The dynamics of the city-managing-county model in China: implications for rural–urban interaction

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ABSTRACT This paper aims to shed fresh light on rural–urban interaction and urbanization in a non-Western authoritarian context. It describes the change in post-Mao China from very vertical and separate government hierarchies for rural and urban areas, which inhibited rural–urban interactions, to a city-managing-county model, with rural counties around a city coming under the jurisdiction of the city government. Drawing on field research and statistical data, the paper elucidates the dynamics and complexities of this model, arguing that the combination of city-based bureaucrats favouring the city and the priority given to economic growth mandated by the central government often meant a lack of attention to rural development and support for county government. The paper also comments on the recent development of the province-managing-county model in China, and argues that given an urban-centred administrative system, whether the current reform can change the political and administrative equilibrium in China remains an open question.

KEYWORDS China / decentralization / local government / rural–urban interaction / urbanization

I. INTRODUCTION

Most of the development theory literature focuses on either urban or rural issues, with less attention to their interaction. Rural populations are supposed to engage in agricultural activities while urban dwellers are involved in industrial production. The landscape has changed substantially in recent decades, however, especially in the global knowledge economy. Many rural populations have promoted successful industrial production, tapping into rural resources; and some city dwellers rely on urban agriculture. “Straddling the rural-urban divide”, Tacoli argues, “is, in some cases and for some groups, an important part of survival strategies.”

Development theory suggests two approaches to strengthening rural–urban linkages. The first underscores a growth in the agricultural sector through enhanced investment, which may in turn stimulate industrial growth and urban development. The second solution lies in urbanization as a policy to address rural issues. China, the largest developing country in the world, has promoted both of these strategies for several decades. Sweeping administrative reforms have been promoted both to enhance investment in the agricultural sector and to urbanize rural areas, at least in some localities. The literature investigating the dynamics and impact of these reforms is scarce, however.
The city-managing-county model (CMC, shiguanxian) is a prominent feature of these administrative reforms. Although the city is a relatively new phenomenon in China, while counties (xian) as an administrative level have existed for over two thousand years, the city governments in authoritarian China currently have almost full authority over their subordinate district- and county-level governments. In recent years, however, there has been a huge dispute over this city-managing-county model among public sector practitioners and academics, dramatically increased by a new state policy promoting the province-managing-county (PMC) model.

Some puzzles remain unaddressed. What drove the CMC model at the very beginning? What was its impact on local governance? The reorganization of local administrative space in China has not received much scholarly attention. An in-depth analysis of the CMC model may contribute to an understanding of the dynamics and dilemma of public governance in China’s local state.

This article draws on field research in Hubei Province, in Central China, selected as a locality shifting from an agrarian economy to an industrial economy and struggling for rural–urban integration in China. Hubei Province, traditionally called the “land of fish and rice”, has been primarily rural (55 per cent of the population in 2008). Therefore, rural–urban interaction is crucial there.

The paper starts with an investigation of the origin of the CMC model and then examines its benefits and dysfunctions. This is followed by the Hubei Province case study, and a discussion of its implications.

II. THE ORIGIN OF THE CMC ADMINISTRATIVE SYSTEM

In today’s China, rural governance is key to understanding the complexities and difficulties of modern public administration. Evidence suggests that the widening income gap in China, which has attracted international attention, is substantially related to rural–urban inequality. Rural dwellers earn less and suffer more. Land grabs, corruption, and environmental degradation are widespread in rural areas. Scholarly literature has long paid attention to the dire consequences of urban-biased institutions in the country and called for an improved rural administrative system. Against this backdrop, the CMC model aimed to improve rural wellbeing through better rural–urban interactions. However, the policy has not achieved the desired goals.

In the Chinese planned economy, rural and urban areas were separated by means of two distinct and independent management lines controlled by the central government. In urban areas, the hierarchy was centre-province-city-district-street (jiedao)-neighbourhood; in rural areas, centre-province-prefecture-county-township-village. Prefecture agencies (diwu xingshu), not a formal level of government, were established by provincial governments to manage counties on their behalf, as there are around 70 counties in one province in China.

Under the planned economy, the central government adopted the tiaokuai system to strengthen effective control around the country. Kuai refers to local government, while tiao, the department or bureau, refers to the chain of command flowing from top to bottom. There was no direct kuai–kuai interaction. All resources and information had...
to be transferred through central or provincial government in a top-down manner via tiao–tiao relationships. Thus, a production unit in a city could not directly procure agricultural products from nearby rural counties, but had to request the allocation from central or provincial government.

From the late 1970s, the centrally planned Chinese economic system began to change to a market-based economy, which requires seamless cooperation among economic units, and the fragmented tiaokuai system was detrimental to this transition. At the Fifth Session of the Fifth National People’s Congress in 1982, the then Premier Zhao Ziyang reported:

“Rural and urban areas are divided into two separate parts. Government management is fragmented into tiaotiao and kuai kuai. These problems have caused duplication and waste in production. .... The Chinese government should establish some economic regions and make the relatively developed cities centres of these regions (to help with the development of the rural areas). That is the direction of the reform ...”(9)

The CMC model was established out of a concern for economic development but also for other reasons. One significant factor was the overstaffing of local governments caused by the segmented system. The central government noted that:

“In the same city or region, a prefecture agency, city government, county government, and township government exist concurrently. This causes the redundancy of government organs and sharply increases the number of government employees. The rural and urban administrative systems are divided and fragmented into isolated parts. Conflicts in the workplace between the prefecture agency, city government and county government are abundant, which affect government efficiency adversely. The current system hinders rural-urban coordination and development in the end.”(10)

The old system also seriously aggravated the rural–urban gap, as urban bureaucrats dominated decision-making in the planned economy, and agricultural production primarily served to enhance industrial manufacturing. The value of agricultural products was arbitrarily distorted to low levels compared with market values. After several decades, the rural–urban income gap had widened significantly, and an increasing number of rural residents tried to move to urban areas despite the migration restriction system (the hukou system) imposed in 1958.

As Whyte notes, the foremost social cleavage in China was the rural–urban gap; addressing the issue would not only contribute to improving economic performance and government efficiency but also mitigate the problem of “one country, two societies”.(11) Therefore, the significance of the CMC model should not be underestimated.

In 1983, the central government announced the CMC model and implemented three measures to promote it: (1) merging the city with the prefecture as a new city; (2) bringing nearby counties under the new city
government’s jurisdiction; and (3) updating the prefecture agency to a city government agency to manage the original prefecture’s counties. The central government’s document stated:

“Our reform aims to implement the CMC administrative system gradually. With the economically developed city as the centre and the rural counties as the supportive base, the system will integrate the rural and urban areas and make them both utilise their respective advantages. Under an integrated planning and leadership, rural-urban interdependency and mutual assistance will propel economic, social and cultural development in the whole area.” \(^{(12)}\)

This document further pointed out that city governments should pay equal attention to administrative work in urban and rural areas, preventing the exploitation of rural areas and reducing the dependence of rural areas on urban areas:

“The new city government should not only effectively manage the urban area, but also the rural area. It should avoid loosening the supervision of rural development and further expanding urban administrative space to rural areas, particularly in large and middle-sized cities. On the one hand, the rural area should not only be viewed as the base of agriculture production. On the other hand, we should avoid the rural area being dependent on the city and reaching out their hands for all kinds of resources.” \(^{(13)}\)

In reality, it is not easy to strike this balance. Under the CMC model, the city government had direct control of rural governments and, from personnel appointment to agricultural production, would have the final say. The central government was clearly aware that bringing rural administration under a city umbrella was likely to erode the autonomy of rural governments.

A caveat is in order. Two differences between cities and rural counties in China are meaningful for understanding the context within which the CMC system was developed. First, while the urban area focused on industrial development, the rural area emphasized agricultural development. If rural–urban integration were implemented effectively, the CMC model would enhance the wellbeing of both. Second, while urban land was government-owned, rural land was collectively owned by villagers. \(^{(14)}\) As urban administrative space expanded under the CMC model, a problem was that some urban bureaucrats tended to grab rural land, generating conflict with villagers.

In all, the thrust of the CMC model was to enhance rural–urban interconnectivity and interdependence. Meanwhile, urban and rural governments maintained their distance to utilize their respective advantages under the leadership of city governments.

As shown in Figures 1 and 2, after 1983, there was a phenomenal increase in both the number of prefectures upgrading to cities and the number of counties led by cities.

By 1999, 97 per cent of city governments supervised surrounding counties. \(^{(15)}\) By 2003, there were 272 cities (prefecture, deputy-provincial and provincial level) governing 1,262 counties, 312 county-

**FIGURE 1**
Number of cities: an upward trend


**FIGURE 2**
Number of counties “managed by cities”

NOTE: The cities that manage counties include centrally managed cities and prefecture-level cities. The term “counties” refers to counties and county-level cities.

level cities, and 845 districts, with each city managing on average 5.79 counties.

Before investigating the benefits and perils of the CMC model, we should pay attention to the impact of some fundamental policy changes that occurred at the same time. One was the embrace of city-centred special economic zones in coastal areas. There was a development zone craze and many rural villages, towns, and even whole counties were transferred into city districts to promote industrial activities, with rural land converted into urban land, sometimes simply by administrative fiat. In the meantime, the *hukou* system was relaxed to some extent, and more rural residents moved to the city, providing cheap labour for urban development. These policy changes, together with the CMC model, paved the way for economic growth, but also led to some dysfunctions in socioeconomic development.

III. THE BENEFITS OF THE CMC MODEL

The benefits of the CMC model were manifest from the beginning. First, with a city-centred administrative system, city governments could have a master plan for area-wide development, thus enhancing a region-based economic development strategy. More often than not, under the five-year regional master plans promoted by city governments, individual counties could utilize their own advantages. Neighbouring counties even formed production cohorts to increase their market power. For example, some counties provided raw materials while others utilized their advanced manufacturing bases to enhance mutual interests. In cases of interest conflicts among counties, city governments mediated the disputes.

Second, through integrated programmes, city governments promoted better commodity flows between urban and rural areas. Under the previous planned economy, commodity flows had been subject to central government planners. With the introduction of the CMC model, city governments could make decisions on commodity exchanges within their jurisdictions. Some city governments also contributed to labour migration through *hukou* system reforms allowing rural peasants to have urban status under certain conditions. As noted by Ma, the CMC could “help break down the ‘city = industry’ and ‘village = agriculture’ dichotomous development categories” adopted in China.

Third, city governments played a major role in improving income redistribution in their jurisdictions. Given serious income disparities around the country, city governments could distribute financial resources generated from state-owned enterprises in urban areas or rich counties to needy counties to narrow the income gap.

Fourth, as noted by Ma, the CMC model could help enhance state power in the countryside with a powerful, integrated, urban-based administrative system. This is important for an authoritarian country.

IV. DYSFUNCTIONS IN THE CMC MODEL

The CMC administrative system broke down the old segmentation between rural and urban areas and between “horizontal” geographical...
units (kuài–kuài) and function-based “vertical” systems (tiao–tiao). However, instead of bridging rural–urban developments in the interest of both, city governments often gathered all resources within their jurisdictions to strengthen the infrastructural and industrial development of the urban areas. Central city areas usually saw great improvements in terms of infrastructure and public services, while development in the rural areas lagged far behind.

The CMC system also resulted in new city–county conflicts. The ambiguous division of government functions was key to these tensions. There was little difference in the functions of different levels of government, particularly at the grassroots level in China. Some literature referred to the phenomenon as the “isomorphism of government functions” (zhize tonggou). Given the chronic underfunding of local governments, both the city and county levels strived for more resources from higher authorities and tried to shoulder fewer responsibilities. Although most, if not all, local governments benefited from phenomenal economic growth, their fiscal capacity did not improve substantially given the increasing demands for public goods provision. In reality, city and county governments were overlapping and competing agencies sought increased central transfers under huge fiscal constraints.

Even though the CMC system was designed to promote city–county cooperation and each city government was expected to plan for its whole territory, city governments were infamous for taking resources and extracting funds from subordinate levels. There were a number of expressions to describe the situation: “city extorting county” (shiguaxian), “city squeezing county” (shijixian), “city blocking county” (shikaxian), “city living off county” (shichixian), and “city suppressing county” (shiyaxian). In reality, the urban-centred administrative system and the tensions associated with the hierarchical relations between city and county governments had many negative consequences.

a. Centralized management authorities

Often the centralized management authority of city governments contributed to a decline in discretion and autonomy at the county level. Based on classic decentralization theory, power related to micro-level issues should have been decentralized to lower-level governments in order to utilize grassroots information advantages. However, city governments, more often than not, controlled powers related to daily economic activities, such as credit and loans, taxation, and the administration of business and industry (in particular the examination and approval of both public and private projects). Other functions, such as public education, culture promotion, and health care, were also partially controlled by city governments. Two consequences emerged. First, this hindered economic development at the county level. County governments could approve only small projects, and applications for all large projects had to go through higher authorities, involving substantial delays, increased costs, and even corruption. Second, county governments suffered from reduced government revenue. With the loss of authority, county-level government also lost fiscally. For example,
b. Fund diversion in central transfers to local governments

The importance of central transfers to local governments in China has recently increased dramatically. Most local governments, other than a few in coastal areas, rely heavily on central grants to cover basic expenditures, and the central government has made explicit efforts to enhance local fiscal capacity, especially at the county level. But the de facto practice of grant flow through governments, level by level, before reaching the final recipients, means intermediate governments may grab central grants. Under the CMC model, there was in fact widespread leakage of public funds. For example, in 2003, the State Ethnic Affairs Committee allocated a 0.8 million yuan (US$ 130,000) project fund to Dongxing County, but 37.5 per cent of the fund was held back by Fangchenggang City.

33. Cannon, T (2004), China and the spatial economy of the reforms: Understanding topocracy and the “local developmental state”, Centre for China Urban and Regional Studies, Hong Kong Baptist University, Hong Kong.

34. The exchange rate used in this article is US$ 1 = 6.14 yuan (27 November 2014).

35. See reference 31, page 33.

36. Cannon, T (2004), China and the spatial economy of the reforms: Understanding topocracy and the “local developmental state”, Centre for China Urban and Regional Studies, Hong Kong Baptist University, Hong Kong.


Dongxing County, on the border with Vietnam, used to earn tens of millions of yuan annually by collecting a service fee from every visitor to Vietnam. However, Fangchenggang City, to which the county is subject, centralized this fee-collecting authority because it could enrich the city coffer.

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Another “battleground” was economic development. Attracting investments, both foreign and domestic, was vital to local governments’ survival under the framework of fiscal decentralization. More importantly, the Chinese development approach was rather localized, with every level (region) of government attending to its own revenues. This meant frequent battles between supervisors (city governments) and supervisees (county governments).

For example, city governments in economically weak Central and West China directly competed with the county governments in their jurisdictions to attract external investments. More often than not, a city government would deploy its superior authority for its own benefit, to the extent of directly centralizing an investment project originally secured by a county. The tax revenue of the project would then be taken solely by the city government, and the project would be seen as a political achievement of the city leaders.

County governments took several countermeasures. One was to attract external investment through a lower price for public land and more preferential policies for the investor. Another was to insist on a share of tax revenue as a condition of agreeing on the investment project being centralized. The third was to increase the price of raw materials or prohibit their sale to outsiders (including buyers at the city level). The situation, in other words, made some county governments take a beggar-thy-neighbour policy toward economic development.

d. Shirking responsibilities

While fighting over power and revenue, both the city and county governments sought to get out of their expenditure responsibilities. Some
city governments, while focusing their attention and expenditure only on urban areas, also “decentralized” their responsibilities to the county governments. Some even requested county governments to share the cost of urban public construction projects although county residents received almost no benefits from them.  

County governments took counteractions, decentralizing expenditure responsibilities even further to township governments or providing inferior services (or none), using the excuse of fiscal insufficiency. This increased the burden on local residents and resulted in widespread dissatisfaction with government service delivery. County governments also faced the pressure of sustaining or improving their GDP ranking within the province, which might be directly related to their chief officials’ promotions in the hierarchy. Thus, they poured public money, which might have been used to improve public services, into urban construction within the county with the aim of attracting external investment to boost GDP growth.

Recently, the conflicts at city level have led over 20 provinces to experiment with the reform of the “province-managing-county” (PMC) model, eliminating the city government. This model allows counties to relate directly to the provincial government, bypassing city government as a formal intermediate, at least fiscally.

V. THE HUBEI PROVINCE CASE STUDY

In China and beyond, although the CMC model has been debated recently, there is not much empirical data to inform the debate. It is essential to examine the model in practice. We have done fieldwork in several cities and subordinate counties in Hubei Province to unveil the dynamics of the CMC model. Our data comes from official statistics, archives, news reports, and first-hand interviews in different localities between 2008 and 2010. As the CMC model had been around for three decades, it was difficult to find leaders who played key roles in the early period of the reform. We examined their formal speeches or memoirs to investigate their opinions on the CMC model in the 1980s, while using field interviews to explore the more recent development of the CMC model.

a. Origin of the CMC model in Xiangfan City

In 1983, Xiangfan City, a traditional industrial base, was requested to manage eight counties, besides four urban districts, with a total population of 6 million, of whom only 0.4 million were urban residents. Mr Zhang, the Party Secretary of Xiangfan City, promoted the CMC wholeheartedly. He argued that the shortcomings of rural areas were the strengths of urban areas, while the shortcomings of urban areas were strengths of rural areas. Integration of the two could create comprehensive advantages. In the past, the city government only focused on urban affairs while counties focused on rural affairs. The CMC model could make it possible to jump out of the “closed economy” and promote rural–urban integration. Zhang said:
“... the city should both lead and manage counties, and more importantly, the city and the counties should work with each other. It is important to have counties led by city units under the city’s supervision. Therefore, a city-county conglomerate, based on city-county cooperation, is one of the key aims of the economic reform and the CMC approach to regional development.”

b. Contribution to rural–urban integration

In 1983, the gross industrial output value of Xiangfan City was 2.6 billion yuan (US$ 423 million), to which the city and county each contributed 50 per cent, while gross agricultural output value was 2 billion yuan (US$ 326 million). Three years later, gross industrial output value increased to 6 billion yuan (US$ 977 million), with the county proportion sharply increased to 63 per cent. Gross industrial output value relative to gross agricultural output value increased from 13:10 in 1983 to 32:10 in 1988, a gain attributed to the development of township and village enterprises (TVEs), mainly in the counties. TVEs were mainly focused on textiles (bed sheets, towels, garments, etc.), installation kits, automobile parts, and foundry outputs – widely needed products that required neither complex technology and equipment nor heavy investment. About 110 enterprises in Xiangfan City established cooperative relations with 860 TVEs in subordinate counties and transferred over 900 kinds of production to those enterprises, which produced 16 million items.

The CMC model made a significant change to grassroots administrative units. For example, a Yicheng County factory, which produced a basic electronic part of TVs and radios, only turned out 3,800 products annually. After collaboration with the TV Factory of Xiangfan City, production went up to over 660,000 pieces annually.

A steelworks in the prefecture produced 30,000 tonnes of steel annually, but it did not have the capacity to roll steel; meanwhile, a rolling mill in Xiangfan City could handle 40,000 tonnes of steel annually, but did not have steel-making equipment. The two factories were only 5 kilometres apart. Before the CMC model, they operated independently as they were managed by different levels of government. With the CMC model, they worked together; therefore redundant construction was avoided and there were significant savings on production costs.

Before 1983, factories in rural areas could not sell products directly to those in urban areas. Under the CMC model, city governments allowed rural enterprises to establish shops to sell their products in urban areas. Xueping Township in Xiangfan City set up a marketing cooperative in the urban area to sell over 400 kinds of agricultural products. Over the first six months, their sales were over 120,000 yuan (US$ 19,500), unbelievable for a township production unit at that time. Rural residents also pursued other opportunities in the urban areas – some became factory workers, while others set up hotels, restaurants, photographic studios, general stores, etc., which met the needs of urban development and enriched the rural entrepreneurs. By 1985, over 67,000 shops were run by rural entrepreneurs, with their employees accounting for 16.4 per cent of the total urban population of Xiangfan City.
From 1983 to 1985, 59 urban enterprises signed long-term contracts with village enterprises and peasants in Xiangfan City, and invested 13 million yuan (US$ 2.12 million) in agricultural production to provide technical assistance, seeds and chemical fertilizers. An agricultural base of 0.2 million acres was established, including tea leaf, tobacco leaf and silkworm production. The cooperation provided agricultural products for the market and helped rural residents sell what they produced.(53)

The city government also played a redistributive role between counties and townships. In 1985, Xiangfan City used 44 per cent of its revolving funds to support county development, and gave special assistance to poor counties, such as by reducing agricultural taxes in 93 poor mountainous townships.(54) These taxes were the main revenue source of township and county governments, in particular those in poor areas dominated by an agrarian economy, and the revenues were shared between different levels of government. When the city government removed its claim, it meant that the township government could make use of all agricultural tax revenues, allowing for improved public goods provision.

City leaders praised the CMC model, and county leaders confirmed its positive impact in their jurisdictions.(55) In Yun County, for instance, a less developed mountain area in Hubei Province, Mr Guo, the Party Secretary, noted the huge benefits derived after the county became managed by Shiyan City, famous for its automobile production. The CMC model was promoting local economic development, creating new job opportunities, and integrating rural and urban markets in the areas of commodities, human resources and technology.

Chung(56) points out that, compared to the planned economy, the CMC model promoted horizontal linkages among sectors and regions. Rural enterprises affiliated with county governments could readily work with enterprises in the urban area, no matter the sectors or affiliations.

c. The predicament of the CMC model

While the CMC model contributed to rural–urban interconnectivity and interdependence, it also caused city–county conflicts. As noted by Gao and Pu, “counties have become the city’s backyard of raw materials, suppliers of cheap labor, and markets for their old equipment.”(57)

In the early days, Mr Zhang,(58) the Party Secretary of Xiangfan City, observed the inherent problems, noting that the city government bureaus centralized more powers and authority, and strengthened control over counties as a result of the hierarchical administrative system; also, counties relied on the city for investments, funding, resources and raw materials. Although city governments were not supposed to exploit rural governments to promote urban development, and rural governments were not supposed to rely on higher authorities for financial assistance, in the end both scenarios occurred. With the CMC model widely applied, rural–urban separation was generally broken, but tension between rural and urban areas increased.

Fiscal constraints on local governments aggravated the problem. With the highly decentralized fiscal system, each level of government had to obtain the revenue to provide the public goods they were responsible for.(59) Without effective coordination, they became competitors for fiscal resources. According to a report by the Department of Finance of Hubei

54. See reference 53, page 44.
58. See reference 43, page 97.
60. Wang, H X (2005), “Shixing
Province in 2003, 13 city governments “grabbed” 0.33 billion yuan (US$ 53.75 million) from their subordinate county and district governments, provided by the central and provincial governments to alleviate local fiscal shortages. According to Xian’an District’s report, Xianning City in Hubei Province had “grabbed” around 0.15 billion yuan (US$ 24.43 million) within five years after managing Xian’an District. One Xianning City government report admitted that the city government retained 50 million yuan (US$ 8.14 million) of transferred grants.

Some grassroots officials argued that the problem was due to urban bureaucrats’ luxurious lifestyles. In China, the formal salary of government employees consists of a basic salary, allowance, and December bonus. The basic salary has to adhere to the national pay scale, while the allowance (as much as a third to a half of total income) is up to local governments. Officials of Xian’an District complained that their allowance was 10,000 yuan (US$ 1,630) per year less than that of Xianning City’s officials of the same rank, although living costs were comparable.

Under the CMC system, the city government could decide on revenue sharing and, more often than not, used its power and authority to its own benefit. One ex-county party secretary in Hubei Province lamented:

“… Following the example of Wuhan City [the largest city and also the capital of Hubei Province], which centralized the most profitable and largest projects to the city level, other city governments in Hubei Province have also ‘seized’ many profitable local projects and resources for themselves. You cannot really challenge it, as the lower-level government is subordinate to the higher one. Under the hierarchical administrative system, lower-level governments can do nothing to check higher-level governments …”

At the same time the city government officials complained that county-level governments did not cooperate in attracting external investment, but used lower land prices and tax relief policies to vie for projects and investment.

VI. DISCUSSION

In a survey of county executives in 1990, roughly 56 per cent of interviewees reported a mixed impact of CMC on local socioeconomic development. 19 per cent viewed the CMC positively while 25 per cent of them took the opposite view. In a more recent large-scale survey of state cadres almost 60 per cent argued that the local spatial/administrative system should be reformed while almost 50 per cent felt the CMC should be restructured to empower county governments. Over 76 per cent of respondents felt that eradicating city governments was the best route to a good spatial/administrative system.

Intriguingly, the attitude toward the CMC model was initially positive and even though criticism arose in the 1990s, the number of cities and counties adopting the CMC model increased steadily, as shown in Figures 1 and 2. Why then was the CMC model blamed for dysfunctions in the rural–urban administrative space more recently? Were there some “structural defects inherent in it”, as Ma suggests?
As noted previously, development theory suggests two approaches for enhancing rural wellbeing and rural–urban linkages. The Chinese government paid attention to both, but nevertheless, urban primacy was gradually more stressed. Local governments toed the line of higher authorities not only because of the top-down personnel appointment system but also due to fiscal shortages at the local level. As economic growth was a dominant consideration imposed by the hierarchical authority structure, city growth, by and large the engine of more general economic growth, was espoused as a top priority by local leaders. The parallel growth of rural areas, which the CMC model was intended to promote, had been ignored, which led to dysfunction.

Urban-based bureaucrats had limited connections with nearby rural areas in the early period of the People's Republic of China, as their management was tightly linked to a centrally directed economic system in Mao's era. Rural–urban interactions were minimal and negligible. Under the CMC model, urban bureaucrats expanded their regional power bases to the countryside and rural–urban cooperation was intensified. As noted previously, city governments even played a redistributive role in mitigating regional income gap. Nevertheless, when the market economy was introduced in the early 1990s, economic growth with an emphasis on investment and exports was in fast ascendancy on government agendas. In addition, the promotion of leaders was closely related to economic development. Urban growth was visible and achievable, and local leaders embraced it, treating counties as supportive bases for urban development and GDP growth. In the meantime, county leaders promoted rural industries as well, and it was not surprising to see city governments and county governments competing for external investment and resources from the central government. Based on our analysis, the failure of the CMC model might be due not to “structural defects inherent in it” but to the complicated politico-economic circumstances in China since the 1980s.

The Chinese government has recently espoused the province-managing-county (PMC) model in a bid to further enhance rural economy and public goods provision. Empirical evidence on the impact of this model is mixed. Some argue that it reduces transaction costs and improves the local economy while others take a cautionary stance. The CMC model played a positive role in utilizing both urban and rural advantages and mitigating regional income gaps in the 1980s, but nevertheless turned out to be an obstruction to rural–urban integration in the end. Given that both the urban-centred administrative structure and the GDP-oriented accountability system are still in place, whether the PMC model can break the political and administrative equilibrium in China remains an open question.

VII. CONCLUSIONS

This paper investigates the dynamics of the city-managing-county model in China, an important part of the country’s administrative/spatial restructuring that had profound administrative and political implications. Through an integrated hierarchical administrative system, it attempted to enhance rural–urban interaction, make cities an engine of the country's economic growth, address regional income inequalities, and promote urban and rural development simultaneously.
In the 1980s, the CMC model did improve horizontal linkages between urban and rural spaces and enhance the competitiveness of rural industries. However, the benefits faded soon after the market economy was introduced in the early 1990s, when urban-based bureaucrats wholeheartedly pursued GDP growth by enhancing urban investment and exploiting rural spaces.

The more recent promotion of the PMC model aims to bypass city governments and allow counties to receive central transfers directly from provincial governments. Nevertheless, the fundamental political and administrative structure remains intact and the GDP-oriented accountability system is still in place. Without fundamentally addressing these politico-economic factors related to the dysfunctions of the CMC model, the current reform may be hitting the target but missing the point.

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