

Chapter 10

Local Governments in China

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ABSTRACT

Local governments in China operate within a hierarchical system of bureaucratic control in which each level of government has to be accountable to the next higher level, and provincial governments must accept the unified leadership of the State Council. The system is buttressed by the Party's nomenclatura system tightly controlling the appointments of officials at all levels. Local governments officials do not have to be answerable to voters, but they have to undergo detailed performance assessments annually by their superiors within the Party state. Local governments in China, assume a significant role in economic development. They own enterprises and also compete against each other, for example, they all try to attract more foreign investment. Chinese people are increasingly concerned with environmental pollution, food security, health care reforms, education reforms, etc. These are the new tests for local government leaders.

INTRODUCTION

This chapter intends to consider the system of local government in the People's Republic of China (PRC). An attempt is made to briefly examine the history of the evolution of the system, while the focus is on the major features and characteristics of the system, its mode of functioning, the important objectives it seeks to fulfill and the challenges it faces.

China is a big country with the largest population in the world. Maintaining unity has been a serious challenge since ancient times, and the central government often feared too much autonomy on the part of local governments. China is probably the only country of its size maintaining a unitary system of government and only one time zone. These two features reflect the concern of maintaining effective control by the central government.

Effective and efficient government demands responsiveness. Hence the issue of centralization and decentralization has been a dilemma and a challenge for the PRC, and there has been several rounds of decentralization and re-centralization since 1949 (Chen, 2007). In 1956, Mao Zedong delivered an important speech "On the Ten Major Relationships" in which he discussed the significant policy issues

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facing China then. On the issue of decentralization, Mao criticized the Soviet Union's highly centralized planning system and at the same time offered the dialectical position of promoting full play to central and local initiatives. Subsequently, he introduced the initial major decentralization in PRC's history, reflecting the influence of China's traditional territorial management (Zhou, 2010, p.49). In the era of economic reforms since 1979, the Chinese authorities wanted to exploit the advantage of the economy of scale, and had promoted better co-ordination among the provincial units in the Pearl River Basin, the Yangtze River Basin, and in recent years, among Beijing, Tianjin and Hebei.

Before the PRC, the Chinese political system could hardly penetrate beyond the county level. But the regime of the Communist Party of China (CPC) in its early years was able to establish effective control down to the village level, as reflected by the vigour of the land reform programme. This effective control has been weakened in the economic reform era because of the introduction of the household responsibility system in the rural sector, and the fading away of the functions and control of work units in the urban sector in the development of the market economy.

Since 1949, the Party regime established a vertical line of governments called the *tiao-tiao* (line) management structure, which resulted in the new arrangement of the combination of vertical management and traditional territory management. The Party regime also implemented the system of "the Party supervises its cadres", which means that all cadres and government officials are Party appointments, and every level of government has been under the leadership of its corresponding level of Party committee. Party leaders claim that Party rule and its legitimacy are based on this system, the correct policy programmes of the Party, and the exemplary role of the Party members.

Before the economic reforms, the centrally planned economy was composed of a series of multi-layer and multi-regional management organizations with similar structures and functions, namely the *kuai-kuai* (pieces) economy. In this period, provincial economies were relatively independent and self-sufficient, as each province attempted to establish its own industrial system. Hence although there has always been a high degree of political centralization, there usually is considerable economic regional decentralization.

The Chinese government at every level is deeply involved in business, and there is no clear separation between government and business. Local governments at every level enjoy important policy powers, influence and sometimes even direct control rights over considerable amounts of resources including land, state-owned enterprises, financial resources, energy, raw materials, etc. (World Bank, 2002). In the early years of the economic reform era, the central government delegated more economic powers and offered significant incentives for local governments in order to encourage their leaders to engage in economic reform experiments and promote economic growth. This encouragement or at least tolerance for reform experiments has been maintained till now, although the emphases in recent years have been the quality of economic growth and reform of the economic structure.

Since 1979, experimentation at selected testing points and promotion of successful reform models initiated at the local level have been the basic modes of pushing reforms by the central authorities, reflecting the spirit embodied in the celebrated quotation of Deng Xiaoping: "crossing the river by groping for the stones". In the first place, the experimentation approach is a good practice to reduce political resistance and uncertainties arising from new reform measures. Leaders promoting specific reforms are aware of potential criticisms and pressures from other conservative leaders. Successful experimental outcomes provide strong support for the reform measures and valuable information.

Furthermore, conditions in China vary considerably; reform measures appropriate for a prosperous coastal province may not suit a poor interior province. Local knowledge and local information are the fundamental factors why decentralized experimentation is superior to centralized models, especially

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