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5 China's administrative hierarchy

The balance of power and winners and losers within China's levels of government

*John A. Donaldson*¹

The China that Chairman Mao Zedong ruled was primarily agrarian. Mao's party, consistent with the ideas of Lenin on which it was partially based, pursued planned industrialization by promoting state-owned manufacturing. This endeavor involved all sectors of society in the push to catch up with the West – even to the point of imploring rural residents to smelt steel in backyard furnaces. These efforts showed some success – by 1978 manufacturing's share of GDP had risen from the 28 percent it held in 1949. Yet even after three decades, manufacturing still represented less than half of GDP, while the country's population remained more than 80 percent rural. Moreover, China's future prospects were not augmented, but instead bogged down, by state-managed industries that were almost universally outdated and woefully inefficient. If China were to succeed at urbanization and industrialization, fundamental changes would be needed. One of these necessary systemic changes was a redesign of the administrative hierarchy that had, up to that point, channeled power from Beijing to the provinces through prefectural dispatch offices, to rural counties and townships, and down to every rural corner of China.

Subsequently, gradual changes in China's administrative hierarchy not only profoundly altered, but were also shaped by, the country's burgeoning cities that subsequently dominated China's economic, political, and social landscape. By the time President Jiang Zemin, Deng Xiaoping's successor, formally relinquished most posts in 2002, the administrative hierarchy that had served Mao well was virtually unrecognizable. The central government no longer dictated policy down the hierarchy, but instead shared power with the much more powerful provinces. The provinces, in turn, had to contend with increasingly formidable prefecture-level urban municipalities. Provincial dispatch offices no longer, these formally subordinate prefecture-level municipalities drove the process of transforming what had formerly been rural counties into subordinate urban districts. In doing so, these municipal governments expanded their own influence, as well as the scope and scale of China's urbanization. Meanwhile, other rural counties were reclassified as county-level cities, helping them to further promote urbanization. Both these changes at the county level profoundly altered the nature and operation of formerly rural towns and townships, which soon also acted as agents of

urbanization. Thus the administrative hierarchy was not dissimilar formally to that which Mao had known, but still had altered greatly in terms of the numbers of each type of local government, as well as these local governments' functions and authority (as described in greater detail later).

This widespread rural-to-urban shift, felt throughout China's territory and in the power centers that governed it, exacerbated the growing inequality between urban and rural areas, catalyzed a massive loss of farmland, and displaced hundreds of millions of rural migrants – weighty problems that were worsened by China's woefully inadequate social welfare system. The urbanization excesses of the Jiang era were moderated to some extent during the subsequent Hu Jintao administration, which sought to construct a “new socialist countryside” and further empower the provinces, giving them more control over rural counties at the expense of the cities. Meanwhile, new and renewed tools of power helped the center reclaim some power in an attempt to curb some of the excesses of decentralization. Overall, though, the gains for the countryside under Hu were perhaps modest and certainly short-lived. While the current administration of Xi Jinping has continued and redoubled Hu's efforts to recentralize power, it also has deepened and hastened China's efforts at urbanization. All this has created new and fundamental challenges to China's administrative hierarchy.

What issues are at stake under China's administrative hierarchy?

As China's policy direction has changed, so too have its administrative levels, with urbanization and industrialization affecting every level in China's administrative hierarchy. As power shifts up or down the administrative hierarchy, local governments are either constrained to follow central dictates or freed to set and implement policies more or less according to their own design. As administrative units are invented, consolidated, or divided, not only do political elites gain or lose power, but also the needs and interests of different segments of society are privileged or disregarded. Thus the dynamic changes in China's administrative levels bear upon changes in China's developmental path, for these governmental levels are both the agents and objects of change.

In order to rule a country with such a massive population and continental size, China's power had constantly vacillated among different levels of government. The tensions in the system have sometimes compelled stronger measures that not only shift power up or down the hierarchy, but also alter the hierarchy itself. As shown in [Table 5.1](#), different dynasties have, throughout history, added or subtracted levels to maintain control and monitor subordinate governments (Fitzgerald 2002; Zhou 2005). Even in the relatively short history of the People's Republic of China, these levels have not been static. For instance, for a five-year period, an additional layer of government, six supra-provincial regions known as the Great Administrative Regions (1949–1954), were established as a layer between the provinces and the central government (Solinger 1977). Other governmental levels established in the first few years of the People's Republic

Table 5.1 Number of levels below the center across the dynastic period

1	Two tiers: Qin, Han, Sui, Early Tang
2	Three tiers: Late Tang, Song, Liao, Jin, Ming, Qing
3	Four tiers: Yuan

Source: Zhou, Qingsheng. 1996. "Interprovincial Resource Transfers in China, 1952–1990." *International Journal of Urban and Regional Research* 20, No. 4:571–586.

included the sub-provincial districts as well as government entities that existed nationwide between county and township (Zhou 2005).

Just as adding and subtracting levels helped these dynasties to govern China, so too do such changes serve the rulers of the People's Republic of China. During the reform era, the central government's goal of rapid industrialization and urbanization, promoted not through a Mao-era planned economy but through active government promotion of market and other forces, required additional flexibility in local areas. To achieve the central government's ambitious reform and development goals, each local government – particularly provinces and counties – needed to be allowed to set (within centrally determined boundaries) its own developmental paths and policies. Ultimately, the hierarchy itself proved insufficient for such nimble responsiveness. The system that had been established for strict central control of an agrarian economy could not be adequate for the requirements of a government dedicated to wholesale, market-based pursuit of industrialization and urbanization, let alone innovation and discretion. Given this need for systemic change, how would the administrative hierarchy adjust? How do the goals of industrialization and urbanization affect the administrative hierarchy? How do changes both within and across the levels of hierarchy affect the process of industrialization and urbanization? These questions lead us to politics – the conflictual processes of determining who gets what, when, and how (Lasswell 1936).

Despite a great deal of research, precise answers to these questions have not yet been forthcoming. To be sure, many scholars have established the role of local governments in China's development miracle, particularly in the first few decades of the reform period. One major strand of inquiry has argued that the rapid growth seen in China, particularly during its early years, was sparked by the decentralization of power to local governments, particularly provinces (Shirk 1993; Heilmann 2008). China's major reform and development initiatives – the establishment of special economic zones, attracting overseas investment and establishing joint ventures, reforming agricultural communes, and promoting town-and-village enterprises – have worked by means of the forces of decentralization. While there has been debate about how to characterize this decentralization, whether it be via local experimentation (Heilmann 2008), market-preserving federalism (Montinola *et al.* 1995), regionally decentralized authoritarianism (Landry 2008), or the creation of incentives for local innovation (Shirk 1993), a consensus has emerged that central–local dynamics have been important to understanding China's impressive economic growth.

As vibrant as this scholarly discussion has been, however, three issues have received less systematic attention. First, even during the reform era, China has had periods of centralization and decentralization on the one hand, as well as overlapping periods during which industrialization and urbanization was emphasized or de-emphasized on the other. The interaction between these policies has received less systematic attention. Second, neither China's industrialization and urbanization nor its decentralization or recentralization has been wholly positive. China's economic success, even as it has benefitted many, has come at a cost. More work is needed to distinguish the effects of these intertwined forces on different segments of China's society. Third, while the link between the degree of administrative decentralization and China's growth has been well established, there has been less work on the reverse – the effect of China's changing economy on its administrative hierarchy. These issues are too complex and multifaceted to allow a thorough treatment in a chapter-length discussion. This chapter can only begin the process of examining winners and losers as economic and administrative changes have affected each other throughout these distinctly different periods of China's reform era.

Changes in the administrative hierarchy since 1978

In order to understand the political process that affects the aforementioned two-way interaction – between the administrative hierarchy on the one hand and industrialization and urbanization on the other – this chapter focuses on two variables that have changed over the course of the reform period (see [Table 5.2](#)). The next section focuses on the ebb and flow of these changes, dividing the reform period into three distinct phases, the first being one of decentralization and intense policy focus on industrialization and urbanization (roughly 1978 to the mid-1990s), and the second being one of recentralization and a softening of the focus on industrialization and urbanization seen during the first period (roughly the mid-1990s to 2011). The dividing line between the first two phases is not clear-cut, as will be seen in the discussion on specific changes in the administrative hierarchy. The third phase has seen the Xi Jinping administration adopt the centralizing tendencies of the second phase, but also take on the urbanization thrust of the first phase – and bring both of these to a new

Table 5.2 Charting the phases of centralization/decentralization and policy focus

		<i>Flow of power</i>	
		<i>Decentralization</i>	<i>Recentralization</i>
Urbanization/ industrialization policy focus	Moderate		<ul style="list-style-type: none"> Phase II (mid-1990s–2013)
	Intense	<ul style="list-style-type: none"> Phase I (1978–mid-1990s) 	<ul style="list-style-type: none"> Phase III (2013–present)

level of diligence and depth. Since this administration is but a few years old, and its plans are not yet fully formed let alone implemented, the final section of this chapter will speculate as to what is likely to happen in the future in the interaction between China's policies and its administrative hierarchy.

This analysis constructs four arguments about the relationship between the changes in China's administrative hierarchy and the country's developmental path. First, an "urban fever" permeated each of the levels of government during the first period and even during the second. This weakened the institutions that supported agriculture and rural communities, exacerbating inequality. Second, Hu's checking of urban power and focus on rural areas helped to claw back some of the excesses of the earlier period. Yet, even as Hu advocated rural development, including the establishment of a new social countryside and the strengthening of China's social welfare regime in rural areas, most of the country continued to pursue urbanization. Nevertheless, the Hu administration did make a difference. While the administration deserves much of the criticism it has drawn, its accomplishments, while muted, still provided some relief for rural areas. Moreover, its failures stemmed not from neglecting to advance economic policies that attempted to redress China's imbalances, but rather from its being too weak in driving those policies. Third, the Xi-Li administration's urbanization drive threatens to resurrect many of the problems seen during the Jiang Zemin administration, yet will provide little of the innovation and energy sparked by decentralization. The combination of deepening recentralization and even more aggressive urbanization implies that China might encounter the worst of both worlds. Finally, even as previous urbanization has fundamentally reshaped the relationships between levels of government in China, the ambitious plans of the Xi-Li administration cannot be contained within the current structure of local administration. More fundamental changes in China's administrative hierarchy can be expected.

China manages its central ruling dilemma by dividing government into different levels, each with overlapping and complex responsibilities and powers. As noted in [Chapter 1](#), the number and nature of these levels has not been static, but has varied over time. [Table 5.3](#) shows the changes in the various levels and sub-levels during select years of the reform era. Since China's administrative hierarchy has been summarized in [Chapter 1](#), this chapter will not introduce the nature and functions of each level, except to note that administrative organization in China is dizzyingly complex. Moreover, governing in the real world depends less on the formal separation of powers outlined in [Chapter 1](#), and more on the give-and-take negotiation that decision-making and implementation inevitably entails (see [Chapter 6](#)). Instead this chapter focuses on wholesale changes in each level of government and in the relationship between them sparked by the urbanization and industrialization seen during the reform era. This has caused fundamental changes in the distribution of power, making the dynamics of the central-local relationship that much more complex. How has this balance of power been changed?

Table 5.3 The numbers of governments at each administrative level or sub-level

<i>Year</i>	1978	1985	1994	1997	2001	2007	2012
Provincial-level entities*	29	29	30	32	33	33	33
Prefecture-level entities (total)	310	327	333	332	332	333	333
Prefecture-level municipalities	98	162	206	222	265	283	285
County-level entities (total)	2,653	2,826	2,845	2,862	2,861	2,859	2,852
Urban districts	408	621	697	727	808	856	860
County-level municipalities	92	159	413	442	393	368	368
Countries and other county-level entities	2,153	2,046	1,735	1,693	1,660	1,635	1,624
Township-level entities (total)	6,198	104,900	54,605	50,967	45,303	40,813	40,446
Towns	2,176	9,140	16,702	18,925	20,374	19,249	19,881
Townships	-	82,450	31,463	25,966	19,341	15,120	13,281
Minority townships	-	3,144	1,322	1,545	1,188	1,093	1,064
Urban sub-districts	-	5,402	5,372	5,678	5,510	6,434	7,282

Note

* The number of provincial-level entities does not include Taiwan.

Phase I: 1978–mid-1990s

After the initial years of reform, which focused primarily on rectifying political excesses caused by the Cultural Revolution and the breaking up of rural communes, the Chinese government got to work developing the broader economy. These measures commenced with the establishment of Special Economic Zones (SEZs) as early as July 1979, the opening of several cities along China's eastern coastlines in the mid-1980s, the attraction of foreign investment, and the establishment of manufacturing joint ventures (Naughton 1995; Zeng 2011). Subsequent policies reinforced these bold initiatives, with economic growth and policy together promoting China's rapid urbanization (Deng *et al.* 2008). The Deng and Jiang administrations were so successful at urbanization that, between 1979 and 2002, China's urban population increased from 19.4 percent to 39.1 percent. China's growth and urbanization exacerbated inequality, as urban areas outstripped rural ones. While the reform of rural land ownership through the household responsibility system and the promotion of town and village enterprises (TVEs) initially helped to reduce China's inequality (Chen *et al.* 2013), the country's Gini index soared from 0.257 to 0.447 between 1983 and 2002. Moreover, the process of urbanization was both facilitated by, and had an impact on, the roles and functions of China's government at every level of the administrative hierarchy.

Provinces: the hub of decentralized governance

Provinces became powerful political units in their own right during the reform era. As can be seen from [Table 5.3](#), the number of provinces increased modestly from 29 in 1978 to 33 by 1999. But more importantly, the roles and functions of provinces changed, as provincial leaders were given the power and flexibility to promote economic development and urbanization.

The four provincial-level units created during this period each had a direct bearing on urbanization not only within their territories, but also in their surrounding areas, and even across much of the rest of China. First, in 1988, the entirety of Hainan Island was carved out of Guangdong province, becoming the first new provincial-level unit to be established since 1967. The plans for this originated in discussions between China's State Council and Guangdong province as early as 1980, and by 1983 the State Council had laid the groundwork for the development of Hainan province. These leaders had two goals in mind. The first was to rapidly increase the pace of development of the island itself. Although Hainan had plentiful natural resources, it was extremely poor, with as many as one-sixth of Hainan's people living below China's low poverty line (Feng and Goodman 1997). As Deng Xiaoping noted in an influential speech early in 1984: "We want to develop Hainan Island. If we were able to quicken the pace of Hainan's development, that would be a great victory" (Deng 1984). Second, Hainan was to be the fourth of four planned SEZs, allowing China to experiment with reforms in limited areas. If the reforms created unintended consequences in

Hainan or in any other SEZ, the failures would not affect all of the country. At the same time, Hainan-as-laboratory had implications for subsequent national reforms. In practice, Hainan's overall economy developed rapidly, its province's per capita GDP skyrocketing from RMB925 in 1987 to RMB38,924 in 2014 (Statistical Bureau of the People's Republic of China 2015). On this measure at least, it was indeed the "great victory" Deng had hoped it would be.

Despite this success, Hainan also became synonymous with the excesses of reform. Corruption became rampant. As early 1984, Hainan was embroiled in a notorious automobile scandal in which provincial officials profited personally by abusing the province's exemption from import restrictions and tariffs (Wank 2009). Further, a Hainan mayor's abject corruption and abusive behavior was ignored for a time due to his success in economic development, until his superiors were subsequently compelled to oust and arrest him (Paik and Baum 2014). One recent study concluded that Haikou, Hainan's capital, was the most corrupt out of 118 Chinese cities sampled, with a score nearly three standard deviations from the mean (Wang 2014). Apart from overt corruption, Hainan's status as a SEZ sparked a rapid real estate boom that, while inflating Hainan's GDP, quickly turned into a property bubble. Between 1988 and 1992, drawn in by an array of favorable policies from the central government, a large volume of capital was introduced in Hainan. Some 5,000 real estate companies had invested in Hainan by 1992. While real estate investment in Hainan was a modest RMB320 million in 1989, this soon ballooned to RMB9.3 billion by 1993. After the bubble burst, around 4.5 million square meters of property and 20,000 hectares of developed land were left idle (Wang and Wang 2009).

If the establishment of Hainan as a province was intended to deepen urbanization and spark the development of that region, the establishment of Chongqing as a provincial-level municipality in 1997 signaled a strengthening of these intentions. While little is known about the reaction of Guangdong's provincial leaders to Hainan being granted provincial status,² the establishment of Chongqing as China's fourth provincial-level city provoked strong resistance in Sichuan province. Chongqing had long been Sichuan's largest and most economically important city, dwarfing the province's capital city Chengdu in terms of GDP, population, and the extent of industrialization.

Chongqing was one of the centrally administered municipalities that the Republic of China had established in the late 1920s, a status that was canceled under the People's Republic of China in the mid-1950s.³ The idea of reestablishing Chongqing as a provincial-level municipality independent of Sichuan reportedly originated as early as the 1980s, when Deng Xiaoping privately considered dividing his home province of Sichuan into two, with Chongqing forming the capital of one of the halves. As the plan became finalized during the mid-1990s, China's leaders decided that Chongqing would instead become China's fourth provincial-level municipality, along with Beijing, Shanghai, and Tianjin. Two primary goals motivated Chongqing's upgrade to provincial-level municipality. The first was that Chongqing would lead China's construction of the Three Gorges Dam, which started operations in 2003. This massive dam,

with 98.8 billion kw hours of generated electricity in 2014, is the world's largest by installed capacity (Agence France-Press 2015). Chongqing, as a provincial-level unit, would have the gravitas to spearhead a project of this scale, complexity, and sensitivity. Second, as a provincial-level unit Chongqing would provide for its continued development and urbanization. The city became a growth pole not only for its urban core and the dozens of county-level units underneath it, but also for much of China's southwestern region. Thus, the promotion of Chongqing to a provincial-level municipality was designed to help spread China's continued urbanization and development to the country's neglected southwestern region (Hong 2004).

So too, the return of Hong Kong and, to a lesser extent, the tiny territory of Macau, helped to facilitate urbanization far beyond their borders. As Special Administrative Regions (SARs), these two provincial-level entities hold autonomous powers over a wide range of economic and social areas, with Beijing's sole formal responsibilities centered on defense and foreign policy (Yep 2009). These two SARs would support the two mainland cities across from them, Shenzhen and Zhuhai, respectively, which were among China's original four SEZs. For instance, Hong Kong accounts for over 50 percent of Shenzhen's foreign capital and imports nearly 40 percent of Shenzhen's goods. Furthermore, officials from the two areas have issued joint visions of development for the region (Shen and Luo 2013). Hong Kong's economic impact on mainland China has, moreover, extended well beyond Shenzhen. It has long been China's main source of foreign direct investment (Davies 2013), and even if much of that investment is channeled from other countries (and even round-tripped from Chinese investors), this nevertheless shows the importance of Hong Kong to China's overall development. Naturally, Guangdong province has been the main beneficiary of Hong Kong's economic influence, followed by China's three coastal provincial-level municipalities (Shanghai, Beijing, and Tianjin), and by four key Chinese coastal provinces (Fujian, Hainan, Jiangsu, and Zhejiang). Thus, Hong Kong's economic impact extended well beyond its neighbors. The same is true, though to a far more limited extent, for Macau, with its economic link to the city of Zhuhai.

Thus, each of the four new provincial-level governments created between 1984 and 1999 helped to promote China's goal of development and urbanization. Yet, provinces did not just increase in number. The central government, as a major part of its reform strategy, empowered all provinces during this period, granting them new powers and responsibilities. First, the central government reduced its control over personnel decisions, decentralizing much of this power to the provinces (see [Chapter 6](#)). As early as 1984, the central government stopped the practice of appointing officials two levels below itself, allowing governments to make major personnel appointments at the same level and to choose the top leadership of one level of government below them. Thus, while provincial leaders still serve at the behest of the central leadership, they now make around two-thirds of the appointments that the central leadership had previously made, sharply enhancing the ability of provincial and other local

leaders to select their own teams (see e.g., Shirk 1993). Second, while Mao's administration, particularly during the Cultural Revolution (1966–1976), rewarded and punished party members, including local officials, on their demonstrated commitment to ideological orthodoxy (i.e., their “red”-ness), Deng's administration by contrast focused on local officials' degree of competence (i.e., their “expert”-ness), especially their ability to generate economic growth. While the center held all provincial leaders accountable for promoting economic development, maintaining political and social stability, and implementing central-level policies such as family planning, provincial governments were given substantial leeway in choosing the process to accomplish these goals.

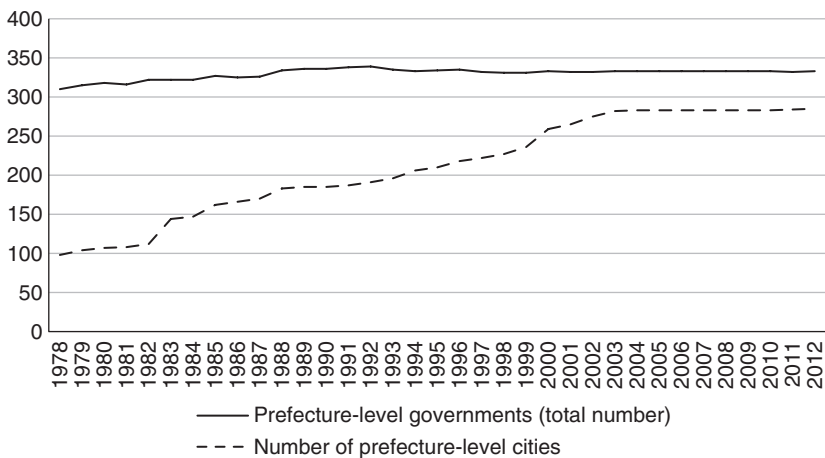
Third, from the mid-1980s the central government allowed provincial governments to commit to large-scale investment projects without obtaining central approval (see [Chapter 3](#)). These included foreign investment projects involving up to US\$30 million, a figure that was subsequently increased to US\$100 million. By 2001, the State Council removed many of the remaining barriers to provincial discretion over investment in nearly all sectors (Chung 2001). Fourth, as outlined in [Chapter 2](#), provincial and other local entities were given substantial control over budgets, and were allowed to retain a portion of the taxes they raised, further incentivizing economic development that expanded the tax base. This provided provinces with vast new resources with which to pursue development and infrastructure projects. While the 1994 tax reform reshuffled taxes and helped to increase the tax base of the central government, local governments still held substantial capabilities to raise taxes and set their own budgets. Finally, the central government intentionally loosened the boundaries for strategies through which local governments could achieve economic growth targets and development goals, allowing a degree of policy flexibility that permitted local governments to experiment with policies. This sort of “experimentation under hierarchy” has subsequently become an important feature in setting administrative control and planning. In this way, local governments generated and tested a range of policy options that, when successful, could then be rolled out to other areas (Heilmann 2008).

The provinces have used this latitude to develop innovative development strategies. For example, the Pearl River Delta area of Guangdong province, which includes the city of Guangzhou, along with the dynamic SEZ Shenzhen and surrounding areas, implemented a development strategy based on attracting foreign investment in basic, low-tech manufacturing in the early days of reform. Under this model, millions of rural migrants were pulled out of poverty by the jobs generated by low-tech manufacturing. By contrast, the southern portion of the coastal province of Jiangsu developed through the promotion of TVEs. The Yangtze River Delta development model leveraged the advantages that local officials-turned-entrepreneurs had in rallying resources and labor. These TVEs remained competitive through much of the 1990s, though they soon lost much of their comparative advantage, after which the model's usefulness declined. Yet for a time, this model contributed to driving the rapidly growing region of southern Jiangsu and elsewhere (see e.g., Oi 1995).

Prefecture-level municipalities: rivaling the power of provinces and consuming counties

As dramatic as the shift in the role of provincial government has been, the changing role of the prefecture-level governments has, in some ways, been even more radical. At the start of the reform era, prefectures were primarily constituted as dispatch offices staffed by provincial officials sent to implement policy at a more local level. However, as can be seen in [Figure 5.1](#), during the reform era the vast majority of these prefectures were converted into powerful prefecture-level municipalities (in a process called *digaishi*), with the number of prefectures dropping rapidly from 170 in 1982 to 113 in 1990 and just 37 in 2002. At the same time, the number of prefecture-level municipalities increased rapidly, increasing from less than one-third of all prefecture-level units in 1978 to just under 80 percent by 2001, with the actual number rising from 112 in 1982 to 265 in 2001. In addition, a small number of county-level units were promoted to prefecture-level municipalities, with the total number of prefecture-level units increasing from 316 in 1981 to 333 in 2003, where it remains today. The addition of fully staffed and increasingly powerful prefecture-level and deputy-provincial-level municipalities effectively transformed what had been primarily a dispatch office into a powerful and formidable additional level of government. Moreover, all counties that were under the prefecture were administratively placed under the newly established prefecture-level municipality. In this way, the prefecture-level municipality effectively became a new unit that could rival the power and influence of provinces.

The growing economic and political might of China's prefecture-level municipalities is a recent phenomenon that was both a cause and an effect of China's rapid urbanization. Ever since the opening up of China post-1978, Chinese prefecture-level municipalities have become the core of the country's economic



[Figure 5.1](#) The transformation of the prefecture, 1978–2012.

growth, with then leader Deng Xiaoping envisioning cities as growth poles fueling China's development (Chien 1992; Wu 1992). Prefecture-level municipalities, with their control over vast territories that included both urban and rural areas, were responsible for their own share of innovation in development policy. For example, the coastal prefecture-level municipality of Wenzhou implemented a set of policies focusing on small-scale family-owned firms. While private actors were key to this "Wenzhou model," local officials supported the development of such firms by protecting private property rights and creating the conditions for entrepreneurship. The restructuring of private enterprise into shareholding collectives primed central government receptiveness and assuaged local entrepreneurs' concerns over the protection of property rights. Moreover, the collectivization of enterprises also saw tax benefits and increased access to factor, product, land and credit markets, greatly facilitating their growth. Thus, Wenzhou – a prefecture-level municipality – became a key driver of economic growth, but in a form that differs markedly from that of the varied approaches of other similar cities (see e.g., Liu 1992; Parris 1993; Whiting 1999). Overall, China's "city-first" policy of economic development transferred resources from the counties to the cities. While county-level units continued to be the primary implementers of policy, most of the power to set policy direction and strategy lay in the hands of the prefecture, the county's superior – and in most cases this meant the prefecture-level municipality.

The urbanization of formerly rural counties

The mainstay of China's rural economy, the county, urbanized rapidly during the 1978 to mid-1990s period. Administratively, this shift has occurred in two primary ways. First, some counties have been administratively shifted into county-level municipalities, a process called *xianqiaishi*. In contrast to the Maoist period, when this transformation most commonly occurred by carving out the urbanized section of the county to form a new county-level unit, the county-level municipalities that came into being after 1982 were established by transforming the entire county – rural and urban areas alike – into a county-level city. This transformation occurred rapidly (see [Figure 5.2](#)). Of the 2,153 county-level units in China in 1978, more than three-quarters (1,653) were rural counties – not urban districts or county-level municipalities. By 1997, that proportion had dropped to less than one-third (524 of 1,693). Whereas only 92 county-level municipalities existed in 1978, that number doubled by 1986, and continued rising rapidly until 1997, when there were 442 county-level municipalities. Of the hundreds of counties that had become county-level cities that year, all but 15 came about by transforming the entire county into a county-level city. This helped to prevent the kind of opposition seen during previous periods, and also reduced the need to significantly add staff.

Overall, this initiative was problematic. The standards for switching to a county-level city were too low, and the central government approved too many applications as counties pursued this status in a "blind fever" (Chung and Lam

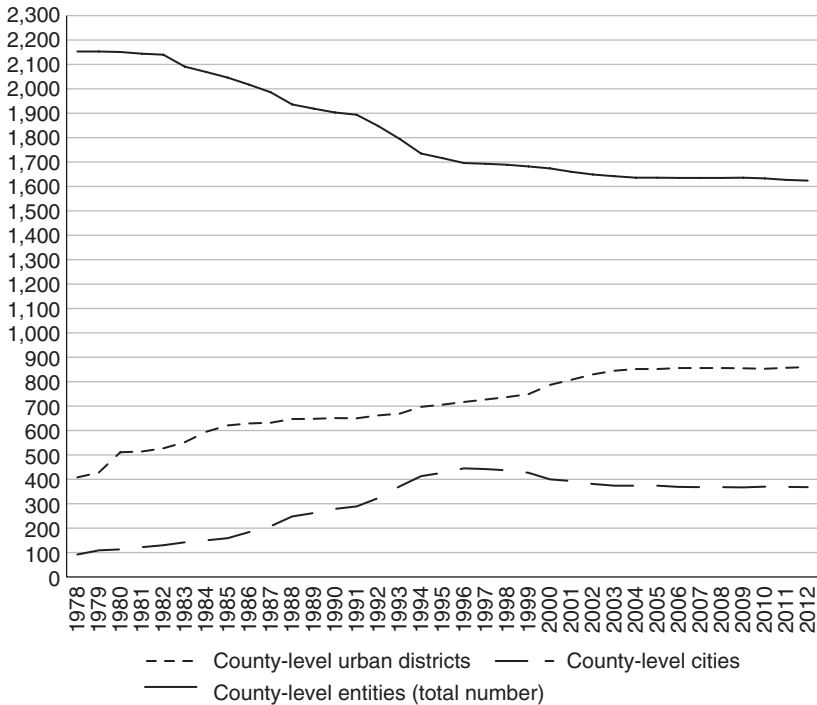


Figure 5.2 The transformation of the county, 1978–2012.

2004). In some ways, these changes were largely cosmetic. Although many counties were eager to become cities, this did not formally shift the balance of power. There was no hierarchical change between a county-level municipality and the prefecture-level government above it; the county remained one level below the prefecture as before (Lam 2009). Yet in terms of the ability to urbanize, the switch to a city was in some ways more than symbolic. County designation implied a lack of political clout with upper level officials, as well as the perception that the local government was powerless to develop, even if it tried. By becoming a city, a county was better able to justify urban construction within the urbanized areas of the county, acquiring rural farmland for urban construction and attracting additional external investment, compared with when it was “just” a county (Xingzhen Quhua Wang 2015). In one particularly successful example, the county-level city of Kunshan has outperformed the economic development of larger and administratively higher governments, a phenomenon referred to as “a big foot wearing a small shoe” (*dajiao chuan xiaoxie*). The Kunshan government’s use of official and informal ties was significantly strengthened when it managed through these relationships to upgrade to a county-level city. Although Kunshan’s hierarchical position has not formally

changed, its leaders have gained access to additional resources and clout. These have proved to be essential for supporting Kunshan's impressive growth and development (Chien 2013).

In the second and more important of the two major transformations, China's rapidly growing legion of prefecture-level municipalities absorbed many counties below them by transferring their underlings' status from county to county-level urban district. The number of urban districts has increased greatly – from 408 in 1978 to 727 in 1997 – under the process known as “turning counties into urban districts” (*chexian gaiqu*). The most rapid changes occurred between 1983 and 1985, as newly created prefecture-level municipalities immediately expanded their territories by transferring counties beneath them into urban districts. Yet because most of these newly created urban districts were not in any sense “urban,” the prefecture-level municipalities above them continued to manage them as agriculture-dominated entities. Thus, the increase in the number of urban districts seen in the first phase had less of a negative effect on the county. The second, post-1985, phase was more traumatic, as most major cities transferred many of the remaining counties under their administrations into urban districts with the intention of urbanizing them (Ye 2012; Liu 2013).

These conversions were facilitated by the 1993 State Council approval of a Ministry of Civil Affairs report that established standards for the conversion of counties into urban districts (State Council of the People's Republic of China 1993). From a city's point of view, establishing new urban districts significantly expands its scope for development. Because the prefecture-level municipality exerts great power over the districts, it can better coordinate development throughout its entire territory. While this promotes the municipality's interests, many scholars have criticized its negative impact on the county. First, with the loss both of county status and of any substantial power to control itself as an urban district, some counties that have become urban districts under larger cities have lost their historical identity.⁴ Second, the situation in the county often worsens after conversion to an urban district, as its resources are diverted to the development of the city core while its own needs are often largely neglected (Lam 2009).

In any case, *chexian gaiqu* created major changes in the balance of power. On the one hand, since the 1980s the district level has emerged as a separate level of fiscal management. A wide range of responsibilities has devolved to these urban districts, such as road construction and utility management. During the mid-1990s, a new division of labor emerged under which prefecture-level municipalities would be responsible for planning and managing city-wide projects, while urban districts took responsibility for projects within their districts. On the other hand, the prefecture is far more powerful, and the urban districts do not have the autonomy or powers that they possessed as counties in terms of planning, approving construction projects, or managing land supply and foreign exchange, nor do they enjoy the flexibility held by counties to approve foreign-invested projects or direct development policy (Chung and Lam 2004). Thus, while some responsibilities have been devolved to urban districts, these have not

been matched with devolutions in fiscal or substantial power. The typical urban district mainly implements projects that are outlined by the officials above them. Worse, these projects are often underfunded; urban districts must bear the additional burden of funding projects that are sometimes not of their choosing and that may not even be in their interests (Chung and Lam 2004; Lam and Lo 2009).

Typically, opposition to the conversion of counties to urban districts is limited to grumbling and ivory tower handwringing. However, in some cases, the opposition is so strong that people march in the street in significant protest. For instance, when Changxing county was converted into a district under Zhejiang province's Huzhou municipality, thousands of local residents braved the rain to present a petition calling for the move to be reversed. That morning, a letter with 27 signatures, including those of ten village chiefs threatening to resign, also appeared online and soon went viral. Petitioners and protesters shared the concern that under the authority of Huzhou, Changxing county's booming economy would stagnate. The protestors cited the example of the urban district of Nanxun that had once been among China's most prosperous and powerful counties. Nanxun's financial strength had slowly declined after its transfer to an urban district under Huzhou prefecture. That very afternoon, Changxing county's party secretary temporarily halted the proposed move, as Huzhou prefecture officials moved to reach a compromise with Changxing (Guangchazhe Wang 2013). In spite of this, even today, Changxing county appears on the list of applications for conversion to an urban district (He 2014).

The formation, hollowing out, and urbanization of townships

Just as China's county-level units changed radically during the 1978 to mid-1990s period, so too did the lowest formal level of China's administration – the townships. The transformation of townships post-1980 encompasses not only numerical shifts (see [Figure 5.3](#)), but also changes in their administrative structure. The breakup of communes following the post-Mao period led to a rapid increase in the number of townships. By 1983, the year after communes were abolished, there were just under 50,000 township-level governments in China. This ballooned rapidly, doubling to more than 106,000 by 1984. The numbers increased so quickly that, by 1985, the central government felt compelled to halt the approval of townships. Subsequently, townships that were too small in scale to be effective were merged to form larger townships. Through this process, the number was pared down considerably to just over 81,000 in 1987. From there, the numbers continued to dwindle as townships merged, dipping below 51,000 by 1997, a decline of 20 percent in ten years.

Not only did the number of townships decline during this period, so too did their substantial powers. First, this was the period of great “hollowing out” of township governments, as they came increasingly under direct control of the counties above them. As discussed in [Chapter 1](#), this has led some analysts to refer to township administration during the reform period as “skeletons”

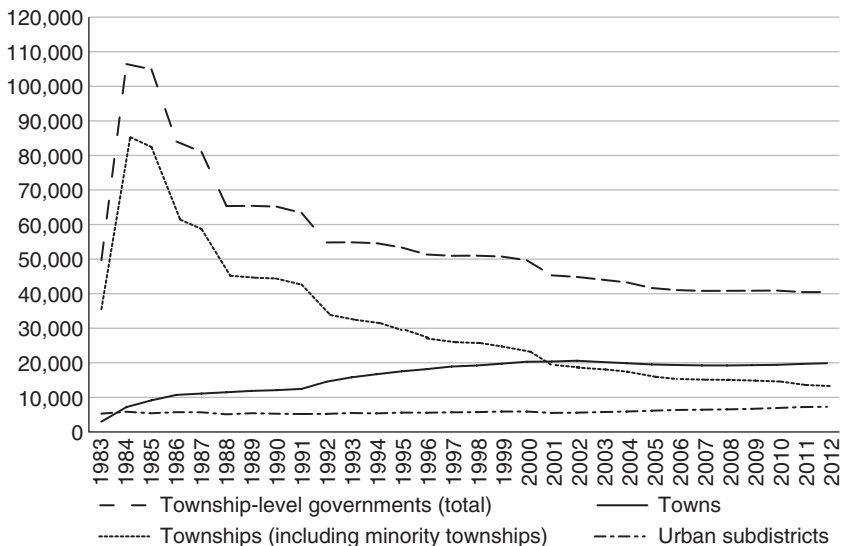


Figure 5.3 The transformation of the township, 1983–2012.

(*kongjia zi*) – that is, no longer capable of performing its responsibilities properly – and also as a level of government with “little power, big responsibilities, and weak capacity” (*quanxiao, zeda, nengruo*) (Xu 2002, 2003; Bao 2007). Second, several rural, agricultural-based townships (*xiang*) shifted to become urban-oriented towns (*zhen*). This was due to the growing urbanization of China and the reforms in agricultural taxes and the overall township institutional structure. Whereas towns had represented just under six percent of all township-level entities in 1978, that proportion increased to 35 percent by 1996. Although townships and towns are formally on the same administrative levels, the designation of “town” provides more gravitas, signaling an effort to develop and urbanize. Third, many township-level governments merged directly into cities, becoming township-level urban subdistricts. In the early period, urban districts also consolidated, though much more slowly – their numbers declined by four percent from 5,304 in 1983 to a reform-era low of 5,099 in 1988. The number of townships then increased by more than 10 percent to 5,678 in 1997. Because townships lose their administrative independence almost entirely upon becoming an urban subdistrict, the conversion of towns and townships to urban subdistricts is in many ways even more traumatic than the conversion of counties to urban districts.

Assessing the balance of power in Phase I

The first phase brought many changes in China’s administrative hierarchy designed to support the urbanization and industrialization of the country.

Assessed on these measures, China's initiatives were a great success. Not only did the urbanization rate double between 1980 and 2002 (as mentioned earlier), but also the rate of economic growth increased rapidly through industrialization and promotion of the service industry. Agriculture's share of GDP declined from 30.2 percent to 13.7 percent during that time. While the agricultural sector contributed as much as 9.6 percent of China's growth in GDP in 1996, this contribution had declined to 3.4 percent by 2003 (State Statistical Bureau of the People's Republic of China various years). The changes in the administrative hierarchy were not only necessary to support China's development policies; the successful industrialization and urbanization further strengthened urbanized levels of government, such as prefecture-level municipalities. Yet, China's development came at an acute cost, as the country's rapid development not only created winners and losers, but the price of these administrative changes was both high and borne primarily by those – in rural and poor areas particularly – least able to bear it. No level gained more power than the prefecture-level municipalities, with their absorption of counties and townships to create new urban districts and subdistricts – moves which greatly expanded their space to urbanize. Decentralization benefitted provinces considerably as well, though they were compelled to share power with prefectures. Newly created county-level municipalities gained at least additional gravitas, which many were able to leverage into real gains. Rural counties and townships lost much of their power.

China's development came with additional costs. First, while the provincial governments' new leeway with regard to direct investment sparked rapid economic development, it also created at least two major problems. New budgetary responsibilities compelled provincial leaders to industrialize too rapidly in order to raise revenues and promote economic growth. These powerful incentives spurred investment in projects that maximized short-term returns, but were not necessarily efficient. As provincial governments invested more funds into productive factors, local economies began to overheat, sparking rounds of rapid inflation across China. The reduplication of industries also became rife throughout the country. These new sources of largess also proved tempting, and official corruption worsened throughout the bureaucracy. Furthermore, even as they promoted their sometimes uncompetitive local industries, provincial officials moved to protect these infant businesses from outside competition by excluding competing products from other provinces, hoarding raw materials over which they had control, and erecting bureaucratic barriers against regional trade (Wedeman 2003). These barriers further exacerbated economic inefficiency and, as reduplicated inefficient industries spread across the county, a thorny national problem emerged. Thus, while these changes helped promote reform and growth, they also triggered new problems that affected the quality of growth and created challenges that required central intervention (Shirk 1993; Lee 1998).

Second, decentralization often undermined the accountability of lower levels of government to the center. The top-down pressure that was applied to keep local governments in line in turn undermined horizontal and local

accountability – both important mechanisms for checking abuse. In terms of implementation, the ability of local governments to circumvent central dictates remains limited, yet local implementation can nonetheless be slow or negligible under certain conditions (see [Chapter 6](#)). In addition to foot-dragging, the relative lack of accountability leaves some local areas prone to abuse. Accounts of predatory local governments are not rare. As a result, local protests have significantly increased – one estimate suggests that these protests have risen from 9,000 in 1994 to some 180,000 in 2010 (Chan *et al.* 2014). Ironically, local grievances that have undermined confidence in the local government have actually bolstered support for the central government, which has emerged as a locus for airing these grievances (O’Brien and Li 2006).

Third, local governments were incentivized to overinvest in both real estate and infrastructure, fueled by easy access to credit from state-owned banks and by the ability to transfer rural land into urban. While local governments are prohibited from borrowing directly from banks, the widespread but now restricted practice of using off-balance-sheet entities allowed them to access billions of yuan in loans. Most cities throughout China underwent massive transformations, including the building of commercial and residential infrastructure (Back 2015). Much of this investment was wasteful, with considerably more supply of real estate than there was demand to fill it. At its worst, local investment created entire “ghost cities” – entire towns or areas of cities where occupation rates are tiny (Sorace and Hurst 2016). Local governments also invested massively in infrastructure, including highways, bridges, and public transportation. This has led to widespread speculation that housing and infrastructure bubbles are growing in China, contributing to the estimated US\$400 billion in bad debt held by the country’s top four banks. Local government debt, according to one source, has reached some RMB20–25 trillion (US\$4–4.8 trillion), compared to China’s overall foreign exchange reserve of US\$3.56 trillion held at the end of August 2015 (Back 2015).

Fourth, decentralization greatly favored coastal areas. As described above, some of the earliest reforms under Deng Xiaoping empowered coastal cities and provinces with a special status, opening them up to international markets and helping them attract massive amounts of foreign investment. These policies exacerbated these areas’ geographic advantages to create a wide gap among China’s regions. From 1978 to at least 2000, interregional inequality increased sharply and steadily. Starting in 1978, China’s growth core shifted from the country’s old industrial regions of Shanghai, Beijing, Tianjin, Liaoning, and Heilongjiang to a new growth core, primarily the coastal provinces of Shandong, Jiangsu, Zhejiang, Fujian, and Guangdong. By 1990, this core was continuing to grow quickly, and was joined by the previously rapidly growing provinces of Shanghai, Beijing, and Tianjin (see e.g., Fan 2008; Li and Gibson 2013).

The same policies that generated unprecedented economic growth also widened the already substantial gap between coastal and inland provinces, as well as between urban and rural areas. Many argue that central authority is needed to redress China’s growing regional inequalities spurred by decentralization.

Phase II (mid-1990s–2012): recentralization and curbing the focus on urbanization under the Hu Jintao administration

The problems described above as well as others were linked directly or indirectly to excessive decentralization. As the central government faced these issues, its leaders changed China's direction in many ways. First, the central government clawed back power in order to drive a range of policy initiatives that would not be supported by powerful local governments. These included measures such as regional development initiatives designed to reduce inequality (as described in [Chapter 4](#)); new rural and urban welfare policies (see [Chapter 8](#)); new restrictions on finance and investment (discussed in [Chapters 2 and 3](#)); and additional mechanisms to monitor faithful implementation of central policy (as described in [Chapter 6](#)). Second, the Hu administration sought to cool down China's widespread "city fever." The efforts to create a new socialist countryside, detailed in [Chapter 8](#), are a case in point. The successful implementation of these and other initiatives required the recentralization of power, as discussed in other chapters. Also relevant for this chapter, the central government moderated its long-standing and firm commitment to "growth at any cost," and particularly its commitment to urbanization and industrialization.

How did these efforts to recentralize and moderate the pursuit of urbanization affect the administrative hierarchy? As noted in [Table 5.2](#), Phase II is characterized by both recentralization and a moderate shift away from urbanization. Both of these can be traced back to the late Jiang Zemin era. But it was the Hu Jintao administration that brought new energy to both of these features. Two particular initiatives that involve China's administrative hierarchy have been noteworthy in this regard.

Curbing the power of the prefecture vis-à-vis the county

First, starting in 1997, the much abused initiative to shift counties to county-level municipalities (*xiangaishi*) almost ceased. The central government, whose permission was required constitutionally for these shifts (see [Chapter 1](#)), suspended all applications. After increasing to a high of 445 county-level municipalities in 1996, the number then not only stabilized but even declined slightly. By 2012, there were only 368 county-level municipalities. Meanwhile, the campaign to increase the number of county-level urban districts continued even longer, into the mid-2000s; these increased a further 17 percent (from 727 to 852) between 1997 and 2004. Since more than half of these new urban districts were former county-level municipalities, urbanization came somewhat less at the expense of rural areas, and instead were more contained within previously urbanized areas. Eventually, the creation of urban districts was virtually halted, as only eight were established between 2004 and 2012.

In addition, new initiatives were designed to strengthen the county – particularly rural counties, but also county-level municipalities – in relation to prefecture-level units. Based on China's administrative hierarchy, the county is

located at a level below the prefecture and is subject to its control. As prefectures were rapidly transferred to become prefecture-level municipalities, increasing in power and independence, new tensions arose. As noted previously, conflicts broke out in the process of transforming counties to urban districts. Even more than this, however, those counties that had not been turned into urban districts came under the increasing control and scrutiny of the prefecture-level municipalities above them.

From the point of view of the county, problems with the “city leading county” system were manifold. First, as the prefecture became an administrative level in its own right, and no longer served as a provincially-controlled dispatch office, it in effect increased by one the number of effective levels between the center and counties. In many cases, this increased the distance between the county and the center, rendering communication more difficult and administration less efficient (Li and Chen 2012). Second, prefecture-level municipalities by and large focused on urban development and solving urban problems, and municipal leaders were increasingly far less focused on issues facing the rural counties beneath them, especially when compared to the early reform years. Counties’ needs simply did not receive attention from their superiors, who were focused on urban problems and urban needs (Bo 2006). Third, in the “city leading county” system, a mismatch between authority and accountability occurred in cases where the county perceived itself as being wealthier or more important than the city – this was the case for Guangdong province’s wealthy Shunde county in the relatively modestly developed Foshan municipality. In such cases, it could become difficult for prefecture-level municipalities to exert authority over counties (Li and Chen 2012). Fourth and most importantly, city officials were often criticized for interfering with the counties below them. Prefecture-level municipalities have been shown to divert funds that the center had allocated for supporting counties, using them instead for their own purposes. They have also been accused of exploiting the county’s resources to promote the interests of their urban core. Critics have described this situation as *shi ka xian* (the city blocking the county) or *shi gua xian* (the city exploiting the county) (Lam 2009). Overall, despite the various ways in which prefecture-level municipalities have managed the counties beneath them, the “city leading county” system has typically privileged the city’s interests over that of the county and exacerbated some of the problems that have emerged from urbanization.

Placing the county under the province

As a result of the outcomes of the “city leading county” system, the central government’s 2010 “No. 1 document” urged provinces to adopt a system of “province leading the county” (*sheng zhi guan xian*) in which rural counties report directly to the province. This plan is based on the experience of the coastal province of Zhejiang which had not followed the “one level down” rule for personnel appointments, but had instead permitted the provincial government to

appoint the top two county leaders in all but one prefecture. Zhejiang province also allowed its counties to deal directly with the provincial level in financial matters (Wu 2004). Taking Zhejiang's experience as its model, the 2010 policy placed the county directly under the province, bypassing the formerly higher prefecture-level municipalities. Under this policy, the county would henceforth report directly to the province on issues such as personnel management, financial planning, and project approvals. Further, the plan decentralized some additional powers to the county, with the province directly authorizing the county's new flexibility over finance, revenue, debt management, and other areas.

In practice, provinces have adopted either or both of two forms of *shengzhiguanxian*. Under the financial form (form one) of this reform, the province bypasses the prefecture to directly transfer finances to the county, and monitors its use. The management form (form two) devolves socio-economic powers to the county (Zhu *et al.* 2015). As of 2012 (the latest statistics available), 28 of the 31 non-SAR/Taiwan provincial-level governments had implemented at least one form of *shengzhiguanxian*, and 20 of these had implemented both (see Table 5.4). The only provincial-level units that had not participated in either of the two forms were Tibet, Inner Mongolia, and Xinjiang (autonomous provincial-level units with large minority populations), and Hainan province, the prefectures of which do not contain any counties.

This reform – though only partially successful – is credited with improving China's administrative system. First, it improved the county's financial power and brought new resources directly to the county. It encouraged county leaders to innovate their development programs, and brought new powers and capacities with which to do so (Li and Chen 2012; CPC News 2015). Moreover, because the provincial capital tends to be further away from the counties, it brought new autonomy to counties, which were nevertheless encouraged to use their flexibility to develop their own development strategies (Guo and Wu 2012). Although some have criticized this empowerment of counties on the grounds that county governments sometimes pursue development wastefully (Li and Ye 2010), others have suggested that cities that control counties can also wastefully promote urbanization and development (Zhang 1999). Scholars have documented examples of counties that used their new autonomy effectively to develop their economies (e.g., Herberer and Schubert 2012). Overall, this policy has served to check the growing power of prefecture-level municipalities. It has allowed county-level governments more flexibility to develop rural areas. Combined with other initiatives that are less relevant to the administrative hierarchy, such as the development of a new socialist countryside and the implementation of a stronger rural welfare system (described in Chapter 8), this policy has enhanced the position of county-level governments vis-à-vis prefecture-level municipalities (Lam 2009).

Table 5.4 Province-leading-county reform – years of adoption by each provincial-level government (as of 2012)

<i>Region</i>	<i>Form one (financial)</i>	<i>Form two (management)</i>
Anhui	2006	2004
Beijing	1998	1998
Chongqing	1998	1998
Fujian	–	2003
Gansu	2007	2005
Guangdong	2010	2005
Guangxi	2010	2004
Guizhou	2009	–
Hebei	2009	2005
Heilongjiang	2007	2004
Henan	2004	2004
Hubei	2004	2003
Hunan	2010	2005
Inner Mongolia	–	–
Jiangsu	2007	2012
Jiangxi	2005	–
Jilin	2005	2005
Liaoning	2010	2006
Ningxia	–	2009
Qinghai	2007	–
Shaanxi	2007	2007
Shandong	2009	2003
Shanghai	1998	1998
Shanxi	1987	–
Sichuan	–	2007
Tianjin	1998	1998
Tibet	–	–
Xinjiang	–	–
Yunnan	2010	2009
Zhejiang	National model	1992

Source: Zhu *et al.* 2015, p. 62.

Assessing the balance of power in Phase II

As described above, the Hu Jintao administration deepened some changes that commenced in the Jiang Zemin era and added some new initiatives of its own. All of these were endeavoring to recentralize power and curb urbanization – in large part by altering China’s administrative hierarchy. They attempted to establish a new socialist countryside, and extended welfare protections to rural areas – an effort that required more power over prefecture-level governments. The central government constrained a number of powers over finance, investment, and implementation that had been enjoyed by many levels of government, especially the prefecture level. Central government officials sharply reduced the practice of turning counties into urban districts and especially into county-level municipalities. They strengthened the province’s role with regard to rural

counties, thereby also enhancing the discretion of county governments vis-à-vis prefecture-level municipalities. To some extent, these changes reflected a well-grounded need to rebalance some of China's growing inequalities. They may also reflect Hu Jintao's experience of living and working in poor provinces – he cut his teeth in Gansu province, which he knew well enough to be known as a walking map of the province, and in Guizhou, where he implemented pro-poor policies at the expense of GDP growth (Donaldson 2011). In many ways, these policies do seem to have reduced the pace of rising inequality. The east–west divide, according to one study, started to narrow in the mid-2000s (Andersson *et al.* 2013). In spite of these pro-rural moves, however, China's urbanization continued to increase rapidly – many of the Hu administration's initiatives were not as successful as anticipated. In many ways, the ideologically conservative Hu Jintao, the recentralizer of power, was not too strong, as his critics contend, but was instead too weak. The Hu–Wen administration was unable to garner enough power to push its own priorities, let alone significantly salve the “urban fever” that gripped much of the country.

Phase III (2012–present): recentralization and deepening urbanization under the Xi–Li administration

In the context described above, China's new president and general secretary, Xi Jinping (2012–present), and his premier, Li Keqiang, have found it relatively straightforward to resume China's previous focus on urbanization and industrialization. Yet, this leadership duo have done so not by decentralizing power as Deng and Jiang had done, but by further recentralizing their grip over local governments and, in truth, much of the rest of society. In this way, Xi Jinping has been surprisingly assertive and successful in recentralizing power and reasserting central control. On taking power, the Xi administration moved quickly to consolidate it, marginalizing or arresting the factional allies of Jiang Zemin and Hu Jintao, and putting loyalists in place. Moreover, Xi pledged to root out China's endemic official corruption that has plagued all levels of government. This anti-corruption campaign has so far proved to be surprisingly vigorous and, in contrast to previous campaigns under Jiang and Hu, has lasted for a surprisingly long period of time. Under this initiative, some 414,000 officials have reportedly been disciplined in some fashion.⁵

The ultimate success of this campaign in creating the systemic changes needed to reduce high levels of corruption has been debated, and adjudicating this debate is beyond the scope of this chapter. In terms of its impact on administrative planning and organization, the campaign has supported other efforts to recentralize power. Widespread reports suggest that local officials throughout China have hunkered down, fearful lest the monitoring eyes of Beijing come scrutinizing past abuses of power. As a result, central policies are more faithfully implemented. While this has helped to mute some of the unintended consequences of decentralization – real estate prices have eased as the zeal for rapid and often senseless urban construction has ebbed – it has also muted innovation

and other advantages of decentralization. Local officials have again become less innovative and more conservative, lest they draw unwanted attention from Beijing. This further dampened energy that had been sparked by decentralization during the first phase of the reform period. Combined with other efforts to monitor implementation (Chapter 6), rein in local control over financial institutions (Chapter 2), and other moves toward recentralizing power detailed throughout this book, the anti-corruption campaign has supported the Xi administration's moves to deepen Hu Jintao's efforts at recentralization. And in this regard, where Hu proved too weak, Xi has been surprisingly strong.

Recentralized power is also helping the Xi administration usher in a new era of urbanization, but in an even more aggressive form designed to modernize China and spur consumption. Xi's plan is based on recasting China's household registration (or *hukou*) system, reimaging the distribution of rural land, and establishing enormous new urban clusters. In March 2014, China unveiled the National New-Type Urbanization Plan (2014–2020), marking a significant departure from China's "institutionalized two-tier, rural–urban dual structure" under the *hukou* system. Underlying China's ambitious plan is an economic imperative to raise the country's declining growth rates by creating new city dwellers to drive demand over the next few decades. While details have yet to be publically released, official sources suggest that the plan aims to increase China's urban population from 53.7 percent today to 60 percent by 2020.

Since personal consumption is higher in cities than in the countryside, the plan focuses on increasing domestic demand by encouraging urbanization. It aims to absorb long-term urban-residing migrant workers and to further integrate rural and urban areas in several ways (Johnson 2013; Kennedy 2014; Roberts 2014). Part of this urban shift will come from reforms that would allow migrants to register for permanent residence in the area where they are located. At the same time, the Xi–Li government is planning to adopt a tiered approach to *hukou* conversion from a rural *hukou* to an urban *hukou*, ranging from full liberalization in towns and small cities to strict control in China's largest cities (see e.g., Chan 2014; Zhao 2014). Finally, through the establishment of new mega-city clusters in the central and western region, the urbanization plan aims to speed up the process and achieve an urbanized China much faster than would occur organically (Johnson 2013).

While the full impact of this plan will not be known for years, it can be expected to fundamentally reshape the lives of most Chinese people. This in turn will entail major changes in China's administrative hierarchy and the operation of the various levels of government. First, as detailed in Chapter 4, the Xi–Li administration's plan to create five natural clusters will establish entities that cross several provinces. The Yangtze River Delta in coastal China crosses Shanghai and Jiangsu; the Pearl River Delta includes most of Guangdong as well as parts of Guangxi and Fujian; the Beijing–Tianjin–Hebei Delta combines a region known as Jing–Jin–Ji; the middle reaches of the Yangtze River links Hubei with Hunan and Jiangxi; and the Chengdu–Chongqing area reunites the two parts of Sichuan (Wang *et al.* 2015). Development and policy in these areas

will be carefully coordinated so that these regions can further integrate. According to Xu Xianping, Vice Minister of the National Development and Reform Commission, the plan has three goals. It will:

- 1 convert rural populations into urban residents in a planned manner;
- 2 focus the integrated development of industrialization, the application of information technology, urbanization, and agricultural modernization;
- 3 closely coordinate the development of cities and small towns within these clusters.

To cater for the expected growth in population, the plan includes several targets for aggressively expanding its urban infrastructure (China.org.cn 2014).

The integration of a region and the coordination of its development will require unprecedented cross-provincial cooperation. For instance, the Jing–Jin–Ji region would integrate economies, assimilate migrants, provide services, and ramp up the construction of transportation linkages across the three provincial-level units of Beijing, Tianjin, and Hebei. Despite decades of economic growth and industrialization, this massive region still harbors serious inequality and much diversity in social and economic conditions (Johnson 2013). Part of the purpose of regional economic integration is to spread growth outside of large cities and reduce these inequalities. Yet, at this point, the plan does not specify how these coordination challenges will be formally handled. Coordination between different governments – whether on the same administrative level or across levels – has invariably proven difficult. In the case of Jing–Jin–Ji, with these three regions' remarkably different economic structures and distinct local interests, these difficulties can be expected to be even more considerable.

Whether coordination occurs through some institution, or through the creation of a more formal super-provincial political structure, the successful promotion of these five cross-provincial entities will almost certainly require the current system – with the province at the top of the hierarchy of local government – to be altered. How this will work is unclear. As detailed in [Chapter 4](#), China's central government has adopted a number of ad hoc committees and other forms of administration to ensure the successful implementation of these regional entities. However, as China's history suggests, new administrative arrangements that are intended to be temporary representatives of the center can evolve into powerful levels in their own right. This is seen in the development of the province in the thirteenth and fourteenth centuries. Under the Yuan dynasty, the province began as a temporary outpost for the central government to monitor the activities of local governments, but over time it morphed into a permanent fixture of China's administration (Fitzgerald 2002; Zhou 2005). While it is far too soon to determine whether these measures, intended to smoothen the establishment of the coordinated zones, will require a fundamental rethink of China's administrative hierarchy, this outcome is not unprecedented.

Despite its stated goals of helping China's farmers, the plan has been criticized on several grounds. First, although it aims to develop China's smaller

cities, some argue that new jobs are more likely to arise in larger cities where economies of scale mean lower business costs. As a result, migrants are more likely to follow current migration routes to large cities in order to find employment. Without policies to attract industries and economic activity to small cities, China may be repeating previous failed urbanization attempts which led to “ghost cities” (Sorace and Hurst 2016). Second, while the plan reaffirms the importance of preserving the rights of farmers, it lacks a clear direction when it comes to reforming the rural land-transfer system. Critics have raised concerns that the plan to deepen urbanization will come at the expense of China’s land rights and will increase landlessness rates (Wang *et al.* 2015).

Indeed, in some areas, fieldwork has already seen involuntary resettlement of villagers, whose houses are sometimes razed to increase urban land. Even when given a choice, individual farmers find it difficult to resist pressures to relocate to nearby towns – as their neighbors move, the villages to which they are accustomed become intractably altered. When they move to nearby townships and towns, these former villagers must settle into multi-storied apartment buildings, which are difficult for the elderly to navigate. Without land, these former farmers must find new sources of income. In urban areas, they can grow no vegetables, raise no livestock, and produce no grain. At the same time, they face new expenses for utilities, food, and other necessities. They point out that life in the countryside was freer than in crowded urban spaces. Even when the apartments are materially superior to their former homes, many former rural residents are unhappy with their new situation.

A second cause for concern emerges from recent moves that center around restarting and expanding the conversion of counties to county-level cities and urban districts. As discussed above, *xianqiaishi* conversions occurred rapidly, before being halted in 1997, while the conversion to urban districts slowed to a trickle after 2004. Under a central decision issued in February 2014, the central government appears poised to resume and deepen the conversion of counties to county-level municipalities and urban districts. According to local interviews, some county officials expect imminent changes in status, either to urban districts or to municipalities. Overall, central government has received around 170 applications for counties to become urban districts and approximately 326 applications for counties to become county-level municipalities. Since all but 25 of these applications involve rural counties, this implies that more than one-quarter of the remaining county-level governments have applied to become either municipalities or urban districts. Given what these changes in status have meant in the past, the acceptance of all or even most of these applications would entail fundamental changes in China’s landscape and a quickening of the pace of urbanization that could rival even the Jiang era. In view of the great scope of the shifts that have already occurred during the reform era, accelerating this pace would mean unprecedented social changes.

Assessing the balance of power in Phase III

The most notable change in the balance of power between central and local governments has been one of recentralization. The unusually personal administration of Xi Jinping has removed powers and discretion from local governments, established new forms of monitoring and sanctioning, and frightened local officials by throwing thousands into jail. While this has already checked many of the excesses of the abuse of power and corruption of office, it has also dampened innovation and flexibility. Recentralization is not the only change that seems likely to occur. Xi Jinping's planned urbanization drive may strengthen the hand of municipalities, and may resume the transformation of rural counties that has been slowed since 2005. Moreover, the envisioned city clusters will necessitate new forms of coordination and governance that the current administrative hierarchy seems unlikely to provide. Whether this comes at the expense of the provinces it is too soon to tell.

Forecasts and conclusions

In 1978, China's leadership and people, exhausted by the political excesses of the Cultural Revolution and decades of largely fruitless attempts at industrialization through draconian top-down planning, faced enormous challenges. These could not be tackled within their existing administrative hierarchy. Decentralization – the strengthening of provinces and transforming of prefectures – set conditions for unleashing new energy, innovations, and experimentation. China's economy grew, overseas investment poured into coastal areas, poverty declined at a record pace, and China's neglected infrastructure network expanded quickly. Yet just as releasing wild cats in a town infested with mice simultaneously solves and raises a problem – the cats chased away the mice, but how do we now get rid of the cats? – the accomplishments of that era brought new challenges. Devolved power was abused; inequality soared; rural areas (after the mid-1980s) were neglected and even exploited; cynicism focusing on the virtues of party representatives became pervasive. Decentralization and a virulent "urban fever" were linked to these problems. This prompted Hu Jintao to address some of the excesses that his predecessors' policies had produced. As a result, the administrative hierarchy adjusted once again, as the administration sought to construct a new socialist countryside, check the power of prefecture-level municipalities, and slow the urbanization of counties. Yet the surprisingly weak Hu Jintao was only partially successful and his administration failed to lay down deep institutional roots that would cement these changes in place, let alone reverse the drive toward urbanization and industrialization.

Now a new administration led by Xi Jinping is borrowing from – and doubling down on – Deng and Jiang's commitment to rapid industrialization and urbanization. While firm conclusions are premature, these shifts will surely have a major impact on China's social and political landscape – and may exacerbate inequality and other problems that have returned with a vengeance. The Xi

administration has also adopted and deepened the Hu Jintao administration's recentralization efforts, as Xi Jinping further reins in local power and recentralizes control in Beijing. While a degree of central control has proven necessary, the extent to which it is being used threatens to stifle the latitude for local government leaders to address local issues by applying central policy flexibly, let alone to design and innovate their own policy strategies. These initiatives will also have a major impact on China's administrative hierarchy if counties are transferred to cities or urban districts, and as new urban clusters emerge, requiring new forms of trans-provincial governance. Yet, in many ways, even as the balance of power has shifted toward the center, the Xi-Li administration has adopted the worst of both worlds from the two previous phases. As China enters a new era, with newly emerging challenges, the capacity of Xi's recentralized administrative hierarchy to meet those challenges – some of them of its own creation – will be tested.

Notes

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- 2 There have been reports of local resistance to Hainan's development, however, with several scholars reporting protests and controversies that emerged among different segments of the local population. See for example Feng and Goodman (1997).
- 3 The section of Chongqing that had previously held this status was much smaller and did not include many of the counties that were included in the provincial-level unit in 1994.
- 4 For instance, Professor Feng Qiaobin of the China National School of Administration made this argument; see Chen (2015).
- 5 This is the statistic reported when Xi Jinping assumed power at the end of 2014. See for example Zhongguo Jijian Jiancha Zazhi (2015).

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