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Introduction: The Logic of Governance in China

But the one thing communist governments can do is to govern; they do provide effective authority. Their ideology furnishes a basis of legitimacy, and their party organization provides the institutional mechanism for mobilizing support and executing policy.

Samuel Huntington (1968, p. 8)

It was China's unique destination to preserve as a civilization long after other ancient civilizations had perished; and this perseverance involved not fossilization but a series of rebirths.

Philip A. Kuhn (1980, p. 11)

[Technological revolutions] Why Europe and the West, and why not China?

David S. Landes (2006, p. 3)

Contemporary China presents many puzzles for social-science inquiries. On the one hand, as Huntington writes, one is impressed with the commanding role of the Chinese state in governing its diverse regions of uneven development and in engineering rapid economic growth since the 1980s (Brandt, Ma and Rawski 2014, Naughton 1996). On the other hand, contemporary China has witnessed large-scale political turbulence and economic disasters, such as the Great Leap Forward and the Great Famine of 1959–1962, when more than thirty million perished (Dikotter 2010, Yang 2013a), and the political persecution and turmoil of the “Cultural Revolution” that caused great suffering for millions (Su 2011, Walder 2019), to name but a few. In a less dramatic but equally profound

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manner, during the short seventy-year history of the People's Republic of China, cycles of centralization and decentralization have characterized the relationship between central and local governments, and top-down political campaigns have periodically generated policy twists and turns. At the micro-level, problems of policy implementation, such as selective implementation, deviation, and collusion among local officials, have been rampant and resilient, as demonstrated by the sizable literature on the Chinese bureaucracy (Gobel 2011, Heberer and Schubert 2012, Kung and Chen 2011, O'Brien and Li 1999, Zhou 2010a).

Similar phenomena are manifested under specific circumstances and in specific areas, such as environmental protection (Kostka and Nahm 2017, Rooij 2006, Zhang 2017b, Zhou et al. 2013), economic development, or urbanization processes (Bulman 2016, Lee and Zhang 2013, Oi 1999, Whiting 2000), each with its own particular form and its own rhythm of occurrence. As such, each can be examined in its own right. Indeed, there are separate literatures on these specific issues – central–local government relations, regional development, policy implementation, and so forth.

Yet, the persistence and recurrence of these phenomena raise a larger issue: Are there some common, stable mechanisms and processes that underpin and interconnect such occurrences taking place in different areas? Put another way, are there some larger, fundamental mechanisms and processes that systematically produce and reproduce these phenomena across areas? A further, related question is the following: Is there a broader perspective, or a theoretical framework, that sheds light on the interconnectedness and the underlying logic among these apparently diverse issues and phenomena – in different forms, across different arenas, and at different points in time – such that, so to speak, we can see the forest beyond the trees, and we can uncover the sources by tracing the streams?

These questions motivate the theme of this book: an inquiry into the logic – the institutional logic – of governance in China. By *institutional logic*, I refer to those recurrent, predictable, and often causal relationships based on stable institutional arrangements. Here, the term *governance* refers to those patterned practices in the exercise of authority organized by and around the Chinese state. Sociologist Charles Tilly (1995, p. 1601) describes the mechanisms in political processes as follows: “They consist of recurrent causes which in different circumstances and sequences compound into highly variable but nonetheless explicable effects.” This depiction fits well with my view of institutional logic. That is, those diverse, apparently disparate, but recurrent phenomena are in fact manifestations

of the same underlying institutional logic. The goal of this book is to uncover those stable institutional arrangements and processes that shape the larger, variable, but recognizable and predictable patterns of behavior in China's governance.

This book reports on my decade-long journey of inquiry into these questions. Between 2004 and 2015, I conducted fieldwork in an agricultural township in northern China. By adopting a microscopic lens, my goal was to gain a deeper understanding of the behavior and interactions among local officials, villagers, and state policies, and to make sense of larger issues about how China is governed. I visited this township several times every year, one week or several weeks at each time, and conducted participatory observations of how local cadres carried out their daily work – implementing top-down official policies, solving local problems, and responding to crises. During this process, I immersed myself in different streams of events: village elections, the provision of public goods, policy implementation, and bureaucratic behavior in everyday work environments.

Over time, my fieldwork led me to broaden my inquiry in two directions: First, the observed patterns of practice at local levels resonated with patterns in China's past, thus taking me on a journey to search for recurrent governance issues and their underlying causes in Chinese history. Second, local responses to top-down state policies directed my attention from micro-events to macro-processes and larger issues about principal-agent problems in the Chinese bureaucracy, tensions between policymaking and policy implementation, and ultimately the institutional logic of governance in China. This book is the result of these interrelated lines of research.

In this introductory chapter, I outline the main theme of this book to highlight the key issues, institutions, mechanisms and their interconnect-edness, so as to provide a roadmap on the specific topics covered in the remainder of the book.

Let me first summarize the central theme in this volume (see Figure 1.1). I argue that there exists a fundamental tension in governing China, that is, a tension between the all-encompassing role of the centralized authority on the one hand and effective, local governance on the other. The fundamental tension can be characterized as follows. On the one hand, the centralized authority has a tendency to move decision rights and resources upward toward the center; in so doing, it weakens the capacity of local authorities – local governments or traditional authorities – for problem solving, and hence it undermines effective governance at the local levels. On the other hand, strengthening effective, local governance requires the allocation of

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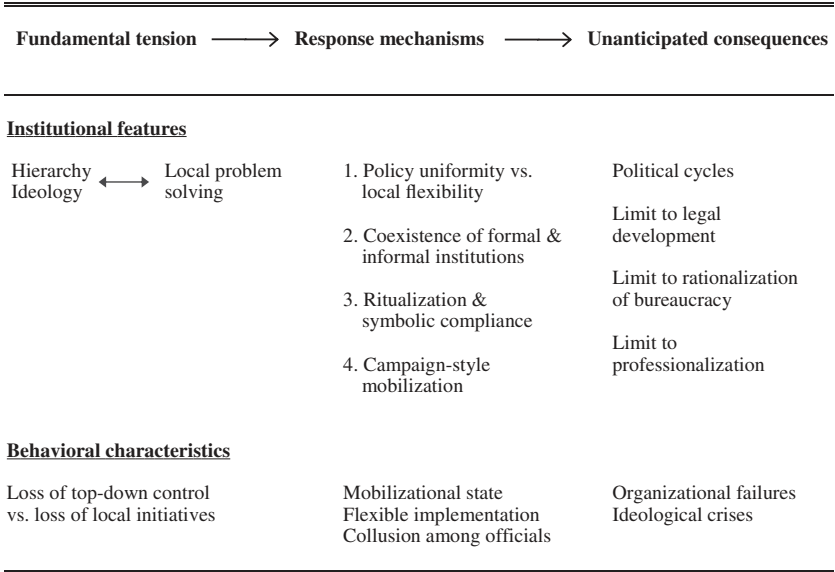


FIGURE 1.1 The conceptual framework

decision rights and resources downward toward lower levels where there is better information. But in so doing, local authorities have a tendency – or are perceived as having a tendency – to deviate from the center and to cause the loss of control and to undermine the legitimacy of the centralized authority. A fragile equilibrium between the two can be reached only temporarily, will be frequently disrupted, and must be readjusted over time.

Over the course of Chinese history, a set of mechanisms and corresponding institutions have emerged in response to this fundamental tension, inducing and reinforcing distinctive behaviors and practices in the political process, in the evolving authority relationships within the Chinese bureaucracy, and in interactions between the state and society. These mechanisms and institutions have been selectively retooled and reshaped by the Leninist ruling party, the Chinese Communist Party (CCP), since it took power in 1949. This book is about institutional responses in contemporary China to the age-old challenges of governance and their consequences.

I highlight four distinct response mechanisms and the corresponding institutional arrangements: first, a variable-coupling between state policies and local implementation based on stable institutional arrangements. That is, the extent of coupling between the centralized authority and local officials varies over time; sometimes it is tight and rigid under heightened

political pressures and at other times it is loose and flexible, allowing the latter to adapt to local circumstances. Second, stable and resilient informal institutions coexist with and complement formal institutions, allowing substantial variations in the Chinese bureaucracy. Third, the political rhetoric and the ritualization of the official ideology play an important role in maintaining symbolic compliance by local officials and making loose-coupling practices tolerable to the centralized authority. Fourth, top-down campaign-style mobilization, often in the form of political campaigns, provides an important political weapon for the central authority to reassert its authority, to redefine the boundaries of local flexibility, and to tighten the variable-coupling between the central and local authorities.

In contemporary China, these stable institutional mechanisms were activated from time to time in the practice of China's governance, helping to maintain a delicate balance and to rebalance between the two sides of the fundamental tension during the course of continuous fluctuations and adjustments. As a result, they induced and reproduced systematic behavioral patterns by those involved in the interactions, which in turn engendered consequences, such as institutional limits to, and stagnation in, the rationalization of bureaucracy and the rule of law, as indicated in the last column of Figure 1.1. These issues will be examined in greater detail in the remainder of this book.

By focusing on these institutional mechanisms, I aim to develop a new analytical framework, together with a set of middle-ranged theoretical models and concepts, to make sense of the stable institutional logic of governance in China. Extensive and in-depth research on China's governance during the past four decades has led to a much deeper understanding of the actual processes and mechanisms at work in China's governance. This book is my effort to provide a major update of our knowledge about how China has been and is being governed based on my decade-long research as well as cumulative evidence in the literature.

The remainder of this introductory chapter is organized as follows. I first explicate the fundamental tension between the centralization of authority and effective, local governance, and the two pillars of governance, that is, the bureaucracy and ideology. I then turn to discuss the four response mechanisms and related institutional arrangements that have characterized the practice of governance in China both historically and today: (1) the variable-coupling between centralized policy making and flexible policy implementation, (2) the complementary roles of formal and informal institutions, (3) the ritualization of the official

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ideology, and (4) campaign-style mobilization as a political mechanism to regulate the extent of coupling between central and local governments. I then briefly discuss the organizational approach adopted in this study. I end this chapter with a précis of the topics to be covered in this book.

CENTRALIZED AUTHORITY AND LOCAL PROBLEM SOLVING:
THE FUNDAMENTAL TENSION

Establishing the Context

All nation-states confront the challenges of competition for survival, and these challenges have been especially acute for the Chinese state, both during its long history as well as today, because of the formidable scale of governing a vast territory and a large population characterized by diverse local cultures and uneven economic development.

Here, the scale of governance refers to both the territorial size and the specific responsibilities assumed by the state. In comparative institutional analyses, scholars often treat nations as the unit of analysis and make broad strokes of comparison without paying careful attention to the scale of governance that is involved across these nation-states. For example, Singapore has a territory and a population roughly only that of a medium-sized Chinese city. The size of South Korea is about that of Jiangsu province in China, but with only two-thirds of the population of the province. Indeed, the territorial size of China today is roughly that of all of Europe, with twice the population and with as diverse cultures and uneven regional development as in Europe (Skinner 1964). In other words, the challenges of governing China are comparable to those of governing all of Europe under one centralized authority.

The scale of governance is also related to the institutional details of governance, that is, *what* is being governed and *how* governance is carried out. Therefore, both the scale of governance and the mode of governance should be considered in tandem. Different modes of governance embody variations in the authority relationships across areas and localities in a society. Contrast the mode of centralization with the mode of federalism in governance. In the former, all localities are under the control of the central authority, which takes on comprehensive responsibility for all localities and over all matters, often through the intermediate and local governments. This means that the central government must respond to problems and pressures that come from all corners and all

arenas in a society. In constitutional federalism, in contrast, local governments take responsibility for those issues and problems within their respective jurisdictions, and, as a result, the scale and scope of governance become decentralized accordingly.

Transaction cost economics sheds light on the choices among the various modes of governance. Economist Ronald Coase (1937, 1960) asks: If market mechanisms are efficient in the allocation of resources, why do we observe the presence of formal organizations in a society? Business historian Alfred Chandler (1994), in his celebrated book *Scale and Scope*, argues that the rise of managerial capitalism plays an important role in the throughput – organizational processes – to increase the efficiency and competitiveness in returns to scale and scope. Nevertheless, the other side of the same coin is this: If formal organizations are advantageous for organizing, why have we not observed an increasing scale of organizations that eventually encompasses the entire national economy (Williamson 1975, 1985)? Such a model of a planned economy was indeed attempted in the state-socialist countries of the Soviet Union, Eastern Europe, and China in the twentieth century, and it failed miserably in all these places.

There are distinctive transaction costs of scale and scope associated with formal organizations as well as nation-states. Economists Alesina and Spolaore (2003) examine the size of nations and its implications for economic development, public goods provision, and national security. On the one hand, large countries incur higher costs of national integration amid the diverse interests and cultures within the national boundaries. On the other hand, large countries benefit from the scale of market activities and the fixed costs of public goods provision, such as defense. At the organizational level, McAfee and McMillan (1995) point out that members of organizations have private information due to their specific roles and positions, and they tend to use that information advantage for rent seeking and bargaining. Although “rents . . . are the lubricants that make it possible for a hierarchy to function” (p. 402), there is nevertheless a loss of efficiency. The authors develop a proposition on organizational diseconomies of scale: Along with an increase in scale of governance, the chain of command lengthens, the distribution of private information becomes more dispersed, and problems associated with information asymmetries worsen, leading to a disproportionately increasing loss of efficiency in organizations.

Institutions arise and evolve in response to challenges and crises. The preceding discussion offers a somber reminder that to understand China’s institutional foundations and the ways in which it is governed, one needs

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to keep in mind the kind of challenges that China has faced, and has responded to, from which path-dependent patterns of institutional practice have emerged. The emphasis on the importance of scale in governance directs my focus to the key role of bureaucratic organizations and moves the organizing mechanisms to the central stage of my inquiry.

The Fundamental Tension

There has been, and still is, a fundamental tension in governing China: a tension between the centralization of authority on the one hand and effective, local governance on the other. Here, the *centralization of authority* means that the central authority at the very top – be it the emperor in Chinese history or the ruling CCP in contemporary China – has legitimate, unlimited, and all-encompassing authority in all areas and over all affairs of the society. The centralized authority is embodied in everyday institutional practices: the top-down policy-making processes, the power over resource allocation and personnel management on the basis of the Chinese bureaucracy, and the arbitrary power of the top leaders to intervene at any time, at any level, and in any process. *Effective governance* refers to the problem-solving capacities, such as policy implementation, public goods provision, and conflict resolution, of the *local* authority within its respective jurisdictions.

In contemporary China, the fundamental tension between the two can be depicted as follows: The centralized authority has a tendency to move upward the decision rights and resources, away from those local administrations (e.g., the county and township offices) that have richer and better information, thus weakening their problem-solving capacity at the local levels, and therefore incurring the *loss of initiative* (Qian 1994). Conversely, the strengthening of local-governance capacities implies the expansion of local authority, which often leads to – or is interpreted as – deviations from the center and incurs a *loss of control*, thereby undermining the legitimacy of the central authority and presenting an acute threat to the latter.

The fundamental tension is built into the institutional arrangements. In the contemporary era, the two pillars of the institutional arrangements are the bureaucracy and the ideology.

Organizational Basis of Governance: The Chinese Bureaucracy

Modern states are built on bureaucratic organizations. According to Weber (1978), the bureaucracy is a distinct form of organization,

characteristic of a clear delineation of authority in a hierarchical order, whose directives are carried out by rules and procedures. Personnel in the bureaucracy receive professional training and embark on professional careers. Such institutionalized practices increase precision, punctuality, and efficiency to achieve the organizational goals. In contrast to the traditional organizational form, such as the family, kinship, or community, bureaucratic organizations are the central organizing mechanisms in contemporary society. Sociologist James Coleman (1982) observes that, along with the rise of corporate persons in contemporary society, a large amount of public affairs is carried out by bureaucratic organizations that make and implement public policies; deliver social welfare, public safety, and other public goods; and regulate market transactions, contracts, and capital flows. Indeed, modern society has a tendency, in developed as well as developing countries, to gradually transfer political power to bureaucratic organizations (Wilson 1975).

China has been governed by a large, multilayered bureaucratic organization on territorially based prefectural and county institutions – the so-called *junxianzhi* – since the Qin dynasty (221 BC). In formality, Chinese bureaucracy in ancient times shares many similarities with the contemporary Weberian bureaucracy (Li 2008). Nevertheless, it is noteworthy that the former took shape some 2,000 years before Max Weber first identified its modern counterpart in Europe in the early twentieth century, a somber reminder that we should exercise caution in comparing the Chinese bureaucracy to the Weberian bureaucracy. Historically, there have been two kinds of power in the Chinese polity (Kuhn 1990): One is the *bureaucratic power* based on administrative positions, rules, and procedures; the second is the *arbitrary power of the supreme leader(s)*, who can intervene into the bureaucratic processes at any level and at any time. At the core of the centralization of authority in China, the latter always trumps the former. The central authority holds supreme and ultimate power over the bureaucracy in all areas and processes.

This defining characteristic has been greatly strengthened on the basis of the Leninist Communist Party in contemporary China – the extent of its reach, the scope of its coverage, and the scale of its mobilization all dwarf that of other rulers in Chinese history. Power is especially centralized in the areas of resource allocation and personnel management. For example, the central government, through its representatives, holds authority in personnel management, in rule making, and in decision rights for the selection, evaluation, and mobility of officials throughout the entire nation. In terms of resource allocation, the central government

has tremendous power to extract, mobilize, and allocate resources. Throughout Chinese history, the bureaucracy has played a pivotal role in governance, implementing top-down policies and integrating diverse regions in the direction of the center, both symbolically and organizationally.

For any ruler, however, the bureaucracy is a double-edged sword. As Weber (1978) observes, a bureaucracy often has a mind of its own and evolves toward its own interests for survival. In the language of contemporary social science, bureaucratic organizations are plagued with agency problems in principal–agent relationships, such as the cost of political influence and negotiation within organizations (Milgrom and Roberts 1988, Wilson 1989).

These problems are especially acute for a large-scale government bureaucracy such as that in China. The challenge of scale is not merely related to physical size but also is related to the scope and content of governance, both of which have expanded significantly since the founding of the People's Republic of China in 1949 to reach all corners of the society. A case in point is the evolution of rural governance in the People's Republic. In the era of the People's Communes from the late 1950s to the late 1970s, the Chinese state assumed control of the planning and procurement of agricultural activities in the rural areas, placing all farming decisions under the planned economy. An elaborate organizational apparatus was developed in the rural areas, from the People's Commune, to the production brigades, and to the production teams, which incurred tremendous organizational, coordination, and incentive costs and led to a stagnation of agricultural productivity. During the post-Mao decollectivization era, since the late 1970s, villagers have been given decision rights over farming and over the sale of their produce. As a result, agricultural productivity soared (Perkins 1988), and, at the same time, the organizational burden of rural governance upon the state was greatly alleviated (Zhou 2006).

The fundamental tension is first and foremost embodied in the process of top-down policy implementation of central–local government relationships. On the one hand, the very nature of the authoritarian state dictates the centralization of policymaking, reinforced through top-down inspections and evaluations of the bureaucratic processes. On the other hand, as the central authority becomes more rigid and inflexible, the extent of the centralization of resources and personnel management becomes greater, and it is less likely that the policies of the central authority will fit the diverse local circumstances, thereby undermining the effectiveness of local