



New Dynamics of Governance in the 21st Century:

The Case of China

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Outline

1

- Challenges

2

- Governance in transition

3

- Mechanisms of institutional adaptation

Challenges

- A giant country going through multiple socio-economic transitions in the era of globalization



A Giant among Large Countries

Country	Population	Area
China	1,330,141,295	9,596,961
India	1,173,108,018	3,287,263
EU-27	501,259,840	4,324,782
United States	310,232,863	9,826,675
Indonesia	242,968,342	1,904,569
Brazil	201,103,330	8,514,877
Pakistan	177,276,594	796,095
Bangladesh	158,065,841	143,998
Nigeria	152,217,341	923,768
Russia	139,390,205	17,098,242
Japan	126,804,433	377,915
Mexico	112,468,855	1,964,375
Philippines	99,900,177	300,000

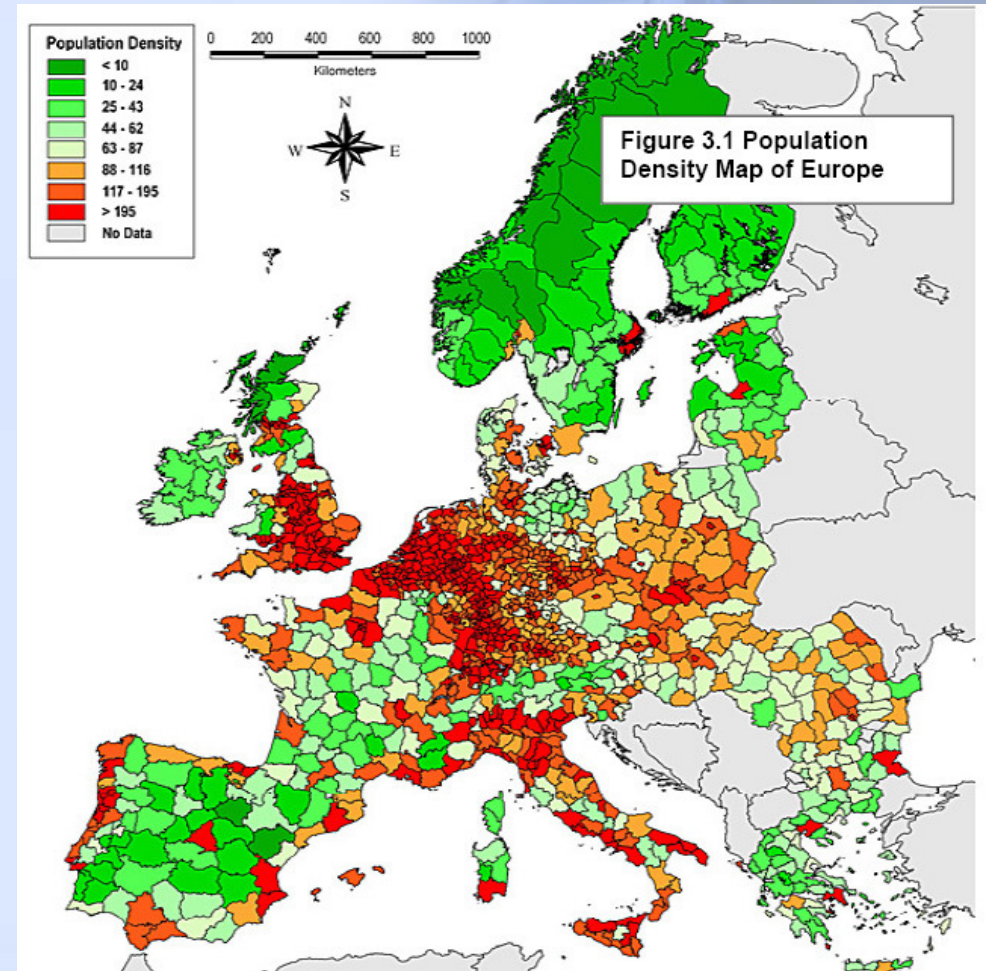
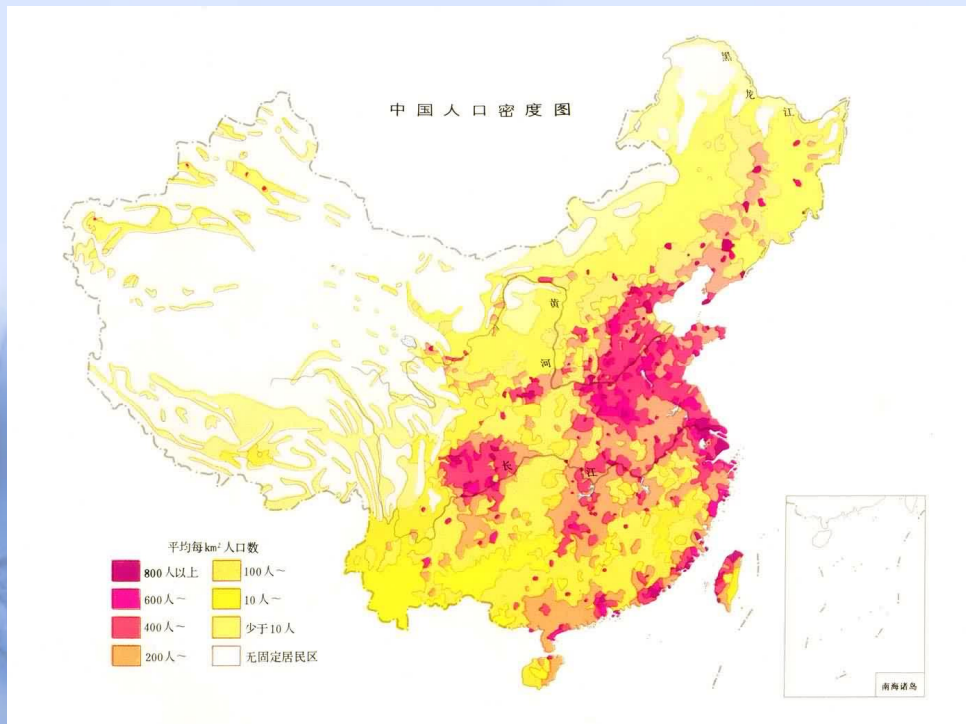
Size and Governability

- Plato
 - The optimal size of a polity 5,040 heads of families
- Aristotle
 - “Experience has shown that it is difficult, if not impossible, for a populous state to be run by good laws.”
- Montesquieu
 - “In a large republic, the common good is sacrificed to a thousand considerations. It is subordinated to various exceptions. It depends on accidents. In a small republic, the public good is more strongly felt, better known, and closer to each citizen.”

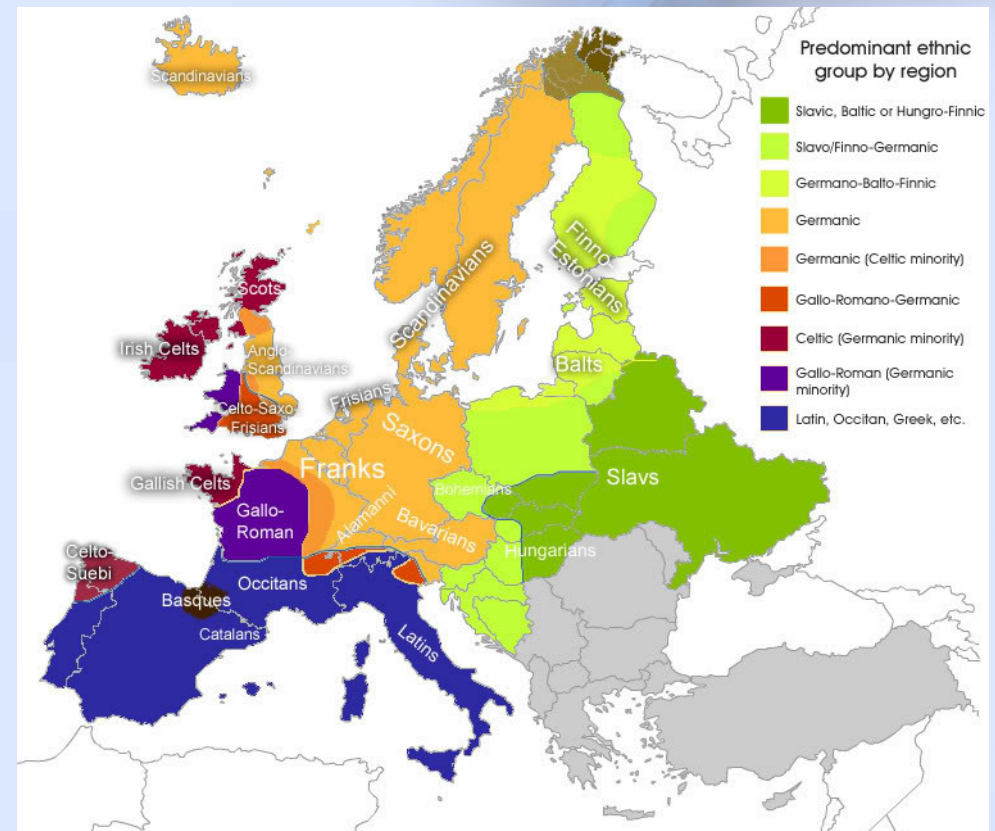
Drawbacks of Large Size

- Large population
 - Greater ethnical, religious, linguistic, cultural, economic heterogeneity
 - A population too diverse in their attitudes and preferences for the central government to satisfy
- Large area
 - Higher unit costs of public goods provision
- Large country
 - Too diverse to apply a single model of anything
 - Too many layers of government to be well coordinated

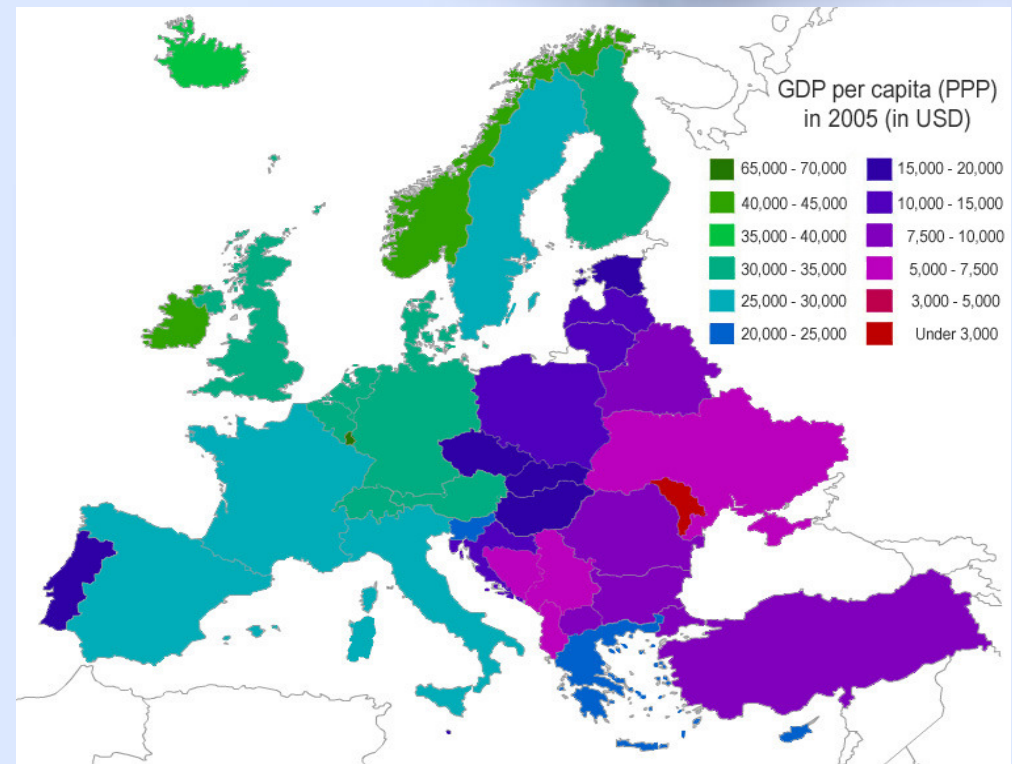
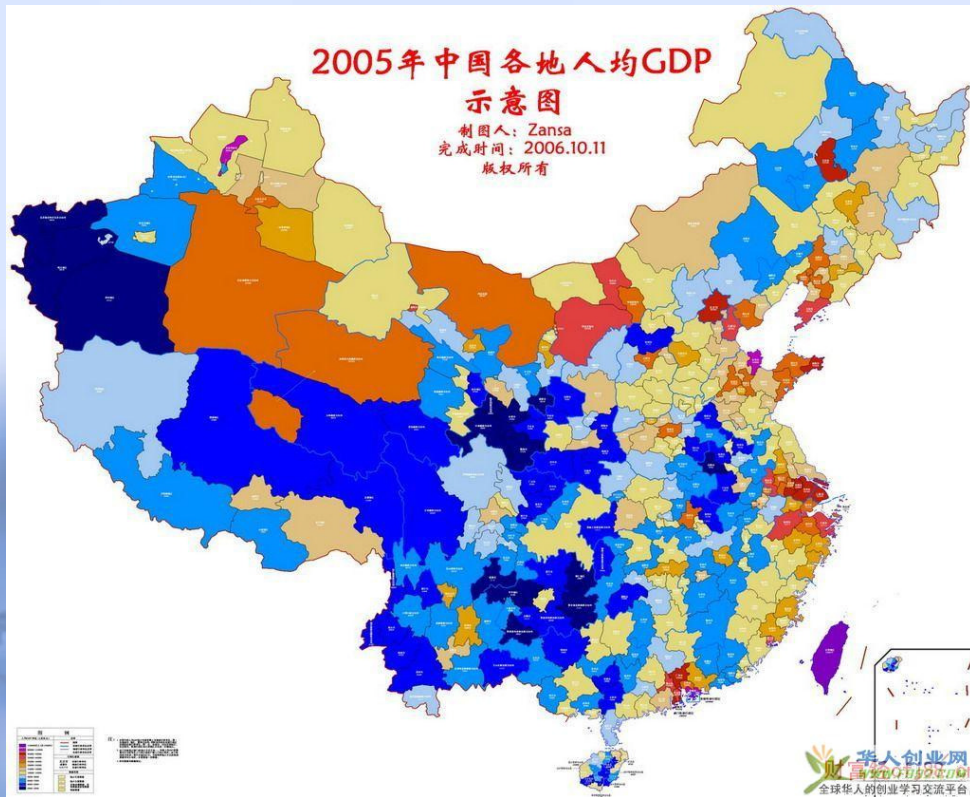
Diversity □ Population Density



Diversity: Ethno-linguistic Groups



Diversity: Per Capita GDP



Territorial Divisions 2008

1. China
2. Province (31+3)
3. Prefecture (333)
4. County (2,859)
5. Township (40,828)
6. Grassroots (687,698)

1. EU
2. Member states (27)
3. NUTS 1 (97)
4. NUTS 2 (271)
5. NUTS 3 (1,303)
6. LAU (120,000)

China's Size and Its Governability

- “First, and most superficially, I was imbued with a deep sense of the ungovernability of such a gigantic country that spans so much territory and includes so many different peoples.”

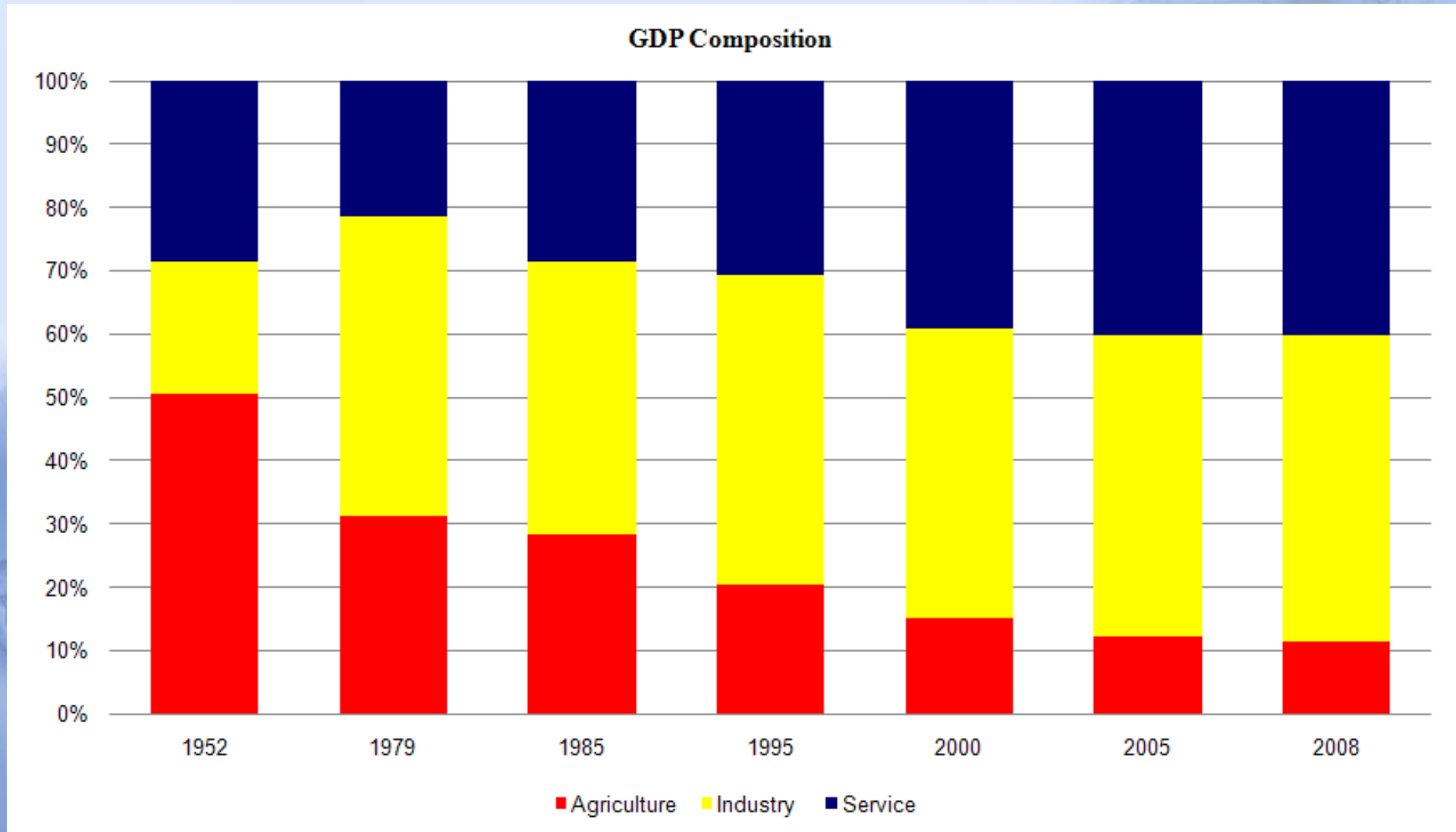
---Dr. Ethan J Leib

(University of California, Hastings College of Law)

Multiple Economic Transitions

- Economic structure
 - From agriculture to service
- Mechanism of resource allocation
 - From plan to market
- Ownership structure
 - From public to mixed
- Employment structure
 - From public to private
- Degree of openness
 - From close to open

Economic Structure



Mechanism of Resource Allocation

Table 1.3. Share of transactions conducted at market prices
Per cent of transaction volume

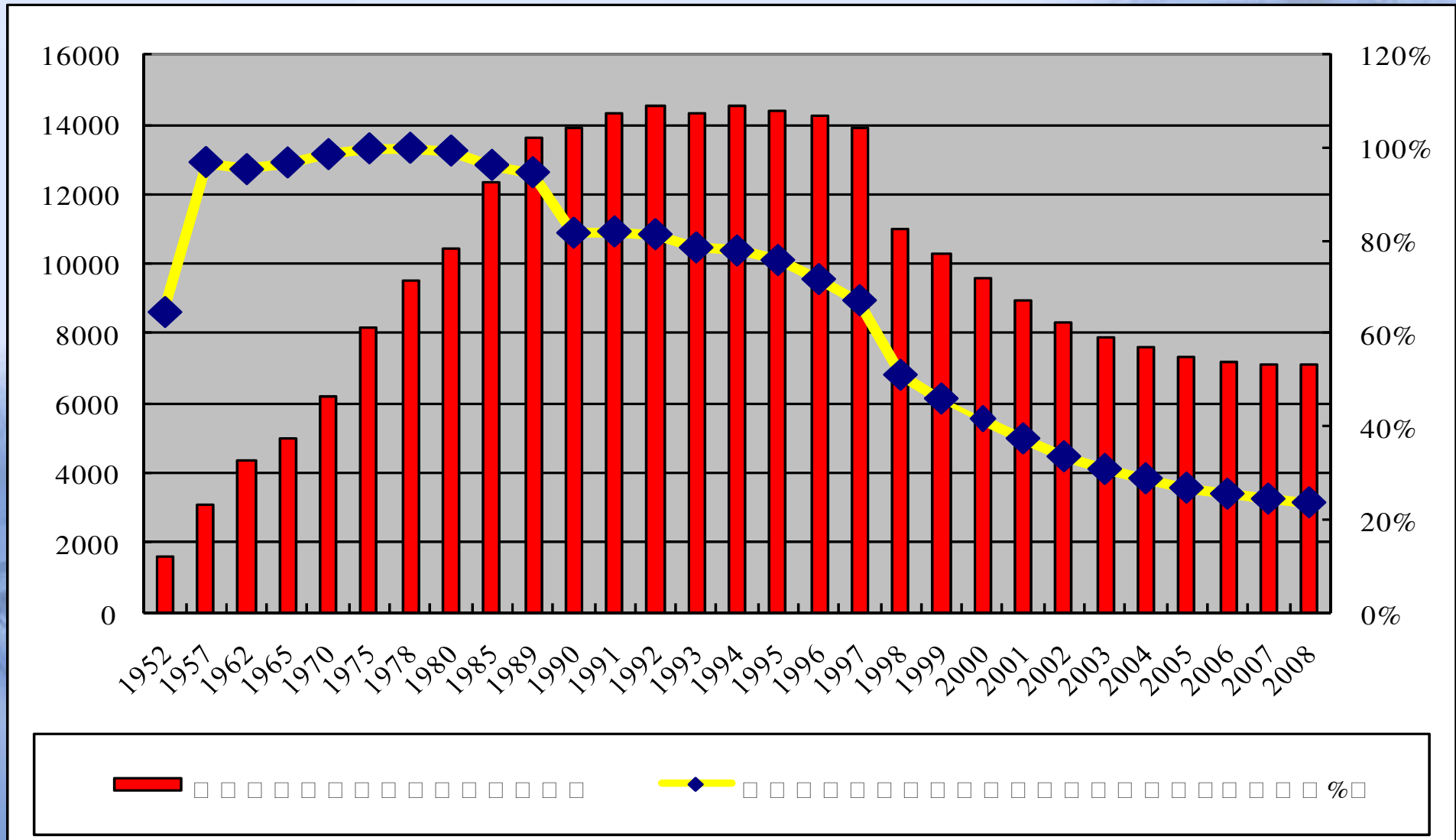
	1978	1985	1991	1995	1999	2003
Producer goods						
Market prices	0	13	46	78	86	87.3
State guided	0	23	18	6	4	2.7
State fixed	100	64	36	16	10	10.0
Retail sales						
Market prices	3	34	69	89	95	96.1
State guided	0	19	10	2	1	1.3
State fixed	97	47	21	9	4	2.6
Farm commodities						
Market prices	6	40	58	79	83	96.5
State guided	2	23	20	4	7	1.6
State fixed	93	37	22	17	9	1.9

Source: National Reform and Development Commission and Price Yearbooks.

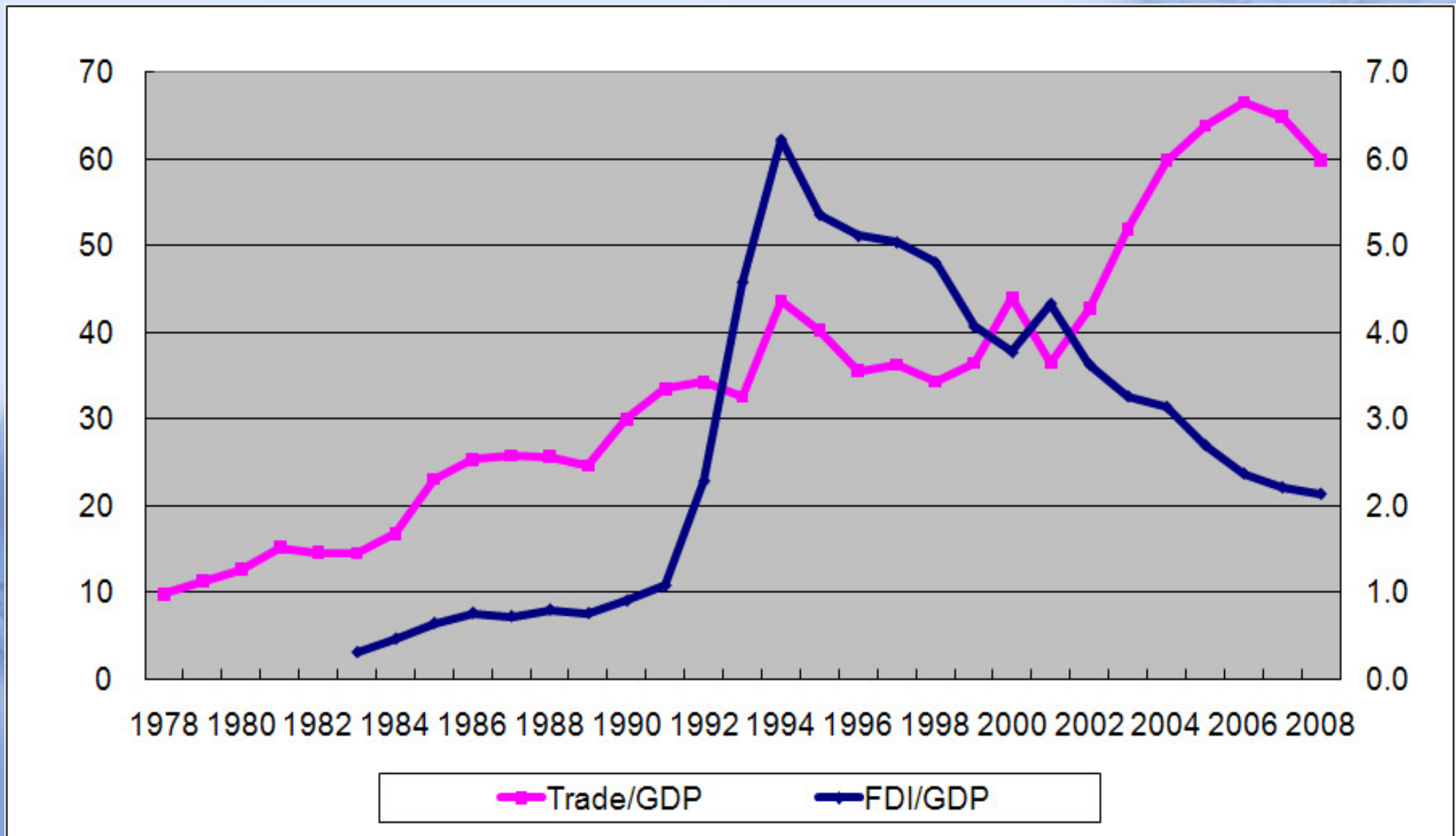
Ownership Structure

	Public			Private	
Year	SOE	COE		Private	Self-Employed
		Cooperative	Joint		
1952	19.1	1.5	0.7	6.9	71.8
1957	33.2	56.4	7.6	0	2.8
1978	56.2	42.9			0.9
1997	41.9	33.9		24.2	
2005	31	8		61	

Employment Structure



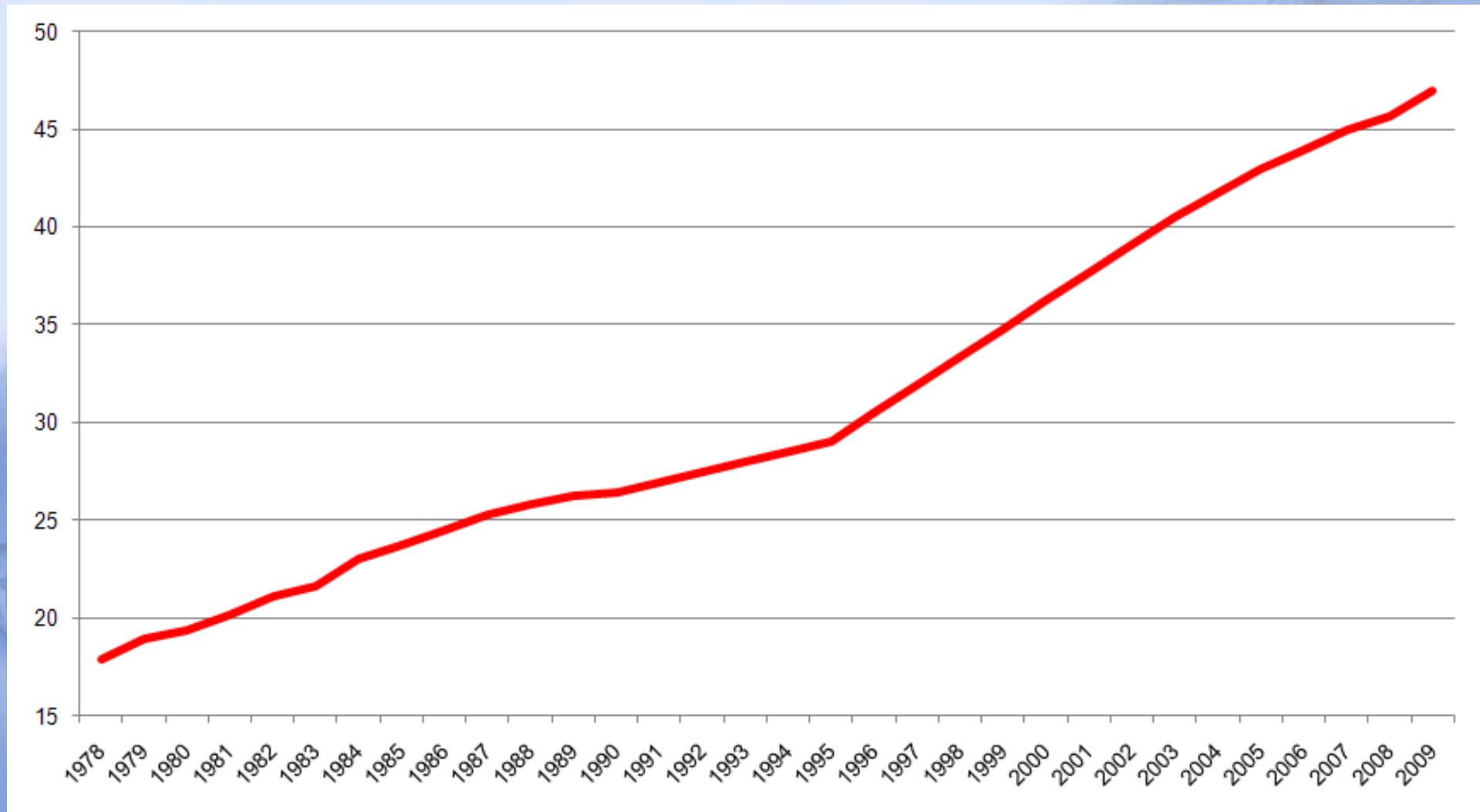
Degree of Openness (%)



Multiple Social Transitions

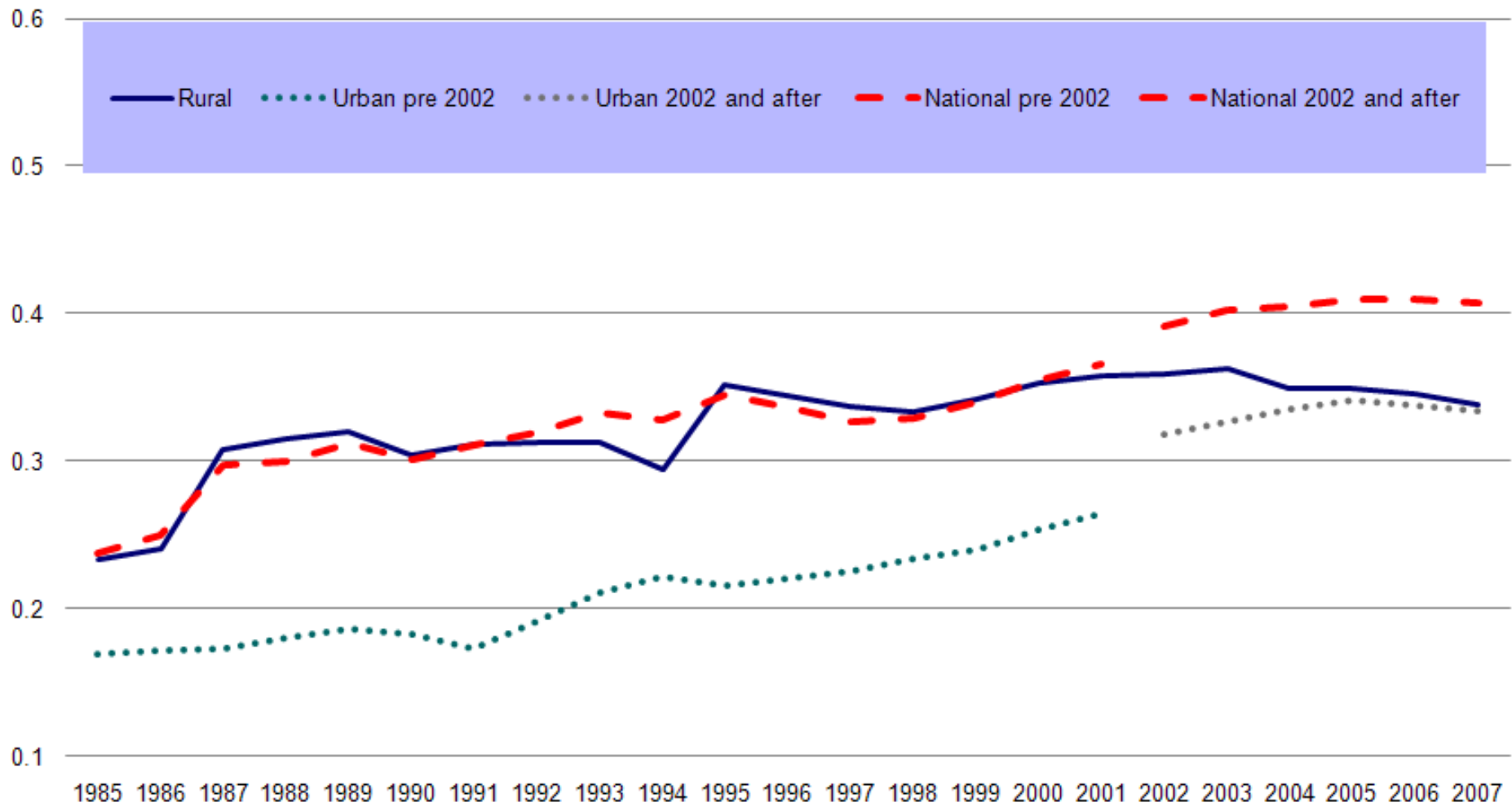
- From rural to urban
- From immobile to mobile
- From simple to complicated class structure
- From equal to unequal
- Information revolution

Urbanization

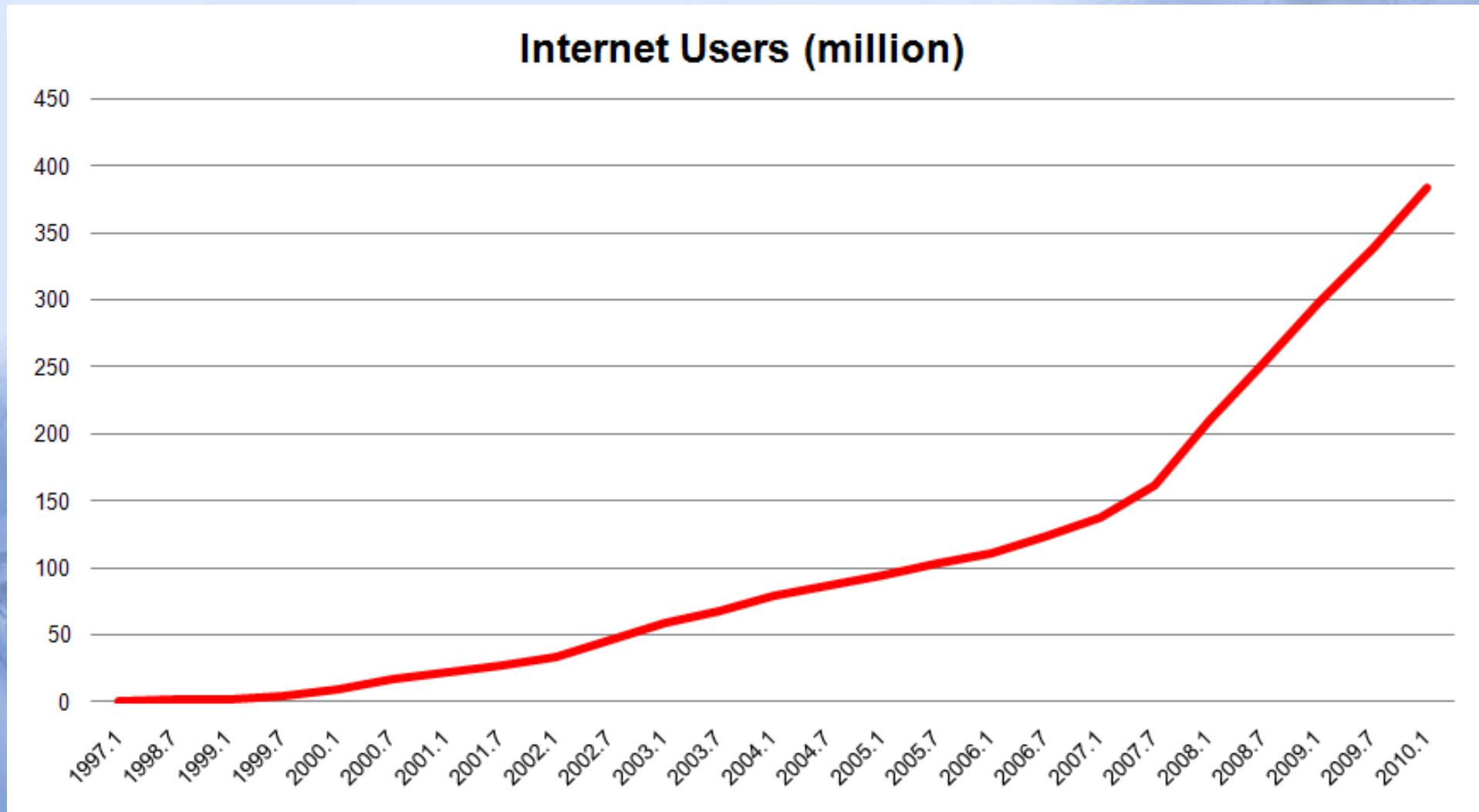


Inequality

National Rural and Urban Gini Coefficients



Information Revolution



State Re-building vs. State Transformation

	China	Europe
Challenge	A giant country going through multiple socio-economic transitions in the era of globalization	The crisis of welfare state in the era of globalization
Institutional change of the state	Total transformation	Transformation in selected areas
Focus	Strengthening state capacity	Changing state functions
Main task	State re-building	State transformation

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- Mechanisms of institutional adaptation

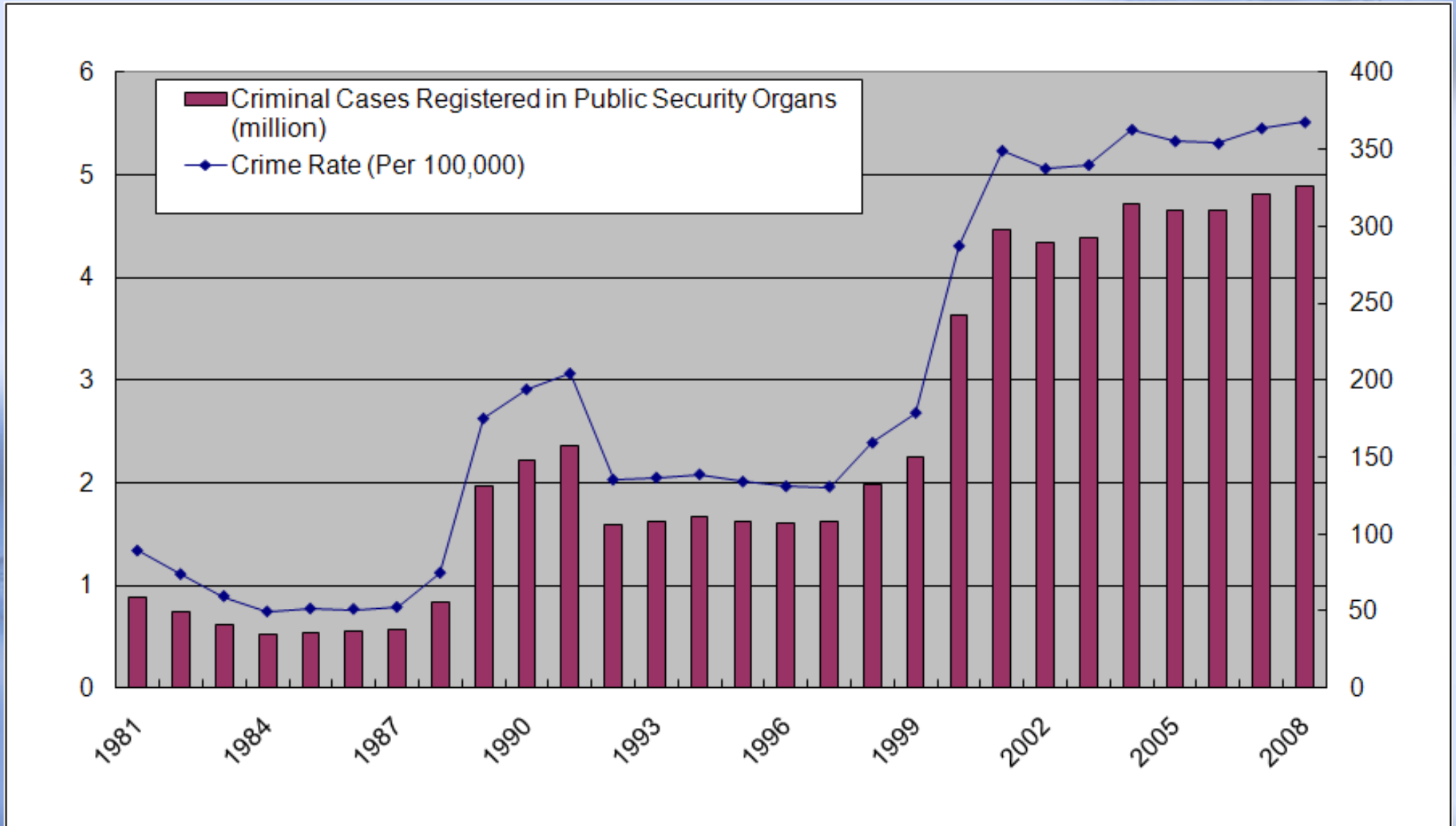
Core State Functions

- In any society, the governance system fulfills a set of core functions:
 1. Coercion
 2. Extraction
 3. Regulation
 4. Steering
 5. Redistribution
- States vary in terms of how and how well their governance system fulfills these functions.

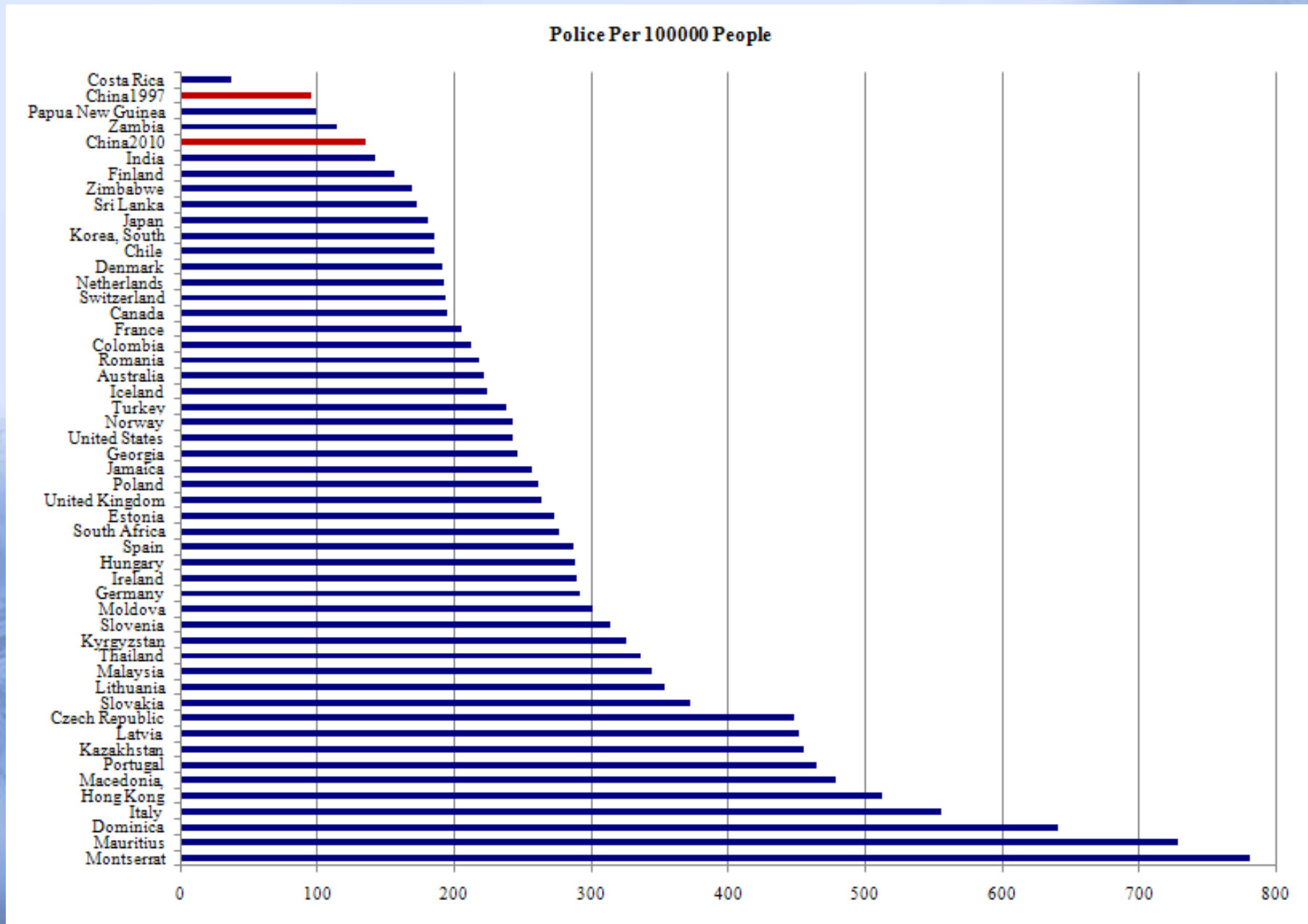
Shifts in Governance

- Coercion
 - From community policing to professional policing
- Extraction
 - From an owner-state to a tax-state
- Regulation
 - From internal regulation to third party regulation
- Steering
 - From horizontal to vertical governance
- Redistribution
 - From unit-based welfare to social welfare

Coercion: Challenge

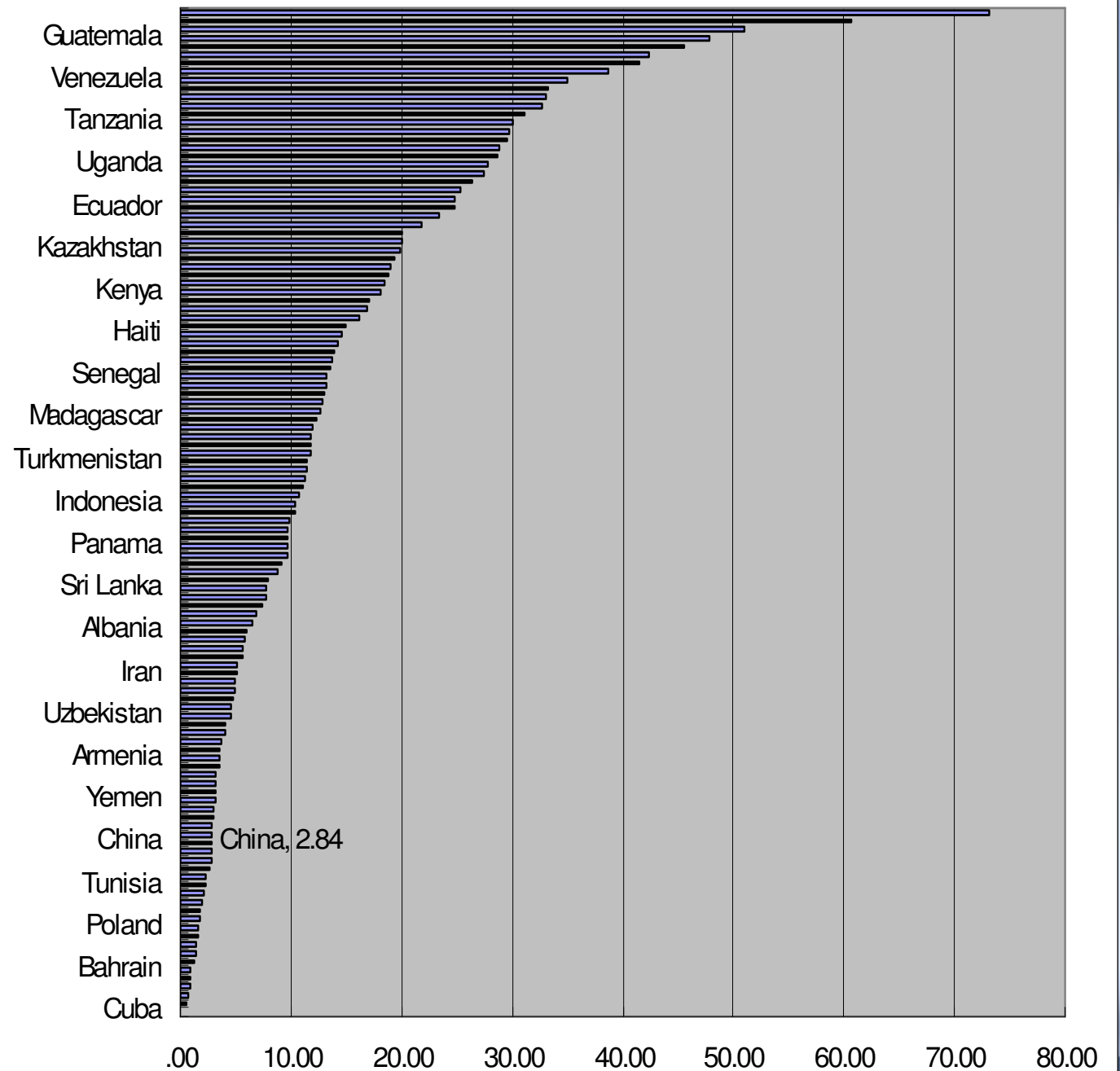


Police Per 100,000 Person



Death Caused by Violence (WHO)

Death Caused by Violence (Age-standardized Death Rates Per 100,000)

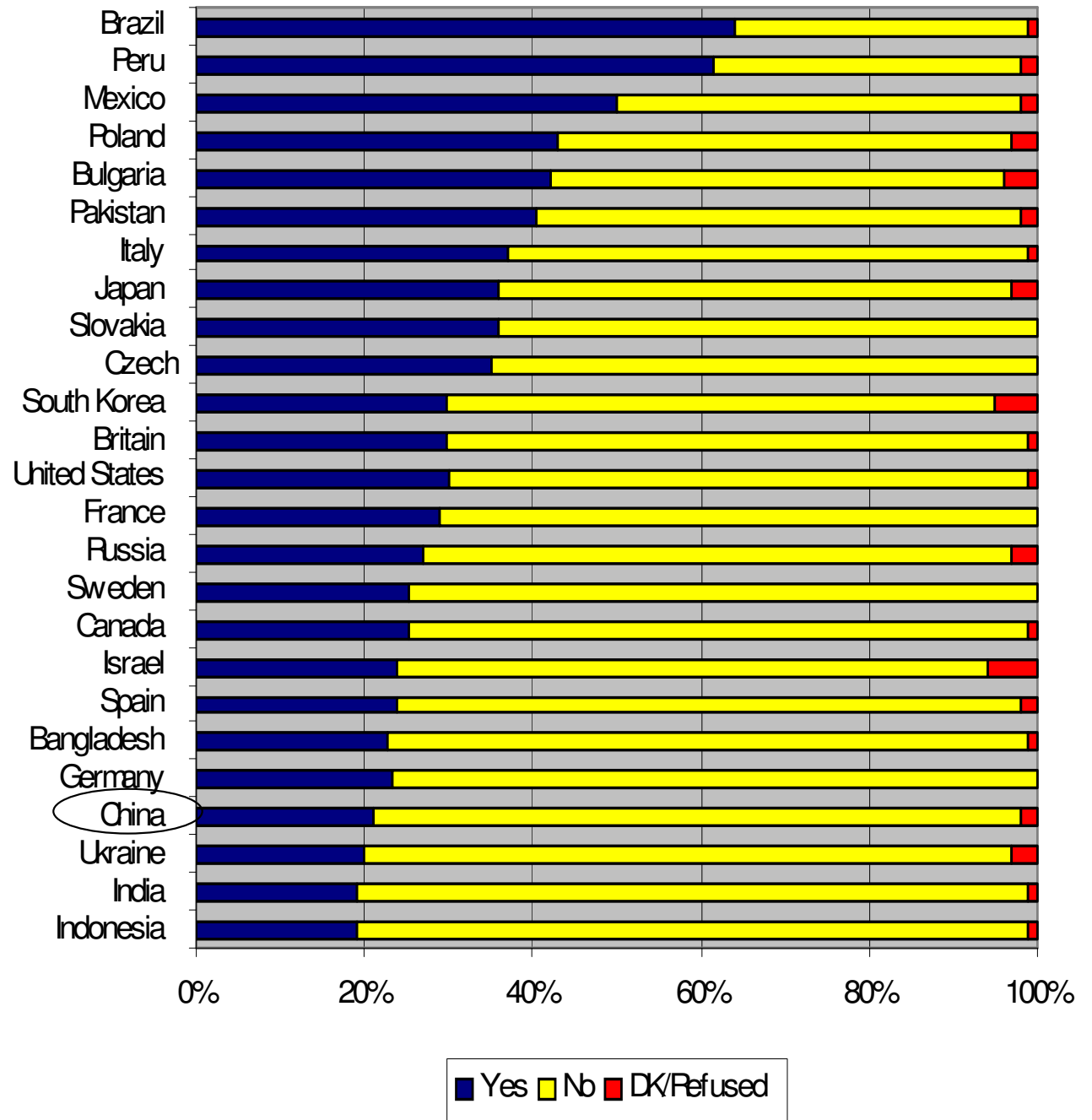


Global Peace Index 2010

Country	Population	2010 Global Peace Index Ranking
China	1,330,141,295	81
India	1,173,108,018	128
United States	310,232,863	86
Indonesia	242,968,342	68
Brazil	201,103,330	84
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Street Safety (Pew)

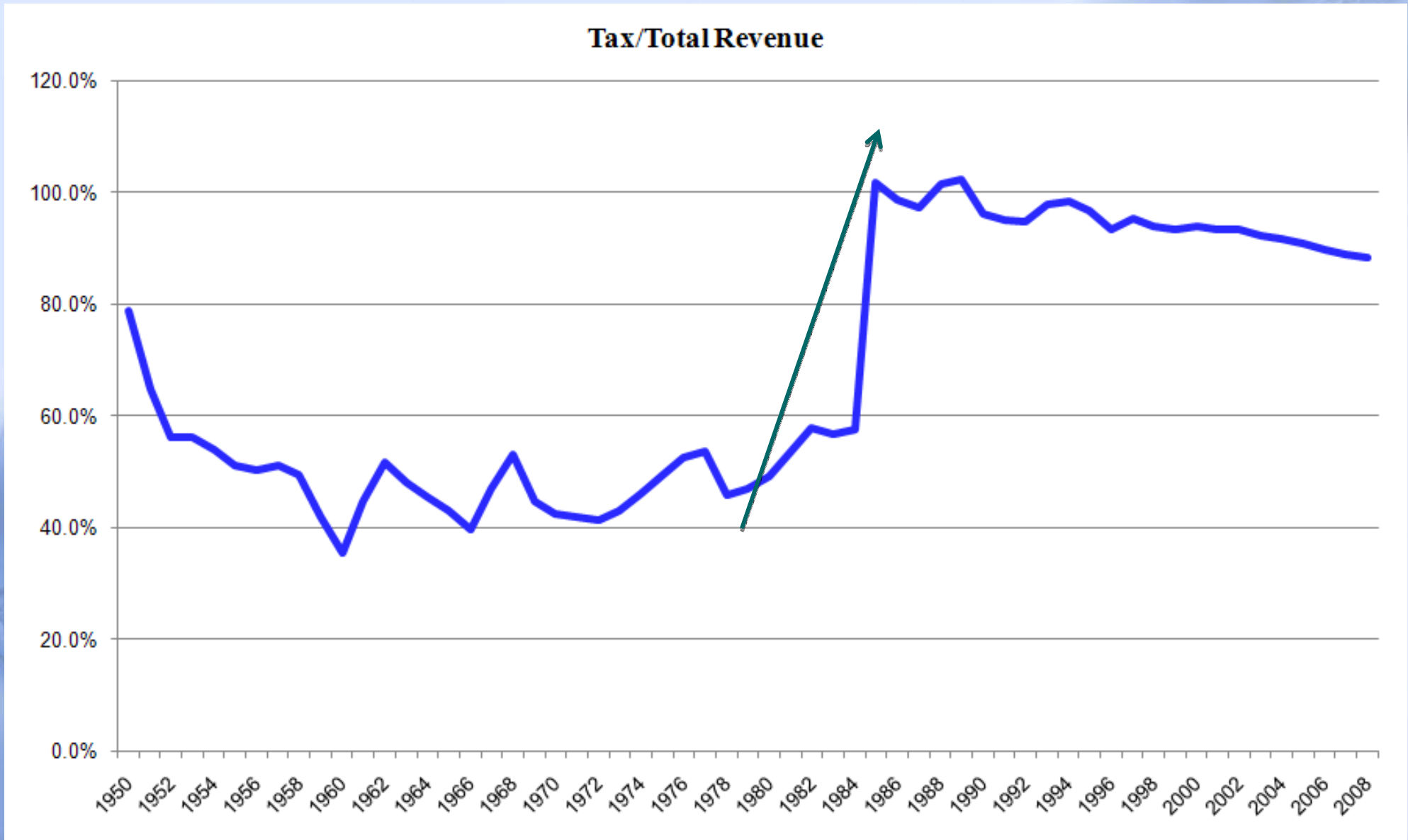
Is there any area within a kilometer of your home where you would be afraid to walk alone at night?



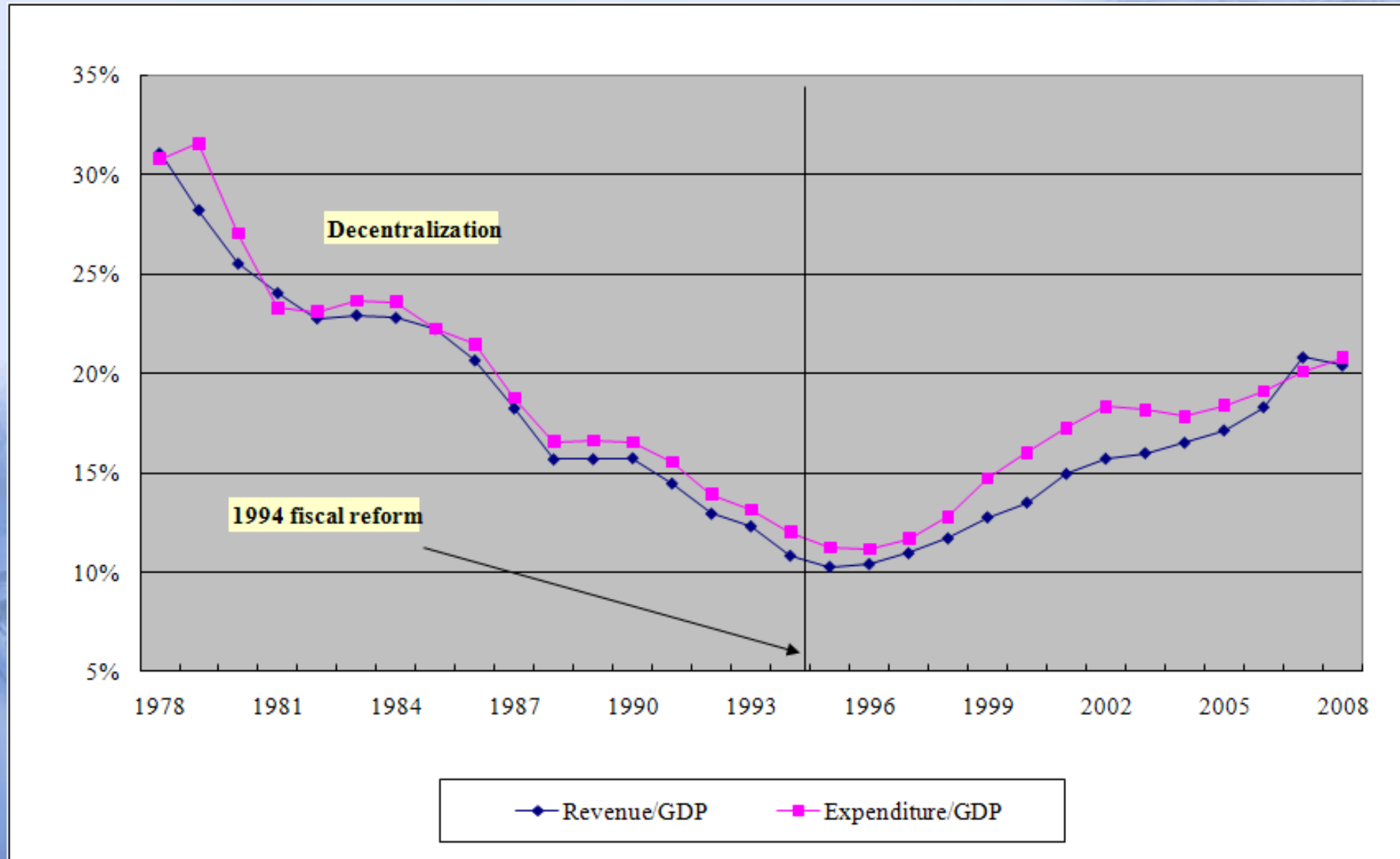
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Extraction: From Owner-State to Tax-State



Adapting to Tax-State



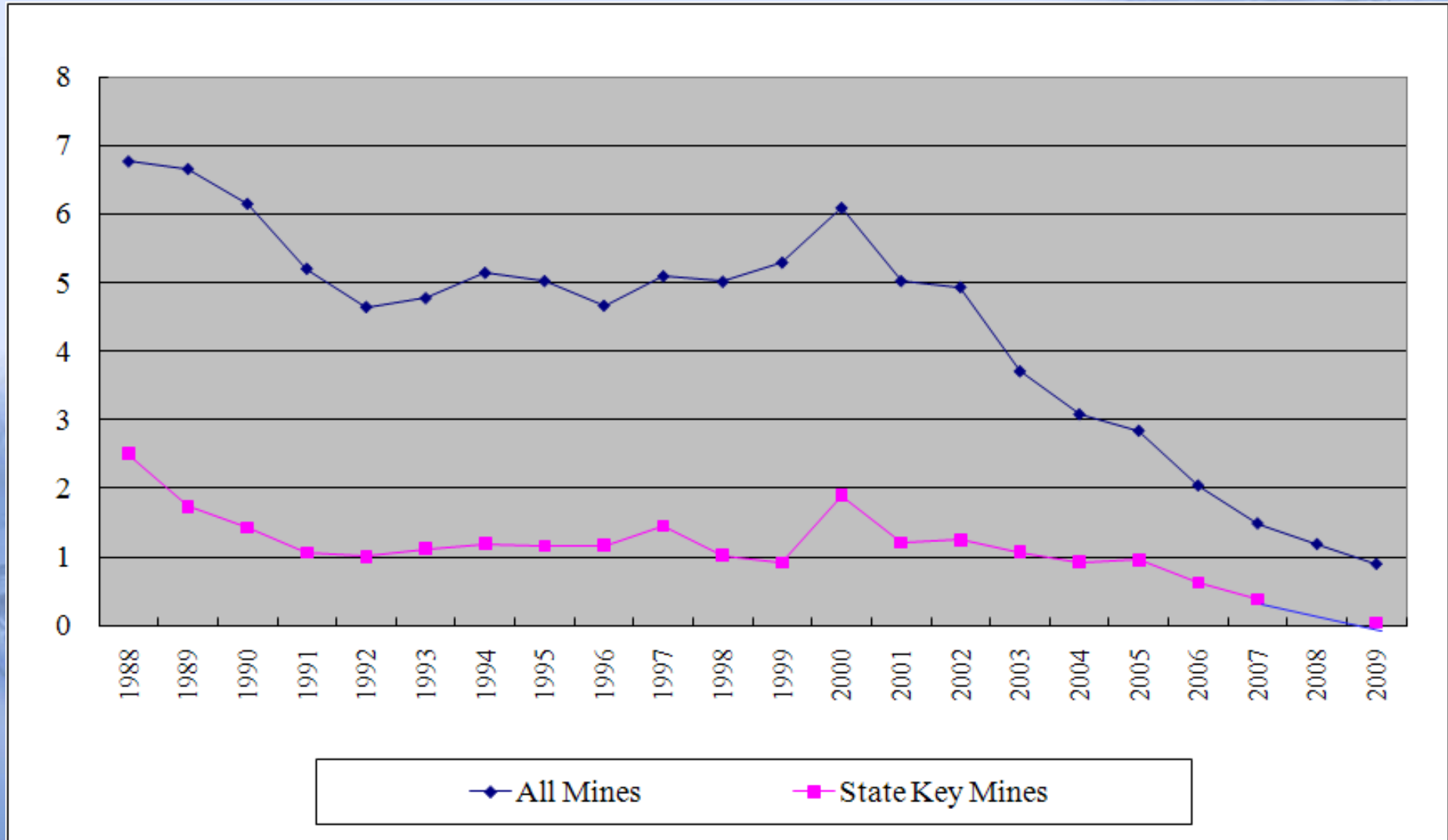
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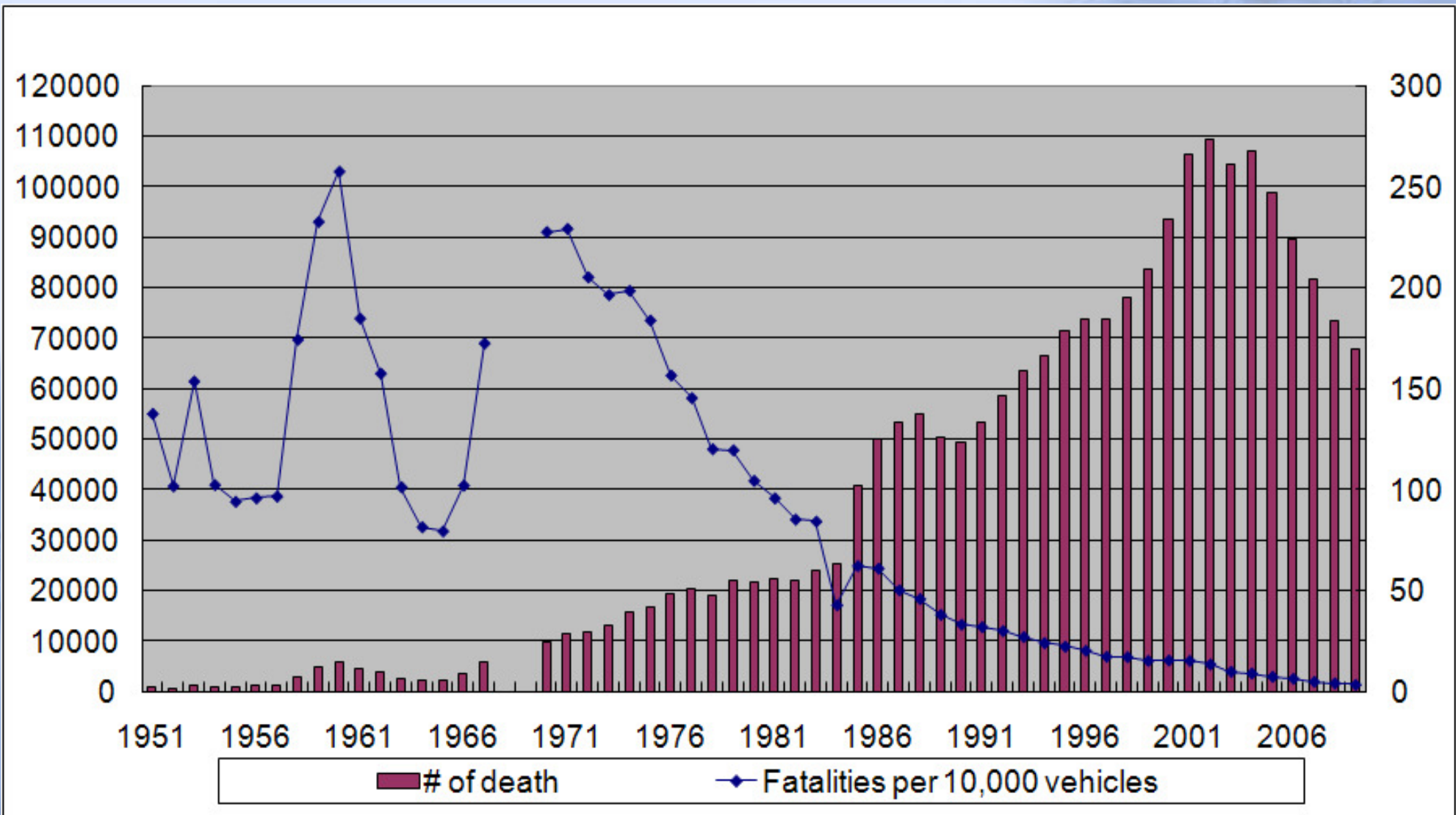
Shift in Coalmine Safety Regulation

	Before	Now
Subject	State-owned mines	All mines
Legal nature of rules	Administrative decrees	General laws
Applicability of rules	Regulatees	Regulatees + regulators
Position of enforcers	Internal	Third-party
Mode of enforcement	Persuasion + administrative chastisements	Monetary and criminal penalties

Fatality Rates per Million Tons of Coal Mined

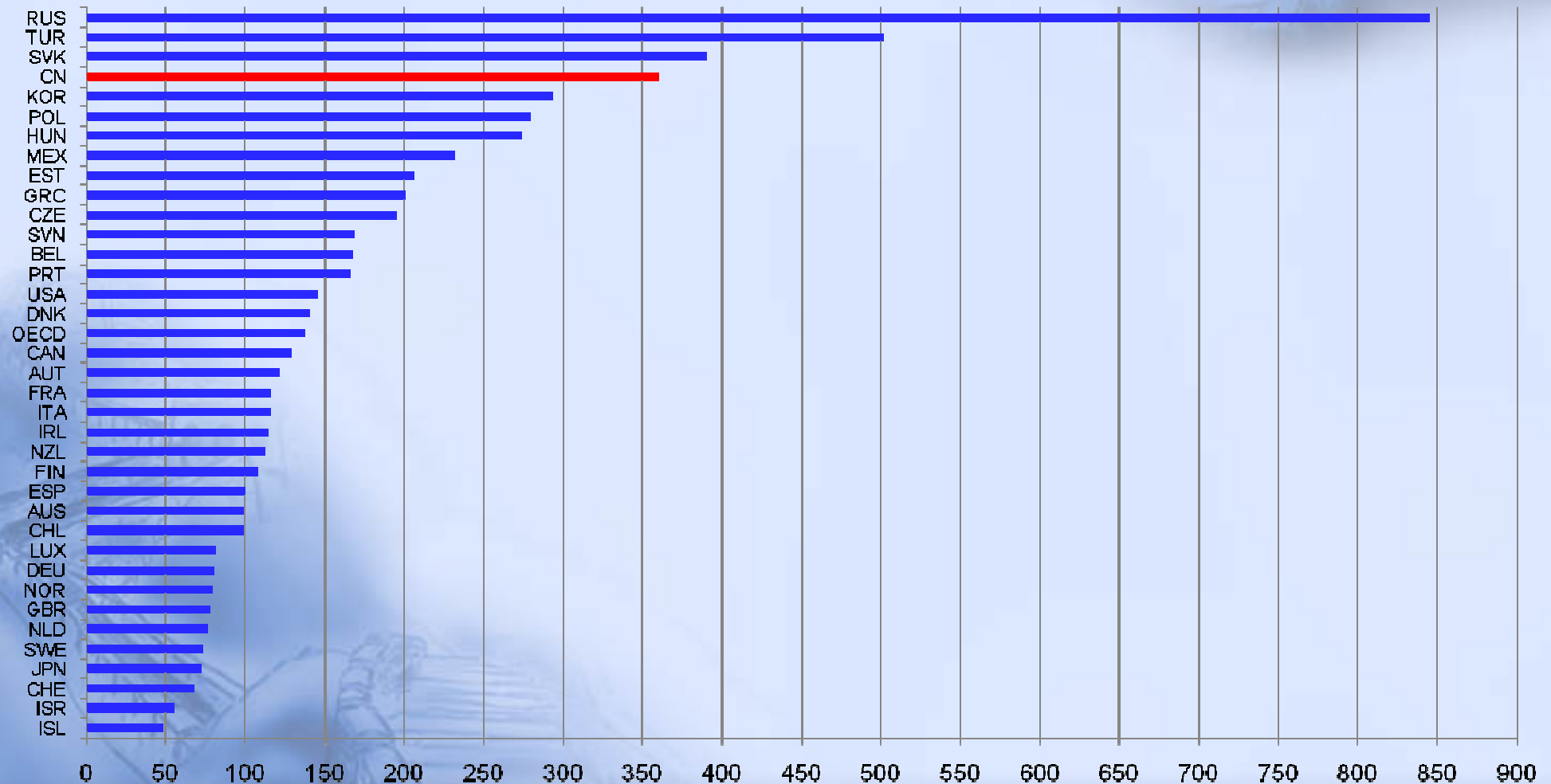


Road Fatalities: China



Road Fatalities: Comparison

Per million vehicles



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Monetary Authority

中国人民银行根据履行职责的需要设立分支机构，并对分支机构实行统一领导和管理。目前，中国人民银行设立了天津、沈阳、上海、南京、济南、武汉、广州、成都、西安九个分行，中国人民银行营业管理部和中国人民银行重庆营业管理部，328 个中心支行，1797 个县（市）支行。这些分支机构作为中国人民银行的派出机构，根据总行的授权，依法维护本辖区的金融稳定，承办有关业务。



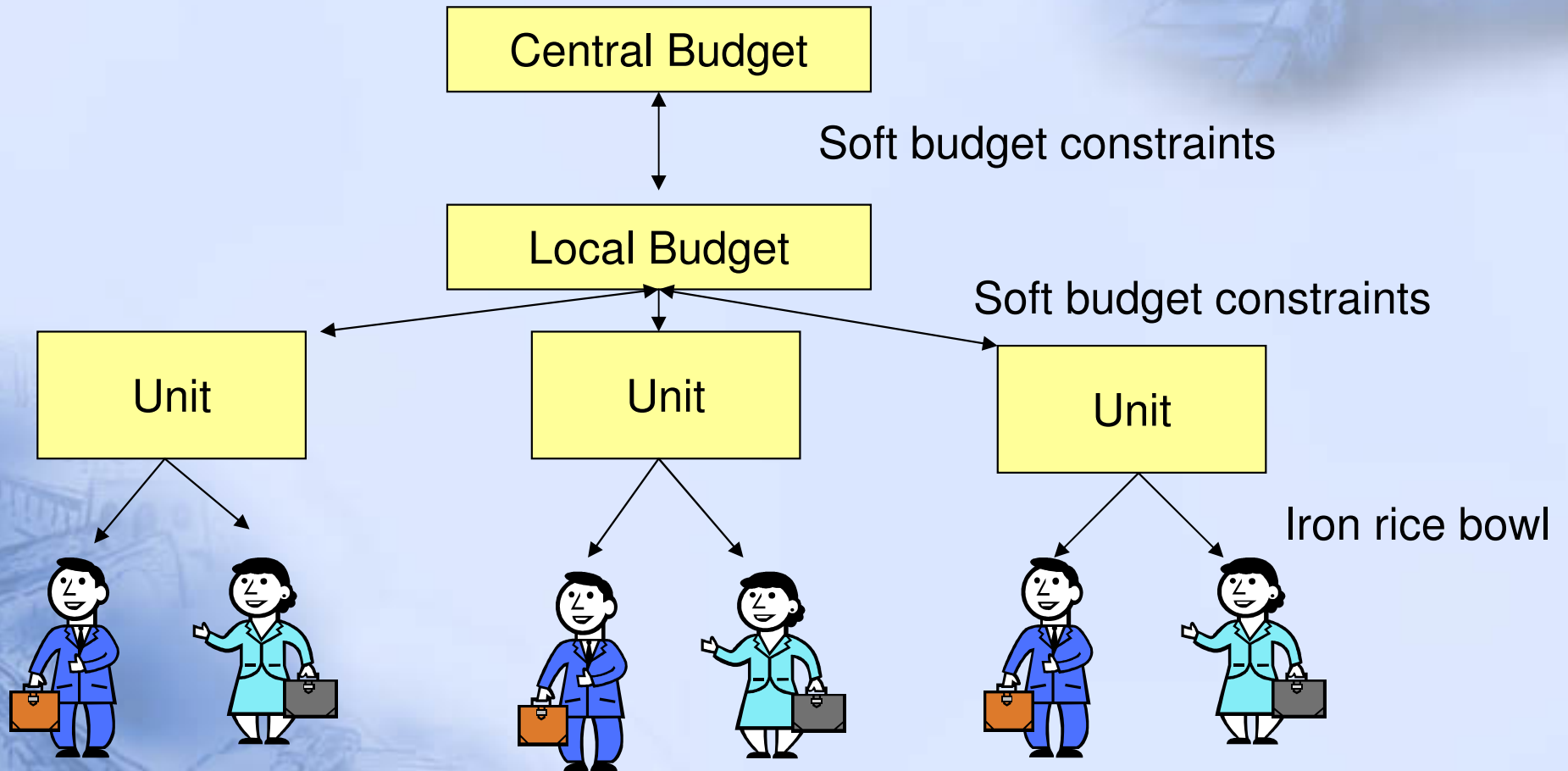
Models of Vertical Management

1. Vertical management under the central government
 - Central Bank, national taxation, coalmine safety
2. Vertical management under the provincial government
 - Local taxation, food & drug safety
3. Special vertical management (De-concentration)
 - Ministry of Finance (31), National Audit Office (18), Supervisor of State Land (9), Ministry of Environmental Protection (12)

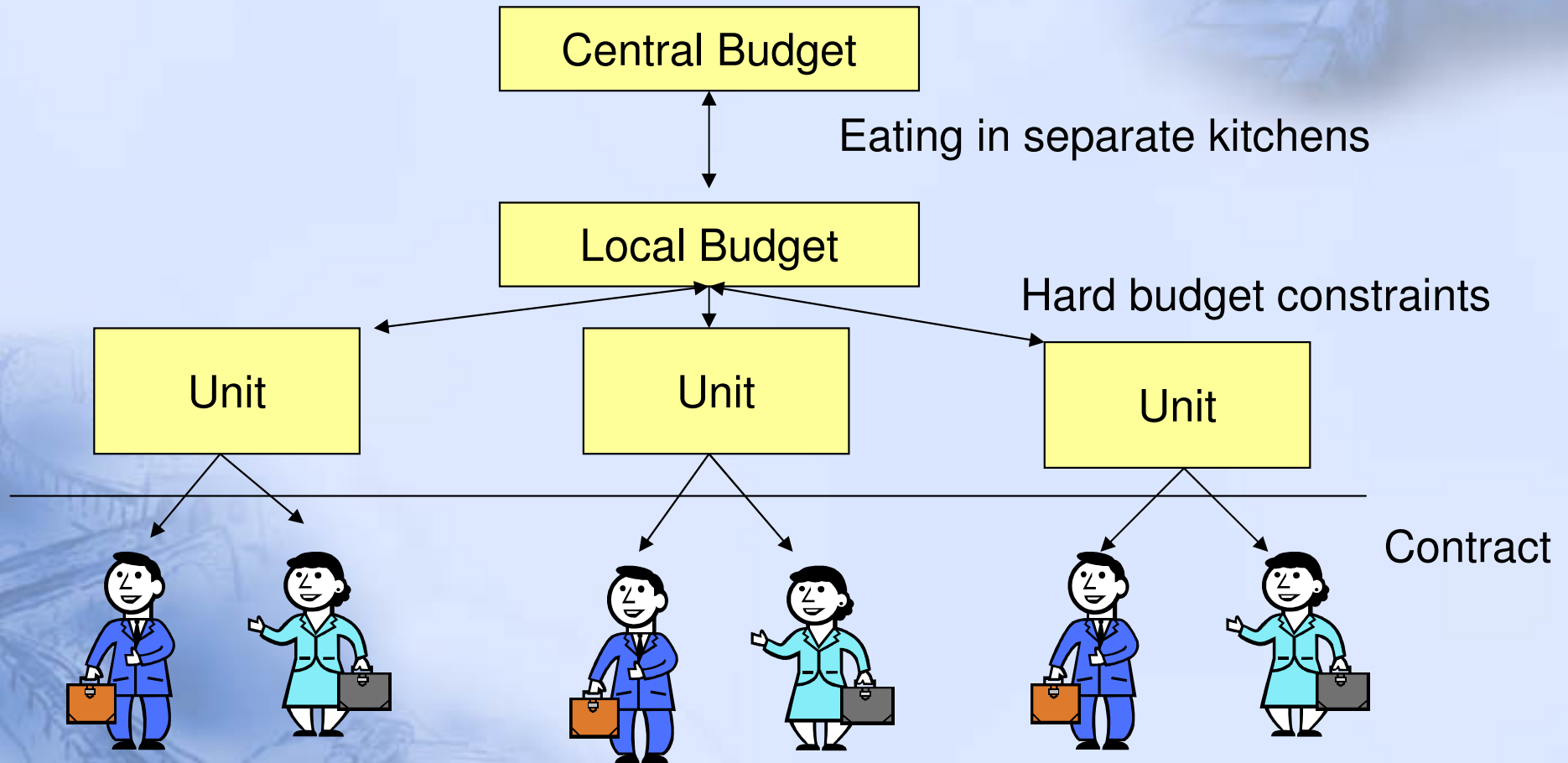
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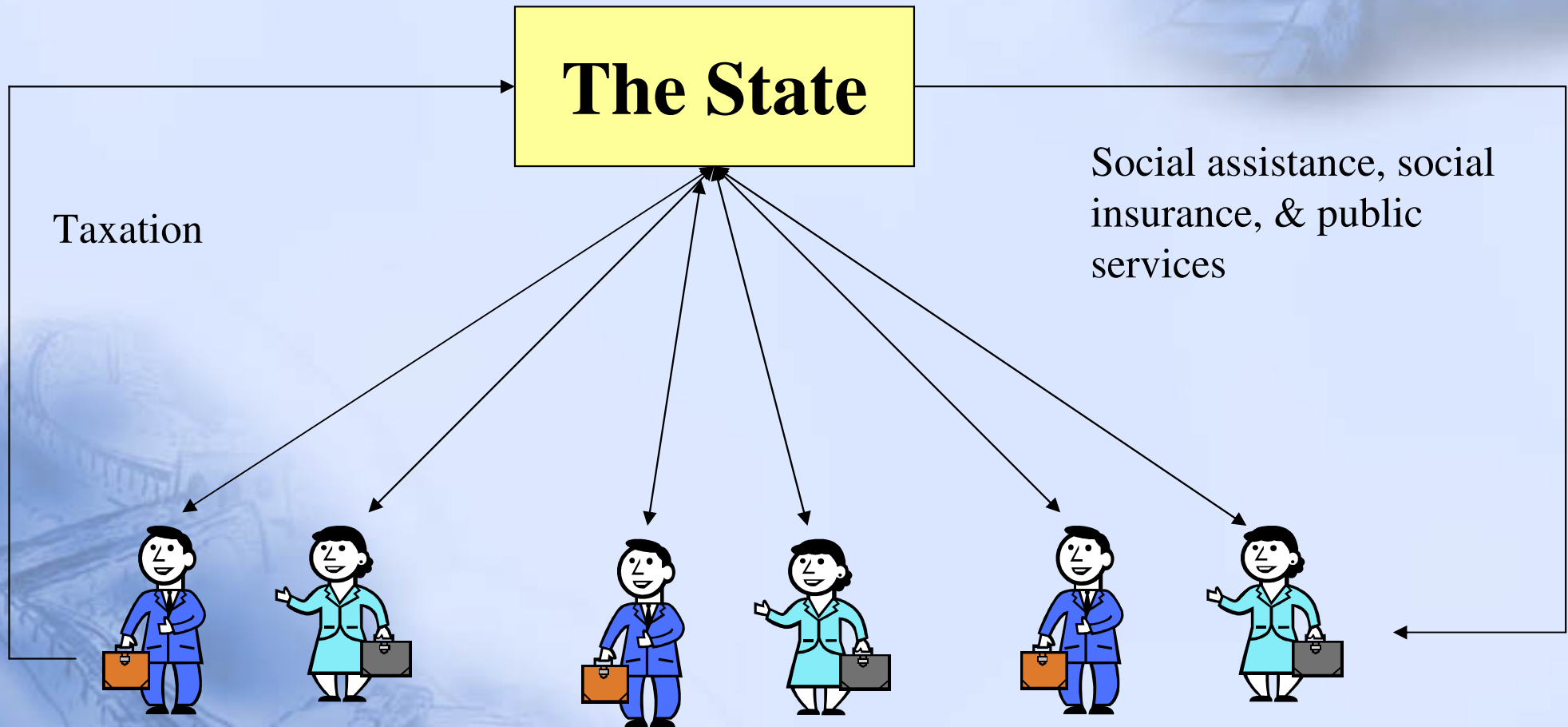
Distribution under the Moral (Planned) Economy



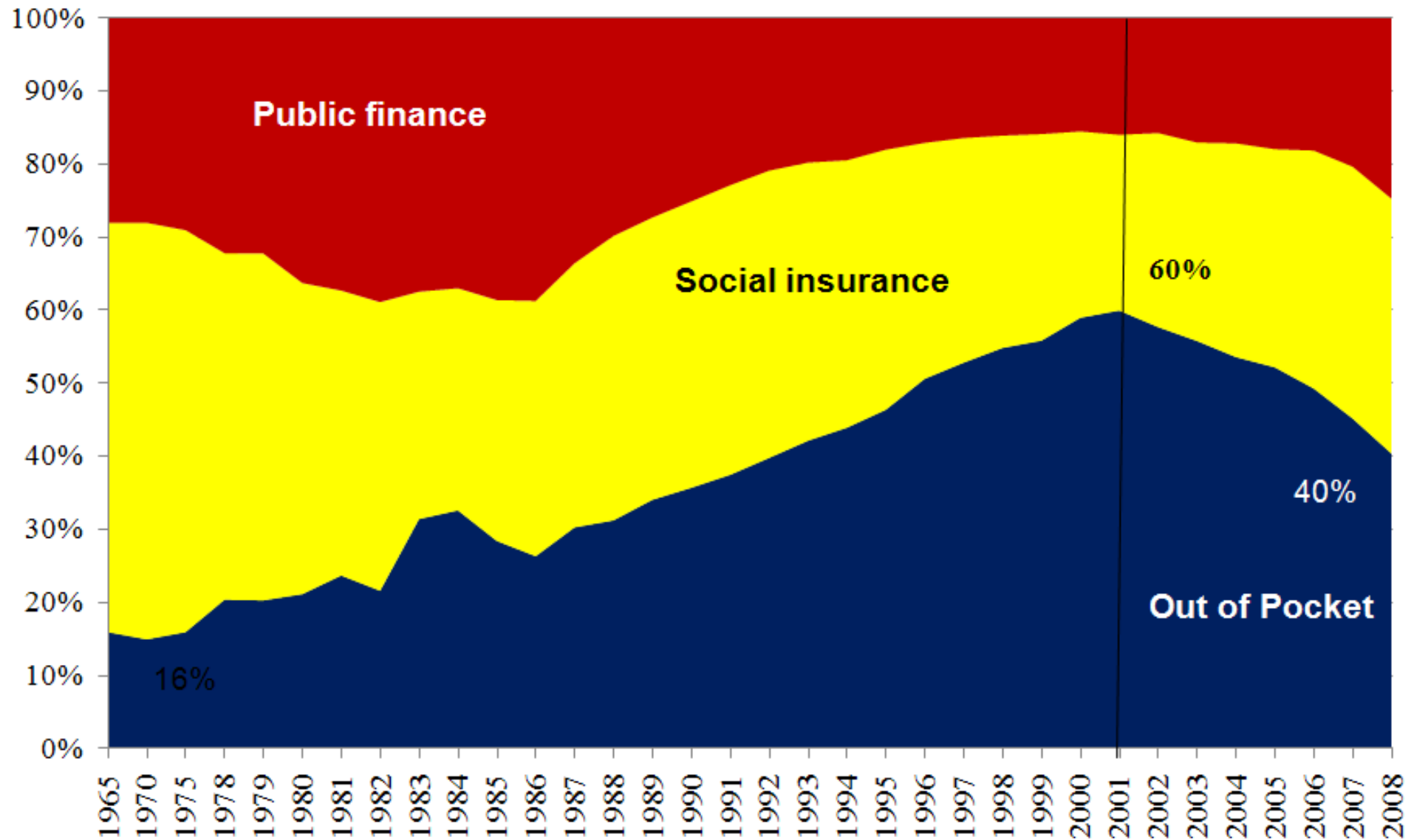
The Breakup of the Moral (Planned) Economy



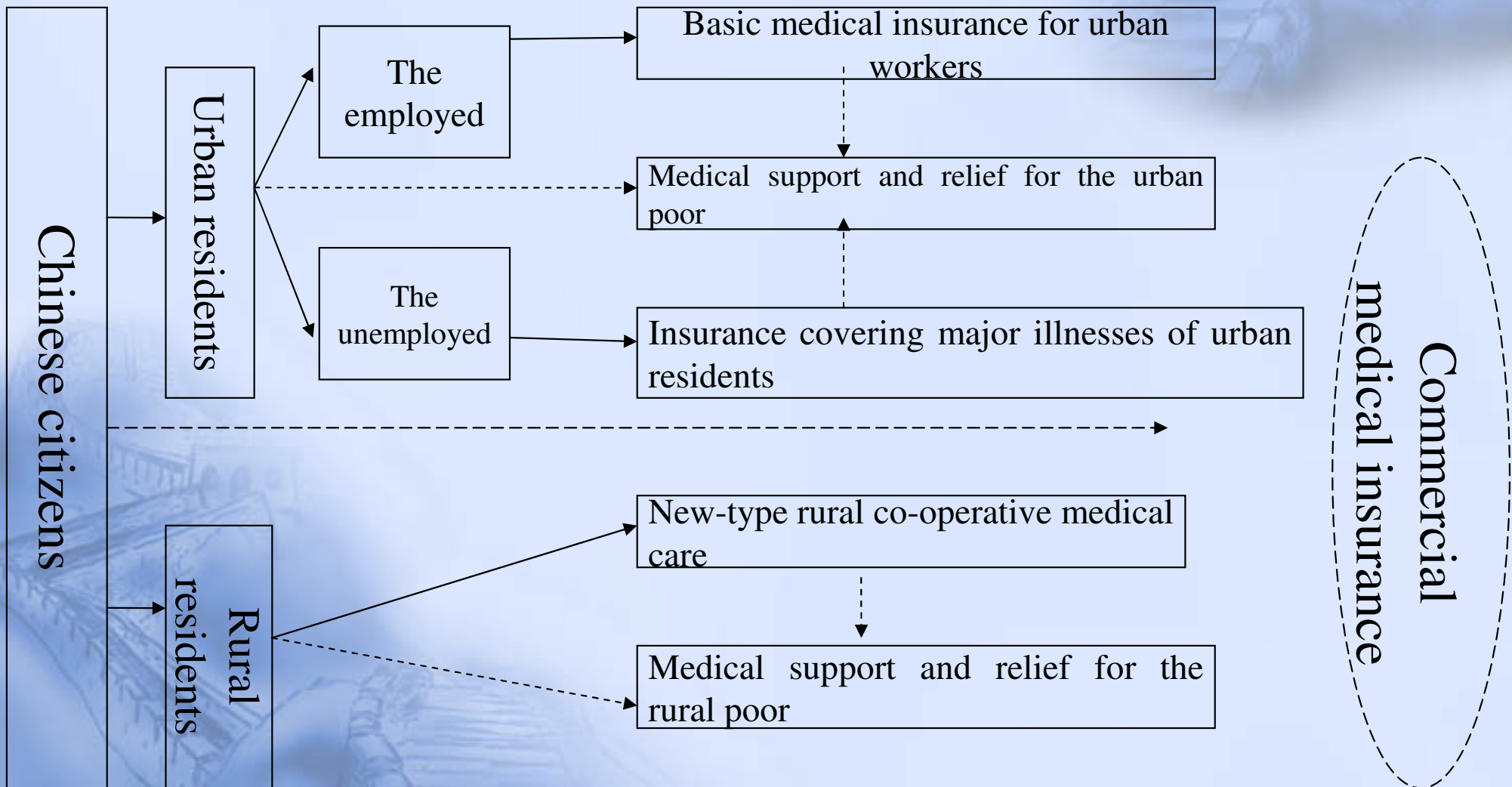
Redistribution



Changing Role of the State in Healthcare



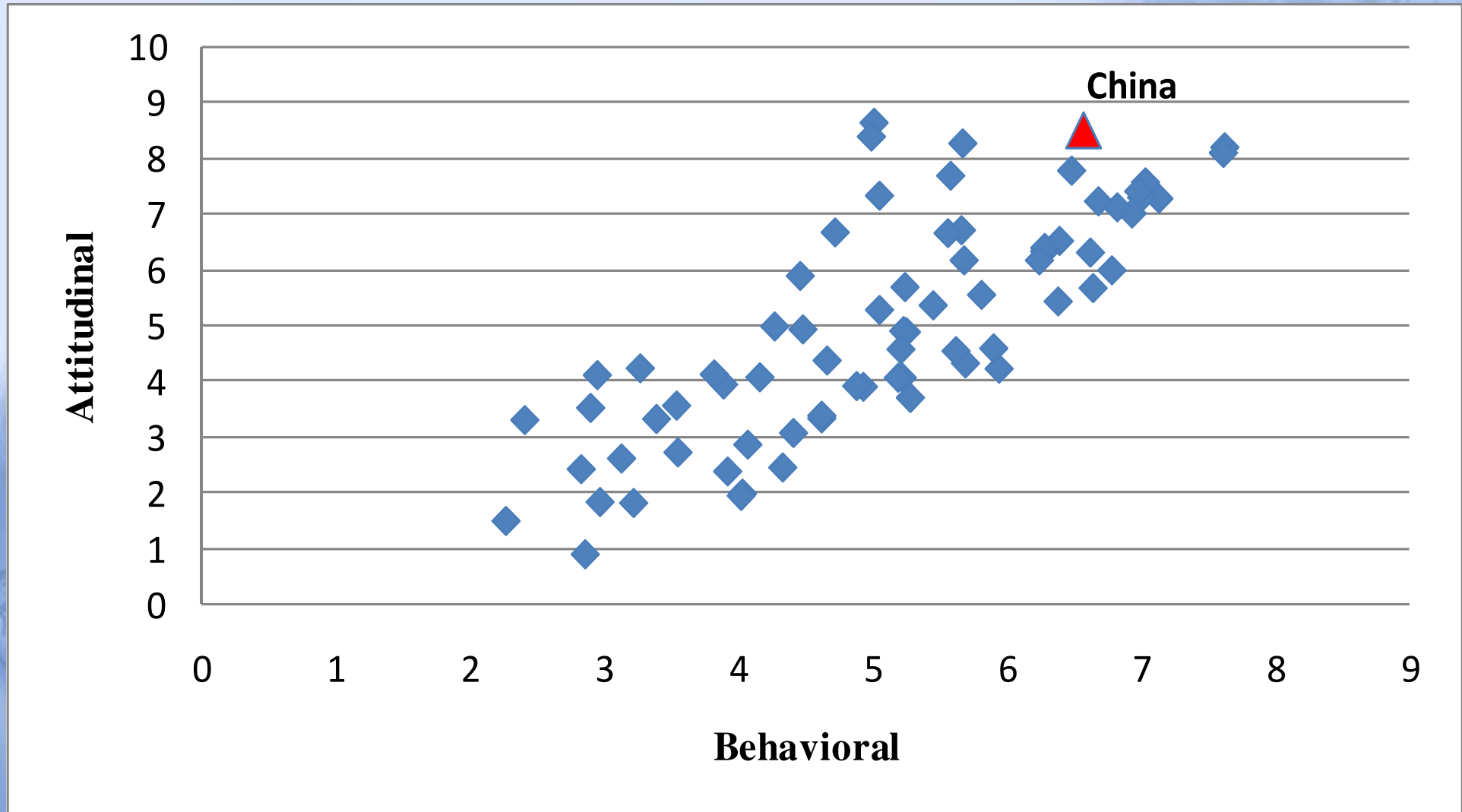
Current Urban and Rural Healthcare Systems



Coverage of Healthcare

- Four schemes
 - Basic Medical Insurance for Urban Employees,
 - Basic Medical Insurance for Urban Residents,
 - New Rural Cooperative Medical Scheme,
 - Medical Assistance to Rural and Urban Residents
- The four healthcare schemes covered 1.28 billion of the country's 1.32 billion people by the end of 2009.

Transition, Governance, and State Legitimacy



Bruce Gilley, "The meaning and measure of state legitimacy: Results for 72 countries" (2006)

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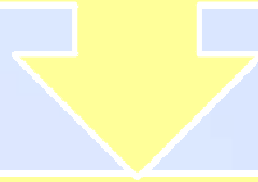
3

- Mechanisms of institutional adaptation

Mechanisms of Institutional Adaptation

Guidelines of General Direction

A Small and Decentralized Government

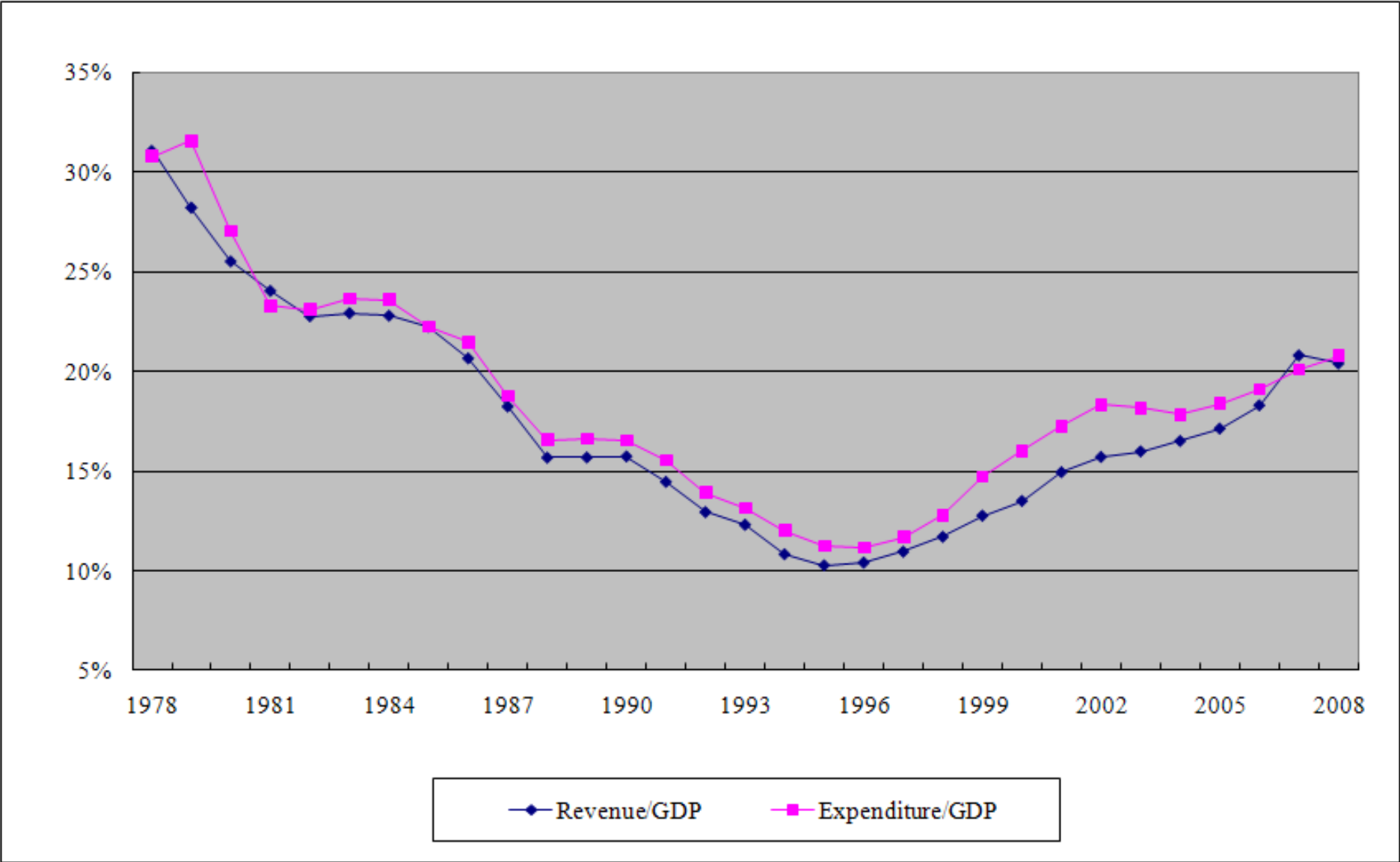


Learning to Adapt through Decentralized Practices and Experimentations

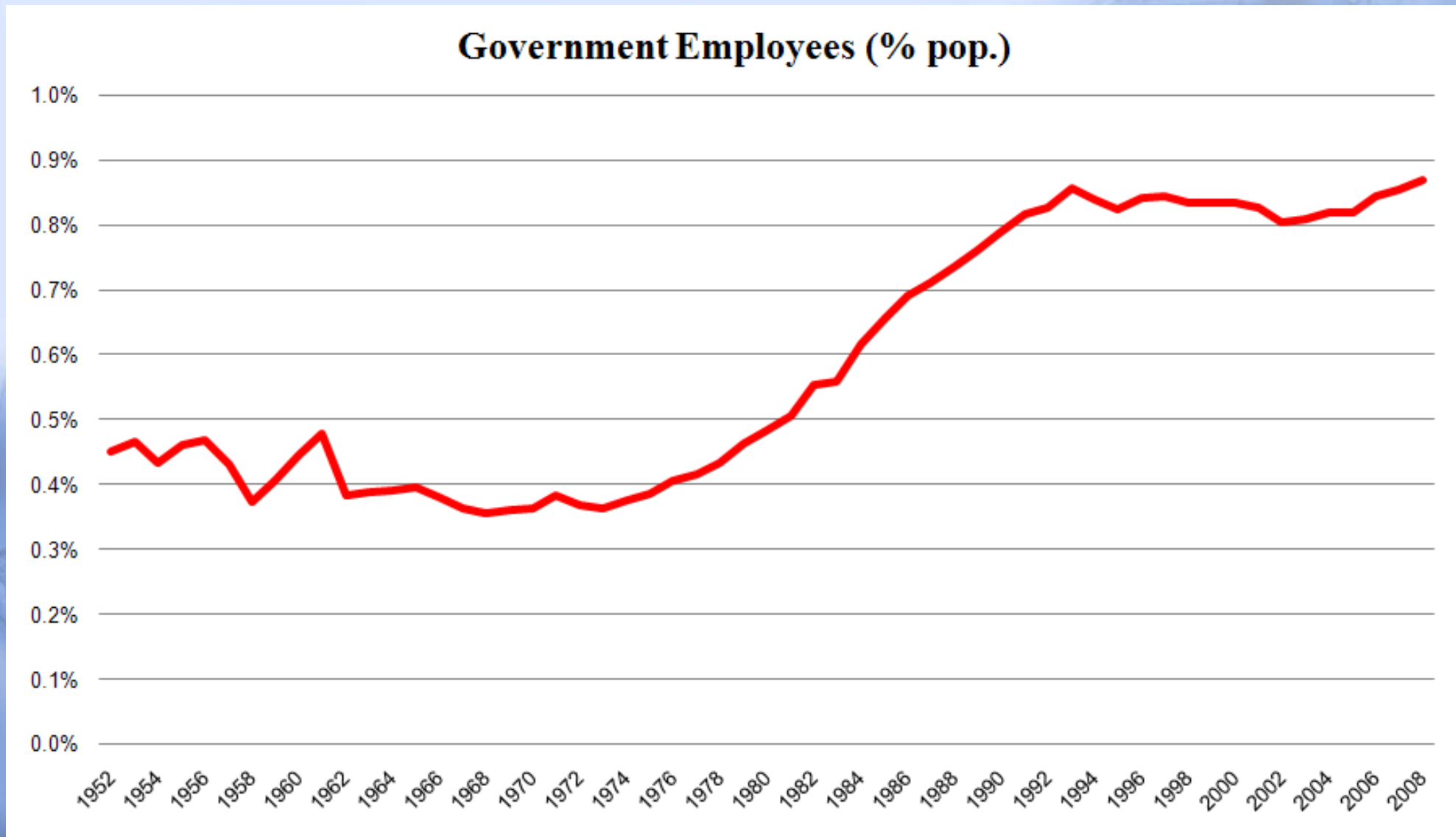
Appointment of Top Officials

CPC

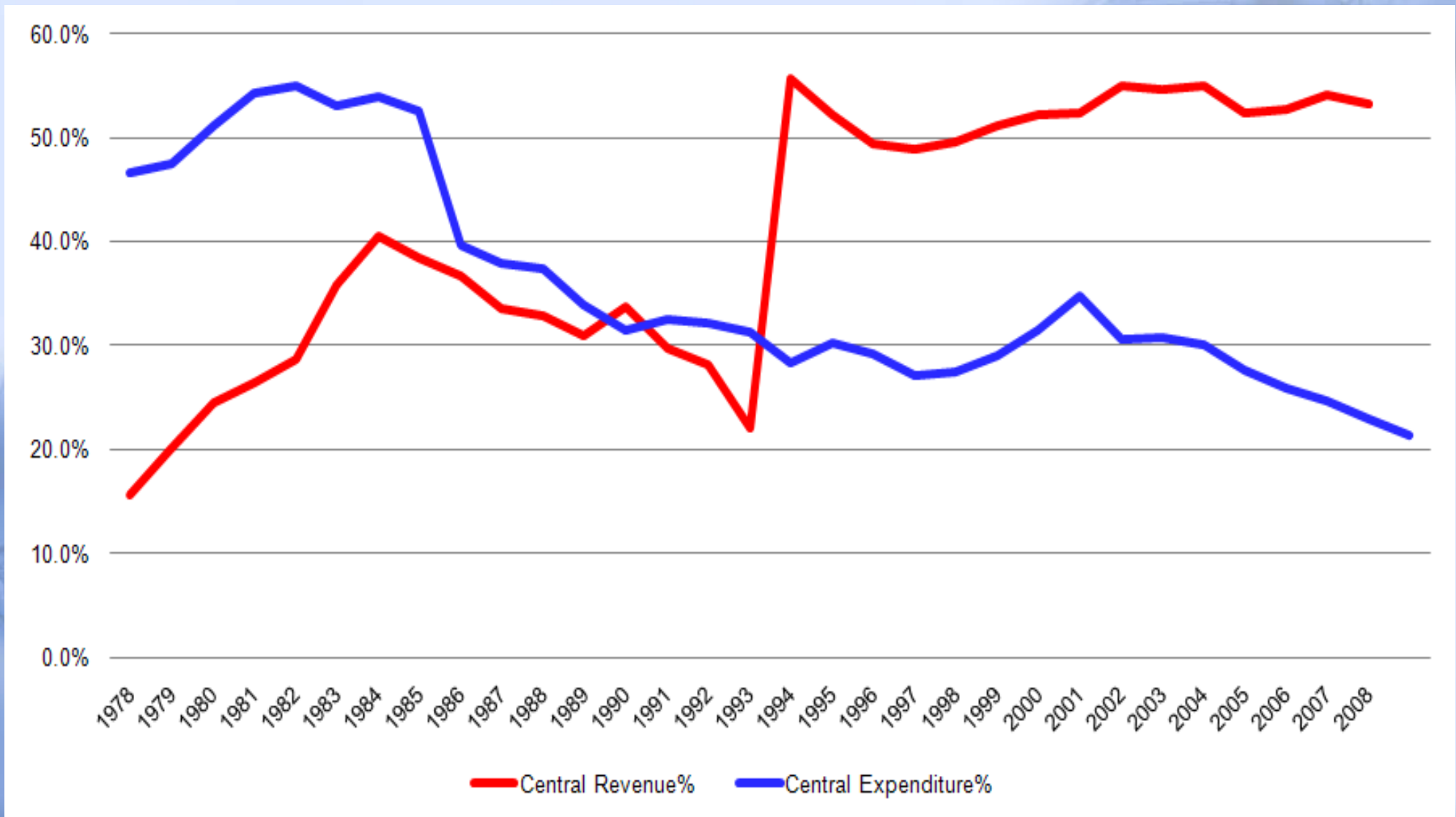
Small Government: Finance



Small Government: Personnel

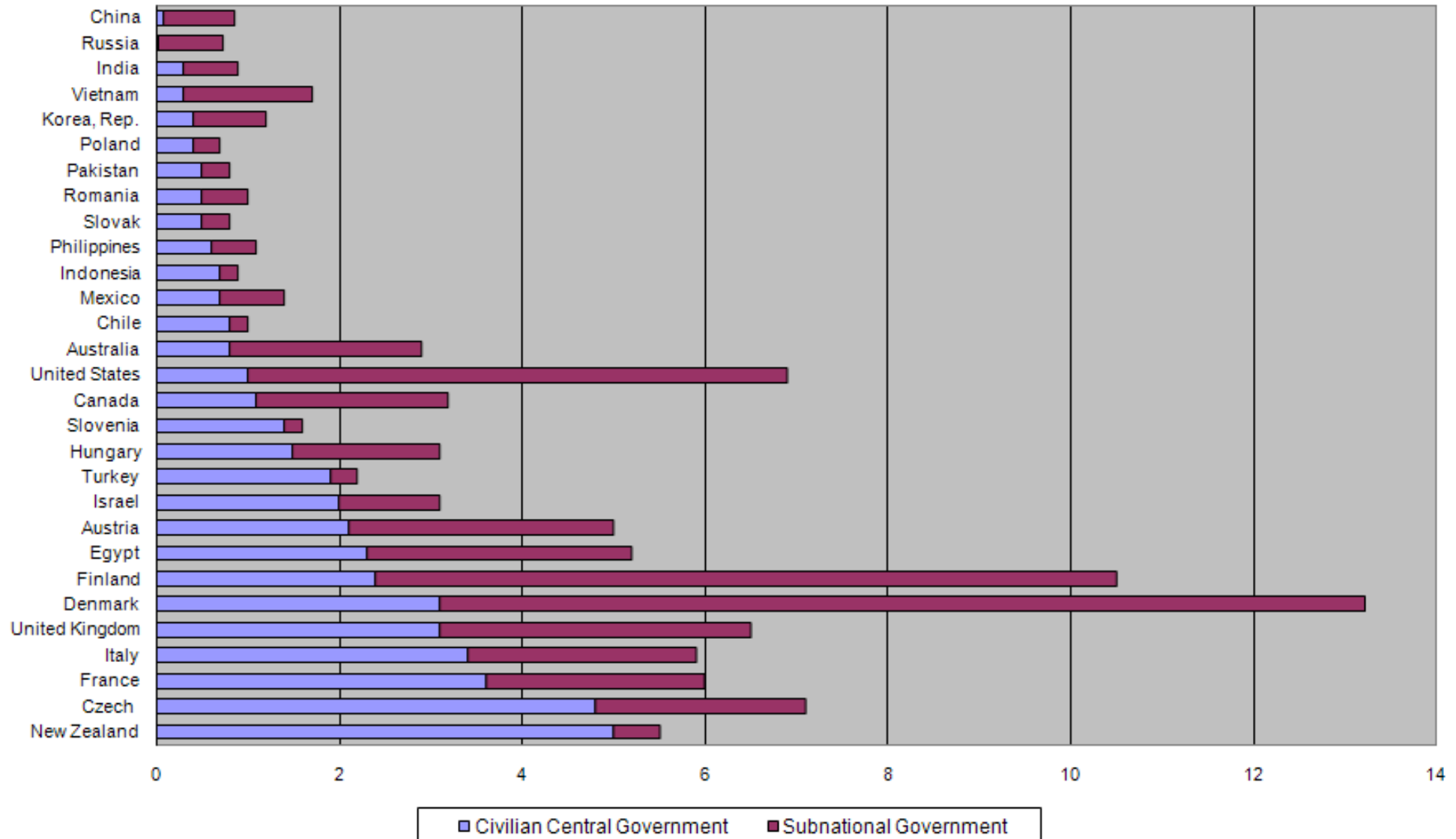


Decentralized Government: Finance

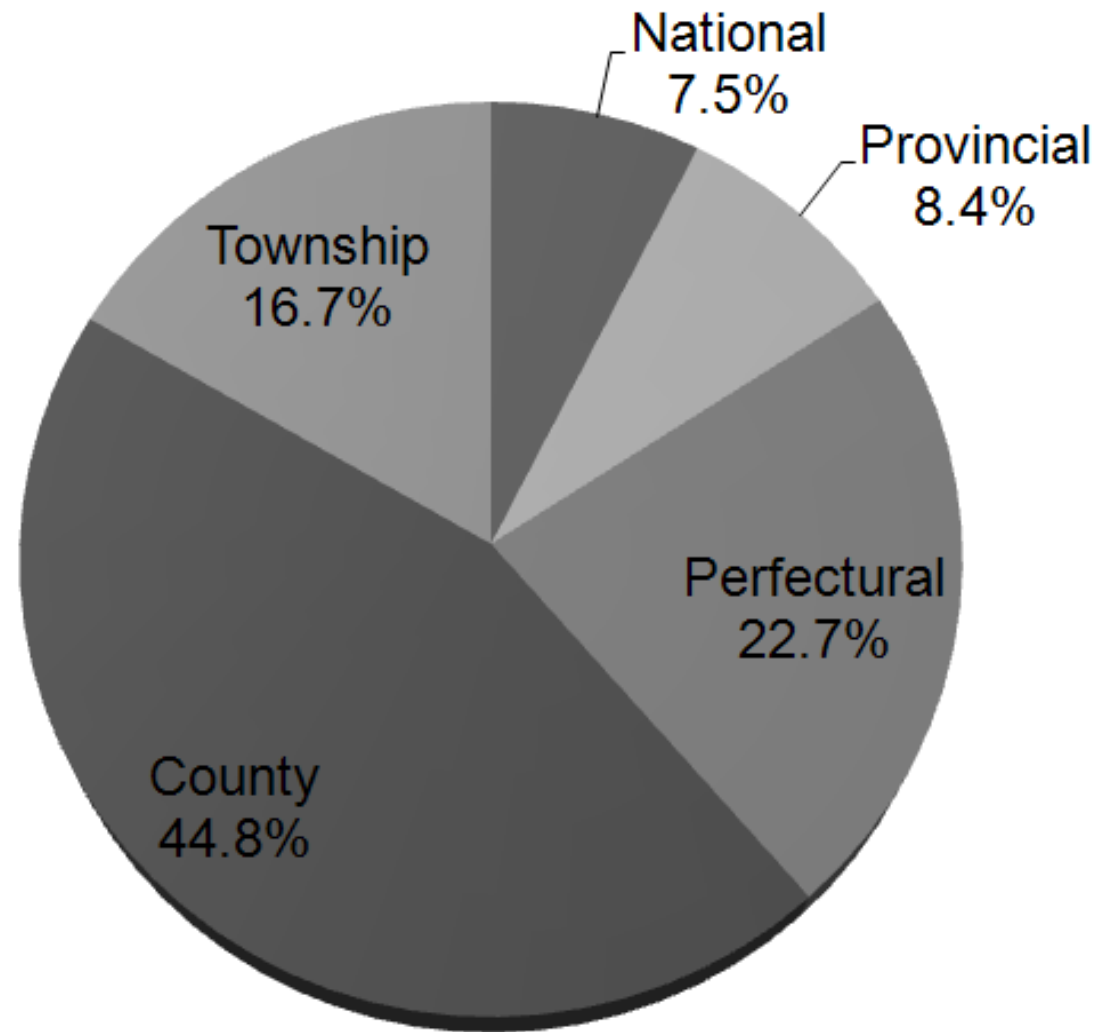


Decentralized Government: Personnel

Public Sector Employment excluding Education, Health and Police, if Available (% pop.)



Civil Servants by Level, 2003



Adaptive Governance

- “Policy Experimentation in China’s Economic Rise,” *Studies of Comparative and International Development*, vol. 43, no. 1 (March 2008), pp. 1–26;
- “From Local Experiments to National Policy: The Origins of China’s Distinctive Policy Process,” *The China Journal*, No. 59 (January 2008), pp. 1-30.



Sebastian Heilmann

Experimentation under Hierarchy

- A “distinct mode of governance”
 1. Innovating through implementation first
 2. Drafting universal laws and regulations later
- Experimentation comes in three main forms:
 1. Experimental regulation (□□□□ provisional rules made for trial implementation)
 2. “Experimental points” (□□ model demonstrations and pilot projects in a specific policy domain),
 3. “Experimental zones” (□□□ local jurisdictions with broad discretionary powers).

A Typology of Four Learning Models

Promoters of Learning	Sources of Learning	
	Experiences	Experimentations
Policy Makers	I	II Sebastian Heilmann
Policy Advocates	III	IV

Wang Shaoguang 2009

- “Experimentation under hierarchy” is just one of four forms of policy learning
- China is good at all four forms of policy learning
- Through all forms of learning, the Chinese party-state has obtained strong adaptive capacity
- Such adaptive capacity enables the system to respond to all sorts of challenges under the radically changing environment.
- The resilience of the Chinese system lies in its strong adaptive capacity.



Thank You!