as a standing vice governor of Guangdong Province. Wang Yang and Zhu Xiaodan promoted Ge to a party secretary of Qingyuan City.

According to some local officials, if a senior leader with which a municipal local official used to work in the same area during her past careers was appointed as an upper-level provincial leader, it was advantageous to form a better work relation with the province. For example, if a problem arose in the process of promoting a national project in the municipality, a provincial leader who has already established a trust relationship through the past work experience tried to help and provide a solution rather than criticize a municipal leader. In the case of a provincial leader who had no same work experience with them, discipline was considered first, along with indifference or negative evaluation when governance problems occurred. According to them, when it comes to promotion, the past senior local officials who have already formed a trusting relationship with them were promoted to their upper-level provincial leaders and such a relationship definitely was helpful for them to be promoted.⁹⁴

The homogeneity index, which was the total score of the three factors that we have reviewed so far, in municipalities of Zhejiang Province was shown to be average

⁹⁴ An interview with a vice mayor and deputy secretary general of the Tangshan Municipal Party Committee, November 19, 2014.

about 0.16 points higher than that of Guangdong Province. And the area with the highest average scores of the homogeneity among the municipalities of the two provinces was Ningbo City with 0.88 and Taizhou City with 0.86 in Zhejiang. In Guangdong Province, the highest homogeneity score was 0.68 of Guangzhou and 0.67 of Zhaoqing. On the other hand, the area with the lowest average score of the homogeneity was 0.29 of Quzhou City in Zhejiang Province and 0.13 of Chaozhou City in Guangdong Province.

Table. 3.14. Average Homophily Scores of Municipal Leaders in Zhejiang and Guangdong Provinces

Zhejiang Province	Average Homophily Score	Guangdong Province	Average Homophily Score	Guangdong Province	Average Homophily Score
Hangzhou	0.75	Guangzhou	0.68	Meizhou	0.33
Ningbo	0.88	Shaoguan	0.25	Shanwei	0.19
Wenzhou	0.70	Shenzhen	0.56	Heyuan	0.25
Jiaxing	0.56	Zhuhai	0.39	Yangjiang	0.44
Huzhou	0.50	Shantou	0.23	Qingyuan	0.56
Shaoxing	0.39	Foshan	0.39	Dongguan	0.50
Jinhua	0.40	Jiangmen	0.15	Zhongshan	0.33
Quzhou	0.29	Zhanjiang	0.30	Chaozhou	0.13
Danshan	0.40	Maoming	0.31	Jieyang	0.56
Taizhou	0.86	Zhaoqing	0.67	Yunfu	0.29
Lishui	0.45	Huizhou	0.35		
Provincial Average Total	0.55	Provincial Average Total	0.39		

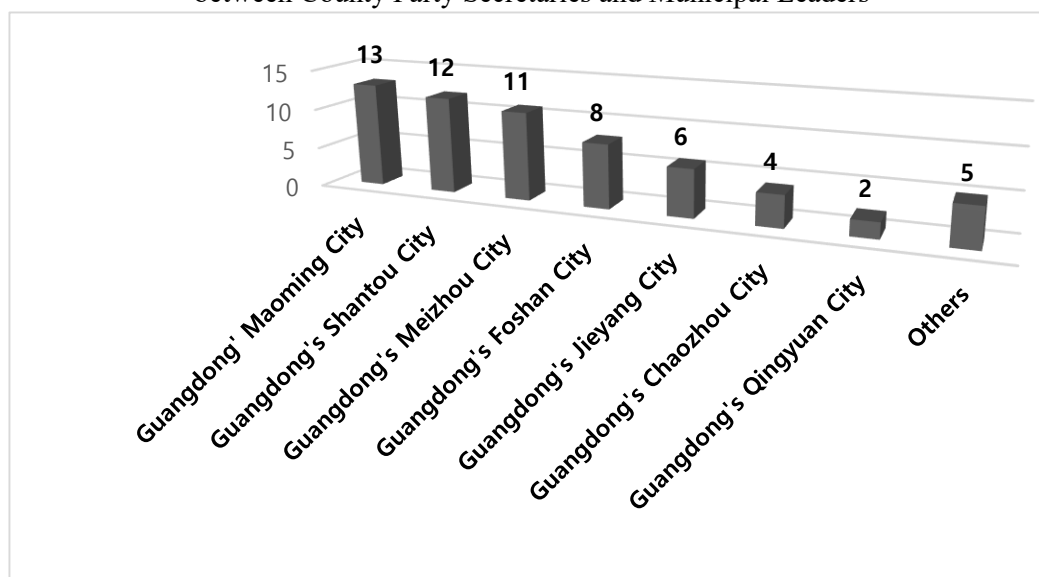
In summary, a municipal leader's past experience of working together with provincial leaders, same school alumni and hometown between municipal leaders and provincial leaders in Zhejiang and Guangdong helped to establish homogeneity and share identity among them. As we have seen, the greater the share of all the three elements with the senior leaders, the higher the probability of promotion of the municipal leaders. Of course, not all of them can build trust and social capital with the senior leaders only because they have the same background, alumni, and experience working together. But these

three elements of the homophily at least became the enabling conditions that made it possible to form social capital, and the rest of the work actually forming social capital and trust depended on the idiosyncratic nature of the upper and lower level local officials.

(2) Social Capital of County Party Secretaries in Guangdong Province

The social capital formed between county party secretaries and the municipal leaders in Guangdong Province also consisted of the same hometown areas, school alumni, and shared work experience and three factors worked together to have an impact on their promotion. First, as shown in the picture below, the people coming from Maoming City of Guangdong Province was the most with 13 people who shared the same hometown with their senior leaders, followed by Shantou City. Among the county party secretaries who shared Maoming City as their hometown with municipal leaders, four of them were county party secretaries in Zhanjiang City, and eight of them were county party secretaries in Maoming City.

Figure.3.2. Frequency of the Same Hometown between County Party Secretaries and Municipal Leaders



In the case of Meizhou City as the same hometown, the ten county party secretaries of Meizhou City had a joint hometown of Meizhou City with their upper-level municipal leaders, and another one was a county party secretary of Heyuan City. In particular, 19 out of the total 26 county party secretaries in Meizhou City came from the same city, and their homogeneity was relatively high. The ten county party secretaries who shared Shantou City as the same origin with the municipal leaders were the county party secretaries in the same city, and the rest was a county party secretary of Shanwei and Jieyang cities. In addition, the county party secretaries with the hometown such as Foshan, Jie Yang, Chaozhou and Qingyuan cities, had a relatively high share of their hometowns with their municipal leaders. In the case of Foshan City, a party secretary of Shunde District, Chen Yunxian coming from Fujian Province, his hometown was the same as that of Lin Yuanhe of a municipal party secretary in Foshan, and he was promoted to a deputy party secretary of Foshan City in 2006.

As such, Maoming, Shantou, Meizhou, and Foshan cities not only produced and nurtured a relatively large number of county party secretaries, but also produced many municipal leaders. As a result, there has been a strong formation of the networks among municipal and county-level local officials in these areas.

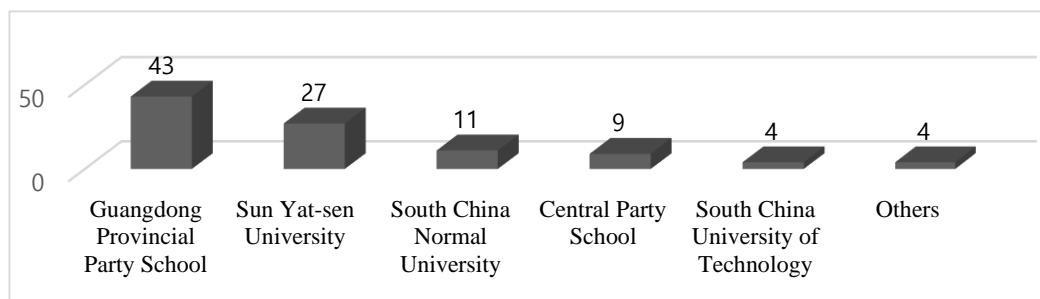
On the other hand, other municipalities had county party secretaries coming from various origins and the ratio of sharing the hometown with the municipal leaders was low. In the case of Guangzhou city, only nine out of the 36 county party secretaries came from Guangzhou city, and the rest consisted not only of the Guangdong Provinces's origin but also of the Jiangsu Province, Inner Mongolia Autonomous Region, Yunnan Province, and Zhejiang Province's hometowns. For example, Gu Wenyao coming from Zhejiang Province worked as a party secretary of Guangzhou City's Baiyun District in Guangdong Province while Zhu Xiaodan of a party secretary in Guangzhou City had the same origin as Gu's. In the city of Guangzhou, Gu was the only one sharing the same origin with a municipal leader.

Only three out of the 26 party secretaries in the province were from Shenzhen, and the rest came from Guangdong, Hebei, Jiangxi and Anhui provinces. In particular, only one out of the all the county party secretaries shared their place of origin with the municipal leaders. In the cases of Shaoguan, Yangjiang and Yunfu cities, there were no county party secretaries who shared a same origin with municipal leaders and the hometown of the prefectural level city and Shaoguan City's county leaders had various places of origin such as Hunan, Hebei, Hubei and Anhui in addition to Guangdong Province.

In summary, this homogeneity was relatively high only in some areas such as Maoming, Shantou, Meizhou, and Foshan in terms of the same hometown shared by the municipal and county leaders in Guangdong province. Especially, in the case of Meizhou City, the proportion of the hometown shared between the municipal leaders and the provincial governor, Huang Huahua in the Guangdong Province, was relatively high, and the homogeneity of the hometown element was relatively high in the province, municipality and county. The rest of the municipalities' county party secretaries had a variety of hometowns, so there were many county leaders from other provinces besides Guangdong Province.

Second, the study model analyzed the homogeneity of the county leaders in Guangdong Province through their school alumni. The number of members in the most alumni of the Guangdong Party School and Sun Yat-sen University was 43 and 27 respectively. The county party secretaries completed a part-time graduate course in the Guangdong Provincial Party School, in the same way that the municipal leaders graduated from a part-time course of the Central Party School. Of course, these party-time courses on weekends provided a good opportunity to form networks between senior leaders and county leaders after graduation, even though they did not have a higher academic need than that of the ordinary undergraduate or graduate full-time students.

Figure.3.3. Frequency of the School Alumni between County Party Secretaries and Municipal Leaders



Of the county party secretaries who formed networks of the Guangdong Provincial Party School alumni with municipal leaders, the county leaders of Zhanjiang, Maoming and Qingyuan cities had the largest number of alumni network with six, while Meizhou and Huizhou cities each had four county leaders. As of 2017, a principal of the Guangdong Provincial Party School was Zhou Ming who also served as a head of the Provincial Organization Department and a president of the Guangdong Provincial School of Administration. As such, principals of those party or government officials' training schools in each province were usually chaired by heads of the Provincial Organization Department or deputy party secretaries of the provinces. In the Guangdong Provincial Party School, there were 380 teaching staff members, 210 of administrative staffs, and 170 of teaching research staffs. 65 doctoral students, 98 master students, and 17 professors of the Special Fund of the State Council.⁹⁵

Let's take a closer look at the part-time graduate student system which registered a lot of municipal and county leaders. The degree's complete period was usually three years, and the learning method was a combination of intensive face-to-face class and self-study. The graduation qualifications were to pass and complete the prescribed curriculum,

⁹⁵ [Http://www.gddx.gov.cn/gdswdx/132128/132189/index.html](http://www.gddx.gov.cn/gdswdx/132128/132189/index.html), (Accessed: 2017.4.13.).

subject examinations and graduation examinations and thesis examinations. After completing all the examinations, candidates were awarded a graduation certificate.⁹⁶

According to a professor, a part-time graduate student program of the Guangdong Party School was not easy to enter because it needed a recommendation from an organizational department and had to pass the verification process related to the party's basic line of view and discipline and compliance with the law. After the entrance examination, not only the results of subject examinations, graduation examinations, graduation theses, etc., but also attitudes and presentations at the time of intensive face-to-face classes were meticulously evaluated. More importantly, a person in charge at the school also concurrently served as a provincial deputy party secretary and a head of provincial organization department, and reviewed personnel dossiers of students, and reflected them in the personnel performance evaluation. Therefore, if local officials had the desire to be promoted, even part-time graduate students of local officials could not help but work hard and show their excellence during the classes and the examinations in order to get ahead.⁹⁷

It can be seen that the Guangdong Provincial Party School (hereinafter GPPS) - also performed important roles in the cadre-based signaling and party-driven screening. In addition, the networks of the alumni affiliated with the GPPS were well established as the alumni of the Central Party School. According to a professor of the GPPS, some of the graduates in the alumni networks have met at least once a year at an alumni meeting or various occasions, and while eating and drinking, if they had good policy ideas or institutional innovations experimented and implemented in their own regions, they shared policy ideas with each other. China strictly forbade the formation of factions, but this was the exception of the school alumni. This did not seem to be politically dangerous because it did not aim to oppose the Party by forming a faction, but rather because such a meeting

⁹⁶ <http://www.gddx.gov.cn/gdswdx/132108/132120/258242/index.html>, (Accessed: 2017.4.13.)

⁹⁷ An interview with a professor at the Guangdong Provincial Party School, 2016. 6.22.

helped solve problems of the regional governance deficits, it has not been a big problem so far.⁹⁸

The Sun Yat-sen University's alumni among county party secretaries and municipal leaders also played a crucial role in local governance. The seven county leaders in Zhanjiang City graduated from the same Sun Yat-sen University as the municipal leaders did. Zhang Xiaogang of a county party secretary in Xiashan District of Zhanjiang City received not only a bachelor's degree, but also a master's degree at the Sun Yat-sen University. Prior to graduation of his master's degree, he was appointed as a secretary of the Zhanjiang Municipal CDI in 2007 by Xu Shaohua of a Zhanjiang Municipal Mayor who was also a graduate of the same school.

However, the Sun Yat-sen University was different from the GPPS and the Central Party School in terms of courses, those graduates from the Sun Yat-sen University had purpose of promotion, but more importantly, acquired professional knowledge and technique, and they wanted to prepare for old age after retirement of bureaucratic life through the diplomas of the university. By combining the social capital obtained during the bureaucratic life with the human capital accumulated in the university, they were ready to jump into the market after retirement. According to a professor at the Sun Yat-sen University, who had taught the local officials at the full division chief rank or above, he asked the students of local officials why they were enrolled in this course or university's degree programs, and most of them answered that they wanted to do personal business or various trade activities that can use expertise after retirement. So most of the local officials enrolled majored in areas such as management, economics, finance, and trade.⁹⁹

In addition, there were alumni of South China Normal University and South China University of Technology among municipal and county leaders, and the reason why

⁹⁸ An interview with a professor at the Guangdong Provincial Party School, 2016. 6.24.

⁹⁹ An interview with a professor at the Sun Yat-sen University, 2016. 6.21.

they studied at these universities or graduate schools was not much different from that of the Sun Yat-sen University's alumni. As a result, the ratio of students enrolled in the part-time graduate course of the party schools was also high, but the difference between county and municipal leaders was that most of the municipal leaders graduated from the Central Party School, while many of the county leaders graduated from the GPPS. And the function of sending out a signal by local officials of the Guangdong Province and the filtering function of the party at the GPPS inevitably could be weaker than those of the central party school. Nonetheless, the GPPS's function of forming social capital such as the strong alumni network in Guangdong Province was never weaker than that of the Central Party School.¹⁰⁰

The last element of the homogeneity, the county leader's shared past career with municipal leaders had the most in Guangzhou City. If we calculated only the score of the same work experience by separating it from the total homophily index score, the shared work experience's homogeneity average score of Guangzhou City was 0.65, followed by the Shaoguan City's 0.58. On the other hand, Shanwei and Heyuan cities had the lowest points of the shared work experience between county and municipal leaders with 0.18 and 0.08 respectively. The reason why the homogeneity of shared work experience in Heyuan City had the lowest points was that most of the county leaders rotated and worked within Heyuan City, while most of the Municipal leaders came from other cities or Guangdong Province. For example, from 2003 to 2006, Liang Weifa, a secretary of Heyuan City, worked only at the Guangdong Province, Zhaoqing City, and Yunfu City's Luoding County before he was transferred to Heyuan City, and had never worked in that city before. From 2004 to 2005, Wu Ruicheng, a mayor of Heyuan City, worked only in Zhongshan City before arriving in Heyuan City. On the other hand, Peng Dingfang worked only

¹⁰⁰ An interview with a professor at the Guangdong Provincial Party School, 2016. 6.22.

within Heyuan City such as Longchuan County and Zhijin County before he was appointed as a party secretary of Longchuan County. Therefore, the municipal leaders and a county leader had no opportunity to build a work relationship in the past.

In this way, if municipal leaders and county leaders had no shared work experience in the past, there were both some advantages and disadvantages. First, it was difficult for local officials to collude in order to deceive the upper-level officials of Guangdong Province in the situation where there was lack of homogeneity and trust between municipal leaders and county leaders. A kind of mutual check and supervision mechanism can be created between the municipality and the county, which can reduce the provincial supervision's costs. On the other hand, one disadvantage was that it was difficult for counties to cooperate with municipalities due to lack of homogeneity and trust when cooperation was needed in the process of promoting various national projects and policies.

Now, let's look at the total homogeneity average scores of the county leaders, based on the sum of the average scores calculated from the homogeneity index's all three elements shared with municipal leaders in Guangdong Province. Looking at the table below, it is obvious that the average homogeneity index score of Guangzhou was the highest with 0.83 points, which was much higher than the Guangdong's total average score with 0.63 or 0.71 points. However, there was no difference in average scores between the county leaders who were promoted and the ones who were not.

Table. 3.15. Average Homophily Scores of County Party Secretaries in Guangdong by its Municipalities

Municipalities	Homophily's Average Score of the County Leaders who were Not	Homophily's Average Score of the County Leaders who were Promoted
Guangzhou	0.83	0.83
Shaoguan	0.78	0.63
Shenzhen	0.25	0.70
Zhuhai	0.50	0.78
Shantou	0.78	0.69
Foshan	0.69	0.88

Jiangmen	0.45	0.56
Zhanjiang	0.73	0.89
Maoming	1.41	0.75
Zhaoqing	0.38	0.46
Huizhou	0.58	0.59
Meizhou	0.75	0.93
Shanwei	0.40	0.50
Heyuan	0.07	0.30
Yangjiang	0.75	0.67
Qingyuan	0.45	0.52
Chaozhou	1.17	0.42
Jieyang	0.70	1.00
Yunfu	0.50	0.63
Total Average	0.63	0.71

In the homogeneity index's average score of the total county party leaders, that (0.71) of the ones who were promoted was higher than that (0.63) of the ones who were not promoted. Among them, the homogeneity average score of Shenzhen's county leaders who did not get promoted was 0.25 and that of the promoted ones was 0.70. This means that the homogeneity index had a considerable influence on the promotion of the county party secretaries in Shenzhen City. In addition, the average homogeneity score of the county party secretaries who failed to promote in Heyuan City was only 0.07, while the score of the promoted county leaders was 0.30, and the average score of Jieyang City's county leaders who did not get promoted was 0.70 and that of the promoted was 1.00. The difference was 0.3 points.

On the other hand, Maoming City's county leaders who did not get promoted had much higher homogeneity scores than those who were promoted. In other words, the former was 1.41 points and the latter was 0.75 points, which was nearly double the difference, and it can be seen that in Maoming City, homogeneity factor may not be effective in promoting, or may exert the opposite effect. Therefore, the homogeneity index's average score was higher when county leaders got promoted in most of the municipalities except for some areas, such as Maoming City.

Lastly, the county areas where the homogeneity index's average score was relatively high included the Sunde District of Foshan City and the Jiedong District of Jieyang City. The homogeneity index's average scores of the six county party secretaries in Shunde and the four in Jiedong were both 1.25 and the highest score in both counties was 2.5. Specifically, Chen Yongzhi in Shunde District shared the homogeneity of the hometown (Foshan City) with the municipal party-government leaders and had the alumni network of the GPPS with a municipal party secretary. Also Chen had a high homogeneity index's score of common work experience because he used to work with the municipal leaders when he was a deputy party secretary of Shunde District. Therefore, Chen was able to get promoted as a party secretary and mayor of Qingyuan City by the municipal leaders.

In addition to economic performance and human capital, social capital had a great influence on the management of local officials, including promotion. What we have seen so far is the contents and functioning of social capital in the province, municipality, and county. One thing to note is that at the county-level and above, the homophily of the shared workplace experience, same hometown, school alumni was valuable because of its scarcity. It was also unusual or uncommon to meet former superiors, local officials from the same origin and school alumni. Therefore, when local officials met such people, intimacy became easier and trust relationships were formed more quickly. On the other hand, most of the grassroots officials in the townships and villages shared similar or same hometowns, school alumni, and joint work experience with county leaders. In other words, homogeneity was no longer scarce, and this homogeneity lost its value when it went down below the county.

Therefore, the contents of social capital above the county-level were different from those below the county. The most representative social capital at the grassroots level was the political family which was formed by blood relations and marriage ties in the politics of the county or grassroots level (Feng Junqi, 2010: 159). The daily operation of

the party-government in the county and above was not centered on informal relationships such as blood relations and marriage ties, but had a mixture of formal and informal relations or factors such as economic performance, school alumni, same origin, career experience, performance evaluation and patronage networks. In addition, these social capital in most of the cases played a crucial role to solve the local governance problem, while local officials below the county was centered on blood relatives and mobilized other social capital for these blood relations or marriage ties. In conclusion, the party school network, which was the most important factor in the social capital among municipal and county leaders, affected the promotion of local officials through the homogeneity variable, as well as socializing ideas of the central leadership among local officials and resolving various governance problems.

As a result, homogeneity and performance evaluation were the most important variables to have an impact on vertical mobility of municipal and county leaders. Therefore, local leaders were motivated to work harder in the evaluation areas, and the ideas of the central and local leaderships were socialized in the homogeneous Party School Network. Not only were there many promotion cases of municipal and county leaders in Shenzhen, Guangzhou, Foshan, Hangzhou, and Ningbo of deputy-provincial municipalities or the Pearl River Delta Region which are the case areas to be discussed in Chapter 4, but also the effects of the two variables on promotion in these regions was greater than those of other regions. The local bureaucrats in these regions actively participated in state-building and institutional innovation projects shown in Chapter 4 because the incentive for promotion through performance evaluation and homogeneity was strengthened. The local officials in these regions worked hard in a response to the strong political incentive in order to get ahead.

3. Performance Evaluation and its Material Incentives

In 1998, the administrative reform of the State Council was the decisive phase or critical juncture both at the central and local level that had the greatest impact on the institutional changes of the county government in terms of the cadre management system. Prior to that, the center focused only on planning and command control, but since the reform in 1998, it began to focus more on establishing the public administration institution of the more efficient, collaborative and responsive system within the government (Lan, 1999; Yang, 2001 Liu & Li, 2016). For this, the urgent need or demand to introduce the more efficient and binding performance management was raised for the first time. One of the most important institutional changes that affected the county government system most was the introduction of performance evaluation system at the provincial and municipal levels. Which policy areas were viewed as important evaluation subjects by the province and the municipality had an effect on changes in roles of the county government.

The following is a review on “ideas” of the central leadership that has led to changes in the performance management institution, such as “ideas” of having “the Scientific Outlook on Development” and “the Accurate View on Performance.” Through specific examples of performance evaluations in Zhejiang and Guangdong, questions in what respect and which areas performance evaluations have been strengthened will be scrutinized. Finally, we will examine the situation of discipline and punishment for local officials who played a predatory state role in these two regions, and through such examination, the limits of the state’s power will be shown.

1) The Political Economy of the Performance Evaluation

The performance evaluation system has begun to become a viable means of evaluating local officials in the 2000s and 2010s. The changes in this institution were a combination

of idea transformation by the central leaderships and a development of specific indicators at the local level and local institutional innovations of the evaluation methods. Finally, in local performance evaluations, it can be seen that material incentives through cash prizes have recently been strengthened.

(1) Ideas of Performance Evaluation: The Scientific Outlook on Development and the Accurate View on Performance

Since the center's proposal of the new national ideas such as the "Scientific Outlook on Development" and "Harmonious Society," many criticisms and doubts have been raised about the way the government's performance has been evaluated only by the simple GDP growth rate. Not only the center but also the local governments had actively searched all the ways on how to reform the performance evaluation standards of local officials (Zhou Li'an, 2008: 119).

One of the most important ideas about the performance management system was the Scientific Outlook on Development (hereinafter the SOD) and the Accurate View on Performance (hereinafter the AVP). These ideas led to a huge transformation of the Chinese government's performance management institution. For the questions of how the SOD can be materialized in the daily administration of the government and how to use the AVP to guide the government management and innovations, both of an ideology education and a specific institutional design were all required. The construction of a new government performance evaluation system on the basis of the SOD required a standardization of government activities and an improvement of the administrative rules and work methods of government officials, thereby aiming at not only promoting government management reforms and innovations, but also promoting economic and social harmonization and development (Chinese Administration Management Society Project Team, 2006: 12).

According to Hu Jintao, the former CCP General Secretary's lecture at the Central Economic Affairs Conference the lack of accurate perception of the performance issues was due to the fact that local officials were engaged in and enthusiastic about image projects that applied for too many national projects, had too many irons in the fire, promoted impressive but not practical affairs and wasted resources and materials. The consequences of such a misconceptions were the destruction of natural resources and the environment, adversely affecting the expansion of financial burdens and sustainable development of the economy. All works should be able to withstand practice, people, and history verifications, and the final standard for measuring performance is whether people support or not, whether they oppose or not, whether they agree or disagree. Last, the performance evaluation of local officials at each local level unit showed not only the economic construction achievement but also the social progress's performance, and not only the urban development, but also the rural development, and not only the present development but also the sustainable development, actual benefits for the mass as well as the total economic growth, and not only the achievement of economic and social development but also the construction of the party (Hu Jintao, 2016: 121-122).

Specifically, the transformation of ideas in the reform of performance management had mainly proceeded in two ways. First, it was to develop indicators of social environment such as green GDP by adding environmental pollution and energy consumption costs on the basis of traditional GDP concept. Second, the higher-level party's organization departments introduced the public's satisfaction on local officials, and tried to introduce competition in election of local officials (Zhou Li'an, 2008: 119).

In 2006, the Central Party Committee's Organization Department of the CCP issued the "Method of Implementing the Comprehensive Evaluation of the Local Party-Government Leadership Team to Reflect the Needs of the SOD (hereinafter the Method)," and changed the method of simply emphasizing GDP growth and instead emphasized the process of evaluation on local officials' performance in a more comprehensive manner.

Evaluation indicators included the level of economic development in a region, such as average GDP and its growth, average financial income and growth, urban rural income and growth. According to the provisions of “the Method,” it was necessary to analyze the situation and effects of local economic construction, political construction, cultural construction and party construction depending on the public’s satisfaction (Zhou Li’an, 2008: 120). Along with the central document, some localities also experimented public opinion polls. For example, the Municipal Party Committee and Municipal Government in Qingdao City of Shandong Province in 2006 conducted a public opinion poll on performance of the twelve Districts, and Shandong Province also carried out the “Comprehensive Evaluation of the Municipality” (Zhou Li’an, 2008: 120-121).

Meanwhile, from July 2008, the Central Organization Department has commissioned the National Bureau of Statistics to carry out surveys on organizational work satisfaction surveys on 31 provinces, autonomous regions, centrally administered cities, central and national agencies. The reforms that introduced citizen satisfaction into evaluation of local officials and their appointments had spread throughout the country. The main contents of the survey included the public satisfaction on organizational work of local cadres, the image of organizations’ cadres, the satisfaction of cadre selection and appointment tasks, and the specific opinions and suggestions about the organizational tasks (Zhou Li’an, 2008: 121).

The addition of public participation in the cadre’s appointment process was a major transformation of the Chinese cadre management system, and as the role of public satisfaction became more apparent in the process of promoting local officials, local officials not only had to take responsibility for the upper-level officials, but also should have accountability for the people under their jurisdictions. As a result, the ideas and local officials’ behaviors in terms of local governance have been changed. Public satisfaction was related to the subjective feelings and the comprehensive evaluation of the government services, and the satisfaction survey’s questionnaire design was demanded to be rational

and the sampling was required to conform to the principles of neutrality, objectivity and representativeness (Zhou Li'an, 2008: 121).

As such, performance management has been reflected in the center's idea of the SOD, which included not only the indicator of economic growth but also indicators for comprehensive development considering environment and humanism. In order to realize the idea of the AVP, the center tried to raise the responsibility for the public as well as the responsibility for the upper-level governments in order to reflect the satisfaction and evaluation of the public on the performance evaluation.

(2) Examples of Performance Evaluation in Zhejiang and Guangdong Provinces

From 2000 to 2016, the performance evaluation in Zhejiang Province was carried out in various fields such as economic construction, social, cultural, education, and administration areas. Among them, economic construction was divided into eight areas: food safety, investment expansion, support for Zhejiang's merchants, etc., and social, culture and education category included four areas, such as equalization of public services, science technological progress and others, and administration consisted of "Safe Municipality," government informatization and "Administration According to the Law." Among those categories, economic construction was the most common.¹⁰¹

¹⁰¹ Please refer to the appendix for the lists and sources of the performance evaluations of the Zhejiang Province and Guangdong Province. All the contents and explanation on the evaluation cases stemmed from the appendix tables unless otherwise mentioned. The county's evaluation of the townships' investment promotion was the top priority or one vote item in Zhejiang Province (Choi, 2009). Of course, there was a difference between the evaluation of the townships in the previous study and that of the municipality and county in this study. However, it was highly likely to carry out a similar performance evaluation in the municipality-county-township. On the other hand, in the 2000s and 2010s, the performance evaluation covered in this study was conducted not only in the economic construction area including investment attraction, but also in the social, cultural and education category. It can be seen that Zhejiang's performance evaluation was more diversified in terms of evaluation categories and areas.

On the other hand, in the evaluation of the performance in Guangdong Province from 1998 to 2016, the economic construction was divided into six areas: protection of forest resources, major projects, financial development in the county areas and others; social, cultural and education category had the eight policies such as birth control, funeral and burial management, employment, energy conservation, etc.; the administration category included three policies such as the “Administration According to the Law” and others. Zhejiang province had the largest number of economic construction main category, while Guangdong province had the largest number of social, cultural and education category. It can be seen that Zhejiang Province attached great importance to economic construction, while Guangdong Province regarded society, culture and education as one of the most important policy areas.

The Zhejiang and Guangdong provincial governments performed the most evaluations in economic construction, society, culture, education, and administration, which accounted for the largest portion of fiscal expenditure. They were not only able to increase spending in these areas, but also to monitor their performance through performance evaluations so that the expenditure goals could be achieved. Especially, the policy with the most evaluations in Zhejiang is “Safe Municipality.” It was the most important policy in a way that it was carried out with the total eleven times from 2005 to 2015 every year. Let’s take a closer look at the evaluation contents. According to the “Method of Evaluation of the Safe Municipality and County (City and District) in Zhejiang Province (hereinafter Method),” it was conducted once a year on the basis of the voluntary application system of local governments. Also, it consisted of the Target Responsibility System of the Social Security’s Comprehensive Governance, the Letters and Visits’ Responsibility System and the Safety Production’s Responsibility System. According to the “Method,” the construction work of Safety Municipality (hereinafter SM) and Safety County (hereinafter

SC) was an important basis for the achievement, promotion and punishment of local officials.¹⁰²

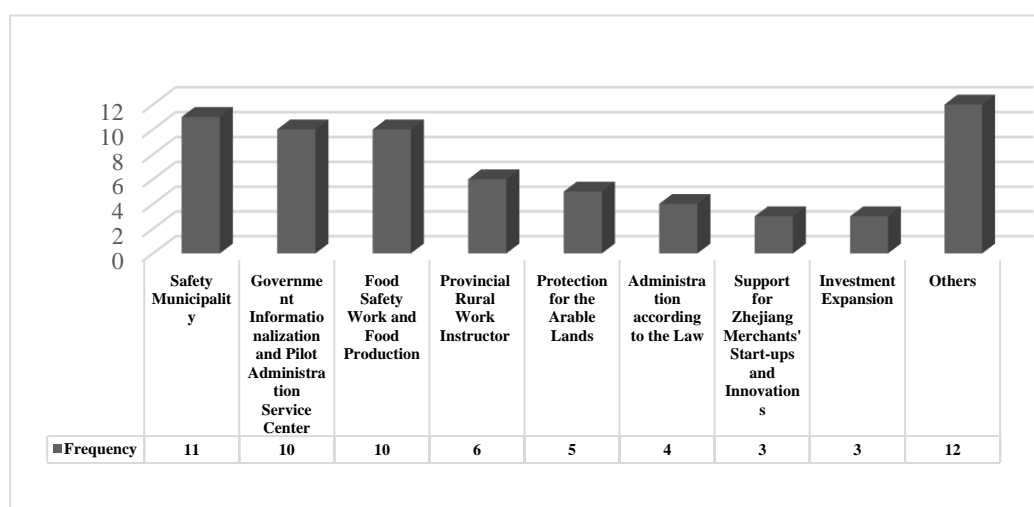
The requirements to apply for “the SM” were as follows: First, there were no serious incidents that harmed social stability. At the end of every year, the Office of the Leadership Small Group for “the Safety Zhejiang” in cooperation with relevant departments set the responsibility for serious incidents and accidents, and the selection criteria was met unless the localities were responsible for the accidents. Second, after examining and self-assessing in accordance with “the Examination Conditions for the SC,” the requirement for application was met in the case that the counties of Zhejiang received the passed grade according to the evaluation of the Municipal Leadership Small Group of the Safety Construction. Third, the “Safety Township” in the counties’ jurisdiction area was more than 80% of the total number of the townships and the requirements for the “Safety Township” were decided by the Provincial Office of the Safety Construction in cooperation with each municipality and referred to the Evaluation Conditions for the SC in Zhejiang. The examination and evaluation were organized by the county (the city and district), while extracting a sample was conducted by each municipality.

The characteristic of this evaluation method suggested that the province evaluated all the local levels from the municipality to the township (the sub-district), and the lower-level governments’ performance affected the upper-level governments’ performance evaluation. The upper-level units had to pressure the lower-level units to receive the Safety Grade, and the lower-level localities had to make efforts to get the grade. The advantage of this evaluation method was that because conflicts of goals and preferences at the different local units can occur, when reforms or policies were carried out only in one local administrative unit, while the evaluation method prevented such a problem by

¹⁰² ZheWei [2005] No. 8, http://www.zjjxw.gov.cn/art/2004/10/19/art_1108472_444.html, (Accessed: March 30, 2017).

applying the method on all the local units. The disadvantage was that it can put a lot of pressure and work burdens on the lower-level governments and other important tasks may be overlooked and financial and personnel resources may be concentrated only on this policy area.

Figure. 3.4. Zhejiang Province’s Performance Evaluation of Municipalities, from 2000 to 2016



*Source: GZPLDB

The next most common evaluation in Zhejiang was the government information service and pilot administrative service center in the administrative area. This area was a performance evaluation that has been in progress since 2002, excluding 2005 and 2006, until 2012. In the government information system, concrete evaluation contents included government work information service, construction of government portal websites, information interactions, public affairs disclosures, electronic government constructions, electronic inspections, and pilot administrative service centers.

The government work information service implemented from 2002 to 2003 was based on the “Temporary Method of Government Work Information Service” issued by the Office of the State Council in 1995, and evaluated an operation of the “Implementing

Regulation of Zhejiang's Government Work Information Service" issued in 1996. List of details on government work and information service included the important policies, economic and social development situations, internal important remarks and instructions of the senior and same level leaders, suggestions of society, incidents and natural disasters. How well this information was conveyed through modern technologies including electronic information transmission networks was evaluated. That was to ensure that the evidence of the accidents was reliable, that it has been reviewed before report, that the incident has been reported promptly, that the reporting unit and individuals who did not report the inside story of the incident or had omission of report were disciplined and punished, and that the units and individuals who handled incidents well were awarded the prize.¹⁰³

Especially in the administrative reforms, the area the province emphasized in addition to the government information service was building the administrative service center. In 2009 and 2011, the Pilot Administrative Service Centers and the Administrative Service Halls were designated, and all the other administrative service centers in the province were required to follow their experiences to improve the administrative licensing operation model with emphasis on construction standards and strengthened services and to upgrade public service levels.

The administrative service centers of Hangzhou City, Xihu District and Xiaoshan District of Hangzhou City in 2009 and the Yuhang District of Hangzhou City in 2011 were designated as the demonstration zone. It can be seen that Hangzhou was relatively advanced in this field and the construction of the government information and administrative service center, which started in 2002 and continued until 2014, was a relatively important policy area of the province.

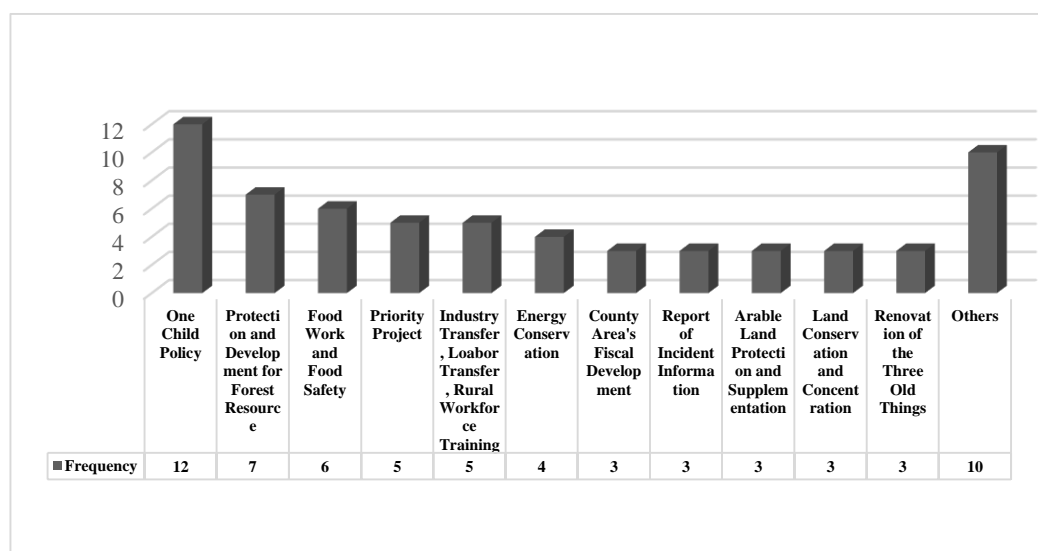
On the other hand, Guangdong province had the largest number of evaluation of

¹⁰³ ZheZhengBan [1996], No.2, <http://www.cnnsr.com.cn/csfg/html/19960123000000159965.html>, (Accessed: March 31, 2017).

its municipalities in terms of one child policy. The characteristic of this policy evaluation suggested that it evaluated all of the municipality, county, provincial bureaus' performance. For example, in the 2015 One Child Policy Target Management, the advanced honors were awarded to Huizhou City, Zhuhai City, Guangzhou's Yuexiu District and Shenzhen's Futian District. The Guangdong Provincial Police Bureau and Provincial Finance Bureau also gained the honor of the advanced unit.

The second characteristic of the evaluation can be said that, unlike the performance evaluation of Zhejiang, there were criticised units that had negative evaluation along with advanced units. According to the document of AoFuHan [2016], No.74, Yangjiang City's Yangdong District and Chaozhou City's Laoping County were criticized for lack of the work's basics and lack of day-to-day service management tasks' quality, even if they completed the basic work targets of the 2015 year. The party-government officials in charge of the work in which the criticism was made had interviews with the provincial leaders and the provincial leaders gave them some recommendations and encouragement.

Figure. 3.5. Guangdong Province's Performance Evaluation of Municipalities, from 1998 to 2016



*Source: GZPLDB

Following the one child policy, the area that had many evaluations was forest resource protection and development. For example, if we look closely at the 2009 Forest Resources Protection and Development Goals and Statistics Table, there were the five main categories and the 17 sub-categories. Major items included funding, forest resource protection management, forest fire protection, forestation management and public interests of forest management protection, and hazardous biological management, wildlife and wetland protection management, and nature conservation construction management. In the evaluation, the scores according to the 17 sub-items was ranked. The highest score was obtained by Huizhou City with 99.3 points, and the second place was Heyuan City which was only 0.1 point lower than that of Huizhou. Guangdong awarded the prize only to the first to the third places. In this way, it can be seen in the area of protection and development of forest resources that the provincial governments prioritized and managed this area as much as the provincial government set up relatively detailed indicators and evaluated the municipality in more detail.

The food service, which started in 2000, aimed to safeguard the basic farmland area's stable food production capacity under the responsibilities of the governments at each local level unit in accordance with the requirements of the State Council and the provincial government, and to realize the enough amount of the food storage and the food risk fund. The feature of the performance evaluation about the food service was that the prize money was paid to the regions where the indicators was achieved. For example, in 2001, the two hundred thousand yuan was awarded to 14 cities, including Guangzhou and Shenzhen, the areas where food service indicators were completed. On the other hand, the municipal mayors and vice mayors in the 2000-2002 year-goal-achieved-areas were awarded the honorary certificate, and one-time prize money of 3,000 yuan was given to each person in charge of planning, food, public finance, land resources and agriculture. In addition, criticism and warnings were given to the areas that achieved only three or two of the total four indicators.

In addition, the province implemented the incentive fiscal mechanism for the county in 2005, 2006 and 2008. For example, if the amount of transferring the four tax revenue such as business income tax, corporate income tax, personal income tax, land VAT to the provincial government by the county exceeded the average amount of the total provincial four tax income, the share of general grants became higher in the provincial total grants, and some municipalities's all the counties received the county-level leadership prize of more than the one-million-yuan-prize money, the award was given to those municipalities. Particularly, all of the counties under one municipality's jurisdiction received the prize for the county leadership team and the municipality was awarded the organization prize for the county area's fiscal development.

The performance evaluation of the "Administration according to the Law" was conducted in 2013 and 2015, and it was based on the "Indicator System (Implementation) of Guangdong Province's Rule-of-Law-Government Construction" and "the Method of Evaluation on Guangdong Province's Rule-of-Law Government." In accordance with the provisions of the two documents, the eight policy areas of institutional building, administrative decision, administrative enforcement, disclosure of government information, prevention and dissolution of social contradiction, administrative supervision, rule of law capacity construction introduced a combination of internal evaluation and social deliberation. In 2013, the total 61 units of the evaluated received the highest score of 90.9 points, the lowest score of 71.6 points and the average score of 82.22 points. In term of the internal evaluation score, there were the highest score of 89.4, the lowest score of 70.29, and the average score of 81.94, while with regard to the social deliberation, there were the highest social rating of 84.23, the lowest of 73.5, and the average score of "Administration according to the Law" evaluation conducted by the society was 80.5. In 2015, the average score for the 52 regions and bureaus was slightly raised to 83.56, and the average rating of the social deliberation was 83.41 with an increase of more than about three points.

Based on these scores, the performance evaluation was divided into four categories. The first classification was the municipalities with legislative rights, and Shenzhen received the excellent grade along with three cities with good ratings. In the second category of the municipalities without legislative rights, and Shunde District and the two cities, including Huizhou, had the excellent grade and the ten cities, including Foshan City, received the good grade. The third and fourth groups consisted mainly of the provincial bureaus.

The greatest advantage of “the Administration according to the Law” performance evaluation can be said that it promoted social participation through social evaluation as well as internal evaluation. The social evaluation score was lower than the internal score by about one point in 2013, and the average evaluation score of society on “the Administration according to the Law” was also lower than the internal score. This method had the advantage of being able to make more objective evaluation from the outside. On the other hand, the disadvantages can be said that there was no material incentive for the regions that obtained excellence and good grades, and the areas where the performance was bad or not good was not specified and the punishment method was not included. Compared with the evaluations on arable land protection and food work, due to the lack of material incentives, “the Administration according to the Law” evaluation was more likely to be less binding than both evaluation policies.

In addition to internal evaluation and social evaluation, self-evaluation was also available for local officials. For example, Yu Zhibiao, a vice mayor of Guangzhou City in charge of education area, gave himself a score of 98 on the performance of the basic education work in 2007 and 2008, and posted the result on the official homepage of Guangzhou Municipal Government and received the attention of the press and people. Particularly in the self-evaluation areas of input, guarantee, reform and development, he awarded a perfect score, and leadership and management scores were cut down two points and

awarded 98 points. The reason for the reduction of two points was that the city of Guangzhou has taken steps to gradually reduce the gap between the average wage level of elementary and middle school teachers and the average wage of public employees, but some districts and counties did not reduce this difference. It was well recognized as an experiment of the performance evaluation system (Guangzhou Daily, 2009/11/06).

Finally, the government's Quality Work was evaluated in 2015 and 2016, and it was divided into three grades A, B, and C based on various indicators stemming from the State Council's "Quality Development (2011-2020)." The indicators of "Quality Development" were the Product Quality, Processing Quality, Service Quality, Strengthening of the Enterprise Quality's Subject Effect, Quality Supervision and Management, Innovations of the Quality Development Mechanism, Improvement of the Quality Development Environment and Creation of Foundation for Quality Development. The characteristic of this evaluation can be said that the subject of the evaluation was the Office of the Leadership Small Group for the Provincial Enhanced Quality Work, and the construction of the leadership small group for a specific evaluation item was considered as a very important policy in the province. However, the government's quality evaluation did not provide a standard for dividing the ratings, so there was a weakness in terms of information disclosure, and there was no material incentive for grades, which made it less binding.

In sum, the Guangdong Province's performance evaluation of the municipalities was summarized as the one child policy with criticized units, the government quality work and the forest resource's protection and development with more detailed indicators, the provision of strong material incentives for the food work, cultivated land and farmland protection, "the Administration according to the Law" evaluation with the social deliberation and rating and the government's quality evaluation which set up the Leadership Small Group for evaluation items. The stronger the material incentives, the more the local bureaucrats would invest resources with limited time and energy. The more detailed indicators the evaluation had, local officials tried to achieve more concrete results. The more

evaluations involving criticized units, the more efforts were put into avoiding these negative evaluations. Each type of evaluation had its advantages, but the common drawback was that there were few systems such as penalties or fines for poorly performing units although there were many rewards for the best performing units.

Next, the performance evaluation of the county-level unit had two main types: the performance evaluations performed by the Guangdong Province or by its municipalities. The performance evaluation of the county in terms of one child policy suggested that from 1998 to 2016, the performance of the policy was managed without a stop, and the county-level unit was divided into advanced units, recognized units, and criticized units. It can be seen that one of the most important policies of Guangdong Province can be considered as the one child policy. Also, the policies that the central and provincial governments considered important in China were thoroughly managed through the performance evaluations by the province even toward the sub-county units.

Especially since 1999, criticized evaluation has been divided into two categories. Those included “Ordinary Warning” and “Yellow Card Warning.” In these two criticized grades, it was not revealed in the document that what kinds of measures Guangdong made against the counties that received such warning. However, it was clear that the county area that received the yellow card made more efforts to get out of this negative grade, and the counties which received a notice made more efforts to obtain the advanced unit and recognized unit grades getting out of the criticized unit.

The more granular and diversified the evaluation phases and grades, the more incentives were given to the county level units. According to a local official in Guangdong Province, Jincheng District initially did not rank high in one child policy and other performance evaluations, but the county-level and township leaders worked harder to earn the advanced or recognized unit grades.¹⁰⁴

¹⁰⁴ An interview with a local official in Jincheng District of Guangzhou City, 2016. 6.16.

Another feature of the performance evaluation on the birth control policy suggested that the material incentives became clear. For example, the 36 county governments, including Yuexiu, Haizhu and Liwan districts of Guangzhou City and Nanhai and Shunde districts of Foshan City, received a bonus of 50,000 yuan respectively along with the advanced unit honor of one child policy in 2002. On the other hand, the counties that received the criticized unit grade did not obtain any bonuses.

In particular, as we have seen above, it is not easy to reinforce the incentives of the cadres in the county because of the grass ceiling and limitations of promotion above the full department rank (Kostka & Yu, 2015). However, in the case of Guangdong Province, the one child policy was a representative example, giving a strong material incentive to county local officials. The local cadres of Guangdong Province have a limited chance of political promotion but worked harder to receive a bonus.

Also, these bonuses have increased over time. For example, the province provided a bonus of a fifty thousand yuan to the advanced county-level units in 2002. However, in the evaluation of 2013, not only the province awarded the advanced unit grade to the 18 counties such as Yuexiu District of Guangzhou City, Meijiang District of Meizhou City, Xiangzhou District and Sihui County-level City of Zhuhai Municipal City and Nanshan District of Shenzhen City and others, but also it offered a cash prize of 100,000 yuan. The prize money doubled from 50,000 yuan in 2002 to 100,000 yuan in 2013. However, there was no prize money for the recognized and criticized unit grades. Therefore, the counties which received the recognized and criticized unit grades, were able to faithfully fulfill the goals and requirements of the one-child policy required by the central and provincial governments in order to receive a cash prize of RMB 100,000.

Another feature of the 2013 performance evaluation was that disciplinary action against criticized units was detailed. That is, the Lian'nan Yao Minority Autonomous County and Xixing County received the Yellow Card because they failed to meet the indicators of the 2013 one child policy targets. In accordance with the provisions of the

Yellow Card result (“one vote veto”), the main party-state chiefs of the two counties and the heads of local bureaus in charge of the one child policy were not awarded another prize within one year and not allowed to be promoted to the higher positions. In addition, the bonuses for the year were cut, and they could not receive excellence and eligibility grades in the public official’s yearly evaluation.

Such strong punishment and sanctions on the criticized unit of the one-child policy showed that Guangdong emphasized this policy and was firmly committed to achieving its targets and goals. In addition to the one-child policy at the provincial level, the province also carried out a performance evaluation on the county area’s accelerated fiscal development in 2006, the pilot county for the disclosure and democratic management of village affairs in 2008 and the protection of farmland from 2014 to 2015. However, the evaluations in these areas were not as sustainable as the one child policy and incentives were not as strong as those of the one child policy.

For example, in the notification of the advanced unit recognition of the incentive-type fiscal mechanism execution in 2006, there were only the counties which received the honors of the advanced and the recognized units, and the county area’s accelerated financial development unit, and was the province’s request for the county to contribute to the county area’s economic development continuously. But, there were no other material incentives or punishments and sanctions for the units that failed to achieve their goals or had poor grades.¹⁰⁵ In the evaluations of the agricultural land protection, such as land saving and concentration, renovations for “the three olds” and land enforcement inspection, there were only the first, the second and the third placement honors without any material incentive or discipline and punishment measures for those that failed to meet the goals.

¹⁰⁵ AoFu [2007], No.44, http://www.gd.gov.cn/govpub/zfwj/zfxxgk/gfxwj/yf/200809/t20080916_67029.htm, (Accessed: 2014.4.14.).

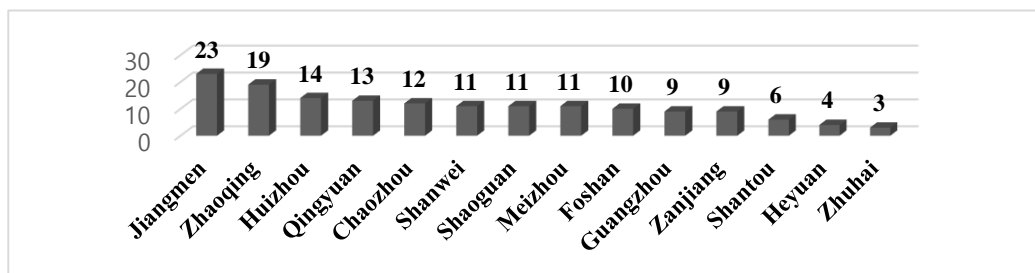
Now, let's look at which areas each municipality carried out performance evaluation of the county. When it comes to the number of performance evaluations carried out on the county from 1998 to 2016 by the municipalities, Jiangmen City was the most with 23 cases. Here, the number of performance evaluations was not the number of the years in which evaluations were implemented, but rather the number of which evaluation policy areas were conducted each year, because several evaluation areas may be executed in one year. The kinds of performance evaluation Jiangmen City carried out included various areas. For example, the economic sector referred to re-employment, rural surplus labor force training, and the 2008-2020 push for the development of the Pearl River Delta Region. In the natural environment, there were protection of forest resources, prevention of serious animal pests, funeral and burial management, food safety and agricultural land protection. In the administrative area, there were a disclosure and democratic management of village affairs

In particular, the city of Jiangmen has also conducted an evaluation of its one child policy on the county in addition to that of Guangdong Province. And from 2004 to the recent year, Jiangmen City has been continuously working on various areas to evaluate the county. The feature of Jiangmen City's performance evaluation suggested that it directly scored each county in many areas such as employment, rural surplus labor force transfers and training, and disclosed many of the results.

For example, in the performance evaluation of job reemployment and rural surplus labor force transfers and training in 2007, Xinhui District received 98 points, Kaiping County-level City obtained 98 points, and Enping County-level City got 95 points. The difference between publicizing scores and simply releasing grades can be said that scores can encourage more competition among the counties. The grades consisted only of excellent, advanced unit and recognized unit, etc. If some counties got one of the highest grades, there was no more incentive to get a higher grade, but if they got 95 points, then next time they wanted to score 98 points or more like Kaiping and Xinhui county-level localities.

An incentive that continued to receive the recognition of senior leaders became more strong.

Figure 3.6. Frequency of Each Municipality's Performance Evaluation of the County in Guangdong Province



Zhaoqing City also has conducted a number of performance evaluations with 19 times. Zhaoqing City has continuously assessed the employment situation of the county from 2004 to 2008. The policy area that the city was most interested in and emphasized in this period was the employment policy. Since 2008, the areas of performance evaluation have become more diversified, including evaluation of the pilot county for a disclosure and democratic management of village affairs, forest fire prevention, private economic work, emergency management, and execution of counterfeit goods clearing.

The evaluation method of Zhaoqing City not only gave evaluation scores to each county, but also divided grades. For example, in 2016, Zhaoqing City classified the first placement grade as excellent unit and good unit in the evaluation on counterfeiting goods clearing work. There were the excellent units of five counties and the good units of four counties, each of which had an evaluation score with two decimal places. Huaiji County with the highest score received 93.95 points, which was not significantly different from that of the next highest score, Gaoyao District of 93.75 points.

Jiangmen City did not give a decimal point when scoring, while Zhaoqing City gave a bigger stimulus to each county by assigning two decimal places. In Jiangmen City, the two counties of Xinhui District and Kaiping County-level City had no incentive to

work harder because both had received 98 points. On the other hand, Huaiji County and Gaoyao District of Zhaoqing City both had 93 points, but the former advanced 0.2 points from the decimal place. Therefore, Gaoyao wanted to work harder to get ahead of Huaiji County.

The municipality with the next most evaluations was Huizhou City that conducted the 14 times of the evaluations. The characteristics of Huizhou City's performance evaluation can be said that it carried out the performance evaluation of animal health from 2005 to 2011 and this showed how much Huizhou City placed emphasis on animal protection. In particular, the performance evaluation on animal health has been conducted with the total 16 indicators. According to the results of the 2008 evaluation, Dayawan of the Economic Development Zone reached 480.5 points, Boluo County with 470 points, and Huicheng District with 469 points. The important thing was that the city not only awarded the title of excellent unit but also gave a prize of 15,000 yuan to the counties which received such an excellent grade. However, there was no punishment or sanction for the poor performance of the county.

Qingyuan City has conducted a lot of environmental evaluation. Examples included land saving and concentration, organizing land development, and protecting arable land and forest resources. There were also policies such as the "Administration according to the Law," emergency management, and housing security. Especially, in the "Administration according to the Law" conducted in 2014, the social deliberation rating was newly introduced by evaluating the area by the two parts of the administrative system's internal examination and social evaluation. The internal evaluation was carried out by the members dispatched from the Office of the Municipal "Governing the Municipality according to the Law's" Leadership Small Group and the Office of the Municipal CPPCC, who were invited by the sample personnel extracted from the members of the Municipal Leadership Small Group for the "Administration according to the Law." The social evaluation was implemented by the Qingyuan Research Team of National Bureau of Statistics,

which was commissioned by the municipal government.

According to the evaluation results shown in the table below, Yangshan County received the best grade and had the highest score of 81.41 points, while the Lian’nan Yao Minority Autonomous County had the lowest score of 72.88 points. The weight of internal evaluation was 70%, whereas that of social evaluation was 30%. In the case of Yangshan County, the score of social evaluation was only 81 points, which was the fifth lowest score compared with the four other counties. However, it received 81.5 points of the internal evaluation and ranked the first in total score.

Table. 3.16. The Evaluation Result of the Counties’ “Administration according to the Law” Work in Qingyuan City in 2014

County	Internal Evaluation Score	Social Evaluation Score	Total	Grade
Yangshan County	81.5	81.19	81.41	Excellent
Qingcheng District	77.1	88.34	80.47	Excellent
Qingxin District	79.7	82.24	80.46	Good
Fufeng County	79.7	82.2	80.45	Good
Lianzhou County-level City	77.7	83.1	79.32	Ordinary
Yingde County-level City	75.7	74.16	75.24	Ordinary
Lianshan Zhuang Minority Autonomous County	71.3	77.94	73.29	Ordinary
Lian’nan Yao Minority Autonomous County	70.2	79.14	72.88	Ordinary

*Total points were the internal evaluation score times 0.7(70%) plus the social evaluation score times 0.3 (30%)

**Evaluation grade was determined in accordance with the provision of Article 27 in the “Evaluation Method of the Guangdong Provincial Administration according to the Law”

***Source: <http://www.gdqyrfb.gov.cn/gdqy/tzgg/201603/6585d70f34e8490e927862f9d7390f23.shtm> l, (Accessed: 2017.4.15.).

On the other hand, the difference between the method of the administrative internal evaluation and social evaluation suggested that the former can evaluate the professional contents of “the Administration according to the Law” and the operational efficiency of the actual system, while the social evaluation was based mainly on the satisfac-

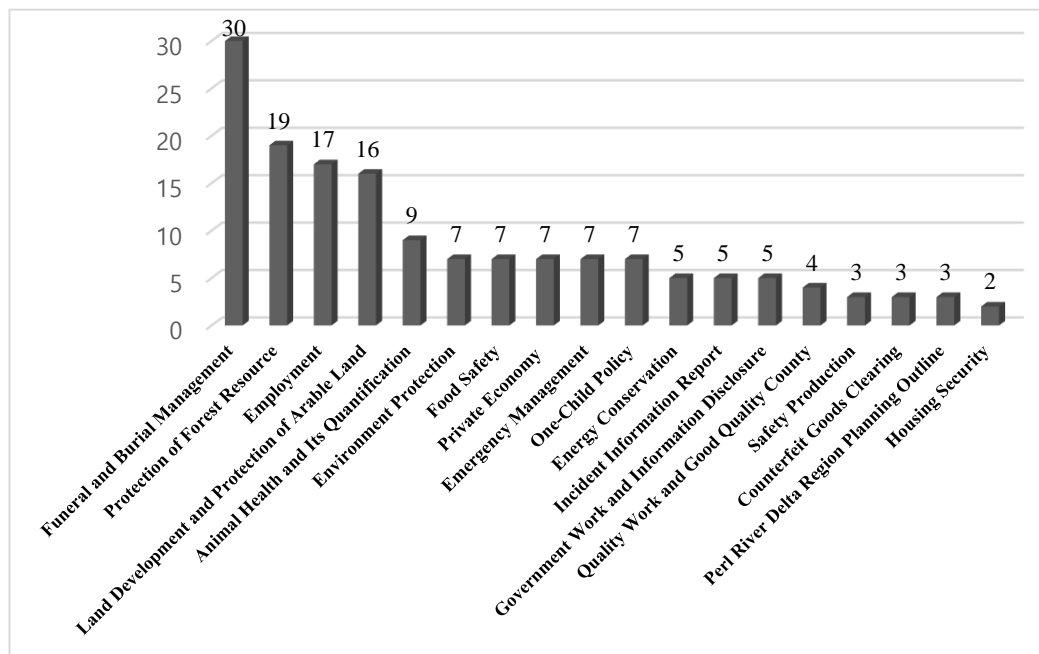
tion of citizens who were possible to measure how much they could experience the concrete consequences of “the Administration according to the Law” such as legality, convenience, fairness, and promptness.

However, the social evaluation had a limit to measure actual effects because it only judged actual results without knowing how to implement “the Administration according to the Law” in a bureaucratic inner group. On the other hand, internal evaluation had a certain degree of expertise and internal knowledge, but it was not easy for inner group’s local officials to give a negative and more objective grade to themselves because of the disadvantages caused by the evaluation results.

Meanwhile, Chaozhou City, Shanwei City, Shaoguan City and Meizhou City, etc., also carried out many performance evaluations. So far, we have looked at the frequency of performance evaluations performed by municipal region, now let’s take a look at what kinds of evaluations were conducted by evaluation policy areas.

In the picture below, the funeral and burial management was performed the most with 30 times. While many municipalities evaluated the management of the funeral and burial management in the county, the evaluation indicators, contents, and methods were slightly different. First, there were the total seven funeral and burial management indicators in Guangzhou City. Specifically, there were 6 points for the construction of the management mechanism and team, 30 points for cremation, 30 for tomb cleaning, 12 for construction of public charnel house, 7 for public grave management, and 8 for funeral goods management. A total of 100 points were allocated to the funeral and burial management work. In 2004, a prize was awarded to the counties which received more than 95 points, and the recognized unit grade and a prize money was given to county governors, vice county governors, heads and deputy heads of the county-level civil affairs bureaus. There was no specific prize money, and there were no sanctions or punishments for poorly performing units.

Figure.3.7. Municipalities's Performance Evaluation of the Counties in Guangdong by Policy Areas



Unlike Guangzhou City, the city of Jiangmen gave detailed feedback to each county. These feedbacks consisted of three main parts: major achievement, problems, and improvement. According the grade and score, the excellence and good grades were given to the counties. The feedbacks on Xinhui District, which received a good grade in the 2013 evaluation, included the problems in which the district did not strictly enforce the provincial regulations on controlling bodies of the deceased based on the territory. In this way, Jiangmen City not only provided concrete feedbacks according to the situation of each county, but also presented a solution, so that it can track and evaluate more precisely the performance's improvement situation of the county. Unfortunately, there was no discipline or punishment for the counties whose performance was poor, and there was no clear material incentive for good performance.

Shanwei City's funeral and burial management evaluation method was slightly different from those of the above mentioned cases. First, there were nine indicators and

two more than those of Guangzhou City, and the grades consisted of the target-reached unit and the passed unit. In 2008, Huaqiao Administrative District was selected as the target-reached unit with 95 points, and the rest of them, including the Haifeng County with 75 points, became the passed units. A head and deputy head of the Administrative Committee in Huaqiao, which was selected as a recognized or target-reached unit, received a prize money of RMB 10,000 respectively. But, the passed units did not have a prize money.

After the funeral and burial management, the most performance evaluation of the municipality was protection of the forest resource. In 2010, Jiangmen City used the total 17 indicators in the 2010 Forest Resources Protection Development Assessment, including funding, deforestation, forest protection, and conservation management. The grades from the first to 4th places were awarded. On the other hand, in the 2016 evaluation, Qingyuan City gave the excellent grade to the counties which received more than 90 points based on the 12 indicators under three main categories: forest ecosystem construction, forest resource protection and forestry development guarantee. In 2014, Zhanjiang City awarded the excellent grade to Wuquan County-level City and others which had a score of 95 or higher and gave the good grade to the nine counties with 85 to 95 points in the forest resource protection and development evaluation.

The evaluation on the employment policy also was performed 17 times by the municipalities in Guangdong Province. Among them, Zhaoqing City carried out employment policy evaluation for five consecutive years from 2004 to 2008, showing urgency and priority in the city's employment. Zhaoqing City had also built up the Leadership Small Group for employment and evaluated the completion of various employment and rehabilitation goals for the provincial and municipal governments. The evaluation items consisted of 47 target duties in six areas: vocational training, job reemployment, job service and management, job aids, job reemployment fund raising, training of rural labor force and transferring work. The three counties such as Duanzhou District, Sihui County-

level City and Deqing County, which achieved excellent results in the evaluation of employment work, won the advanced unit honors and received plaques and prize money. The five counties, including Gaoyao County-level City, etc., were awarded the target-reached unit honors as well as prize money.

When we summarized the characteristics of the performance evaluation so far, the performance evaluation area has been expanded. In the early 2000s, Zhejiang Province conducted performance evaluations in only one or two areas, mainly in the areas of science and technology progress and the Rural Community's Fund Raising Joint Work. However, since the mid-2000s, the number of performance evaluation areas had begun to increase gradually, but it increased only to eleven policies in 2012. In particular, in 2012, the areas of evaluation also were diversified to include a range of economic policies, from food safety, farmland protection, Socialist New Rural Construction, and provincial effective investment's expansion. In the case of Guangdong province, the evaluation of the municipalities was extended from the only one area such as one-child policy in 1998 to the eight, including the report of incidents, forest resource protection, energy conservation and others, in 2010.

The second feature of the performance evaluation was that the rating grades were further subdivided. For example, in the case of Zhejiang Province, while in the early 2000s, uniform evaluation grades such as advanced units and excellent units were used, since the mid-2000s, there have been other categories such as good units, passed units, third grade, gold, silver and bronze. Also, the one or two evaluation grades such as the indicator-reached unit in Guangdong were more subdivided into various grades such as good, excellent, first, advanced, criticized, and recognized units. The expansion of the evaluation grades can be seen as giving more incentive to the municipalities by the provinces. This is because the incentive to improve in specific areas was no longer sufficient with the small number of the grades, but the more diversified the rating, the more efforts are made to get a better rating by local officials.

The third characteristic was the expansion of the evaluation subject. The provincial government included the municipal government, municipal bureaus, county government, county-level bureaus, individuals and enterprises into the evaluation subject. The provincial government's evaluation has reached below the county-level. For example, the Zhejiang Province's 2016 food performance evaluation not only awarded gold, silver and bronze as advanced units at the municipal and county-level, but also awarded advanced government personnel and farm households the prizes. He Jianhong in the Jiande Municipal Agricultural Bureau was selected as a skilled worker of food production, and Li Shengyang of Heluxi village in Dipu Sub-district of Anji County also received an excellent farmer award.

Fourth, material incentives for evaluation have been strengthened. For example, it was the protection of agricultural land policy in Guangdong Province that Shaoguan City and Guangzhou City received the first prize in 2009, obtained a prize of 1 million yuan, and the second prize winner, Foshan City, received 700,000 yuan and the third prize winner obtained 500,000 yuan. The first prize money was increased to 2 million yuan in 2010 and 2011. The material incentives were more strengthened in the evaluation of the county than those in the performance evaluation of the municipality.

Fifth, the discipline and punishment mechanisms of some evaluation areas were strengthened. In the evaluation of the birth control policy for the county of Guangdong Province in 2013, Xixing and some others counties failed to meet the targets and received the yellow cards. As a result, according to the regulations, the county party-government chiefs and the one-child policy-related officials were not allowed to receive an award within one year. In addition, promotion and horizontal mobility were prohibited, a yearly bonus was cut down, and they were not allowed to receive the excellent and the qualification grades for a yearly evaluation. Finally, the evaluation method was diversified. Various kinds of evaluation methods such as leadership evaluation, internal evaluation, social evaluation and self-evaluation were introduced.

In summary, the province and the municipality has conducted performance evaluations of municipalities and counties in various areas and various years. By further subdividing grades and scores, they have given more incentives for local officials to work harder, expanded the scope of evaluation, provided strong material incentives for evaluation. Discipline and punishment mechanisms also played an encouraging role in competition between local governments. And, most importantly, the county local officials blocked by a glass ceiling in political advancement to some extent have been given honors and material incentives through performance evaluations, which led them to carry out central and provincial policies faithfully.

(3) Limitations of Performance Management

The main problem of Chinese performance evaluation can be said that there were no central standardized documents. Since the implementation of the national government performance management system proposed by the central government and the State Council in 2008, the centralized and uniform documents have not yet been released. Due to the lack of uniform nationwide guidance, not only local performance management practices varied, but also significant changes or repetitions have occurred in the direction of goal setting, overall framework, content emphasis, and each local performance evaluation area was difficult to sustain or continue.¹⁰⁶

Second, due to the dualization of the performance evaluation bodies, evaluation resources, personnel, and organizations were not concentrated, and there were overlapping evaluations, which led to waste of resources. One is the “Comprehensive Evaluation

¹⁰⁶ An interview with a division chief of Guangzhou’s municipal human resources and social security bureau, June 22, 2016; Zhou Zhiren & Xu Yanqing, 2016: 139.

System for Local Party-State Leadership Team and Cadre” carried out by the Central Organization Department and the other is “the Budget’s Performance Management and the Performance Evaluation on the Financial Expenditures (Project Expenditures)” carried out by the Ministry of Finance. The two performance evaluation systems are similar and relatively independent, overlapping in contents, and some of them did not coincide with each other.¹⁰⁷

Third, the evaluation by the party-state leaderships took a comparatively large weight and the evaluation result was not disclosed. A person whom a leader liked obtained a high score and got promoted. If another official who didn’t get promoted was disgruntled at the promotion result, it may be the most persuasive excuse for having a low score. As for the “inner circle members” of the patronage networks, leaders can still take special care of the performance management, and no matter how hard the local officials who were not in that patronage network worked, results of the evaluation conducted by the leaders did not reach those of the leaders’ clients. In other words, it was still “rule by man” in the outer envelope of formal performance management institution.¹⁰⁸

Fourth, performance appraisal can also be transformed into a tool for seeking profits for the local bureaus or departments. Department interests were reflected in some evaluation indicators such as whether independent similar institutions or organizations were installed with the high or low levels of administrative ranks, the amount of organization and staffing, the amount of financial resources, and so on. However, department interests did not consider what the actual needs of the local areas were and whether these

¹⁰⁷ An interview with a division chief of Guangzhou’s municipal human resources and social security bureau, June 23, 2016; Zhou Zhiren & Xu Yanqing, 2016: 143.

¹⁰⁸ An interview with a division chief of Guangzhou’s municipal human resources and social security bureau, June 24, 2016; Zhou Zhiren, 2015a: 7.

inputs would produce actual effects.¹⁰⁹

Fifth, in the China's performance evaluation, a reasonable balance between the subjective indicators and the objective indicators was highlighted. From the mid-1980s to the end of the 1990s, objective indicators were in absolute superiority, while in the 2000s, the subjective indicators began to attract attention. As a representative example of objective indicators, the 17 socio-economic cultural indicators among the standards of the local party-state leadership's performance evaluation announced by the Central Committee's Organization Department in 1988 were all objective indicators. Specifically, it included gross value of national production, gross value of industrial production, agricultural production's gross value, gross industrial output value of townships and villages, town's average income, rural average income and a transfer of profits and financial income. In the 2000s, the center emphasized the dissatisfaction or satisfaction of people as the fundamental standard for evaluating each task according to the ideas of humanism, the service-oriented government and the harmonious society. As a result, citizen's satisfaction evaluation began to attract attention, and citizens in China became the main players in government performance evaluation. However, there were variations in the balance between the subjective and objective indicators for each local government. The proportion of the indicators of citizen's satisfaction (social evaluation) in performance evaluation varied from 5% to 50% (Zhou Zhiren, 2015b: 39).

The problem in the performance evaluation centering on subjective indicators can be said that there was a limit to citizen's ability as an evaluator. First, citizens had limited opportunities to experience the Chinese bureaucratic system. Among the activities of the Chinese government in the evaluation of the government sectors, the Party History Institute and the office of the municipal party committee and the municipal government

¹⁰⁹ An interview with a division chief of Guangzhou's municipal human resources and social security bureau, June 22, 2016; Zhou Zhiren, 2015a: 7.

became the main targets of evaluation. The reason can be said that these organizations had very little opportunity to interact directly with citizens and had difficulty in evaluating their satisfaction due to their mysticism or distance from the citizens.¹¹⁰

The evaluation by the public who were not familiar with the internal circumstances of the government bureaus and the party-state cadres, which were subject to target of evaluation, were inevitably superficial. It would not be an objective and impartial evaluation if the evaluation of the government agency was based solely on the external image of the evaluation target and the data provided by the evaluation targets. And because the level of information disclosure and informatization was low in China's local government agencies, and especially in the communist party's organizations, the public usually did not have access to information about such agencies and their work and data. Therefore, objective evaluation was impossible to conduct. So far, these evaluations through public participation in China have merely accepted public participation at the formal level according to the center's demands.

Finally, the most serious problem that arose in Chinese performance evaluation was gaming played by local officials, which was prevalent among local leaders. Gaming is the act of intentionally manipulating performance measurement to gain a strategic advantage in performance evaluation. For example, in China's goal-based responsibilities, local officials fabricated key statistical data about their economic duties. In addition, various gaming behaviors such as selective policy enforcement, distortion of output, concealment of mistakes, and positive demonstration of their achievements have appeared.¹¹¹

¹¹⁰ An interview with a division chief of Guangzhou's municipal human resources and social security bureau, June 23, 2016; Zhou Zhiren, 2015b: 40-41.

¹¹¹ An interview with a division chief of Guangzhou's municipal human resources and social security bureau, June 21, 2016; Gao, 2015.

The reason for the various playing-games-actions of the local officials in response to the formal performance management system is that the performance management system has not yet become an effective institution. The efficiency of the system is a matter of whether the system has enough binding power to regulate actors' behavior. However, in regions that had a relatively efficient performance management system, the performance management system continued by adapting to the informal system, such as various gaming activities of local officials, and modifying the rules little by little. On the other hand, in regions with inefficient performance management systems, a relation between formal institution and informal institution was competitive or sometimes informal institution replaced formal institution through local officials' playing games.

2) Discipline and Punishment

So far, if the study focused on the performance management system, which compensated local officials when the performance of the state agents was good, now it will analyze the penalties and sanctions, another key axis of the cadre management system. These rewards and sanctions are two important mechanisms that ensure the accountability of local officials (Cai, 2014: 5).

The use of sanctions and discipline in authoritarian regimes such as China had complex problems. First, the Chinese Communist Party can have more autonomy in disciplining state agents because of monopoly of power and information flow in dictatorship, while it must rely on such agents for governance and rule. On the one hand, the use of discipline dampened the morale of agents and their supporters. On the other hand, lack of discipline led to the deterioration of the regime's legitimacy and the weakening of the state's law and policy enforcement capabilities (Cai, 2014: 6-7).

Thus, when considering the needs and costs of disciplinary actions for state agents, both discipline and tolerance are possible choices, and whether or not a wrongful

agent is acceptable or tolerable depends on the seriousness of the consequences of agents' torts and the responsibility for agents' tort (Cai, 2014: 12).

The malfeasance of Chinese government officials consisted of two kinds of illegal acts related to immoral and illegal selfish acts and job related illegal acts. The former is an activity that mainly manifested itself in corruption activities and achieved personal selfish benefits. Job-related illegal activities included failure to perform duties and delinquency of duties by violating rules or laws in the course of performing work (Cai, 2014: 10-11).

In China, the punishment for illegal acts of these Chinese public officials included the punishment based on the Party's Punishment Regulation and the punishment through the court of the judiciary system, and the punishment type consisted of the weakest to the strongest in the order such as warning, strong warning, removal from party position, recommended removal from non-party position, probationary membership in the party, and dismissal from the party (Zhong, 2003: 154-156).

The removal from the official positions and probationary membership in the party within and outside the party is serious, but it is not necessarily a punishment that ends one's career. Because one official's position can be restored as long as she or he remains a member of the party. A person's probationary status can be restored to a complete party member. Unofficial punitive practices often used for party officials were transfers from one position to another, or to a less important position with the same rank in another locality (Zhong, 2003: 154-156).

In practice, however, most disciplinary procedures already became formality and routine problems. Networking and behind-the-scenes manipulations played a more important role in the party's discipline. In other words, local party's organizations rarely sent the cases that involved party officials to the judicial system outside the party system, and party officials often seek shelter in the party system. The risk of being caught for corruption and the risk of punishment were relatively low while the rewards were large. It is

particularly difficult to discipline party and government officials in the county and township, because there existed various close connections among local officials (Zhong, 2003: 154-156).

Now let's look at how strongly the discipline of local officials has been binding by looking at the illegal acts, punishments and sanctions of the local officials in Guangdong and Zhejiang provinces. According to the table below, the main area of discipline for the party members in Guangdong province was the economic profit, that was, the corruption act to obtain profits. 22.7% in the period of 1956-1965, 17% in 1979-1993, and 36.1% in 1994-1995 were related to corruption, and dissolute lifestyle of the party members was the next highest. Political mistakes and crime rates decreased over time, and the percentage of family planning violations increased to 29.7% in 1979-1993. This is because the discipline of political mistakes such as ideological errors was balanced with the economic corruption in the Mao period, and in the period of the reform and opening policy, the punishments and discipline for the indulgent lifestyle of local officials were increased due to the economic development and resultant rising economic crimes.

Table.3.17. Disciplining of Party Members in Guangdong Province in Selected Periods

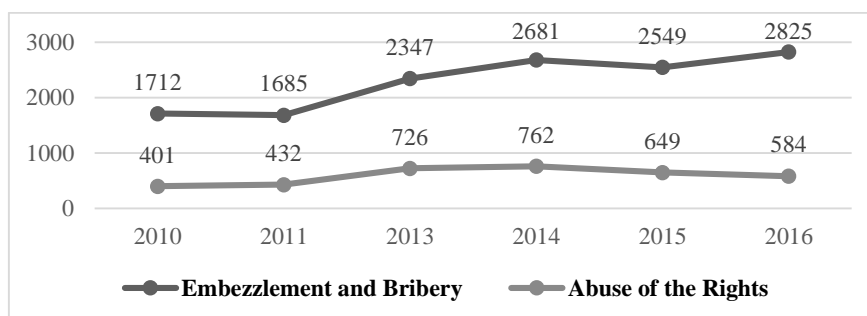
Misconduct	1956-1965	1979-1993	1994-1995
Economic Interests	22.7	17	36.1
Dissolute Lifestyle	12.4	15.3	16.4
Failure of Governance	17.1	3	5.3
Political Mistakes/Crimes	21.7	2.9	0.7
Violations of Family Planning	-	29.7	15.3
Miscellaneous	26.1	32.1	26.2
Total (percentage)	100	100	100
Total Number	136,552	81,471	5,090

*Source: Cai, 2014: 22

A more recent data from Guangdong Province shows that in the case of embezzlement bribery and abuse of the rights conducted by the local officials, including the full

and deputy department rank cadres and the full and deputy division chief rank officials, the number of corruption bribery cases charged by the People’s Procuratorate of Guangdong Province rose 65% from 1,712 in 2010 to 2,825 in 2016, and the number of abuse of the rights increased by about 46% from 401 in 2010 to 584 in 2016. Particularly, the issues on abuse of the rights included the problems of nonfeasance that irritated people greatly and irregularities, and specifically were related to abuse of positions, delinquency of duties and bribery.

Figure.3.8. The Total Number of Local Officials with Misconduct in Guangdong Province in Selected Periods



*Source: The Work Reports of the People’s Procuratorate of Guangdong Province, Various Years

The number of the department rank officials who have been charged with a bribery and an abuse of the rights in Guangdong Province has rapidly increased from 14 in 2010 to 48 in 2016. In particular, the number of the department rank officials was 69 during the five years until 2012. The number of the division chief rank officials has also increased, from 109 in 2010 to 165 in 2016. In particular, 243 and 236 division chief rank officials in 2014 and 2015 were charged with graft or abuse of the rights in the Procuratorate.

Table. 3.18. The Total Number of Local Officials with Misconduct and Department and Division Chief Rank Officials with Misconduct in Guangdong

Misconduct	2010	2011	Five Years until 2012	2013	2014	2015	2016
Corruption and Bribery	1,712	1,685	9,025	2,347	2,681	2,549	2,825
Dereliction of duty or Abuse of the Rights	401	432	2,218	726	762	649	584
Department Rank Officials	14	15	69	32	34	52	48
Division Chief Rank Officials	109	125	629	170	243	236	165

*Source: The Work Report of the People's Procuratorate of Guangdong Province, Various Years

In the 2015 Main Work Report of the Guangdong Provincial People's Procuratorate, the serious cases of bribery with over one million yuan and serious violation of rights included 614 cases with an increase of 7.53% over the same period of the last year. The provincial prosecutors investigated 29 people including Huang Boqing, a former head of the Provincial Irrigation Bureau, and Liang Yimin, a former party secretary of Maoming City.¹¹² In 2014, more than 1 million yuan of illegal bribery and serious violations of rights were recorded in the 568 cases, up 19.08% from the same period last year. Meanwhile, in 2014, the 631 officials of townships, sub-districts and rural grassroots cadres were investigated for "lower level officials with serious bribes (*xiaoguanjutan*)" and job-related crimes that harmed the interests of people seriously, and Liang Weiqiang, a vice chairman of the Town Office of Economic Development in Aotou Town of Conghua City, was arrested on charges of embezzling 53.91 million yuan for land acquisition.¹¹³

On August 7, 2005, a safety production accident occurred in the Daxing coal mine in Xingning County-Level City of Meizhou Municipal City, 123 people were killed

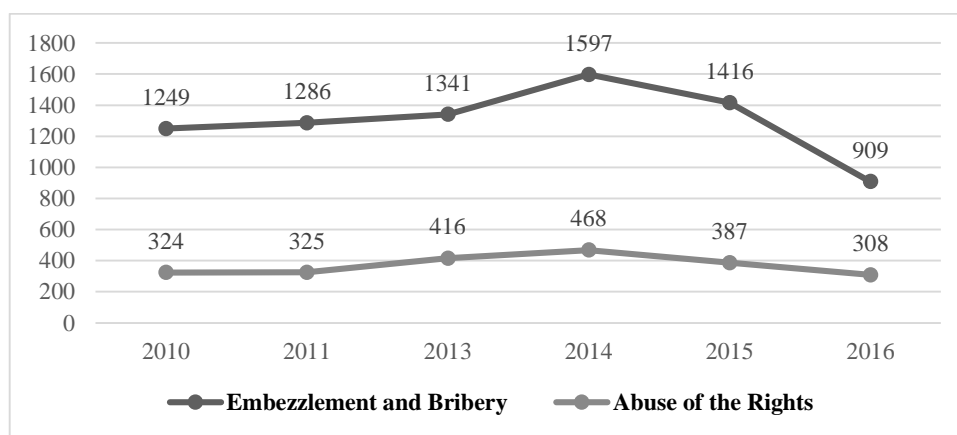
¹¹² Homepage of the People's Procuratorate of Guangdong Province, http://www.gd.jcy.gov.cn/ygjw1/gzbg1/201602/t20160204_1751629.shtml, (Accessed: 2017.4.17).

¹¹³ Homepage of the People's Procuratorate of Guangdong Province, http://www.gd.jcy.gov.cn/ygjw1/gzbg1/201502/t20150211_1551135.shtml, (Accessed: 2017.4.17).

and the cause of the accident was illegal management of the coal mine owner. The Meizhou Municipal Government and the Xingning county government were also responsible for poor supervision, while Guangdong Province suspended the mayor's job of He Zhengba in Meizhou Municipality and investigated him, and for Zeng Xianghai of a mayor in Xingning County-level City, the province also took the same actions. Since then, He Zhengba did not get punished and only resigned due to the age restriction in November 2006 without any further punishment. In 2007, he was selected as a member of the Guangdong Provincial People's Political Consultative Conference. What we can see from these examples is that despite the fact that He Zhengba was related to and responsible for serious accidents, he was not particularly disadvantaged in the personnel issue, and was able to go about the ordinary way of resigning from the front line simply because of his age.

The figure below shows the number of bribery crimes such as embezzlement and bribery and abuse of the rights by local officials including the section rank and above in the province of Zhejiang from 2010 to 2016. In contrast to Guangdong Province, bribery and embezzlement decreased from 1,249 in 2010 to 909 in 2016. Abuse of the rights also dropped from 324 in 2010 to 308 in 2016. This can be interpreted in two ways. First, Zhejiang may not have made much effort to discipline local officials than in Guangdong. Second, in the case of Zhejiang, the actual corruption activities by local officials may be reduced. The total number of people has decreased, but if we look at it by rank, the number of the section rank and above has increased slightly from 449 in 2010 to 464 in 2015. Especially in 2013, it recorded the highest number of people with 571 people, and since then, it was on the decline.

Figure.3.9. The Total Number of Local Officials with Misconduct in Zhejiang Province in Selected Periods



*Source: The Work Report of the People's Procuratorate of Zhejiang Province, Various Years

Meanwhile, according to the report of the People's Procuratorate of Zhejiang Province in 2016, the number of illegal actors included the 81 division rank officials and the 5 department rank officials, and the 3 ministerial rank officials, and they were handed over to the judiciary institute with recovered 4.69-billion-yuan loss estimate. In addition, the 345 “flies” were arrested in order to strictly control grassroots cadres against corruption crimes.¹¹⁴ In particular, in the investigation of abuse of the rights in 2013, the investigation on the major environmental pollution incidents, major responsibility accidents, and the bribery and abuse of the rights in the serious large-scale protests were carried out. The 32 cases and 416 people were charged. Among them, the number of serious cases increased by 23.3% over the same period of the previous year, to 159, and 1,056 people were charged and investigated in terms of corruption, three rural problem work, education, employment, housing, irrigation, social security, environment, safety production, health

¹¹⁴ Homepage of the People's Procuratorate of Zhejiang Province, http://www.zj.jcy.gov.cn/art/2017/1/24/art_23_34529, (Accessed: 2017.4.17).

and drug and law enforcement and judiciary system.¹¹⁵

Table. 3.19. The Total Number of Local Officials with Misconduct and Department and Division Chief and Section Rank Officials with Misconduct in Zhejiang

Misconduct	2010	2011	Five Years until 2012	2013	2014	2015	2016
Corruption and Bribery	1,249	1,286	6,735	1,341	1,597	1,416	909
Dereliction of duty or Abuse of the Rights	324	325	1,588	416	468	387	308
Section Rank and above	449	Bribery: 370 Abuse of the Rights: 74	2,346	571	515	464	345
County Division Rank	166	Bribery: 146 Abuse of the Rights: 18	766	139	124	111	81
Department Rank	4	Bribery: 7	44	7	7	12	5

*Source: The Work Report of the People's Procuratorate of Zhejiang Province, Various Years

This enhancement of the investigations on the bureaucratic embezzlement and abuse of the rights might be influenced by the anti-corruption movement of the Central Discipline Inspection Committee of Xi Jinping and Wang Qishan at the central level. In particular, the investigation of grassroots cadres called “flies” in the two regions has been strengthened, and investigations on the officials at the department rank and above, called “tigers,” have been strengthened. In the case of economic crimes, there were more claw-back of state property than before. Nevertheless, as can be seen from some examples of bureaucrats such as a mayor of the Meizhou City, not all the local officials were punished, and deciding on discipline and tolerance depended on the seriousness of the incidents’ results and responsibility for the outcome of the accidents, and the local officials’ ability

¹¹⁵ Homepage of the People's Procuratorate of Zhejiang Province, http://www.zj.jcy.gov.cn/art/2014/1/26/art_23_4445.html, (Accessed: 2017.4.17).

to mobilize resources and connections to cover crimes.

To summarize the characteristics of the cadre management system so far, positive incentives through performance management of local officials were relatively strong, while negative incentives through discipline and punishment were comparatively weak. Especially, the biggest problem in China's local cadre management system was that local officials were not to be demoted easily even though they often got promoted or transferred horizontally easily.

Next, we will look at what activities county officials who were influenced by the fiscal and cadre management systems we have seen so far, were actually doing in the state-building programs. And through the analysis of these activities, we will focus on whether we can confirm that 'the state's power has gone well below the county-level.'

Chapter 4: Not Entirely Creative Institutional Innovations? :

Local State's Grassroots State-Building

In Guangdong and Zhejiang provinces and Tianjin City, county governments accounted for the highest percentage of social, cultural, educational, and economic construction spending, and the county of the Guangdong and Zhejiang received the most performance evaluations in these areas from both provincial and municipal governments. Especially, among the social, cultural and educational expenditures, the urban and rural community spending was followed by educational expenditure with the most amount of funds, and the county governments of Guangdong and Zhejiang provinces were evaluated specifically in the areas of social management, public service, and government information disclosure. Also, the central government actively supported the villagers' self-governance with the aid of "One Village Affair, One Consultation," "Award instead of Subsidy" and the general grants, which were a part of the Tax for Fee Reform, and Guangdong actively promoted village-based self-governance reform. In addition, the county government expenditure in social, cultural and educational area was the largest in Tianjin, and many of the financial resources were spent on social management work through urban communities including the comprehensive law enforcement reform and grid management.

Among the areas of performance evaluations by the upper-level, the public service and government information disclosure, which were the core work of service-oriented government construction, were evaluated in the construction of the administrative licensing center in the county governments of the three provinces. This was a major reform in the government efficiency governance area. And urban community construction and social management were representative policies of voice and accountability governance area. The voice from below was articulated and the accountability to the public was strengthened. Therefore, the county governments in the three regions actively promoted projects to improve government efficiency and voice and accountability governance

through fiscal spending and performance evaluation.

Finally, government reorganizations of the super-department system along with the construction of the administrative licensing center was a major reform that affected government efficiency governance. The reason that reorganizations of the county government was an important reform is that as the public financial resource of the sub-county units was concentrated in the county's coffer and the central grants were allocated through the county's fiscal system, "interests" of the county-level bureaus played a crucial role in the departmental budget of the county and the special grants' project governance, and the reorganization of the county government aimed at coordinating such departmental interests. As a result, the efficiency and effectiveness of government organizational restructuring reforms affected governance efficiency governance.

In the process of promoting governance efficiency and voice and accountability governance reforms in the three regions, the way in which the county carried out the state-building at the grassroots level was different. The reason for this difference is that the financial structure of the three regions was different. In the provinces of Zhejiang and Guangdong, the proportion of central grants in financial revenue was small, and the financial self-sufficiency rate was high, so that more financial resources were extracted from the society than the central government and the financial dependency rate on the society was high. Therefore, the two regions had no choice but to be influenced by social participation or social pressure in various institutional innovations. Since Zhejiang province had the highest financial self-sufficiency rate, it promoted the state-building in a way of "social participation" which mobilized the society's ability more actively. In the case of Guangdong Province, self-sufficiency rate was lower than that of Zhejiang Province, and promoted institutional innovations that responded passively to "social pressures" from enterprises or migrants.

On the other hand, the county government in Tianjin had a higher proportion of grants and the lowest self-sufficiency rate. Therefore, accountability for the upper-level

rather than society was stronger, and state-building at the grassroots level was achieved through promotion competition between the county governments. Now, we will look at the cases of institutional innovations of state-building in the three local government regions, and examine the mechanism of the penetration of the state's power and the limits of state's power in the process of government efficiency governance and voice and accountability governance reforms.

1. Government Reorganization: Penetration of County Leaderships' Ideas vis-a-vis Departmentalism's Resistance or Foot-Dragging

The reorganization of the county government is related to the efficiency of policy enforcement and coordination among interests of local departments in the area of the government efficiency governance. The penetration of the state power through organizational restructuring depended on the relationship between "ideas" of county leaderships and "interests" of local departments. If local departmentalism was well coordinated and reorganized through the super-department reform, the state's power was able to reach the sub-county through the county's bureaus. Therefore, the analysis of the reorganization of the county government is the starting point for scrutinizing the penetration of the state's power to the sub-county units.

In a study of comparing the reorganization reforms of Shunde in Guangdong and Fuyang in Zhejiang, the types and diffusion of reforms varied according to the differences in the provincial leaders' factional relations with the central leaderships and provincial economic conditions. In both regions, the economic conditions were very good, but because in the reform of Shunde District, a provincial leader, Wang Yang had a factional relation with the central leadership, while the leadership of Zhejiang Province did not have such a relationship. As a result, there was no great diffusion of the reforms in Zhejiang, but there was great diffusion of the reforms in Guangdong (Tsai & Dean, 2014).

However, unlike the previous study, this study will identify the reform initiative, process and the characteristics of reform rather than the diffusion process of these two regional reforms. By focusing on the driving forces of the institutional innovation within the county, it can be seen that the strength and sustainability of the reforms depended on how the relationship between “ideas” of the county leadership and “interests” of local departments that implemented the reforms had changed. In this study, provincial leadership only played a supporting role in the reform ideas of the county leaderships. And it can be seen that the competition among the county governments rather than the factional relationship between the central leadership and the provincial leadership influenced the spread of reforms in the case of the administrative licensing centers’ institutional building in Tianjin City.

Another study on the reorganization of the county government showed that the strong top-down support of provincial leadership and the autonomy given to the county government in Guangdong Province played an important role in the implementation of more radical reforms. However, the problem of reforms was the complexity of vertical and horizontal coordination, a clash among merged large departments and the relationship with higher departments (Ma, 2016). However, conflicts of interests among local departments needed to be understood in relation to the reform ideas of county leadership.

Finally, there was also a study that a political coalition among sub-provincial political elites was the most important variable that explained the administrative reform of Shunde District. Especially, when the coalition was formed between the provincial leadership who had a strong will to support the reform and the grassroots cadres with a strong commitment to the reform, the reform did not fail and the coalition did not collapse (Zhang, 2016). However, even if such a coalition was formed, it was difficult for the reforms to continue, because relevant local bureaus did not support or even oppose them and the vicious circle in which the leaders who have pursued the reforms left the region and the reforms disappeared was repeated. And the support of provincial leadership was

important, but reforms can be started and diffused also by the competitions among the counties without top-down command or coercion as shown in the case of Tianjin's reforms. Next, let us examine how the relationship between the reform ideas of the county leaderships and the departments' interests influenced the characteristics and outcomes of the reforms, by comparing and analyzing the organizational restructuring of the Shunde District in Guangdong Province and Fuyang District in Zhejiang Province.

Guangdong's Shunde District and Zhejiang's Fuyang District implemented the government reorganization reforms in a different way than the reforms of their respective higher-level governments such as Foshan and Hangzhou cities, and each model spread to other regions after the central and provincial approvals and recognition with their bottom-up reforms. Other county-level governments largely pursued institutional reforms in a similar way that reorganization started from the higher level such as provincial or municipal level and similarly the county followed suit, while Shunde and Fuyang independently attempted more drastic reforms.

The questions that can be raised from the comparative case study of the Shunde and Fuyang is that although the two regions had different political and economic conditions, how could the two counties be able to carry out more differentiated government reorganization reforms than those of other counties, and what were the reasons for the two counties to promote different reorganization reforms despite the similarity in terms of the provincial and municipal political economic conditions.

In detail, Fuyang District constructed not only division of labor and cooperation mechanism among the five party-state organizations, but also operation mechanism among the 15 committees in 2007. This aimed at improving coordination between government departments and other state institutes through reforms. For example, in the Urban and Rural Integration Committee, a chairman who was also a vice mayor and a vice chairman were responsible for coordination among bureaus, and leading departments took charge of the committee's daily operation, while the remaining departments cooperated

with the leading local bureaus.

On the other hand, Shunde District was selected as a pilot reform county by the Guangdong Province in November 2008, the province issued “the Plan for the Party-State Reorganization Reform of the Foshan City’s Shunde District,” on September 14, 2009 and the super-department system of Shunde was officially launched. According to “the Plan,” Shunde District used to have originally the 41 party-state organizations and merged the party and government agencies that carried out the same functions according to the functions such as development plan, urban and rural construction, social management, economic construction, market regulation, mass organization work and supervision. The county made the departments with the overlapping or similar functions work in the same office and streamlined the party-state agencies to 16, including the Commission for Discipline Inspection, the six party committee departments, and the ten government departments. For example, by integrating the functions of the five organizations such as the civil affairs bureau, foreign and overseas Chinese affairs office and mass organizations, the party committee’s social work department and the government’s civil affairs-religion-foreign and overseas Chinese affairs bureau were created to work in the same offices.

The following table compares the two reforms of Shunde and Fuyang that we have seen so far. Shunde’s super-department reform was more radical and complementary with other reforms than that of the Fuyang’s committee system in a way that Shunde not only reformed the government function but also reorganized the organizations of the party-state, while Fuyang only reformed the government function but not reorganized the organizations.

Policy decision-enforcement-supervisory structure of Shunde basically coincided with that of Fuyang. In a decision making, both Shunde and Fuyang concentrated their decision-making powers, which were originally dispersed among the different departments of government, on the Joint Meeting of four main party-state organizations such

as the party committee, the LPC, government and the CPPCC. The heads of the government departments in Shunde District and the heads of the Professional Committee of Fuyang District were all members in the Joint Meeting of the same leadership organization, including the Districts' Party Committees. After the decision was finalized, the super-departments of Shunde and the Committees of Fuyang were easier to understand the intentions of the party leaders and contributed to the more accurate policy decisions and implementation.

Table.4.1. Comparison between Shunde and Fuyang in terms of the Government Reorganization Reform

	Shunde District	Fuyang District
Affiliation Type	Party-State Coalition	Coordination among Local Departments
Operational Mechanism	Division of Labor and Cooperation	Communication and Coordination
Decision-Making Power	Joint Meeting	Enlarged Meeting of Party Standing Committee or Joint Meeting
Enforcement Power	Individual Super-Department and Town (Sub-District)	Functional Department and Town (Sub-District)
Supervision Power	CDI(Supervision and Audit Bureau) CDI's Dispatched Group	Supervision Management Committee (Internal and Outside Supervision)
Decision Making Consultation	District Development Planning Statistics Bureau, Policy Decision Consultation Research Office	Committee of Policy Decision Consultation (LPC and CPPCC as Leading Players and Internal and Outside Experts)
Complementary Reforms	Government Streamlining, Empowering Town Government, Administration Licensing Reform, Social Management System Reform, Rural Comprehensive System Reform	Target Responsibility System, Daily Supervision System, Classification Evaluation System
Streamlining Party-Government Organizations (until 2014)	2/3 Streamlined, since 2009, Increase by Five Organizations for Five Years	Without Streamlining, 5+15, Three Leadership Small Groups, Decision Making Consultation Committee, Five Institutes of Supervision Management Committee, 15 Temporary Committees
Advantages	Advantageous for Coordinating Administration Functions, Breaking Down Boundaries among Party-State Organizations, Improving Efficiency, Downsizing Administrative Costs	Weak Resistance against Reform
Limitations	Difficult to Connect with Upper-level Departments, Increase in Costs of Communication within Super-Department	Difficult to Improve Administration Efficiency without Changes in Structure of Departments and Personnel

*Source: Guo Yong, 2015

In terms of policy enforcement, there was a leading government department which was a member in one of the professional committees in Fuyang, but the efficiency of the policy execution was lower than that of Shunde, unless coordination mechanisms worked properly because of the need for cooperation and coordination among various departments. In terms of supervision, Shunde was able to break the boundaries of the party-state departments and advantageous for the party's leadership on the government departments, and the Fuyang Supervisory Management Commission was advantageous in that it could utilize diverse supervision means both inside and outside the system (Guo Yong, 2015: 83-84).

Let's look at the background of the organizational restructuring of these county-level governments. First, the person who initiated the innovation of the "Special Committee" system was Xu Wenguang of the former party secretary of Fuyang. He served as a party secretary of Fengqiao Town and a mayor of Shangyu County-level City and was called a "Administrative Reformist." Fuyang District proposed a strategic goal of a "Rich and Transparent" city at the end of 2006, and when he took office in the party committee of Fuyang, Fuyang had suffered governance deficits due to the ruling of many heads (power competition among local departments), overlapping of the organizations, separation between authority and responsibility and transfer of public power to the departments and conversion of public power into departments' interests. In order to solve this problem, Xu Wenguang started the Fuyang's Special Committee system reform (Shi Yajun, 2010: 147-150).

Xu said, "the internal demand for strengthening the party's ability to control the government could be achieved through an acceleration of the government role's transition." What models this transformation should follow became a matter of direction. The enactment and implementation of the "Special Committee system" consistently proceeded with the question of "what form was the new government and how can the new govern-

ment be created.” According to Xu, the new contemporary government included the combination of the two core ideas. On the one hand, limited government, rule of law and efficient government should be created, and on the other hand, people-oriented government, service government and responsible government must be established. For the link among limited, rule of law and efficient government, Xu had such understanding that “limited government reduced power of government, rule-of-law government regulated government’s power, and efficient government used government’s power well.” His deep understanding established the theoretical foundation for Fuyang’s committee system (Shi Yajun, 2010: 147-150).

Second, another important factor that explained the institutional innovation of Fuyang was the departments’ “interests.” Xu Wenguang summarized decentralized state of daily operations or decision making in the traditional government organizations. “Each type of plan was respectively designed, production’s distribution was individually arranged, resource allocation was respectively managed among different local bureaus, and departments competed for the same resource.” If problems arose and local departments could not solve them, people visited and meet vice mayors. If vice mayors could not solve them, people visited and seek help from a standing member of vice mayors. If standing vice mayors could not deal with them, people saw mayors. If mayors could not solve them, people visited party secretaries. He harshly criticized that interdepartmental coordination was not working well (Shi Yajun, 2010: 147-150).

In this way, Fuyang’s special committee system’s innovation was not able to promote more intense coalition-type reform, like Shunde district, due to the decentralized departmental interests and lack of coordination among them. As a way of alleviating the resistance of the departments, Xu chose to use a mechanism that did not change, reduce or merge the party and government organizations, unlike the Shunde’s reform. Xu said, “If we do not reduce the organizations or do not increase the organizations, people’s mind will not become unstable, there will be no social agitation, and the goals of functional

integration and smooth operation can be achieved with minimum costs and minimum resistance (Shi Yajun, 2010: 147-150).”

The special committee system handed down the important issues of the whole Fuyang region to the joint meeting of the four institutes (the party committee, LPC, government, and CCCPC) and decided to discuss and made decisions. This allowed the LPC and CCCPC to play an important role in policy making and was able to better implement the democratic policymaking system. On the other hand, the special committee system integrated the policy decision power of the departments with the policy power resources so that the members of each special committee could think with a more macroscopic view during the execution of the policy decision and guarantee the effectiveness and direction of the policy decision (Shi Yajun, 2010: 153).

But there existed some problems. Although the special committees of Fuyang had been in operation for more than a year, personnel of various departments who resided in each special committee did not consider the personnel who belonged to the different departments in the committee to be their colleagues, collaboration and coordination between local departments were still difficult to be conducted under the committee system, as wages and bonuses were still determined and allocated by the departments they belonged to (Jin Guokun, 2010: 107).

Next, the context for explaining institutional innovations of Shunde can be said that “coordination” among the party-state organizations had existed in the past. In the process of comprehensive reform in 1992, Shunde experienced the reorganization reform that merged the office of the Party Committee and the office of government, and the CDI and the Supervision Bureau, and the Organization Department and the personnel bureau, and the party organizations effectively constrained the power and interests of major government organizations.

As a result, the grassroots state-building of Shunde can be explained by two fac-

tors: coordination between the party-state organizations, and institutional complementarity of past reforms before the super-department system. In the table, we compared the Shunde’s reform with that of Fuyang, which we have seen so far. The reform ideas in the both regions were the once-popular “Whole-of-Government,” and “Joined-up Government” in western government reforms, and these “ideas” were applied to the reforms of Shunde District and the Fuyang District.¹¹⁶

Table. 4.2. Comparison of Shunde and Fuyang in terms of the Explaining Factors such as Ideas and Interests

	Shunde’s Party-State Coalition	Fuyang’s Special Committee
Ideas	Whole-of-government/ Joined-up government	Whole-of-government/ Joined-up government
Reforms	Super-Department	Special Committee
Coordination	Very Strong	Weak
Communication	Weak	Weak
Department Interests	Moderate	Very Strong
Effects of Institutions	More Binding	Less Binding

Especially, in late 2008, Liu Hai, who was the former county party secretary of Shunde, went to the National School of Administration and invited relevant experts for the design of the super-department reform. In addition, the role of Wang Yang, the former party secretary of Guangdong was very important in shaping the reform ideas of Shunde. After the cancellation of the County-level City in 2003 and the establishment of the District, reforms and economic development of Shunde slowed down. In October 2008, Wang Yang visited Shunde for the first time and held a special economic zone meeting in November. In this meeting, Wang Yang demanded that Shunde continuously reform and emphasized the importance of the super-department system. Wang Yang, who visited Shunde

¹¹⁶ See the following study for the argument that the super-department system was similar to the linked government approach in other western countries such as the UK’ reform (Tsai & Dean, 2014).

for the second time in January 2009, demanded to constantly free ideas, maintain reform and openness, and practice the SOD. Wang Yang, who visited Shunde for the third time in June 2009, listened to the report on the super-department reform's plan and presented a revised opinion. After reviewing the rudimentary plan, Wang Yang was very satisfied, and on September 14, 2009, the "Foshan City's Shunde District's Party-State Organization Reform Plan" was finally approved by the Guangdong Provincial Government (Zhangnan Diyang, 2014: 60-61). Thus, the reform idea of the Shunde District was completed with help of experts at the National School of the Administration and Wang Yang of the former party secretary in Guangdong, and at the beginning of the reform, Shunde's reform idea was easily materialized and the super-department system proceeded smoothly and quickly under the protection of the provincial leadership.

On the other hand, both Shunde and Fuyang had been weak in communication of the reforms with society and media, but the "coordination mechanism" among the party-state organizations was strong in Shunde, while such coordination in Fuyang was very weak and conflicts among local bureaus were severe in Fuyang. In the case of Fuyang, "interests" of departments were strong, while local bureaus' interests were not strong due to the restrictions by the party organizations' strong coordination. In summary, while the reform ideas of Shunde's leadership and strong coordination mechanism led to a more effective institutional reform with a strong binding effect, the reform ideas of Fuyang's leadership and the strong interests of the government departments resulted in the institutional innovation that was somewhat less institutionalized or binding and also had less institutional complementarity than Shunde's reform.

In order to better understand the reform of Shunde, it is necessary to compare it with Nanhai District's conditions, which was located in the same jurisdiction of Foshan City in Guangdong Province. Comparing with another county in the same jurisdiction of the province and municipality helped to identify factors that were important only in the county, controlling the important political and economic variables and conditions of the

province and the municipality. The economic indicators of Shunde and Nanhai in 2008, the year before the implementation of the super-department system, were quite similar as shown in the table. Shunde’s GDP was 15.6 million yuan, while Nanhai’s was 14.9 million yuan, the financial revenue in Shunde was 790 thousand yuan, while that in Nanhai was 760 thousand yuan. When controlling for these economic variables, there occurred a change in the system to the party-state coalition’s super-department model in Shunde, while in the case of Nanhai there did not exist such a system. Therefore, it is necessary to examine why the institutional innovation did not occur in Nanhai but in Shunde. The reason for the institutional innovation of the Shunde was the reform “ideas” formed by Liu Hai, a party secretary, experts at the National School of Administration and the provincial leadership’s strong support, and the strengthening of the coordination mechanism between the party-state organizations, which had already been implemented in 1992. On the other hand, Nanhai had no such radical prior reforms of organizational restructuring as the merger of the party-state organizations and such clear ideas of the county leadership.

Table. 4.3. “Most Similar Cases” of Comparative Analysis between Shunde and Nanhai

The year of 2008	Shunde District	Nanhai District
Area	806.5 Square Kilometers	1,074 Square Kilometers
Population (Household Registered)	1,202,692	1,159,302
GDP(Yuan)	15,605,995	14,907,534
Government Revenue (<i>yuan</i>)	793,377	762,388
Institutional Innovation	Yes	No

Second, the background of the Shunde’s institutional innovation can be said that the institutional complementarity was already developed before the super-departments became the foundation for the new institutional innovation. On July 27, 1999, Guangdong agreed on the idea of appointing Shunde County-level City as the priority area for realizing the pilot modernization area. On the assumption that the administrative rank of Shunde was unchanged, except for the Party Committee, the CDI, the Supreme Administrative

Committee, Provisional Inspection Committee, the People's Procuratorate and the Court, and the administrative authority of the national vertical management departments controlled by Foshan City, municipal authority of the affairs in the economy, society and culture's areas was awarded to Shunde City and was made directly responsible for Guangdong Province. However, on January 8, 2003, the administrative reform of Shunde District was temporarily suspended due to the incorporation of Shunde, Nanhai, Gaoming, and Sanshui into the administrative district of Foshan City (Wei Hongying & Li Shiyong, 2013: 169-170). The main focus of this reform was the rural system reform corresponding to urban construction. Since then, in the second half of 2000, the municipal government have been separated from the public service units and the business units. In order to standardize government's management, administrative licensing reforms has been carried out.

The main problem of the super-department reform was that the regime structure of the upper level government was not touched and reformed, that is, "the lower level reformed, but the higher level did not reform." The merger of the super-department was a technical problem in terms of procedural and coordination issues, and became a political pressure by allowing departments' officials and society to complain about the new regime. People who experienced reforms directly often complained about discomfort after the number of the departments was reduced, while through the complaints from the local officials it can be seen that even after the merger, no matter how to integrate the departments legally, due to the different departmental process, the super-departments still faced resistance of various local bureaus (Lin Xuefei & Xu Xianglin, 2016: 7).¹¹⁷

¹¹⁷ According to a professor who watched and investigated the reform of the super-department merger in Fuzhou City of Fujian Province, some district governments established the market supervision agency by merging departments such as industrial commerce bureau and food and drug supervision bureau. Even after the establishment of the super-department, instead of cooperation, conflicts among the departments became more intense. According to the professor, in the process of executing policies, each department such as the department of industrial commerce and the department of the food and drug supervision still had their original ways of doing before they were merged, but it is difficult to work in the uniform way in one large department. And they still kept their way of working and conflicts did not stop so that the super departments eventually went back

In this way, Shunde strongly promoted the reform with the idea of county leadership and the high-level support at the beginning of the super-department reform, but it was not accompanied by the same reforms of the higher level government and it faced resistance due to conflicts among the existing departments and the public's discomfort. As a result, the reform's driving force was getting weaker and weaker. Local bureaus' interests and social pressures became the real obstacles in the reform of Shunde. In this way, under the condition that the social pressure and demand were very strong in Guangdong Province, on the one hand, this condition contributed to initiating or accelerating reforms and on the other hand, this obstructed reforms. Therefore, in order to restore the lost public support in the reform of the super-department system, Shunde revised its goal and direction by reforming the licensing system to be reviewed later.

2. “Serve the People”: Holy Mission of the Local Governments, Impossible or Possible?

The service-oriented government's construction is also a part of the government efficiency governance area along with government reorganization reform. The conditions and reasons for local officials to promote various institutional innovations in this area were: the economic conditions such as county governments' rich fiscal resources, the reform ideas and the central leadership's commitment to reforms, and the pressure of the higher governments through lower level fiscal spending mandates and performance evaluation, competition among county-level governments, and social pressures. Let us first examine the history of reforms related to administrative licensing system at the central level before examining the construction of the local administrative licensing centers, a representative

to the original system (an interview with a professor at the Fujian Normal University, March 6, 2015).

example of the local service-oriented government.

1) Central Administration Licensing Reform: “Ideas” of Service-oriented Government

The characteristics of the Chinese government reform from 2003 to 2012 can be summarized as responsible government, rule-of-law government and service-oriented government. In the direction of responsible government’s construction, the center carried out the administrative censure of local officials such as Zhang Weikang, a head of the Ministry of Health and Meng Xuenong, a mayor of Beijing who was incapable of dealing with the SARS crisis. In the process of disciplining the Shaanxi provincial leaders, the center promoted the construction of administrative reprimand system. The government of the rule of law began to be pursued with the administration according to the law and democratic administration and to be implemented with a system of public disclosure in each region. In December 2000, the General Office of the CCCPC and the State Council issued the “Notice on the Full Promotion of Public Disclosure in the National Township Government Agency” and the “Opinion on the Further Promotion of Public Disclosure,” in April 2005, and a public disclosure system was built voluntarily at the local level (Chen Shengyong, 2014: 11).

The service-oriented government construction was emphasized in September 2003 in a speech given by the former Prime Minister, Wen Jiabao in the National School of Administration that “economic regulation, market supervision, social management and public service were the four basic functions of the government under the socialist market economy’s conditions.” On Feb. 21, 2004, during the speech to the advanced research team of the provincial ministerial leadership cadres’ establishment and practice of the SOD, the idea of the “service-oriented government” was presented. In March 2005, Wen

again emphasized that “government should make efforts to build a service-oriented government (Chen Shengyong, 2014: 12).”

Thus, the central government of China emphasized the reform ideas of the responsible government, the rule-of-law government and the service-oriented government, and promoted specific policies and reforms in the center and local areas. The institutional innovations of various government efficiency governance that took place in the 2000s and 2010s in various localities would not have been possible without the center’s clear ideas and support.

In 2007, the 17th National Congress of the CCP presented the service-oriented government’s construction as an important goal of reforming the administrative system. In the “Opinion on Deepening the Government Work Disclosure and Strengthening the Government Service” issued by the Office of the CCCPC and the State Council, the center emphasized that the government service center was an important platform for conducting public disclosure and strengthening government services, and all administrative affairs closely related to enterprises and citizens were required to go into the government service centers for processing. At the videoconference of the “Work of Strengthening the National Administrative Licensing System Reform” held on November 14, 2011, Wen Jiabao made clear suggestions that systems of administrative licensing and public services must be made, the construction of a service-oriented government should be promoted, the construction of a government service center must be strengthened and one department, one level local government and one external window should be implemented in principle.

On May 13, 2013, at the videoconference of the “Mobilizing the Transformation of the State Council’s Government Organization Functions,” a prime minister, Li Keqiang urged the central ministries to reduce licensing for production and management activities and products as many as possible and to reduce the scope of licensing, approval and acceptance of investment projects as many as possible and to cancel licensing that did not comply with the licensing requirements laid down by the Administrative Licensing Law.

Subsequently, the government will no longer install new administrative licenses, but if a new red tape is required, it needs strict adherence to the Administrative Licensing Law and the problems of an increase in administrative licenses on the one hand and a decrease on the other hand and an explicit decrease with implicit increase must be dealt well with and solved (The Party Document Research Center of the CCCPC, 2014: 295).

Thus, from Wen Jiabao to Li Keqiang, the central government expressed its strong will to reform the administrative license system, and in particular, Li Keqiang showed a strong will to reduce administrative licensing items by demanding rigorous standards and review of the establishment of new red tapes. As Li Keqiang pointed out, it was a serious problem to ask for reforms at the center, but still to increase administrative licenses implicitly in some local bureaus and central ministries.

Since the reform and opening, the State Council has placed great emphasis on promoting the reform of the administrative licensing system for 10 years. By 2013, the State Council has canceled and adjusted the total of 2,183 administrative licenses with 60.6% of the total number and at the local level, 36,886 administrative licenses were canceled or adjusted, accounting for 68.2% of the total number (Yu Keping, 2014: 121).

One of the most important laws relating to administrative licenses issued by the central government was “the Administrative Licensing Law,” which was launched in 2004. The Administrative Licensing Law categorized the authority to establish administrative licenses as law, administrative regulations, administrative licensing rights set by the State Council, provincial laws, and provincial government’s administrative licenses. The authority of establishing the administrative licenses, which were not governed by the laws, but implemented by management needs or local regulations, was granted to the provincial level governments. If it is necessary to carry out the temporary administrative approval for more than one year, the provincial governments should submit an application to the LPC to establish relevant local laws and regulations. Therefore, according to “the Admin-

istrative Licensing Law,” administrative licenses can be set only by administrative authorities such as provincial and deputy-provincial municipalities and relatively large municipalities which have recently been granted permission to establish local laws.¹¹⁸

Prior to the enactment of the Administrative Licensing Law, the administrative licensing items were canceled once in 2002, 2003 and 2004 respectively. After the enactment of the Law, the administrative licenses were canceled and adjusted once in 2007, 2010, 2012 and 2013 respectively. Prior to the enactment of the Law, many items were canceled. For example, in the table below, the total number of administrative licenses that were canceled before enactment of the 2004 Law was 1,604, and the number of adjustment items was only 167. On the other hand, there were more adjustments than those before establishment of the 2004 Law, while there were less cancellations than those before enactment of the 2004 Law. The total 318 items were adjusted and only 483 items were canceled from 2007 to 2013.

Table. 4.4. Basic Situations on Simplification of Licenses and Permissions during the Seven Rounds of Administrative Licensing System Reforms

Year	Cancellation	Adjustment	Total	Note
First Round in 2002	789		789	All items were canceled
Second Round in 2003	406	82	488	Adjustment refers to change in management method and voluntary management of social organizations or intermediary organizations
Third Round in 2004	409	85	494	Change in management method and a transfer items to lower levels
Fourth Round in 2007	128	58	186	Same above
Fifth Round in 2010	113	71	184	A Transfer items to lower levels
Sixth Round in 2012	171	143	314	A Transfer items to lower levels and downsize licensing bureaus and items
Seventh Round in 2013	71	46	117	A Transfer items to lower levels, cancel evaluation on achievement of each type of indicators, cancel business-related fee collection and internal licensing of government organizations

¹¹⁸ The “Administrative Licensing Law,” Chapter 2, Article 15, http://www.gov.cn/flfg/2005-06/27/content_9899.htm, (Accessed: 2017.4.19).

*Source: Huang Xiaoyong, 2013: 171

In the process of the Administrative Licensing Law's enactment, it was found that many items that were reviewed needed to be dismantled in the early stage of the reforms, but as the enforcement was progressively stabilized after the enactment of the law, items that needed to be canceled began to decrease. Adjustment included a transfer of items from the center to the local levels that actually managed licensing items, or downsizing the licensing bureaus, or the merger of licenses and permits. In addition to the cancellation and adjustment reform of the administrative license implemented by the central government, the reforms in the localities also have been carried out in order to cancel and arrange the administrative licenses with the province as a main actor of the reforms. Reforms to build administrative service centers revolving around the municipality and the county were promoted nationwide (The Party Document Research Center of the CCCPC, 2013: 401-402).

2) Construction of Local Administrative Licensing Centers: Competition among the Counties in Tianjin and Social Pressure in Guangdong

The construction of administrative licensing centers in the localities belonged to government efficiency governance area, and the central government considered these reforms in terms of intensifying public disclosure and strengthening government services. In other words, on June 8, 2011, in the "Opinion on Deepening the Government Work Disclosure and Strengthening the Government Service," the role of government service centers was required to be strengthened, the function of government service centers was demanded to be clarified and the operation of government service centers was requested to be standardized (The Party Document Research Center of the CCCPC, 2013: 401-402).

Meanwhile, Shanghai introduced the first service-oriented government-building goal in 2001, while Nanjing City of Jiangsu Province put emphasis on construction of

service-oriented government that was more close to the people and citizens. The government of Chengdu City in Sichuan Province highlighted the government's construction of standardized services. Zhuhai City of Guangdong Province made the "Ten Thousand People's Evaluation of the Government" a breakthrough in the construction of a service-oriented government, and its main focus was on implementing window services and field services well. Chongqing improved its governance by concentrating on innovative service methods among service oriented governments (Gao Xiaoping, 2012: 89-91).

There was a new attempt of the "Relative Concentration Reform" of the administrative licensing, which was representative of the "Two Concentration, Two Establishment" nationwide. The two concentrations focused on merging and consolidating licensing and service functions in the administrative departments, assuming that the local governments did not increase the number of staff members, inside organizations and the number of leadership positions. In addition, the department licenses and service functions were concentrated in the processing rooms such as the administrative service centers, and the organizations, personnel and public fiscal system of the administrative service centers were set up to open the windows and to establish work in the windows. The two establishments were to establish the entry of each department's licenses and services into the administrative service center and to establish a transfer of departments' authority to the administrative service center (Huang Xiaoyong, 2013: 175).

The table below shows the relative concentration situation of licensing and permit reforms in some regions of the country. As the areas that were ahead of the reform, 66 of the 71 departments in Tianjin had concentrated licenses, accounting for over 90% with 402 licensing items and 450 staffs. Hainan Province had concentrated the total 776 licenses with 233 staffs and 33 out of the 45 departments. Changchun concentrated the 343 licenses with 345 staffs and 43 out of 52 departments.

Table. 4.5. Some Localities' Relative Concentration of Administrative Licensing

Region	Departments with Concentrated Licensing /Total Number of Departments	Number of Concentrated Licensing Items	The Number of Staff
Sichuan Province	51/61	466	260
Tianjina City	66/71	402	450
Hainan Province	33/45	776	233
Jinlin Province	In 2006, at the provincial level, "two concentrations, six establishments" was implemented. In 2008, the county was demanded to realize "Concentration of the Licensing Function, Item, and Personnel"		
Anhui Province	In 2006, 15 municipalities implemented two concentrations. In 2008, four pilot provincial departments completed two concentrations.		
Kunming	37/52	86	170
Shenyang	28/52		
Suzhou	22/54	70.9% of Total Licensing	
Hohhot	45/54	233	
Changchun	43/52	343	345
Qingdao	30/53		
Changsha	Ten departments implemented licensing concentration		
Ningbo	Completed		
Haerbin	Completed		

*Source: Huang Xiaoyong, 2013:176

In the reform of administrative licensing, each level of government tested the parallel licenses to solve the problem of the department's self-governance that was unable to cooperate with each other. Parallel licensing mainly involved merging, coalition and concentration of the licenses various bureaus hold, acceptance or application of the licenses at the one window, and strengthening communication among the relevant bureaus. The red tapes should be processed at the same time and processed within the deadline. Specifically, a single window service was implemented, and each licensing bureau within the parallel licensing did not accept any red tapes individually in principle (Huang Xiaoyong, 2013: 176-177).

One of the most representative examples of concentrating administrative red tapes among functional departments was the establishment of the "Administrative Licensing Bureau" of Chengdu City's Wuhou District, and the whole administrative licensing

functions that belonged originally to each functional department was transferred to the newly established administrative licensing authority and each bureau did not perform licensing functions anymore. In 2008, the Wuhou District of Chengdu established the first Administrative Licensing Bureau in the country, unified the administration licensing of 22 administrative units, and implemented a new system that separated licensing and management (Xiao Huaxia, et al., 2013: 231). Mianyang City and Ziyang City of Sichuan Province also tried similar reforms, and some localities set up government service centers as government affairs departments, such as the Kunming City's Administration Service Management Bureau (Huang Jiyong, 2013: 185).

In sum, reforms and innovations related to administrative licensing, which were carried out in various ways in the various localities, can be considered as the state-building program to construct a service-oriented government. Among them, the relative concentration of licenses and parallel licenses can be considered as major local projects, and some local governments such as Sichuan Province and Changsha City led these reforms. However, these reforms have been hampered by "interests" of each local department, and each bureau mobilized a variety of ways not to revoke or relinquish its licensing rights, which still held their core interests.

Next, we will examine how various reforms of local administrative licensing centers occurred in Tianjin and Guangdong, and how these reforms have been able to overcome departments' interests and proceed smoothly. One important fact is that the construction of the administrative licensing centers contributed to the improvement of government efficiency governance through the state-building projects and institutional innovations at the grassroots level.

(1) Construction of Administrative Licensing Centers by the County Governments in Tianjin: Competition among the Counties

In Tianjin, Nankai District was the first to implement the Administrative Licensing Center reform. In the strong competition environment, the other districts of Tianjin carried out their own administrative licensing reforms. In June 2004, the Administrative Licensing Center was officially established in Heixi District, and in March 2005, the welcome party for investors was held by the government chief of the district, and the deputy-chief of the district government provided consultation and procedural processing services to individuals who were willing to invest in the district. The Hexi District also reduced its license time limit to 3.2 days on average and 2.3 days on the earliest when it enforced the best representative system of administrative licenses in July 2009. Next, Heping District implemented the purchase of intermediary service and Hedong District carried out four systems: windows service system, service commitment system, priority acceptance system and accountability system, while Hongqiao District implemented “Four Networks and Four Systems” and Dongli District established three platforms and Wuqing District installed four platforms (Zhu, 2014: 131-132).

As such, the county-level governments or Districts of Tianjin City began to introduce differentiated innovations under the pressure of fierce competition and strived to become a pioneer of innovation. Now, through the cases of Nankai District, the most advanced government in the city of Tianjin, Heping District’s pursuing competitive pressure, and Binhai New District, which most recently reformed but grew rapidly under national preferential policies, this study will scrutinize features, commonalities, and differences of institutional innovations among the districts of Tianjin, and analyze how these reforms have contributed to the county’s local governance.

① Nankai District's Institutional Innovation of the Administrative
Licensing System: Time Limit's Licensing System

The time-out tacit permission granted by the Administrative Licensing Service Center of Nankai District in Tianjin City suggested that after licensing departments accepted a licensing application, if they did not approve or refute in officially promised time and did not decide a reason of delay, authorized computer's internet system automatically generated and issued authorization decisions if such authorization did not jeopardize safety and health of the region (Yu Keping, 2007: 38).

Nankai District already implemented several related reforms prior to such timeout implicit licensing innovations. First, it was a concentrated-work-processing. In 1998, Nankai District built the "Economic Service Center," concentrated nearly 20 administrative management and law enforcement departments on the center, and provided one-stop services to issue corporate licenses. In line with the implementation of the Administrative Licensing Law, the economic service center was renamed the Administrative Licensing Service Center on June 6, 2004. In fact, the Administrative Licensing Service Center became the management bureau without law enforcement function, established by the local government through the administrative management method. Therefore, concentrated work processing were already largely pursued in various regions before enactment of the "Administrative Licensing Law" (Yu Keping, 2007: 37-38).

Second, it was a parallel permitting system necessary to divide the licensing stages according to the relevance and the possibility of parallel examination within the scope of the procedures prescribed by the current legal regulations, to handle multiple licensing procedures at the same time in a single licensing stage and to execute cross licensing, thereby shortening certification processing time and improving administrative efficiency. In accordance with Article 26, Paragraph 2 of the Administrative Licensing Law, it is stated that "one of the departments receives the application for administrative

approval, delivers it to the relevant departments and unifies business processing.”

Third, it was the consent notice system. This method was not reflected in the “Administrative Licensing Law,” but it was already experimented and effective in Shanghai Pudong New District and Beijing’s Haidian District. In 2002, Nankai District came with this new method. For example, for issuing sanitary permits, companies can handle the permission in advance during the preparation work and promise to reach hygiene standards when the process will be completed. At this time, the seal was received through the sanitary station window, and after approval, other procedures were allowed. The sanitary station examined the promise again when the process was completed, and issued a sanitary licensing.

Fourth, it was a report system of untreated items. If a head of the window cannot process the applications of enterprises, report it immediately to the senior officer and give a reasonable explanation to the applicants, not saying “this cannot be done” or “this thing cannot be handled.” In case something that cannot be handled for a while, report reasons, relevant laws or regulations, emergency preparedness and follow-up to the supervision bureau’s report center. If the report center thought that the application could be handled, it voluntarily sought out the original applicant and recovered the procedure (Yu Keping, 2007: 39-40).

Despite these various measures, there were still many problems in dealing with companies’ applications for licenses. There were two aspects: one can be seen that it was difficult to complete a limited time process, and the other can be seen that system lacked plans for licensing. Therefore, how the applicant can obtain the approval of the permit within the agreed time was related to the image and efficiency of the government and to the public’s evaluation of the government. There were other problems in a sense that the information could not be shared with each other due to mutual independence of the licensing departments. In view of this objective reality, the Nankai Administrative Licensing Service Center came up with the idea of using the internet technology’s innovation to

build the time-limited-tacit permission mechanism (Yu Keping, 2007: 40).

The time-limited-permission and licensing system of Tianjin City's Nankai District was created by referring to the experiences of the Dongcheng District and Haidian District's Service Center in Beijing and the Pudong New District in Shanghai, and Liu Jianguo, the Nankai center's head and Li Baofa, the deputy head, played an operational role. And in terms of decision-making, it was actively promoted by Liu Changshun, a party secretary of the district at that time. In terms of the licensing software's development, which was the core of this innovation, the district purchased services from the Anhui Province's Shengli Science & Technology Development Co., Ltd., and licensed software was officially operated in January 2003. On February 13, 2004, with the active support of Zhang Lichang, a party secretary of the city of Tianjin, the innovation spread to some areas such as Heilongjiang.

On February 13, 2004, Zhang Lichang, a party secretary of the Tianjin City had exchanged the Service Center's experiences with national ministries, neighboring cities, scholars and foreigners for many years. From 2002 to 2005, Nankai attracted 21.7-billion-yuan investment and the total 4,220 companies were registered in 2005 with the registered capital of about 1.3 billion yuan, up 79% and 61% respectively over the previous year and foreign investment in 2004 was 8.8 billion yuan which was the total amount of the previous five years. The District's financial income in 2005 was about four times higher than that in 2000 (Yu Keping, 2007: 43-44).

As a result of the reform, the efficiency of business registration was improved in Nankai District. If it took about 45 days to register a company in the past, the registration period of one company was reduced to only three days or less after the Nankai District established the time-limited-licensing system in 2004 (Zhu, 2014: 131).

It is interesting to note that the Nankai District's time-limit-licensing innovations have been imitated much outside of Tianjin, without the imitation of the other district governments in Tianjin. First, the city of Tianjin did not mandate the introduction of a

specific licensing system, and the city's district or county governments, faced with a performance evaluation system, wanted to achieve economic performance by attracting more investments through differentiation of administrative licensing's innovations. And because innovations itself became political achievement, the districts wanted to show achievement through pioneering introduction rather than imitation of other districts' innovations (Zhu, 2014: 133).

The driving force of Nankai's innovation was firstly a learning from other developed regions such as Beijing and Shanghai. Nankai actively promoted the learning of reform ideas and technology, and learned the innovational methods of the administrative licensing centers from various professional groups and foreigners, as well as other local government officials. Second, it had the active support of senior leaders. In other words, without the strong support of Tianjin City's leaders, this reform would not have been implemented. Finally, the district purchased services from the company with superior technology and continued to collaborate with the company.

② Heping District's Institutional Innovation of the Administrative

Licensing System: Purchasing Services from Intermediary Organizations

There were still problems with the construction of administrative licensing service centers in various municipalities and counties across the country such as difficulties to handle public and enterprises' licensing applications. And various brokerage organizations posted illegal flyers on the official billboards, blocked the applicants around the entrance of the center, pushed in illegal leaflets, and substitute application for business licenses and prolongation of business became rampant. These intermediary organizations had adversely affected the government image and licensing order by exaggerating the difficulties of licensing and their ability to handle licensing procedures.

The fact that an intermediary organization came around the service center indicated that there were demands for substitute applications because the processing handling was difficult. Although the service center's construction concentrated the 30 licensing bureaus, each window should be consulted and the document must be passed one by one and then business approval was able to be licensed. If the service center's notice was incomplete and staffs' attitude were cold-tempered, hot-tempered, refusing, unfair, or even demanding entertainment and illegally seizing money, etc., the applicants did not know what to do.

In the contents of licensing, if one enterprise was established in accordance with a request on construction of the enterprise dossiers, more than 70 page documents of business, national tax, and local tax were required, and the contents to be filled by enterprises reached more than 271 pages including the 13 type-copied documents with 43 pages respectively. The complicated documentation certainly made it very difficult for companies to handle business red tapes. Thus, they purchased services from intermediary organizations, and the services of intermediary organizations sometimes were not excellent, and companies often did not get the services they needed to get paid for.

Most of the centers in the country first took steps for brokerage agencies to recommend withdrawal or to force brokers to leave the center's entrance. Second, by adding acceptance windows at the centers and increasing the number of employees by 5-7, the centers let them help or process a business license. However, this did not help to shorten the deadline, streamline procedures, and improve the efficiency of administrative licenses (Yu Keping, 2014: 125-126).

The administrative approval service center in Heping District of Tianjin City did not simply drive brokers out, nor did it create another window by expanding the administrative staffs. Rather, in terms of the transition of the government function, the district led intermediary organizations to participate in social management and cultivated them to carry out public affairs. In the background of this idea, there existed a specific principle

that the work that can be managed by the government should be managed directly by the government, and the thing which cannot be managed by the government should not be controlled by the government as much as possible.

In accordance with these perspectives and principles, it was necessary to innovate the administrative licensing process, to install the whole task processing window at the center, to select the five intermediary agencies that wanted to come in with sufficient qualifications and to make them reside in the service center. This measure led the government to withdraw and qualified intermediary agencies to come instead. This made it possible for intermediary organizations to fully exercise the function of the government (Yu Keping, 2014: 126). Five intermediary organizations were selected based on their expertise, company size, and staff capabilities, and were assigned to the designated service windows on the second floor of the Administrative Licensing Center (Zhu & Jiao, 2012: 162).

The government paid 200 yuan for each service of the intermediary organizations, the intermediary organizations acted as a proxy for the business licensing process, and entered into a service contract relationship on behalf of enterprises with the government. The intermediary organizations received the same requests for the administrative licensing and service standards, service norms and discipline under the unified guidance of the service center (Yu Keping, 2014: 126).

Initially, the Administrative Licensing Center paid a fee of 100 yuan from the public finance of Heping District for each license application, and the center distributed the application documents one by one to each intermediary organization. Over time, however, the agent service was not fully utilized and the staffs of the intermediary organizations became incompetent. The center raised the fee from 100 yuan to 200 yuan, because it thought that the main reason of the problem was that the commission fee was too low to meet the application service costs. If a complaint was filed once because the service of the brokerage organizations was not good, the employees of the relevant brokerage organ-

ization were replaced and the contract with the service brokerage organization was terminated if a complaint was filed twice (Zhu & Jiao, 2012: 162-163).

The whole process service of brokering started in June 2007 and was in the development stage. In January 2009, the service center established cooperative license of enterprises and organically combined two kinds of service methods such as the whole process substitute service and coalition licensing service. During the four years of operation, the intermediary system handled a total of 7,558 companies (new business licensing of 3509 cases and updated licensing of 4049 cases), and 98% of them passed the document verification process at the first time with average 2.5-day processing period (Yu Keping, 2014: 126).

The entire process of such intermediary organizations solved three major challenges in the provision of administrative licenses. First, companies solved the problem of dealing with complex license work. In the past, enterprises consulted with licensing departments such as industry and commerce, national tax, local tax, public security, and quality supervision each. More than 70 documents were requested by the industry, national tax and local tax departments, the contents included more than 271 pages and the copied documents had 43 pages with 13 types. Professional and complicated documents were not understood clearly by any enterprise applicants, so they could not fill out forms of documents correctly and repeatedly submitted documents and made corrections, companies felt difficult to deal with business license. However, intermediary personnel with professional skills were very easy to handle because of their high proficiency. Work completed in the past one month or even longer had now been resolved in half an hour in the form of an interlocutor between an intermediary organization and an enterprise. The entire process of intermediary organizations facilitated streamlining through specialization, and companies license processing was no longer difficult (Yu Keping, 2014: 126-127).

The table below shows that the processing of applications by intermediary organizations has increased rapidly since the reform was implemented in the second half of

2007. In other words, the intermediary processed only 177 cases, 11% of the total applications in 2007, 57% in 2008, and 2,050 cases with 100% of the total applications in 2009.

Table.4.6. From 2006 to 2009, Business Registration and its Renewal Applications in Heping District

	2006	2007	2008	2009
Total number of applications completed	1,416	1,665	1,790	2,050
Number of applications submitted by intermediary organizations	0	177	1,028	2,050
Rate	0	11%	57%	100%

*Source: Zhu & Jiao, 2012: 165

Second, the problem of poor administrative efficiency was improved. In the past, it was difficult to assess the accuracy of government departments' notices by asking one by one at each licensing window and by asking and answering companies and licensees. Moreover, companies were not familiar with the licensing process requirements, so they suffered low administrative efficiency, long licensing processes, many steps and slow pace. Brokers helped companies and told them the requirements and helped prepare for licensing jobs well. The norms for different types of companies have been drafted, and a hassle of companies having to go back and forth to consult, renew, revise, and verify each licensing window was gone. When an intermediary organization and a corporation met each other face to face and asked and answered, licensing work was done at a glance. The covers and the documents of the various licensing items provided by the intermediary organizations were basically in conformity with the requirements, and the rate of passing at the first time reached 98%. During the whole process, intermediary organizations facilitated the enhancement of administrative efficiency (Yu Keping, 2014: 126-127).

Third, corruption was effectively prevented. In the past, for the application process of a business license, one company dealt with licensing bureaus directly, but after the reform, the entire process was handled by intermediary organizations and enterprises and

licensing bureaus' staffs no longer met each other. This created a kind of firewall to prevent corruption. Other opportunities such as job referrals, consulting fees, and commissions for departments also disappeared (Yu Keping, 2014: 126-127).

However, this problem of corruption still did not disappear completely. If a corruption chain was formed between government departments and administrative applicants before the reform, they could be created between the intermediary organization and the applicant after the reform. For example, an intermediary organization may receive more money than a nominal fee for a company or individual to process licenses more quickly, and a government department may also charge an intermediary to collect more commissions from an applicant.¹¹⁹

Heping District attempted to carry out such reforms under competitive pressure from other governments. The district used to be the most economically advanced government in Tianjin since the reform and opening, but since 2000, as economic attractiveness had gradually been lost, investment attractiveness had also been decreased. After Nankai District implemented the time-limited licensing reform in 2003, it was ahead of Heping for the first time in terms of attraction of investment. Also, when Binhai New District was established as a national-level development zone, Heping became more and more losing its footing as many investors were attracted by the more favorable investment contracts and investment environment of the New District. Faced with these competitive pressures and crises, Heping District wanted to break through this crisis through innovations of a more drastic administrative licensing system (Zhu & Jiao, 2012: 159).

¹¹⁹ According to a small-medium enterprise's manager who operated a foreign-owned enterprise in Tianjin, Heping District's brokerage organizations may have improved the efficiency of its work, but it still cannot avoid direct contacts between government departments and foreign-funded enterprises. In addition to the licensing items in the administrative service center, various tax investigations and inspection of firefighting facilities were still handled by the government departments. Therefore, foreign-funded enterprises were implicitly required to pay more fees or commissions in order to get convenience for licensing and approval from various government departments (an interview with a manager who run a foreign-funded enterprise in Tianjin, July 6, 2015).

One of the most important characteristics of innovations in Heping's administrative licensing center was its reform ideas. They included the idea of the minimum role of the government that did not deal with what the government could not handle or was not supposed to handle and the government does deal with what the government was supposed to do and it could do according to the transition of the government's function, and according to ideas of the New Public Management such as outsourcing of public services, some of the government authorities were decentralized to intermediary organizations.¹²⁰

However, the relationship between government and intermediary organizations was not an equitable market contract relation, but rather there existed an invisible power hierarchy. In other words, the government has gained an advantage by examining the qualities of the intermediaries in the process of selecting them. Intermediary organizations that do not meet the standards and requirements of the government could not enter the administrative licensing center. The second manner in which government exercises its power in the intermediary organization was that they must adhere to the standards, service norms and discipline set by the government when the intermediary organization worked in the administrative licensing center. If not, the government could remove the personnel of brokerage agencies at any time and replace it with a new brokerage organization.

Therefore, the county government of Heping District was able to enable the power of the state to infiltrate into civilian intermediary organizations by utilizing a selection option of qualified brokerage organizations and work standard setting authority. In addition, the county government has been able to improve the satisfaction and image on the government by improving the work efficiency when dealing with enterprises and

¹²⁰ The purchase or outsourcing of government services was a core policy of the New Public Management reform idea. According to a former government official in Heping District, it has used this service purchase policy not only in administrative licensing but also in other areas such as construction of urban communities. This reduced government costs and enabled more competitive services. And the government has fostered many social organizations, including intermediary organizations, so that they can participate in the government's provision of public services (an interview with a former section chief rank government official in Heping District, May 25, 2015).

individual administrative applicants through the intermediary organization.

The common points of the Nankai and the Heping's institutional innovations that we have seen so far are strengthening the government's cooperation or coordination with society and corporations, and standardizing the government licensing. And one thing to note here is that reforms in Nankai and Heping all were innovations in licensing mechanism. In contrast, canceling or adjusting the licensing of the various departments may cause a strong rebound and resistance of the functional bureaus. This is because such reforms directly touched the core interests of the departments. However, the mechanism innovations only enhanced the efficiency and convenience of licensing through restructuring and recreation of the licensing stages or procedures, while retaining the original departments' power framework (Lin Xuefei & Xu Xianglin, 2016: 12).

Therefore, Nankai and Heping have bypassed the strong department interests, but implemented only limited reforms. The "ideas" of reforms did not function as a sufficient "roadmap" for department "interests," but merely functioned as ideas as a "focus" of elucidating the remaining parts after explained by department interests.

③ Construction of the Administrative Licensing Bureau by Binhai New District

While the reforms of the administrative licenses by Nankai and Heping have only changed the way or mechanism of licensing, such as the time limited and the intermediary organizations, the more recent institutional innovation of Binhai's Administrative Licensing Bureau (hereinafter ALB), was to establish a new government organization that specialized in administrative licensing. In May 2014, the ALB of Binhai New District was established, and on September 11, the same year, Li Keqiang visited Binhai New District. The prime minister affirmed the reform model of "the management of licenses through the only one stamp."

Meanwhile, the State Commission Office for Public Sector Reform and the State

Council's Legal Affairs Office issued a "Notice on the Practice Pilot Area of Relative Concentration of Administrative Licensing" in March 2015 to include the eight provinces of Tianjin, Hebei, Shaanxi, Jiangsu, Zhejiang, Guangdong, Sichuan and Guizhou. And Nantong City, Jiangsu Province's Xuyi County, Dafeng City and Suzhou Industrial Park had been confirmed as national demonstration areas. As of the end of 2015, 11 provinces, 54 municipalities, counties and districts, including Tianjin, have newly established the "ALB." By April 2015, the city of Tianjin has established the administrative licensing bureau in all the 15 districts and one county.

The opinion that approved the establishment of the ALB suggested that the ALB model was able to upgrade the administrative service center model to overcome various limits and should actively spread it throughout the whole country. The opposing argument suggested that if the ALB fails to work properly, the corruption of the bureaucracy can take place because many licensing authorities of the government was concentrated in one organization (Song Linlin, 2016: 2).

A head of the ALB served also as a head of the Administrative Service Center (hereinafter ASC) and the ALB can be regarded as a part of the ASC. This is because the ASC accepted utility bills as well as administrative licensing items, but the ALB only processed administrative licenses. However, there was a clear distinction between the ALB's authority and the ASC's authority. While the ALB had a substantial administrative rights and administrative coordination authorities, the ASC's licensing rights still belonged to the original department and had no real authority and only administrative coordination rights (Song Linlin, 2016: 3).

The background of the ALB's experiments can be said that the first was due to the support of the national policy on the reform of administrative licensing. The second reason was the demands of the enterprise. Companies filed complaints with the ASC for better administrative licensing services. The third was to attract investment. In order to

attract more investment, better administrative services should be provided. If the efficiency and transparency of administrative services were inadequate, domestic and foreign capital went to other places with better services. Finally, the reform model of other regions like Chengdu City's Wuhou District was imitated before the other district governments in Tianjin City followed suit in order to be ahead of the competition.¹²¹

Meanwhile, in the process of establishing the ALB of Binhai, the authorities of the original department were taken out and brought to the ALB. they originally belonged to the bureaus such as the Civil Affairs Bureau, the Development and Reform Commission, the Education Bureau, the Health Bureau, the Agriculture Bureau, the Environment Protection Bureau, the Labor and Social Security Bureau, the Construction and Transportation Bureau. The relationship between the ALB and these local departments was very complex.

The original functional departments seemed to send only the licensing staffs, information, items and technology and supervision technology to the ALB, but in reality these had something to do with the invisible interests of the department organizations and bureaucrats that accompanied the most critical licensing power. So it was not easy to remove licenses from the original bureaus and transfer them to the ALB.

In order to solve this problem, when the Binhai's ALB was established, the district party committee and government put a lot of emphasis on the reform, and chiefs of the party-government had interviews with each person in charge of each functional department. During the interview, the party-government leaders emphasized the importance and necessity of the reform and made several final negotiations on personnel and authority

¹²¹ Binhai New District was very conscious of the rivalry among Tianjin's other district governments in introducing reforms. In particular, in order to introduce a better administrative reform model than Nankai District and Heping District, which were leading in the field of administrative licensing and reform, Binhua District was seeking the reform models such as licensing reform of the international trade centers in Singapore or other foreign countries (an interview with a director of the ALB in the Tianjin Binhai New Area, July 30, 2015).

issues. For the sake of the sustainability of the reform and the convenience of the adjustment, the Binhai's deputy head of the government also served as the head of the ALB (Songlinlin, 2016: 8). Therefore, the emphasis of the party-government's leaders and the elevation of the director's position (*Gaopei*) in the ALB was the key to the reform being able to proceed more thoroughly.

When the key leaders of the party-government and the main functional bureaus determined the personnel and authority to be transferred to the ALB, several rounds of negotiations were carried out. It shows that among local government officials in China, negotiations and compromises were preferred over command and discipline in certain areas. This is because the upper-level officials did not mandate unilateral concrete execution of the reforms in the core interest issues of the lower bureaucrats, but negotiations with them found a sort of compromise point and made a final decision.

According to a government official in the ALB, in the process of negotiating with the bureaus of Binhai, the leaderships of the district gave material incentives, such as subsidies and prizes, to all the heads of departments and the organizations in order to send more personnel and authorities to the ALB. A kind of transaction was concluded between the district's party-government leaderships and the departments, and the existing bureaus gave the personnel and licenses to the ALB, and the leaderships granted financial subsidies and bonuses to them in return.¹²²

The difference between the reforms of Binhai District and Nankai and Heping districts, as seen in the previous section, can be said that Binhai has created a department with a real power called the ALB and the reforms that brought in the authorities of the existing bureaus could have hit the great resistance of existing departments, whereas Nankai and Heping tried to innovate the licensing mechanisms while maintaining the existing

¹²² An interview with a director of the ALB in the Tianjin Binhai New Area, July 30, 2015.

power structure among the departments. Therefore, the resistance or opposition of department interests was not much greater than that of Binhai.

In summary, the fact that Binhai's leadership overcame the department interests suggested that as the reform idea of the service-oriented government appeared as a concrete policy, the interests of the departments were combined in the process of policy execution (conjuncture of ideas / interests). In order to curb the interests of these bureaus, the leaders of the district used "coordination discourse" and material incentives to solve problems through interviews with heads of major departments. Therefore, as the coordination discourse suppressed the interests of the bureaus, and the ideas could play a role as a "roadmap" to guide departmental interests to some extent. And what was central to this coordination discourse is that leaders of the district gave the bureaus such material incentives as subsidies and bonuses. On the other hand, Nankai and Heping did not directly deal with the interests of the departments, so their reform ideas only functioned as a "focus" of clarifying only what was expressed and explained in the interests of the departments.

(2) Construction of Administrative Service Center by the County Governments in Guangdong Province: Social Pressure

One of the most important characteristics of the ASC in the Guangdong provincial government suggested that the driving force of the reform could be considered as the pressure of society. For example, when companies complained about slow licensing process in the Shunde's administration licensing center the district's leadership propelled the administrative licensing reform in response to these societal pressures.

In the province of Guangdong, the 125 administrative licenses related to laws and regulations has been adjusted since 2012, and up to now, the total number of administrative licenses adjusted was 555 with 276 cancelled, 103 transferred, 170 transferred

down and six commissioned. And the province passed the “Provincial Act of the Guangdong Administrative Licensing Supervision and Management” to clarify the daily supervision and management subjects, rights and mechanisms of administrative licensing, and to standardize the establishment, coordination, implementation, evaluation, supervision and legal responsibilities. In addition, on November 30, 2012, the “List Management Method of the Guangdong Administrative Licenses” was issued to manage the list of the administrative licenses the province put on the shelf.

At the same time, the Provincial Commission of Economy and Informatization and the Provincial Bureau of Land Resources, and Shenzhen City, Shunde District, and Nanhai District were selected to standardize administrative licenses. Lastly, the province combined the online processing halls to connect each department horizontally and expanded the licensing information network to municipalities, counties, townships, and villages vertically. At present, most of the municipalities in Guangdong Province not only made it possible to handle online administrative works by constructing online processing halls of the four local levels, but also clarified the authority responsibility and deadline at each stage, and supervised the situations where the deadline was broken with the preliminary warning (Wen Song, 2015: 78-79).

As such, Guangdong province went down to the sub-county governments of the townships and the sub-districts through the online processing halls and the licensing and information networks, and the state’s power could be extended through the supervision and management of the unauthorized licenses.

① Innovations in the Administrative Licensing Reform of the Shunde District

The administrative licensing reforms of Shunde first included implementation of comprehensively adjusting the administrative licenses and reducing the 30% of licenses, and at the same time, carried out the list management by attaching the registration number to the

original licenses. The district focused on the ASC, concentrating the departmental licensing functions on a single section, concentrating licensing personnel on the ASC, and concentrating licensing authority on a chief delegate in the ASC.

Shunde also improved the licensing process and promoted standardization construction. Mainly, improvement measures such as reduction of time limit and stage integration in major items and construction items were carried out, and other licenses were restricted from the specific stages of licensing procedures, standards, places and technologies. Finally, the district transferred its functions to the society, and some social organizations took charge of management and coordination of industries, technologies and market services. In addition, the government released lists of purchasing public services from social organizations and allowed relevant social organizations to participate in public services in the form of open bidding, project applications and commissioned management (Lin Xuefei & Xu Xianglin, 2016: 7-8). Thus, the reforms of the Shunde District were largely pursued in three ways: the construction of the ASC through concentration of licensing on the ASC, the construction of licensing standards, and the transfer of functions to social organizations.

One of the most important reforms in the administrative licensing system in Shunde was the business registration system. This reform was formally implemented in May 2012, and the key was to transform the way enterprises obtain a license from being judged by various government departments first in order to be qualified as a business entity to obtaining a “Business License,” “Organization Code Number Certificate” and “Tax Registration” within four work days first, and after obtaining business entity qualification, they can receive the necessary license for patent management items. The government no longer reduced the misconduct of companies in a way that obstructed entrance through qualification examination, but conducted supervision through such methods as post-inspection and sampling. Therefore, the problem Shunde faced was how to strictly manage and supervise enterprises after their easy entry (Zhangnan Diyang, 2014: 60-61).

The commencement of the business registration reform in Shunde District began with the ratification of the State Administration for Industry & Commerce in 2012, and the pilot registration reform program in the areas of Shenzhen, Zhuhai, Dongguan and Shunde District was implemented by Guangdong Province. The contents of this reform were to mobilize the market participatory fully through the separation between business registration and authorization of management license items, the separation between registered capital payment and payment registration, and the separation between business address and management place. In January 2014, the provincial government issued the “Reform Plan for the Guangdong Province’s Business Registration System” by integrating the experiences of the pilot areas in Shenzhen, Zhuhai, Dongguan and Shunde. In February of the same year, Guangdong Provincial Administration for Industry & Commerce Bureau issued the “Implementation Method of Industry and Commerce Registration Reform” and promoted the reform work at each level throughout the province (Wen Song, 2015: 76).

After the reform of the business registration system, the registration of the companies in Shunde increased rapidly. If the number of newly established companies per month was 433 before the reform, the average number of new establishments per month after the reform was 587 with an increase of about 35.6%. From May 2012 to August 2013, the number of newly established limited liability companies in Shunde stood at 9,808 with an increase of 27.18% over the same period last year. Compared to the number of companies, the number of law enforcement personnel on the front line of the market supervision and management system was only about 250. However, it was not possible to strengthen supervisory management capacity through increased administrative resource input. The government, therefore, should not manage but inevitably must manage. The difficulty lay in the influence of the idea that “the government is only responsible” (Zhangnan Diyang, 2014: 50).

In order to mitigate the entry of the enterprise into the market, it is assumed that

the enterprise became the responsible entity. The corporation was responsible for its illegal acts and the government was subject to the law to enforce. However, the alleviation of market entry had the potential for more misconduct. In order to reduce this risk, the government had to manage strictly the whole, and the more the government controlled areas, the more unfavorable to the formation of responsibility of the enterprise. In terms of ideas, society had already become accustomed to the image of responsible governments, which strengthened the mechanism of the internal administrative responsibilities within the government. However, the strict management of the entire process was utterly opposed to the reform of the “Streamline Administration and Delegate Power to the Lower Levels” and it also hindered the small rule-making-oriented government model. Although there was no legal provision to take joint responsibility for social oversight, this sense of responsibility has long been an idea system and a habit-forming governance model. The former Guangdong’s party secretary, Wang Yang, told Shunde that he would tolerate the problems that occurred during the reform through idea liberation by demanding “allow reform failure, but not allow not to reform,” but as a result of the obstruction of Shunde’s idea system, after all the district did not give up its strict management (Zhangnan Diyang, 2014: 51-52).

In this way, there was a confrontation of ideas about the role of the government. In other words, if there was a consciousness of government responsibility that the government had to strictly manage the whole, there was another idea that the enterprise should be the responsible entity on the other hand. The former meant a big government model and the latter meant a small government model. It was because of the obstruction of the old idea that the reform did not deepen in spite of the support of the idea liberation which demanded bold reforms. This idea sometimes created a new system, but the old idea that has existed before became a stumbling block to the establishment of a new institution.

This reform idea of Shunde was absorbed from Hainan’s experience as a relative

concentration of licensing authority. According to the person who participated in the design of the reform plan of the Shunde district, a scholar who was in charge of the reform plan invited by Shunde deeply understood the experience of Hainan's licensing reform after an in-depth field survey for 20 days in Hainan. Therefore, many of the institutional designs followed the Hainan model at the time of enactment of the licensing reform plan in the Shunde District (Lin Xuefei & Xu Xianglin, 2016: 14).

Reform ideas were spread not only through the learning and research of other local models of scholars and bureaucrats who formulated reform measures, but also in various ways. For example, information channels such as media coverage, observation learning, and honor selection were diverse and convenient, thus constituting a kind of knowledge sharing environment. Most of the ASC in the municipalities voluntarily gathered once a year to create a nationwide network of provincial intergovernmental affairs services to exchange innovation knowledge, which has become an important platform for constructing a horizontal relationship network between governments (Lin Xuefei & Xu Xianglin, 2016: 14).

Therefore, the sharing environment of the reform ideas formed in the municipality naturally had a ripple effect on the county units. The knowledge of the various licensing reforms shared by the municipality was again transmitted vertically to the cadres of the county, and these reform ideas and models were shared among the county units, which spread nationwide at a relatively early stage and this was the key to the nationwide expansion of reforms at a relatively early stage.¹²³

As a breakthrough in the business registration system, Shunde District continued to implement reforms to reduce licensing and regulate the scope of government power. In

¹²³ According to an official, the reform ideas and innovations of Binhai New District referred to the local model of Wuhou District in Chengdu City, and Tianjin City actively shared and learned about Chengdu City and its reform ideas. And then, the innovation knowledge and idea of the administrative licensing and bureau were shared between Tianjin and Binhai (an interview with a director of the ALB in the Tianjin Binhai New Area, July 30, 2015).

October, 2012, Shunde arranged for 1,567 licenses and for 23 licensing departments in the district, and canceled or relocated the licenses by stages. By December 2013, Shunde changed licensing items two times and canceled all the 109 red tapes. But Shunde faced the problem of not being able to thoroughly cancel the red tapes. According to the “Administrative Licensing Law,” as a county government, Shunde District did not have the authority to install or revoke administrative licenses. Thus, in order to transcend these legal limitations, it requested the provincial government to cancel, transfer and improve 548 licenses in 2012, which were equivalent to one-third of Shunde’s total licenses. However, until December 2013, Shunde canceled only less than one-tenth of the licenses (Zhangnan Diyang, 2014: 53).

Another problem was that although the beginning of the reform was early, the reforms at the county level were often met with resistance from the senior government of Foshan and the heads of its departments. Thus, the leader of Shunde secured the support of the provincial leaders for reform in various ways, and gained the continued support of the provincial leaders for the super-department system to the licensing system and the business registration system. In addition to granting a greater range of decision-making power to the Shunde government, inspection, encouragement, and protection of the provincial leaders also became a potential force for its reforms, threatening the superior Foshan City government by mobilizing the reforming power of the vertical functional departments (Lin Xuefei & Xu Xianglin, 2016: 12).¹²⁴

Meanwhile, in order to solve the problem of the limitation of legal authority encountered in the process of the reform of Shunde during the 2009 super-department reform

¹²⁴ In this way, the county government used the strategy of receiving the support of the provincial government when it faced the objection of the direct senior government in the process of reform. Securing support of the province to avoid interference of municipality was a representative county government’s strategy that has also appeared in the province-managing-county reform. For more information, see the following study (Lee, 2012).

period, Shunde was granted the economic authority of the municipal rank from Guangdong Province and it helped to solve the difficulties of the reform. In addition, in 2011, Shunde was selected as a demonstration area for the province-managing-county reform and enjoyed the power of administrative law enforcement of the municipal level. However, these reforms were only the channels through which Shunde was able to communicate directly with Guangdong beyond the city of Foshan, and did not give the real power to revoke the licenses granted to Shunde by law (Zhangnan Diyang, 2014: 54).

Next, the pressure of entrepreneurs was the greatest force that made possible the reform of the Shunde. The demands of the entrepreneurs' complaints and reforms that Shunde's licensing reforms were too slow and the time required for the licensing items to be processed were too long, forced Shunde's leaders to be forced to reform (Lin Xuefei & Xu Xianglin, 2016: 7).¹²⁵

Finally, the problems to be solved can be said that as the more and more government functions were transferred to social organizations in various ways, such as the purchase of government services, the social organizations needed to be developed in a healthy and orderly manner. And whether the social organizations had the ability to receive and handle the related functions transferred by the government well became an important factor that influenced the development of the administrative licensing system reform (Wen Song, 2015: 77).

In sum, the licensing reform of the Shunde District was driven by four factors.

¹²⁵ In the reform of administrative licensing, the pressure of society or corporations existed not only in Shunde District but also in Heping District, Nankai District and Binhai District of Tianjin City. The only difference can be said that the social pressures felt by the leaders of Shunde District and Tianjin City's districts were different. While the bottom up pressure of Shunde has been a bigger force for reforms, the pressure to reform from enterprises, society or foreign corporations in the three districts of Tianjin have not been as big as that in Shunde and rather, the city and the district governments pushed the reform from top to bottom (an interview with a professor at the Guangdong Provincial Party School, June 25, 2015; an interview with the former section chief rank government official of Heping District in Tianjin City, July 27, 2015; an interview with a director of the ALB in the Tianjin Binhai New Area, July 30, 2015).

The first was “ideas.” In other words, the ideas of which not only was the government responsible but also the corporation became the subject of responsibility influenced the reform. The second was a full support of provincial leaders such as the liberation of the ideas presented by Wang Yang, the former party secretary of Guangdong Province. Since Shunde District was only a county-level, it could face the check and obstruction of Foshan City at the municipal level, but it was able to avoid such obstruction by seeking supports of the party secretary of Guangdong Province. In particular, Wang Yang had deepened the reforms through the liberation of the ideas only allowing the failure of reforms, but not allowing no implementation of the reforms. Third, autonomy or self-governing of the county was enhanced because of the decentralization policies carried out by the province such as the province-managing-county reform. Shunde received the right to manage socio-economic conditions at the municipal rank and was able to establish direct financial management relations with the province as one of the pilot counties of the province-managing-county reform. Finally, the pressures and demands of businesses and society have given greater impetus to reform.

② Comparative Analysis among Foshan City’s Shunde, Nanhai and Guangzhou City’s Liwan Districts in terms of the Construction of the Administrative Service Center

The typical ASCs in Guangdong province included the ASCs in Shunde District and Nanhai District of Foshan City and Liwan District of Guangzhou City. The reasons for choosing these three areas can be said that these districts were the advanced areas where technology and administrative innovations related to the ASC in Guangdong Province and even the whole country were the first appeared and most advanced and the priority ASCs with the intensive supports of financial and organizational personnel.¹²⁶

¹²⁶ An interview with a professor at the Guangdong Provincial Party School, June 25, 2015.

The table below shows that the ASCs of Shunde and Nanhai were established relatively early in 2003 and 2002 respectively, and Liwan's ASC was constructed relatively late in 2009, and it was officially opened in 2010. And in the case of Shunde and Nanhai, the name of the center was the same as the Administrative Service Center, but Liwan's was named the Government Affairs Service Center. In the case of Shunde's ASC, it was promoted to the public service unit (participation in public management) of the full section chief rank in 2010, and Nanhai's ASC was the full section chief rank's administrative public service unit as well as the office of the government affairs management. The ASC of Guangzhou City's Liwan was the government financial aided public service unit. The administrative service center was a public service unit, although their names were different, such as participation in public management, administrative affairs, and government financial aided ones.

Table.4.7. Comparative Analysis of Shunde, Nanhai and Liwan's ASCs

	Shunde	Nanhai	Liwan
Date of Establishment	January 2003	January, 24, 2002	April 2009 (official opening in 2010)
Number of Resident Units and Processing Tasks	25 bureaus, 465 licensing, 213 task windows	20 bureaus, 660 licensing, 34 comprehensive task windows	18 bureaus, 524 tasks, five public service units such as national tax, local tax, standard research center, electricity provision, citizen card center, By 2015, merged 11 bureaus and 21 government affairs service center into five windows
Functional Organizations	Comprehensive Management Section, Licensing and Reform Adjustment Section, Efficacy Management Section, Electronic System Guarantee Section, Application Development Division, Information Resources Division	Comprehensive Affairs Section (Inspection Office, District Electronic Inspection Center), Licensing System Reform Section, Administrative Service Management Section, Government Affairs Advisory Management Section, Grid Management Section, Information Technology Section	General Coordination Section, Government Affairs Service Section, Electronic Government Affairs Section, Information Disclosure Section, Grid Management Section
Budget Income and Expenditure	Income of about 163.77 million yuan; personnel and public expenditure of about 5.93 million yuan; science	Income of 28.62 million yuan, general public service expenditures of 24.94 million yuan in	Liwan District's Government Affairs Office received 16.73 million yuan. General public service expenditure was 11.15 million yuan,

	and technology expenditure of about 136.04 million yuan in 2015	2015	science and technology expenditure was 9.9 million yuan in 2015
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*Source: each ASC homepage, Shunde District: <http://xzfwzx.shunde.gov.cn/>, Nanhai District: <http://www.center.gov.cn/>, Liwan District: <http://www.Lw.gov.cn/lwzw/index.shtml>

In addition, among the administrative service centers in the three regions, that of Shunde was the largest in size. The ASC of Shunde District had a large area of 110,000 square meters with a total office area of 28,000 square meters with the two buildings in eastern and western areas. The number of resident units was 25, which was larger than those of the other two, and the number of work processing windows was the largest with 213. The Nanhai's ASC had 20 departments and has handled 660 licenses at the 34 general counters. The Liwan's ASC had the smallest among the three regions. At first, 18 resident units were downsized to eleven resident departments with 524 tasks processed at the five windows in 2015. At the center of Liwan, there were 21 windows at the first time, but now they were merged into the only five windows. And one window was able to handle a total of 229 tasks.

Figure.4.1. The Entrance and Eastern Building's Façade and the Four Floors' Indoor Halls of the Shunde's ASC





*Source: Pictures taken during the author's field research, June 23, 2016

It was overwhelming and hard to believe that the ASC was only the building of a public service unit in the county government when we looked at the appearance of the above-mentioned Shunde's ASC and the four-floor-indoor photograph. The design of the building exterior and indoor's interior were more spectacular and magnificent than the image of the government office and it's more like looking at a big shopping mall. At the center of the building had a big red banner, "Let's learn from Lei Feng, establish a new style, and make efforts to create a service window where the people can be satisfied." This banner clearly illustrated the goals of the ASC. The people's satisfaction with the ASC was the most important.

On the other hand, the scale of the Nanhai District's ASC, shown below, was

much smaller than the ASC of Shunde District, and the design and interior of the building were a five-storied ordinary building that was like the public office building. Nanhai's ASC gave the impression of intimacy and peace rather than grandeur or solemnity of Shunde. The locations of the two centers were also largely contrasted. In the case of Nanhai, it was located near the residential and commercial areas where the citizens resided, and the accessibility was good, while the ASC of Shunde was located in a place with low accessibility due to lack of houses and shops and public transportation around the Shunde's ASC. It was about an hour and a half to take a bus from the Shunde Station of the light subway, which was about 10 km away from the station.

Figure.4.2. The Exterior of the Nanhai's ASC and the Indoor First and Second Floors



*Source: Pictures taken during the author's field research, June 23, 2016

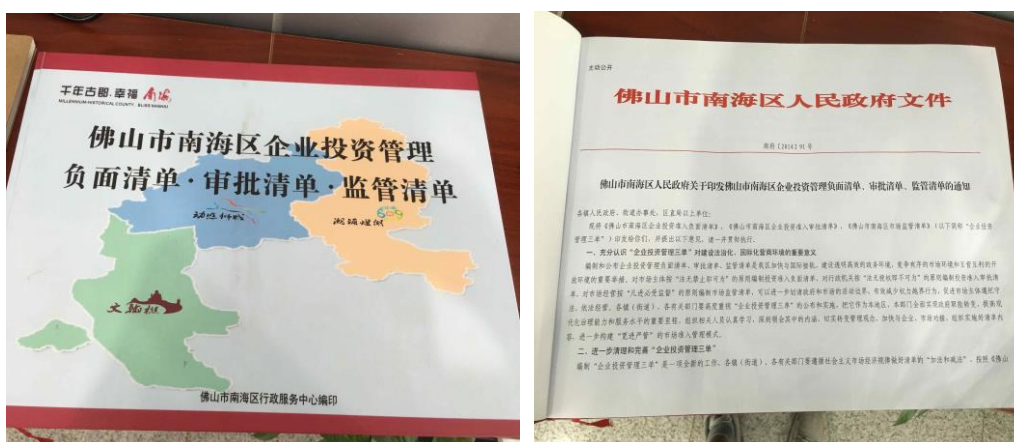
Nanhai built a system of public administration service according to the principle of “convenience, kindness, high efficiency and fairness.” This service system promoted the extension of government administrative service to the township, sub-district and the resident committee of the village through the community administrative service center of district, township and sub-district, and the village resident committee and the online licensing system and built the “Fifteen Minuet Convenience for the People.” The district’s departments extended and handled 70% of administrative licenses and social services in the form of commissioned management and a transfer of direct authorities and services into the front-line township (sub-district). The 121 items were handled by the village resident committee and made it possible for the public to deal with the majority of tasks “without leaving the township” or “without leaving the village.” There were one district-level ASC, fifteen townships’ ASCs, 273 village resident centers, online work processing halls at the three levels of district, township and village, and almost all the departments and licenses entered into the ASCs (Wen Song, 2015: 77).

These reforms were carried out mainly by the county, and the administrative units of sub-county and self-governing organizations were excluded from the state administration in the past, but the state administration was first introduced into the sub-county-level units and autonomous organizations through the construction of the ASCs. Through the ASCs, the state’s power penetrated into the township and village at the sub-county-level.

However, the standardization of administrative licensing in Nanhai has been difficult to achieve. The reason for this can be said that the contents of the administrative licenses was vast and difficult to classify and handle. For example, the work of standardization of administrative licenses for Nanhai has been related to a total of 34 departments, with 1,641 administrative licenses and a minimum of 257 pages and maximum of 372 pages. By the end of 2014, only 463 administrative licensing entries and examination

work were completed in the eight pilot areas, and the remaining units were too complicated and related contents were too numerous to produce specialists' reviews and brochures (Wen Song, 2015: 80).

Figure.4.3. Negative List of the Companies' Investment Management, List of Licenses, the Book of Supervisory Management List and the Related Government Documents in the ASC



*Source: Pictures taken during the author's field research, June 23, 2016

Next, in the functional organizations of the three ASCs, the general sections and the electronic and information-related sections were included in all the three ASCs, the licensing and reforming departments were included in the Shunde and Nanhai's ASCs, and the efficacy management section was included only in the Shunde's ASC. The main tasks of the efficacy management section were to manage the licensing service windows, the daily operations and the personnel, and the training work, especially supervising and evaluating the licensing service windows. The administrative service management section in Nanhai had similar functions. In addition, the section of government affairs advisory management also evaluated the performance of the hotline service departments and supervised the day-to-day operations of the internet, Weibo, correspondence, and the government service hotline, and supervised and examined the resident bureaus and personnel

of the government affairs service hall. In the case of Nanhai, both the administrative service section and the government affairs advisory management section were responsible for assessing and evaluating the performance, so that it can be seen that the ASC placed importance on the evaluation of the resident bureaus and personnel or windows. In the case of Liwan, the information disclosure section was set up separately to manage the government information disclosure lists professionally, and to promote timely disclosure and update of government service information in the public service halls.

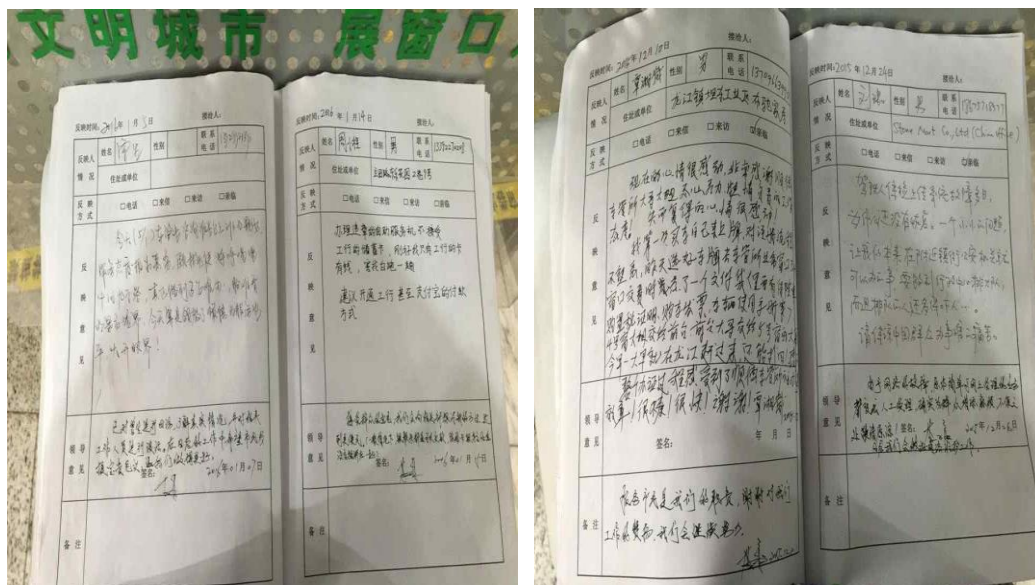
Performance evaluation was the core task at the ASCs. For example, Shunde conducted an appraisal of the performance on special items of the counter services each year. In 2016, performance evaluation was conducted on the areas of service work norms and window service's evaluation, window service's work innovation evaluation, people's complaint handling evaluation, window service's accreditation evaluation, smart service hall construction's evaluation, window service information delivery status and people's satisfaction rate evaluations. Among them, 65 complaints were filed against the ASC through various channels in 2016 with the only six of which were recognized as valid. Among the most complaints, 46% had problems with work management and 20% had service attitude problems.¹²⁷

The complaints of the people were filed through various channels such as internet, telephone and feedback notes on the spot. There were several feedback notes on administrative licensing services. In particular, applicants were asked to fill out their real name, contact information and home address. If there was a leader's opinion on the feedbacks, the ASC could easily answer suggestions. The notes on the left below shows what one resident wrote on January 14, 2016. One citizen suggested that a self-service machine support various payment methods including the Industrial and Commercial bank cards,

¹²⁷ The "Administrative Service Briefing" of the ASC in Shunde, 2017, No.3, Issue.161., <http://xzfzwx.shunde.gov.cn/data/main.php?id=152130-7340025>.

and below that suggestion, in the next day, on the 15th of January, the leader's response was written with her signature.

Figure. 4.4. Complaint Notes in the ASC of Shunde District



*Source: Pictures taken during the author's field research, June 23, 2016

According to some citizens who had come to do their licensing work at the Shunde's ASC, if work process was unfair in the process of applying for licensing, or if staffs were unfriendly, complaints were raised immediately. It was also possible to appeal complaints in various ways such as internet, telephone, notes of feedbacks, smartphone APP and so on. Also, if people filed a complaint, the next day or at least three days later, solutions or persuasive responses to it came through e-mails or text messages.¹²⁸

Another example of performance evaluation was shown in the picture below. In the following picture, a team of excellent workers was picked up each month from the

¹²⁸ An interview with some citizens who came to do their licensing work at the Shunde's ASC, June 23, 2016.

window where the police bureau’s immigration management brigade was working and on the bulletin board next to the window, the photographs and names were greatly displayed. The criteria of excellent brigade members were selected as the best members every month when they had the least complaints or had good attitude in the citizen’s satisfaction. In addition to the performance evaluation at the ASC, there was performance management at the central government’s ministries. In the picture (b) below, the licensing department section of the district’s civil affairs bureau received the honorary title of 2014-2016 from the central human resources and social security ministry. In this way, the ASC of the district received the performance evaluation of the central government’s ministries and the upper-level departments every year, every month, and periodically or irregularly for a certain year period, not only raising competition among the windows of the ASC but also inducing competition among the personnel inside each window.

Figure.4.5. Performance Evaluation of Shunde’s ASC

- (a) This Month’s Excellent Service Window Members in the Immigration Management Brigade of the Police Bureau (Left)
- (b) “Nationwide Human Resource and Social Security System’s Excellent Service Window for the 2014-2016 Honorary Title” Awarded to the Licensing Section of the District Civil Affairs Bureau (Right)



*Source: (a): Pictures taken during the author’s field research, June 23, 2016;

(b): The “Administrative Service Briefing” of the ASC in Shunde, 2017, No.3, Issue.161., <http://xzfwzx.shunde.gov.cn/data/main.php?id=152130-7340025>.

Nanhai also introduced a performance evaluation system called the window’s work evaluation system in the ASC. According to this system, “one task, one evaluation” evaluation mechanism of the administration service center was implemented and the applicant was able to make a quantitative evaluation on the satisfaction level of the service with respect to work processing items through the service evaluation system of work processing windows and online evaluation system. In addition, the ASC conducted one-time evaluation every quarter on the window personnel and conducted yearly assessment for window units and individuals. This has created a reward-punishment mechanism of supervision that linked the institutional unit’s performance with a window work, combining the satisfaction evaluation of the citizens and the quantitative evaluation.¹²⁹

The reason why the ASC can improve the accountability of the window staffs and the department officials was because of the performance evaluation on each window staff and the resultant competition among the windows and the departments. According to one staff member of one window in the immigration management brigade of the Police Bureau, when selected as such an excellent window staff, they received a kind of bonus or prize money.¹³⁰ This is because, in general, window staffs were limited to political promotion because the position was a section rank or a temporary person who was more responsive to material incentives such as bonuses and prize money than promotion compensation. In addition, for the negative results of the performance evaluation or the window workers who received complaints from the citizens, the performance evaluation sys-

¹²⁹ The official website of the ASC in Nanhai, (Accessed: 2017. 4.22.).

¹³⁰ An interview with one window staff in the immigration management brigade of the Police Bureau, June 23, 2016.

tem was also equipped with disciplinary and punishment mechanisms that they were withdrawn from windows if a warning was accumulated beyond a certain number of times.¹³¹

In the case of Nanhai and Liwan, there was a grid management section in the ASCs, while there was no such a section in Shunde. In particular, in the case of Liwan, the public service unit of the Liwan's Urban Community Grid Service Management Center was installed separately as well as the Grid Management Section to further strengthen the grid management. Liwan's grid management section was responsible for the construction, standardization and expansion of the urban community's grid platform, the basic information database and application system, and in charge of the construction of district's entire grid service management's linkage mechanism. In this way, it can be seen that the grid method of the social management was gradually integrated with the administrative service center.

In terms of budget scale, Shunde was the largest among the three ASCs. The revenue of the Shunde's ASC in FY2015 was about 163.77 million yuan, which was nearly a few times higher than the 28.62 million yuan of the Nanhai's ASC and the 16.73 million yuan of Liwan's ASC. In particular, Shunde District invested about 134.604 million yuan in science and technology areas among the financial resources allocated to the ASC. Of these budget investments, the total cost of the information project was 136.4 million yuan, including 27 million yuan of the smart traffic construction project expenditure in the district, 11.66 million yuan of the district's geo information platform project, 5 million yuan of the district's unified government affairs consulting and administrative complaints platform expenditure, and digital city management and operating expenses of 3.3 million yuan.¹³² In addition to Shunde District's ASC, Liwan's ASC also spent about

¹³¹ An interview with a professor at the Guangdong Provincial Party School, June 25, 2016; an interview with a director of the ALB in the Tianjin Binhai New Area, July 30, 2015.

¹³² Shunde's ASC official homepage, the 2015 Department Budget, <http://xzfwzx.shunde.gov.cn/data/2016/11/23/1479893411.pdf> (Accessed: April 27, 2017).

9.9 million yuan in science and technology areas in 2015. It can be seen from this that the ASC in China was not just a public facility where the departments were gathered and they worked with each other, but a platform that focused on mobilizing science and technology to improve the efficiency, convenience and transparency of licensing work.

For example, as shown in the figure below, in addition to the automatic devices using ID cards of the Shunde, various techniques were introduced in Liwan's ASC. In particular, "Citizen's Window," an automation machine of Liwan's ASC, was able to handle the total 872 jobs. In order to qualify for pre-school qualification, the system promptly displayed the necessary documents, and the citizens were able to apply through the computer by scanning the relevant documents through the scanner of the automation device and submitting them. The total 50 "Citizen's Windows" were installed at the Liwan's sub-district and urban community levels.

Another technology of Liwan's ASC was the Internet Online Licensing System. Citizens should fill in the basic documents at the online processing hall, submit the electronic application, and prepare a list of the documents published online by hard copy application documents, and put them in the "Bee Box." After completing the license within the time limit promised to be completed and turning the certificate back in the "Bee Box," citizens can take a certificate after receipt of the text message's notices. Finally, the technology utilized by Liwan's ASC was an artificial intelligence robot. This robot had the name "Xiao Li" and functioned like the "Siri" of the iPhone. The robot can answer 5,000 questions and work 24 hours a day.¹³³

¹³³ Liwan's ASC official accounts of Weixin, 2016.6.29, http://mp.weixin.qq.com/s?_biz=MzA4OTMyODMwMw==&mid=2650874696&idx=1&sn=4283db932da76c776b0ab4dafbf297ec&scene=5&srcid=0629BLBsZDlcHHYzi7BrvfJJ#rd

Figure.4.6. Science and Technology Examples of Shunde and Liwan's ASCs



*Note and Source: From the top left clockwise (a) and (b), Shunde's automation machines, citizens were able to handle the simple licensing work with the machine conveniently only

with their ID cards, Pictures taken during the author’s field research, June 23, 2016; (c) and (d) were “Citizen’s Window” of automation device in the Liwan’s ASC and the unattended courier service (“Bee Box”) of the licensing process results. (e) and (f) were the artificial intelligence robots, “Xiaori”; (c)-(f) Liwan’s Official Weixin Account, June 29, 2016, http://mp.weixin.qq.com/s?__biz=MzA4OTMyODMwMw==&mid=2650874696&idx=1&sn=4283db932da76c776b0ab4dafbf297ec&scene=5&srcid=0629BLBsZDlcHHziz7BrvfJJ#rd

Next, let’s compare the characteristics of the ASCs’ windows in three areas. First, there was a window in the lobby hall on the first floor of the three ASCs where there was usually the greatest demands for the citizens. For example, in the case of Shunde District, there was the National Taxation and Local Tax Payment Service Hall and the Public Security Bureau’s one-stop comprehensive service hall. In the hall of the Public Security Bureau, it mainly carried out the service of the traffic police station. On the other hand, in Nanhai, mainly housing related work windows were concentrated on the first and second floors. Especially, the housing business such as pre-tax screening for the new pre-sale housing, pre-tax screening for the secondary housing, real estate business consultation, and existing housing trading -related tax was the most demanded works of citizens. When we went to the ASC of Nanhai, many people came to work on the 1st and 2nd floors during business hours, but the 3rd to 5th floors were relatively empty. Finally, there were not many windows in Liwan, unlike the other two regions’ ASCs. On the first floor, there was a transportation bureau and a citizen id ticket window, and windows where citizens went and got a document certificate that had already been processed. This is because in the Liwan’s ASC, most of the licenses were handled through the automation equipment called the “Citizen’s Window,” or the internet so people did not have to wait at the window.

Table.4.8. Comparison among the ASCs of Shunde, Nanhai and Liwan by Floors and Windows

	Shunde	Nanhai	Liwan
First Floor Lobby Hall	national tax; local tax; one-stop combined tax handling service hall, the police bureau, one-stop comprehensive service hall	business copy, consultation, application for government information disclosure, new pre-sale home tax payment screening, pre-tax payment screening	transportation bureau, citizen ID desk window service, general documents issuance window

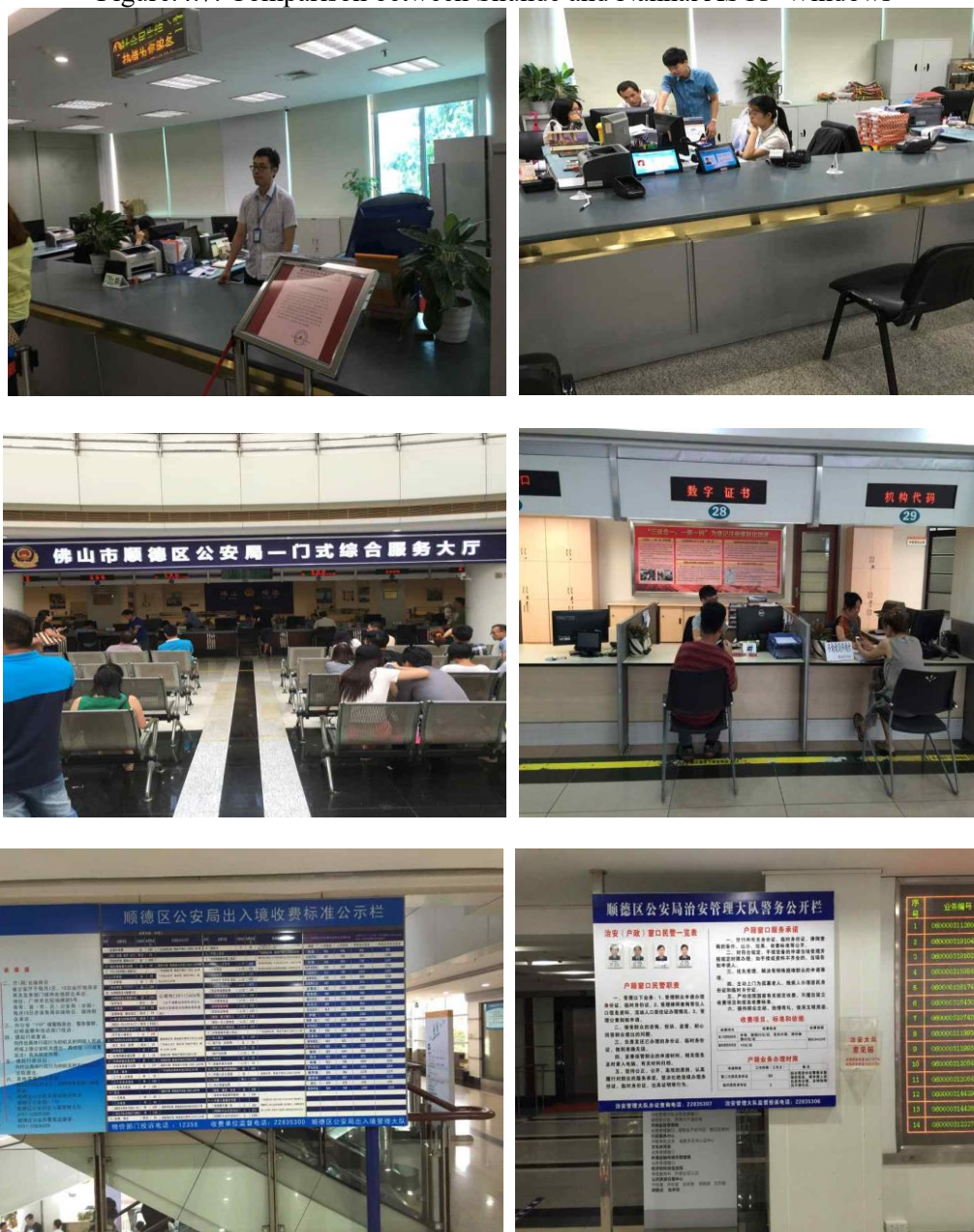
Second Floor	general social welfare affairs, management licensing comprehensive window, one-stop comprehensive service hall of police bureau (immigration brigade, security brigade)	real estate business advice, registration of property rights, taxes on secondary housing transactions, acquisition of new pre-sale housing acquisition tax	market quality supervision bureau (industry and commerce, quality supervision), city standardization institute
Third Floor	economy, trade and technology promotion bureau's foreign trade certificate, Foshan City's customs Shunde office in Shunde, immigration quality inspection license supervision window, immigration management brigade, traffic control center, police bureau's security brigade office	business registration services, business registration of commercial and industrial enterprises, sanitary certificate, permission to install medical equipment, food production license, foreign trade, processing trade, etc.	Legal advisory room
Fourth Floor	legal bureau's notary window, citizen ID service center, civil affairs human resource social security bureau's licensing section, digital processing center, finance tax bureau, company finance section, education bureau, licensing service section	Construction, processing quality, irrigation project, construction project's environmental impact assessment approval, automobile related licenses such as registration of car and replacement of car number	Guangzhou's police bureau's Liwan office, food and drug supervision management bureau, science industry commerce information bureau, education bureau, civil affairs bureau, human resource social security bureau, environment protection bureau, housing construction bureau, water management bureau, health bureau, city management bureau, development and reform bureau, safety production supervision management bureau
Fifth Floor	-	Processing trade, bonded logistics and tax reduction etc.	-

*Source: Shunde and Nanhai's refer to the homepage of the ASCs; Liwan refers to government affairs service center Weixin official account

In fact, the total number of online work processing hall's items in 2015 was 385, and the online processing capacity was 356, and the online processing rate was 92.46%. There were 99.16% of the cases where the number of coming to the ASC was less than one time after completing online application and finishing processing online and that of less than two times accounted for 100%. The online processing rate was over 99% and the online completion rate of administrative licensing was over 99%. In addition, Liwan successfully opened the online application processing functions of the 914 service items in the office stations of the 22 sub-districts, and completed an examination work of the information input in the office stations of village resident committees at the front in Guangzhou City. Citizen's window automation devices expanded from 8-hour service to

24-hour service, and the first round of online license items included the 362 red tapes.¹³⁴

Figure.4.7. Comparison between Shunde and Nanhai ASCs' Windows



¹³⁴ Liwan's government affairs management office, the 2015 department closing accounts, <http://zwgk.lw.gov.cn/lw86/0600/201612/942d5a5e1d8a43d083f0315effe57518/files/76918ae8a2b645c886361d3526c21a43.pdf>, (Accessed: 2017.4.22.).

*Note and Source: The top two photos were the windows of the Nanhai's ASC, and the remaining four pictures were the windows and bulletin boards of the Shunde District's ASC. *Source: Pictures taken during the author's field research, June 23, 2016.

First, the employees in both ASCs were relatively kind, and in the case of Nanhai, the staffs wore their name tags on their necks, revealing their names and departments. In addition, Nanhai briefly displayed the identification photographs of the staff members, affiliated organizations and contents of the processing work on the digital LCD on the windowa' desks. Citizens were able to make use of this when evaluating the satisfaction of the window staffs and filing complaints. On the other hand, Shunde District posted important information such as identification photos, names, affiliation units, etc., on the bulletin boards that were well visible beside the windows, and stated not only the cost collection items and standard fees, but also the deadline for completing the works. For example, in the case of the family registration's window in the Shunde District Police Bureau's family registration brigade, the replacement cost of the second generation resident ID cards was 20 yuan, the temporary resident ID card costed ten yuan and for the deadline, the former had the 60 working days and the latter had the only three days.

As such, the transparency of the ASC was high and information disclosure became a performance evaluation area, so that each window and staff began to disclose information competitively in order to receive a higher evaluation grade. The difference in the contents and methods of information disclosure per window or one-stop-hall was due to the incentives of window workers and senior delegates who would like to receive better evaluation scores or grades by disclosing information more innovatively than other windows.¹³⁵

The Administrative Service Center was not a mere administrative work processing space, but rather a means of contacting with the public and publicizing a service-

¹³⁵ An interview with a window staff at the Shunde's ASC, June 26, 2013; an interview with a window employee at the Nanhai's ASC, June 23, 2016.

oriented government's image. The picture below was bulletin boards with easy-to-understand charts and policies with procedures of red tapes in the Shunde and Nanhai's ASCs. In particular, in the case of Shunde, the district's ASC made almost all the reforms related to licensing, which have been carried out in the district so far, as bulletin boards in the form below, and placed them in various places such as the entrance of the stairs entering the 2nd floor which was visible from the center. Nanhai also made the application procedures for almost all the administrative licenses on the following bulletin boards in charts or diagrams so that the citizens who visited the ASC could see and understand such licensing procedures and reforms at a glance. In addition, various licensing reforms and procedures were publicized and made available to the citizens as pamphlets.

Figure.4.8. Bulletin Boards Explaining Various Licensing Procedures and Reforms in the Shunde and Nanhai's ASCs



* On the top left, there was a bulletin board for the administrative procedure in the Shunde's ASC, and a bulletin board for explaining the reform of the business registration system on the top right picture. On the bottom left photo, there was a bulletin board with the list of administration authorities in the Nanhai Office of the Foshan City's Customs, and the bottom right picture was a general work flow chart.

*Source: Pictures taken during the author's field research, June 23, 2016.

Finally, in the county government of China, the ASC was not a place to simply concentrate scattered bureaus one one place and combine them to do joint work. The county's ASC was the place where the county government can help citizens to have an image of the government as a truly service-oriented government and to secure the legitimacy of the county government. Most citizens were satisfied with the grassroots government after seeing their work at the administrative service center, and were able to abandon the negative image of the grassroots government they used to have.¹³⁶

Second, the ASC was a place that helped to prevent acts that hurt the social stability such as the large-scale protests of the people due to the growing dissatisfaction and negative feelings of the residents related to a processing work of administrative licenses. Citizens traditionally used letters and visits to the upper-level governments or collective protests when they encountered problems with administrative licensing or conflicts with their cadres. However, after the ASCs were constructed, whenever there arose problems, citizens could make an immediate complaint by utilizing various channels such as the internet, telephone, and notes of complaints and feedbacks. The leaders of the ASC confirmed this and tried to react and resolve as soon as possible. Thus, the ASC has become an important place to absorb and resolve conflicts and social instabilities that may arise in the state-society relations.

Third, it was a good place to experiment and utilize science and IT technology in China. China's science and technology and IT have been developing remarkably. If these technologies were first used in the ASCs and then, commercialized, they could have

¹³⁶ An interview with some citizens who visited the ASC of Shunde and Nanhai, June 23, 2016.

ripple effects on other private sectors as well. Thus, as we have seen, that was why the ASCs of Shunde and Liwan devote much of their budget revenues to science and technology expenditures. In the case of Nankai, Tianjin City, a company's IT technology was used to promote the reform of the time-limited-licensing system.

Fourth, the ASC of the county government was a place to help improve the accountability of the government officials. In particular, the performance evaluation conducted by the ASC on a monthly, quarterly, yearly basis for a certain period not only raised the accountability of local officials to the upper-level governments, but also promoted accountability to citizens. This was because citizens' satisfaction played a big part during the performance evaluation process, and if citizens complained about attitudes of local officials and quality of services, local officials or window staffs can be punished as complaints were accumulated. In addition, these performance evaluations resulted in increased competitions among the windows and departments as well as individuals, which in turn increased the effectiveness and transparency of the overall licensing process.

Fifth, the ASCs of the county government acted as a hub to connect with the sub-county units. As can be seen from the case of Nanhai, the ASC of the county government became a hub, connected not only to the ASCs of townships, sub-districts and villages, but also to the urban communities and grid management networks through the ASC. As a result of this reform, the sub-county units that was alienated from the various reforms in the past started to benefit from such connections by the construction of the county government's ASC, and from the viewpoint of the county, the control power of the state could be extended to the sub-county regions through the county's ASC.

Finally, the ASC of the county became a place to provide an opportunity to create a communication discourse with citizens. Citizens did not understand the state's reform policies or the county's innovation policies before visiting the ASCs. However, after visiting the ASC and directly experiencing the various effects and benefits of administrative licensing reforms, they were able to better understand the reforms and innovations of the

state and the county, and began to turn in favor of national policies.¹³⁷

3) Limitations and Problems of Administrative Licensing Reform

The cases that have been examined so far were relatively successful administrative licensing reforms and the ASCs across the country. However, licensing reforms often had the following problems in most areas.

First, the Chinese government's "Administrative Procedure Law" and the "Administrative Licensing Law" were promulgated and not long after, red tapes were again increased. The ordinary citizens did not know what licensing procedures should be followed for the specific red tapes. It was difficult even for persons in charge of licensing to understand exact procedures. Therefore, licensing process was still random and there was no way to oversee and supervise it. If a red tape was not granted, it was hard to know the reason. This black box-operated red tape has already become a hotbed of corruption (Liu Feng and Sun Shaoli, 2012: 85).

Another problem was that there was "water (false reform)" in the streamlining of licensing. Many local governments have played a "number game" and technical manipulation of licensing arrangements. For example, there was a "upgrade method." The original "approval (*Hezhun*)" was upgraded to "licensing (*Shenpi*)," and then licensing was demoted again to approval, as if the number of licenses were reduced. And there existed "demotion." The number of red tapes have been reduced by demoting a license to an approval, but the total number was still the same. Finally, there existed an attribution.

¹³⁷ According to citizens who visited the ASCs, they did not know exactly what policies and reforms or innovations the county and the state were promoting before seeing the bulletin boards and publicizing materials attached on the inside of the ASCs and experiencing the licensing process at the ASCs. As the citizens started to visit the ASCs, they became more understanding about national policies (An interview with some citizens who visited the ASCs in Shunde District and Nanhai District, June 23, 2016).

The attribution merged several licenses into the one red tape, but contents, procedures, and stages of licensing were not reduced. In addition, there were such methods as subjugation, false reporting, and scattering of focused red tapes (licensing) so that they cannot be easily detected.¹³⁸

Second, the driving force to reform the licensing system was still lacking. Reforming the administrative licensing system was practically reducing the power of administrative agencies and rationally distributing government power and positions. The cancellation of administrative licenses meant that power and interests were shrinking in many government departments. Some bureaus, therefore, resisted the reforms of the administrative licensing system due to their interests (Huang Xiao yong, 2013: 171-172). The reforms of the licensing system by any local government fell into the difficulty of “horizontal mobilization of the local government and resistance or foot-dragging of the vertical departments.” The horizontal same rank government mobilized various political resources for a reform, but the vertical functional departments were passive or aggressive against the reform that damaged the interests of the departments by various invisible means (Lin Xuefei and Xu Xianglin, 2016: 11).

As a result, red tapes’ adjustment and reduction reforms have led to institutional changes as a conjuncture of ideas / interests in which department interests were combined with a reform idea of the service-oriented government. In the case of Binhai in Tianjin and three districts in Guangdong Province, the reform ideas of leadership have played a role as a road map to guide the interests of the departments. However, in Nankai and Heping in Tianjin, it was not able to restrain the interests of the departments through leadership ideas, leading only to the construction and innovation of the new mechanisms which were less radical reforms than Binhai’s. Therefore, in these two district governments, “ideas” only played a “focus” role in elucidating the remnant after it has been

¹³⁸ An interview with a director of the ALB in the Tianjin Binhai New Area, July 30, 2015.

explained or remained by the *ex-post* justification of parochial interests.

Third, the problems of the ASCs suggested that red tapes, personnel and welfare services still belonged to the original departments, and the relationship between the administrative service center and the licensing office of the departments was not established clearly. In terms of the power relations within the functional bureaus, the important licenses that individually reflected the core interests of the departments were regarded as “jewels” and were still held and kept inside the departments for various reasons, and they never concentrated such red tapes on the licensing offices or the authorized and commissioned chief representatives. Also, the personnel who had been selected during the construction of the licensing office was not cut out to be a staff of windows or the person in charge of licensing procedures, resulting in the return of licensing functions to the departments’ offices the red tapes originally belonged to and still requiring approvals and decisions of the original department offices of the staff.¹³⁹

In addition, due to the restriction of technical expertise in some licensing stages after the “separation between licensing and management” of relative concentration, the work office needed cooperation and created a work relationship with a license office, a main office, and cooperation units. It was difficult to cooperate because of the perception difference and a great sense of “loss of power and interests,” which adversely affected the efficiency of the red tape processing.¹⁴⁰

The starting point for the transfer of administrative licensing was to make the original service closer to the service target, but the power related to the red tapes transferred by some higher level bureaus was often difficult to implement by the lower level governments. The lower rank officials often asked for directions to the higher rank officials in the customary manner. Therefore, the real power still remained in the original

¹³⁹ An interview with a director of the ALB in the Tianjin Binhai New Area, July 30, 2015.

¹⁴⁰ An interview with a director of the ALB in the Tianjin Binhai New Area, July 30, 2015.

bureaus, and the power was consolidated in the name of reform without a transfer of real power.¹⁴¹

In summary, the problem of administrative licensing reform can be said that local governments and their departments played games with numbers. And there has been lack of a driving force to reform as well as the resistance of the bureaus' interests. Finally, the relationship between the administrative service center and existing bureaus was unclear. Despite these problems, the cases we have seen so far were relatively successful because leaderships of counties had a clear idea of reform, and such an idea not only created a consensus on reforms through coordination discourse with the lower bureaucrats, but also mobilized the people's cooperation through communication discourse.

Despite the limitations of such reforms, the construction of administrative licensing centers has become an important means by which state's power penetrated below the level of the county government and absorbed the pressure of society. Through the construction of the ASC, the central state power has introduced various performance evaluations to imprint the image of the local service-oriented government to citizens, to restrict the government's predatory actions related to the red tape and to encourage developmental state-oriented actions through performance evaluation and financial input. Next, let's look at social governance or social management, which was a representative institutional innovation in the voice and accountability governance area.

¹⁴¹ An interview with a director of the ALB in the Tianjin Binhai New Area, July 30, 2015; Hunag Xiaoyong, 2013: 187-188.

3. Social “Governance” or Social “Management?”:

Urban Community Construction and Grid Management

In the Fourth Plenum of the 16th CPC Central Committee, the center suggested a proposal to “organize a socialist harmonious society and promote social construction and social management” in 2004, and at the provincial leadership cadre’s professional study group in 2005, Hu Jintao demanded to analyze the development trend of social construction and social management. In the 2006 Sixth Plenum of the 16th CPC Central Committee, it was pointed out that “China should stand up to the status of socialist harmonious society, building on economic construction as a focus.” At the 17th Party Congress in 2007, the people’s livelihood was emphasized as the center of social construction, and the “Constitution of the Communist Party of China” was revised, and social construction was included in the composition of quaternity. As a result, the basic framework of social management at the 17th Party Congress was presented as the “Party Committee’s Leadership, Government’s Responsibility, Social Cooperation and People’s Participation.” In the report of the 18th Party Congress, “Ensuring the Rule of Law” was added.

In fact, this social management model was a key policy in the construction of a socialist harmonious society, the national idea of the Hu Jintao-Wen Jiabao regime. According to the 2005 speech again, specifically the government of each level was required to promote the construction of social management network in social construction and management, which included interconnection between government control and social coordination mechanisms, complementary function between government administration and social self-governing and interaction between government management capacity and social adjustment capacity, forming a comprehensive coverage and overall management system for society as a whole. And it started with the construction of harmonious urban community to strengthen the urban and rural grassroots autonomous organizations (Hu Jintao, 2016: 293-294).

Among the concrete policies of social management, at the eighteenth party congresses, “urban and rural community governance” was first included in the document of the party’s official document, and the city and rural community governance, people’s self-governing in the grassroots public affairs and public services, autonomous service, autonomous education and self-supervision became the direction of the community construction. In the Third Plenum of the 18th CPC Central Committee, the center presented and emphasized the national governance system, the ability to modernize governance, overall reform goal and government’s governance, social self-adjustment and people’s self-governing.

In recent years, the institutional innovation that has been underway in the local governments was grid management along with urban community construction. Grid management was the process of assigning specified and detailed management tasks to the grassroots units and appointing grid leaders and grid members who took charge of those tasks in important social management areas such as environmental protection or food safety management in the township and the sub-district. And it was also a management method that could clearly define the specific management targets and achieve better accountability. A detailed explanation will be presented later in the case of Balitai Town in Jin’nan District of Tianjin City. The implication of this innovation can be said that the county government extended its state’s power to the sub-county regions through the management of urban community and grid management.

Let’s look first at the case of community construction, which was the core of social governance, and then analyze the case of grid management to see how the county government infiltrated the state’s power below the county. In the process of institutional innovations, we will explain how a combination between ideas and the interests of the county leaderships mobilized social pressure and social participation, and overcame the interests of the departments and how the reforms were initiated and expanded.

1) Urban Community Construction

Community governance in China has so far produced unintended consequences. Social exclusion, alienation, and ineffective participation were strengthened, and in addition to inequality, it produced various problems of authoritarian regimes. The top-down reforms of the residents' committee has created a new system called the community center and social workers, but the residents' committee has been more effective in delivering welfare than the function of promoting self-governing. The lack of the resident committee's services or the overburdened workloads and the opposition to the dominant reality of the Communist Party have reduced the incentive for community residents to participate in the work of the community. The conflicting goals of community governance was not only to consolidate self-governance, but also to expand the Communist Party's control over society. Because of these conflicting goals, community residents began to feel skeptical about participation in various community activities (Howell, 2016).

Obviously there have been conflicting goals in China's community construction. Strengthening the state power represented by the Communist Party and strengthening social self-governing are goals that are difficult to reconcile each other. However, unlike the previous study, various innovation experiments have been attempted to strengthen both of administrative power and social self-governing in the community at the same time in the case of community building in Guangdong and Zhejiang provinces. Especially in the case of Zhejiang Province, not only to strengthen the participation of the society but also to enhance the control of the Communist Party on society has been realized to some extent through the grassroots state-building of the county. Before examining these cases, let's look at the history of community construction in China and compare the different national numbers of administrative units at the sub-county level, various autonomous and social organizations, including community by year and by case regions.

First, it was from the end of the 1990s that the construction of community began

nationwide. The original residents' committee and families' committee were merged into the new community residents' committee. The number has dropped from about 119,000 in 1998 to about 7,000 in 2003 and has since increased. According to the table below, the number of urban community residents' committees, which were self-governing organizations, increased by about 17,000, from 83,000 in 2008 to 100,000 in 2015. On the other hand, the village committee, which was also a rural self-governing organization, decreased by about 20,000 from about 600,000 in 2008 to about 580,000 in 2015. As urbanization progressed, new residential complexes were established and the construction of the community residents' committee became necessary. On the other hand, as a rural area became a city area, existing village committees were reorganized as community residents' committees. As a result, the number of the village committee gradually decreased, whereas that of the residents' committee increased. In addition to this, the number of nationwide township has also declined by about 4,000, from about 15,000 in 2008 to about 11,000 in 2015 as urbanization accelerated. At the same time, the town increased from about 19,000 in 2008 to about 20,000 in 2015.

Table. 4.9. Changes in the National Sub-County Administrative Units and Self-Governing Organizations

		2008	2009	2010	2011	2012	2013	2014	2015
Administrative units	Township	15,067	14,848	14,571	13,587	13,281	12,812	12,282	11,315
	Town	19,234	19,322	19,410	19,683	19,881	20,117	20,401	20,515
	Sub-District	6,524	6,686	6,923	7,194	7,282	7,566	7,696	7,957
Self-governing organizations	Residents' Committee (ten thousand)	8.3	8.5	8.7	8.9	9.1	9.5	9.7	10
	Village Committee (ten thousand)	60.4	59.9	59.5	59	58.8	58.9	58.5	58.1
Community Service Organizations (ten thousand)		14.6	14.6	15.3	16	20	25.2	31.1	36.1
Community Service Center (ten thousand)		4	6.3	5.7	7.1	10.4	12.8	14.3	15.2
Social Organizations (ten thousand)		23	23.9	24.5	25.5	27.1	28.9	31	32.9
Foundations		1,597	1,843	2,200	2,614	3,029	3,549	4,117	4,784

Private Non-enterprise Organizations (ten thousand)	18.2	19	19.8	20.4	22.5	25.5	29.2	32.9
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*Source: The 2015 Social Service Development Statistical Bulletin, <http://www.mca.gov.cn/article/sj/tjgb/201607/20160700001136.shtml>

Meanwhile, among the changes in self-governing organizations, the most prominent phenomenon was the increase in the number of rural village small groups and urban residents' small groups. Although it is not shown in the table above, according to the public administration statistics of the social services development in 2015, 2014 and 2013, there were 4.664 million of the village small groups in 2013, 4.704 million in 2014, and 4.692 million in 2015. It is estimated that the number of the residents' small groups was 1.357 million in 2013, 1.358 million in 2014, and 1.347 million in 2015.¹⁴²

The reason for the existence of the village small groups and residents' small groups can be said that the residents' committees and the village committees, which were the existing self-governing organizations, were unable to meet the needs of social self-governing. As the sub-county units under the county were closely linked to the county, the national affairs assigned to the townships and sub-districts were also transferred to the residents' committees and village committees. However, the original purpose of these autonomous organizations was not to deal with the state -delegated- duties but to deal with self-governing affairs in society. Therefore, existing self-governing organizations had to organize new smaller organizations to overcome the difficulties with autonomy of self-governing activities and transfer them to these village small groups and residents' small groups in order to satisfy the demands of self-governing, thereby creating and activating the "micro autonomy model."¹⁴³

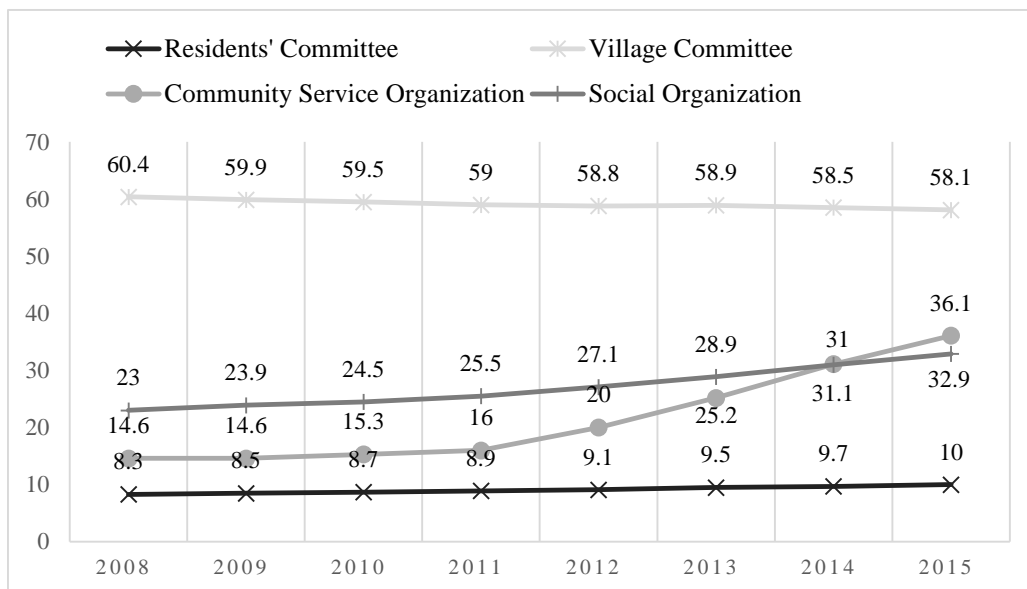
¹⁴² The 2014 Social Services Development Statistical Bulletin, The Ministry of the Civil Affairs, <http://www.mca.gov.cn/article/zwgk/mzyw/201506/20150600832371.shtml>; The 2013 Social Services Development Statistical Bulletin, Civil Government, The Ministry of the Civil Affairs, http://www.gov.cn/xinwen/2014-06/17/content_2702566.htm.

¹⁴³ For discussion and examples of this micro autonomy model, please refer to the following study (Yue Xiuling, 2014; Hu Pingjiang, 2014; Xie Zhengfu, 2015; Liu Chengliang, 2016; Kong Nana,

Another prominent phenomenon of changes in these official administrative units was the increase in the number of sub-districts. The sub-districts were not the official administrative unit, but the dispatched unit by the county. However, as the workloads of the township government has been increased due to the delegation of the national duties by the county government to the township, the township government has tried to solve the pressure by increasing the number of dispatched agencies, the sub-districts, and sending the assigned duties by the upper-level to the sub-district. Thus, the number of sub-district increased from about 6,000 in 2008 to nearly 8,000 in 2015. As a result, the township and the sub-district became like a lower apparatus of the county. On the other hand, as the urbanization progressed, the number of community residents' committee increased, but the dispatched organizations could not handle a number of city's management tasks alone and thereby, community service organizations and social organization began to increase in order to support such management work.

2015). There were various types of a micro autonomy in addition to the villag small groups and residents' small groups. For example, the Zhigui County's autonomous model, instead of administrative villages, in natural village areas, a board of director and a chief of the party group became the leadership (Liu Chengliang, 2016). There were also villagers' board of director model in Qingyuan City's Xiongwo Village, the village small group model of Yunfu in Guangdong province, the two level or three level village's board of director model in Yun'an County in Guangdong Province, the Jinjiang District and Wuhou District's courtyard and residential building model, the Haiqiang District's micro-object self-governance model, the party-state's public service center model of Fogang County (Hu Pingjiang, 2014) and the grid management model (Kong Nana, 2015).

Figure. 4.9. Changes in the Number of National Self-Governing Organizations,



Community-Support Organizations, Social Organizations (unit: ten thousand)

*Source: The 2015 Social Services Development Statistical Bulletin, The Ministry of the Civil Affairs, <http://www.mca.gov.cn/article/sj/tjgb/201607/20160700001136.shtml>

The figure above shows that the community service organization has increased from about 140,000 in 2008 to about 360,000 in 2015. Here, the community service organization included the community service guidance center, the community service center, the community service station, and other community service organizations. The community service organization had facilities and comprehensive services for the elderly and their families, such as product delivery, medical care, housekeeping, daily care, and accompanying services. This facility provided comprehensive service functions such as the party member's activity office, the job security network, the community hygiene service station, the cultural activity room, the library, the benevolence supermarket, the donation reception desk, the minor's humanity activity room, the elderly activity room.

According to the Social Service Development Statistics Bulletin in 2015, the nationwide penetration rate of some 360,000 community service organizations and facilities was 52.9%, of which 863 were community service guidance centers and 24,000 were

community service centers. There were 128,000 community service stations, 26,000 community elderly service organizations, and 96,000 community support service organizations. The social service center and the community service station promoted one-stop service and accelerated the construction of community informatization using IT technology. The organizational structure of community consisted mainly of community's party organizations (party branches or party committees), community's autonomous organizations (resident committees and owners' committees), community service stations, and community social organizations. The salient feature of the organizational structure can be said that the principle of the "party committee's leadership, government's responsibility, social cooperation, and people's participation," which was the basic framework of social management, were strictly adhered to. Under the leadership of the community's party organizations and upper-level party's organizations, the sub-district or the township governments were responsible for community building and the society and the public such as autonomous organizations and social organizations cooperated with each other and participated in community work.¹⁴⁴

Finally, the social organization was divided into three types: social organizations,

¹⁴⁴ The party's leadership was implemented in various ways. First, there existed a system of report, feedback and evaluation, and a relationship between the community's party organization as an evaluator and the self-governing organization as an evaluation target has been created. The party organizations received the activity reports from the self-governing organizations and its subordinate social organizations, and the party organizations carried out the performance evaluation to guarantee the party's leadership on social organizations. Especially in Tianjin City, the social organization administration bureau was set up separately with the civil affairs bureau to evaluate and examine activities of the social organizations every year. For example, in 2015, a total of 848 social organizations were divided into failure, basic acceptance, and acceptance grades in the results of the annual social organization survey. The social organizations that failed in 2015 included the Tianjin Municipal Arts Society. The city's districts also assessed the performance of social organizations. For example, in 2016, the Tianjin Academy of Music Training Organization received grade 3A and the Tianjin Light Industry Vocational and Technical Training Center received grade 2A in Hedong District of Tianjin, see the homepage of the Tianjin Social Organization Administration Bureau, <http://www.tjstj.gov.cn/News/201701/2017010617124013.htm>; <http://www.tjstj.gov.cn/news/201701/2017011210511618.htm>, (Accessed: 2017. 4.24.).

fund society or foundation, non-profit organization or private non-enterprise organization. The social organization has also been steadily increasing since 2008 with the community service organization, which increased from 230,000 in 2008 to about 330,000 in 2015. By the end of 2015, this social organization absorbed about 7.34 million people in the workforce with the total revenue of 292.9 billion yuan and expenditure of 238.38 billion yuan. Among the 330,000 social organizations nationwide, there were 10,000 education-related organizations, 10,000 health-related organizations and 48,000 social service-related organizations. And management of these social organizations was relatively strict and strong. Of the 2,951 cases of illegal social organizations in 2015, 23 were forbidden as illegal social organizations and 2,928 were for administrative punishment. Among them, there existed 1,681 cases of social organization's illegal cases, 16 fund society cases with financial penalties, 1,254 private non-enterprise organization with illegal case investigation, and 21 private non-enterprise organization forbidden and 1,233 cases with administrative penalties.

Now, let's evaluate situations of community and self-governing organizations in Zhejiang Province, Guangdong Province and Tianjin City by comparing the changes in the number of administrative units, self-governing organizations, communities and social organizations. First, the change in the number of the three regions' township was different from the national trend. Tianjin was the only area where as urbanization accelerated, the number of the town increased, while that of the township decreased. In Guangdong, the number of the township remained almost same, whereas that of the town decreased. On the other hand, the number of Zhejiang's township and town both decreased. This is because of the recent change in administrative units, which shifted from the small township to the large township or canceled the existing ones. For example, after Huzhou City's Deqing County in Zhejiang merged Moganshan Town and Fatou Township to newly established Moganshan Town, canceled Wukang Town and Shanhe Township and moved them to the Deqing County's direct jurisdiction.

In Zhejiang, this merging of the township was a way to respond actively to the “three awards and one subsidy” policy of the center, in which the center paid the prize when merging or canceling the township or downsizing personnel and organizations in the province. In other words, Zhejiang promoted a policy of actively merging or canceling the townships in response to the central government’s policy, “awards instead of subsidies.” In fact, Guangdong and Tianjin had previously implemented a reduction in the townships in response to these central incentive policies. For example, in the case of Guangdong Province, the number of the townships has not changed since 2008 with eleven townships, but the number of townships in 2000 was 33, which was actually decreased by 22 from then. Towns were also 1,578 in 1998, but decreased by 450 to 1,128 in 2015. The number of the townships in Tianjin has sharply decreased from 98 in 2000 to 6 in 2015, but that of the towns increased from 94 in 1998 to 117 in 2015.

Table. 4.10. Comparison of Sub-County Administrative Units and Self-Governing Organizations in the Three Case Regions

		2008	2009	2010	2011	2012	2013	2014	2015
Zhejiang	Town	747	735	728	654	650	639	629	641
	Township	446	445	443	290	279	264	258	265
	Sub-district	318	333	341	402	412	421	434	444
	Village Committee	30,068	29,958	29,303	28,812	28,798	28,339	27,997	27,901
	Residents’ Committee	3,828	4,016	4,103	4,176	4,007	4,229	4,321	4,393
	Community Service Organization (ten thousand)	2.55	2.85	2.03	1.88	2.48	2.41	2.98	3.04
	Social Organization	13,743	14,352	14,870	15,456	16,452	18,108	19,430	20,745
Guang-dong	Town	1,139	1,137	1,134	1,132	1,131	1,128	1,128	1,128
	Township	11	11	11	11	11	11	11	11
	Sub-district	434	436	436	442	444	446	448	445
	Village Committee	19,472	18,792	19,506	19,034	19,329	19,589	19,347	19,632
	Residents’ Committee	6,154	6,221	6,248	6,323	6,501	6,541	6,586	6,609
	Community Service Organization	-	4,307	15,960	20,673	35,500	49,694	55,374	57,108
	Social Organization	11,553	12,130	13,059	13,661	15,625	18,823	22,132	24,904
Tianjin	Town	116	116	115	123	123	121	121	121
	Township	20	20	20	11	11	6	6	6
	Sub-district	107	107	108	110	111	113	113	117
	Village Committee	3,838	3,821	3,828	3,784	3,782	3,707	3,698	3,686

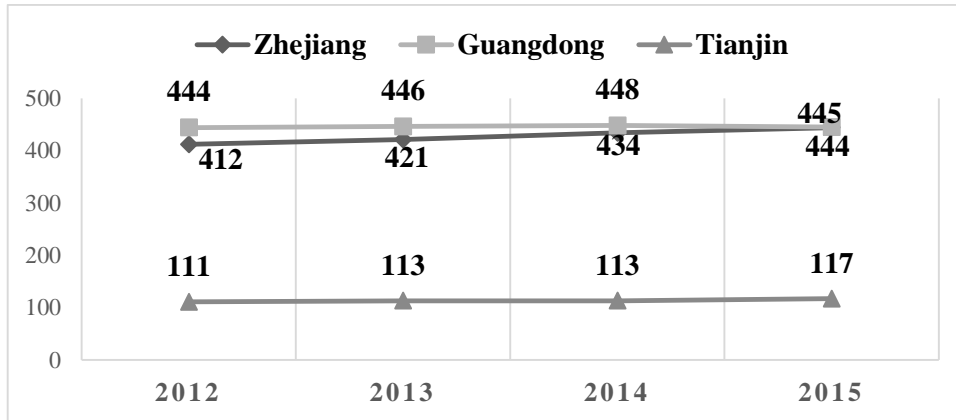
	Residents' Committee	1,504	1,443	1,524	1,456	1,448	1,545	1,575	1,665
	Community Service Organization	-	1,946	1,295	1,680	1,323	1,739	1,836	2,069
	Social Organization	2,013	2,055	2,039	2,020	2,018	2,156	2,215	2,408

*Note: The number of social organizations in Tianjin was 1,921 in 2008 from the statistics data of the civil affairs bureau, but 2,013 from the national data of the National Bureau of Statistics. Despite the differences in the two statistics data, the figures in the table were intended to only show the trends in the increase or decrease rather than present the accuracy of the data. Meanwhile, there were 848 social organizations directly managed by the city of Tianjin in 2015.

*Source: Zhejiang Province's data came from the administrative units' statistical tables of the Provincial Civil Affairs Bureau in various years and the 2015 Zhejiang's Civil Affairs Work Development Statistics Bulletin; Guangdong Province's data stemmed from the annual statistical yearbook of social service; Tianjin's data were from the Tianjin statistical yearbook in various years and the 2008 civil affairs statistical data, all of the three areas' data that cannot be found in the above mentioned statistics were from the National Data, National Bureau of Statistics, <http://data.stats.gov.cn/index.htm>.

Let's look at the changes in the number of the sub-district, which is the dispatched organizations, in addition to the township of the two administrative units. First, in the picture below, the number of the sub-districts in Tianjin City and Guangdong Province was almost unchanged or slightly increased. On the other hand, in the case of Zhejiang, the number increased by 124 from 318 in 2008 to 444 in 2015. What we can see from this is that in order to transfer the delegated administrative affairs received from the county to the sub-district, the township used the strategy to increase the number of the sub-district. The characteristics of the three regions can be said that since Guangdong Province and Tianjin City have stabilized since 2008 in terms of the number of the townships and sub-districts, there has been only a slight change in the administrative units of the two regions, while Zhejiang Province has steadily reduced the number of the townships and increased that of the sub-districts.

Figure. 4.10. Comparison of the Number of the Sub-District in the Three Regions

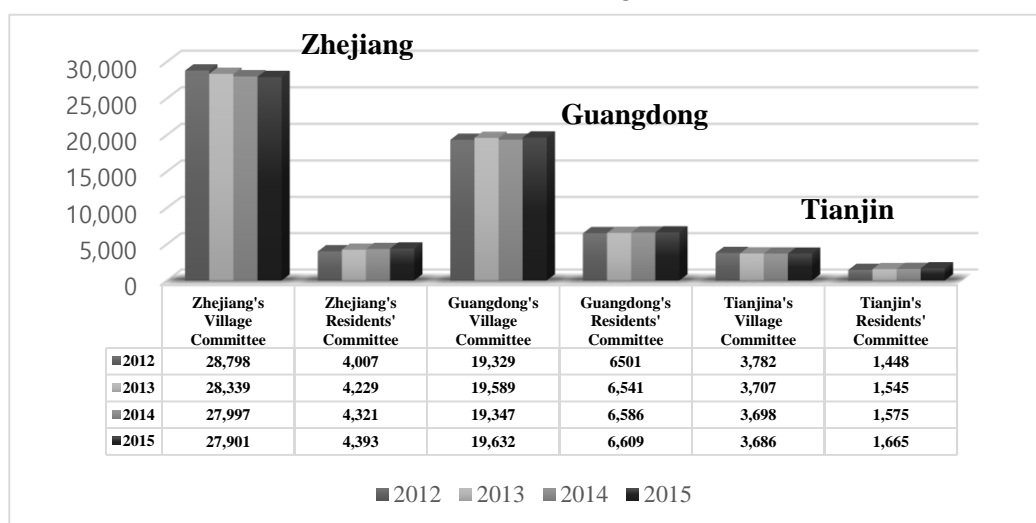


In fact, Tianjin and Guangdong used to utilize a strategy to increase the number of these sub-districts prior to the survey period. In Tianjin, the number of the sub-district increased from 90 in 2000 to 117 in 2015, and in Guangdong from 337 in 2000 to 445 in 2015. As a result, the three regions actively responded to the incentive policy of the center to abolish the townships, thereby reducing the townships, while choosing the sub-district to act as a new agent to deal with the affairs of the townships and the assigned work by the upper-level government on behalf of the county government.

The number of self-governing organizations in the three regions showed the greatest change in Zhejiang from 2012 to 2015. The number of the village committee in Guangdong Province slightly increased, while that of the village committee in Tianjin City slightly decreased, but that of Zhejiang was reduced by more than 1,000. On the other hand, the number of the residents' committees in Zhejiang increased faster than in the other two areas. The community residents' committees of Zhejiang increased from about 4,000 in 2012 to 4,400 in 2015. the number of personnel as well as that of organizations increased. The number of employees working at the community residents' committees rose from about 18,000 in 2008 to about 20,000 in 2015, nearly by 2,000. The value added of self-governing organizations also increased from 4.6 billion yuan in 2008 to 5.2 billion

yuan in 2012. On the other hand, the value added of self-governing organizations in Tianjin decreased sharply from about 7.7 billion yuan in 2008 to about 500 million yuan in 2012, while Guangdong's increased from about 2.7 billion yuan in 2008 to 3.6 billion yuan in 2012, but that of Guangdong was lower than that of Zhejiang.

Figure. 4.11. Comparison of the Number of Self-Governing Organizations in the Three Case Regions



In terms of the total number of self-governing organizations in the three regions, Zhejiang had the largest number of self-governing organizations, and the number of residents' committees was steadily increasing. In addition, the self-governing organizations had the most people and added value. As a result, the self-governing of Zhejiang were more active than those of the other two regions. It can be assumed that Zhejiang increased the number of the sub-districts more than the other two regions, so that the assigned work by the upper-level units was appropriately distributed between the sub-districts and the two self-governing organizations.

Lastly, the community service organizations and social organizations were the most in Guangdong province among the three regions. The rate of increase in Guangdong was also the fastest among the three regions. As shown in the picture below, in Guangdong Province, the number of community service organizations increased from about 35,000 in

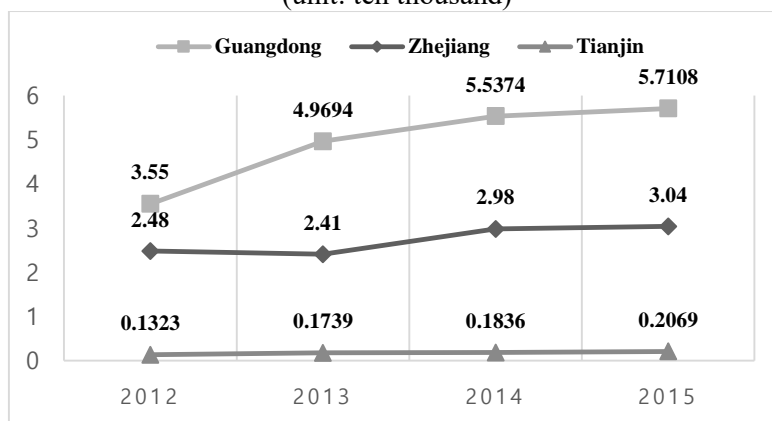
2012 to about 57,000 in 2015 by about 22,000. In addition, the number of social organizations rose from about 15,000 in 2012 to about 25,000 in 2015 by nearly 10,000. In terms of personnel, Guangdong Province has increased its social organization staffs from about 67,000 in 2008 to 187,000 in 2015, by 120,000 and the value added of social organizations has also increased to 8.3 billion yuan in 2012 from 4.8 billion yuan in 2008.

On the other hand, the number of community service organizations in Zhejiang increased from about 24,000 in 2012 to about 30,000 in 2015 by 6,000 and the number of social organizations increased from about 16,000 in 2012 to about 20,000 in 2015 by about 4,000. The number of employees in social organizations was about 260,000 in 2008, far more than in Guangdong province, but was overtaken by Guangdong province in 2015 with 140,000. The added value of the social organization was also lower than that of Guangdong Province, from about 2.3 billion yuan in 2008 to about 3.6 billion yuan in 2012. Tianjin became the region with the lowest rate of increase in the number of community service organizations and social organizations. The picture below shows that the number of the community service organizations in Tianjin increased from 1,300 in 2012 to 2,000 in 2015 by 700, while the number of social organizations increased slightly from 2,013 in 2008 to 2,400 in 2015. The number of social workers in the organization has risen from about 8,000 in 2008 to about 12,000 in 2015 by 4,000. Finally, the added value of social organizations was the lowest among the three regions, from about 300 million yuan in 2008 to about 400 million yuan in 2012.

The most representative indicator of the development status of community service besides the number of community service organization was the coverage rate of community service organization. In the case of Guangdong, where the largest number of community service organizations were located, the coverage rate of the community service organization in Guangdong province has already surpassed the entire region, from 62% in 2010 to 217% in 2015. On the other hand, in the case of Zhejiang Province, this figure was lower than that of Guangdong Province, from about 60% in 2010 to 95% in 2010, but

covers almost all of the region. Tianjin City had the lowest cover rate of 24% in 2010 and 38% in 2015, compared to the other two regions.

Figure. 4.12. Comparison of the Number of Community Service Organizations (unit: ten thousand)



In general, among the three regions, Zhejiang was the most unstable areas in terms of changes in the number of the township and sub-district, while the other two regions were relatively stable in terms of the sub-county administrative units. Zhejiang, on the other hand, had the fastest increase in the number of self-governing organizations and the number of the organizations' staffs, the largest number of self-governing organizations, and the highest added value of self-governing organizations, whereas Guangdong was the fastest growing and most value-added areas of community service organizations and social organizations, followed by Zhejiang. However, the growth rate of Tianjin City's self-governing and community organizations was slowest, and the total number of community service organizations, their employees, and the value added were also lowest.

Comparing these three areas suggested that Zhejiang Province was the most dynamic area in terms of administrative units, and most of the delegated administrative work and autonomy activities were carried out through the existing local self-governing village committee and the residents' committee. On the other hand, in the case of Guangdong

Province, the number of the community residents' committees among self-governing organizations was the most among the three provincial level regions, and the number of community service organizations and personnel supporting residents' committees was the highest, the rate of increase was fastest, and the number of social organizations increased rapidly. Therefore, it can be seen that Guangdong Province was the community service organization and social organization-led community construction model, while Zhejiang Province was the existing self-governing organization-led community building model and Tianjin city was the most vulnerable community construction model. Then, let's compare and analyze the cases of various community construction activities which were led mainly by the county governments in Guangdong and Zhejiang.

(1) Grassroots State-Building of the Guangdong's County Government:
Social Pressure-Driven Model

What is noteworthy in the institutional reform of the county leadership in Guangdong Province was that state building has begun by the pressure of society. And the tension between administration and self-governing appeared during the construction of the community, and the institutional innovations showed different results depending on how the county leadership handled such a tension in relation.

① Institutional Innovations of Nanshan District in Shenzhen City:
Harmonious Community Construction¹⁴⁵

¹⁴⁵ Nanshan District's "Harmonious Community Construction" obtained the "4th 2007-2008 China Local Government Innovation Award." Explanations and details about this case study were summarized from and based on the following research (Yu Keping, 2009), unless otherwise noted. But, the author myself is all responsible for the interpretation and theoretical framework applied on this case.

In the case of urban community governance in the social management area in Shenzhen City, there were two cases of the harmonious community construction in Nanshan District and the community governance reform in Yantian District. Nanshan was located in the downtown area of Shenzhen City as the center of economic and social development and the four high-tech industrial bases of Shenzhen City such as the science and technology industry base, the modern logistics base, the tourism industry base, and the education science research base. However, the developed market economy of Nanshan District promoted the development of Nanshan's civil society and caused a lot of new social conflicts. The three most prominent public disputes included labor disputes, real estate management disputes, and urban management disputes.

In order to strengthen the grassroots governance, the Nanshan District leadership moved the management center to the community and infiltrated the public resources into the community to innovate the social integration method of the grassroots, at the same time, utilizing the passion and wisdom of the community residents. The social differentiation of the downtown area was prominent, the social structure became especially complicated, and the interests' relations among social forces became complicated. There existed problems with the relationships between the rich and poor, the labor and the management, the local people and the immigrants, the Chinese and foreigners.

In 2001, the number of labor disputes filed by the Shenzhen's labor arbitration bureaus was 6,436 in 2001, which increased by 77% to 11,395 in 2004, and 70% of the social contradictory letters and visits cases before 2004 belonged to labor disputes. And the conflicts of real estate management were mainly caused by avoiding the regulation of real estate development and the legal responsibility of the "Property Management Law." Since 2003, the number of letters and visits in terms of real estate conflicts had been rapidly increased. Lastly, city management disputes have affected social stability by inducing various large scale events such as environmental protection disputes, thereby causing collective letters and visits.

The characteristics of the Nanshan's harmonious community construction were as follows: First, this was a combination of the top-down system, in which the government infiltrated the communities, and the bottom-up system, in which the liaison office of the deputy to the LPC expressed and articulated social interests and demands. The top-down penetration was coordinated by the district's bureaus and the residents' committee, and the community work station was established at the residents' committee to handle the government management tasks and service functions. In addition, since the end of 2002, the district set up the LPC's deputy office in the community to strengthen communication among the community residents, the LPC deputies, and government departments. The liaison staff were entrusted with research and investigation of public problems in the community from the deputies of the LPC and submitted various proposals to the government departments through the deputies of the LPC.

Second, it reformed the party's work method in society. The party members were connected to each community with the four core duties, and the grassroots party organizations were established at each community and the party members represented interests of community's residents. Third, the construction of community in Nanshan District was consistent with the policy preference of Guangdong Province. Guangdong demanded the construction of harmonious community in accordance with the construction standards of peaceful harmonious community of good environment and good security that promoted good management, autonomy and service. Guangdong Province presented the standard of community construction in general, and the district made concrete innovations according to the standard.

Fourth, it included an implementation of reform ideas. Nanshan District pursued "Harmonious Nanshan, Innovative Nanshan, and Efficiency and Profit Nanshan" with the realization of the SOD and the socialist harmonious society construction as "ideas." The leader of Nanshan made various institutional innovations by suggesting 37 problems and 30 measures among the factors of community's conflicts based on the expert survey of 98

communities in total in order to practice concrete reform ideas. If there was no justification for reform and innovation through the support of the ideas such as the center's SOD and the socialist harmonious society, the reform of Nanshan would have not been carried out.

Finally, the role of the county government can be seen through the construction of the harmonious community in Nanshan District. The county government has established the rules of the community's activities and the public order of community. During the grassroots state-building, the party and the government integrated and coordinated the relations between the government and social organizations by mobilizing the resources of enterprises and social organizations and designing institutional innovations. In addition, the district's leadership coordinated relations among various interest groups, and ultimately formed social consensus and strengthened social stability.

How much Nanshan District attached importance to the construction of the community can be seen by the amount of the public finance the district government put in. The district government invested more financial expenditures in urban and rural community work than education and science and technology areas, and it was the largest among spending expenses. In 2010, urban and rural community spending amounted to about 770 million yuan, which was less than 1.3 billion yuan in educational spending and 900 million yuan in science and technology expenditures. However, the community spending in 2015 was about 4.8 billion yuan and has become the largest expenditure item as a single category more than educational expenditure of 3.2 billion yuan and science and technology expenditure of 3.1 billion yuan.¹⁴⁶

As a consequence of the harmonious community construction in Nanshan District, labor disputes, which were the most prominent among the disputes that caused social

¹⁴⁶ The 2015 Statistical Yearbook of Nanshan District, <http://www.szns.gov.cn/main/xxgk/zfxgkz/l/qzfxgkml/tjxx94/tjnj/5938310/2017012214435553177.pdf>, (Accessed: 2017.6.4).

instability, decreased. Both the number of labor dispute cases and the number of labor guarantee-related letters and visits decreased, both of which were representative indicators of the number of labor disputes. The number of labor disputes decreased from 2,247 cases in 2009 to 1,781 cases in 2014, while the number of letters and visits of labor guarantee decreased from 4,552 cases in 2008 to 2,121 cases in 2010.¹⁴⁷

The fact that labor disputes and labor security-related letters and visits were reduced indirectly suggested that labor disputes was able to be resolved through the community and the office of the deputies to the LPC. The innovations of the Nanshan spread out in the Shenzhen area. In April 2008, the Shenzhen's LPC and six districts' LPCs completed a plan to diffuse the work of the Liaison Office and officially implemented in June of that year. Each district created at least one or two liaison office of the LPC deputies. In 2006, Nanjing City's Qinhuai District learned the experience of Nanshan District, established a community liaison office of the LPC, and placed provincial, municipal, and district deputies to the LPC and leaders of districts' departments in the office to identify the needs and demands of the residents and aimed to solve the governance problem.

In conclusion, one of the most important factors in the construction of community in Nanshan District was the construction and development of the Liaison Office, which was an important platform that expressed and articulated the demands, pressures and interests of society. The ideas of the center's SOD and harmonious society were able to become conjuncture of ideas/interests through such a platform as the liaison office.

¹⁴⁷ The Statistical Yearbook of Nanshan District, various years, <http://www.szns.gov.cn/main/xxgk/zfxxgkzl/qzfxgkml/tjxx94/tjnj/index.html>, (Accessed: 2017.6.4).

② Institutional Innovations of Yantian District in Shenzhen City:
Community Governance Construction¹⁴⁸

Since 1999, Yantian focused on coordinating relations between the government and the community or the government and the society to implement public service-oriented government innovations and to improve administrative efficiency, and has been promoting the construction of governmental organizations and civic self-governing organizations as the core project.

The characteristics of Yantian community governance in Shenzhen were as follows: First, the vertical administration units and self-governing organizations were separated functionally. The vertical administrative management line included the office of the district government's Community Construction Work Committee (the civil affairs bureau) – the office of the sub-district's Community Construction Committee (the social management section) – the Community Work Station (hereinafter CWS), while the self-governing organization included the community residents' committee (hereinafter RC). The RC provided project services for the residents directly according to the needs of the residents, while the CWS indirectly provided government services for the residents according to the demands of the government.

Financially, the expenses of the RC were covered by the annual expenses of the district government, the profits of the properties belonging to the RC, and the expenses collected from the community, all profits were used only for the supply of community services, and the public finance of the community received a financial audit of the sub-district's supervision organization or the CDI. On the other hand, the finance of the CWS

¹⁴⁸ Nanshan District's institutional innovation obtained the "3rd 2005-2006 China Local Government Innovation Award." Explanations and details about this case study were summarized from and based on the following research (Yu Keping, 2007), unless otherwise noted. But, the author myself is all responsible for the interpretation and theoretical framework applied on this case.

was managed by income and expenditure of the sub-district, and the district finance provided wages and office expenses for the personnel in the CWS.

Second, the self-governing functions of the RC were strengthened. It established a council, a coordinating meeting, and a hearing meeting of the community and provided administrative services to the residents through an administrative one-stop service. It established non-profit organizations such as the Community Service Station (hereinafter CSS) under the RC to take charge of the public service of the community, and the government purchased the public services of the CSS.

Yantian saved government administrative costs through innovations. First, the financial expenditure of the community administration services was reduced. Second, the wage costs of employees in the RC decreased. Although the wages of the RC's employees were low, the reason why they worked hard was because they were able to be elected to the RC's chiefs and committee's members under the condition that the residents' satisfaction with the services was high. Third, indirect administrative costs were saved through the cultivation of new social organizations. Fourth, efficiency of government's provision of public goods has been improved.

The main actor of this reform was the Yantian's civil affairs bureau. In 2001, it designed the "Opinion of Strengthening the Community Construction Work of Yantian District" on behalf of the district government and the party committee. The goal was to mobilize each functional department of the district, to focus on the community work the citizens were most concerned with and to provide community service by using manpower, material power and policy resources. In addition, by coordinating the duties and functions of the RC, the public goods provided by Yantian's community could meet the needs of various classes and groups.

Meanwhile, according to the request of the center, the civil affairs bureau was in charge of the community work. However, when the plan was submitted to the district government's standing meeting, the district's civil affairs bureau faced intense opposition

from other functional departments in the district government. There were mainly three objections. First, the government departments were already in charge of too many government services to build the new community.

Second, in order for the grassroots organizations to work with the government, those organizations must come to the government first to deal with the related procedures, and the departments would allow the work to be done on the grassroots, and if the government departments did not allow the work to be started, the work could not be started. They concerned that the government departments would lose their power and interests when they voluntarily went to the community to cooperate with community organizations. Therefore, there was no reason that the government voluntarily went first to such organizations. In addition, government bureaus thought that they cannot give the government's work with interests and power to the community to handle with it.

Third, the departments wondered if other bureaus would work, but the civil affairs bureau was only responsible for the construction of the community and that the civil affairs bureau would receive the awards without no rewards for other departments. The voices of the opposition overwhelmed that of the civil affairs bureau and the plan was not finally passed at the district government's standing meeting. At that time, however, the meeting decided that the civil affairs bureau would guide and develop the community of the resident committee.

In spite of the oppositions of these government departments, as the reform of the service-oriented local government was accelerated and the market economy system has been completed nationwide, the functions and duties of some government functional departments were rapidly increasing. Therefore, in order to reduce the burden of their own work, government departments started to transfer some of their work which was closely related to the community to the RC. Since the construction of the community, the government departments have transferred 32 big items and 128 small items to the RC such as security, one-child policy, health, employment, immigrant management, housing lease

management, culture, fire prevention and urban management, but they did not transfer the actual authority, the work standards and the expenses related the assigned work.

In sum, it was “interests” of departments that was the most stumbling block in Yantian’s innovation. In the process of reform, service-oriented government “ideas” and departments’ “interests” were combined (conjuncture of ideas / interests), interests interfered with the process of innovations, and ideas played only a focus role that explained the remaining after interests dealt with it. However, changes in the situation where various government innovations related to a service-oriented government were promoted nationwide and the transition to a market economy intensified made it impossible for government functional bureaus not to send down the excessive work assigned to them down to the RC. As a result, changes in the situation and policy environment nationwide weakened “interests” of the local departments, and the ideas started to play a role of “roadmap” instead of a “focus.”

In particular, the one-child policy and security affairs were governed by the hierarchical management responsibilities of the government. The sub-districts signed with the district government on the responsibility contract, while the sub-districts also signed with the chief of the RC on the responsibility contract. If the tasks were not completed, the sub-district’s personnel in charge of the particular work would have got “one vote veto.” As a result, the RC became increasingly concerned about the conflicts between the role of the “government’s feet” and the “heads of residents.” As members of the RC became more aware of the democratic rule of law, they complained and doubted about the dual role of the RC.

The complaints of the RC were concentrated on two points. One was why the RC should do what the government was supposed to do. The other one was why the RC elected by the residents decided the tasks and the personnel matters at first, but allowed the administration unit to refuse the matters decided by the RC. Therefore, the core of the community governance system was to clarify the relationship between the government

and the community, and the practice of the Yantian community governance aimed basically to promote both the top-down administrative construction and the bottom-up self-governing building.

Discourses formed between the major departments of the district and the residents of the RC consisted of two conflicting ideas. The interests of the bureaus were to focus on administration rather than self-governing, while the interests of the RC made it a principle to be autonomous. In order to resolve the conflict between these two ideas and the discourses, the district leadership issued the “Opinion on Promoting the Construction of the District’s City Community.” The core contents of this document included the division and reclassification of RC, based on the interests, homogeneity, culture, and so on, instead on the residence in order to strengthen the CWS that handled the administrative demands of the government. At the same time, the district not only strengthened the RC elected by the community residents, but also enhanced the autonomy of the residents by activating the community residents’ meetings.

If the reforms aimed to strengthen only the residents’ autonomy, they would never have proceeded smoothly. The leaders of the district found a compromise point to strengthen administration along with self-governing of society, considering the interests of the departments. This enhanced the CWS to carry out the administrative tasks assigned by the governments and the CWS was separated from the CSS functionally and financially. It was an innovative way of strengthening both administration and social self-governing through separation between the two.

Despite these reforms, the conservative ideas of leaderships in some areas became a stumbling block to institutional innovations. For example, leaderships in the Yantian Sub-District and Meisha-District thought that a new administrative framework would not be needed in their regions because the economic development and the education levels of the RC members in their jurisdictions were relatively low. A common feature of these two reasons can be said that the level of economic development was relatively low

and urbanization went slow. And their leaderships were too old to carry out institutional innovations and their career terms were too long.

In their minds, the majority of the members in the RCs were barefoot, growing up as peasants in the fields, and it was still difficult to meet the needs of the CSS and the CWS that specialized in some knowledge. In addition, the CSS needed professional management skill, and the leaderships believed that the CSS would be difficult to implement its services because as the residents of the village-within-town, the demands for society were not so great. However, the leaders of the two sub-districts began to accept new innovations in a relatively late period, after watching for the success of the other sub-districts' innovations.

There were many problems in the reforms of Yantian. For example, it was not rule or law based for the government duties to enter the community and there were no constraints on the government work. The three community organizations have not yet been completely separated from their positions and personnel, and the level of their duties' specialization was not high. In order to solve this problem, Yantian planned the "Opinion on Further Implementing the Construction of the District Community," but since the CWS that the document discussed about were still in the framework of the RC, it was difficult to solve the problem.

Therefore, in the process of collecting opinions, the members of the RC who had some strong rights awareness, especially the members who also acted as the chiefs of the CWS, made the following demands. "Why did not we have a high social status, fixed wages and opportunities for promotion, such as civil servants, even with our 90%'s efforts to handle the government work assigned by the government?" "Many tasks we did, such as one-child policy, tearing down illegal shops, cultivating civic activism and preventing SARS were all parts of government activities." "We were better at doing such work than the government officials did because we were better able to understand the situations of the residents."

On the other hand, according to some government bureaucrats, the members of the RC, which had undergone two rounds of reforms and innovations, were capable of and were cut out for concrete executors of the government work. If the CWS's staffs that performed the government duties were taken out from the RC's employees, the nature of the project team was determined as the public service unit, and if it was used as a work platform in the community of the sub-district, it was possible to utilize the talented well. If the RC's members do their work directly in the administrative way, it would not outsmart their work on the pretext of self-governing organizations' work. Therefore, it was possible to enhance the executive capacity of the party's mass work and the administrative tasks by the CWS. Based on these opinions, the reform of the district focused on the integration of the CWS's duties, the management method, standardization, and power and responsibility relationship between the government and other community organizations.

As such, there was a conflict between an administration and social self-governing among the Yantian government officials and the RC, and it was difficult to completely resolve such conflicts. However, in the process of making rules under the leadership of the district government and the civil affairs bureau, communication discourse was established between the government bureaucrats and the residents, and the consensus was drawn up between the administration and the self-governing so that the reform ideas gradually began to act as a roadmap to guide interests of the bureaucrats instead of *post-hoc* justification of the departmental interests. The reform ideas guided the road so that the discourse of government officials and the discourse of residents did not collide, but resulted in a consensus.

Guangdong Province and Shenzhen City respectively requested to spread the Yantian model in 2005 and 2006 in the city and province. The Reform Division of the National System Reform Committee and the investigation team of the central related ministries also came to Yantian. In the end of March 2006, Shenzhen held the second meeting of the 4th Local People's Congress and the "Government Work Report," which was

passed by the meeting, clearly affirmed the community governance system of Yantian model. On April 7, 2006, Shenzhen organized a mobilization of the city's "Grassroots Basics Year" and "City Management Year," and issued series of documents related to the community work such as the CWS Management Method. Finally, Bao'an District and Long'gang District began to establish the CWS and to separate the personnel of the CWS from the RC.

One of the key points for separating the CWS from the RC was to select candidates for the CWS's members through the open examination and to conduct the direct elections in the RC. 95% of the employees who came to the CWS originally were staff members of other community organizations, and the district released documents in order to prevent the crossing positions of the two community organization personnel and stated that the personnel of the CWS were not allowed to participated in the RC's election. As a result of the reform, 17 RCs of Yantian all conducted the direct elections, and the most salient feature of the election was the recommendation of candidates through the residents' direct election. The sub-district did not recommend candidates any more, and the purpose was to solve the administralization problem of self-governing organizations through the election. The elected members of the RC were no longer in charge of the tasks assigned by the government, but they became the real self-governing RC members, which not only were elected for the first time in the nation through vote elections but also mainly served the residents' affairs and worked in cooperation with the government.

In conclusion, the crucial difference in the community governance of Nanshan District and Yantian District can be said that the grassroots self-governing in Nanshan was weakened by the infiltration of the government's administration and the strengthening of the party's enhanced control on the social organizations, while Yantian has attempted to strengthen both administration and grassroots self-governing by separating the CSS of the self-governing organizations from the CWS of the administrative organizations in terms of finances, programs and functions through the democratic elections. The advantage of

this model can be said that it was advantageous to satisfy both governmental demands and social demands. On the other hand, the disadvantage was that duplication of administrative duties and autonomous activities led to waste of budget and personnel.

(2) Grassroots State-Building of the Zhejiang's County Government:
Social Participation-Driven Model

The Point to be noted in the community construction of Zhejiang's county government will be the way the county leadership mobilized the participation of society. In order for the construction of the institutions to continue, the demands and participation of the society were important, and the factor that influenced the institutions to mobilize the participation of society was an "idea" of how much the state should intervene in society.

① Institutional Innovations of Chixi County-Level City in Ningbo Municipality:
Community Harmony Promotion Society¹⁴⁹

Chixi absorbed a large number of workers in the inland area, where the private economy developed and many commercial enterprises were located. As of the end of 2011, the total population of Chixi was 104.15 ten thousand, and the registered temporary resident population was 95.77 ten thousand, which was close to 1: 1 ratio of locals and immigrants. The high percentage of the immigrant population faced the problem of how to integrate them with local life while immigrants created huge wealth locally, and tried to find a way to legally protect their interests.

¹⁴⁹ Chixi's institutional innovation obtained the "6th 2011-2012 China Local Government Innovation Award." Explanations and details about this case study were summarized from and based on the following research (Yu Keping, 2014), unless otherwise noted. But, the author myself is all responsible for the interpretation and theoretical framework applied on this case.

On the other hand, the local residents enjoyed the development performance of the economy and the bonus of the demographic change, and at the same time, there were the deterioration of the security situation and a decrease in the reliability of the residents. Because of a large influx of immigrants in a short period of time, the original defensive-controlling social management model lost its effect and the “one village, two worlds” formed between the locals and the immigrants.

Therefore, several reforms were already underway in the surrounding area of Chixi in order to resolve the conflicts and contradictions between the locals and the immigrants. For example, Zhuji City, a neighboring city of Chixi, built a “Comprehensive Governance Affairs Coordination Center” in administrative villages and communities, and built the “People’s Coordination Committee” in the township (sub-district) and a “Leadership Small Group for the Large-Scale Coordination Work of Social Conflicts.” It was in the early 1960s that Mao Zedong stood and developed the model of social conflict resolution, “the mobilization of the mass, the reliance on the mass, do not send conflicts up, and settle them locally” of the “Feng Qiao Experience.” In 2005, Hongju Village in Andong of Chixi established the “Peace Association” and its members included both locals and immigrants. The main function was to deal with the conflicts between the two and to innovate the social management institutions that could transcend the “Feng Qiao Experience.”

However, social management faced new challenges when the external population was constantly pushed in. For example, labor disputes resulted in large-scale protests, and immigrant workers and their families for the demands of local living such as residence, medical care, and children’s school attendance increased, and the difficulty of the comprehensive governance for the social security also increased. Based on this background, research and investigation, the party committee and relevant departments of Chixi established the “Village Harmony Promotion Society (hereinafter HPS)” on April 2006, which was placed in Kandun’s Wutangxin Village, guided by the county-level city and the town,

directly led by the village party branch, village committee and economy cooperatives and jointly promoted by local mass and immigrant builder.

The model of the HPS was immediately replicated by the community model and it formed the Community's Harmony Promotion Society. In June 2008, Chixi continuously built a "Harmony Promotion Association (hereinafter HPA)" in towns (sub-district) and realized the HPA's work leadership on HPS and integration of the joint board members of directors through the way of absorbing the leadership members of the HPS as a member of board of directors in the HPA. To date, all 347 villages in Chixi have established the HPS, and many of townships (sub-districts) have also established the HPA. With the HPS and HPA as a platform, Chixi developed a cooperative and interdependent governance model of immigrant population, local residents, business units and grassroots organizations.

The total members of the HPS of the Chixi consisted of 3,026 households, 28,000 members (13,000 temporary residents), 5,287 board members (1,310 temporary residents) and the 504 HPS Demand Service Station. Since 2007, there have been 2,612 educational and training activities, 60,000 participants, 6,600 cultural and athletic activities, 300,000 participants, 5,300 volunteer activities, 13,200 dispute resolution and more than 15,000 immigrant people's employment, schooling and housing solved ("Chinese Communist Party Newspaper Network," 2010/5/18).

The HPA was a social organization that had a dual function of service and management. At the heart of this innovation was the leadership of the county government and key party and government departments. The grassroots Harmony Promotion Project Leadership Small Group (hereinafter HPPLSG) was established under the leadership of Chixi's party secretary, a mayor, a deputy party secretary, a standing deputy party secretary, a secretary of the Public Administration & Law Committee (hereinafter PALC) as a head and deputy head and with related-departments as its member.

Under the leadership of the HPPLSG, the city's PALC was the leading unit that

reformed the process of the HPP. The PALC cooperated with the Bureau of Temporary Resident Population Administration, the civil affairs bureau and each township, and implemented “Grid Management and Mutual-Assistance Service.” In addition, with the chief of the Comprehensive Governance Committee as a head and the city’s PALC, the organization department, the propaganda department, the united front department, the civil affairs bureau, the police bureau, the temporary resident population management bureau, the population planning & health bureau and labor union’ general federation as members, the HPS Construction Work Guidance Committee was established to take charge of coordination of the grassroots HPS. Each township (sub-district) constructed the corresponding organizational system by referring to the model of the city, established the HPPLSG and township and sub-district’s HPAs, and the Township Comprehensive Work Office as a lead unit was responsible for researching and solving difficulties and problems faced during the construction of the HPS.

The HPS was a social organization in nature, but it must receive guidance from the township (sub-district) party committee and leadership from the village party branch, and the village committee, and a party secretary of the village party branch should also be a chairperson of the HPS. It was an important way for a party organization to penetrate new social organizations. At the same time, the HPS should report to the local party branch on an irregular basis, and when needed, obtained assistance and support from the village committee and the villages’ cooperatives for the provision of places and expenses. This system shows that the HPS was a collaborative governance model of the grassroots organizations and the social organizations.

In accordance with the instructions of the Wutangxin Village HPS, the HPS took the principle of recruiting volunteers and its members consisted of individual members and group members. Among them, individual members were village cadres, police officers, security guards for communities, village representatives, excellent immigrant workers,

excellent building owners, and group members included the resident enterprises. The supreme power organization of the HPS was the Member Representative Congress (herein after MRC) and the election committee of the MRC executed the resolutions of the MRC as its executive organ. The board of directors elected and dismissed a chairman, vice president, managing director, general secretary, and deputy general secretary.

The task force teams of the HPS established each professional committee according to the work function. The committees consisted of seven organizations including the membership organization, the party organization, protection for legitimate rights of workers, culture and sports, social contradiction intervention, public service, one-child policy. In 2012, three new commission committees were added, including housing lease, under-age education and guidance and ethnic religions.

Second, according to the “section (*pianqu*)” divided by the community, the work small group was established in the section, village cadres were responsible for the chief of the section and the responsible landowners, the businessmen or the excellent immigrant workers and the community security officers were in charge of chiefs and deputy-chiefs of the work small groups. And the union sections of villages, the union groups of sections, the union management farmers of groups created the new framework of social service management and the comprehensive stability network.

Under the social management system of “the unification of various networks, multiple people on one grid,” the HPS’s members went to each farmhouse to distribute propaganda materials and hold discussions. They visited the farmers and trained the heads of household, and publicly put up a signboard called the HPS Member in the section (*pianqu*). In addition, they used the method of issuing a connected card and putting on a badge, and helped the poor selected by the HPS and resolved the disputes.

The organizations of the HPS used not only a top-down policy but also a communication discourse to enhance the citizen’s understanding of the national policies and systems by visiting the farmers and residents in parallel with propaganda and training.

The reform idea of the harmonious society was able to take root in the grassroots society with the development of the communication discourse by the HPS.

The HPS solved social problems through the formation of trust between the people of Chixi in the form of grassroots organizations and social organizations' cooperative governance. For this trust construction, mass people with special nature was arranged. Considering its members of a chairperson, a vice chairperson, a general secretary, and a deputy general secretary, the leadership team of the HPS became a local elite group whose character, ability, and reputation that have been trained in work and life enable them to carry out each work function of the HPS. In other words, the HPS member was also an elite group with special qualities. In the rural area, the HPS member was selected from the village small group leaders, the community security guards, the excellent building owners, and the excellent party members. The HPS employed two or more harmony facilitators from 30-50 households, and harmony facilitators of enterprises were selected among the team leaders in the enterprises.

The actual problems faced by different villages or communities differed due to the local distribution density of the immigrants. Therefore, the emphasis was also placed on the different provisions on the duties and responsibilities of the HPS. In addition to prescribing the job positions of the HPS members, the HPS implemented standardization management for the harmonious facilitators. For example, by using one contract (appointment letter), one name card (HPS name card), one card (integrated card, contact and job position) and one notebook (harmony facilitator notebook), the HPS strengthened training and evaluation. The harmony facilitators of the HPS were full-time workers and responsible for village security chief and in a security organization, standing vice chairmans or deputy general secretaries were paid by their townships and villages, but most of them were concurrent with other jobs and paid nothing.

Table. 4.11. Various Institutional Innovations of the HPS in Chixi

Unit	Kandun Sub-District, Wutangxin Village	Zhonghan Sub-District, Zhonghanxi Village	Gutang Sub-District, Danwan Community	Shared Institutions
Institutions	<ol style="list-style-type: none"> 1. Regular Study Meeting 2. Visit Villagers 3. Report Information 4. Civil Conciliation 5. Patrol Work 6. Regular Activity 7. Machine Account, Dossier 	<ol style="list-style-type: none"> 1. Study Training 2. Regular Meeting 3. Report Situation 4. Protecting Mass, Night Patrol 5. Excellent Harmony Facilitators Point System Evaluation 	<ol style="list-style-type: none"> 1. Report Information to the Higher-level 2. Regular Work Meeting 3. Study Training 4. Consultation 5. Personnel Selection and Appointment 6. Evaluation Incentive 	<ol style="list-style-type: none"> 1. Six Must Visit 2. Report Situation 3. Conflict Reconciliation 4. Security Union Prevention 5. Study Training 6. Regular Work Meeting 7. One Agenda, One Incentive

Wu Youshui and Qiang Xinggui who worked at the HPS, were typical figures. Wu was from Yiyang of Jiangxi Province and a standing vice-chairman and deputy secretary general of Kandun Sub-District’s Wutangxin Village’s HPS. Wu, who used to be a party secretary in his hometown for a long time, came to work in Chixi in 2004 and handled the disputes smoothly. The Wutangxin Village’s Party Branch Secretary, Hu Hua’nan recognized him and appointed him as a founder of the HPS. The task of the HPS was to “promote exchange through activities, promote management through participation, and promote harmony through services.” The working methods of the HPS were “Edification, Impression, and Assimilation,” and the work characteristics of the HPS were “flexible, skillful, and detailed.” According to him, one of the most important functions in HPS was to strengthen the attribution of immigrants and to enhance mutual trust among villagers.

Qiang was from Zhunyi of Guizhou Province and a secretary general of the Zhangqi town’s Chenjia Village HPS. He was the founder of the *Xiaoqiang* Hotline, and he gradually gained a reputation in the dispute settlement process between Guizhou people and the locals, giving out his business card that wrote “if something happened, go find Qiang Xinggui first.” After working as a standing deputy secretary general of the HPS of Chenjia Village, he established the *Xiaoqiang* Hotline in August 2006 to help local governments, businesses, and the people of Chixi through charitable actions such as labor

dispute resolution, immigrant employment, hospital treatment and schooling.

The people of the HPS voluntarily settled the joint origin or same hometown people's conflicts and formed trust among them. They were not able to make political promotion like the division chief rank officials and above, nor did they have any material incentives because they did not have a full-time job and no remuneration. But the reason they put their time and efforts into solving the problems of the same hometown people was the moral motivation that came from their beloved same origin people and longing for their hometown.¹⁵⁰ Such a moral motive could also be found in the party secretary of Xiawei Village in Guangdong Province to be examined in detail.

Meanwhile, the budget for HPS came from three channels: government subsidies, dues, social and personal donations. Government support and social contributions accounted for the largest portion. For example, when the Chenjia Village in August 2006 set up the HPS, the village committee contributed 50,000 yuan, and the town contributed 150,000 yuan. And the enterprises donated 150,000 yuan, and the city government paid 50,000 yuan as "awards instead of subsidies," and collected a total of 400,000 yuan of work expenses.

The budget for the HPS was also covered by urban and rural community work expenditure of each sub-district. For example, in 2016, Gutang Sub-District spent 11.64 million yuan, followed by public security, social security and employment spending. And Zhonghan Sub-district in the same year used 26.1 million yuan in the community. The total expenditure on the community of the sub-districts and the sections in Chixi in 2016 was 228.59 million yuan, accounting for about 18% of the city's total expenditure with the highest proportion as a single item.¹⁵¹

¹⁵⁰ An interview with a researcher at the Zhejiang Development Research Center, who conducted a field research on the case of Chixi's community HPS, June 10, 2016.

¹⁵¹ The 2016 Chixi's report of the fiscal budget execution situation and the 2017 financial budget draft, http://www.cixi.gov.cn/art/2017/2/23/art_14396_1385304.html, (Accessed: 2017.6.5.).

The city and township governments supported the work of the HPS in a form of a “award instead of subsidy.” The framework of this system was to provide incentives for prize money to the excellent HPS. For example, in September 2008, the Work Guidance Committee Office of Constructing the HPS conducted a quantitative evaluation of the HPS in accordance with its goals and evaluation standards. The excellent HPSs were awarded three-star, two-star, and one-star HPS citations with 1.8 ten thousand yuan, 0.8 ten thousand yuan, and 0.5 ten thousand yuan, respectively.

Since then, the city established a special fund called “award instead of subsidy.” This special fund increased from RMB 3 million in 2010 to RMB 4.5 million in 2011 and 2012. In addition, the PALC and the finance bureau jointly issued the document and implemented the evaluation of the awards instead of the subsidies. The Office of HPPLSG was in charge of the evaluation of the HPP’s construction. There was a big change in the evaluation focus every year. For example, the evaluation was carried out in terms of the organization construction, team construction, institution construction, mechanism operation, mediation construction, work performance, and work innovation in 2010. In 2011, the evaluation included the degree of completion of management system, faithfulness, soundness and effectiveness of the management system.

In 2012, there existed the improvement of service management system, smooth communication of service management network, completion of service management function, standardization of service management system, service management efficacy, and service management innovation. The change in evaluation focus can be seen from the fact that the evaluation task of the HPS evolved from evaluation of functional improvement in regulation, system construction and management to the evaluation of services. This shows that the process of HPS has gradually entered a mature stage in the evaluation aspect.

The practical use of the evaluation on the HPS was a kind of competitive mechanism in order to facilitate the active development of the grassroots harmony promotion

work. Unlike the funding system, which distributed equally with the average mindset, it promoted grade-specific incentives according to certain standards, thereby enhancing the work quality and innovation vitality of the HPS. The method of replacing the subsidy with the prize money also introduced the grade-specific mechanism of the prize money amount and increased the amount of sponsorship for the HPS that met the best standard and excellent standard every year.

For example, in accordance with the 2010 evaluation regulation, the city recognized the villages that reached the pilot standard, provided a prize money of 20,000 yuan and awarded a prize of 10,000 yuan to the HPS with the good grade and 5,000 yuan to the HPS with passed grade. In 2010, the city's HPP special fund totaled 3 million yuan, and the incentives and subsidies were appropriately increased each year, and the awards and subsidies were evaluated once a year.

According to the 2011 and 2012 evaluation bylaws, the city recognized the villages that reached the pilot standard. In 2011, the city awarded an incentive of 50,000 yuan for operation expenses and 70,000 yuan for the same expenditures in 2012. For the villages where the evaluation reached the excellent standard, the city paid 20,000 yuan for assistance services in 2011 and 50,000 yuan in 2012. For villages that reached a good standard of operation, the yearly operation expenses were 0.5 ten thousand yuan in 2011 and 10,000 yuan in 2012. The amount that replaced the subsidy as a prize money was submitted to the city's PALC by the finance bureau after the approval of the HPPLSG and the PALC allocated a money to the townships or sub-districts.

As such, performance evaluation and material incentives played a key role in the construction of the HPS of Chixi. Although the past existing performance evaluation had a strong influence only at the provincial-municipal-county level, now the county government expanded its evaluation power not only to the administrative units under the county but also to the social organizations such as the HPS through the performance management and an award instead of subsidy mechanism.

Finally, the Chixi's HPS was an innovation that was created by the pressure of the newly emerging social problems on the social management model, but the leadership factor of the city could not be ignored. At the beginning of 2006, Yang Shengjun who was a deputy party secretary and a secretary of the PALC, found a rapid increase in the public order cases caused by the large influx of the immigrants, expansion of conflicts, deterioration of environment and health in the process of investigating social problems. In order to solve these problems, Yang came up with a reform idea that allowed the immigrants to participate in the management of the grassroots society and cooperate with the village cadres to handle the coordination tasks.

These ideas gained an active response from Kandun's Wutangxin Village, where the population of the immigrants increased and social problems grew. After thorough investigation and argumentation, Chixi established the HPS in succession in two villages, and spread it throughout the city after accumulating experience. Li Guanjun, a deputy head of the city general governance office, participated in the investigation of how to solve the difficulties of the immigrant population management, the organizational frame of the HPS, the design of the function setting, the pilot zone and the whole spreading process. After Yang Shengjun, Zhang Jianren, who had succeeded to serve as a secretary of the PALC, further boldly promoted the HPS between 2008 and 2011 and called for the "extension of network, expansion of functions and improvement in effects. In addition, he provided a solid basis for the development of HPS by presenting the cooperative governance idea of the grassroots self-governing organizations and the social organizations.

In November 2011, Zhang Jianren moved to a head of the united front department in November 2011. Li Guanjun, a former deputy head of the city's comprehensive governance office, who was involved in the process of establishing the HPS, selecting the pilot areas and diffusing the HPS got transferred to a deputy head of the city's temporary resident population management bureau. People were worried that the innovation project would be weakened by the transfers of the early founders. However, various duties of the

Chixi's HPS proceeded steadily, and did not lose its vitality due to the resignation of the principal leaderships. Under the leadership of new leaders, they gradually developed to cooperate with the grassroots organizations and proceeded to provide social services in cooperation with the grassroots organizations.

The reason why the Chixi HPS social organizations can continue in spite of a transfer of the founding members can be said that the establishment of the system in the past has already taken its roots in the villages, and the social organization's key members of the HPS were kept unchanged. And, more importantly, because the demands for the management of the immigrant population continued to exist, the HPS has been forced to continue without a better system. And as Pang Peizhi who was a deputy head of the comprehensive governance office, mentioned, the HPS shared the recognition that it was the system that benefited both the government and its residents. Institutional change required changes of perception and ideas, but in the case of the HPS, if the city's leadership and citizens thought that the existing system was no longer profitable and efficient and the city's leadership and citizens accepted that idea, it would have been replaced with a new one, but an institutional change did not occur only because of the leadership change.

② Home-Care Service for the Elderly in the Ningbo City's Haishu District¹⁵²

Haishu, the central city area of Ningbo City in Zhejiang Province, accounted for 17% of the total population with 54,000 elderly people, accounting for 47.9% in terms of the elderly living alone. The rapid growth of the elderly population brought with it a series of social problems. In March 2004, the Haishu District government purchased home-care

¹⁵² Haishu's institutional innovation obtained the "4th 2007-2008 China Local Government Innovation Award." Explanations and details about this case study were summarized from and based on the following research (Yu Keping, 2009), unless otherwise noted. But, the author myself is all responsible for the interpretation and theoretical framework applied on this case.

services for the elderly who had difficulties living alone.

This policy, which began to be implemented in September 2004, was carried out entirely in the 65 communities. The main contents were a home-care service from the non-profit organization, the Xingguang Elderly Association (hereinafter XEA) purchased by the Haishu government. The communities conducted a home-based elderly service center and visited the elderly living alone in the jurisdiction area daily, providing the six-hundred elderly people with a home care service. Service personnel were mainly filled with people who were not able to work in the communities, and the contents of services were living care, medical recovery, and spiritual comfort. The district government established a voluntary recruitment center for residential elderly people and provided services to the elderly through social participation. At the same time, Haishu built a platform to allow elderly people to get out of the house to get services, and to establish the day care centers for the 18 sub-district and communities. In addition, the community private organizations with the members of 432 elderly people were established for 30,000 elderly people to enjoy the service without having to leave their communities.

In the background of such services, China has not yet become rich, but there was a phenomenon of aging before being rich. A China's current endowment insurance system, health insurance system, care service for the elderly and social management system were unable to adapt to the aging population's demands, and the seriousness and urgency of the old age problem did not form a broad consensus yet. In order to solve the elderly problem, which was difficult to survive for a living, the government put the large old age welfare fund into the construction of the nursing home facilities. The government encouraged the elderly to come to the professional nursing home and receive services, which was called institutional nursing.

Much money was invested in construction of the nursing home facilities, the scope of the service application was narrow, but the cost was high. However, the majority of the elderly did not want to enter the nursing home facilities. Thus, as an alternative to

institutional nursing, home-based welfare care was provided for the elderly, including medical recovery, and mental comfort, while the elderly resided at home. That is, it was a kind of new care service model that combined home welfare and social welfare with home service and community day care service. The National Senior Citizens Committee also proposed the construction of the “two systems to build a home-based care service for the elderly as a base and to supplement the institutional nursing for the elderly based on the community service.”

The government procurement of social welfare services was a service method to help the group of weak people in the social welfare system. The government announced the social welfare service budget and the government purchase price of services, quantity of services and related quality of service indicators. After Social welfare service organizations belonging to such nonprofit organizations and social service organizations as the Child Activity Centers, Nursing Homes, Child Welfare Centers, Recovery Centers and Community Comprehensive Service Organizations were won by competitive bidding, they obtained purchase payment and provided services according to the government requests. In this process, the government must play a key role in the development of society. In particular, the local government aimed to carry out social management and to provide public service for the weak group.

Prior to 2004, some areas of the country, including Shanghai and Dalian, had searched for and worked in the area of the community’s home care service for the elderly. Haishu selected 17 communities in March 2004 and developed socialized home-care service pilot areas. From August 2004 to September 2004, the City Elderly Association conducted a statistical survey and sampling survey on the 17 communities’ households in Haishu District, who were experiencing difficulties as a target of home-based care. Based on these surveys, on May 12, 2004, the Office of the Haishu Government issued a report titled “Haishu District’s Guidance Opinion on the Socialized Home-Care Service” and suggested ways of working according to social participation.

Since 2005, the Haishu District government built the 18 home care service centers. The construction of the service center by the sub-districts included provisions of the place and the facility, and the city and district provided appropriate subsidies. Generally, the municipal government subsidized 30,000 yuan of the newly constructed service center and subsidized the daily operation expenses of 10,000 yuan each year. The Home Service Center for the Elderly (hereinafter HSCE) was built on three local levels of districts, sub-districts, and communities on the basis of building a place that met actual demands. The community service center was mainly constructed in the place where the elderly people were relatively concentrated in the communities, managed by the professional social welfare workers of the community and managed by some community private organizations (Age Association, Old Age Small Group, etc.).

The service centers of the sub-district were used to satisfy the needs of the elderly people and prevented the supply shortage and waste of resources due to the construction of the service center of the community. The Sub-District Service Center coordinated and guided jurisdiction services of the community while providing more complete services. In addition, the center was mainly affiliated with the branch organizations of the Elderly Association in the sub-district, distributing professional social welfare management and public services. The District Service Center was responsible for the elderly with special difficulties, trained service personnel, and coordinated and directed the supply and demand between the community and each sub-district.

Meanwhile, the XEA was founded in June 2003 as a voluntary organization, and belonged to a local non-profit social organization that engaged in services for the elderly population. In 2004, Haishu District newly searched for the socialized home elderly care, and the XEA started to operate the home elderly public project with the assignment from the district government. The XEA was responsible for the finalization of service targets, the training of service personnel, the determination of service contents, and the supervision of service quality.

The XEA continued to expand the boundaries of home-care services and deepen its services. In order to satisfy the acceptance of 24-hour elderly care, the XEA established a home-care service center, a 24-hour wait-and-care service organization in 2006. The XEA was the first in the nation to establish the district level volunteer-based recruitment service center in order to mobilize social participation and supplement a one-hour- government-service procurement. In Haishu's socialized home care elderly service system, the XEA played a role as a bridge between government and society. The XEA was equipped with social connection's superiority and it operated the service purchase work providing services for the elderly, the living alone, and the difficult elderly on the behalf of the government in cooperation with the community.

In this way, the division of labor in terms of the home care elderly service system of Haishu was relatively clear and rationalized from the district government to social organizations. It was difficult to find the isomorphism structure of the government function at all local levels in Haishu where the existing local governments did not have vertical division of functions and did have role sharing.¹⁵³ Although the service centers were built in all three levels of the district, sub-district, and community, the roles of the three level units were slightly different and complemented each other. In addition, it was not a direct connection between the government and the society, but rather a new agent, which was rich in social capital and rich in business experience with social organizations. The XEA solved the problem of failure to complete the mission due to the information asymmetry that could occur when delegating the important work and tasks from the government to the society to a certain extent.

The operating mechanism of the policy was government aid, nonprofit organization, and social participation. First, it included government aid. The governments were

¹⁵³ For a study on the isomorphism structure of the local government function among local governments, refer to (Zhu Guanglei and Zhang Zhihong, 2005).

planners and policy makers, and government aid was a decisive factor. Haishu placed the home-care elderly service as one of the most important tasks in the “Government Work Report” every year. The Home Care Elderly Service Work Leadership Small Group of Haishu was a leadership organization of the government to complete the system of the three level home care elderly service at the district, sub-district and community. The leader of the Small Group was a deputy chief of the district government and deputy heads of the Small Group included a head of the civil affairs bureau and a chairman of the XEA. In other provinces, the members of the Small Group which was a party-state top decision group as a party-government leadership organization were limited only to the party-government officials, but the nonprofit organization in Haishu was able to participate in the policy making process.

The government-led initiative appeared in support of the XEA and the annual financial budget was used for its operation and social mobilization. In addition, the government invested in the construction of facilities and helped the elderly professional care work and the research work of the elderly university. The government has invested in the construction of a home-elderly service center for the district, sub-district and community, and subsidized certain operational expenses each year.

Second, it was the operation of a nonprofit organization. Haishu District commissioned the public profit item of the home care elderly service the XEA to operate and the Home Care Elderly Service Company, a subsidiary organization of the XEA, specifically handled the service purchase operation. First, those who needed to provide home-based services were examined and confirmed. The XEA conducted a home visit screening to confirm that the 600 elderly living alone and difficult elderly people obtained the services that the government purchased, thereby increasing public confidence for government policies.

The XEA also confirmed the service contents of home-based nursing and supervised the service quality. In addition, it linked the training with visiting service applicants.

After the government budget was paid to the XEA, it was reorganized and operated on the community. The XEA wired the wages of the service provider staffs once every two months to the bank account of the community, and the wage was received from the community every month after the service provided the elderly. The XEA strengthened the community inspection and service supervision and reduced the portion of the expenses that would have been incurred when wiring funds if their services were insufficient.

One notable fact suggested that most of the social participation that we have seen so far was limited to providing public services. However, Haishu's home-care service system was characterized by the fact that the private organizations called the XEA was responsible for the evaluation and supervision of the service. This is clearly the differentiated point with a way that the two county governments in Shenzhen City of Guangdong Province were promoting the construction of the community. In the case of Nanshan and Yantian in Shenzhen, the district government's departments were responsible for the evaluation and supervision of public services. On the other hand, Haishu's social organization oversaw and evaluated the services of the communities and nonprofit organizations.

In addition, the two county governments in Shenzhen did not include heads of the nonprofit organizations in the Leadership Small Group, which was the core policy making organization in the construction of the community, but in the case of Haishu, this was such a very rare measure that it let a leader of the social organization participate in the leadership small group in the situation that any compromise of the party's leadership cannot be happened in China. This case can suggest that Haishu emphasized and mobilized the role and ability of the civil society in a more proactive way than in Guangdong and Tianjin.

Third, it was social participation. Applicants, volunteers, and researchers of the XEA were basically composed of elderly people. On the one hand, they helped the other and on the other hand, they realized and completed home care service for themselves. Through the XEA platform, elderly people with relatively lower age in the community

were registered for the priority application, and the XEA trained them. Those who passed the training were able to receive volunteer cards as a home-based care-giver volunteer so that card holders could engage in services for the elderly.

The voluntary banking system was able to keep volunteer service time and quality of service in the documents by providing the service today and enjoying it tomorrow and the volunteer party could apply when the service is needed. The XEA coordinated with other volunteers to provide appropriate services through a qualification card that allow volunteers to participate in the volunteer work with free exits and training.

After receiving the opinions of the RC and elderly people who were for service, the XEA assessed service quality with four grades A, B, C, D and recorded the volunteer service time and quality and made them into the uniform documents. A few years later, volunteers were able to reapply when they needed service, and the XEA coordinated with other volunteers to provide a corresponding service. Since August 2, 2006, the XEA purchased insurance for volunteers.

The volunteer banks of Haishu have already spread nationwide. Under the propaganda of the XEA, the two companies, Yuda Transportation Group of Ningbo City and Dongfang Garment Manufacturing Co., Ltd., purchased a home care service coupon of 50,000 RMB each and by using the funds provided by the companies, the XEA sold it as a service coupon, recorded the entry and exit of each fund in a transparent and detailed manner, and reported use of the funds to the corporations.

By the end of 2013, Ningbo City had constructed a total of 1,919 rural residential home service providers and 213 elderly meal service centers. The service coverage rate was 71% of the urban community area and 60% of the administrative village area. It was about 600,000 elderly people who benefited from the service. The number of specialists in charge of these services was 4,100, including 65% of the party members, 86% of

college graduates, and the average age was 37.4.¹⁵⁴

In this way, the institutional innovation of Haishu in Zhejiang Province has been led by the government, but there were various market mechanisms such as the purchase of services, the participation of non-profit organizations in the Leadership Small Group, the service supervision, quality evaluation management, insurance purchase, volunteer bank of the XEA. This can be an evidence that Zhejiang used much more of the public goods supply using market mechanism than the government's intervention in the society compared with Guangdong Province or Tianjin City.

As a result, this system has transformed the function of government and the way of implementing policies. Under the socialist market economy conditions, Chinese local governments fully carried out all over the economic control, market supervision, social management, and public service functions, but had the goal of building service-oriented government by strengthening and focusing more on social management and public service functions. The service oriented government construction and the transition of the government role were mutually complementary tasks and the government function can be changed through the construction of the service-oriented government.

In the process of constructing a new type of home care service, it was a type of public service that was not directly provided by the government, but was provided by the home service center and volunteers of 65 communities, supervised by the nonprofit organizations and the community organizations, and the government just promoted policies, provided funds, and implemented supervision, making social capacities such as nonprofit organizations and social organizations become the new agents of the service-oriented government.

¹⁵⁴ The Haishu government official website, [http://www.haishu.gov.cn/zwdt/NewsInfo2.aspx? No deCode=1000500030006&Id=309550](http://www.haishu.gov.cn/zwdt/NewsInfo2.aspx?No deCode=1000500030006&Id=309550), (Accessed: June 5, 2017).

The Haishu government handed over public service rights to nonprofit organizations and managed and provided them through the XEA, and the government was only a limited government with the role of purchaser and supervisor of public services. In addition, the services provided by nonprofit organizations and the community were not only flexible, but also able to satisfy the diverse needs of the elderly, and the purchased services were more efficient than the services directly provided by the government, creating the cost-benefit effect of the government's public service.

In this way, Haishu of Zhejiang Province had a different idea about how the state should intervene in the society. In the case of Haishu, the government intervened in the society in a very limited way by transferring some functions of supervision and evaluation to the society, while in the province of Guangdong and Tianjin City, the state was in charge of almost all the supervision and evaluation roles. Only some of the public goods supply and some coordination functions were transferred to the society.

The importance of the local idea on how much the state should intervene in the economy or society had a significant impact on policy outcomes. Traditionally, Tianjin had the idea that the state should intervene more in the economy and the society than in Guangdong Province, and Guangdong had the idea that local governments should play a limited role in the economic development (Remick, 2004). Therefore, through the case studies and the previous study so far, it was found that among Tianjin, Zhejiang, and Guangdong, Tianjin had the strongest idea that the government should intervene more in society. The middle point was Guangdong, and Zhejiang had the idea of minimizing the intervention of the state in society and economy.

2) Grid Management

The representative social governance innovation that was carried out along with the con-

struction of the community was the grid management in China. This change in government management can be categorized as a voice and accountability governance area because it cannot succeed without social or corporate cooperation and participation.

The grid management played an important role in social stability and urban management, through innovation of comprehensive governance. However, it is important to clarify the relationship between each functional department in the grid management, to clarify the position of each bureau, to avoid crossing over work and wasting resources, and to guarantee the work expenses of grid management. A concrete example of grid management was the implementation of the Community Grid Management in the entire range of K City of Hubei Province from 2012, and a standard was set up to divide one grid for each 400 households and correspondingly arranged one grid staff. Currently there were the 2,236 community grids in total, of which 907 were in the downtown city with 2,236 grid staffs. In the division of duties, the Municipal Comprehensive Governance Office, Municipal Civil Affairs Bureau and Municipal Personnel Bureau mainly enacted a citywide grid management plan and arranged the urban and rural grid management and built prevention and supervision mechanisms. The district level departments were mainly responsible for the training and evaluation of grid employees, maintenance of information network platform, grid management and propaganda (Zhongnan University of Economics and Law, Hubei Finance and Development Research Center and Chinese Local Finance Research Center, 2016: 57).

In addition, the grid management was a reform that affected the government efficiency governance. The following is a review of the comprehensive law enforcement of Balitai Town in Tianjin City and the case of the grid-oriented environmental governance to see how the Jin'nan District government in Tianjin built the grassroots governance and extended its control power down to the sub-county level. Let's see what the penetration of the state power's limits were.

(1) Comprehensive Law Enforcement and Grid Environment Governance of Balitai Town in Tianjin¹⁵⁵

① Comprehensive Law Enforcement Reform of the Sub-District and the Town¹⁵⁶

Jin'nan District's Balitai Town's representative grassroots state-building or institutional innovation was the comprehensive law enforcement reform. The Comprehensive Law Enforcement Team (hereinafter CLET) of the town was formally established on April 7, 2015, and the personnel consisted of total 70 including thirteen members dispatched from the District's Comprehensive Law Enforcement Bureau (hereinafter DCLEB) of Jin'nan and the original staff members of the Town's Comprehensive Law Enforcement Brigade (hereinafter TCLEB). After that, more 30 law enforcement team members were recruited and now there were 100 employees. Among them, there were nine regular full-time employees and 91 temporary workers.

At the time of the field research, a total of 294 law enforcement rights were transferred from the district to the town in the recent reforms. Among them, 269 administrative punishment rights and 25 administrative investigative rights were transferred. Currently, the TCLEB continuously engaged in cracking down on illegal activities such as illegal construction, transportation leaks, outdoor barbecues, and street stall management, and teamed up and associated with the cultural bureau of Jin'nan District to investigate illegal PC rooms in the Balitai, and investigated the construction of private housing at the waterways with the district's water affairs department. In addition, in cooperation with

¹⁵⁵ This case study was based on interviews and the work report of a section chief rank official in the meeting who was in charge of environmental governance work during the field research in Balitai Town, Jin'nan District, Tianjin City, from July 27 to July 29, 2015.

¹⁵⁶ The contents to be covered in this section were based on the data and interviews of the field research in Balitai Town, Jin'nan District, Tianjin City, conducted from July 27 to July 29, 2015, unless there was a special footnote.

the district's market supervision and management bureau, the TCLEB investigated the service activities of managing restaurants in small-area housing, and cooperated with the husbandry, livestock and fisheries bureau of the district to conduct inspection activities on unauthorized production of livestock medicines and to carry out household safety investigations.¹⁵⁷

The comprehensive law enforcement reform was not implemented by the town alone, but it was possible only the conditions that there existed the organizational support such as the district's organizations and the personnel support of the DCLEB. Balitai's reform can actually be regarded as the expansion and penetration of the law enforcement organizations and personnel of the Jin'an District into the town unit as well as a reform of the district. Therefore, this reform became the Jinan District's grassroots state-building.

However, the problem of the district's reform was that first, the capacity of the law enforcement was insufficient. There were not enough formal full-time personnel who had the qualifications of administrative law enforcement, but there were only nine people who had qualifications in the brigade at present. This situation could not satisfy the requirement to have at least one member in one company with the qualifications of a law enforcement, except for a leader and deputy heads of the brigade and the five staffs. The TCLEB used many temporary contractors to solve the problem of shortage of personnel, and if any company required the law enforcement, the TCLEB kept legitimacy of the

¹⁵⁷ According to one government official of TCLEB, "association(*lianhe*)" and "cooperation(*peihe*)" had different meaning when it comes to the comprehensive law enforcement. An association with departments of the district meant that the town played more leading roles in terms of an execution of a policy together with the district's bureaus. On the other hand, a cooperation with the district's bureaus meant that the district's departments took the lead and the TCLEB supported them. And since the departments of the district had more advantages in resources, expertise and power than the township's comprehensive law enforcement official, the bureaus of the district often took the initiative in law enforcement so that the distinction between association and cooperation sometimes became unclear (an interview with a member of the TCLEB of Balitai, July 28, 2015).

procedure by appointing members of law enforcement from other companies and participating in the law enforcement.

Second, there was a lot of workload. The 294 law enforcement rights that were transferred to the TCLEB were entirely new to the town's government officials and were difficult to absorb and understand in a short period of time and faced with many difficulties to enforce. For example, all the legal procedures and legal documents were difficult to understand. For the cases where there was a lot of workload and unfamiliarity, the CLET frequently contacted the relevant functional departments at the district level when they implemented comprehensive law enforcement,

Third, there was a lack of public cooperation. The majority of the mass did not understand the reform agenda of the comprehensive law enforcement, and in the process, they often faced public noncooperation. In order to solve these problems, the CLET carried out as many projects with the public as possible, and implemented them by using as many methods of persuasion and education as possible.

Therefore, the biggest problem of the reform became the needs of public cooperation. Problems such as shortage of staffs and overworkloads can be overcome by personnel and financial support from the upper-level government, but it took time for communication with the public and for their cooperation. It was necessary to explain and persuade the mass in terms of the legitimacy of the reform.¹⁵⁸ Here, it can be seen that the factor necessary for the grassroots governance was discourse. Persuading the public to the

¹⁵⁸ According to a government official in Tianjin, it was the most difficult to draw public cooperation. First, the public did not know the concept of the comprehensive law enforcement, and when they encountered more unfamiliar law enforcement staffs than the past familiar law enforcement staffs, they did not know the staffs well and a policy was not carried out smoothly. And, according to him, a law enforcement was not merely a literal execution of the higher-level policy, but rather a change of the code to a public perception. Also, informal elements such as the intimacy between the law enforcement personnel and the public determined the success or failure of the reform. And he emphasized the fact that the more closely the relationship between the public and the law enforcement personnel was, the better the policy was enforced (an interview with a staff official of the CLET in Balitai Town, July 28, 2015).

comprehensive law enforcement of Balitai required communication discourse, but it had lack of such discourse, so the reform did not work well for the time being.¹⁵⁹ Compared to Xiawei Village of Guangdonga to come out later with Balitai Town, because Xiawei had a better communication discourse among village leaders and villagers than Balitai, the reforms of the village were relatively well executed.

In order to tackle these problems, Jin'nan government issued a "Notice on Strengthen the Sub-District and Town's Comprehensive Law Enforcement Work" on July 3, 2015, and aimed at improving the reform in several ways. First, it intended to reinforce the command line and the deployment of the law enforcement equipment. Second, it accelerated the construction of a work office of the law enforcement brigade. Third, it included a standardization of the label on the work vehicle. Fourth, it was to unify the dress code of the law enforcement personnel. Fifth, it included to make the official seal of the TCLEB and to standardize the written documents. Sixth, it guaranteed the treatment of the staff members. Seventh, awards instead of subsidies were required to carried out reforms. Eighth, it was to enhance training of law enforcement team and to carry out institutionalization of learning and training, routinization and specialization. Ninth, it was to implement a system in which each TCLEB transfer a serious and complex agenda to the higher level. The tenth, it was to strengthen police guarantee work. Eleventh, the higher units which transferred the relevant law enforcement authority to the lower units developed the self-examination of the administrative law enforcement and made efforts to resolve the remaining problems and conduct the connection work well.¹⁶⁰

After Balitai Town's comprehensive law enforcement reform, it cracked down

¹⁵⁹ For a discussion of communication discourse, see the following study (Schmidt, 2010).

¹⁶⁰ The Office of the District Legislative Affairs, Jin'nan District, 2015.7.3, "Both Measures to Strengthen the Comprehensive Law Enforcement Work of the Sub-District and Town," [Http://www.tjjn.gov.cn/xxgk/zfxxgk/qjgxxgk/201511/t20151123_28066.htm](http://www.tjjn.gov.cn/xxgk/zfxxgk/qjgxxgk/201511/t20151123_28066.htm), (Accessed: 2017.4.18).

on 90 *mu* illegal fishing grounds, demolished 13,000 square meters of illegal buildings, cracked down on 260 outdoor barbecues, cleared 337 street stalls and cracked down on 424 transportation leaks in 2015. In addition, 22 shops completed the refurbishment of smokestack purification facilities by upgrading restaurant smokestack facilities. The safety inspection work such as elevator and firefighting was carried out, and when problems occurred, the TCLEB ordered improvement within the fixed time limit. Finally, the TCLEB cracked down on the copyright infringement and the illegal publishing street stalls, closing 17 of them, collecting 320 of these illegal items and disposing them, and strengthening the crackdown on unauthorized management shops, medical centers, funeral, water affairs and housing security.¹⁶¹

Let us look at how much the upper level support for this reform has been achieved by examining the 2017 and 2016 DCLEB's fiscal spending. In short, the city and district governments have provided a variety of material incentives to the law enforcement officials of the DCLEB, making them work harder.

For example, the budget for personnel expenses in the DCLEB rose to 525.2 ten thousand yuan in 2017 from 404.3 ten thousand yuan in 2016, while the basic wage was cut, but the corresponding welfare expenditure increased. Other wage expenditures have increased significantly from about 87 ten thousand yuan in 2016 to 257 ten thousand yuan in 2017. Subsidies for individuals and families were also being provided to staff members of the DCLEB in 2017 and 2016 for various items such as housing subsidies, medical expenses, child expenses, and heating subsidies. Therefore, the key to governance in the the DCLEB of Jin'nan District and Bailitai's TCLEB was the financial support and expenditure of the higher level government, and the support of the organizations and personnel of the DCLEB.

¹⁶¹ The District Government Office, 2015.10.23, "Bailitai town steadily promoted the comprehensive law enforcement reform of the sub-district and town, [Http://www.tjjn.gov.cn/xxgk/zwyw/zwdt/201510/t20151027_27574.html](http://www.tjjn.gov.cn/xxgk/zwyw/zwdt/201510/t20151027_27574.html), (Accessed: 2017.4.18).

Table. 4.12. The Higher Government's Expenditure for the Jin'nan's DCLEB in 2017 and 2016 (unit: ten thousand yuan)

Budget Spending Item	2017	2016
Wage Welfare Expenditure	525.20	404.3
Basic wage	71.41	76.9
Subsidy allowance	107.38	102.3
Year-end one-time prize money	4.86	73.0
Other Social Security Accumulated Expenses	48.16	64.9
Public Service Unit Basic Endowment Insurance Inspection Cost	36.30	-
Other Wage Benefits	257.09	87.2
Assistance to Individuals and Families	151.07	173.2
Medical Expenses (2017); One Child's Cost (2016)	0.963	0.1
Housing Public Funds	140.75	50.0
Rent Increase Subsidy	0.21	1.0
Heating Subsidy (2017); Retirement Fee (2016)	3.65	1.0
Real Estate Subsidy (2017); Home Purchase Assistance (2016)	5.12	106.7
Other Assistance to Individuals and Families	0.38	14.4
Total	827.34	750.7

*Source: The Jin'nan's DCLEB 2017 and 2016 Department Budget Disclosure
http://www.tjjn.gov.cn/xxgk/zfxxgk/qjgxxgk/201701/t20170125_35015.html;
http://www.tjjn.gov.cn/xxgk/zfxxgk/qjgxxgk/201603/t20160314_29494.html

In addition to this, the DCLEB of Jin'nan not only expanded its power to the Balitai through organization, personnel, and budget, but also contributed to the construction of the community. The city and district governments were sending down the organizations, personnel and budget to the urban and rural community through the DCLEB. The administrative expenditures of urban and rural community were about 7.78 million yuan in basic expenditure, and the project expenditure was 350 thousand yuan in 2017. Of the administrative affairs, the basic administrative expenditure was about 4.4 million yuan, the law enforcement basic expenditure of city administration was about 3.38 million yuan, and the project expenditure was 350 thousand yuan.

Table.4.13. The 2017 Higher Government Expenditure for the Jin'nan District's DCLEB Finance (unit: ten thousand yuan)

Budget Spending Item	Total	Basic Expenditure	Project Expenditure
Urban and Rural Community Management Affairs	813.85	778.85	35.00
Administrative Operation (Urban and Rural Community Management Affairs)	440.87	440.87	
City Management Law Enforcement	372.99	337.99	35.00

*Source: The Jin'nan's DCLEB 2017 Department Budget Disclosure http://www.tjtn.gov.cn/xxgk/zfxxgk/qjgxxgk/201701/t20170125_35015.html

However, despite this support of the district, the town still struggled with the comprehensive law enforcement. The reason is that the material resources were supported by the higher level governments, but the real power and authority necessary for the law enforcement was still not in the town government but in the district government. If a problem arose with citizens or corporations in the law enforcement process, the township government was not authorized and had to seek help from the district government for coordination.¹⁶²

In summary, the comprehensive law enforcement reform of Jin'nan District and Balitai Town with the higher government's budget and organizational support, awarded the TCLEB and DCLEB a lot of material incentives, but because the real power and authority of the law enforcement was still in the district government and the weak communication discourse was formed between the law enforcement staffs and the mass, it was difficult to achieve the reform smoothly. Thus, in the case of the Balitai's state-building, the service-oriented government reform idea was combined with interests of the bureaucrats such as material incentives from the higher-level government in the comprehensive law enforcement, but this did not form a communication discourse in the relations with the citizens. Nevertheless, these reform ideas have changed the way a law enforcement

¹⁶² An interview with a party secretary of Balitai Town, July 27, 2015.

has been conducted by acting as a roadmap to guide the interests of staff members of TCLEB and DCLEB.

② Environment Governance through the Grid Management in Balitai Town

Balitai's air pollution prevention work in 2015 was to develop air pollution prevention inspections, strengthen patrol booths, and promote the propaganda work of air pollution prevention. In addition, 80 waste disposal prohibition notices were issued to each waste product shop, 300 copies of harm notification about open-air barbecue were distributed to residents and 100 notices of air pollution prevention services were issued to each village and unit.¹⁶³

In Balitai, air pollution prevention work has become active because of the town's grid environmental governance system. The town's grid environmental governance had an organizational structure in which the heads of the town's party-government took the total responsibility and one deputy head of the town government became a leader. This leadership organization held several meetings of the grid management (hereinafter GM) work to communicate the spirit of the GM in a timely manner. In addition to the tasks and responsibilities of the level 3 and 4's grid leaders and staffs, these meetings gave a detailed commentary on the contents of the work, such as the work of "must understand, know and familiarize." Also the meeting demanded to carry out the "GM's Implementation plan of the prevention of air pollution" firmly and to implement detailed deployment of air pollution prevention.

The core of GM was the "six determinations" and "three clarifications" tasks. The six determinations here were first, to confirm the area, 17 grids of the level 4 were to

¹⁶³ The District Party Committee Office, 2015.5.28, Balitai town do a good job in air pollution prevention and control work, [Http://www.tjtn.gov.cn/xxgk/zwyw/zwdt/201312/t20131203_16000.html](http://www.tjtn.gov.cn/xxgk/zwyw/zwdt/201312/t20131203_16000.html)

be designated according to the administrative units. Second, it set the number of people. Each grid had one grid leader and three grid staffs, and each had one comprehensive law enforcement staff. Third, the determination of the position's work included instant inspection, recommendation report, feedback report, cooperation processing, tracking execution. Fourth, the numbers scheduled for standardization became clear, the accounting books became clear, the records of daily inspections became complete, the visual and evidence materials also became complete, and the problems found through the inspection became left with results, and if a problem was found, it demanded to report it immediately to the senior and fulfill the position's work.

Fifth, the process stages were decided. When a level 4 grid found an air pollution event, it was immediately advised, and when the recommendation was ineffective, it was immediately reported to the town's grid control center, and the level 3 grid immediately handled the air pollution incident that the level 4 grid reported. For issues beyond the boundaries, report to the level 2 GM organizations, and for the case that needed to be resolved by the functional departments of the district, GM reported immediately to the the district command assignment center and cooperated with the district's bureaus to deal with the problems. Finally, it included the assessment and evaluation. GM carried out a territory management and strictly took responsibility. The three clarifications were to sort out boundaries, duties, and responsibilities.

Each grid leader (staff) carried out routine patrol inspection according to the classification of the mission, filled in the inspection record with or without the pollution source point, and reported it after stamping the pollution source point. If a new pollution point was found during the inspection, or if the pollution source was found again at the same point already processed, marked the new point on the checklist or marked the place already processed. When notice of trouble or improvement was found, after both parties took the autograph, reported it. Each grid was responsible for confirming one liaison officer and reporting the inspection record to the higher-level governments. With the twenty-

seven items and the twenty-five types of air pollution sources, functional units were composed of the level 3's grid staff, functional departments and a head of the bureau, and they carried out specific duties.

According to a grid staff of Balitai, due to the management system closely intertwined with the level 4, level 3, and level 2 grids and the district functional departments, before introducing this grid governance, there was not much contact with the senior in the village, but since its introduction, frequent contacts with the town government and even the bureaus of the district government have resulted in close spacing and distance between the grassroots governments.¹⁶⁴

According to a party secretary of Balitai town, the town played a bridge linking role between Jin'nan district and each of the grassroots units and self-governing organizations. Since the introduction of grid governance, more and more village cadres and community staffs have come into contact with each other, thereby strengthening the control of the grassroots administrative units. In particular, it was continuously managing the performance of Jin'nan District through the performance evaluation to see whether a policy was properly executed in the villages and the communities. The town's performance evaluation of the lower-level units also used material incentives such as prize money rather than promotion.¹⁶⁵

According to the request of the "GM Implementation Plan for Prevention of Air Pollution in Jinan District," the town worked on various aspects. A grid management platform was established on the dust control side, and a digital city management platform was built to use a mobile phone terminal and used for daily patrol inspection and problem report.

Particularly, the incineration of the leaves was totally prohibited in the industrial

¹⁶⁴ An interview with one grid staff in Balitai Town, July 28, 2015.

¹⁶⁵ An interview with a party secretary of Balitai Town, July 29, 2015.

pollution control area, and the city image, safety supervision and comprehensive law enforcement-related departments jointly carried out regular and irregular inspections and immediately restricted an incineration in the wasteland and waste incineration. And the management of the river system (*hezhangzhi*) made regular investigation about the downstream in the jurisdiction with a head of the town government as the team leader and each head of village committee as the members, found out early if there was a problem, reported early and aimed to resolve problems early. At the same time, by establishing a system for the management of water environment and social supervision staff, the supervisor staff conducted a sampling inspection of irrigation channels irregularly and defended the waterway environment together.

In this way, the GM ultimately clarified the responsibility of environmental pollution by selecting the grid leaders and grid staffs using the existing village and administrative units and their officials. A detailed classification of the mission and the selection and renewal of the pollution source points had the advantage that the incident can be processed relatively quickly by concentrating the administrative power more on pollution source points. However, the disadvantage was that the grid leaders and grid staffs' energies and resources were put into the GM, but those resources were required for other existing tasks, which may delay the processing of existing daily tasks or reduce the quality of work.

And another important thing to note was that the village was placed in the level 4, the level 4 grid reported to the level 3, the level 3 reported to the level 2 grid, and the final assignment was handled by the district command assignment center. In this way, the report, feedback and network system from the county to the village were formed closely. In the end, the county was able to extend its control and power to the village through this grid management.

(2) Problems of Grid Management

The problem of the community grid management was, firstly, the waste of resources due to the distribution of the grid management platform resources. Some communities should handle the 8 information management platforms per each staff including population, one-child policy, social insurance, grid and ethnic minority, etc. And each platform was relatively independent and a corresponding responsible department was responsible for supervision and evaluation. Originally, the starting point of construction of the information management platform was to make a community management convenient, but each management system was operated separately, which increased the workload of the grassroots community and wasted resources.¹⁶⁶

Second, the upper-level departments relinquished the related duties to the community grid and the community took charge of more duties of assigned work than the original self-governing activities. Currently, the community was responsible for numerous administrative affairs, most of which were not within the scope of self-governing by the RC. The higher-level administrative departments either anomalously transferred or forced such administrative work to the community. As the management of the community became more and more administrative, government power directly affected the community, reducing the self-governing space of the community, reorganizing the social organizations from top to bottom, and promoting administrativization of social spaces, community organizations and community affairs. As a result, the role of the community itself was seriously distorted.¹⁶⁷

Third, the upper-level governments did not guarantee financial and manpower enough, instead only sending down work. The higher-level bureaus, which had a tendency

¹⁶⁶ An interview with one grid staff in Balitai Town, July 29, 2015.

¹⁶⁷ An interview with one grid staff in Balitai Town, July 28, 2015.

to carry out compulsory administration, sent occasional specialized guerrilla missions frequently to each community through documents and conferences, which did not send down enough financial power and manpower, adding burdens and difficulties to the duties of the community. The duties were related to the maintenance of the comprehensive governance stability, the one-child policy, the preferential treatment, the culture of propaganda, the environment and sanitation, the social security and the duties of the community service. There was not enough time and power to carry out all these public services.

Fourth, various social conflicts were concentrated on grid staffs who were in direct contact with society. However, grid staffs and even communities did not have the rights and authorities of comprehensive coordination and organized execution power. And because there was a performance evaluation of the grid members, many grid staffs worried that if they did not solve the problem, they would get bad performance evaluation, thereby deliberately hiding the problems and not reporting to the upper-level units.¹⁶⁸

The comprehensive law enforcement reform and GM innovations of the county governments in Tianjin City as explained so far show that the higher-level governments' support of the financial, material, organization and personnel resources was a necessary but not sufficient condition to the grassroots state-building and institutional innovations. In addition, the cooperation and participation of society and business were more important in the process of government management. However, the county leadership of Tianjin city has been less able to mobilize cooperation and participation of society than the leadership of Zhejiang province.

¹⁶⁸ An interview with a party secretary of Balitai Town, July 28, 2015; An interview with one grid staff in Balitai Town, July 28, 2015; Zhongnan University of Economics and Law, Hubei Finance and Development Research Center and Chinese Local Finance Research Center, 2016: 57.

4. Xiawei Village's Self-Governing Institution Building: Emergence of New State Agents

The construction of village self-governing institutions was a representative voice and responsibility governance area. What was important in this institutional innovation was that the county leadership has formed the foundation of the village system through the reform ideas. And the past autonomous institutions of villagers were in the state of governance deficits, but they could develop into effective governance through the emergence of village leaders who had the moral motivation, the ability to publicize national projects, and to have networking with senior officials and private companies. The key point in constructing a village self-governing system was that the state's power infiltrated into the village society through a county leadership with reform ideas and a new state agent with a moral motive and ability. Next, we will look specifically at the process of building a village self-governing institutions in Guangdong province.

Xiawei Village is located in the southeast in Zengcheng District. The village is looking at the rivers with the Dongguan City's Shilong Town and Shijie Town and is connected to the land of Shiwan Town in Huizhou City. The area of the village is about 4 square kilometers, with the total of nine cooperatives, about 600 households, the population of about 2,200 people, and the population of migrants is about 1,300. Shitan Town covers an area of 163 square kilometers with 44 villages and 5 communities, including Xiawei Village, with a total population of about 170,000.

1) Governance Deficits: Conflicts of Interest between the Clan Factions

Due to favorable geographical conditions and commercial conditions in the 1990s, Xiawei Village was selected as the site of the Administrative Committee of the Economic and Technological Development Zone by the county government in 1993, and a development

and construction boom took place. However, due to lack of scientific management and standardized guidance, the financial management of the village, which was based on the demolition and acquisition of land, leasing of property and project construction, became out of control and village cadres bought distrust and complaints from the villagers by pursuing private interests through their use of power. The uneven distribution of residential land exploded the conflicts among the villagers and led to a factional dispute that lasted over 20 years (Xiao Bin and Fang Muhuan, 2016: 8).

Villagers was constantly questioning land acquisition, leasing, project contracts and dividends, and this village had serious problems with social governance for over 20 years and gained nationwide disgrace due to the tensions between cadres and villagers (Zhang, 2016b: 240).

In 1999, Xiawei Village held its first direct election, but due to the conflict between village leaders and villagers, the preparation of the direct election was delayed and it became the last administrative village where the direct election was implemented in Guangzhou. The direct election of the village leaders did not help solve the problems. The senior government had to keep the electoral order by deploying 400 policemen.¹⁶⁹

On February 25, 2000, more than 200 villagers heard the news of the new city party secretary's inauguration and went beyond the stage directly to visit the Zhencheng's party committee collectively. The disgruntled villagers even destroyed the pots in the entrance of the city building. Tang Jinhua, who was just inaugurated at the time as a party secretary of Zhengcheng City, did not predict this situation at all and then began to recognize the seriousness of the Xiawei Village's governance problem.¹⁷⁰

In order to solve the problem of letters and visits, the party secretary of the city went to the village, but he was surrounded by angry villagers when staying (*dundian*) in

¹⁶⁹ An interview with a village cadre of Xiawei Village, June 16, 2016.

¹⁷⁰ An interview with a villager of Xiawei Village, June 16, 2016.

the village for three days in 2000. Over the next decade, the villagers continued to visit Guangzhou, Guangdong and Beijing for submitting complaints. As a result, a party secretary of the village party branch was sentenced to prison.¹⁷¹

In efforts to fix the situation for 6 years from 1999 to 2005 and to maintain the operation of the village, Shitan Town sent the two successive members of the town leadership organization. It was not until the third village direct election that the villagers could again elect a party branch secretary. Since the election for the fourth term in 2008, the two newly elected committees of the village have been jointly endeavoring to normalize the village business and finance, and the social order has been restored to some extent. However, various conflicts and contradictions accumulated over a long period of time were difficult to resolve. The cadre and mass relations were still in serious tension, and the village committee was difficult to decide and execute due to the lack of rules and general organization.¹⁷²

Let's look at the fundamental reason for such governance deficits in Xiawei Village. The 98% of the villagers in Xiawei were all descendants of the same ancestors as the last name of "Guo." Unfortunately, the same clan could not suppress the internal discord. The struggle for faction was held between Guo's two cousinhood cliques. From 2005 to 2008, Guo Ruzhao was elected as a head of the village committee, and Guo Chishen was one of the two other members in the village committee who partnered with Guo Ruzhao. Guo Chishen was opposed to the work of Guo Ruzhao all the time. The head of the village committee formed a faction with the party secretary who had been in office for more than 20 years as a "pro-party branch clique" or a "vested interests clique." On

¹⁷¹ Zhang Wenjie and Chen Shaoyun, "Fighting Faction in Good Democracy" in the propaganda booklet named "Sunshine Xiawei: The New Ideas, New System, New Civilization, New Development," published by Shitan Town, provided at the time of the field research. June 16, 2016; Zhang, 2016b: 241.

¹⁷² Pan Xiaohang, a party secretary of Shitan Town, "Guangdong Field Research," No.11, 2014.

the other hand, Guo Chishen who was from a large family, formed another faction named “profit loss clique” or “anti-Qing Dynasty and recovery of Ming Dynasty clique” with Guo Chishen as a number one leader. The disparity in the distribution of profits became the subject of these factional disputes. No matter which factions were elected, another faction attacked the other and attempted to interfere with the other's reforms anyway. No matter what the policy was, regardless of accuracy of the policy, due to the hostility and deterrence of the other, the village could not achieve any reforms or institutional building (Zhang, 2016b: 241; Xiao Bin and Fang Muhuan, 2016: 8-9; People's Daily, May 5, 2015).

In fact, the names of these factions were derived from the fact that in the process of land distribution, the pro-party branch secretary clique received good land with convenient transportation and location at the same price, while the opposition received the land with poor transportation and location. Under this situation, the former was called “vested interests clique” and the later was called “profit loss clique.”¹⁷³

Factional struggle occurred in a way that a cousin faction blocked the possession of the power of the other factions and gave many opportunities to their cousin relatives. The struggle for corruption of one faction was to overthrow other factions and to elect the cousin of their faction. A few years later, they were expelled again due to complaints from other factions. The conflict could not be solved by their own strength, and the villagers went up to higher and higher levels of government as a group to visit. Because of the dispute, it was difficult to use the assets of collective ownership. For more than two decades, the village continued to stall grassroots governance (Zhang, 2016b: 241). According to Tang Jinhua, a then party secretary of the Zhengcheng County-level City and now a head of the Guangdong Provincial Agricultural Bureau, about 2,000 people in the village were about 1,000 to 1,000 people with a balance of power between two factions (People's Daily, May 5, 2015).

¹⁷³ An interview with a professor at the Guangdong Party School, June 25, 2016.

As a concrete example of the struggle for power, one member in the vested interests clique was elected as a head of the village committee in the third election period. However, the two deputy heads were members in a profits loss clique, one of whom was the immediate former head of the village committee. He hid the seal of the village committee he used, in order to oppose the newly elected leader. Inevitably, the new head made a new seal and inscribed the number three under the letter of Xiawei Village, indicating that he was the head of the third village committee.¹⁷⁴

Another problem was that the village cadre's autonomy replaced the village autonomy. A small number of people in the village took power and all the big and small things depended on the decisions of the village leaders. In addition, it lacked effective supervision and punishment for power corruption (Xiao Bin and Fang Muhuan, 2016: 9). Guo Jinlian, who was the two-time-head of the village committee after Guo Ruzhao, clearly remembered that a party branch secretary and the two committees which had been in office for more than 20 years at the time, were neither transparent nor fair in allocating compensation for land acquisition. Some of the money that fell into the hands of the villagers because of the land acquisition was only part of them (People's Daily, May 5, 2015).

The third problem was that the villagers did not know about the democratic process and said, "It was difficult to hold a meeting, difficult to negotiate various projects, and it was difficult to make a decision even if negotiation took place." As a result, democratic decision, democratic management and democratic oversight of Xiawei Village have been difficult to implement for a long time. Finally, it was difficult to realize the stability and order of the village. The unfairness in the distribution of profits made it impossible to solve the demands for the benefit of the mass in a timely manner, and a series of collective protest incidents such as siege and demonstration against the village committee occurred.

¹⁷⁴ An interview with a professor at the Guangdong Party School, June 25, 2016.

Also, the visits and the letters to the upper-level government to go beyond the stages became a routine affair. This made the village business a mess. For example, construction projects in a collective economy, a hotel and a commercial city construction with more than 20,000 square kilometers area have been left for nearly 20 years (Xiao Bin and Fang Muhuan, 2016: 9).

In short, the governance deficits in the village was the result from a conflict of interests between the two similar factions, and the absence of effective democratic procedures and supervisory mechanisms to constrain conflicts. Shitan Town and Zhengcheng City of Xiawei Village's upper-level units tried to solve these problems and to restore grassroots governance through a direct election of villages, but they did not have much effect.

2) From Governance Deficits to Good Governance: Establishment of Villagers' Representatives' Consultation Institution

On the eve of the village direct election in late 2013, the Shitan Town's party secretary of Fan Xiaohang received a letter from the youth of Xiawei Village. They showed their love for the village and complained about the current situation of the village and asked him to help them run for the election. A 35-year-old Guo Qingdong, a young man, came into view of the villagers in the postponed term-end election. Guo Qingdong was a small family member in the village and had no relation with the two factions. When he was 18 years old, he left home and went to nearby Dongguan City's Shilong Town to do his own business. In addition, Guo Qingdong witnessed the rapid development of Dongguan City, and was saddened by the fact that his home town, Xiawei Village lagged behind. This thought was conveyed to a party secretary of Shitan Town and the village's party branch secretary of the Guo Shuiman and with their encouragement, Guo Qingdong had the aspiration to reform the village (People's Daily, May 5, 2015).

Finally, Guo Shuiman who was in charge of the party branch for 10 years from 2002 to the 6th term replacement election of the Village in January 2014, succeeded, while a 36-year-old Guo Qingdong was elected for the first time as a chairman of the village committee with a high number of votes of 80%. In the past five village committee elections, the two factions took their place, but the villagers elected a new person who did not belong to any factions (People's Daily, May 5, 2015).

Guo Shuiman was very rich in experience, and Guo Qingdong was a person whose ideas were fresh and challenging. These two partners made a change in Xiawei Village. However, after Guo Shuiman retired and Guo Qingdong became both the secretary of the village's party branch and a chairman of the village committee and the village party branch led the village's self-governing. In the twenty years of turmoil, the two committees reached a final consensus after a serious reflection under the guidance of the Shitan Town's party committee and the town government. It was to explore and practice the village autonomous model of "democratic consultation and village-based consultation for each village business" in which villagers participated and discussed and decided together.¹⁷⁵

In early 2014, the village built a representative system of villagers and a "Villagers Meeting Hall (hereinafter VMH)" in the context of the crisis of governance, and carried out "democratic consultation and one village work, one consultation." Approximately 600 households in Xiawei Village elected representatives of a total of 69 villagers from households, one from five to 15 households, according to the small size segment. These villagers' representatives formed a "Consultation Council (hereinafter CC)" to represent the villagers and participate in decision-making on business of the village. The VMH was an important embodiment of the village consultation, a stairway meeting room over three

¹⁷⁵ An interview with a village committee member, village representatives and party branch cadre members, June 16, 2016.

hundred square meters. It consisted of six functional zones such as a chairperson seat, representative seats, observation seats, audience seats, supervisory seats and a speaker seat (Xiao Bin and Fang Muhuan, 2016: 9). The VMH, built with 400,000 yuan, was not only a consultation place, but more importantly, a set of systems, rules, and procedures that operated in an orderly manner (People's Daily, May 5, 2015).

Figure. 4.13. Six Functional Zones of the Xiawei Village's Villagers Meeting Hall



- a) Representative Seat: On the back wall of the representative seats, a consultation list and procedure of the “Shitan Town Xiawei Villagers’ Representative Consultation Institution” bulletin board was attached to allow the delegates to understand the rules of the democratic process at the meeting. In addition, representatives must wear their corresponding entrance permit tag in accordance with their seat number when entering the meeting hall. Representatives can sit at a long table in front with two long lines to listen to a speech of the presenter and they can freely express their opinions with the permission of the moderators. It is also worth noting that the phrase “service the people” was attached on the front wall of the meeting hall and every time the delegates attended the meeting, the phrase inspired the mission of representing the villagers and serving the villagers.



- b) Speaker's Seat (Left): In the side of the speaker's seat, there was a large TV screen and if a speaker needed to release important materials that required visual effects, he or she used PPT to present it. The seat was presented with a representative of the villagers and proceed in order with the limited time. If they had a different opinion, made a public argument.
- c) Observation Seat (Right): Observation seats were located next to the speaker's seat, so that observers can listen to the speaker's presentation more clearly and watch the whole process of the meeting easily. The leadership group of the town in the village can sit as an observer during the meeting.



- d) Participatory Seat (Left): It was placed facing the pillar next to the observation seats, and both the chairperson table and the representative seats were arranged in the center of the meeting hall so that participants could observe directly without obstructing the sight. Members of the village party branch, members of each cooperative, and members of the supervisory committee of the village shall attend and enjoy consultation rights
- e) Chairperson Seat (Right): It is considered that the process of the meeting was not monopolized by one person but that the meeting was carried out democratically by several village leaderships. The secretary of the village party branch was mainly responsible for the moderator.



- f) Audience Seat and Supervisory Seat: On the opposite side of the observation seats and the participatory seats, the audience seats and the supervisory seats were arranged to observe and supervise the proceedings and presentations. It was possible for the local residents and migrants to get permission after applying for and approving. The supervisory committee of the village affairs conducted on-site supervision.

*Source: Pictures taken by the author on June 16, 2016 during the field research of Xiawei Village

In order to observe the entire process of the meeting in a transparent manner by arranging observation seats, participatory seats, audience seats and supervisory seats on the sides of the meeting hall, the average villagers and migrants were able to observe the whole process through application, and the villagers applied voluntarily and actively to get the opportunity to sit in these audience seats at every meeting. Before the six functional areas of the VMH were built, as soon as they entered the conference hall, they sat around in small circles, some sat in front of the meeting hall, holding a big meeting and they held a small meeting underneath. The mood of the meeting was distinctly not serious.¹⁷⁶

The CC were held under the sponsorship of the two committees of the villages (the village party branch committee and the village committee), and the members of the

¹⁷⁶ An interview with a village committee member, village representatives and party branch cadre members, June 16, 2016.

village party branch committee representing the villagers attended and discussed, but did not have the right to vote. The decisions of the representatives of the Xiawei villagers included the economic planning of the village, the social development, the modification of the procedure rules, the approval of the economic project, the contract planning, use and allocation of loans, collective loans, asset disposal method, leasing of assets such as collective land and housing, construction funding plans for public welfare facilities such as water, roads, and pipes, construction contract plans, housing allocation, and compensation fund allocation. In summary, all issues, including collective assets and the primary concern of the villagers, were discussed and decided at the CC. All discussed issues were related to the village's business opportunities, asset dispositions, and profit-seeking methods (Zhang, 2016b: 241-242).

Villager representative meetings were held once a month and can be held at any time on a proposal from both committees under specific circumstances. Also, the number of people attending each meeting must be more than one-third of the total number of villagers' representatives.¹⁷⁷ In the pre-session of the meeting, "joint agenda review" and "agenda disclosure" system were established. The agenda must be reviewed jointly by the village's two committees, the village legal counsel and the leadership group of the town in the village, and then posted through the Wechat platform, the village broadcasting station, and the village public bulletin board. In the three-day period, after going through all of the villagers' big discussions and family discussions, the entire village ensured that the situation was understood, participated, and supervised. The Wechat platform was used by nearly 900 out of 2,000 villagers.¹⁷⁸

¹⁷⁷ The report of field research by Ouyang Weimin of a party secretary of Zhengcheng City and a standing member of Guangzhou Municipal Party Committee in the county party secretary training class (third class) of the Central Party School, published in the report collection of the Central Party School, 2015, No.8.

¹⁷⁸ The promotional video clip's contents which the author watched during the field research of Xiawei Village.

In particular, the village invited three legal advisors to ensure that each agenda met the party's policy, national laws and regulations. Guo Shichan who worked in the law business, was in charge of this job. The specific role of the legal counsel was as follows. The villagers suggested to use ten or more *mu* land to build a house when about three hundred *mu* of the village land was not profitable from farming. However, Guo Shichan pointed out that it was illegal to switch to a construction site because the 300 *mu* of the land belonged to the national basic farmland protection zone, and the agenda was rejected although it received relatively favorable votes (People's Daily, 2015.5.8.).

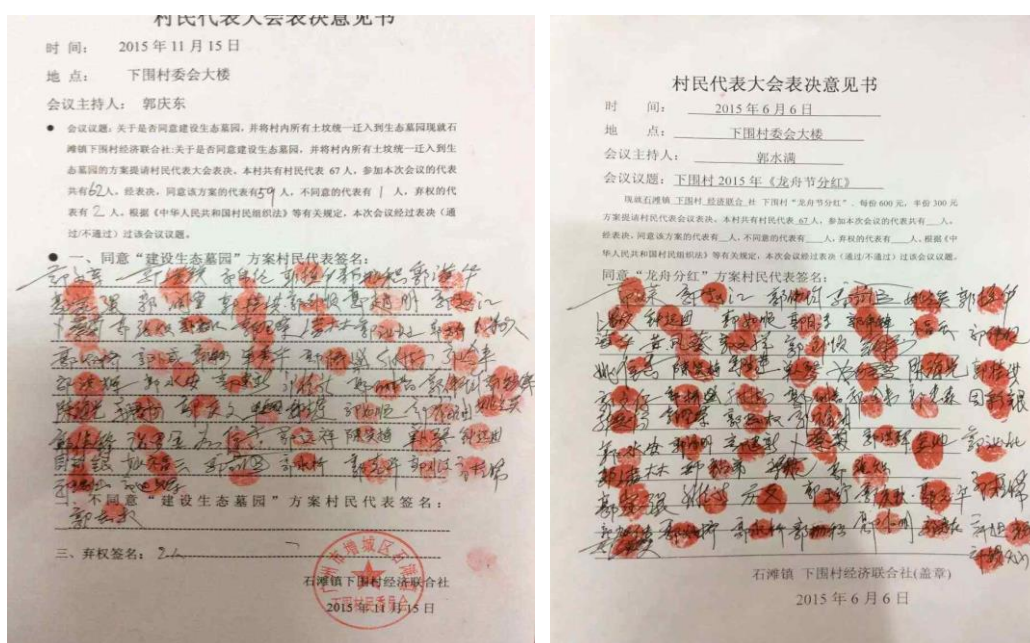
At the proceeding stage of the CC, the village built five institutions: "Wechat live relay broadcasting," "simultaneous video and voice recording," "speaking in the order," "red card and yellow card discipline." First, the meeting was held through the Wechat and the transparency of the meeting was strengthened by relaying the main process of the meeting to the villagers outside the conference hall in real time. Simultaneous recordings were made by installing cameras on the four corners of the VMH, recording the meeting process and storing it on a computer, thereby making a digital dossier. The speech in the order system guaranteed the voice of the participants by allowing each person to announce for five minutes and to speak for additional three minutes. The disciplinary system gave a yellow card or a red card to the person who failed to obey the rules of the meeting.¹⁷⁹

The subject of the CC was first discussed with the most disagreeable topics. When the delegates presented some of the proposals, the most disagreeing topics were voted after the heated debate, and the final decision was approved by two-thirds of the delegates. All representatives had to sign or stamp for a final decision to confirm. Resolutions were announced immediately on site and the minutes were published on the

¹⁷⁹ The promotional video clip's contents which the author watched during the field research of Xiawei Village.

Wechat platform. According to the “Rules of Procedures,” the two committees and villagers were obliged to implement them after adoption of resolutions and not to make revisions to the original resolution or make other decisions without further approval (Zhang, 2016b: 241).

Figure. 4.14. Xiawei Village’s Statement of Opinion decided at the Village Representative Meeting



*Source: Xiawei Village’s Wechat platform open source (Wechat official ID: xiaweicom-munity), Left posted on November 16, 2015; Right posted on June 6, 2015

For example, the picture on the right above shows the proposal of a dividend for the benefit of villagers who attended the Dragon Boat Festival on June 6, 2015, in which a total of 67 villagers’ representatives attended the 20th Village Representative Meeting of the 6th Village Committee, and the statement of opinion was passed by unanimous vote. It was an agenda to receive 600 yuan for farmers and 300 yuan for non-farmers. The picture on the left above was the opinion statement voted on the agenda of “Ecological Park Cemetery” by 62 delegates among the 67 delegates, who attended the meeting of the 22nd

village representative meeting on November 15, 2015. 59 delegates agreed to the plan, one delegate did not agree, and two delegates abstained. As indicated in the two voting statements, each delegate displayed a clear consent to the decision by drawing his or her signature and thumbprint.

When the CC was first organized, the villagers still fought each other. Some people took the microphone, threw the presentation materials to the presenter, and put water on it, condemned the other presenters, undermined the facilities of the meeting hall and prevented other representatives from entering the hall.¹⁸⁰ The Rules of Procedure introduced warning or expulsion card rules for these actions. A delegate who had either received two warnings due to a violation of the rules or received one red card was suspended from one meeting. These rules were neutral, and warning cards were binding on the actions of representatives, not on factions. The villagers quickly accepted the rules rather than expected, and the two factions no longer fought each other. Discussions and debates were still intense, but the two sides sat down at the meeting hall to negotiate (Zhang, 2016b: 242).

In the course of the meeting, the members of the village committee and the members of the party branch did not have the right to speak, to have objection, or to vote. This is because the village representatives designed the system to freely discuss and vote without being under the pressure of the two committees. However, because the “Village Committee Organization Law” guaranteed the voting rights of the two committees, the fact that the two committees did not vote was a violation of national law. The village cadres searched for a method and participated in the villagers’ representative meeting and decided the rule to cast an abstention vote.¹⁸¹

¹⁸⁰ An interview with a village committee member, village representatives and party branch cadre members, June 16, 2016.

¹⁸¹ An interview with a professor at the Guangdong Provincial Party School, June 16, 2016.

So far, Xiawei Village has held a total of 18 village representative meetings, consulted 38 agendas, passed 37 plans, and one plan was rejected. Thirty-two of the agendas passed among 37 have already been processed, and the rest of the projects was underway and no business has been subjected to malicious interference by the villagers. In addition, the income of rural collective economy in 2014 increased from the previous 3.9 million yuan to 7.2 million yuan, and the per capita income of the villagers increased by 800 yuan (Xiao Bin and Fang Muhuan, 2016: 9).

Figure. 4.15. Various Plaques received from Guangzhou City and Flags and Trophies received from Shitan Town



*Note: The plaques received from the city of Guangzhou had an exhibition effect that made the villagers had pride and sense of responsibility by hanging on the wall that can be easily seen while walking by the meeting hall

*Source: Pictures taken by the author on June 16, 2016 during the field research of Xiawei Village

The village revitalized the renting of buildings such as Dongjiang Hotel, Tianfeng Hotel, Hailong Commercial City and agricultural products market, which have been left for several years. Through the democratic consultation, in almost free and peaceful manner, the village acquired nearly 200 *mu* collective land, which the villagers had used for many years, and used them to construct the Qingshui Lake Park, which combined recreation space with industrial development functions. The village was selected as

“Guangzhou City’s Civilization Village” and “National Democracy and Rule of Law Demonstration Village” and received the “Excellence Award of Governance Innovation” in Guangdong Province in 2014.¹⁸²

3) Conditions of Good Governance: Ideas and Discourses

There are several reasons why the tensions and conflicts between the cadres and the mass no longer occurred after the establishment of the village representative consultation system. First, the organization and the institutions encompassed all the villagers of Xiawei Village. According to the new organizational rules, village representatives among more than 600 households have been elected to represent the villagers, and they could not be constituted by only one faction or controlled by one faction. Second, public videos of the meeting process showed that delegates and villagers could see the entire decision-making process indirectly. Though cadres’ decision-making power has been reduced, their leadership has been strengthened with more respect and honor from the villagers (Zhang, 2016b: 243).

According to another study, the key to successful governance of the representative system of Xiawei Village was the power sharing between the CC and the villages’ committee, the justice of the two committees to represent the collective will of the villages, the fairness in the distribution of profits, the simultaneous disclosure of meeting’s whole process via online media such as online Wechat and real-time broadcasts, supervision of village representatives on cadres of the two committees, the list of powers of the consultation agendas and reprimand for the problems of consultation procedures and execution (Xiao Bin and Fang Muhuan, 2016: 10-12).

In contrast to these prior studies, the following will examine in detail the ideas

¹⁸² An interview with a party secretary of the Xiawei village party branch, June 16, 2016

and discourse of village leadership and county leadership as critical factors that led to the transformation of governance deficits into good governance in Xiawei Village. In particular, this study will examine in detail how the reform ideas of a Zhengcheng District's party secretary and communication discourse and coordination discourse of Guo Qingdong, a head of the village committee, improved the governance of Xiawei Village.

(1) Penetration of Ideas and Organizations

The change in governance of the village would not have been possible without the support and idea's guidance of a senior party-state leaderships. The party and government officials of Guangzhou City, Zhengcheng District and Shitan Town visited Xiawei Village several times to lead the construction of a village representative consultation institution and encouraged village leaders and villagers.

First, on December 16, 2014, Ren Xuefeng, a standing member of the Guangdong Provincial Party Committee and a party secretary of Guangzhou City, understood the situation of the democratic decision-making process of the village during the site inspection of the Xiawei Village. Based on these inspections, he began to speak highly of the Xiawei Model that Guangzhou should sincerely spread and his opinion was published in the article titled "From the *Shangfang* Village (visit the higher authorities for complaints) Governance to the Civilized Village: Exploring the Practices of the Democratic Consultation" in the "Leadership Reference (*Lingdao Canyon*)" No.21, issued by the Guangdong Provincial Government Development Research Center on April 17, 2015.¹⁸³

On June 20, 2015, Guangzhou City's Mayor, Chen Jianhua assessed the need to build a harmony and happiness village by sincerely disseminating an experience of

¹⁸³ An interview with a party secretary of the village party branch, June 16, 2016

Xiawei Village.¹⁸⁴ On November 11, 2015, Chun Jianhua, a mayor professionally investigated and directed the rural democratic governance of Xiawei Village. In the opening discussion at the VMH pointed out that there had been a side effect that the center's policy spirit was transferred to the rural area, but its effect has been reduced, in Guangzhou, all of the rural areas were similar to the situation in Xiawei, in spite of the developed collective economy, the faction struggle in villages has damaged the villagers and all of them emphasized that democratic consultation system like Xiawei Village was absolutely necessary.¹⁸⁵

These senior officials' visits or inspections, especially to the town and village, was rare. As a provincial capital and wealthy city of Guangdong Province, the Guangzhou City's party secretary was also a member of the Guangdong Province Standing Committee and because he had frequent contacts with the leaders of Guangdong Province, the institutional innovation of the village was widely known to the leaders of the city and province, and provincial leaders paid more attention to the village's reform. The village and town's leaders were very proud of the fact that after provincial and municipal leaders visited and inspected the village, they published articles in magazines such as "Leadership Reference" and "Guangzhou Government Field Research."¹⁸⁶

While the leaders of the province and the municipality played a role in guiding and supporting the village consultation system, the county and town leaders suggested a specific idea that was the basis for designing the system. On January 4, 2014, in terms of the Zhengcheng's grassroots governance innovation and consultation democracy construction work, Ouyang Weimin, a party secretary of Zhengcheng District and a standing

¹⁸⁴ In the "Guangzhou Government(*AoFu*) Field Research," No. 43., "Main Approaches and Lessons of the Self-Governing Practices of Xiawei Village of Shitan Town in Zhengcheng District"

¹⁸⁵ An interview with a party secretary of the village party branch, June 16, 2016

¹⁸⁶ An interview with a village committee member, village representatives and party branch cadre members, June 16, 2016.

member of Guangzhou Party Committee demanded that villagers should “take care of the villagers’ work in the villages themselves, and deal with the disputes and contradictions according to the will of many people and having a consultation and a vote for each task be a valid way for each level’s leaderships to resolve the contradiction.” In response to these instructions, Shitan Town actively explored the effective form of the village autonomy by using Xiawei Village as a pilot area. The district’s leader placed great importance on the search and practice of the village and then went to various villages to direct the work.¹⁸⁷

As the district’s party chief read the daily newspapers and letters of the mass, the leader thought that this contradiction of the grassroots society was directly related to the fact that the village was not transparent and that the lower officials were not familiar with the democracy and could not be separated from the absence of a democratic decision (People’s Daily, 2015.5.8.). His idea of the grassroots democracy started from this point of view about the problems the village suffered from. He pointed out that the village self-governing was overly concerned with democratic elections, but there were four aspects of democratic decision-making, democratic management, and democratic supervision as well as democratic elections. He emphasized that although there were relatively many rules for democratic elections, democratic decisions, democratic management, and democratic supervision were relatively weak. The idea that the realization of democratic elections was itself the village self-governing was mistaken and he criticized that the villagers did not pay attention to how to guarantee and exercise their rights of decision, management and supervision, and related authorities became almost obsolete.¹⁸⁸ In addition,

¹⁸⁷ An interview with a party secretary of the village party branch, June 16, 2016.

¹⁸⁸ The report of field research by Ouyang Weimin in the county party secretary training class (third class) of the Central Party School, published in the report collection of the Central Party School, 2015, No.8.

Ouyang emphasized that the village cadre should change their focus from decision to execution and service, and that the role of the county and town was to ensure that the villagers enacted rules according to the law, clarified the procedures and strictly supervised the execution.¹⁸⁹

The Zhengcheng's mayor, Luo Siyuan also visited Xiawei Village on December 11, 2014 to inspect the grassroots democracy's self-governing situation. In particular, Luo showed a positive affirmation about the improvement of public service facilities that provided convenience and benefits to villagers by looking at parks, sports facilities, and security facilities under construction in Xiawei Village.¹⁹⁰ At the same time, the four core organizations (party committee, LPC, government and CPPCC), prosecutors, and court leaders actively supported the development of village self-governing model in Xiawei Village.¹⁹¹

The idea of the village autonomy was actually started from "Democratic Consultation, One Village Work, One Consultation" under the spirit of the lecture about democracy and the rule of law of Xi Jinping since the 18th Party Congress. During the series of important meetings, Xi repeatedly demanded to "maintain and complete the self-governing system of the grassroots mass, develop grassroots democracy, exercise the democratic rights in accordance with the law, and prevent the phenomenon in which the people have power only formally, but virtually have no power." In addition, he pointed out that "it is the essence of people's democracy to consult with the public well if there is work,

¹⁸⁹ Zhang Wenjie and Chen Shaoyun, "Fighting Faction in Good Democracy" in the propaganda booklet named "Sunshine Xiawei: The New Ideas, New System, New Civilization, New Development," published by Shitan Town, provided at the time of the field research. June 16, 2016; Zhang, 2016b: 241.

¹⁹⁰ Luo Siyuan, 2014.12.12, "promoting village democracy consultation, enhancing the grassroots village society governance," see Zhengcheng City Government's official homepage, [Http://www.zhengcheng.gov.cn/business/htmlfiles/zcmh/tpxw5/201412/252970.html](http://www.zhengcheng.gov.cn/business/htmlfiles/zcmh/tpxw5/201412/252970.html) (Accessed: 2016.6.18.).

¹⁹¹ An interview with a party secretary of the Xiawei village party branch, June 16, 2016.

and to discuss the public-related matter directly with the public themselves, and to find out the greatest common denominator of the whole society's demands."¹⁹²

In addition to these ideas' innovations, Shitan Town's administrative unit management innovation supported the village's democratic consultation system. The town was composed of 44 villages and five RCs, and the administrative village of the town was the largest in Zhengcheng City. Originally, the town connected the village with the section and managed them in accordance with 13 sections(*pianqu*), but the division of the section was too big and not detailed. There were as many as four to five villages connected with each section. It was difficult for the connection manager to overtake jobs due to lack of time, and the work of some sections was done as a mere formality and lacked detailed management. In the meantime, since the election of the village in 2013, the 13 large sections has been reformed into the small 26 sections by Shitan Town. There was each section connected only with one big village, special village or priority village, and except for those villages, one section connected to two villages. According to the adjustment of the section's division, the cadre who understood a rural area and mass well, with rich experience in rural work, was responsible for the work of the connection between the section and the village. By arranging a section (*pianqu*) leader, a party construction leader, and a responsible person of the town's bureaus in village, strengthening the town's leadership, guidance and supervision on the village and the cooperatives and by providing the mass with routinized and detailed service management and a liaison guidance, Shitan Town provided an organizational guarantee for the Xiawei Village's democratic consultation system.¹⁹³

The reform of the section was actually one of the universal and direct connection with the mass-related institutional building through the town leadership's residence in the

¹⁹² Pan Xiaohang, a party secretary of Shitan Town, "Guangdong Field Research," No.11, 2014.

¹⁹³ An interview with a party official of Shitan Town, June 16, 2016.

village. In order to strengthen the universal link and direct link to the village and the co-operatives cadres, in 2014, Guangdong Province launched the “Opinion on the Construction of the Universal-Direct-Link-with-the-Mass System of the Township (Sub-District) Leadership Cadre’s Residence in the Village.” After the reorganization to the small section, the group of resident in the village consisted of one-residing-in-village-town leader, one section (*pianqu*) head, one party construction instructor, and one-residing-in-village head of the town’s bureaus.

Figure. 4.16. Office of the Town (Sub-District) Leadership’s Residence-in-the-Village and Universal-Direct-Link-with-the-Mass



* Note: In the head office in the vicinity of the VMH, the section leader and party construction instructors were scheduled to work regularly from Monday to Friday. A residing-in-village-leader and the residing-in-village-head of the town’s bureaus worked 2-3 times a week as a liaison agent.

*Source: Pictures taken by the author on June 16, 2016 during the field research of Xiawei Village

The work of the residing-in-village town leaders was to go to the village at least two times a week and guide a liaison work. In addition, under the leadership of the town party committee and the town government, the leader carried out the higher-level party committee and the higher-level government’s work arrangement and command spirit to the village. Also the leader strengthened the visit and linking of the residing-in-cadres

with migrants and enterprises and actively propagated the policy and the party line in the village. It also instructed the two village committees to hold an organizational joint meeting in a timely manner and to understand the development situation of the section's work on each village. And it instructed the party branch of the village to organize the meeting of the party member in accordance with the regulations, instructed the construction of the VMH and investigated and handled the "three violations" of illegal management, illegal land and illegal construction.

The section leader worked regularly from Monday to Friday in the village. He or She fully grasped the citizens' needs of each village in charge, coordinated the relationship between the village party secretary and the chairperson of the village committee and instructed the public disclosure of financial affairs,

The party construction instructor was also resident, and cooperated with the section leader to promote the connection with related tasks of the village. In addition, He or she instructed the village's party branch to hold a meeting of the party members in accordance with the regulations and give priority to control the organization construction. Finally, a head of the town's bureaus worked as a liaison committee and conducted liaison guidance at least three times a week to the village.

The residing-in-village group must submit the residing-in-village report to the joint meeting of the town's party committee and government every quarter. The report on the implementation status of the two committee joint meeting, party committee and village representative meeting and the actual situation of direct linkage with the mass, one-child policy and safety production, maintenance of letters and visits' stability, environmental and sanitation protection, and livelihood security. The section's head in charge of the village also reported on the unity cooperation status of the two committees, the direct linkage situation with the mass, and other situations that needed to be immediately processed, every week. Finally, inspection and reprimand system were carried out. The performance evaluation and reprimand of the residing-in-village-group was carried out in

connection with the performance of the village in charge.¹⁹⁴

In addition, the town party committee has decided to invite a total of 50 legal advisors to the villages in the form that the town dispatched and the village invited, providing screening of the Village Self-Governing Rules, legal advice, legal propaganda and participating in the people's coordination and other activities. As a result, legal advisors helped village self-governing operate according the rule of law.¹⁹⁵

(2) Democratic Consultation Institution: Communication Discourse and Coordination Discourse

① Communication Discourse: Emergence of New State Agents

In October 2014, Xiawei Village reclaimed the land for the construction of Shazhuang Park, about 200 villagers cleaned their own crops and demolished illegal buildings for themselves, and about 10 households even moved ancestral tombs to other places and came up with nearly 200 *mu* vacant land for the public park. There was a small opposition in this process. The 60-year-old villager, Guo Micheng, strongly opposed moving the tomb, worrying that it would affect family *Feng Shui*. Guo Qingdong who was a head of the village committee, visited his house several times and convinced Guo Micheng's son to change his father's mind. The son persuaded his father that this was a joint decision of

¹⁹⁴ "Shitan Town Leadership Cadre's Residing in the Village and Universal-Direct-Link-with-the-Mass System," in the propaganda booklet named "Sunshine Xiawei: The New Ideas, New System, New Civilization, New Development," published by Shitan Town, provided at the time of the field research. June 16, 2016.

¹⁹⁵ The Shitan Town party committee, "Strengthening the Party's Leadership Status and Promoting the Construction of Rule of Law in the Grassroots Governance, in the propaganda booklet named "Sunshine Xiawei: The New Ideas, New System, New Civilization, New Development," published by Shitan Town, provided at the time of the field research. June 16, 2016.

all the villagers and that it would damage the interests of others if only our home was objected. When this thing goes wrong, the son tells his father that the pride of Guo Qingdong in the village falls to the ground. After persevering persuasion, Guo Micheng allowed the grave to be moved (“People's Daily,” May 8, 2015).

What we can see here is that Guo Qingdong knew how to persuade villagers to cooperate with the village’s business. The committee’s head did not mandate the villagers to agree to the project of the village, but went directly to the opposing villagers and persuaded them and knew the skill. In order to persuade Guo Micheng, a head induced his son who was less influenced by traditional ideas to placate his father. Since a father, Guo Micheng was a traditional person who believed in *Feng Shui*, his immediate family tended to be more trusting, and a chief could use this to make him agree with the project. A chief also persuaded Guo Micheng by emphasizing his prestige and the fact that Guo Micheng’s family would lose their face as to how other villagers would see their families under the circumstance that only Guo Micheng’s family opposed the project. This discourse of communication was an important factor that influenced the construction of the village consultation system.

As another example, there were three buildings in Xiawei Village whose construction was suspended due to the land acquisition problem. The construction had not progressed for over 20 years and the real estate developers were about to build the building nearby. And they pressured each side for a head of the committee to remove the buildings and sell 30,000 square meters to them for about 8 million yuan. However, Guo Qingdong suggested that he could not do his own, and on the day of the vote, Guo invited the real estate developers to participate in the CC to explain the good things when villagers sold the building to the real estate developers and to interact with each other. Real estate developers also listened directly to the opinions of villagers. After consulting the village representatives, villagers decided not to sell the building but to rent it cheaply, and they rejected the agenda of selling the buildings and passed the agenda of leasing the buildings

(“Guangzhou Daily,” Feb. 23, 2016).

Here, too, the power of Guo Qingdong’s communication discourse was demonstrated. Unlike the past in the village, he decided not to arbitrarily decide on the possession of collective property such as the sale or lease of land, but in consultation with the villagers’ representatives. And he let the real estate developers participate in the CC and gave them an opportunity to persuade villagers to come to an agreement. If he tried to persuade villagers directly with contracts related to the sale or lease of buildings on behalf of developers, rather than having them attend the CC, villagers would have doubted whether he would be in collusion with real estate developers to create his own private interests. However, he removed the elements of distrust by having the developers and the villagers’ representatives meet face to face for consultation, and strengthened the discourse of communication by providing the opportunity for the villagers to decide on their collective possession after consulting with the developers.

In conclusion, the proper functioning of this communication discourse depended on the function of a new state agent such as a head of the village committee, Guo Qingdong. The characteristic of a new agent such as Guo was that he understood the ecology of the village society, used the culture well, and was trusted by society. The state’s power, Prasenjit Dua argued, played a role of penetrating into rural society by means of “cultural nexus” (Duara, 1991). That is, Guo Qingdong became like “cultural nexus” as a new state agent through which the state’s power penetrated the village society. At the same time, the new state agent had the ability to engage in public relations to gain recognition from senior government with a good understanding of the town government and bureaucracy. In order for the state’s power to penetrate into the village and improve the village governance, it was indispensable for the emergence and role of new state agents such as Guo Qingdong, who had a good relationship not only with society, but also with senior bureaucrats.

② Coordination Discourse: Difference by Administrative Unit

Ouyang Weimin, a district's party secretary went to Xiawei Village seven times in order to implement his idea about the village self-governing as a specific system, and repeatedly discussed the specific items of the institutions together with the village cadres and village representatives. And even discussions on the dress code of the villagers' meeting and the placement of the meeting ("People's Daily," May 8, 2015).

Ouyang Weimin did not order the construction of the system to the lower-level village leaders unilaterally, but made a concrete institution to work in the realities of the village by meeting with the village cadres several times. For this purpose, the role of the Ouyang county party secretary was to promote the democratic process of institutional design by persuading village cadres with an idea about his own village's self-governing and by coordinating the parts that did not agree with each other.

Meanwhile, in the spring and summer of 2014, a party secretary of the town, Fan Xiaohang who studied law in the past, decided to make a new draft on a democratic consultation institution and take Xiawei Village as a pilot area by studying the "Village Committee Organization Law" and other regulations. When he went to the village with the draft, the representatives of the village committees and village cadres discussed each of the provisions of the law, and when they agreed to one clause, they passed it and immediately deleted it if not agreed ("People's Daily," May 8, 2015).

The role of the town leadership was similar to that of the county leadership. The town's party chief used the human capital of his legal knowledge and designed the democratic system in detail from the legal point of view. Even if he was aware of the legal knowledge well, in terms of the reality of Xiawei Village, the village officials knew better than him. If it was found that there was a gap between the legal contents of the system and the reality of the village, or if there was a possibility of a conflict of interests between

the two factions or the village leaders due to the system, he played a role of coordination.

This coordination discourse was slightly different for each higher administrative level. When comparing the coordination discourse between the county leadership and the town leadership, the town's coordination was more specific and the district party chief's coordination focused more on a general direction and a macroscopic aspect. Ouyang Weimin coordinated among the stakeholders of the villagers' self-governing in the direction that the problem of the village autonomy had been concentrated only on the democratic elections so far, while the issues on the lack of democratic decision, democratic management and democratic oversight were overlooked. In the case of Fan Xiaohang, he reconciled disagreements among stakeholders on specific items and agendas of the democratic consultation institution, for example, on which agenda the CC should proceed.

(3) Institutional Innovation: Moral Motivation of Village Cadres

Why did Guo Qingdong, a party secretary of a party branch in Xiawei Village and a head of the village committee, gave up his decision power on the village affairs and finance authority and passed the decision rights to the villagers' representatives? What were the incentives for village leaders to improve village governance until they give up their power?

The cadre management system, which restricted the actions of local officials, was usually explained by a political promotion as the most important factor that explained the institutional innovations of local officials. However, despite his 36-year-old young age, Guo Qingdong started his career not from the division chief or section chief rank, but from the lowest-ranking village chief, and even if he was promoted to the rank and file in the future, there was little possibility of promotion to the municipal department rank.¹⁹⁶ And

¹⁹⁶ See Kostka & Xiaofan (2015) for the assertion that there was a kind of glass ceiling for a county-level local officials because the probability of promotion to the municipal leaders was very low.

according to the Guo's predecessors, they had been working for 20 years or so for almost 10 years. Therefore, the reason he led the institutional innovations of Xiawei Village was not aiming at achieving political promotion by accumulating political achievement. Guo also said he did not look for promotion and work for the village.¹⁹⁷

The second explanation was an economic incentive. He was awarded with rewards through such an innovative policy and received corresponding economic compensations, bonus or performance salary. However, Mr. Guo was recognized as a successful businessman in Dongguan City before running for his presidency and could have earned much more income if he remained as a businessman than to become a village cadre. Therefore, economic incentives had a limitation in explaining Guo's actions.

When Guo tried to run for the first time, his father and brother were rather opposed. The reason for opposition was simple. Until now, many village chiefs were not able to do well, so there was no hope in the village, but if Guo continued in his business in Dongguan, he could have earned more money, why did he need to come to his hopeless hometown and live hard. However, Mr. Guo was so determined. He believed that it was the greatest business to make Xiawei Village, which was his beloved hometown, better, rather than doing my own business (People's Daily, Oct. 18, 2016).

The reason why Mr. Guo gave up his power and interests for the restoration of the governance of the village was that after knowing that his home town, Xiawei Village, was richer in the early days of reform and opening than the village of Dongguan City, but now it became more backward, he started to have a moral sense of duty to devote to the development of the village with affection and love for the hometown.¹⁹⁸ Therefore, Guo's case suggested that local officials were not just rational actors who were constrained only

¹⁹⁷ An interview with a party secretary of the Xiawei village party branch, June 16, 2016.

¹⁹⁸ An interview with a party secretary of the Xiawei village party branch and Shitan Town's party officials, June 16, 2016.

by political and economic incentives, but were moral actors who can be motivated by social, cultural, or moral incentives under the conditions that there was little chance of further promotion above a higher position of division rank official and little desire for being rich.

When Guo Qingdong was elected as a chief of the village committee, he was not a communist party member. Because the former communist party members belonged to one of the two factions, one for “vested interests clique” and the other for “profit loss clique,” the power balance seemed to be shifted to one side when he became a new party member. Therefore, Guo Qingdong was elected as a head of the village committee in the state of being not a member of the party, and Guo was able to join the party only after resolving the conflicts in the village to some degree, and then he was elected to serve as a secretary of the village party branch.¹⁹⁹

As a result, he was able to secure solid leadership in Xiawei Village by serving as a chief of the village committee and a party branch secretary of the village. By using this leadership, he was able to improve his own hometown’s governance instead of fulfilling his political and economic desires and he was able to push forward reforms and innovations with moral motivation to achieve.

The change in governance of Xiawei Village was led by the village cadres who pursued only the self-interest or the interests of the faction in the past. In the early 2000s, the official system of performance evaluation and financial incentive was not established well in Guangdong province, and there was no binding incentive or constraint on village cadre, thereby resulting in a state of governance deficits. In 2010s, however, not only the incentives for performance evaluation and promotion were strengthened in the province, special grants project governance entered the villages, and this official system of the sub-

¹⁹⁹ An interview with a professor at the Guangdong Provincial Party School, June 25, 2016.

provincial level units met with village leaders with moral motivations. According to Prasnjit Duara's argument, when the state's power penetrated rural society through a "cultural nexus" with a new agent, a morally motivated village official, the state's power was able to be strengthened to improve the grassroots governance.²⁰⁰

In conclusion, in order to improve governance in China, two conditions must be met. One is that the formal system of financial and cadre management from province to county should work efficiently and have a complementary or accomodating relationship with informal patronage networks. The other is that when this official national system meets the village leaders with the moral motivations, that is when the state's power penetrates through the moral village leaders, it can contribute to the improvement of the grassroots governance without weakening the state power. As a result, for the efficient governance of the grassroots society, it can be seen that either the morality of the village leaders, or the efficiency of the official system from the province to the county was not enough, but both of these conditions must be met and satisfied.

²⁰⁰ For the assertion that the absence of this cultural nexus weakened the state's power, see the following study (Duara, 1991).

Chapter 5: How the Center Travells down to the Local State and How Well?

The question of whether the emperor's power has been reaching below the county level or not has been a key question in understanding modern and contemporary China as well as the traditional social power structure of China. After the establishment of the traditional Chinese system of counties and prefectures, the emperor was at the peak of his power, and various bureaucratic administrative organizations served as tools of the emperor's power. Traditionally, the county was represented by the lowest-ranked administrative body in the emperor's power structure. Various grassroots organizations existed below the county level such as “*Xiang*,” “*Bao*,” “*Wei*,” “*Tu*,” “*She*,” “*Pu*,” “*Difang*,” “*Si*” and “*Li*” from the Ming and Qing Dynasties. But traditionally the emperor's power did not reach lower than the county level, and these hierarchical organizations were basically autonomous (Hu Heng, 2015:3).

Therefore, Fei Xiaotong defined traditional Chinese politics as a dual-track system: the top-down emperor's power and the bottom-up gentry's society. Both acted parallel to and interacted with each other to form a township-village governance model of the “Emperor's Inaction and the Rule of the World (*Tianxia*)” (Fei Xiaotong, 2011).

In modern China, the township level has begun to emerge as an important grassroots area. A district (*Qu*) below the county and a police station of the police district (*Jingqu*) were established below each county. As for the phenomenon of the modern administrative system's formation below the county level, Prasenjit Duara argued that the gentry society was destroyed in the course of the expansion of the state power into the gentry society. In other words, penetration into a rural society that did not use a “cultural nexus” such as brokers, family, religion, and patronage can ultimately weaken the state itself (Duara, 1991).

Vivian Shu's discussion of the reach of the state, after the construction of Socialist China, the Mao period, suggested that the relationship between the center of the state and the periphery of society was like the state's honeycomb and its cellular units. This relationship's purpose was not to inhibit peasant localism, but rather to allow and encourage peasants and cellular organizations to pursue their own interests, and to mobilize such regionalism in accordance with the goals of national development (Shue, 1988: 63).

However, the local administrative units existed from the villages that the farmers first encountered, to the production team, the production brigade and the people's commune, which were the comprehensive territorial administrative units responsible for all aspects of economic development and social life, and were clearly differentiated from the local units above the county. In other words, from the county, we were able to find the intersection between a vertical penetration of more fully vertically-connected government departments that pursued more specialized tasks and the horizontal county bureaus that represented the county's development. These cross-administrative patterns were reproduced and carried out at the prefecture and the province levels (Shue, 1988: 57). Vivian Shue's reach of the state power was the dominant governance form in which the intersection between vertical branches (*tiaotiao*) and each horizontal level government (*kuaikuai*) was the predominant form of governance in administrative units in the county and above. On the other hand, there was the governance of the economic and social organizations by the farmers who pursued their own regional interests below the county.

The claim that the emperor's power does not reach below the county was originally proposed for the first time by Wen Tiejun who had been attracting attention by presenting the "three agricultural issues (*Sannong*).” According to him, the surplus of the county's economy in rural areas was so small that the emperor's power has never penetrated below the county level since the Qin Dynasty established the counties-prefectures system. Before the emancipation, China established the district and *Xianggongsuo* below the county, but they had not implemented the official public fiscal system and were not a

complete one-level government. In rural areas, the town-village's self-governance was still maintained, the landowners and local farmers paid taxes to the state, and the peasants paid taxes to the landowners. The reason that these political institutions lasted for thousands of years was the low operating costs (Wen Tiejun, 1999: 81).

The penetration of the state power in contemporary China can be noted in the discussion of "Roots of the State" by Benjamin Reed, who conducted the comparative analysis of the resident organizations of Beijing and Taipei in Taiwan. He defined resident autonomous organizations as the system of Administrative Grassroots Engagement (AGE). In this system, the role of the state was to build, sponsor and manage an organizational network that promoted governance and policing at the most local level by creating personal relationships with members of society (Read, 2012: 3-4).

The reach of the state by Vivian Shue and the roots of the state by Benjamin Reed are in the same line in the sense that the state mobilized society for their own purposes, but Shu emphasized the difference in the state's mobilizing method between the county and above and the sub-county. While recognizing that communities had interests different from those of the national goals at the sub-county level, in the roots of the state by Benjamin Reed, the state actively penetrated below the county, and Reed put more emphasis on the role of the more active state mobilizing the society below the county.

Thus, in analyzing contemporary China, it is necessary to turn from the question of whether the emperor's power penetrated below the county or not to the question of how the emperor's power penetrated below the county. In other words, the state power has been continuing to penetrate into the local state, especially below the county, and the penetration mechanism that explains how the state power penetrated is a conjuncture of the central and local leadership's "ideas" and "interests" of the material incentives in the local public finance and performance evaluation, and "institutions" of financial and cadre management systems. It is important note that the results of local governance can be different depending on what kind of relations exist among the penetration mechanisms of the state's

power.

1. Penetration Mechanism of the State's Power: Ideas, Interests and Institutions

In the 2000s and 2010s, local officials in Zhejiang Province, Guangdong Province, and Tianjin City worked hard on both government efficiency (super-department reform and administrative licensing reform) and voice and accountability (social governance and village-level self-governance) governance areas. Such diligence can be attributed to a conjuncture of the central leadership's "ideas" such as the SOD, "Harmonious Society," ideas of public service-driven fiscal system and the AVP and "interests" of the fiscal system and the cadre management system such as "award instead of subsidy," the special grant mechanism and the strengthened material incentives in the performance evaluation, leading all to the consolidation of the state's power.

This strengthened state power reached the county through the province and the municipality and in the process, the Party School Network played a crucial role in the socialization of the central ideas. And, in order for the state power to penetrate through state-building at the grassroots level, a conjuncture of "reform ideas" and the political economic "interests" of the county leadership such as promotion and prize money played a determinant role. But the factor that weakened the state's power was the "interests" of the local bureaucracies or "departmentalism." If the conjuncture of the ideas/interests of county leaderships did not overcome the interests of local bureaus, reforms or institutional building were weakened. On the other hand, if the local departments were persuaded by the conjuncture of the ideas/interests of county leaderships to agree to the reforms of the leaderships, the reform continued and expanded.

There were variations in the ways local officials worked hard on the institutional innovations in these three areas. Zhejiang Province was a social participation-driven

model, Guangdong Province was a social pressure-driven model, and Tianjin was a county competition model. The reason for this variation in institutional innovations is that Zhejiang's counties had the highest financial self-sufficiency rate and the low dependency rate on central grants, resulting in the most active response to societal demands. Guangdong Province was between Zhejiang and Tianjin in terms of the financial self-sufficiency rate and only responded to social pressure passively. Tianjin had the lowest rate of financial self-sufficiency. Its dependency rate was relatively high, which was more sensitive to accountability from the top and to a promotion incentive, thus becoming the county government competition model. Finally, when the state's power penetrated into the villages of the lowest unit through the "ideas" of county leaderships, the way that the state power penetrated through the new agents, such as village cadres with moral motives, rather than directly into the village allowed the state's power to penetrate into society without being weakened.

In sum, the fact that the county has been able to actively take charge of the basic tasks of the government efficiency and voice and accountability governance areas was against this backdrop of institutional change such as changes in the intergovernmental fiscal system and the cadre management system. The two key variables that promoted this institutional change were "ideas" and "interests." How the conjuncture of the ideas/interests of the county leaderships was specifically related to the "interests" of local bureaus can be explained through examples of institutional innovations of the three regions' county government cases.

First, Wukan Village of Guangdong Province is an area where large-scale protests and clashes have occurred between cadres and villagers because the village leaders sold land without informing the villagers and receiving their consent. This conflict was not resolved by the township leadership and the county authorities, and eventually Wukan Village waited for the leadership of the Shanwei Municipality, who punished a party secretary of the Village Party Branch and a head of the Village Council, and arrested five

villagers' representatives who had acted in protest (Cai, 2015: 1).

This situation can be regarded as the county's failure in state-building or the county's governance deficits, not the village's, because the county was ultimately responsible for the social stability of the sub-county areas. Therefore, a governance deficit in villages was due to the fact that the "ideas" of the central harmonious society and the service-oriented local government merely functioned to justify the "interests" of the village cadres. In this situation, the communication between the cadres and the villagers was the weakest and most ineffective, and the coordination among the cadres below the county was poor, which led to governance deficits, because coordination among sub-county officials failed and as a result, it became the municipality's responsibility to resolve the problem.

Table 5.1. Relationships between Ideas and Interests and the Cases in China

Types of Ideas	Relationship between Ideas and Interests	Discourse	Explanatory Power of Ideas	Case Studies
After-the-Fact Legitimation of Actors' Interest-based Action	Ideas does not affect Interests of Local Bureaus, but it is distorted or transformed according to the Departmentalism	Coordination(Weak)	The Weakest; Most of the cases can be explained by interests of local bureaus	Wukan Village's Governance Deficit
		Communication(Weak)		
Focal points	Ideas only Explain the Remaining Part among which Interests Elucidate most of the parts	Coordination(Middle)	Departmentalism >Ideas(Leadership's Ideas)	The Committee System of Zhejiang's Fuyang District
		Communication(Middle)		
Roadmaps	Actors Clarify their Goals and Limit the Scope of the Strategy according to Ideas	Coordination(Strong)	Ideas(Leadership's Ideas)> Departmentalism	The Super-Department Reform of Guangdong's Shunder District; the Construction of the Administrative Licensing Bureau of Tianjin City's Binhai New District
		Communication(Strong)		
Discourse	Interests of Local Departments are Restructured according to Ideas	Coordination (Strongest)	Ideas can explain most of the phenomenon	The Grassroots Self-Governance Building of Guangdong's Xiawei Village
		Communication (Strongest)		

*Source: Based on the Schmidt's study (2010), author's application

Second, ideas as a focus in the case of the Committee System of Fuyang District in Zhejiang Province were weaker than the interests of local bureaus, so the interests of local bureaucracies were reflected more in the reform. The government bureaus were reorganized into a committee system that reformed only the function of the local bureaus while leaving the structure of the county government intact. In Fuyang District, coordination discourse and communication discourse were not weaker than those of Wakan Village, but they were still weaker than others. Therefore, this case can be better explained by the interests of local bureaucracies rather than the leadership's reform ideas. And the innovations of Nankai District and Heping District of Tianjin City in administrative licensing reform became an idea as a focus because it changed only the licensing methods and mechanisms without directly adjusting the local bureaus' interests.

Third, an idea as a roadmap clarified the local bureaus' interests and goals and limited the scope of the local departments' strategy according to this idea. For example, such an idea can be found in the reforms of the leaders of Shunde District in Guangdong Province and the construction of the Administrative Licensing Bureau of Binhai New District in Tianjin City. The idea of such state-building at the grassroots level as a road map can be said that the strong departmental interests that existed in both regions were suppressed by the reformist ideas of "the whole government" and the "service-oriented government" of the local leadership, and the leadership and county bureaus acted in accordance with this roadmap of ideas. In both of these regions, the coordination discourse between the local departments and the local officials and the communication discourse between the government and society were all relatively strong.

Fourth, an idea as a discourse can be seen in the case of Xiawei Village in Guangdong Province. The core of the village's democracy construction was the county leadership's clear idea about village-level democracy. And because the communication discourse and the coordination discourse of the rural democratic consultation system were the strongest among all cases, the "interests" of the village leaders and the villagers were

newly formed and interpreted according to the county leadership's reform ideas, and the village's self-governance was able to continue and develop. It should be noted that not only the difference in relationships between ideas and interests but also a conjuncture of ideas/interests which cannot be separated from each other can explain institutional change and a change in the local state's role.

The relationship between these two variables can explain the motivation for local bureaucrats to be diligent. When various reform ideas of the central and local leaderships are stronger than the interests of local bureaucracies and they suppress the interests of the departments through coordination and communication discourses, local bureaucrats work hard in the areas favored by the center according to the leadership's ideas. Also, local bureaucrats can work harder when the ideas of the SOD and the harmonious society are combined with the material incentives of public finances and "awards instead of subsidies," and the ideas of the SOD and AVP are combined with strong material incentives of the performance evaluation. On the other hand, if these ideas are distorted and neglected by the interests of the local departments and the personal interests of the bureaucracy, and if the material incentives of the financial system and the performance evaluation are not properly designed, then local bureaucrats won't be able to enforce national projects and governance programs such as those regarding government efficiency and voice and accountability.

Finally, the relationship among institutions in the penetration mechanism of the state power is important. When the relationship between the formal institutions of the finance and cadre management, and the informal institutions such as the patronage network is complementary, the efficiency of the formal system is guaranteed and the local officials work harder. When the two institutions are engaged in an adaptive relationship, local officials modify the rules of the formal institutions to some extent, but since the rules are not explicitly violated, the formal institutions become sustainable. On the other hand, when the formal institution is ineffective, local officials ignore the rules and act according

to informal institutions, or local officials follow ineffective formal and informal institutions as the two institutions become compatible and are replaced with each other. In this situation, local officials seek their self-interest rather than become enthusiastically involved in the governance reform the center wants.

Thus, the mechanism of the penetration of the state power is the “conjuncture of ideas/interests” of the central and local leaderships, and not only this combination invokes institutional change but also how the formation of the relationships between the combination and “interests” of local bureaus will determine the penetration of or weakening of the state’s power. If the idea-interest combination of the central and local leaderships becomes stronger through an effective formal system, the role of the road-map that guides the local bureaus’ interests by persuading the local departments through the discourse will weaken the local departments’ resistance or foot-dragging against the reforms. On the other hand, if the idea-interest combination of the leadership is weakened due to the inefficiency of the formal system, the leadership cannot guide the interests of the local bureaus and can only justify the interests of the local departments. The state-building and institutional innovations carried out by the county leaderships will therefore become sluggish. Finally, when the official state power penetrates into the village through the idea-interest combination of the state’s leadership, if it has a “cultural nexus” with the new agents of the village cadre with a moral motive, and public relations skill along with the social capital with the senior leaders, the state’s power can penetrate into village society without being weakened. However, if there is no such new state agent of a village cadre, the state’s power will be weakened in the village and the penetration crisis will come.²⁰¹

²⁰¹ According to Lucian Pye, a penetration crisis is the problem of the government reaching society and effectively executing the state’s basic policy. This means that the state must penetrate into rural areas in order to carry out important development policies, and the state power should make contact with ordinary citizens in daily life. If not, a crisis of penetration will occur (Pye, 1966: 64). In this study, it is a critical factor that distinguishes Xiawei Village and Wukan Village because the absence of a new state agent in the village of Wukan has prevented the penetration of the official state power into the village, and a crisis of penetration has occurred. On the other hand, the formal state

2. Penetration and Limitations of the State's Power

In order to examine various state roles of the local state in the county government, it is necessary to scrutinize which conditions and factors lead to the emergence of a developmental state or a predatory state and efficient governance or governance deficits by looking at the characteristics of the institutional changes such as the intergovernmental fiscal system and the performance evaluation institution, instead of just classifying individual local cases into the developmental state or the predatory state model. This change in the role of the county government has had a great impact on the institutional innovations of state-building at the grassroots level by the county in the 2000s and 2010s.

In this process, the question that this study asks is whether we can confirm that the power of the state exists well below the county. If so, the question is whether the state power can penetrate the sub-county localities through any means, and is related to what the government actually did to build the state at the grassroots-level. In order to answer these questions, this study focused on the intergovernmental fiscal institution and cadre management institution.

1) Penetration and Limitations of State's Power through Government Fiscal Institution

First, the county government has expanded the power of the state to the township and the sub-county governments due to the strengthening of the county's budgeting for the sub-county units, budgetary supervision rights and the decline in the share and importance of the townships' expenditures. Since the Tax for Fee Reform, the county government's vertical management of the township has been strengthened in the areas of personnel, finance,

power could penetrate into Xiawei Village through connections with this new state agent.

materials, etc. Thus, the township government became a dispatched unit of the county, and the station institute (*Zhan* and *Suo*) organizations of the township were more closely connected to the county-level bureaus through the intergovernmental fiscal system. The township' organizations received guidance and special grants from the county's bureaus. Jin'nan District's Comprehensive Law Enforcement Bureau's case is a good example of this.

Second, since the township's financial crisis has come to the fore as a result of the Tax for Fee reform, the township government has been increasingly dependent on the central grants and financial subsidies of the higher governments, and the county government has been able to expand the state power to the townships and villages through the distribution of such grants. In particular, the county has the authority to distribute and supervise national projects through special grants to the townships and villages, and with the strengthening of the departmental budget for special grants, the townships and villages have become more dependent on the county and its bureaus. In addition, the Ministry of Finance, which has overall responsibility for special grants, has set up a financial supervisory office in each province to supervise the execution of the grant and strengthen performance evaluation.

Third, in order to resolve the financial risks and the debt crisis, the center has established a government debt management fund and an accounting audit center at the county -level and above, and the NAO carries out audits on the township government's debts. Through the management of debt risk and the supervision of public finance, the power of the state can penetrate the sub-county units. In particular, the county's auditing center supervised the financial execution of the townships by managing the national unified account.

Fourth, the growth of special grants led to the situation of central funding with the center's intention and policy objectives being transferred to the grassroots -level governments, the central and provincial governments carrying out the supervision, and the

sub-provincial departments managing and evaluating such grants through project governance. Through the intergovernmental fiscal system, the power of the state penetrated the sub-county.

However, the penetration of the state power through the financial system had the following limitations. First, there was the issue of land financing. Land mortgaged borrowing, which has recently played an important role in the local ability to extract fiscal resources, was affected by the real estate market. Also, financing through debts faced sustainability and liquidity risks. Land urbanization through the trinitarian model of land, finance, and banking has resulted in a lack of public service supply by the county government in the absence of population urbanization and industrialization.

Second, in the middle and western regions where the agricultural tax has disappeared after the Tax for Fee reform, the county and township governments have become more dependent on central grants and the financial gap with eastern regions has been further expanded. In addition, after the reform, the governmental reorganization and personnel reform were not implemented properly, so the majority of the township's expenditure was used for wage cost expenditure and the budget administration function and financial adjustment ability of the township government was weakened.

Third, there were various problems with the execution process of central grants. One of the most significant problems was that it was difficult to achieve central goals of the equalization of fiscal power and the provision of local public service due to the protection of local vested interests by the tax return and the local matching fund demand of special grants. Finally, because of the difference between the central preferences and local preferences, the local governments misused the central grants and the center did not adequately oversee the use of grants by localities for other purposes.

2) Penetration and Limitations of State's Power through Local Leader's Mobility and Performance Evaluation Institution

In addition to the fiscal system, local leaders' vertical mobility and the cadre management system also strengthened the political and economic incentives of local leaders, thereby enhancing the state power's penetration. First, the pattern that emerged from the mobility of the local leaders was the "Party-State (or Government) Spiral Model" and the "Cadre's Reselection Model." The leaders of the municipality and the county have accumulated experience by holding various positions with the local party and government organizations. Also, the experience gained through various training can help the local leaders as both generalists and specialists to handle local governance difficulties.

In the case of the deputy-provincial municipalities such as Guangzhou City, Shenzhen City in Guangdong Province and Hangzhou and Ningbo cities in Zhejiang Province, the talented people who have proven themselves by their work experience at the provincial, municipal and even central levels became the party-state leaders. Such municipal and county leaders were able to participate more actively in the work of state-building at the grassroots level and institutional innovations and achieve great performance because of the strong political and economic incentives.

Specifically, from 2000 to 2017, the county party secretaries of Shenzhen City (20 persons, 77%), Foshan City (16 persons, 67%) and Guangzhou City (24 persons, 64%) were promoted. The promotion rate was high and these regions also produced some of the deputy ministerial rank officials, so it can be seen that the grass ceiling for county leaders in these regions was relatively low. In addition, there was a stronger incentive for promoting county party secretaries in these three regions, and in response to these incentives, local leaders in the region have been working on state-building at the grassroots level and have been more actively involved in the institutional innovations favored by the center and society.

Barriers to the vertical mobility of the county leaders such as age, educational background, limited positions at the municipal level and lack of networking were resolved to some extent in Guangdong Province in such a way that the province strengthened the promotion incentive of the county leaders by lowering the glass ceiling for them through a series of personnel policies.

The factors that affected the promotion of the municipal leaders in Guangdong Province and Zhejiang Province were homophily and performance evaluation. While the homogeneity of the provincial leaders and the average of the performance score rate during the municipal leadership's term were statistically significant, the economic performance of the municipal leaders did not have a significant effect. It means that both the homogeneity of social capital and the achievement of various performance indicators, including social policy, have emerged as important criteria for receiving a promotion instead of the indicator of economic growth. In addition, as a result of the multi-level analysis, the effect of homogeneity on the promotion of municipal leaders was different according to the characteristics of the regional status or rank such as the province, the deputy-provincial municipality and the municipality. This shows that these local units and ranks themselves can act as moderating factors in the statistical analysis of the local leaders' vertical mobility and the factors that affect it.

On the other hand, economic performance and performance evaluation did not have a significant effect on the promotion of the county party secretaries in Guangdong Province, but their homogeneity with the municipal leaders increased the probability of their promotion by 62%. The results of the multi-level analysis indicate that the moderating factor of the Pearl River Delta Region had a significant effect on the homogeneity, performance evaluation and even the economic performance variables. The fact that the county governments in the Pearl River Delta Region such as Guangzhou City, Shenzhen City, and Foshan City actively participated in the state-building work and institutional innovation projects was against this backdrop of the significant effects of homogeneity

and performance evaluation on promotion. The local officials in the Pearl River Delta Region have worked harder in response to such strong incentives for promotion.

Among the homogeneity index that influenced the vertical mobility of the local leaders, one of the most significant elements was school alumni. There were the Central Party School and Sun Yat-sen University alumni between the provincial leaders and the municipal leaders in Guangdong and Zhejiang provinces, and the Guangdong Provincial Party School and Sun Yat-sen University alumni between the municipal leaders and the county leaders in Guangdong Province. In this social capital, the significance of the Party School Networks, in particular, stemmed from the socialization of the center's ideas and various policy and institutional innovation ideas shared in the Party School. The social network of the Party School acted as a lubricant and a conveyor belt when the state power travelled down to the grassroots through "ideas."

The homogeneity scores of Hangzhou City, Ningbo City in Zhejiang Province and Guangzhou and Shenzhen cities in Guangdong Province were relatively high, which means that the higher the homogeneity scores, the more motivated the lower officials were to carry out the national projects or state-building programs favored by the higher officials. The county party secretaries of Shunde District in Foshan City also had a high degree of homogeneity with the upper level officials, which played a positive role in actively promoting the state-building and institutional innovations.

This homogeneity was able to improve local governance by promoting trust, commitment, and organizational efficacy among local elite groups, thereby enhancing organizational performance. High homogeneity not only affected promotion, but it also positively affected the acquisition of national projects and special grants from the center or province through informal patronage networks, thereby providing a financial basis for further institutional innovations.

Finally, performance evaluations not only affected the promotion of the municipi-

pal leaders, but it also had a strong impact on the county leaders by way of material incentives such as bonuses and prize money. The county governments have actively participated in the government efficiency and voice and accountability governance programs and projects in order to receive central special grants and bonuses and awards. In the 2000s and 2010s, the changes in the performance evaluation system can be explained by the fact that the performance evaluation area was expanded, the evaluation grade was subdivided, the scope of the evaluation was expanded and material incentives were used for assessment, and discipline and punishment mechanisms were strengthened. Finally, evaluation methods such as leadership evaluation, internal evaluation, social evaluation and self-evaluation were diversified. As performance evaluation was strengthened in the local cadre management system, the local officials were more actively and aggressively performing the government efficiency and voice and accountability governance tasks desired by the center and society.

However, there were some limitations of the state's power in the cadre management system. The discipline and punishment mechanisms in performance evaluation were still weak except for some areas such as the one-child policy. There was no uniform central document on performance evaluation. The evaluation system on the local cadre's work carried out by the Central Party Committee's Organization Department and the evaluation system of budget performance management and financial expenditure performance management implemented by the Ministry of Finance was dualized. Evaluation resources, organizations and personnel were duplicated and dispersed. In addition, the evaluation process of the local leaders was still unclear and not disclosed, thus strengthening the patronage network and rule by man, and the performance evaluation tools were often used to promote departmentalism and local bureaus' interests.

In the specific indicators, it is still difficult to achieve a reasonable balance between objective indicators such as local finance and economic growth rate and subjective indicators of citizens' satisfaction. During the evaluation process, local officials did not

actively improve performance indicators by hiding mistakes or errors. Finally, the biggest problem in the Chinese cadre management system was that it was difficult to demote local officials even if it was relatively easy for them to get promoted once they got on the fast track in their careers.

3) Penetration and Limitations of State's Power through Institutional Innovations

The restructuring of the local government, such as the super-department system, was a policy to improve government efficiency. The mechanism by which the state power penetrates in this policy was the ideas of local leadership. Specifically, there were the ideas of the local government roles such as the limited government, the rule-of-law government, the efficient government, the service-oriented government and the responsible government. These ideas were suggested by Xu Wenguang of a party secretary in Fuyang District of Zhejiang Province, and the reform idea of the super-department was presented by Liu Hai of a party secretary in Shunde District of Guangdong Province with consultation by the National School of Administration and support from Wang Yang of a Guangdong provincial party chief. On the other hand, the obstacles to the penetration of state power were the "interests" of local bureaus. The special committee system of Fuyang District has not been able to reform the structure of government organizations due to the conflict of interest among the bureaus and the interference of bureaucratic power; the reform of the super-department system of Shunde District has not been successful due to the opposition and resistance of local departments.

In the construction of the Administrative Licensing Center, there was competition for institutional innovations among the county governments, such as the time restriction mechanism of Nankai District, the intermediary organization's purchase of pub-

lic services in Heping District and the construction of the Administration Licensing Bureau in Binhai New District. While Nankai District and Heping District have implemented only the reform of the licensing mechanism considering the resistance and opposition from the interests of the existing departments, Binhai New District broke the resistance of the local departments in front of them by concentrating the core interests of each department on the Administration Licensing Bureau. The means by which the Binhai New District's reforms broke through the departments' interests was to award material incentives to the local bureaus instead of giving up licensing authority and related interests. In addition, the construction of the Administrative Licensing Center in Nanhai District of Guangdong Province has enabled the district to be connected with the 15 township and sub-district centers, the 273 village community service centers and the online administration service hall at the district, township and village levels. However, the limits of such reforms included a fabricated reform-related data by local governments and bureaus and a lack of the reform's driving force, and a relationship between the Administration Licensing Center and the local bureaus has not been established.

The penetration of state power in social governance showed that in the cases of Nanshan and Yantian districts, Chixi County-Level City, and Haishu District, the county government has expanded the state power by supervising, evaluating and nurturing the sub-county administrative units and self-governing organizations through the construction of an urban community. In addition, the county government has been able to penetrate into the sub-county by arranging the following subordinate units and self-governing organizations at various stages of a grid management system and forming a network of reports and feedback system continuing from county to village. But there were limitations of the state's power such as the conflict between the government bureaus's interests and those of autonomous organizations, the lack of expertise in comprehensive law enforcement, the excessive amount of work burden sent down from senior officials, the insufficiency of work-related authority and expenses, and false reports of work results due to

the huge work burden.

Lastly, in the construction of village self-governance institutional building in Guangdong Province, Ouyang Weimin, a party secretary of Zhengcheng District, was able to extend the power of the state to the village through his “ideas” by guiding the design of the village self-governance and democratic consultation institutions through a clear idea of village democracy. This penetration of the state’s power through the ideas could be smoothly promoted by an encounter between the state’s power and a new state agent, Guo Qingdong with a moral motive and the ability to carry out national projects.

In this way, the county has been able to expand the state power to a greater extent than ever before through far more diverse means such as finance, performance evaluation, organization, administrative licensing centers, urban communities, grid management and village self-governance institutions. This power, however, was not the power of the county but rather that of the center that symbolized “the emperor’s power.” This is because the central policy goal and preference was to come down in terms of central special grants and performance evaluation, and state-building at the grassroots level such as administrative licensing centers, urban communities and grid management was a part of the service-oriented government construction program preferred by the central government, and the “ideas” of the SOD, Harmonious Society and AVP were all devised by the center.

As a result, as the administrative authority of the county influenced not only sub-county administrative units but also self-governing organizations such as urban communities and villages committees, autonomous organizations gradually began to take charge of the duties that the state delegated rather than self-governing programs and activities.

If so, is the self-governance tradition below the Chinese county disappearing? This study asserts that the answer is no. In response to the administrative power travelling down to the county, autonomy in both directions is growing. First, as can be seen from the case of Chixi County-Level City and Haishu District in Zhejiang, the self-governing or-

ganizations were engaged in a bottom-up type of interpenetration in which they participated in administrative power. Typically, Haishu District included representatives of private organizations as a member of the Leadership Small Group, a key party-state decision-making organization in the construction of a service-oriented government.

Second, it was a top-down “micro-autonomy” model that created a smaller autonomous organization that can concentrate on self-governing activities instead of using the existing self-governing organizations such as urban communities and villages. For example, there were the Village Small Group and Villager Small Group, Zhigui County Self-Governance Model, Villagers’ Board of Directors Model, Yunfu City’s Village Small Group, Yun’an County’s Township and Village Two Level’s Board of Directors and Plus Village Small Group’s Three Levels’ Board of Directors, Jinjiang District and Wuhou District’s Courtyard and Residential Building Model, Haiqiang District’s Micro-Object Self-Governance Model, the Party-State Public Service Center Model of Fogang County and Grid Management Model. Governance below the county showed the coexistence of two forms of top-down infiltration of the county administrative power and the construction of a new autonomous model of micro-self-governing organizations.

In conclusion, the power of the state has been expanding its reach to grassroots society below the county -level through the county in much more diverse ways than in the past. In contrast to this administrative power, the autonomy of the traditional sub-county units or organizations does not disappear, but changes and evolves to a new form of the micro-autonomy model.

Appendix

I. APPENDIX TO CHAPTER 3

1. Zhejiang Province's Performance Evaluation of Municipalities from 2000 to 2016

Year	Evaluation Items	Grades	Source
2000	City and County Party-State Leadership's Science Technology Development	Science and Technology Spending accounted for 3% and 2% of total fiscal expenditure	浙委办发[2001]35号
2001	Rural Cooperative Fund Society Reorganization Work	Advanced Unit (<i>Xianjin Danwei</i>)	浙政发[2001]38号
2002	Government Information Work	Advanced Unit (<i>Xianjin Danwei</i>)	浙政办发(2003)4号
2003	Government Information Work	Advanced Unit (<i>Xianjin Danwei</i>)	浙政办发(2004)3号
2004	Provincial Government Portal Homepage Work (comprehensive); Information Interaction (single); Government Work Disclosure (single)	Excellent Unit(<i>Youxiu Danwei</i>)	浙政办发(2005)6号
2005	Peace Municipality; Shanghai Cooperation Project; Five Ten Billion Project; Provincial Rural Work Instructor	Advanced Unit (<i>Xianjin Danwei</i>); Excellent Unit(<i>Youxiu Danwei</i>); Peace Municipality	浙政发(2006)26号;拟表彰命名的2005年度平安市、县(市、区)名单; 浙政发(2005)60号;浙政发(2005)22号;浙委发(2005)45号
2006	Power Construction; Peace Municipality; Provincial Rural Work Instructor; Food Production	Advanced Unit (<i>Xianjin Danwei</i>); Excellent Unit(<i>Youxiu Danwei</i>); Peace Municipality	中共浙江省委、浙江省人民政府关于命名表彰2006年度平安市、县(市、区)的通报;浙政发(2007)2号;浙委(2006)38号

2007	Peace Municipality; Protection for Arable Land; Government Homepage Construction; Provincial Rural Work Instructor; Electronic Government Work Construction; Electronic Inspection	Excellent Unit(<i>Youxiu Danwei</i>); Good Unit(<i>Lianghao Danwei</i>); Peace Municipality	浙江省人民政府关于2007年度各市政府耕地保护责任目标考核情况的通报; 省委省政府拟表彰命名2007平安市县(市、区)公示; 浙委[2007]127号; 浙政办函(2008)10号
2008	Peace Municipality; Protection for Arable Land; Pilot Administrative Service Center; Electronic Government Work; Five Ten Billion Project; Provincial Social Public Safety; Electronic Inspection; Government Portal Homepage	Excellent Unit(<i>Youxiu Danwei</i>); Demonstration(<i>Shifan</i>); Good Unit(<i>Lianghao Danwei</i>); Peace Municipality	浙政发(2009)32号; 省委、省政府拟表彰命名2008年度平安市、县(市、区)公示; 浙委[2008]44号; (浙政发[2008]4号); 浙政办发(2009)11号
2009	Food Safety; Protection for Arable Land; Government Portal Homepage Construction; Electronic Government Work; Provincial Rural Work Instructor; Online Work Processing and Electronic Inspection System; Electronic Government Work Internet Construction and Information Safety Work; Pilot Administrative Service Center	Good Unit(<i>Lianghao Danwei</i>); Excellent Unit(<i>Youxiu Danwei</i>); Passed Unit(<i>Hege Danwei</i>); Demonstration(<i>Shifan</i>)	浙政发(2010)20号; 浙政办发(2010)54号; 浙江省人民政府办公厅关于表彰2009年度电子政务建设优秀单位的通报; 浙委[2009]7号
2010	Peace Municipality; Food Safety; Socialist New Rural Construction; Electronic Government Work; Online Work Processing Hall	Good Unit(<i>Lianghao Danwei</i>); Peace Municipality; Excellent Unit(<i>Youxiu Danwei</i>)	浙政发(2011)20号; 省委省政府拟表彰命名2010年度平安市、县公示
2011	Food Safety; Protection for Arable Land; Service Industry Target; Electronic Government Work; Government Portal Homepage; Provincial Rural Work Instructor; the Second Round Pilot Administrative Service Center	Excellent Unit (<i>Youxiu Danwei</i>); Advanced Unit (<i>Xianjin Danwei</i>); Good Unit(<i>Lianghao Danwei</i>); 1-11 grades; Demonstration(<i>Shifan</i>)	浙政发(2012)20号; 浙政发(2012)56号; 浙政办发(2012)87号; 浙政发(2011)7号; 浙江省人民政府办公厅关于表彰2011年度电子政务建设优秀单位的通报; 浙委(2011)14号

2012	<p>Peace Municipality; Food Safety; Protection for Arable Land; Administration according to the Law; Provincial Rural Work Instructor; Provincial-wide Effective Investment Expansion; Government Portal Homepage; Socialist New Rural Construction, Zhejiang Merchants Start-ups and Innovation Support; Electronic Government Work; Attraction of Zhejiang Merchants Functional Organization Establishment</p>	<p>Good Unit (<i>Lianghao Danwei</i>); Excellent Unit (<i>Youxiu Danwei</i>); Peace Municipality; Firs Rank; Second; Third; Advanced Unit (<i>Xianjin Danwei</i>); Passed Unit (<i>Hege Danwei</i>)</p>	<p>浙政办发(2013)33号;浙政办发[2013]57号;浙政办函(2013)17号;2012年度平安市、县(市、区)拟表彰名单;2012年度省农村工作指导员工作先进单位和省优秀农村工作指导员评选结果公示;浙江省人民政府办公厅关于表彰2012年度电子政务建设优秀单位的通报;浙委发(2013)6号;浙政发(2013)35号;浙政发(2013)10号</p>
2013	<p>Outbound FDI Strategy Work; Food Safety; Zhejiang Merchants Start-ups and Innovation Support; Rule of Law Government and Administration according to the Law; Provincial Coastal Area's Shelter Belt Forest Construction</p>	<p>Excellent Unit (<i>Youxiu Danwei</i>); Good Unit (<i>Lianghao Danwei</i>); Firs Rank; Second; Advanced Unit (<i>Xianjin Danwei</i>)</p>	<p>浙政办发(2014)47号;浙走组字(2014)3号;浙政办发(2014)52号;浙政办发(2014)26号;浙政发(2014)31号;浙政办发(2013)135号</p>
2014	<p>Government Work Service Network; Basic Public Service Equalization; Zhejiang Merchants Start-ups and Innovation Support; Peace Municipality Peace Municipality; Rule of Law Government and Administration according to the Law; Food Safety; Food Production</p>	<p>Excellent Unit (<i>Youxiu Danwei</i>); Firs Rank; Second; Peace Municipality; Advanced Unit (<i>Xianjin Danwei</i>); Gold; Silver; Bronze</p>	<p>浙政办函(2015)27号;浙政办发(2015)14号;浙政办发(2014)33号;浙政办发(2015)16号;2014年度平安市、县(市、区)拟表彰名单;浙政办发(2015)26号;浙政办发(2014)18号</p>
2015	<p>Food Safety; Water Resource; Provincial-wide Effective Investment Expansion; Rule of Law Government and Administration according to the Law; Party-State Leadership's Science Technology Development;</p>	<p>Good Unit (<i>Lianghao Danwei</i>); Excellent Unit (<i>Youxiu Danwei</i>); Advanced Unit (<i>Xianjin Danwei</i>)</p>	<p>浙江省人民政府办公厅关于2015年度粮食安全责任制考核情况的通报;浙政办发(2016)113号;浙政办发(201</p>

			6)23号; 浙政办发(2016)36号; 关于2015年度市县党政领导科技进步与人才工作目标责任制考核优秀单位的通报
2016	Food Production	Gold; Silver; Bronze	浙政办发(2017)12号

2. Guangdong Province's Performance Evaluation of Municipalities from 1998 to 2016

Year	Evaluation Items	Grades	Source
1998	One-Child Policy	Goal Achievement Unit(<i>Dabiao Danwei</i>)	粤府[1999]25号
1999	Forest Resource Protection	First Rank (<i>Bijiao Hao</i>); Second Rank (<i>Bijiao Hao</i>); Third Rank (<i>Bijiao Hao</i>); Work was not Solid Enough(<i>Gongzuo Bugou Zhashi</i>)	粤府[2000]65号
2000	Funeral and Burial Management; One-Child Policy	Goal Achievement Unit(<i>Dabiao Danwei</i>)	粤府(2001)31号; 粤府[2001]6号
2001	Forest Fire Prevention; Forest Resource Protection; Ecological Public Forest; Food Work; One-Child Policy	First Rank; Second Rank; Third Rank; Goal Achievement Unit (<i>Dabiao Danwei</i>); Advanced Unit (<i>Xianjin Danwei</i>); There was a Serious Problem in the Work(<i>Gongzuo-zhongCunzaiTuchuWenti</i>)	粤府(2003)31号; 粤府(2002)13号
2002	Forest Fire Prevention; Forest Resource Protection; Ecological Public Forest; Food Work	First Rank; Second Rank; Third Rank; Goal Achievement Unit (<i>Dabiao Danwei</i>); There were more Forest Fires	粤府办(2003)45号; 粤府(2003)61号
2003	Forest Fire Prevention; Forest Resource Protection; Ecological Public Forest; Food Work; Employment	First Rank; Second Rank; Third Rank; Goal Achievement Unit (<i>Dabiao Danwei</i>); Criticism	粤府办(2004)67号; 粤府(2004)51号; 粤府(2004)100号
2004	Forest Fire Prevention; Forest Resource Protection; Ecological Public Forest; Priority Project; One-Child Policy	First Rank; Second Rank; Third Rank; Advanced Unit (<i>Xianjin Danwei</i>)	粤府(2005)26号
2005	One-Child Policy; Priority Project; County Area Fiscal Power Development	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>)	粤府(2006)39号; 粤府(2006)

			32号; 粤府(2006)66号;
2006	One-Child Policy; Priority Project; Food Safety; Funeral and Burial Management; County Area Fiscal Power Development	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>)	粤府(2007)30号; 粤府(2007)32号; 粤府(2007)44号; 粤府(2006)71号; 粤府(2006)48号
2007	One-Child Policy; Energy Conservation	Advanced Unit (<i>Xianjin Danwei</i>)	粤府(2008)18号; 粤府(2009)65号
2008	Emergent Incident Information Report; One-Child Policy; Energy Conservation; Industry Transfer; County Area Fiscal Power Development	Excellent Unit (<i>Youxiu Danwei</i>); Advanced Unit (<i>Xianjin Danwei</i>); Good Unit (<i>Lianghao Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>)	粤府办(2009)11号; 粤府(2009)103号; 粤府办(2009)20号; 粤府[2010]20号; 粤府(2009)44号
2009	Environment Protection; Emergent Incident Information Report; Protection for Arable Land; Land Conservation and Concentration; Forest Resource Protection; One-Child Policy; Priority Project; Private Economy; Renovation of Three Old Areas; Industry Transfer; Cultivated Land Supplement; Energy Conservation	Good Unit (<i>Lianghao Danwei</i>); Excellent Unit (<i>Youxiu Danwei</i>); First Rank; Second Rank; Third Rank; Advanced Unit (<i>Xianjin Danwei</i>); Passed Unit (<i>Hege Danwei</i>)	2009年度广东省环境保护责任考核结果通报 粤府办(2010)5号; 粤府(2010)85号; 粤府函(2010)204号; 粤府(2010)172号; 粤府办(2010)14号; 粤府(2010)163号; 粤府(2010)60号; 粤府办(2010)38号
2010	Emergent Incident Information Report; Forest Resource Protection; Land Conservation and Concentration; One-Child Policy; Energy Conservation; Renovation of Three Old Areas; Land Law Enforcement Inspection; Protection for Arable Land	Excellent Unit (<i>Youxiu Danwei</i>); First Rank; Second Rank; Third Rank; Good Unit (<i>Lianghao Danwei</i>)	粤府办(2011)6号; 粤办函(2011)796号; 粤府函(2011)291号; 粤办函(2011)383号; 粤府办(2011)11号; 粤经信节能函[2011]3628号
2011	Protection for Arable Land; Land Conservation and Concentration; Industry Transfer; Renovation of Three Old Areas; Priority Project	First Rank; Second Rank; Third Rank; Excellent Unit (<i>Youxiu Danwei</i>); Goal Achievement Unit (<i>Dabiao Danwei</i>); Advanced Unit (<i>Xianjin Danwei</i>)	粤办函(2012)403号; 粤府(2012)89号; 关于广东省2011年重点项目建

			设工作先进集体名单的公示
2012	Food Safety; Industry Transfer; One-Child Policy; Transfer Labor Force;	Excellent Unit (<i>Youxiu Danwei</i>); Advanced Unit (<i>Xianjin Danwei</i>); Good Unit (<i>Lianghao Danwei</i>); Criticism; Awarded Unit (<i>Huojiang Danwei</i>); Work Innovation(<i>Gongzuo Chuangxin</i>)	粤府(2013)87号; 粤府办(2013)14号
2013	Food Safety; Administration according to the Law; One-Child Policy; Rural Labor Force Training	Excellent Unit (<i>Youxiu Danwei</i>); Advanced Unit (<i>Xianjin Danwei</i>); Passed Unit (<i>Hege Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Ordinary (<i>Yiban</i>)	粤办函(2014)490号; 粤府办(2014)16号; 粤府函(2014)217号
2014	Pearl River Delta River Plan Outline Work; Food Safety; One-Child Policy	Excellent Unit (<i>Youxiu Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Advanced Unit (<i>Xianjin Danwei</i>); Passed Unit (<i>Hege Danwei</i>); Good Unit (<i>Lianghao Danwei</i>)	粤府办(2015)32号; 粤府办(2015)18号
2015	Government Quality Work; Administration according to the Law; Employment: One-Child Policy	A Rank; B Rank; C Rank; Excellent Unit; Awarded Unit (<i>Huojiang Danwei</i>); Good Unit (<i>Lianghao Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Ordinary (<i>Yiban</i>)	粤府函(2016)23号; 粤办函(2016)579号; 粤办函(2017)1号; 粤府函(2016)74号
2016	Government Quality Work	A Rank; B Rank; C Rank	粤府函(2017)12号

3. Guangdong Province and Municipalities' Performance Evaluation of Counties from 1998 to 2016

Year	Local level	Evaluation Items	Grades	Sources
1998	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>) Criticism	粤府 [1 9 9 9] 2 5 号
1999	Province	One-Child Policy	Awarded Unit (<i>Huojiang Danwei</i>); Criticism (<i>tisingzhuyi</i>); Criticism(yellow card)	粤府 [2000] 6号
2000	Municipality	*Guangzhou: Funeral and Burial Management	Advanced Unit (<i>Xianjin Danwei</i>)	穗府(2001)31号
2001	Province	One-Child Policy	Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府(2002)13号
	Municipality	*Chaozhou: Funeral and Burial Management	Awarded Unit	潮府(2002)6号

			<i>(Huojiang Danwei)</i>	
2002	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府(2003)17号
2003	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府(2004)14号
	Municipality	*Chaozhou: Funeral and Burial Management, Reemployment *Foshan: Environment Protection	Advanced Unit (<i>Xianjin Danwei</i>)	佛府办[2004]92号; 潮府(2004)38号; 潮府(2004)4号;
2004	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府(2005)26号
	Municipality	*Guangzhou: Funeral and Burial Management *Shantou: Economic Development Target Management *Jiangmen: Reemployment, Forest Resource Protection, Forest Fire Prevention, Ecological Public Forest *Zhaoqing: Employment *Chaozhou: : Funeral and Burial Management, Reemployment	Advanced Unit (<i>Xianjin Danwei</i>)	穗府[2005]13号; 江府办[2005]20号; 江府办[2005]75号; 肇府(2005)8号; 潮府(2005)9号; 潮府(2005)18号
2005	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府(2006)39号
	Municipality	*Guangzhou: Funeral and Burial Management *Huizhou: Animal Health *Jiangmen: Forest Resource Protection, Forest Fire Prevention, Ecological Public Forest *Zhanjiang: Funeral and Burial Management *Zhaoqing: Employment, Safety Product Supervision Management *Chaozhou: Funeral and Burial Management	Advanced Unit (<i>Xianjin Danwei</i>); Excellent Unit (<i>Youxiu Danwei</i>)	穗府(2006)36号; 惠府办(2006)39号; 江府办[2006]120号; 湛府(2006)4号; 肇府(2006)10号; 肇府(2006)24号; 潮府(2006)9号
2006	Province	One-Child Policy County Leadership Prize; County Area Fiscal Power Development	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府(2007)30号; 粤府(2007)44号

	Municipality	<p>*Zhuhai: Safety Production</p> <p>*Huizhou: Animal Health</p> <p>*Shanwei: Funeral and Burial Management, Anti-counterfeit, Social Insurance Coverage Collection</p> <p>*Jiangmen: Rural Surplus Laborforce Transfer Training</p> <p>Funeral and Burial Management, Animal Health, Employment</p> <p>*Zhaoqing: Forest Fire Prevention, Employment</p> <p>*Chaozhou: Funeral and Burial Management, Environment Protection</p>	Excellent Unit (<i>Youxiu Danwei</i>); Passed or Not Passed(<i>Shanwei</i>); First Rank or Second(<i>Zhaoqing</i>)	惠府(2007)36号; 汕府[2007]20号; 汕府[2007]21号; 汕府办[2007]719号; 江府办[2006]118号; 江府办[2007]21号; 江府办[2007]36号; 肇府(2007)71号; 潮府(2007)16号
2007	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府(2008)18号
	Municipality	<p>*Guangzhou: Funeral and Burial Management</p> <p>*Foshan: Funeral and Burial Management</p> <p>*Shaoguan: 2003-2007 Environment Protection, Land Use Plan</p> <p>*Heyuan: County Area Main Indicators Achievement, Industrial Development</p> <p>*Meizhou: Land Use, Land Development</p> <p>*Huzhou: Animal Health, Funeral and Burial Management</p> <p>*Shanwei: Social Insurance Coverage Collection</p> <p>*Jiangmen: Forest Resource Protection, Employment, Rural Surplus Laborforce Transfer Training</p> <p>*Zhanjiang: Funeral and Burial Management</p> <p>*Zhaoqing: Funeral and Burial Management, Employment, Forest Fire Prevention</p> <p>*Chaozhou: Food Safety</p>	Advanced Unit (<i>Xianjin Danwei</i>), Comprehensive Goal Achievement Unit (<i>Quanjian Dabiao Danwei</i>); First Rank; Second Rank; Third Rank; Excellent Unit (<i>Youxiu Danwei</i>)	穗府(2008)23号; 佛府办[2008]109号; 佛府办[2008]140号; 韶府[2009]28号; 梅市府(2008)42号; 韶府办(2008)148号; 惠府办(2008)17号; 惠府办(2008)60号; 汕府办[2008]39号; 江府办[2009]1号; 江府办[2008]30号; 湛府(2008)20号; 肇府办(2008)17号; 肇府(2008)20号; 潮府(2008)38
2008	Province	One-Child Policy; Village Work Disclosure Democratic Management Pilot County	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府办(2009)20号; 粤府(2008)68号

	Municipality	<p>*Shantou: Private Economy</p> <p>*Foshan: Funeral and Burial Management</p> <p>*Shaoguan: Land Use, Land Cultivation</p> <p>*Meizhou: Private Economy, Labor Force Transfer, Total Amount of Pollutant Emission Reduction, Environment Protection</p> <p>*Huizhou: Animal Health, Funeral and Burial Management</p> <p>*Shanwei: Funeral and Burial Management, Anti-counterfeit</p> <p>*Jiangmen: Employment, Forest Resource Protection, Rural Surplus Laborforce Transfer Training,</p> <p>*Zhaoqing: Forest Fire Prevention, Forest Fire Prevention, Employment, Energy Conservation</p> <p>*Qingyuan: Protection for Arable Land, Land Use,</p> <p>*Chaozhou: Funeral and Burial Management</p>	Excellent Unit (<i>Youxiu Danwei</i>); First Rank; Second Rank; Third Rank; Good Unit (<i>Lianghao Danwei</i>)	佛府办(2009)116号; 汕府(2009)33号; 汕府办[2009]76号; 惠府办(2009)11号; 梅市府办(2009)73号; 梅市府办(2009)40号; 梅市府(2009)32号; 惠府办(2009)64号; 汕府办[2008]80号; 江府[2010]4号; 江府办[2009]29号; 肇府办(2009)10号; 肇府(2009)12号; 肇府办(2009)54号; 肇府(2009)44号; 清府办(2009)29号; 潮府(2009)14号
2009	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府办(2010)14号
	Municipality	<p>*Guangzhou: Government Work Disclosure</p> <p>*Zhuhai: Safety Production</p> <p>*Shantou: Private Economy Development</p> <p>*Foshan: Energy Conservation</p> <p>*Meizhou: Housing Security, Energy Conservation</p> <p>*Huizhou: Animal Health, Funeral and Burial Management</p> <p>*Shanwei: Food Work, Funeral and Burial Management</p> <p>*Jiangmen: Emergency Management</p> <p>*Zhanjiang: Forest Resource Protection</p> <p>*Maoming: Government Work Disclosure</p> <p>*Zhaoqing: Funeral and Burial Management</p> <p>*Chaozhou: Funeral and Burial Management, Food Safety</p>	Excellent Unit (<i>Youxiu Danwei</i>); First Rank; Second Rank; Third Rank; Good Unit (<i>Lianghao Danwei</i>)	珠府(2010)41号; 穗府(2010)11号; 佛府办[2010]128号; 汕府(2010)27号; 汕府(2010)24号; 汕府(2010)68号; 惠府办(2010)8号; 梅市府办(2010)59号; 梅市府办(2010)78号; 惠府办(2010)41号; 江府办[2010]16号; 湛府(2010)84号; 茂府办(2009)62号; 肇府办(2010)5号; 潮府(2011)31号
2010	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府办(2011)11号

	Municipality	<p>*Guangzhou: Emergent Incident Information Report</p> <p>*Shaoguan: Forest Fire Prevention</p> <p>*Meizhou: Energy Conservation, Pollution Emission Reduction, Environment Protection, 2006-2010 Food Safety</p> <p>*Huizhou: Animal Health, Funeral and Burial Management</p> <p>*Jiangmen: Rural Laborforce Transfer, Forest Resource Protection</p> <p>*Zhaoqing: Forest Fire Prevention, Funeral and Burial Management</p>	Advanced Unit (<i>Xianjin Danwei</i>); Excellent Unit (<i>Youxiu Danwei</i>); First Rank	穗府办[2011]5号;韶府办(2011)159号;梅市府办(2011)44号;梅市府办(2011)34号;梅市府(2011)31号;惠府办(2011)11号;惠府办(2011)10号;江府函[2011]127号;江府办函[2011]57号;肇府办(2011)5号;肇府办(2011)27号
2011	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府办(2012)11号
	Municipality	<p>*Guangzhou: Emergency Management, Emergent Incident Information Report, Government Work Disclosure</p> <p>*Shantou: Employment</p> <p>*Foshan: Pearl River Delta Plan Outline, Emergency Management, Government Information Disclosure</p> <p>*Shaoguan: Private Economy, Government Information Disclosure</p> <p>*Heyuan: Food Safety</p> <p>*Huizhou: Animal Health</p> <p>*Shanwei: Good Quality County (<i>zhiliangqiangxian</i>), Rural Laborforce Transfer Training Employment</p> <p>*Jiangmen: Pearl River Delta Region Reform Development Plan Outline 2008-2020, Emergency Management, Forest Resource Protection</p> <p>*Zhaoqing: Private Economy, Emergency Management</p> <p>*Qingyuan: Land Conservation Concentration, Housing Security, Protection for Arable land, Supplement for Arable Land, Emergency Management</p>	Advanced Unit (<i>Xianjin Danwei</i>); Good Unit (<i>Lianghao Danwei</i>); First Rank; Second Rank; Third Rank	穗府办(2012)14号;穗府办(2012)41号;穗府办(2012)8号;河府办(2012)101号;汕府办[2012]47号;汕府办(2012)55号;佛府办(2011)180号;佛府办函(2012)70号;佛府办函[2012]447号;汕府办(2012)79号;韶府办(2012)130号;韶府办(2012)34号;惠府办(2012)9号;江府(2012)48号;江府办[2012]7号;清府办(2012)17号;清府办(2012)129号;清府办(2012)57号;清林(2014)48号;清府办(2012)103号
2012	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism; Work Innovation	粤府办(2013)14号

	Municipality	<p>*Shantou: Funeral and Burial Management, Arable Land Protection, Thousand Village Environment Health Reorganization Activity and Wastes Special Item Work</p> <p>*Shaoguan: Arable Land Protection, Private Economy Work, Renovations for Three Old Area, Land Conservation Concentration</p> <p>*Heyuan: Private Economy Development</p> <p>*Meizhou: Environment Protection, Emergent Incident Information Report</p> <p>*Shanwei: Good Quality County (<i>zhiliangqiangxian</i>)</p> <p>*Jiangmen: Food Safety</p> <p>*Zhanjiang: Funeral and Burial Management, Arable Land Protection</p> <p>*Qingyuan: Forest Resource Protection, Food Safety, Funeral and Burial Management</p> <p>*Jieyang: Emergency Management</p> <p>*Yunfu: Animal Heal Quantification</p>	Advanced Unit (<i>Xianjin Danwei</i>); First Rank; Second Rank; Good Unit (<i>Lianghao Danwei</i>);	<p>韶府(2013)39号; 梅市府办(2013)50号;</p> <p>河府办(2013)18号;</p> <p>汕府办(2013)38号;</p> <p>汕府办(2013)72号;</p> <p>汕府办(2013)103号;</p> <p>梅市府办(2013)6号;</p> <p>汕府办(2013)71号;</p> <p>湛府函(2013)221号;</p> <p>湛府办函[2013]151号;</p> <p>清府办函(2016)38号;</p> <p>清府办(2013)8号; 揭府办(2013)23号;</p> <p>云府(2013)5号</p>
2013	Province	One-Child Policy	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism	粤府办(2014)16号
	Municipality	<p>*Foshan: One-Child Policy</p> <p>*Jiangmen: Funeral and Burial Management</p> <p>*Zhanjiang: Forest Resource Protection</p> <p>*Qingyuan: Forest Resource Protection</p>	Advanced Unit (<i>Xianjin Danwei</i>); Excellent Unit (<i>Youxiu Danwei</i>); First Rank; Second Rank	<p>佛府办(2014)23号;</p> <p>江府办函(2014)51号;</p> <p>湛府办函[2014]96号</p>
2014	Province	One-Child Policy; Arable Land Protection	Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism First Rank; Second Rank; Third Rank; Awarded Unit (<i>Huojiang Danwei</i>); Yellow Card(<i>JingshiYuetan</i>)	<p>粤府办(2015)18号;</p> <p>粤办函(2015)354号</p>

	Municipality	<p>*Guangzhou: Environment Protection, Two Construction, Emergent Incident Information Report, Protection for Arable Land</p> <p>*Foshan: Protection for Arable Land, Renovations for Three Old Areas, Land Law Enforcement Inspection, Land Conservation Concentration</p> <p>*Shaoguan: One-Child Policy</p> <p>*Huizhou: Arable Land Protection</p> <p>*Jiangmen: Food Safety</p> <p>*Zhanjiang: Funeral and Burial Management, Forest Resource Protection</p> <p>*Qingyuan: One-Child Policy, Administration according to the Law, Food Safety</p>	<p>Excellent Unit (<i>Youxiu Danwei, chengjibijiaoxianzhu</i>); First Rank, Second Rank; Third Rank; Good Unit (<i>Lianghao Danwei</i>); Passed, Awarded Unit (<i>Huojiang Danwei</i>); Criticism, Advanced Unit (<i>Xianjin Danwei</i>); Ordinary (<i>yiban</i>)</p>	<p>穗府办函(2015)66号; 穗府办函(2015)25号; 韶府(2015)20号; 清府办(2015)22号; 佛山市人民政府办公室关于2014年度全市耕地保护目标责任考核情况的通报; 清远市人民政府办公室关于2014年度依法行政工作考评结果的通报; 惠府办函(2015)71号; 湛府函(2015)146号; 湛府办函(2015)30号; 清府办函(2016)38号</p>
2015	Province	One-Child Policy; Arable Land Protection	<p>Advanced Unit (<i>Xianjin Danwei</i>); Awarded Unit (<i>Huojiang Danwei</i>); Criticism; First Rank, Second Rank; Third Rank;</p>	<p>粤办函(2016)298号; 粤府函(2016)74号</p>
	Municipality	<p>*Guangzhou: One-Child Policy, Emergent Incident Information Report, Food Safety</p> <p>*Zhuhai: One-Child Policy</p> <p>*Shantou: Employment</p> <p>*Foshan: Pearl River Delta Region Reform Development Plan Outline</p> <p>*Shaoguan: One-Child Policy</p> <p>*Huizhou: Arable Land Protection</p> <p>*Jiangmen: Government Quality Work</p> <p>*Zhanjiang: Forest Resource Protection</p> <p>*Jieyang: One-Child Policy</p>	<p>One-Child Policy, Awarded Unit (<i>Huojiang Danwei</i>); First Rank, Goal Achievement Unit (<i>Dabiao Danwei</i>); Excellent Unit (<i>Youxiu Danwei, chengjibijiaoxianzhu</i>), B Rank</p>	<p>穗府办(2016)6号; 穗府办函(2016)49号; 揭府办(2016)24号; 珠府函(2016)104号; 穗府办函(2016)58号; 惠府办函(2016)81号; 佛府办函[2016]879号; 湛府办函(2016)62号</p>
2016	Municipality	<p>*Huizhou: Food Safety</p> <p>*Zhaoqing: Quality Work, Anti-Counterfeit</p> <p>*Qingyuan: Forest Resource Protection</p>	<p>Excellent Unit (<i>Youxiu Danwei</i>); B Rank</p>	<p>惠府办函(2016)49号; 肇府办函(2016)216号; 肇府函(2016)693号; 清府办函(2017)14号</p>

II. APPENDIX TO CHAPTER 4

The 27 items and 25 categories' air pollution source and each administrative village's Management Duty Classification Table in Balitai Town

Order	Level 4 Grid	Grid Leader and Grid Staff	Duty Classification	1-5 Month Pollution Source
1	Balitai Village Committee	*Grid Leader : Liu Wenyou *Grid Staff : Zhang Fulai, Jia Conglian, Liu Deshu	1. Building construction area dust 2. Construction process dust 3. Demolished construction dust 4. Water work process construction dust 5. Forest landscaping process dust 6. Construction waste material dust 7. Sealed transport dust 8. Load dust 9. Exposed garbage dust 10. Uncleaned road dust 11. Road breakage dust 12. Buried wastes dust 13. Open-air dust 14. Green area dust 15. Soot pollution dust 16. Open-air barbecue 17. Incineration of garbage and leaves 18. Illegal stack 19. Achieving environmental protection indicators 20. Straw incineration 21. Exploding fire-crackers 22. Incineration of ancestral rites paper 23. Exhaust emission exceeds Standard 24. Yellow marked car selection 25. Oil recovery 26. Coal operation violating regulations 27. Violation of regulations on the use of coal	15 Construction sites, 3 sites completed; 2 packing-paper pieces, one packing-paper piece completed
2	Dahanzhuang Village	*Grid Leader : Han Yanzhi *Grid Staff : Wang Wenqiu, Han Yuangang, Wang Fenghua		6 Construction sites, 3 packing-paper pieces
3	Dasunzhuang Village	*Grid Leader : Liu Chengming *Grid Staff : Cui Zhangshen, Men Baoren, Gao Guoyou		10 packing-paper pieces
4	Jugezhuang Village	*Grid Leader : Yang Guoliang *Grid Staff : Yan Qingmao, Gao Wenyou, Zhang Mingyin		one Construction site, 2 packing-paper pieces
5	Tuanwa Village	*Grid Leader : Yuan Lingyou *Grid Staff : Li Weiming, Wang Yuwen, Li Weilu		3 single packages, one packing-paper piece completed
6	Maojiagou Village	*Grid Leader : Kan Zhaojiang *Grid Staff : Yu Jinlin, Wu Yingqi, Zhang Xiande		None
7	Zhongyi Village	*Grid Leader : Liu Shenming *Grid Staff : Meng Panhua, Liu Huanhua, Wang Bin		One packing-paper piece
8	Heshundi Village	*Grid Leader : Liu Yiwu *Grid Staff : Sheng Lilai, Sun Jinzhong, Du Runcheng		None
9	Liujiagou Village	*Grid Leader : Guo Yugui		None

		*Grid Staff : Zi Runhe, Wang Xiuyun Zhang Zhongfeng	
10	Beizhongtang Village	*Grid Leader : Cui Shaoyin *Grid Staff : Li Huayu, Gao Zhihai, Feng Huaixiang	None
11	Shuangjia Village	*Grid Leader : Wang Jin- zhu *Grid Staff : Jia Shiguao, Zheng Jinjiang, Jia Guo- qing	None
12	Xiaohuangzhuang Village	*Grid Leader : Yuan Xueren *Grid Staff : Zhang Guangfu, Li Guangxi, Zhao Ende	One Construction site
13	Xixiaozhan Village	*Grid Leader : Li Weiming *Grid Staff : Xue Shiyan, Yuan Yunshan, Lu Shuqiang	One packing-paper piece
14	Panjiawa Village	*Grid Leader : Tian Shuli *Grid Staff : Han Junhua, Zhao Xianhua, Wang Zha- oming	None
15	Nanyi Village	*Grid Leader : Song Chunhai *Grid Staff : Li Junhe, Dong Kexiu, Zhao Fengshu	None
16	Industrial Park	*Grid Leader : Li Shuguo *Grid Staff : Sheng Huai- yan, Yang Shaoliang, Yu Fuju	6 Construction sites, 6 packing-paper pieces
17	Taida Park	*Grid Leader : Xu Baoyun *Grid Staff : Zhang Hongqiang, Yang Xuemei, Guo Runcai	7 Construction sites, 4 packing-paper pieces, one packing- paper piece com- pleted

* Source: Balitai Town, 2014.9.28, "The Method to implement air pollution control and grid management "six determinations" and "three clears" work," http://www.tjjn.gov.cn/xxgk/zfxxgk/jxzxgk/201412/t20141211_327.html(Accessed: 2017.4.18.).

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국문 초록

본 연구의 목적은 2000년대와 2010년대 저장성, 광둥성, 텐진시의 현급 지방 정부 관료들이 중앙과 사회가 원하는 정부효율성(대부제와 행정인허가)과 목소리와 책임성(사회 거버넌스와 촌민자치) 거버넌스 정책 영역에서 열심히 일하게 된 원인을 분석하는 것이다. 그 이유는 재정 제도에서 과학발전관, 화해사회와 공공재정 이념, 그리고 보조금 대신 상과 특별 교부금 기제의 물질적 인센티브가 결합했고, 간부 관리제도에서 과학발전관과 정확한 업적관의 이념 그리고 성과관리의 물질적 인센티브가 결합되어 국가 권력을 강화시켰기 때문이다. 이러한 강화된 국가권력이 성과 시를 거쳐 현까지 도달하는데 중앙 이념의 사회화 역할을 담당하는 당교 네트워크가 중요한 역할을 했다. 그리고 국가권력이 현 이하로 기층 건설을 통해 침투하기 위해서는 “현급 리더십의 개혁 이념(ideas)” 과 승진과 상급의 “정치·경제적 이익(interests)” 의 결합이 중요했다. 하지만 국가권력을 약화시키는 요소는 “지방 부처들의 이익(interests)” 이다. 즉 현급 리더십의 이념-이익 결합이 부처 이익을 극복하지 못한다면 개혁이 약화되는 반면, 현급 리더십의 이념-이익 결합이 부처들이 개혁에 동의하도록 설득한다면 개혁이 지속된다.

그리고 이러한 세 지역에서 지방 관료들이 열심히 일하는 방식에 편차가 있었다. 저장성은 사회참여 주도형, 광둥성은 사회 압력 주도형, 텐진시는 현 정부 경쟁형 모델이다. 이러한 제도 혁신 편차의 원인은 저장성은 재정 자급률이 가장 높고 교부금 의존률이 낮아 사회의 수요에 대한 반응이 가장 적극적이고, 광둥성은 저장성과 천진시의 중간이라서 사회 압력에 반응하는 정도에 그쳤고, 텐진시는 재정자급률이 가장 낮고 교부금 의존률이 상대적으로 높아 위로부터의 책임성에 더 민감하여 현 정부 경쟁 모델이 되었다. 마지막으로 국가권력이 현급 리더십을 통해 가장 기층의 촌까지 침투할 때는 국가권력의 공식 제도가 직접적으로 촌에 들어가는 것보다는 도덕적 동기를 가진 촌 간부와 같은 새로운 대리인을 통해 국가권력이 침투하는 것이 국가 권력이 약화되지 않고 침투할 수 있는 방법이다.

따라서 국가권력의 침투기제는 중앙과 지방 리더십의 “이념과 이익의 결합(conjuncture of ideas/interests)” 이고, 이 결합이 제도 변화를 불러올 뿐만 아니라 이러한 결합과 실제 개혁을 집행하는 “지방 부처 이익” 과의 “관계조합” 이 어떻게 형성되는지에 따라 국가권력의 침투 혹은 국가권력의 약화 여부가 결정된다. 즉 중앙과 지방 리더십의 이념-이익 결합이 효율적인 공식제도와 비공식 후견인 제도와 상호 보완 혹은 적응적 관계를 통해 그 역할이 강해져 지방 부처들을 조정 담론으로 설득함으로써 부처 이익을 잘 안내하는 “로드맵” 의 역할을 하면 부처들의 개혁에 대한 저항이 약해져 개혁은 지속될 것이다. 반면 리더십의 이념-이익 결합이 공식제도의 비효율성으로 인해 비공식적 후견인 제도와 경쟁적 혹은 대체적 관계 속에서 영향력이 약해져 부처들의 이익을 설득하지 못하고 “부처들의 이익을 사후

정당화” 하는 역할밖에 하지 못하면 현급 리더십이 추진하는 제도혁신의 기층 건설은 중단되거나 지지부진해 질 것이다. 마지막으로 현급 리더십의 이념-이익 결합을 통해 공식 국가권력이 촌까지 침투할 때 도덕적 동기, 홍보섭외 능력과 상급과의 인맥을 가지고 있는 촌 간부와 비공식적(문화적)으로 연결이 된다면 국가권력이 약화되지 않고 촌 사회까지 침투할 수 있을 것이다. 하지만 그러한 촌 간부가 없다면 촌에서 국가권력은 약화되어 침투의 위기가 도래할 것이다.

이러한 주장을 설명하기 위해 세 지역 현급 지방 관료들이 열심히 일하는 영역은 4장에서 사례 분석을 통해 자세하게 제시하고 있다. 관료들이 열심히 일하는 이유를 밝히기 위해서 2장은 사례분석을 통해 재정제도의 변화를, 3장은 다층 모형 통계 분석과 사례분석을 통해 간부관리제도의 변화를 설명했다. 4장에서 관료들이 열심히 일하는 영역은 2장과 3장에서 중앙이 재정과 성과관리를 통해 미리 설정한 것이다. 즉 2장과 3장에서 재정제도와 간부관리제도의 변화로 국가 권력의 강화와 국가 역할 변화가 발생하고, 2장과 3장에서 중앙이 미리 설정한 4장의 영역에서 관료들이 열심히 일을 하게 된 것이다. 2장과 3장의 제도변화를 설명하기 위해서 중앙과 지방 리더십의 이념과 이해의 결합을 각 장에서 강조했다. 4장은 국가권력의 침투과정에서 현급 리더십의 이념-이해가 부처의 이해와 어떤 방식으로 상호작용하는지의 동학을 보여주려고 하였다. 2장과 3장은 주로 성-시-현으로 이어지는 국가 공식 제도를 중심으로 국가권력의 강화를 설명했다면, 4장은 현-향진-촌(사구)으로 이어지는 강화된 국가공식 제도 그리고 촌의 자치활동과 도덕적 동기를 가진 촌 간부가 어떻게 연결되는지를 해명했다. 따라서 이 논문의 목적은 2장, 3장, 4장 차례로 성-시-현-향진(가도)-촌(사구)이라는 지방 정부 전체를 관통하는 국가권력이 어떻게 중앙에서 촌까지 “차레대로” 침투해 들어가는지의 현상을 있는 그대로 보여주려고 노력하였다.

주요어: 국가, 중국 중앙-지방 관계, 지방 거버넌스, 정부간 재정 제도, 성과평가, 신제도주의
학 번: 2012-30685