

Decentralisation as a Developmental Strategy in China: A Development Model for Developing Countries

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The premise of this article is that although the central role of the State in developing economies is indispensable, decentralisation of decision-making authority is inevitable in the governance of territorially large societies such as the People's Republic of China (PRC). A key component in the developmental experience of the PRC, as regards the two distinct models of development—Maoist and Dengist—has been a marked decentralisation of power and authority, an inevitable requirement in a territorially large and diverse country like China. The crucial point, however, is that during the Maoist and the Dengist eras, the strategies of development were distinguished by, among other features, two very distinct types of decentralisation.

Whereas the Maoist developmental strategy was predominantly administrative, the Dengist strategy of decentralisation is predominantly market-driven. Besides, it is highly imperative to note that there are a great many points of departure between the Maoist and the Dengist developmental strategies. This article briefly traces the origins of decentralisation in post-1949 China and compares the Maoist and Dengist policies with regard to decentralisation. It essentially focuses on decentralisation strategies in the period of market reforms and the significance of the Chinese model of development for the developing countries.

INTRODUCTION

The terms centralisation and decentralisation are often used with reference to the incompatibility in their respective exercise of authority, as if to suggest that an organisation which is characterised as centralised is completely devoid of decentralised characteristics and vice-versa. In other words, they are used in a manner as if these two terms are anti-thetical. James W. Fesler, very appropriately pointed out this problem in the following words. He said, 'Our languages dichotomize "centralization" and "decentralization", a peculiarity that poorly serve political science. We appear to have neither a term that embraces the full continuum between the two poles, nor a term that specifies the middle range where centralizing and decentralizing tendencies are

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substantially in balance' (Fesler 1965:537). Fesler further highlights the other methodological problem confronting political scientists in their efforts to move 'discussions of decentralisation from generalities to a degree of precision' (ibid.: 536-37). He contends that the first problem associated with this debate is 'the weakness of indices of centralization and decentralization'. Second, he argues that 'power is a complex phenomena and its distribution difficult to measure' (ibid.: 537). The third problem is the 'difficulty of differentiating degrees of decentralisation within a single country at a given time. Particular regions, provinces, and local governments are differently treated in practice' (ibid.).

There is a growing consensus in development literature that democratic administration, self-determination, community control, neighbourhood government, individual/local initiative and/or participatory management at the grassroots is crucial for the successful implementation of development projects and also for their sustainability. Decentralisation of administration and development has come to be accepted as one of the best means of promoting participation by people at the intermediate and lower levels of government. It is argued that decentralisation allows the people to get involved in the planning and implementation of development programmes, mobilises grassroots support for development programmes and promotes a feeling of 'local ownership', increasing the commitment and contributions that people make to such programmes.

Depending on the socio-economic and political conditions, the geographical strength and the priorities of the decision-making elite, there have been different degrees and types of decentralisation. Because of these factors, there has been a marked difference among scholars about the meaning of the term *decentralisation* as well. Decentralisation can take a variety of forms depending upon the way in which the authority to plan, make decisions and manage public functions is transferred from the central government to local government or agencies at the regional or local levels. The degree of responsibility for and discretion over decision making, transferred by the central government, can vary a great deal. It ranges from simply shifting workload to field agents to the ultimate transfer of administrative and political authority to legally constituted local government bodies. On the basis of the nature of the agencies to whom the government of a sovereign state transfers some of its functions at different levels, four broad categories of decentralisation have been identified: deconcentration, delegation, devolution, and privatisation (Rondinelli et al. 1983). The term *deconcentration* is used to denote transfer or handing over of some administrative authority or responsibility to the lower levels within the central agencies. Delegation refers to the transfer of broad authority to plan and implement decisions concerning a specific function or a variety of functions within specific spatial boundaries to an organisation that can discharge this authority without direct supervision by the delegating unit. Devolution is the legal conferment of powers upon the formally constituted local authorities to discharge specified residual functions. In this form of decentralisation, the central government may retain residual controls but the authority for decision making and operations in a number of functional areas is rooted in a local body run

by local representatives. The last type of decentralisation is privatisation. It involves the transfer of responsibility for public services and utilities from the state or 'parastatal' enterprises to private or voluntary organisations.

It is evident from the above discussions that each of the different forms of decentralisation has different implications. Deconcentration and devolution emphasise the territorial dimensions, while delegation and privatisation highlight the functional aspects of decentralisation. It must be noted that although these four forms of decentralisation differ in their characteristics and implications they are not mutually exclusive. In practice, most governments use some combinations of these four forms of decentralisation.

CENTRALISATION AND DECENTRALISATION IN CHINA

Historically, the administrative problem in China has been articulated in terms of the comparative advantages of centralised (*junquan*) versus decentralised (*fenquan*) rule for society as a whole (Cohen 1988: 520). The contestation between these two poles has, as often as not, also been a reflection of vigorously competing political, social, and economic interests in Chinese history (Cohen 1988: 520). Alan P Liu (1986: 8–9) argues that the Chinese political culture has been characterised, among other things, by the problem of regionalism. This brings into focus the issue of centre–province relations, which constitutes a dominant portion of discussions and debates concerning decentralisation. He further points out that this problem of centre versus regions has continued to influence the governing elite of China since its liberation and may be observed even today (Liu 1986).

The Chinese Communist Party under the stewardship of Mao Zedong decided that 'the Soviet style of centralized planning could resolve this problem by a straight-line span of control from the top to bottom' (Schurmann 1966: 210). The Soviet model of administrative centralisation achieved its aims, for it permitted the establishment of a uniform governmental system throughout China. However, it created rigidities at the middle and lower levels of the system (Schurmann 1966).

MAOIST DEVELOPMENT STRATEGY

The debate basically centred around two different processes, which Franz Schurmann (1996: 195) termed decentralisation I and decentralisation II. Decentralisation, according to Schurmann, can take two forms. Either decision-making power is transferred all the way down to the production units themselves or it is transferred down only to some lower levels of regional administration (*ibid.*). The former is classified as decentralisation I, and the latter, decentralisation II. Whereas one group of leaders led by

Mao advocated decentralisation II, the other group led by Liu Shaoqi, Deng Xiaoping and Chen Yun, advocated decentralisation I. Some scholars like Carl Riskin have labelled the former as administrative decentralisation and the latter as market-driven decentralisation. The inner party debates were finally resolved in favour of decentralisation II. Mao's answer to the problem of rigid centralisation and bureaucratism inherent in the First Five-Year Plan (FFYP) is usually seen in the context of the 1957–58 reforms. In the meeting of the Third Plenum of the Central Committee, which lasted from 20 September to 9 October 1957, some of the most critical policies leading to the GLF were finalised, which have been termed as Maoist decentralisation. Although further changes occurred subsequently, including another major decentralisation in 1970, the reform of the late 1950s was generally taken to have established the principal outlines of the planning and management system that endured until the market reforms of the late 1970s.

DENGIST DEVELOPMENT STRATEGY

The market reforms initiated under the leadership of Deng Xiaoping signalled a watershed in the politics and economy of the PRC. Giving top priority to the goal of modernisation, Deng compared the realisation of the 'Four Modernisations' to a profound revolution to be led by an 'emancipation of minds' claiming that without immediate significant economic and political reforms and 'emancipation of minds', China's 'modernisation programme and socialist cause will be doomed'.

The post-Mao market reforms did not emerge from some spontaneous and liberal economic process, not even by simply removing the earlier statist restraints on entrepreneurial initiative.¹ Labelled as market-driven decentralisation by some scholars, markets were introduced in the economy by government fiat. This led to the establishment of what has been described as 'socialism with Chinese characteristics' by the post-Mao leadership. The new form of socialism has had wide-ranging economic and political ramifications. The introduction of market reforms has completely altered the character and nature of the Chinese state. There has also been a redefinition of Chinese socialism, with class struggle no longer occupying the pivotal position it did before 1976. According to Deng, 'the essence of socialism is to liberate and boost the productive forces, to eliminate exploitation and polarization, and to achieve common prosperity eventually' (Weil 1996: 223). Deng further said the most fundamental task during the present phase of socialism is to develop the 'productive forces'. In this ideology, economic development is the fundamental task (Deng 1983). Thus, the

¹ The decentralisation in the agricultural sector was definitely something that started and grew in momentum autonomously in the beginning but once the government realised this fact, it did nothing to stop this practice, which meant that it gave a kind of tacit consent to the Household Responsibility System.

post-Mao leadership deviated from the Maoist stress on building socialism by a progressive reduction in socio-economic inequalities and launched a new economic programme, the chief planks of which were as follows: attacking the over-concentration of authority in economic management (read market-driven decentralisation), reforming the commune system in agriculture, improving farm incentives, and raising living standards. The following is a simple illustration of the two distinct development strategies that have dominated the developmental landscape of the PRC in the post-1949 era.

<i>Strategy of Development</i>	<i>Maoist</i>	<i>Dengist</i>
Emphasis	<i>Development/Relations of Production</i>	<i>Growth/Forces of Production</i>
Primacy to	<i>Class Struggle/Politics in Command</i>	<i>Economic development/economics in command</i>
Objective	<i>Equity</i>	<i>Efficiency</i>
Technique/strategy	<i>Mass Mobilisation</i>	<i>Market reforms</i>
Nature of Decentralisation	<i>Administrative</i>	<i>Administrative + market-driven</i>

The 1980s saw China scholars turning to study the importance of institutions in addition to their previous emphasis on leadership and elite preferences. In the post-Mao era when market reforms led to significant changes, the move towards 'new institutionalism' in the discipline renewed interest in the effect of state structures on the formulation and implementation of policies. During this era, centre-province relations were pictured as involving intense inter-agency bargaining. Scholars like Barry Naughton (1996), Shaun Breslin (1996) and Kenneth Lieberthal (1995) have made some of the prominent contributions in this period. In the 90s, authors such as Linda Chelan Li, David Goodman, and Susan Shirk (1993) have analysed the centre-province relations as an interactive process in which the centre as well as the provinces struggle hard to attain their respective objectives. The overall focus is thus on the political processes and the power factor rather than examining the workings of decentralisation in the developmental strategy.

In recent times there have been works by scholars like Alwyn Young and Hongbin Cai and Daniel Treisman as well. Alwyn Young, for instance, argues that liberalisation and transformation of the PRC over the past twenty years or so can best be characterised as a process of devolution (Gilley 2001). He argues that the present market-driven Chinese economy is less efficient than the old planned economy because the former has carved up the country into local economic fiefdoms. In this process, he contends that China has moved away from having one central plan to having many mutually competitive central plans. Hongbin Cai and Daniel Treisman (2006), in a paper titled 'Did Government Decentralization Cause China's Economic Miracle?' argue that none of the studies on decentralisation have been successful in establishing a 'convincing link between China's decentralization and China's success'. They argue that the economic growth currently witnessed in China is an offshoot of policies emerging from 'competition between pro and anti-market factions in Beijing'.

In the event of the adoption of a new tax-assignment system (well known as *fenshuizhi*, FSZ) in 1994, the centre started receiving more revenues and thereby regaining some

of its lost ground. This development has also attracted the attention of a number of scholars, for example, Wang Shaoguang and Huang Yasheng, who have looked into the changes in centre–province relations as a result of the new tax assignment system. Wang Shaoguang (1997) and Huang Yasheng while accepting the efficiency of the new system in comparison to the earlier system, advocated for some institutional reforms so that the centre can exercise better fiscal control over the provinces.

COMPARISON OF MAOIST AND DENGIST DECENTRALISATION: CENTRE–PROVINCE RELATIONS

As early as 1956, Mao Zedong pointed out that under the Soviet system of centralisation, the relationship between the centre and localities was a ‘contradiction’. The main problem was, he explained, that the local powers were too restricted. It was necessary to enlarge local power and grant localities certain independence under the central plan, because, Mao argued, ‘two enthusiasms’ (which referred to enthusing of both central and local governments) were more beneficial than only central control. To stimulate local authorities’ enthusiasm and creativity in socioeconomic construction and to reduce the central government’s heavy administrative and financial burdens it was essential to shift certain economic controls to the provinces. Mao launched adjustment programmes three times between 1957 and 1970. These programmes represented attempts to resolve the question of the optimum relationship in centre–province relations.

The highlights of the Maoist decentralisation were as follows: (1) the majority of central enterprises were transferred to the management of the local authorities, (2) local planning and (3) replaced central planning with greater delegation of powers to local governments. As a result of these decentralisation measures, many new problems cropped up. First, as Cyril Lin (1981) points out, Maoist decentralisation was not a fundamental reform of the basic Stalinist planning model. ‘The locus of economic-decision making was changed but the methods of economic calculations and controls remained unaltered; physical planning still remained dominant’ (Lin 1981: 1–48). This kind of decentralisation actually strengthened the Stalinist model, with the only difference that it was now practiced at a regional level. Another set of problems arose as a result of decentralisation measures introduced in the early 1970s. As a result of decentralisation and promotion of local initiative, provincial governments started furthering their own parochial interests without regard to macroeconomic rationality. As Wang Shaoguang (2006) points out, with resources at their disposal and the rights to use them, local governments started indulging themselves in irrational investments. Last, but not the least, the Chinese polity was afflicted with ‘fragmentation along regional lines’. This period also witnessed constant shifts of centralisation, decentralisation, and recentralisation, followed by another round of decentralisation.

The post-Mao reforms launched under Deng’s leadership while devising a new strategy of economic development also had to deal with the problems gripping the Chinese economy. When the post-Mao leadership initiated the reform of the economic

system in 1978, it also set in motion a process of political reform. Political reform here refers to the significant changes in the process of political power within the framework of existing party rule. Arguably these changes were more keenly felt in centre–province relations than in other arenas. The drive for economic growth impinged on virtually every aspect of centre–province relations: the state planning process was partially dismantled; the role and scope of market forces were increased; more central powers were devolved and a new regional development strategy was adopted (Benewick and Wingrove 1995: 63–72). To quote Wang Shaoguang, ‘the essence of the economic reform may be summarized by one phrase “*fangquan rangli*”, that is to devolve central control over resources and decision-making power to local governments on the one hand and enterprises on the other’. In the context of center–province relations, Deng chose to focus on fiscal decentralisation. The rationale behind further devolution of powers to provinces was twofold. First, Deng viewed decentralisation as a means through which China would make a switch from a command economy to a market economy. In this sense Deng’s decentralisation was top–down, but to some extent the Dengist decentralisation also had a bottom–up content. As a result of Mao’s decentralisation measures, the provinces acquired certain powers and benefits, which they were not ready to forsake. During that time the central leadership needed to ensure support from the provincial leadership to make the reforms a success, and placing them under restrictions could have proved counterproductive. The Dengist leadership during this time responded to the provinces by opting for a non-confrontational path: in 1980 they adopted what may be described as ‘eating in separate kitchens’ reform. The ‘eating in separate kitchens’ reform refers to the fiscal decentralisation measures introduced by the post-Mao leadership. According to this reform, the provinces were to be given more powers in economic decision making so that they can take full advantage of the market reforms. They had the freedom to pursue their own policies to boost their regional economic growth so that they can develop economically by encouraging investment and boosting production. This had two advantages: (1) having the localities undertake more financial responsibilities while guaranteeing a certain level of revenue to the centre. The centre hoped that as the regional economies would grow, the former’s share would become larger. These reforms, in terms of their implications for decentralisation, may be divided into two phases. The first phase is from 1978 to 1993 and the second phase is from 1994 to present; 1994 was chosen because it marked the beginning of a period where the centre regained some of its lost ground as a result of the 1994 tax-assignment system.

THE FIRST PHASE: 1978–1993²

This phase of centre–province relations saw a gradual loosening of control of the centre over the provinces, which at times led to conflicts. The first sign that reforms

² This section has benefitted from the studies and conclusions of the following: Breslin (1995) and Li (1988).

might generate conflict between the centre and the provinces came as early as March 1979. A mere three months after his accession to power, Deng admitted that it was necessary to make a 'partial retreat' and slow down the pace of reform. Although this was in part a response to the failures of the economic strategy of the pre-reform leadership, it was also prompted by the explosion in capital construction investment in the provinces that had followed the devolution of controls over investment spending. The centre was posed with a serious dilemma. On the one hand, it needed to curb the rapid extension of investments to lay a sound financial basis for future reforms, and to answer the criticisms of more cautious leaders. But at the same time they had to be careful that the retrenchment did not lead to a sharp downturn that could jeopardise popular support for the new leadership. In addition, if they placed too much stress on the flip side of the reforms, then this would give a chance to the conservatives to attack the reform process. However, it appeared that there was a consensus in the central leadership as regards checking the tendency of the provinces for putting local goals above the national ones. Increasingly freed from the constraints of 'mandatory planning' and not yet regulated by macro-economic market mechanisms, many areas simply ignored the requirements of greater national goals and turned inward (Breslin 1996: 51–70).

The Third Plenum of the Twelfth Central Committee marked a watershed in the swing back from retrenchment towards further reform. One of the most important consequences of these reforms was their effect on inter-provincial differences. Attacks on interior provinces for hoarding raw materials continued, but other leaders' complaints of unfair treatment became increasingly vociferous. The centre's initial response to the growing resentment from interior provinces was a combination of promises, pay-offs and exhortations. The centre supplemented these measures by increasing the aid to the western provinces. It leads to the inference that while the market-driven decentralisation benefitted the provinces (read coastal and southern provinces), the centre bore many of the costs. A second key consequence of the new reforms was further expansion of local spending. Some Chinese economists like Deng Yitao, Luo Xiaopeng, and Xu Xiaopo argued for a strengthening of central control rather than a further devolution of power. The appointment of Li Peng, a conservative leader, as the premier, led to several new measures to restrain the provinces. For example, in 1988, the centre tried to implement a retrenchment package which affected the provinces in two main ways. First, the package included a number of policies designed to control provincial spending. Second, Li Peng was instrumental in also initiating policies related to the scope of administrative controls and price reforms, which indirectly affected both centre–province relations and inter-provincial relations.

It was against this background that the Third Plenum of the Thirteenth Central Committee was held and, after much deliberation, it was decided to introduce policies to check the growing power of the provinces. The speech of Zhao Ziyang marked a shift in favour of restoring central control over the economy. The beginning of a new

central initiative to reinstate control over provinces was supported by a campaign in the national press to warn the Chinese public about the dangers of growing provincialism. More concrete attempts to restore central control came with the reintroduction of price ceilings, and a reinforcement of controls on capital construction investment.

Towards the late 1980s and early 1990s, interactions between the centre and the provinces were increasingly preoccupied with a better demarcation of jurisdiction (Li 1998: 290). Not only should the specific assignment of authority and responsibility be fair and consistent, it was argued, but more important, the demarcation of jurisdiction should be laid down in law, and even included in the constitution, to ensure its relative stability and security against encroachment from both sides.³ These calls for a clearer demarcation of the jurisdiction of the central and provincial governments were unprecedented and went beyond mere requests for an adjustment to the existing distribution of power and resources. In calling for the institution of a regularised avenue through which to resolve disagreements, they embodied a new recognition of the need for a higher level of institutionalisation within centre–province relations. A corollary was the gradual move from ambiguity to clarity in central–provincial interactions. These new developments led to one of the most important events as far as centre–province relations go, that is, the adoption of the new tax-assignment system (*fenshuizhi*). The adoption of this new arrangement led to the centre's once again gaining an upper hand over the provinces. One of the dominant concerns in the matter of centre–province relations was the issue of fiscal relations between the centre and provinces. The fiscal decentralisation as a result of market reforms led to the provinces going all out to achieve economic prosperity by a variety of measures. To attain this objective, they resorted to hoardings, remitting revenues far below what they were capable of, irrational investments and giving tax holidays to provinces in their own regions.⁴ These developments convinced the central leadership that if the centre–province relations were to be amended, then the key lay in altering the fiscal relations. These developments also showed that while fiscal decentralisation at a superficial level appeared to be related to tax payments and other related fiscal implications, conflicts between the centre and provinces were political at the core. This assessment is supported by the fact that there were tensions along two different dimensions. First, it led to tussles between the conservative and the radical factions in the centre as to the pace and content of market reforms. There were also disagreements between the central and provincial authorities over the adoption or rejection of particular policies regarding development.⁵

³ Ibid.

⁴ Ibid.

⁵ Scholars like Shen Mingming, Professor, School of Government Management, Peking University, Beijing, and Bai Gang, Professor and Senior Research Scholar, Chinese Academy of Social Sciences, Beijing, share this viewpoint.

THE SECOND PHASE: 1994–PRESENT

The 1994 reforms involved the following changes: (1) It fundamentally modified the way revenues were shared between the central and provincial governments, (2) The tax structure was simplified and tax rates were standardised, (3) Local governments were no longer allowed to grant tax breaks, (4) The tax administration was centralised. Owing to these measures there has been a marked improvement in the centre–province relations. The earlier system that gave a lot of leeway to the centre and the provinces to exercise their discretion was replaced by a rule-based system. Those who violated the rules face the risk of greater costs now. This is widely considered as an attempt to fundamentally alter institutional arrangements related to the centre–province relations (Wang 1997:9). However, certain loopholes continued to plague the centre–province fiscal relations, and this directly or indirectly affected overall relations. For example, there were no constitutional restrictions to check the centre from altering the terms of agreement unilaterally; there was also no provision by way of which the centre could check the provinces from transferring revenues from budgetary sources to extra-budgetary sources, and this led to underpayment of revenues by the provinces to the centre (Wang 1997). However, despite such loopholes and no significant results from the viewpoint of increasing the centre's revenues, this fiscal policy is a major step forward in improving relations between the centre and the provinces.

COMPARISON OF THE REGIONAL DEVELOPMENT STRATEGY IN THE MAOIST AND THE DENGIST ERA⁶

The regional development strategy in the Maoist era was shaped by the objectives of self-reliance and egalitarianism. It relied heavily on redistributive measures in an attempt to equalise regional economic development. The Maoist regional development strategy was also based on the analysis of the imbalances between the coastal and interior provinces. The imbalanced regional development was considered inappropriate for the overall growth of the Chinese economy because of three reasons (Yang 1990: 230–37): First, sites of industrial production were geographically far away from the localities supplying raw materials. Second, the rich resources of the interiors could not be exploited. Third, since the coast was vulnerable in terms of its exposure to foreign powers, it was a major national security risk to concentrate the industries there.

The Maoist development strategy led to industrial investments that were concentrated towards the interiors. This policy, besides being justified by the national security risk factor, was also ideologically warranted. The traditions of commerce and trade in the coastal regions, it was argued, contained dangerous 'seeds of capitalism'. However, this policy led to various problems of inefficiency, and wastage of resources. Despite the great potential of the coastal regions because of their superior

⁶ This section has drawn some arguments from Dali Yang, 'Patterns of China's Regional Development Strategy', *The China Quarterly*, June 1990, pp. 230–57.

factor endowments to become strong economically, more investment was channelled towards the interior, although they promised no economic returns in the short term. Moreover, the policy of opting for defense-oriented industries so that China can withstand and fight any external attacks led to major investments in the provinces of Sichuan, Guizhou, Gansu, and Shaanxi, which lacked the desired levels of economic infrastructure but constituted the 'third front' of the 'three fronts' strategy. This policy led to industrial investment that was motivated by military considerations rather than economic considerations (Yang 1990: 236).

The post-Mao leadership headed by Deng Xiaoping was quick to address what they perceived to be the drawbacks of the Maoist development strategy. Deng's approach was characterised by the following features. (1) It was based on the theory of comparative advantages. (2) It launched a number of preferential policies in favor of the coastal areas to make them competitive internationally. (3) It departed from the concept of the 'iron-rice bowl' and upheld an enabling strategy, which would help the backward sections to feed themselves (Yang 1990: 241). (4) This strategy subscribed to the 'trickle-down' theory of growth, by which the benefits of growth would percolate from the coastal areas to the interiors.

This approach to regional development was in consonance with the basic premises of Deng's overall developmental strategy that sought to give primacy to specialisation and efficiency. Xue Muqiao summed up this development strategy in the following words:

Within China advanced and backward regions must specialize. If everybody wants to be complete and self-sufficient, then no one can develop a comparative advantage. Backward regions should fully exploit their strengths by developing agriculture, livestock industry, fishery, etc. They should start with providing raw materials, and advance gradually toward rough processing and refined processing (Yang 1990: 126).

The proponents of the Dengist development strategy believe in what is called the 'step-ladder doctrine' (Yang 1990: 244). This doctrine believes that different regions are like steps on the ladder and those that are endowed with better infrastructure, favourable factors of production are like higher steps on the ladder. Therefore, it is economically rational and desirable to encourage the economic growth of these regions till they reach optimum levels of growth. In the long run the positive outcomes and the benefits are bound to trickle down to the other regions. However, the opponents of this doctrine argue that the interiors are already lagging behind in economic development and lack of assistance, and preferential policies towards them will only lead to widening of the gulf between the coastal areas and the interiors. This will result in the western regions' forever losing the possibility of 'taking off'.

As mentioned earlier, the Dengist regional policy was a component of a development strategy that believed in giving a fresh lease of life to factors like efficiency, specialisation, and initiative of localities. These were factors that were not prioritised by the Maoist leadership because of different ideological premises underlying the approach

to growth and development. But the benefits of Deng's development strategy are yet to trickle down to the poorer regions. To make matters worse, the redistributive policies of the centre towards the interior regions have not been of the levels desired. The leadership justified this policy by stressing that it sought to build an economy where the centre would at best only help the poorer regions to create enabling conditions of growth and desist from making major concessions. In a market-driven economy the backward regions are struggling to compete with the rich regions, which are not interested in sharing the spoils of economic growth. The centre in other words is faced with *the problem of striking the right balance between 'equality' and 'equality of opportunity'*.

The present leadership seems to have realised this problem, and it has taken some new measures to address the problem of imbalanced development. For example, the centre has now established a special office in Beijing to oversee transformation of the old industrial bases (Yan: 2004). This is a major step in promoting the cause of these regions in the sense that it provides for an institutional guarantee that the interests of the poorer regions are being looked into and the centre is serious about the economic development of the backward western and northeastern regions. Second, the centre is trying to encourage the backward regions to form regional blocks of economic co-operation. For instance, on 8 January 2004, the State Council Information office sponsored a meeting of the governors of China's northeast industrial belt to discuss and exchange opinions on ways to brief new investors and raise capital (Zhao: 2004). The centre is also encouraging the interiors to use their own local strengths and resources to positive effects. The backward region of Xinjiang is a good example in this regard. The centre is encouraging the local government, which is trying to devise a new development strategy for its economic growth. The two major components of this new strategy of development are as follows. First, the provincial government is shifting its priority to fields with high value additions, such as petrochemicals and downstream agricultural products. Zhang Qingli, National People's Congress Deputy and vice-chairman of the Xinjiang Uyghur Autonomous region, says, "With plentiful reserves of oil, natural gas, coal, and minerals, the region is full of potential" (Fu: 2005). The second component of this development strategy is promotion of border trade. Xinjiang shares its borders with eight countries, and any measure taken to boost foreign trade is bound to create forward and backward linkages, resulting in the overall economic growth of the region. China launched its western development strategy in 1999 to help the relatively lagging areas, and the present dispensation is keen to carry this strategy to its next stage.

CONCLUSION: LESSONS FROM THE CHINESE MODEL

The Chinese development strategy in the last fifty-five years has been highly eventful. The transformation of the economy since the launch of the reforms has astonished

policy makers the world over. But at the same time, problems like inter-provincial rivalries, centre–province relations and growing regional disparities have also cropped up. Keeping this in mind, what are the lessons the developing countries can learn from China's developmental experiences.

First, the Chinese model is an apt example of the fact that even in a market economy, the state has enough manoeuvring space to address the negative consequences of market economy. China has shown that 'a synergy between a still all powerful state and a growing market economy can be sustained with impressive economic performances, even though the state involvement might take unorthodox forms' (White 1996). Second, there are certain lessons from the Maoist period that continue to be of some relevance not only to the developing world but also to the present and the future leadership in China. These lessons acquire greater salience in view of the current rural crisis in China. As was pointed out, 'the social gains of balanced development far outweigh the economic losses that result when industrialization is restrained. . . . For the predominantly poor and rural third world, the Chinese concern with the problems of the countryside makes good sense, especially in Asia, with its large and poor rural populations' (Frolic 1978: 384–418). With regard to the Maoist model, another important lesson the whole world, and not only the developing world, can learn is that 'any programme of change, to succeed, must grow out of the particular society's traditions and the well-understood needs of the majority of its people' (Oksenberg 1973: 1–16). As far as the market reforms are concerned, despite their various pitfalls and shortcomings, it is a fact that China is today a concrete example of an economic miracle unprecedented in history. So what are the lessons for other developing countries? From the Dengist model's point of view, the developing countries' leadership can learn that talks of revolution, debates about the pros and cons of capitalism, socialism and communism hold meaning only when they lead to improvement in the standards of living of people, and the best way to achieve and sustain legitimacy is to address the economic concerns of the people. Dele Olowu, an expert on public policy and administration, draws a distinction between decentralisation and local self-governance' (Olewu 1989: 201–231). He argues that what is widely perceived as decentralisation is at best deconcentration or administrative decentralisation. He contends that this kind of decentralisation cannot be effective without *steps taken for promotion of local self-governance*. In many post-colonial societies and developing countries, especially the African countries, the centre has tried to pursue a strategy of development that was bereft of provisions for local self-governance (ibid.: 204). However, in the case of post-Mao China, the Chinese leadership under Deng Xiaoping's guidance has proved that decentralised structures can accommodate self-governance, although this has been done only in the economic arena. The Chinese model of development, which has seen the devolution of decision-making powers to enterprises, the Household Responsibility System, Township and Village Enterprises and fiscal decentralisation, is ample proof that enlightened leadership can always come up with new ideas and policies to suit their respective countries' strengths and weaknesses and pursue a development strategy where the central leadership can have

a non-zero sum relationship with the provincial and local leadership through accommodation of local initiatives and strengths and promote economic and political governance at local levels.

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