



# The Politics of Metropolitan Bias in China

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The Politics of Metropolitan Bias in China

A dissertation presented

by

Kyle Alan Jaros

to

The Department of Government

in partial fulfillment of the requirements

for the degree of

Doctor of Philosophy

in the subject of

Political Science

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The Politics of Metropolitan Bias in China

Abstract

Policymakers in China and other developing countries grapple with a metropolitan dilemma. Building on the existing advantages of leading cities makes it easier to achieve fast, visible progress in economic development. But further concentrating resources in top urban centers can marginalize other areas, worsen urban congestion, and increase inequality. The degree to which governments favor key metropolitan centers relative to other cities and outlying areas in the distribution of policy support and resources is thus a consequential issue in development politics. Yet, scholars lack a systematic understanding of “metropolitan bias,” and existing theories have difficulty explaining wide variation in development approaches over time and across regions in countries like China.

This project analyzes variation in development strategies across China’s provinces during the 1990s and 2000s to shed light on the nature and sources of metropolitan bias. Existing research generally views favoritism toward large cities as an unintended consequence of rapid industrialization and rent-seeking dynamics. In contrast, I highlight more strategic efforts by higher-level governments to shape the growth of cities and regions, and probe the politics surrounding spatial development policies. First, I argue that metropolitan bias tends to be greater in provinces that have experienced lagging economic performance, where policymakers build up top cities as a means of enhancing regional competitiveness. Second, I argue that metropolitan-oriented development has been driven in large part by provincial governments, and that there is greater metropolitan bias where the provincial level is strong relative to other government tiers.

To develop and test these claims, I employ a mixed-method research design and draw on Chinese- and English-language written sources, interview material, and statistical data. Through comparative case studies of Jiangsu, Hunan, and Jiangxi provinces and analysis of China’s policy

institutions, I explore how different explanatory factors influence the formulation and implementation of development strategies. Meanwhile, I use statistical analysis to test how well key claims generalize to a larger sample of units. Beyond contributing in a timely way to our knowledge of the politics behind China's urban boom, the study advances our theoretical understanding of the politics of state-led development and multilevel governance more broadly.

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## **I. Introduction: Research Questions, Theoretical Framework, and Methods**

“There has always been a tension [...] between the perceived ills of metropolis and its attractions and benefits, and this has been particularly apparent since the growth of the industrial city.”

—Emrys Jones, *Metropolis* (1990), 208

### **Introduction**

Policymakers in China and other developing economies confront a spatial dilemma: Should they give priority to core metropolitan areas, building on the competitive advantages of their biggest, wealthiest cities? Or, conversely, should they promote a more dispersed form of urban and regional growth, making development more even across space, and perhaps more sustainable? Coordinating metropolitan growth with the development of broader national or regional economies has always been a challenge, but spatial policy has become an especially fraught subject under contemporary conditions. Large metropolitan centers are poised to thrive in a more open, integrated, and knowledge-driven world economy, and many governments seek to foster their leading cities as growth engines and global platforms. At the same time, however, metropolitan-oriented development excludes many people and places, and carries economic, social, and political risks.

The degree of “metropolitan bias”<sup>1</sup> in development policies – that is, the extent to which governments favor large cities relative to other areas and reinforce such cities’ existing advantages – has important implications for growth, resource distribution, and governance alike. Yet scholars lack a clear picture of the evolving nature and determinants of metropolitan bias. Traditionally, scholars have attributed metropolitan-oriented development and urban primacy to basic economic policies, large cities’ underlying economic advantages, and the political ability of urban constituencies to

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<sup>1</sup> Scholars have previously used the term “metropolitan bias” to denote favoritism toward large cities over other urban centers in the provision of state support, but the term has not been widely adopted. See, for example, Ferré et al (2012).

extract state benefits.<sup>2</sup> Past scholarship has given less attention to the spatial development strategies governments adopt or to the politics of urban and regional policy, and key questions remain: Why do development policies favor the largest, most advanced urban areas more in some cases than others? How do governments intervene to shape the growth of cities and regions, and which state actors take the lead? How do spatial policies fit into broader strategies of economic development?

Understanding the politics of urban and regional policy in contemporary China is especially vital. Big cities are growing explosively across China even as concerns about inequality and instability loom. State actors continue to play a leading role in development, and policy choices have major impacts on the distribution of resources, economic activity, and people in space. While nationwide debates over development policy continue, different Chinese provinces – themselves as big as countries – have taken varying approaches in practice. In some provinces and at some times, policymakers have focused heavily on building up metropolitan infrastructure and industry. In other cases, development strategies have shown more spatial balance, helping smaller cities and rural areas. China scholars have noted an increasing metropolitan orientation to policy and growth,<sup>3</sup> but little work has examined puzzling variation in development approaches across provinces and over time.

This dissertation analyzes provincial development approaches in China to further our understanding of metropolitan bias and to gain more general insights into the politics of state-led development and the dynamics of policymaking in multilevel systems.<sup>4</sup> I focus on the years from 1996-2010, a period of increasingly rapid urban development,<sup>5</sup> and combine in-depth case studies with statistical analysis to shed light on patterns and drivers of metropolitan bias. I start by exploring

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<sup>2</sup> See, for example, Ades and Glaeser (1995); Bates (1981).

<sup>3</sup> See, for example, Lin (2007); Shi and Zhuang (2007); Hsing (2010); Ke and Feser (2010).

<sup>4</sup> My subnational comparative approach follows the lead of past work by Chung (2000), Snyder (2001), Sinha (2005), Donaldson (2011), and Murali (2011), among others.

<sup>5</sup> I also focus on this timeframe because it spans three different national Five-Year Plan (FYP) periods: the Ninth (1996-2000), 10th (2001-2005), and 11<sup>th</sup> (2006-2010) FYP periods.

metropolitan development trends over time and across different Chinese provinces. I find that basic economic and structural variables are important in explaining policy approaches and development outcomes, but leave considerable variation unaccounted for. Meanwhile, changing national-level policies and governance institutions help to explain an overall metropolitan turn in China's development since the 1990s, but do not account for diverging provincial outcomes.

I call attention to the importance of provincial-level variables in explaining metropolitan bias outcomes. Provinces are key units for governance and occupy a pivotal position in China's fragmented, multilevel policy process. Provincial governments often favor rapid metropolitan development as a means of boosting economic competitiveness and visibility, whereas actors at other levels may resist such approaches. I argue that the degree of metropolitan bias in development policies depends in large part on two variables: First, metropolitan bias tends to be greater in provinces that have experienced lagging economic performance. Lagging growth creates more demand for policies that enhance economic competitiveness, and it also mitigates some downsides of metropolitan-oriented development. Second, metropolitan bias tends to be greater when provincial units are strong relative to the central government and localities, because provincial authorities prioritize the metropolitan agenda more than actors at other levels (seen in the aggregate).

The dissertation uses case studies of Jiangsu, Hunan, and Jiangxi provinces to probe the political processes behind urban and regional policy outcomes, and carries out statistical analysis to test the generalizability of key claims. Jiangsu, a thriving eastern province, represents a case of relatively unbiased urban development. Both economic and political factors in Jiangsu prevented sustained favoritism toward particular areas of the province. Development in the lagging inland province of Hunan, on the other hand, displays pronounced and persistent metropolitan bias. In Hunan, a strong provincial establishment responded to a crisis of competitiveness with aggressive efforts to build up the capital-city region. Jiangxi, which neighbors Hunan and is similar in most

respects, offers an instructive contrast. Sharp swings over time in Jiangxi's development approach reflect the influence of a shifting intergovernmental power balance on policy outcomes. Meanwhile, analysis of data from a larger sample of 20 provinces reveals that lagging economic performance and provincial government strength are associated with greater metropolitan bias more broadly.

In this opening chapter, I first introduce the issue of metropolitan bias and lay out the empirical puzzles and theoretical questions that motivate the project. I then proceed to outline the dissertation's theoretical framework, methodology, and organization.

### **Metropolitan-oriented development at large and in China**

Over the past three decades, development worldwide has taken a metropolitan turn. Amid a more connected and competitive global economy, large urban centers have grown quickly and reasserted their centrality. New York, London, and other first-world hubs that declined between the 1960s and 1980s are again brimming with people and economic activity. Developing world mega-cities such as Mumbai and Bangkok have seen explosive economic and population growth (Scott, ed. 2001; Sassen 2006). Beyond global city regions, second-tier metropolises like Atlanta, Bangalore, and Belo Horizonte have also entered the spotlight. "Metropolitanization" – the growing dominance of top urban areas in broader economies and societies – has reshaped economic, social, and political landscapes in many countries and regions (Veltz 2000). The contemporary big-city boom has also changed attitudes toward highly concentrated urban growth, with policy elites coming to view the growth of major metropolitan centers in a more positive light. Urban economists trumpet the benefits of large cities (Glaeser 2011). Researchers from the World Bank and leading consultancies call for building more mega-cities in emerging economies (World Bank 2008; McKinsey Global

Institute 2009). Policymakers across the world increasingly look at their large metropolitan centers not as governance problems but as engines of growth and globalization.<sup>6</sup>

Nowhere has the recent metropolitan turn in development been sharper or more significant than in China. As hundreds of millions of Chinese have entered cities in the largest and fastest episode of urbanization in history, a growing number have streamed into national and provincial hubs. During the 1980s and early 1990s, China experienced relatively balanced urban growth: larger cities grew briskly in some places, but small cities expanded rapidly in number and size. China's urban hierarchy grew flatter, and economic growth was spread out among cities of different sizes (Wei 1994; Fan 1999; Anderson and Ge 2005). Since the late 1990s, however, large cities have grown much more quickly. Whereas the number of cities with core urban populations over two million rose from nine to 13 between 1990-2000, it jumped from 13 to 24 between 2000-2010.<sup>7</sup> During the 2000s, large cities' share of urban population and GDP also rose in many provinces (China Data Online; author's calculations). Policymakers across China, looking to Shanghai and Shenzhen as examples, have rushed to improve urban infrastructure and win high marks for their cities in nationwide rankings of urban competitiveness.<sup>8</sup> By 2005, 183 cities across China had announced plans to build themselves into "international metropolises" (*guojibia dadushi*) (Tian 2011, 553).

Metropolitan-oriented development has reshaped the landscapes – and indeed the very personalities – of several Chinese provinces. Hunan, a central province famous as the home of Mao Zedong and a cradle of China's rural revolution, has witnessed especially dramatic change. In 1996,

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<sup>6</sup> For example, Shaw (2012) discusses the Indian government's 1993 Mega Cities Programme.

<sup>7</sup> National Bureau of Statistics 1991, 2001; China Data Online (<http://chinadataonline.org>); Xie 2012; author's calculations.

<sup>8</sup> Prominent economists such as Ni Pengfei have released rankings of major cities' economic competitiveness annually since the early 2000s. These rankings take into account a variety of factors, such as localities' industrial strength, economic size, science and technology resources, governance quality, infrastructure and amenities, environmental conditions, and cultural development. See Global Urban Competitiveness Research Center (2011). These rankings are widely watched by academics and policymakers (Interview XA61112a).



the capital city of Changsha – home to nine percent of the province’s 64 million people – accounted for less than 16 percent of the province’s total GDP. Over the following 15 years, Changsha absorbed 31 percent of Hunan’s fixed-asset investment, and nearly doubled its share of Hunan’s economy (China Data Online; author’s calculations). A backwater in 1996, Changsha had by the end of the 2000s established itself as a major destination for multinational investors and domestic tourists alike. The city could boast sprawling industrial zones and university clusters, lavish entertainment and shopping quarters, huge waterfront parks, towering monuments, new high-speed rail hubs, and a gleaming international airport terminal. Much of Hunan, however, trailed far behind. The province’s population remained largely rural, and by 2010 Changsha’s GDP was greater than that of Hunan’s next three largest cities combined (China Data Online; author’s calculations).

In China and more broadly, metropolitan-oriented development like that seen in Hunan carries important economic benefits but also poses major problems. Large cities have reemerged as powerful hubs of industry, providing employment on a huge scale and propelling the economies of larger regions or countries. Investment in urban infrastructure and real estate can boost GDP while addressing genuine social need and enhancing future productivity. Yet, the metropolitan boom also involves significant downsides. Rapid growth of what are already the largest, wealthiest, and most crowded cities in a country or region increases spatial and socioeconomic inequality. People and economic activity often become increasingly concentrated in top metropolitan centers while urban and industrial growth elsewhere remains stunted (Hirschman 1978; Henderson 2002). The coexistence of rich metropolitan areas with poor or depressed peripheries can produce intense political fights over the spatial distribution of public resources (Brenner 2004; Wei 2000; Vogel et al 2010). Large cities themselves are notorious for high – and highly visible – socioeconomic inequality (Jones 1990). Rising congestion and sprawl-style growth cause economic losses and environmental damage, and may harm social development (Cohen 2004; Henderson 1999). Meanwhile,

governments have reason to fear that high urban concentration will increase the risk of severe political unrest (Wallace 2013), and they may also perceive a threat to higher-level political and administrative authority from powerful city governments (Davis 2002). Such concerns are felt very acutely in contemporary China, given the pace of urbanization, the sharpness of regional and social inequalities, and leaders' emphasis on political stability and top-down administrative control.

The benefits and costs of metropolitanization make for acute policy dilemmas and political conflicts. The political question is not whether cities and regions will develop in an uneven manner; this is a widespread phenomenon and, to a large extent, inevitable. The political question, rather, is how government actors behave amid these trends—what role the state plays in shaping development patterns, and how policymakers react to economic tendencies of polarization and spatial imbalance. Do governments counteract these development patterns? To what extent do state interventions and political dynamics further concentrate policy benefits and resources in core metropolitan areas? Under what conditions do government policies promote, rather than limit, more polarized development?

### **Metropolitan bias: policy logic and politics**

The outcome of main interest in this dissertation is the extent to which governments privilege top metropolitan centers relative to other cities or rural areas in the course of urban and regional development. I use the term “metropolitan bias” to refer to the systematic slant of development policies in favor of the leading urban area of a country or province.<sup>9</sup> National or provincial-level policies may favor core metropolitan areas relative to smaller urban centers and outlying areas in the allocation of various forms of state support, including public investment,

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<sup>9</sup> In this dissertation, I identify the leading urban area based on economic size, unless otherwise noted. Top cities are often, but not always capital cities. In some cases, countries or provincial-level units have two cities that vie to be the leading economic and cultural center.

economic resources, public services, and preferential policies. Both broad policy frameworks, such as multi-year provincial development strategies, and more concrete policy interventions, such as the construction of transport infrastructure, can privilege metropolitan areas relative to other locations.

Of course, it is sometimes easy to overlook the ways in which state institutions affect urban and regional development patterns. This is especially true where the contemporary metropolitan boom is concerned. Large urban areas enjoy important underlying economic advantages – market scale, diversity, agglomeration economies, amenities, pre-existing financial and human capital endowments – that help them thrive under more open and competitive economic conditions. These strengths have positioned major cities as nodes in a more integrated global economy, which has further reinforced their initial advantages (Glaeser and Ponsetto 2007; Sassen 2006; Scott et al 2001). Rapid metropolitan growth has occurred during a “neoliberal” moment of market-oriented reforms and economic integration: the boom of big cities has been associated with intensifying market-based competition and a new wave of “urban entrepreneurialism” from the 1980s on. In many cases, city governments have emerged as stronger territorial actors in their own right, gaining more policy authority and adopting measures to promote faster development—from investments in new urban infrastructure to institutional reforms that improve their business environments (Kresl and Fry 2005; Hall and Hubbard, eds. 1998). As such, one may perceive higher-level governments to be playing a secondary part in boom of big cities, with their main role being to deregulate the economy and devolve power to localities. By this view, the worsening of spatial and social disparities amid the contemporary metropolitan boom reflects a sin of omission rather than a sin of commission.

Yet, urban and regional development is driven by state actors as well as by spontaneous market forces. Governments may be ill advised to choose which locations should win out, but public policies and the distribution of state support powerfully affect urban and regional growth prospects. Decisions about where to place infrastructure and industry, how to allocate land and

financing, and where to provide preferential policies and public services, among others, influence which areas thrive and which become marginalized. More general policies, including fiscal, trade, and sectoral policies, also have strong spatial implications and may powerfully influence patterns of urban and regional development (Davis and Henderson 2003; Glaeser 2008, 204).

Higher-level state actors in China have particularly powerful means for shaping the spatial form of development. It is true that market-oriented reforms and opening-up have placed municipal governments at the forefront of development, and that fierce competition among localities has become a defining feature of China's economy. But Chinese cities remain politically and economically embedded in the Party-state, and subject to higher-level policies and interventions (Lu 2011).<sup>10</sup> China's economy continues to be state-dominated, and higher-level governments retain considerable influence over development planning, land policy, finance, trade and foreign investment policy, and industrial policy.<sup>11</sup> Higher-level authority has even grown stronger in some areas following fiscal recentralization and rebuilding of the central administrative apparatus.

Almost invariably, and usually by design, state interventions in the economy favor particular sectors and locations over others in the distribution of policy support and resources. In many cases, state interventions serve to increase, rather than to reduce, existing disparities. Scholars of "urban

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<sup>10</sup> Local governments and private or foreign actors now account for much more investment activity than in the past. During the 1980s and 1990s, "rescaling" of governmental functions occurred as city-level units became key for managing economic activity and public goods provision, and the development role of higher-level state actors shrank somewhat (Shue and Sun 2010; Lin 1997; Zhang 2011). Although the growing administrative power and entrepreneurial behavior of municipalities has inspired comparisons to "neoliberal" governance patterns seen elsewhere (Kresl and Fry 2005; Yeh and Xu 2005; Wu and Zhang 2007; Luo and Shen 2008), the rise of the municipal state is more circumscribed and uneven than some accounts suggest. Higher-level governments' influence over urban and industrial development is most conspicuous in inland areas, but is also substantial in coastal areas (Solinger 1996; Lin 2011).

<sup>11</sup> While a growing constellation of business actors in China seek to assert their interests in policy-making (Kennedy 2005), the cohesiveness of business as a political group and capacity for autonomous influence over higher-level policies remain limited. Particularistic lobbying has been more typical than program-based policy advocacy, and business actors generally require allies and patrons inside the Party-state to protect and advance their interests. See Pearson (1997) and Tsai (2005). As will be discussed in detail in Chapter 3, Beijing and provincial governments have administrative levers for controlling the allocation of key development resources such as land and financing. Higher-level governments shape the distribution of state investments and preferential policies, and have political sway over much non-state business activity. Fixed-asset investment has constituted nearly half of China's GDP in recent years, and the spatial distribution of such investment is heavily influenced by state policies (Geng and N'Diaye 2012).

bias” have long called attention to the pro-urban slant of development policies in many settings. Lipton (1977), Bates (1981), and later authors have highlighted how policy institutions and government interventions in developing economies often systematically favor cities and urban residents at the expense of the countryside and rural dwellers. Such research has found that the single-minded pursuit of modernization, combined with the political need to cater to powerful urban constituencies, can lead policymakers to devote far more attention and resources to cities than to the countryside—often with negative economic and social consequences.<sup>12</sup>

Beyond urban bias in general, however, the more specific issue of metropolitan bias also looms large in development politics. The spatial bias of development policies can fall along urban-urban as much as urban-rural lines, and in many cases governments favor what are already by a large margin the biggest, wealthiest cities in their territory. Past scholarship has noted metropolitan bias at various historical moments and in various settings. Jefferson (1939) was early in linking urban primacy to the privileged political status of capital cities. Gravier (1947) described how French government policies in the late 19<sup>th</sup> and early 20<sup>th</sup> century overwhelmingly favored the development of the metropolitan area, reducing provincial France to an economic “desert.” Looking at the postwar period, Hirschman (1978) explains how government policies in developing countries often reinforced the initial advantages of leading urban-industrial centers. Along similar lines, Gilbert and Gugler (1992) note widespread state favoritism toward the largest cities amid import-substitution industrialization (ISI) during the 1960s and 1970s. Scholars looking at the contemporary period have highlighted developmental bias toward the Bangkok region in Thailand, and preferential development of capital cities in many Indian states (Dixon 1999; Shaw 2012). Ferré et al (2012) note

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<sup>12</sup> Urban bias is linked with sectorally unbalanced development, inefficient investment, rising urban-rural and regional income gaps, large-scale internal migrations, and the growth of a marginalized informal sector. Lipton (1977) and others have argued that rural underinvestment is inefficient economically. In the decades since the early urban bias literature appeared, some scholars have offered powerful critiques. Varshney (1993) argues that the relationship between the urban and rural sectors in development has varied a great deal in practice, and has not always been detrimental to rural interests.

the concentration of urban poverty in smaller cities, and discuss widespread metropolitan bias in the provision of social infrastructure and public services.

Metropolitan bias in the allocation of state support and resources is not just an unintended consequence of economic policy or politics more broadly; it is often a conscious development strategy in its own right. During the heyday of ISI in the mid-20<sup>th</sup> century, and also in the post-1980s period of economic globalization, governments in many countries have strategically concentrated investment and policy support in top cities, effectively picking winners in space. They have done so both with the aim of accelerating the overall development of their economies, and also with the goal of building larger and more competitive centers of industry, commerce, and culture. As with state-led industrialization, wherein policymakers concentrate resources in key firms and launch large-scale undertakings to economize on limited capital and know-how, state-led spatial development focuses investment in key locations to exploit economies of scale and external economies in urban and regional growth (Hirschman 1978; Krugman 1991; Henderson 2002).<sup>13</sup> The selective build-up of certain cities as national or regional “growth poles” has been a key element of many state-led development programs. Policymakers often focus heavily on metropolitan cities, as their existing resource endowments make them well suited for advanced economic and administrative functions.<sup>14</sup>

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<sup>13</sup> State-led development strategies are based on the notion that for late-industrializing economies, state institutions are required to solve development problems market actors cannot overcome on their own. Classic studies by Hirschman (1988), Gerschenkron (1962), Evans (1992), Kohli (2004) and others highlight the importance of political capital and administrative capacity in successful late development. Poor, structurally backward economies jump to higher levels of development by mobilizing resources widely and launching coordinated investment programs that target key bottlenecks in industry, infrastructure, and other spheres. ‘Big pushes’ of this sort are necessary because industry and urban development, infrastructure, and technological upgrading feature economies of scale and external economies that cannot be realized through voluntary or uncoordinated market decisions of firms and households.

<sup>14</sup> “Growth pole” strategies were originally associated with Soviet planners and European economists such as Perroux, Myrdal, and Boudeville, but entered widespread use after the 1950s, becoming influential in developed and developing countries alike (Higgins and Savoie 1995; Parr 1999). During the mid-20<sup>th</sup> century, many governments promoting import-substitution industrialization adopted “growth pole” strategies (or variants thereof) that used bursts of investment in key locations in order to drive rapid economic progress and spur wider regional development. In East Asian developmental states pursuing export-oriented growth models, strategies of concentrated industrial and urban growth focused on top metropolitan areas were also common (Hansen et al 1990; Glickman 1979; Chung and Kirkby 2002; Gilbert and Gugler 2002).

The basic logic of concentrating resources to reap economies of scale in investment, agglomeration economies for industry, and higher overall economic efficiency has persisted into the post-1980s era, even as outward-oriented economic activity has become more important and many aspects of governance have been “rescaled” to the urban or regional level (Brenner 2004). As many scholars have noted, higher-level governments in many settings continue to play active roles in urban and regional development. Even in Western countries, where state actors play a relatively limited role in the economy, national and provincial governments have targeted resources and policy support to build up specific urban areas as hubs for outward-oriented economic activity (Ibid.; Veltz 2000). State interventions in spatial development have gone much further in settings such as East Asia. In several cases, higher-level governments have coordinated industry and infrastructural development to build-up metropolitan regions that can serve as platforms for export industries and for global business services (Park, Hill, and Saito, eds. 2012; Dixon 1999).

If it is widely accepted that investing heavily in major urban centers is important for upgrading industry and boosting outward competitiveness, distributional considerations and governance concerns make metropolitan bias controversial. Development strategies that channel investment to leading cities are likely to exacerbate social and spatial disparities, and may produce backlash from locations and segments of society that lose out. Policymakers who worry about the tendency of metropolitan-oriented development to increase political instability, economic volatility, and regional fragmentation may clash with other elites who prioritize economic competitiveness.

As such, metropolitan bias is a contentious political issue in many settings. Debates have raged for decades in Mexico and Argentina over whether national governments should concentrate investment in and give preferential treatment to primate cities or offer more support to other regions (Davis 2002; Libertun de Duren 2008). The United Kingdom has seen heated policy debate over whether to focus on strengthening London’s position as a global hub or to channel more fiscal

support, industrial subsidies, and infrastructure investment to lagging northern cities (Vogel et al 2010). In India, there has been conflict at the subnational level as state capitals like Bangalore pull further ahead of peripheral regions (Shiddalingaswami and Raghavendra 2010).

The stakes of such political battles are especially high in China, where metropolitan-oriented development strategies emerged late but have gained ground very quickly. Since the late 1990s, deepening reform and opening – not least China’s 2001 WTO accession – has created economic motives for building more competitive urban areas, while debates and policy shifts at the center have opened space for new development approaches. New “growth pole” strategies, aimed at increasing the size and competitiveness of major cities so as to propel larger regional economies and accelerate industrial upgrading, have taken shape in many provinces (Xu 2008; Ke and Feser 2010; Yin 2011). As I discuss in Chapter 3, the adoption of such strategies has been facilitated by China’s long history of spatially selective development policies. Decades of activist regional policy in China have bequeathed administrative tools for staging targeted interventions, and have ingrained a culture of “concentrating strength to do big things” (*jizhong lilian ban da shi*).<sup>15</sup> Policymakers have been able to draw on longstanding modes and discourses of state-led development even as they embrace an agenda of global urban competition (Fan 1997; Yin 2011).<sup>16</sup>

While the new generation of growth pole strategies has progressed rapidly, the question of how much to prioritize metropolitan development relative to other goals has remained a very sensitive one. The speed and scale of China’s urbanization make the form urban development takes

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<sup>15</sup> Deng Xiaoping himself reportedly described the strength of China’s socialist system as its ability to “concentrate strength and accomplish big things” (*Xinhua meiri dianxun* 2012). Policymaking “culture,” in the sense of “shared decision rules, recipes, standard operating procedures, and decision routines,” does not directly determine outcomes, but it may delimit the range of goals and approaches under consideration (Johnston 1995, 35, 36-39).

<sup>16</sup> Between the 1950s and 1970s, policymakers in China used growth pole policies widely as part of state-led industrialization efforts (Larsen 1992; Yang 1990). Since 1978, China’s leaders have continued the practice of concentrating investment and policy support in key locations to “spur along” (*daidong*) growth more broadly.



consequential and the policy debates surrounding urban development intense.<sup>17</sup> Amid glaring urban-rural and regional disparities, policies that further concentrate resources in wealthy metropolitan areas invite controversy (Wang and Hu 1999; Fan 1995; Wu 2003). And the historically anti-urban bent of the Communist Party has made metropolitan development a delicate ideological issue (Yeh et al 2011). Prior to the 1949 Communist takeover, Mao led rural-based revolutionaries in “using the countryside to encircle the cities” (Mao 1956), and suspicion toward large cities persisted as China pushed forward industrialization in the 1950s and early 1960s. In the later years of the Maoist era, China pursued a more dispersed, rural-oriented model of development (Sit 1985; McGee 2008).

Since the beginning of the reform period, urban development has remained a delicate issue, and debate over what approach to pursue has continued. Concerned about overly rapid and concentrated urban growth, Chinese policymakers maintained a policy of curbing the growth of large cities during the 1980s and well into the 1990s. In line with the suggestions of Fei Xiaotong and other public intellectuals, Beijing and provincial governments promoted the dispersed development of smaller cities and towns to absorb the surplus population of rural areas (Marton 1995). Amid China’s fast, outward-oriented economic development in the 1990s, however, the long-term viability of this model was called into question.

After the late 1990s, national leaders accepted the need for faster urbanization as a means to support economic and social development, but they remained divided on the question of how to urbanize. Some policymakers and academics continued to champion “small city-based urbanization” (*chengzhenhua*) and balanced regional development, and the official policy of limiting the growth of large cities remained on the books. Other policy elites, more concerned with economic efficiency,

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<sup>17</sup> Both Chinese policy elites and foreign experts have stressed that whether rural-urban and urban-urban migrants gravitate toward ten or so megalopolises, several dozen large cities, or disperse across many smaller settlements will have profound economic, social, and even political consequences. See, for instance, Liu He (2012); McKinsey Global Institute (2009).

called for “big city-based urbanization” (*chengshihua*) and faster development of metropolitan regions (Cao and Zhu 2010; Gu et al 2012a; Yeh et al 2011). These debates continued throughout the 2000s.

Under China’s new premier, Li Keqiang, the central government in recent years has made urbanization one of its top development priorities,<sup>18</sup> but high-level consensus on urban policy issues has remained surprisingly elusive.<sup>19</sup> Disagreements among top policymakers delayed for several years the adoption of a new national urbanization strategy, and continued even after the policy’s release in early 2014 (Johnson 2014; Yao 2013; *The Economist* 4/19/2014).

With national-level policies toward urban and regional development remaining unsettled, the practical problem of how to coordinate the development of metropolitan cities with larger regional economies has fallen to the provincial level. Chinese provinces, like India’s states, are as big as medium-sized countries (with populations often exceeding 50 million people), and face country-sized development dilemmas. Sharper economic disparities are found *within* provinces than across them, as top cities tend to be far wealthier than smaller cities and rural areas (Wei and Fan 2000). Locked in economic competition with one another, provincial governments have good reasons to worry about the economic strength and attractiveness of their top cities. Yet development policies that concentrate investment in top cities can further widen regional gaps, perpetuating deprivation in outlying areas, causing internal migration, and producing social and political tensions.<sup>20</sup> How these pros and cons of metropolitan bias are weighed against one another is ultimately a political question.

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<sup>18</sup> Li has been a major champion of urbanization as a development strategy through much of his political career. Indeed, Li’s early-1990s doctoral dissertation in economics argued for accelerated urbanization as a way to promote growth of consumption and service industries. Li also promoted rapid urban development while serving as a provincial leader in Henan and Liaoning (Yao 2013; *Bloomberg News* 11/13/2012).

<sup>19</sup> In addition to debates over big city versus small city-based urbanization, there have been disagreements over the pace of urbanization, the balance between investment in physical infrastructure and spending on public services, and the approach to reforming China’s household registration (*hukou*) system.

<sup>20</sup> This is a particularly large concern given the persistence of *hukou*-based urban residency restrictions that subject many migrants in large cities to second-class citizenship and limited access to economic opportunities and social services (Chan and Buckingham 2008).

**Questions for research: empirical puzzles and gaps in the literature**

Marked variation – both over time and across units – in development approaches raises important questions about the nature and determinants of metropolitan bias. While many scholars have noted the importance of policy factors in shaping the growth of cities and regions, little China-focused or comparative research has explored the politics behind spatial development policies in depth. Such empirical puzzles and theoretical gaps call for a more systematic analysis of the factors that drive metropolitan bias—and of the politics of urban and regional development more broadly.

*Variation in metropolitan bias outcomes*

Around the globe and in China, one observes marked variation in the extent to which development strategies focus on and favor top cities. On the one hand, there is considerable variation across countries and province-level units in metropolitan bias. For example, during the 1980s and 1990s, development policies in Thailand focused heavily on the Bangkok region, while policies in Taiwan prioritized the development of multiple urban regions. This occurred in spite of the fact that Taiwan was a smaller political unit with less-severe regional gaps to begin with (Dixon 1999; Hsu 2001). And while development policies in Indian states such as West Bengal emphasized spatially balanced development during these decades, other states, such as Karnataka, strongly prioritized metropolitan growth (Shaw 2012). On the other hand, there have also been in many cases sharp shifts over time in urban and regional development strategies. Several countries, from the United Kingdom to South Korea, saw major shifts between the 1970s and 1980s in the orientation of spatial development policies, with growing emphasis on top metropolitan areas (Brenner 2004; Rondinelli 1991). Such variation in spatial policies across units and over time has contributed to

different patterns of urban and industrial growth, and varying social and environmental outcomes. It is not fully clear, however, why particular policy approaches have won out in each case.

Variation in development policy approaches over time and across provinces in China during recent decades is particularly striking. Whereas Chinese policymakers stressed the development of small and medium-sized cities for much of the 1980s and 1990s, there has been growing state support for metropolitan cities with urban populations over one million since the late 1990s. Beyond this broad pro-metropolitan shift in development policies, however, there has been striking variation across individual provinces in the extent to which growth strategies have prioritized top urban areas. In cases like Hunan, mentioned above, development policies since the mid-1990s have consistently emphasized metropolitan development. In other provinces, such as Jiangxi, which neighbors Hunan to the east and resembles it in many ways, policymakers have placed greater emphasis on cross-regional coordination, urban-rural balance, and the environmental sustainability of development.

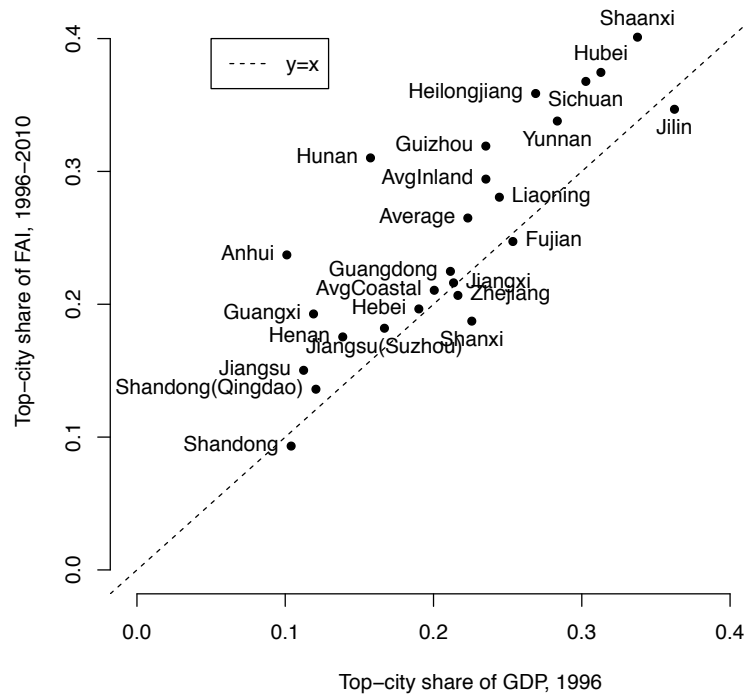
Such variation in policy approaches is reflected in concrete development outcomes. Across a sample of 20 large Chinese provinces, economic activity has generally grown more concentrated in provinces' leading urban centers<sup>21</sup> since the late 1990s. Figure 1.1 below plots the share of total provincial fixed-asset investment (FAI)<sup>22</sup> captured by each province's leading city for the period 1996-2010 against the top city's initial share of provincial GDP. The figure gives us a picture of the degree to which the distribution of investment has been slanted in favor of top cities.

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<sup>21</sup> Here and throughout the dissertation, I identify each province's leading city on the basis of GDP size, unless otherwise noted.

<sup>22</sup> Fixed-asset investment (FAI) is a broad category that includes public, collective, and private investment in various categories of infrastructure, industrial plant and equipment, and real estate. See National Bureau of Statistics (2001). I discuss in Chapter 2 the reasons for using FAI data as an indicator for spatial development outcomes.

**Figure 1.1: Top-city FAI share (1996-2010) and initial top-city GDP share across 20 provinces**

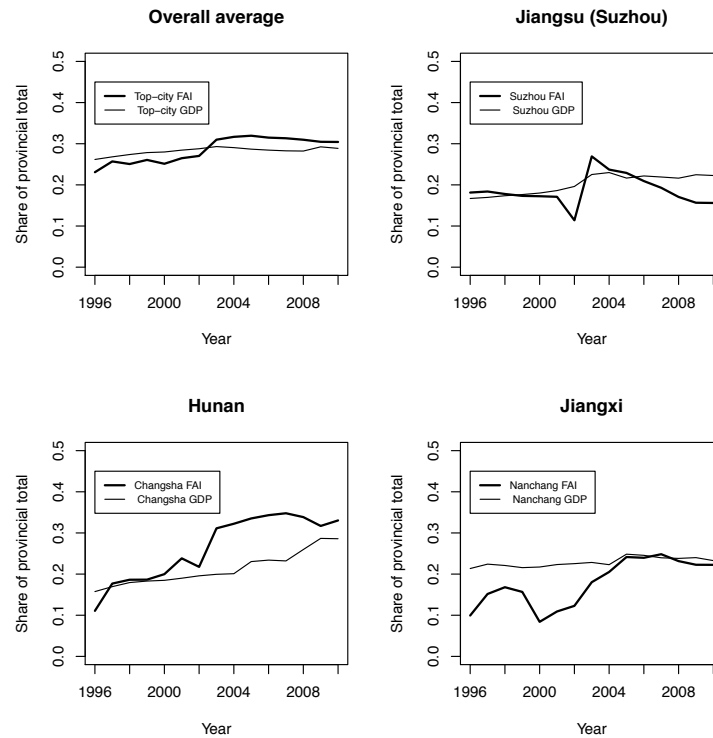


*Sources: China Data Online; provincial statistical yearbooks; author's calculations*

As the figure shows, there is a broad tendency for top cities' share of provincial FAI between 1996-2010 to exceed these cities' initial GDP share. Yet there is also marked variation across provinces in the metropolitan slant of investment. In Hunan, Changsha's share of provincial FAI between 1996-2010 dramatically exceeded its initial GDP share, indicating a pro-metropolitan tilt in development. Other provinces, such as Jiangxi, saw less metropolitan concentration, or even a slant away from top cities, in the distribution of FAI. In general, investment was more metropolitan-oriented in inland provinces than coastal provinces. But even pairs of similarly situated provinces, such as Hunan and Jiangxi, display markedly different outcomes. As I will show in Chapter 2, we find similarly puzzling patterns when looking at trends in top-city shares of provincial GDP: top-city GDP share has risen abruptly in some cases while staying flat or falling elsewhere.<sup>23</sup>

<sup>23</sup> In Anhui, for instance, top-city GDP share rose from under 10 percent to over 20 percent between 1996-2010, while in Hebei top-city GDP share dropped from 19 percent to 17 percent during the same period (China Data Online; author's calculations).

**Figure 1.2: Varying trends over time in top-city share of provincial FAI and GDP**



*Sources: China Data Online; provincial statistical yearbooks; author's calculations*

Looking within cases, there has been striking variation over time in the extent to which policies have favored metropolitan development, and in the concentration of investment and GDP in the largest cities. In Jiangsu province, for example, development policies emphasized balanced regional development during the late 1990s and late 2000s, but put greater stress on urban competitiveness and metropolitan growth in the early 2000s. Reflecting these shifts, development outcomes in Jiangsu varied considerably over time. There was a spike in the share of investment going to the province's leading economic center, Suzhou, during the early 2000s, followed by a decline thereafter. As Figure 1.2 above shows, there have been sharp swings over time in the top-city concentration of economic activity in multiple provinces, and different provinces' overall trajectories have also varied.

It is surprising to observe abrupt changes over time in policies and development trends within cases, and to find similarly situated units following very different development trajectories. Along with variation in metropolitan bias outcomes more generally, these empirical puzzles in China point to questions of broader theoretical importance: To what extent do government policies reinforce or reduce underlying tendencies of uneven development? Under what conditions is metropolitan bias most likely to emerge? How are urban and regional policies formulated and implemented, and which state actors and levels play the most important roles? Addressing these questions is important for our understanding of development outcomes and of the politics of development in China and beyond, but existing literature does not provide satisfying answers.

#### *Gaps in the literature*

China-focused and comparative research has given relatively scant attention to the politics of spatial development policy. Although work by economists and geographers notes the important influence of government policies on urban and regional development outcomes, it often brackets questions about the political origins of policies. Research on the political economy of development, meanwhile, tends to ignore the politics surrounding spatial development strategies, focusing primarily on issues of macroeconomic and industrial policy. And although China scholars have highlighted state efforts to shape urban and regional development, few have systematically analyzed variation in policy approaches across different regions and over time.

Past work by economists and geographers has highlighted economic-structural factors as well as political variables that may affect spatial development outcomes. Scholars have long emphasized that the economic development of countries and regions is a spatially polarized process: some areas invariably develop first, because a critical mass of economic resources and people is required before more sophisticated industrial and urban activities can emerge. Empirically, economic

development and urban growth tend to be more spatially concentrated at early and intermediate development stages and in less open or market-oriented economies (Friedmann 1956; Williamson 1965). Governments are constrained by these development dynamics to a certain extent, and they may even have motives for reinforcing uneven development in the short term. Concentrated development allows governments to take advantage of economies of scale and agglomeration economies, and once dynamic economic centers have emerged, spillovers to other areas may occur naturally (Hirschman 1978; Krugman 1991; Henderson 2002).

Such work notes that policy factors and political variables, as well as underlying structural constraints, can shape development approaches and outcomes in important ways. State provision of urban and regional infrastructure, public services, financing, land, and other developmental resources can contribute to rapid urban growth and reinforce cities' agglomeration economies. Less overtly spatial policies, such as industrial, trade, and foreign investment policies, may also affect city growth in important ways (Glaeser 2008; Henderson 2002; Xu and Zhu 2008; Demurger et al 2004). Political institutions, too, matter. Capital cities tend to be disproportionately large, and non-democratic regime type and political centralization are associated with more highly concentrated urban development (Jefferson 1939; Ades and Glaeser 1995; Henderson 1999; Galiani and Kim 2011). At the end of the day, however, economists and geographers tend to treat political and policy factors as exogenous, rather than explore why particular policies were adopted and implemented.

Scholarship on the political economy of development aims more directly at clarifying the political determinants of policy outcomes and the dynamics of the policy process. Yet, while many studies of state-led development have looked at the politics of industrial policy in depth, scholarship is often silent on the question of urban and regional development—why states' development efforts



were organized in space in particular ways, and with what consequences.<sup>24</sup> The urban bias literature discussed earlier more directly considers the spatial aspects of development policy and politics. Scholars note the tendency in rapidly modernizing states to extract wealth from the rural sector to subsidize industrialization, and to concentrate public investment and services in cities. Urban bias is attributed, on the one hand, to ideological factors such as state elites' prioritization of industry and the outward trappings of modernization. On the other hand, urban bias is seen as arising from state-society politics: the collective action and rent-seeking capacity of urban-based groups outweighs that of rural interests, and there is thus political pressure on authoritarian incumbents to give policy benefits and resources to cities (Lipton 1977; Bates 1981; Wallace 2013).

However, there is far less emphasis in urban bias literature on the bureaucratic and intergovernmental – as opposed to state-society – politics of development policy, despite indications that there is considerable conflict within the state over the spatial orientation of development.<sup>25</sup> And, by viewing urban bias as a side effect of state-led industrialization and authoritarian politics, urban bias scholarship assigns little weight to spatial development policies per se, even though such policies feature centrally in many development programs. It thus remains unclear to what extent metropolitan bias in policies is deliberate and strategic, and which actors support such an approach.

Recent China scholarship goes further in analyzing urban and regional policy and the politics surrounding it, but there is often a lack of attention to patterns of subnational variation. Scholars of reform-era China have looked in depth at evolving approaches to urban and regional development,

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<sup>24</sup> Canonical studies of state-led development by Gerschenkron (1962), Johnson (1982), Evans (1992), Amsden (2002) and Kohli (2004), for instance, have looked more closely at the political factors and institutional dynamics associated with successful programs of state-led industrialization. These studies emphasize the political autonomy and legitimacy of governments, the administrative strength and mobilization capacity of state actors, and the ability of state actors to maintain close ties and information flows with societal actors without falling prey to rent-seeking behavior. But such studies largely neglect questions about what spatial strategies developmental states adopt, and how the spatial configuration of development affects the politics of development.

<sup>25</sup> Indeed, later analyses of urban bias by Varshney (1993) and Bates (1993) have stressed the need for greater attention to the intra-state politics and dynamics that shape the spatial allocation of resources and policy support.

and have examined the political debates surrounding policy change. Recent work highlights a shift in China toward a more metropolitan-oriented urban and industrial growth model (Lin 2007, 2011; Wang and Zhu 2013). In addition, scholars have called attention to “rescaled” modes of urban and regional governance that have emerged in a context of rising economic competition and reassertion of higher-level authority, such as metropolitan-regional planning and new regional development initiatives (Xu 2008; Ke and Feser 2010; Shue and Sun 2010; Zhang 2011; Li and Wu 2012).

Yet, much of this work emphasizes broad trends across China, rather than analyzing regional variation in how new approaches are playing out. And although such work stresses the role of state institutions in shaping urban and regional development outcomes, it rarely looks in depth at how state institutions operate. Intergovernmental relations and political agency in the policy process remain obscure, and there is rarely a systematic picture of the factors influencing policy outcomes.<sup>26</sup>

Meanwhile, there are several more general questions about multilevel governance in China that remain unanswered, even as scholars have worked to clarify the policy process and pinpoint the sources of subnational policy variation. Past work by political scientists has highlighted institutional dynamics and political variables that affect development policy outcomes. From Lieberthal and Oksenberg’s (1988) portrait of China’s “fragmented authoritarianism,” to Mertha’s (2005) theory of “soft centralization,” to Zheng’s (2007) discussion of “de facto federalism,” to Heilmann’s (2008) characterization of “experimentation under hierarchy,” scholars have emphasized the importance of administrative decentralization and fragmentation, institutional flexibility, bureaucratic and territorial competition, and the mix of top-down supervision and bottom-up initiative in Chinese governance. Rigorous subnational comparative work by Li (1997), Chung (2000), and Donaldson (2011), meanwhile, has highlighted a number of variables that affect provincial and local policy outcomes in

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<sup>26</sup> Xu (2008) and Shue and Sun (2010) go much further than most authors in analyzing the bureaucratic and intergovernmental conflicts that arise in urban and regional governance.

China, ranging from local economic structure and administrative legacies, to the institutional structure of central-local relations, to local leadership attributes.

Nonetheless, many basic questions about the dynamics of policymaking in China's fragmented system remain. There has been little analysis of how intergovernmental relations in the policy process vary across different parts of China.<sup>27</sup> Despite widespread emphasis on subnational leadership initiative, there has been little discussion of the *ex ante* conditions that enable or hinder bold action on the part of local leaders. As Rithmire (2014) and others point out, it is unclear even how to conceptualize influence and agency in China's hierarchical policymaking system. Addressing these questions is necessary in order to gain a clearer picture of development policy outcomes, and to advance broader debates over how China's fragmented state functions.

In what follows, I lay out a theoretical framework that begins to address the above empirical puzzles and gaps in the literature. Building on previous comparative and Chinese political economy scholarship, I develop an argument about the political determinants of spatial policy outcomes.

### **Theoretical framework: the multilevel politics of metropolitan bias**

This section proposes an explanation of why we see greater metropolitan bias in some Chinese provinces and at some times than others. The main aim of this theoretical framework is to explain *policy outcomes*, by which I mean both the broad development strategies adopted in different

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<sup>27</sup> As is clear from past work by Shirk (1993), Goodman, ed. (1997), and others, there are major differences in how Beijing and provinces approach development and even how central-local relations function between wealthier coastal regions and lagging interior regions. Most studies of urban and regional governance in China have been based on data gathered in the relatively developed and internationalized provinces of southeastern China, where city-level units enjoy more resources, wealth, and access to the global economy. It is unclear to what extent findings from these areas generalize to inland regions with poorer, more closed, and more state-oriented economies. And, while Zheng (2007) and other scholars have noted China's ambiguous separation of policy-making powers among different tiers of government, little work has explored whether different levels of government play varying roles in development from place to place.

provinces and the more concrete implementation outcomes that follow.<sup>28</sup> (In the dissertation’s empirical chapters, I will also explore some of the consequences of different policy approaches for economic outcomes and governance arrangements.) The framework is intended as a “middle range theory,”<sup>29</sup> developed in dialogue with empirical data and geared to a specific context—contemporary China. In the concluding chapter, I explore how parts of the argument might travel to other settings.

To identify key variables affecting development policy outcomes in China, it is first necessary to examine the structure and dynamics of policymaking. Provinces are a key scale for urban and regional governance, but policymaking is a multilevel process in which provincial, central, and local<sup>30</sup> actors maneuver to advance their respective priorities (Lu 2011; Yin 2011). Actors at different levels have varying preferences about how development policy should be administered, and about how investment and policy support should be distributed across space. To understand urban and regional policy outcomes, we must consider both the preferences of different government levels and the power balance between different levels in the policy process.

From this set-up, I develop my main claims about the drivers of metropolitan bias. I argue that provincial governments, focused on the economic competitiveness of their jurisdictions, should be more inclined to concentrate investment in top metropolitan areas than either local governments (in the aggregate) or central policymakers. But actors at each level have a basic interest in ensuring that a provincial economy remains competitive, so all may accept higher metropolitan concentration of investment when a province is underperforming economically relative to its peers. Policy

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<sup>28</sup> Following Frieden (1991), I distinguish analytically between policy outcomes, political outcomes, and economic outcomes. Policy outcomes, or “what government policies are adopted,” often have direct implications for patterns of resource distribution and economic development, which can in turn feed back into the policymaking process. In order to reshape policymaking more systematically, political actors may seek to change institutional arrangements and the distribution of power—a political outcome (Frieden 1991, 27).

<sup>29</sup> I borrow this term from Merton (1949) and Ziblatt (2006).

<sup>30</sup> Here, and in the rest of the dissertation, I use the term “local governments” mainly to refer to sub-provincial governments, typically city-level governments. Technically, of course, Chinese provinces, cities, counties, and townships all are considered “local” (*difang*) units.

outcomes also depend on which levels of government are able to dominate the making and implementation of development strategies. When provincial governments are administratively and politically strong relative to other tiers, their pro-metropolitan preferences should influence policy outcomes to a greater extent.

Therefore, we can expect to observe greater metropolitan bias when provinces are lagging economically (and all levels of government support greater concentration of investment), and/or when provincial governments are strong (and can shape policies in line with their preferences). These provincial-level variables – relative economic performance and intergovernmental power balance – should help explain the variation in top-city concentration of investment that is not accounted for by underlying local development trends or by broad national policies.

*China's fragmented state and multilevel policy process*

Over the past two decades, higher-level state actors have continued to play a key role in China's urban and regional development, notwithstanding reform and opening and the growing clout of municipal governments. As will be discussed in more detail in Chapter 3, Beijing and provincial authorities have strong tools with which to shape urban and regional development. Efforts to revamp China's state apparatus since the mid-1990s have increased higher-level regulatory authority and control over state resources, requiring localities to work more closely with higher echelons in various aspects of development. Whether it comes to fiscal and financial resources, land use, urban and regional infrastructure, industrial policy, or urban planning approvals, central and provincial state actors play a key role in distributing resources and defining the scope of local autonomy in the development process.<sup>31</sup> If higher-level governments and state institutions have the

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<sup>31</sup> China's 1994 fiscal reforms, which recentralized many forms of fiscal revenue, made localities more reliant on central fiscal transfers and lending from state banks to cover their budgetary needs (Wong 2002; Tang 2011). Since its 2003 creation, the National Development and Reform Commission (NDRC) and its provincial counterparts have established

capacity to shape urban and regional development, however, how this capacity is actually used remains a political question. Which scales of governance should take precedence, and which locations and sectors should be prioritized, are matters of fierce debate. Development strategies are formulated and implemented through a multilevel political process in which different preferences collide and different actors bargain.

China's state apparatus contains various actors and agendas, and the policy process is conflict-prone and lacking in institutionalization. The division of government along functional lines (*tiao tiao*) and into geographic units (*kuai kuai*) creates a constellation of bureaucratic and territorial entities with corporate characters of their own and thus makes for "fragmented" governance.<sup>32</sup> Policy-making authority and control over state resources is broken up among different levels, units, and functional domains, and the division of responsibility and authority is rarely clear-cut. As a result, policy formulation and implementation is a messy, multilevel process with a limited degree of institutionalization. With territorial and bureaucratic actors "encapsulating" and fighting on behalf of different state and societal interests, policymaking is also a highly politicized process. Conflict among different actors and agendas is rife, and policy consensus is hard to attain without interventions from authoritative actors (Lieberthal and Oksenberg 1988; Zheng 2007; Xu 2008).<sup>33</sup>

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far-reaching authority over both broad industrial and regional planning and approval of specific large-scale projects (Yang 2004; Heilmann and Melton 2013). Strengthening of China's Ministry of Land and Resources (MOLAR) since the turn of the century has tightened land-use planning and regulation, increasing central and provincial control (Naughton 2007). Urban master plans and urban system plans formulated under the Ministry of Housing and Urban-Rural Development (the Construction system) and provincial construction departments continue to affect the quotas cities receive for population and state resources, while higher-level transportation agencies influence where airports, roads, and rail networks are built. Reform and recentralization of China's commercial banks expanded Beijing's oversight (Heilmann 2005), while more policy-driven financial institutions such as the China Development Bank have grown enormously in influence and lent staggering amounts of capital to industry and infrastructure projects (Sanderson and Forsythe 2012).

<sup>32</sup> Although central ministries and subnational governments fall under the authority of the central Party and state leadership and must observe basic central policies, they have room to advance more particularistic interests.

<sup>33</sup> A high degree of subnational administrative autonomy and political influence has become institutionalized over the course of the reform era (Zheng 2007). Partly, this is due to the strong political standing of provincial leaders in China. Provincial leaders have been one of the most important constituencies of China's central Party establishment in recent decades. Provincial leaders form a large – often the largest – bloc in the ranks of the CPC's Central Committee, and

Because the size and fragmentation of the state makes it difficult to administer China as a whole, provinces are key units for governance. Past scholarship has emphasized that China is both politically centralized and administratively decentralized: the Party leadership maintains control over key personnel and sets basic policy guidelines, but in practice allows considerable subnational policymaking discretion. During the reform era, provinces often have enjoyed considerable latitude in economic and social development policy (Chung 2000; Zheng 2007; Landry 2008; Donaldson 2011). Provinces' importance as governance units is also bolstered by China's tradition of "regionally differentiated governance" (*yin di zhi yi*). Communist leaders have not merely allowed but also encouraged "experimentation under hierarchy" (Heilmann and Perry 2011; Heilmann 2008). Central authorities often strike particularistic deals with different provinces, and it has been common for reforms and new policies to emerge in a piecemeal fashion, with some areas moving ahead of others (Shirk 1993).

Provincial units are particularly important for urban and regional governance because many key policy decisions and interventions are made at the regional scale. Provinces contain multiple urban centers, and encompass both developed core areas and less developed peripheries. It is at the provincial level that policymakers most directly confront the dilemmas associated with uneven development. Provincial governments formulate industrial and spatial development strategies for their units, and assign the cities under them different functional roles. Provincial governments coordinate the growth of different urban areas, allocating the land-use quotas and fiscal transfers cities rely on, overseeing and facilitating major capital investment projects, and helping localities obtain financial resources and policy support from central state agencies (Lu 2011; Gu et al 2012b;

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former provincial leaders dominate the upper ranks of the Party elite and the membership of elite political factions (Li 2008; Shih 2008). Administratively, provincial governments also enjoy the autonomy they need to advance provincial interests. China's hierarchical system of policy-making requires provincial officials to constantly consult with and seek approval from the center, but this hardly means that central priorities or ideas always drive the agenda (Heilmann and Melton 2013). Competition among territorial units for economic resources has increased as liberalization has progressed, and the material stakes of bureaucratic turf battles have also grown markedly along with the size of the economy.

Watson et al 1999, 93; Hsing 2010). Municipal master plans that specify the size, function, and growth configuration of cities must be approved by provinces, and provincial authorities play a key role in developing regional infrastructure such as highways, rail lines, and water supply systems (Lin 2012; Vermeer 2004). Because provinces have institutionally strong executives and occupy a pivotal position in the administrative hierarchy, the provincial level is especially important for staging regional development initiatives that span different localities and functional sectors.

While provincial development strategies play a major role in shaping growth, the formulation and implementation of development strategies is a multilevel process, with extensive consultation and coordination – as well as conflict – between different government tiers (Chung 2000). Central and local government actors, as well as provincial authorities, play a role in formulating provincial development strategies. Provinces are expected to abide by basic central policies, and the central leaders may give provincial governments guidance regarding what development approaches to pursue. City-level needs and interests also factor into the design of provincial development strategies, with close consultation between provincial and city governments and heavy lobbying of provincial authorities by city actors (Donaldson 2011; Lu 2011).

Implementation of development strategies also involves actors at different levels. Provincial-level policy measures are crucial to the implementation of development strategies, but there is much which provincial governments are unable to accomplish on their own. Provincial authorities look to the central government for material resources and authoritative policy support, and they also rely on the operational capacity and local knowledge of city-level governments (Vermeer 2004; Yin 2011). The successful implementation of development strategies depends in large part on whether, and to what extent, central and local actions complement provincial policies. Figure 1.3 below depicts in schematic form the intergovernmental dynamics of policy formulation and implementation.



**Figure 1.3: The multilevel dynamics of policymaking**



This multilevel policy process is highly politicized. The divergent policy preferences of different government levels and bureaucracies make for conflicts and aggressive bargaining at each stage of policymaking. Development strategies ultimately matter insofar as they lead to targeted and coordinated policy interventions in the form of investments, resource allocations, administrative support, or institutional changes. But bringing different levels and agencies into alignment on the outlines of a development strategy is difficult, and orchestrating implementation efforts may be even more difficult. In the absence of a fully institutionalized process or well defined division of authority across government levels and bureaucracies, actors maneuver to shape policies and mobilize state resources in line with their own priorities (Lieberthal and Oksenberg 1988; Zheng 2007).<sup>34</sup> There is no *ex ante* formula for aggregating divergent preferences; policymaking and implementation is fluid and political, driven by power relations. Crafting and executing coherent development strategies in such a system depends on a given actor's ability to take the initiative and work independently toward a goal if necessary, and also on the actor's ability to apply effective pressure to and enlist cooperation

<sup>34</sup> Provincial and local lobbying for spatially selective policies is widespread and well-documented: subnational governments vie to get central backing for local development programs and to capture spatially targeted benefits (Shirk 1993; Zweig 2002; Yin 2011). The great importance of personal and factional relationships in Chinese politics only intensifies these bargaining dynamics (Lieberthal and Oksenberg 1988; Shih 2008).

from other actors. Depending on which actors are able to dominate this process, the resulting policies may prioritize the interests of different government levels and territorial units.<sup>35</sup>

To understand the policy outcomes that arise from this multilevel process, it is necessary to have a clearer picture of the policy preferences different actors bring to the table, and of the distribution of political clout and administrative capacity across different government levels. The following sections address these issues in turn, discussing the preferences of different government levels toward urban and regional development, how preferences vary under different economic circumstances, and how the power balance among different levels should affect ultimate outcomes.

#### *Divergent policy preferences across different government levels*

Preferences toward urban and regional development policy should vary across levels of government, and these preferences should, in turn, define the range of possible policy outcomes. Because provincial, local, and central authorities preside over different territorial units and face varying time horizons, they internalize or externalize different costs and benefits of metropolitan bias and thus should have different attitudes toward pro-metropolitan policies. I use a three-level framework to consider how different government tiers' preferences toward development policy vary, and how preferences factor into ultimate policy outcomes.

Provincial leaders have particular reason to favor metropolitan-oriented development strategies. Appointed by the central Party, provincial leaders are tasked with promoting China's

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<sup>35</sup> When policy-making involves extensive central-local consultation and where central bureaucratic processes are fragmented and have many "choice points," subnational actors such as provincial leaders can insert themselves into central deliberations to secure favorable policy decisions and win state resources (Sinha 2005; Shih 2008). In her study of the multi-level developmental state in India, Sinha (2005) emphasizes how the "porous" nature of an otherwise strong central state allowed subnational actors to wield considerable influence over development policies. In China, officials and policy experts describe local leaders' aggressive lobbying of central agencies using the punning phrase "running through ministries, obtaining monies" (*paobu qianjin*). Recent research by Yin and Tang (2010) and Heilmann and Melton (2013), as well as anecdotal evidence gathered during interviews between 2011-2013 with staff and researchers associated with different central government agencies, suggests that provincial leaders relentlessly lobby central bureaucrats to get approvals for key development plans and projects.

economic and social development and safeguarding political order. In ordinary times, though, provincial leaders have strong incentives as well as considerable autonomy to promote provincial-level economic and political interests. To advance their careers, provincial leaders seek to amass economic and administrative accomplishments that will impress superiors in Beijing. At the same time, provincial leaders seek to advance provincial-level economic and bureaucratic interests so as to build local support bases and foster clients (Huang 1996; Bo 2002; Zhou 2004; Zheng 2007; Tang 2011). Achieving these aims requires provincial leaders to exploit the resource endowments of their provinces, and also to compete effectively for outside investment and state support. These imperatives have major implications for urban and regional strategy.

From the standpoint of provincial leaders, building up top metropolitan areas is appealing as a means of accelerating economic development, raising the profile of their regions, and expanding their administrative influence (Xu 2008; Kennedy 2014). First, metropolitan cities are key assets in provinces' efforts to boost economic growth and upgrade their economies. By developing large, economically diversified urban centers, it may be possible to reap economies of scale in investment, exploit spillovers across firms and sectors, and – because major cities already have strong economic foundations – achieve relatively rapid results (McKinsey Global Institute 2009). Cities with high-quality infrastructure and institutions and large local markets are better able to attract outside investment and boost local productivity (World Bank 2006). The size and competitiveness of major cities is particularly important as provinces work to develop outward-oriented economic sectors and upgrade their economies into capital- and knowledge-intensive industries. Advanced industry and globally oriented economic activity require infrastructure, amenities, business networks, and human talent that are more easily available or more efficiently provided in large cities (Henderson 1997).<sup>36</sup>

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<sup>36</sup> Where such conditions do not exist, concentrated efforts to improve the business environment or foster new industries in a single major city may be considerably easier than spreading support across multiple urban centers.

From the standpoint of provincial leaders, metropolitan-oriented development has other advantages as well. Insofar as provincial leaders seek to make their development achievements visible and raise the profile of their jurisdictions, metropolitan centers function as natural showcases—and showpieces. Major urban public works and large-scale industrial projects are easy to display, and can be used to make an impression on political superiors, investors, and tourists alike.<sup>37</sup> At the same time, metropolitan planning and development initiatives may offer an opportunity for provincial authorities to expand their role in managing the growth of cities and industry. Insofar as metropolitan governance requires coordinating the actions of different localities and agencies, it justifies an expansion of higher-level authority (Xu 2008; Kennedy 2014).<sup>38</sup>

Of course, there are countervailing factors that should limit provincial governments' metropolitan favoritism. Marginal returns to investment in top cities are likely to diminish beyond a certain point, such that provinces would reap greater benefits from channeling resources elsewhere (Henderson 1997; 1999).<sup>39</sup> The downsides of metropolitan bias may also give pause to provincial governments. As discussed above, concentration of development in top cities worsens urban congestion and environmental strain, and heightens spatial and social inequality. Policies that marginalize outlying areas and trigger migration to top urban centers may increase social tensions and regional fragmentation in a province. Meanwhile, major cities themselves can pose political risks. Concerns about concentrated public unrest loom large in China, so rapid population growth in top cities remains a matter of great concern (Wallace 2009). Meanwhile, authorities in many provinces

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<sup>37</sup> Also, insofar as major metropolitan centers – and particularly capital cities – serve as important symbolic centers – “theaters of state power,” in the words of Blockmans (2003) – for the larger regional units to which they belong, building up such cities may enhance the profile and political power of regional governments.

<sup>38</sup> As Xu (2008) observes, metropolitan-regional initiatives give provincial and central actors a way to exert greater control and guidance over processes of urban development that might otherwise be dominated by city governments.

<sup>39</sup> There are practical limits to how much investment – and economic limits to how much productive investment – can be undertaken in one place at one time. In addition, the economic benefits of city size may decline beyond a certain point (Henderson 1997; 1999)

have historically struggled to maintain administrative dominance over their largest cities (Fitzgerald 2002), and provincial leaders may be loath to further build up cities they cannot fully control (Solinger 1993).<sup>40</sup> Notwithstanding these downsides, however, provincial governments have strong incentives to support metropolitan development—at least up to a point.

Taken in the aggregate, city-level governments should be far less supportive of metropolitan-oriented development approaches than provincial authorities. While metropolitan cities and nearby localities have good reason to support policies that would advance their development, other local governments are likely to oppose metropolitan-oriented development strategies that would relegate them to the margins. City-level governments in China have tight links to local industry and real estate and capture many of the direct economic benefits associated with growth. Fierce economic and political competition among localities means that city-level governments put their own jurisdictions' development first. Indeed, local leaders' promotion chances may depend heavily on how well their jurisdictions perform relative to counterparts in terms of economic growth and fiscal revenue generation, so they also have strong career incentives to boost development (Tong 2011; Landry and Lu forthcoming). Of course, cities' economic fortunes are at least somewhat connected with the larger provincial economies to which they belong, so even self-interested city governments should have some concern for provinces' overall economic performance. But with localities primarily focused on their own development, and most cities situated outside of metropolitan regions, city governments on the whole should favor more spatially balanced development policies.

Central government actors should also favor a more spatially balanced mode of development than provincial authorities, if for different reasons than local governments. Central state actors have a broader territorial ambit and longer time horizons than subnational actors. Many of the negative

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<sup>40</sup> Such concerns are likely to loom large in cases where cities have economic and administrative resources of their own and are relatively independent in development, or where there is a possibility that a city may be detached from the jurisdiction to which it belongs.

externalities arising from rapid, uneven urban growth – latent social tensions and political threats, environmental pollution, inflation, wasteful investment and associated bad debt, etc. – are internalized at the national level. Central policymakers – especially the senior politicians who make up the central Party and State Council leadership and have the most encompassing interests – assign less weight to the short-term development outcomes of specific provinces, and put more emphasis on ensuring the economic and political order of the country as a whole (Lieberthal and Oksenberg 1988; Huang 1996). As I discuss in Chapter 3, China’s leaders historically have seen concentrated urban development, sharp regional and urban-rural disparities, and rising social inequality as long-term threats, and have worked to promote more spatially even and inclusive development.

Of course, the central state is not monolithic, and different central actors and constituencies contend with one another. Top Party and state leaders, along with bureaucracies whose mandates relate to sustainability and inclusive development, such as the Ministry of Housing and Urban-Rural Development,<sup>41</sup> are likely to prefer development approaches that balance emphasis on metropolitan areas with attention to secondary cities and rural areas (Interview BJ081206a). But central policymakers also have an interest in seeing each province develop urban and industrial centers strong enough to sustain regional growth. And, state agencies whose mandates are linked with economic development, such as the National Development and Reform Commission, the Ministry of Finance, and the China Development Bank, may be particularly supportive of more elitist, metropolitan-oriented policies (Gu et al 2012a).<sup>42</sup> Overall, the divided nature of the central government should keep different priorities in tension with one another. While different concerns may prevail under specific circumstances, central government preferences should be relatively moderate on the whole.

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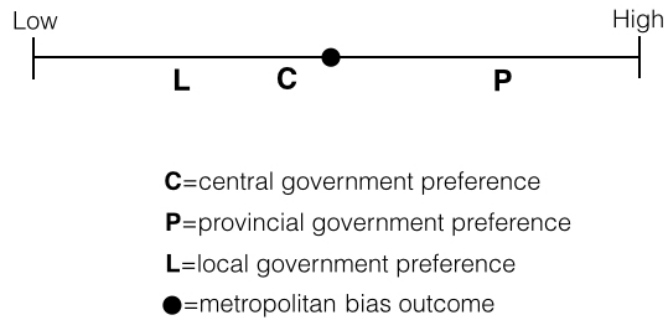
<sup>41</sup> The Ministry of Housing and Urban-Rural Development was formerly known as the Ministry of Construction.

<sup>42</sup> In addition, government and Party policy experts and academic researchers representing a wide range of viewpoints participate in central policy debates.

Based on the preceding discussion, we can place different government levels' policy preferences on a spectrum ranging from low to high metropolitan bias, as in Figure 1.4. Local governments, taken in the aggregate, should prefer development strategies with a low degree of metropolitan bias. Provincial governments, by contrast, have strong reasons to prioritize the growth of leading metropolitan areas. And, as just noted, Beijing's policy preferences are mixed and should fall somewhere in between.

Because the making and implementation of development strategies is a multilevel process and no tier fully dominates, ultimate metropolitan bias outcomes can be expected to fall somewhere inside the range of different levels' preferences. The specific outcomes seen should depend on the relative weight given to each level's preferences; one possible outcome is shown in Figure 1.4.

**Figure 1.4: Different government levels' preferences toward metropolitan bias**



#### *Relative economic performance*

Of course, different government tiers' policy preferences should reflect the specific development circumstances of the province in question as well as each tier's more general concerns. In particular, how a province has performed economically relative to its counterparts can be expected to affect preferences at each tier regarding how metropolitan-oriented development is. By highlighting the problem of economic competitiveness relative to other development concerns, and by foregrounding the interests of the provincial unit relative to other governance scales, lagging provincial economic performance should produce a stronger preference for metropolitan-oriented

development at each level of government. Conversely, a situation of leading economic performance should make the issue of external competitiveness less salient relative to concerns over intra-provincial disparities and the sustainability of development, and hence should produce a stronger preference at each government level for balanced urban and regional development. By shaping each level's preferences, relative economic performance should influence ultimate policy outcomes as well.

The term “relative economic performance” here refers to how a province's record of economic growth, upgrading, and internationalization over a multi-year prior period compares with the outcomes of its counterparts (or of the country as a whole).<sup>43</sup> This idea differs from economic performance in an absolute sense: the issue is not whether a province is experiencing fast or slow development per se, but whether a province is outperforming or underperforming its peers. The concept also differs from the idea of development level (absolute or relative) in that it relates to the preceding *trend* of development rather than the development *level* which has been attained.<sup>44</sup>

Relative economic performance is politically salient because different territorial units – and Chinese provinces especially – compete for economic resources and political recognition. Provinces that achieve faster growth or economic upgrading than their peers draw in capital and talent from other provinces, and may be given special recognition or granted special privileges by the center. Officials in well performing provinces may enjoy enhanced status and better career prospects, whether because leaders who preside over prosperity have an easier time building bases of support, or because Beijing rewards development achievements with faster promotion (Shirk 1993, 190; Zhou 2004). Conversely, provinces with lagging economic performance for an extended period may

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<sup>43</sup> The simplest way of operationalizing relative economic performance, which I will use below, is calculating the difference between a given province's average annual growth rate and that of the national economy as a whole over a given period of time.

<sup>44</sup> The idea of relative economic performance as a determinant of development approaches is similar to Gerschenkron's (1962) contention that an economy's backwardness relative to the most developed countries shapes the concerns of its leaders and the trajectory of its development. Whereas Gerschenkron sees an economy's relative *level* of development as decisive, though, I stress the recent *trend* of development (i.e., whether a country is closing the gap with leading areas.)



face growing economic and political marginalization, and officials from these provinces may suffer diminished career prospects (Bo 2002). Given the high stakes involved, a province's relative economic performance should affect the policy preferences of government actors at different levels.

Leaders of provinces that have experienced lagging economic performance can be expected to more strongly favor metropolitan-oriented development policies, insofar as lagging performance heightens the salience of competitiveness concerns relative to other development priorities. Lagging areas face the immediate risk of losing valuable economic factors to other areas, and may also derive greater benefits from attracting outside investment to their jurisdictions.<sup>45</sup> At the same time, leaders in lagging areas are more likely to feel political pressure from above and/or below to demonstrate new progress in economic development, whether in the form of large-scale public investments, industry-promotion initiatives, or efforts to boost the profile of their jurisdictions.<sup>46</sup> For reasons discussed earlier, provincial governments seeking economic breakthroughs are more likely to achieve quick, visible development results by focusing efforts and resources on large urban centers that have strong economic foundations and external links than by dispersing support across multiple locations. Provincial leaders in lagging units should thus have a very strong preference for metropolitan bias.

Beyond increasing the urgency of efforts to boost provincial competitiveness, lagging economic performance may also mitigate some of the risks inherent in metropolitan-oriented development. First, insofar as lagging provinces often experience out-migration to other areas, urban congestion in leading cities and development gaps between leading cities and outlying areas are likely to be smaller concerns than in provinces whose economies are growing rapidly and experiencing in-migration. Second, in lagging provinces, concerns about the availability of employment are likely to

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<sup>45</sup> A given increment of investment should be more highly valued in a provincial economy with slower growth and less investment overall. Outside investment may also bring coveted technology, management practices, and human capital.

<sup>46</sup> Past work has noted instances in which crises of lagging provincial economic performance have placed pressure on leaders and triggered major overhauls of policy. See Chung (1998); Goodman (1999); Bo (2002).

trump questions about the spatial distribution of resources and job opportunities, whereas the latter issue may be more salient when employment itself is less of a concern. Third, in lagging provinces, the integrity of the provincial unit is more likely to be threatened by the economic breakaway of poor cities pursuing ties with more-dynamic regions outside of the province than by the administrative breakaway of a leading metropolitan area.<sup>47</sup> Policies that concentrate investment and economic growth in top cities should thus entail smaller political risks, in addition to greater economic benefits.

Beijing and local governments should also be more sympathetic to pro-metropolitan policies in the context of lagging economic performance. Although Beijing is less concerned about economic competitiveness and more committed to inclusive development than provincial authorities, lagging provincial performance imposes costs on the center. When a province's economy struggles, large-scale outmigration may occur, and the burdens of financing public services and promoting development may fall more heavily on Beijing (Yang 2010, 69). As a result, in cases of lagging economic performance, central policymakers may be more amenable to policies that seek to build stronger, more self-sufficient provincial economic centers.

Finally, local governments may also be more tolerant of metropolitan bias amid lagging development. Cities' development prospects depend in part on the competitiveness of broader provincial economies, as provinces whose economies are uncompetitive in the present are likely to have lower future economic output and redistributive capacity. Self-interested local governments in lagging provinces may tolerate pro-metropolitan policies in the short term if there is a good prospect that this will mean a larger economic pie tomorrow. In provinces that have outperformed their peers

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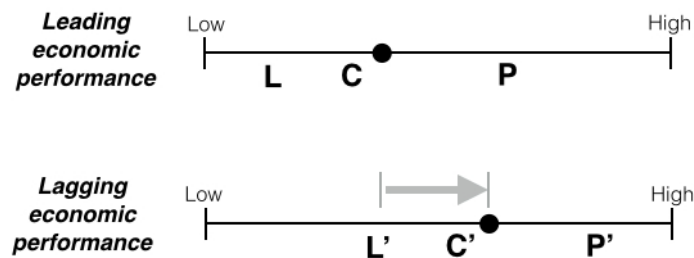
<sup>47</sup> The central government is unlikely to separate leading cities administratively from provinces that depend heavily on these cities' economic potential and fiscal resources, because doing so would only increase its own fiscal burden. It falls to China's central government to provide economic or fiscal assistance to provinces that are unable to provide for their own fiscal and welfare needs.

and enjoyed flush times, however, such trickle-down logic should be less persuasive. Poorer, more peripheral localities are likely to clamor for more investment and state support upfront.

In sum, lagging economic performance should be associated with a greater preference for pro-metropolitan policies at each government tier, while leading economic performance should translate to less support for metropolitan-oriented development. Holding other conditions constant and moving from a situation of leading performance to a situation of lagging performance, we would expect to see each tier's preferred level of metropolitan bias increase, as in Figure 1.5.

Assuming each government tier's preferences factor into the policy process to at least some degree, we should see an outcome of greater metropolitan bias regardless of the precise balance of power.

**Figure 1.5: Preferences toward metropolitan bias under varying economic circumstances**



*The intergovernmental balance of power (provincial government strength)*

Preferences matter, but they must be translated into concrete policy measures to count. In a multilevel system such as China's, different levels' preferences all affect metropolitan bias outcomes to some degree, but these preferences may not carry equal weight in the policy process. A given government tier's preferences should affect ultimate policy outcomes inasmuch as said tier has the political leverage or administrative capacity to advance its concerns and interests. The design and implementation of development policies may work out differently depending on which government actors take the lead in policymaking, and how much support or resistance other levels offer

(Lieberthal and Oksenberg 1988; Li 1997; Sinha 2005). Insofar as provincial authorities are more pro-metropolitan than other government levels, the degree of metropolitan bias should depend in large part on the extent to which provincial authorities are able to dominate policymaking. This, in turn, depends on what Falletti (2005) terms the “intergovernmental balance of power,” and more specifically what I call “provincial government strength”—provincial policymakers’ capacity to act autonomously of, and mobilize support from, other government levels.

Past work by Falletti (2005), Ziblatt (2004), Sinha (2005), Lieberthal and Oksenberg (1988), Li (1997), and others suggests that a given tier’s ability to prevail in a multilevel policy process depends on how state capacity and political power are distributed vertically. First, there is the question of how administrative capacity, or “infrastructural power,”<sup>48</sup> is distributed among different levels. Material resources, bureaucratic capacity, and policymaking authority enable a given level of government to do things on its own, and enhance its bargaining power vis-a-vis other levels. Second, there is the question of what political power relationship exists between different government levels—to what extent leaders at one level enjoy political leverage over actors at other levels. Insofar as actors at one government level have the political status or political capital to pressure, punish, or reward actors at other levels, this should enhance their ability both to take the initiative and to enlist help from other levels.<sup>49</sup>

In the Chinese context, a province’s administrative capacity should relate to several specific factors. First, patterns of resource dependency between different levels should matter. The provincial level should be stronger vis-à-vis localities beneath it when localities depend heavily on higher-level fiscal resources, state investment, and policy benefits. By the same token, provincial units should have more autonomy and bargaining leverage relative to central authorities when they

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<sup>48</sup> This concept comes from Mann (1984). Ziblatt (2004) uses the concept in his theory of intergovernmental bargaining.

<sup>49</sup> Even when a given level of government does not itself possess the resources or formal authority to carry out a particular policy, political leverage over other levels may allow it to mobilize the requisite support.

depend less on central fiscal or economic support for their development and livelihood (Li 1997; Falleti 2005). Relations between different levels should also depend on how policy-making authority is structured. Provincial leaders' ability to dominate policymaking may be constrained when localities have higher administrative status and greater autonomy in economic policy matters (Luo and Shen 2008).<sup>50</sup> On the other hand, in provinces that have a tradition of greater administrative autonomy vis-à-vis Beijing, it should be easier for provincial governments to pursue their own priorities.<sup>51</sup>

The political leverage provincial governments have relative to other levels should depend in large part on the characteristics of top leaders. The presence of politically well-connected and/or individually dynamic leaders should strengthen the provincial level's bargaining position. Proactive leadership and political clout are needed to mobilize state resource, launch major policy initiatives, and defend provincial-level priorities in the face of pressure from other levels (Chung 2000). When provincial leaders have privileged ties with high-level Party or state leaders in Beijing that provide them with political cover and special access to central decision-making processes, provincial governments should enjoy more policy latitude and a greater ability to extract central resources (Lieberthal and Oksenberg 1988; Shih 2008). Furthermore, because provincial leaders with patrons in high places have less need to please all constituencies, they are in a better position to pursue policies that run counter to preferences of central ministries or local governments.

Beyond leadership factors, it is possible that the symbolic power of provincial units and the strength of subnational identities also affect intergovernmental politics. For historical reasons, some territorial units are more ideologically "salient" or inspire more loyalty from elites and the public than others (Whitney 1970; Singh 2011; Kennedy 2014). Provinces that are more cohesive as

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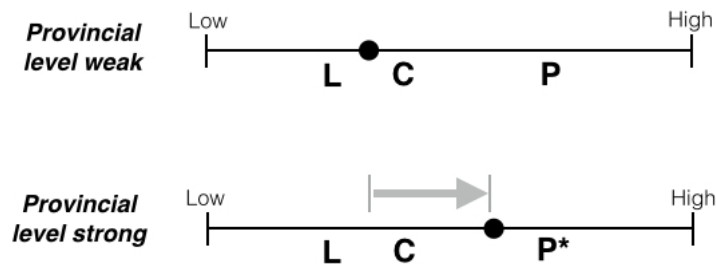
<sup>50</sup> One such situation is when city-level leaders hold seats on provincial Party standing committees.

<sup>51</sup> Beijing maintains close supervision and control over regions that serve as key sources of fiscal revenue or key economic centers, but other areas may remain less carefully watched and less penetrated by the central state. See Sheng (2010); Donaldson (2011).

subnational communities may have an easier time securing compliance and sacrifice from localities, and may enjoy greater administrative autonomy vis-à-vis Beijing, than less cohesive provinces.

In sum, the intergovernmental power balance is likely to vary across provincial cases, and this should affect development policy outcomes. In cases of high provincial government strength, provincial preferences should have relatively greater weight in the policy process, and we should thus expect to see more metropolitan bias. Conversely, when the provincial level is weak relative to other government tiers in terms of administrative capacity and political clout, we can expect central and local government preferences to factor more heavily in policymaking. In these cases, we should see less metropolitan bias in development policies. Figure 1.6 below illustrates these different scenarios. Holding different levels' preferences constant, an increase in the strength of the provincial level relative to other tiers should be associated with greater metropolitan bias.

**Figure 1.6: The intergovernmental power balance and metropolitan bias outcomes**



### *Main hypotheses*

Building on the above discussion, it is possible to lay out the empirically testable hypotheses about the correlates of metropolitan bias. First, we should expect a negative relationship between the relative economic performance of a province and the degree of metropolitan bias. Other things equal, there should be greater metropolitan bias in provinces that have experienced slower economic growth and upgrading than their peers over an extended prior period, and less metropolitan bias in provinces that have been leaders in development. Empirically, provinces whose economic growth

rate has lagged behind the national or regional average should display greater metropolitan bias.

Above-average growth in a prior period should be associated with less metropolitan bias.

Second, we should expect to find a positive relationship between provincial government strength and metropolitan bias in policies. When provincial governments have higher administrative capacity and political strength relative to other tiers, policies should slant more strongly in favor of leading metropolitan areas. Empirically, we should be able to observe a positive relationship between provincial government strength and greater metropolitan bias both cross-sectionally and longitudinally. “Strong” provinces should show greater metropolitan bias over an extended period of time than their counterparts, and metropolitan bias should fluctuate over time within a given province as provincial-level strength changes (as occurs, for example, with the turnover of leaders).

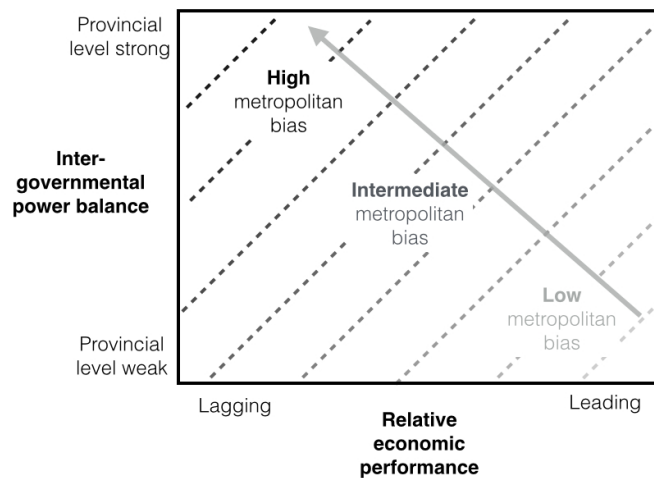
Third, these two explanatory variables can be expected to influence metropolitan bias outcomes in a largely additive fashion.<sup>52</sup> Metropolitan bias should be greatest in cases of both lagging economic performance and high provincial strength. Under these circumstances, each government level’s preferences should be relatively pro-metropolitan, and provincial preferences (the most pro-metropolitan of all) should be weighted relatively heavily. We can also expect to see above-average – albeit less extreme – metropolitan bias in cases in which there is lagging economic performance or high provincial strength, and an intermediate value on the other explanatory variable. Insofar as lagging economic performance produces a greater preference for metropolitan-oriented development at each level, lagging performance should be associated with above-average metropolitan bias even if the provincial tier is only moderately strong (and provincial preferences do not fully dominate policymaking). Meanwhile, insofar as provincial governments have a general preference for metropolitan-oriented development, high provincial strength may be associated with

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<sup>52</sup> It is most straightforward to conceptualize the relationship between the two main explanatory variables as additive, but it is of course possible that a more complicated interaction exists, such that the relationship between each explanatory variable and the dependent variable depends on the level of the other explanatory variable.

above-average metropolitan bias even when economic performance is average. We can expect to see the lowest levels of metropolitan bias in cases of both leading performance and low strength, where both the configuration of policy preferences and the balance of power work against metropolitan bias. In short, we can expect to find an empirical relationship between relative economic performance, the intergovernmental power balance, and metropolitan bias that looks something like Figure 1.7 below. (Here, the dashed diagonal lines represent constant levels of metropolitan bias.)

**Figure 1.7: Hypothesized outcomes with different values on explanatory variables**



#### *Alternative explanations*

Of course, other factors may also contribute to patterns of metropolitan bias in China. Past research has highlighted a number of economic-structural variables, national-level policy factors, and city-level policy variables that affect urban and regional development outcomes. By emphasizing the provincial-level explanatory variables above, I do not mean to deny the importance of other causal factors. In line with past findings, we can expect to see greater metropolitan concentration of economic resources in poorer, less urbanized, and less open provinces. We might also expect to see greater state support given to cities that have performed well and grown rapidly in prior periods, insofar as booming cities have major infrastructure and public service needs. And, given that



national-level policies in China have become more permissive of metropolitan growth in recent years, we can expect to see an increasing metropolitan concentration of economic activity over time.

By themselves, however, alternative explanations have difficulty accounting for observed policy outcomes and patterns of development. As I will show in Chapter 2, even after we control for alternative explanatory factors, there is puzzling residual variation over time and across units in spatial patterns of investment and economic growth. At the same time, there are theoretical reasons to doubt whether alternative explanations provide a satisfactory account of provincial outcomes.

Local conditions and broad national policies may constrain provincial development approaches in important ways, but these factors are not deterministic. Both the development problems policymakers confront, and the alternatives available to them, are affected by the basic structural conditions and resource endowments of a province. But underlying provincial conditions do not determine specific policy outcomes so much as constrain the realm of possibilities.<sup>53</sup> Nor, in a country experiencing rapid economic transformation, are structural factors – such as infrastructure quality and the level of human capital – as immutable as they might seem. Much the same can be said of national policies and institutions. Basic national policies and institutions set important parameters for subnational policy choices, but China's governance system is internally diverse and flexible. Moreover, national policies and institutions often change in accordance with historical exigencies or under the influence of subnational pressure. As such, national policies can neither be seen as fully determinative of local policy approaches, nor regarded as fully exogenous to them.

The question of to what extent the metropolitan orientation of development reflects city-level policies and initiatives is more challenging to address. China's multilevel policy process often makes it difficult to tell where particular ideas and initiatives originate. Undoubtedly, China's city

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<sup>53</sup> See Donaldson (2011) on this point.

governments have become very important economic and political actors in their own right.

Scholarship by Chung (1999), Xu (2008), and others highlights the ways in which city governments themselves can mobilize capital and create the conditions for rapid growth. My assumption, however, is that provincial governments, being higher-ranked than city governments and presiding over much larger units, have a greater political capacity to mobilize state resources and policy support than city governments themselves. At the same time, I conceptualize and measure provincial government strength in a way that takes into account the clout of city-level governments within each province.<sup>54</sup>

### **Research design and methodology**

This section discusses the approach I take in the dissertation to develop and test the argument outlined above. I first explain the project's overall empirical strategy and describe the temporal and geographic scope of research. Next, I give an overview of the project's quantitative component, discussing the types of data and methods used. Finally, I describe the qualitative work at the core of the dissertation, explaining my approach for analyzing national policies and institutions as well as for selecting and analyzing provincial cases, and detailing the data sources I draw on.

#### *Empirical strategy and scope of analysis*

This project combines qualitative and quantitative methods, and draws on observations from different levels of analysis. My empirical strategy takes cues from the “nested” research design advocated by Lieberman (2003; 2005) and the subnational comparative approaches of Donaldson (2011) and Murali (2011). The empirical work proceeds in four main steps: I begin by examining outcomes of interest, charting variation over time and across a sample of 20 Chinese provinces in

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<sup>54</sup> I code provincial governments as weaker in cases where municipal governments are politically strong and control a large share of fiscal expenditure.

the top-city concentration of GDP growth and investment, and using regression analysis to identify variation in investment outcomes that is not readily explained by basic structural and economic factors. The next two components of my research comprise “model-building” qualitative analysis. To gain a clearer picture of how national-level policy factors contribute to variation in metropolitan bias outcomes, I examine the historical evolution of China’s development policies and take a closer look at the workings of governance institutions in four key policy areas. Next, in order to help clarify how development approaches have evolved over time in different provinces, and identify key factors contributing to different metropolitan bias outcomes, I carry out comparative case studies of three Chinese provinces. The final step of the empirical work is to test the generalizability of the main claims developed in the model-building stages: I carry out statistical analysis of both cross-sectional and longitudinal variation in metropolitan bias outcomes to check whether the provincial-level variables I highlight show the expected relationships with metropolitan bias. Insofar as the research design includes analysis of economic variables, national-level policies, and city-level dynamics, it builds in opportunities to evaluate alternative explanations of metropolitan bias outcomes.

I focus on describing and explaining metropolitan bias outcomes during the years from 1996-2010, a period of fast-paced urban development and intense policy debate. I organize the historical analysis presented in qualitative chapters by periods corresponding to China’s Five-Year Plans (FYPs), insofar as central and provincial FYPs set the overall tone for policymaking. For regression analysis, I focus on the period from 2001-2010 because the data is relatively complete and comparable, and because this period represents the high tide of urban and industrial growth in China.

Geographically, I examine outcomes in a sample of 20 Chinese provinces that are broadly comparable with one another in terms of population size, geography, economic structure, and other variables. The sample includes China’s more populous, Han-dominated provinces, while excluding

the smallest province-level units and China's sparsely populated western regions.<sup>55</sup> The provinces in the sample vary between 26.8 million and 94.9 million in population (2000), and range from 102,000 square kilometers to 485,000 square kilometers in land area (China Data Online). Though the 20 provinces represent only 43 percent of China's vast land area, they were home to roughly 1.1 billion people, or 86 percent of the national population, in 2000. From this pool of 20 provinces, I select three provinces – Jiangsu, Hunan, and Jiangxi – for in-depth case analysis, as discussed below. The full sample of 20 provinces and the three case-study provinces are indicated in Figure 1.8 below.

**Figure 1.8: Full sample of 20 provinces and the three main cases**



Sources: Figure by author; Shape file obtained from [worldmap.harvard.edu/chinamap](http://worldmap.harvard.edu/chinamap).

### *Quantitative analysis of metropolitan bias outcomes*

I use regression analysis both to assess metropolitan bias outcomes upfront, and also to test the relationship between metropolitan bias and different explanatory variables over time and across

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<sup>55</sup> I exclude from the sample China's four centrally controlled municipalities (Beijing, Shanghai, Tianjin, Chongqing) as well as Hainan, Inner Mongolia, Ningxia, Gansu, Qinghai, Xinjiang, Tibet, Hong Kong, and Macau. These units are not readily comparable with mainstream provinces in terms of size, development level, and/or governing arrangements.

provinces. I provide a brief overview of my approach here, while more detailed descriptions of the statistical data and methods used are given in Chapter 2, Chapter 6, and the Statistical Appendix.

The initial analysis of development outcomes in Chapter 2 examines the concentration of economic activity and resources in leading cities. I use national-, provincial-, and city-level quantitative data to chart urban and regional development outcomes in China during the 1990s and 2000s, and to measure the main dependent variable, metropolitan bias. I examine patterns in the concentration of economic activity, people, and developmental resources in the leading urban areas of different provinces. After describing basic trends in urban growth, I turn to the question of how FAI is distributed between top cities and outlying areas across different provinces. As will be explained in Chapter 2, I use the top-city share of overall provincial FAI (for individual years or multi-year periods) as a key indicator of the degree of metropolitan orientation in development. I use regression analysis to explore how well basic structural and economic variables such as development level, urbanization rate, economic openness, and prior growth trends explain the concentration of FAI in provinces' top cities between 2001-2010. I treat regression residuals – unexplained variation in top-city FAI share – as measures of metropolitan bias in investment.<sup>56</sup>

I carry out a second round of statistical analysis in Chapter 6 to examine how well the main claims developed in my qualitative research hold across the full sample of provinces. In particular, this analysis tests the relationship between metropolitan bias and provinces' relative economic performance and provincial government strength. First, to test whether the expected relationship between metropolitan bias and the explanatory variables holds across provinces for the period 2001-2010 as a whole, I carry out cross-sectional regression analysis (n=20) and simulate different

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<sup>56</sup> Baseline variables do appear to have considerable explanatory power, but also leave an important piece of variation in the metropolitan concentration of investment unexplained. I treat the variation left over after controlling for baseline economic variables as an indicator of metropolitan bias, distinguishing cases of high, low, and intermediate metropolitan bias by inspection of regression residuals and outliers. In this way, and by looking at trends over time in top-city investment concentration across 20 provinces, I zero in on outcomes (and particular cases) of interest for exploring the role of political factors in urban and regional development.

quantities of interest. Second, to explore the relationship between metropolitan bias and explanatory variables over time within provinces, I use panel analysis with provincial fixed-effects (n=220). While not exhaustive, this statistical analysis provides at least a preliminary test of how well the variables I highlight explain metropolitan bias patterns in China.

### *Case studies and qualitative analysis*

The bulk of the dissertation consists of qualitative analysis of development policy outcomes and the political processes through which these outcomes emerge. I look both at the broad national context of policymaking in China and at several specific provincial cases.

Both to assess how national-level policies have contributed to metropolitan bias outcomes and to provide a background for the provincial case studies that follow, Chapter 3 examines the evolving framework of national policies and institutions that govern urban and regional growth in China. I trace changes in national-level development policy over recent decades, looking at whether shifts in central policies have preceded or followed subnational trends. I also look more closely at evolving policy institutions in several domains related to urban and regional development, including regional planning, land governance, investment policy, and fiscal and financial policy. My goal is twofold: to assess the extent to which evolving national policies and institutions have favored metropolitan-oriented development, and to gain a clearer picture of the amount of subnational variation and discretion allowed by national policy frameworks.<sup>57</sup>

Comparative case studies of urban and regional governance in Jiangsu, Hunan, and Jiangxi provinces form the core of the dissertation. These case studies trace the evolution of urban and

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<sup>57</sup> What emerges from this analysis of national-level institutions is the recognition that national institutions matter substantially for urban outcomes, but that they are not cleanly separated from subnational processes and forces: state agencies in China operate in conjunction with – through rather than over – local agencies. Urban and regional governance is inherently multilevel, with continual interaction and mutual influence between center and locality. To understand evolving national-level policy approaches, it is necessary to take into account what is happening locally, and vice versa.

regional policies since the late 1990s in each province to explore how background conditions and interactions between national, local, and provincial institutions have shaped policy approaches. They illustrate in greater detail the varying outcomes and causal factors present in the different cases, and develop explanations for why policy approaches have varied across units and over time.

My case-study approach builds on earlier subnational comparative work by China scholars (Chung 2000; Donaldson 2011) and comparativists (Snyder 2001; Sinha 2005). Like these authors, I use case studies to get a richer picture of provincial outcomes and the multilevel political processes through which outcomes emerge. In addition to providing a clearer sense of historical context and progression, theory-guided process tracing can yield important insights into causal relationships among key variables (Lieberman 2003; Gerring 2004; Anckar 2008; Hall 2008).

The case studies here exploit both within-case temporal variation and cross-case variation in metropolitan bias outcomes. By tracing the making of urban and regional policies over time as local conditions change within different provinces, it is possible to gain insight into case-specific causal patterns. Meanwhile, comparing the politics of policymaking across both similarly and differently situated provinces helps to distinguish unit-specific patterns from more general tendencies, and makes it possible to generate broader hypotheses about how structural conditions, economic circumstances, and political conditions affect policy outcomes.<sup>58</sup> Case studies also provide an opportunity to gather causal-process observations from lower levels of analysis.

My selection of provincial cases reflects both theoretical and practical considerations. On the one hand, aiming to use a controlled comparison of cases to help isolate key causal factors, I sought similarly situated provinces that displayed diverging metropolitan bias outcomes.<sup>59</sup> On the other

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<sup>58</sup> By focusing in on particular variables, and tracing the sources of divergent policy outcomes in similarly situated provinces through what Hall (2008) calls “systematic process analysis,” it is possible to better isolate key causal variables.

<sup>59</sup> To identify cases of relatively high and low metropolitan bias, I initially looked at trends in top-city GDP and FAI share. I later used inspection of residuals from regression analysis to ensure that apparent cases of metropolitan bias held up after controlling for economic and structural variables.

hand, given China's stark coastal-inland differences<sup>60</sup> and a theoretical interest in how units' relative economic circumstances affect their policy approaches, it was similarly important to include cases from both the wealthy eastern seaboard and the less-developed interior. In the end, the specific choice of cases also reflected more idiosyncratic factors, such as existing research contacts.

These considerations led me to select Jiangsu, Hunan, and Jiangxi as the main cases for study. The Jiangsu case provides a look at urban and regional policy in a relatively developed province with a dynamic, outward-oriented economy. In contrast, the Hunan case study offers a glimpse of development policy and politics in less-developed central China. By examining the paired case of Jiangxi, which resembles Hunan in most respects but displays contrasting metropolitan bias outcomes, I am able to approximate a "most-similar systems design" and more readily identify key explanatory factors.<sup>61</sup> Background information on these three provinces is given in the next chapter.

Both the case studies and the research on national-level policies and institutions draw on a wide range of sources, including many gathered during 12 months of fieldwork in various locations in China. Fieldwork provided the opportunity to conduct over 100 research interviews with government policymakers and experts, academic researchers, urban and regional planners, businesspeople, and journalists in Beijing, Shanghai, Jiangsu, Hunan, Jiangxi, and Shaanxi. This time in China was also used to gather written and statistical materials from public libraries, bookstores, publishing houses, and individuals. My research also exploits a wide variety of Chinese- and English-language primary and secondary sources from university libraries in the United States and China, and from digital sources, including government documents and reports, official yearbooks and gazetteers, Chinese and Western academic research, newspaper articles, promotional materials, and official and unofficial datasets.

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<sup>60</sup> See Shirk (1993); Goodman, ed. (1997).

<sup>61</sup> For discussion of the advantages and drawbacks of "most similar systems"-style paired comparisons, see Anckar (2008). Donaldson (2011) exemplifies the application of this method to the study of provincial development in China.



**Plan of the dissertation and key contributions**

The rest of the dissertation proceeds as follows: Chapter 2 describes variation over time and across provinces in China's urban and regional development outcomes, and uses a novel approach to measure the degree of metropolitan bias in different provinces' development. The chapter further elaborates the main empirical puzzles to be addressed in the dissertation.

Chapter 3 analyzes the evolution of basic national policies and institutions related to urban and regional development in China. I discuss how changes in policies and governance institutions have contributed to a metropolitan turn in development, but also show how the ambivalence of national policies and the multilevel nature of policymaking make provincial-level variables important.

Chapters 4 and 5 present provincial case studies. Chapter 4 traces the shifting politics of urban and regional policy in Jiangsu during the past two decades. The case study illustrates how Jiangsu's leading development position, on the one hand, and relative weakness as a provincial unit, on the other hand, have limited metropolitan bias. Chapter 5 looks at the politics surrounding urban and regional development in inland China, where lagging economic performance has shaped policymaking in important ways. The chapter traces how varying development approaches emerged in the otherwise similar provinces of Hunan and Jiangxi. The case study links dramatic metropolitan bias in Hunan to the strength of provincial institutions and the initiative of provincial leaders. I trace Jiangxi's more variable and rural-oriented development approach to greater central and local influence in the policy process, and to Jiangxi's less-stubborn economic difficulties.

Chapter 6 tests how well key claims hold across the broader sample of 20 provinces. Cross-sectional regression analysis shows that lagging economic performance and provincial government strength are associated with metropolitan bias more broadly. Panel analysis finds that metropolitan-oriented development is more common during the tenures of "rising star" provincial leaders.

The concluding chapter reviews the main empirical findings of the dissertation and highlights the project's contributions to the Chinese politics, political economy of development, and urban studies literatures. I also discuss how the argument may travel to other national contexts.

Overall, the dissertation makes three main theoretical and substantive contributions. First, I document patterns of metropolitan bias in China's development, and propose an explanation of why we see greater metropolitan bias in some provinces and at some times than others. By focusing on the intergovernmental politics of development, my argument goes beyond and complements existing explanations of policy outcomes that stress structural factors, state-society dynamics, and leader personalities. Second, and related, I provide new insights into the nature and workings of China's multilevel governance system. I call attention to variation across provinces and over time in the intergovernmental dynamics of policymaking, and show how the combination of provincial initiative and central resources can give rise to powerful state interventions. Third, I contribute to our understanding of the policy logics and politics of state-led development in China and beyond, emphasizing the importance of spatial policies in broader development strategies, and examining the politics surrounding a new generation of urban and regional development initiatives.

## **II: Metropolitan Development in China: Patterns and Puzzles**

### **Introduction**

This chapter provides an overview of the urban and regional development outcomes of interest in this dissertation. It describes both basic trends and puzzling variation across provinces and over time in the extent to which growth and investment are centered in metropolitan cities.

The chapter is broken into three main parts. I first examine the phenomenon of metropolitan-oriented development across China as a whole and for the main sample of 20 provinces. I highlight an overall trend of rapid economic growth and heavier investment in China's large metropolitan centers relative to other areas, but also call attention to marked variation in spatial development patterns across regions and over time.

Continuing to look at the sample of 20 provinces, I examine the degree of metropolitan bias in development in different units. To measure metropolitan bias quantitatively, I compare the actual shares of investment absorbed by different provinces' top cities with the shares one would expect given past trends and basic structural and economic variables. Using regression analysis and inspection of residuals, I am able to identify cases in which the distribution of investment is skewed in favor of or away from top cities. I highlight variation in the top-city concentration of investment that is not readily explained by past trends or economic variables, and call attention to puzzling variation in the degree of metropolitan bias across otherwise similar provinces.

The remainder of the chapter takes a closer look at the main provincial cases of Jiangsu, Hunan, and Jiangxi. I begin by describing in more detail the striking cross-case and within-case variation in these provinces' development outcomes. I then discuss why these outcomes remain puzzling even after taking into account the provinces' pre-existing growth trends, industrial structures, economic geography, and other baseline factors. It is necessary, I argue, to look at how

more explicitly political variables, in addition to structural conditions and economic trends, shape provinces' development trajectories and contribute to patterns of metropolitan bias.

### **Metropolitan-oriented development in China**

Since the late 1990s, large cities have grown explosively across much of China. After many years in which the growth of medium-sized and smaller cities kept pace with or exceeded that of large cities, metropolitan centers with core urban populations over a million have taken a leading position in economic and urban development. Growth trends have been far from uniform, however. Disaggregating outcomes across space and over time, we find puzzling variation in the extent to which population, GDP, investment, and public resources have concentrated in metropolitan cities.

While there are some broad differences in development outcomes between coastal and inland China, the most striking variation is found across individual provinces and over time within provinces. It is not surprising to find higher metropolitan concentration of development in inland areas on average. Inland provinces are generally poorer and less urbanized than coastal areas, and tend to have more state-dominated economies. Because inland provinces generally have fewer major cities and higher urban concentration than coastal areas to begin with, they are particularly prone to spatial polarization in development. Yet, broad inland-coastal differences cannot account for variation in outcomes across similarly situated provinces or within provinces over time. As I show, baseline factors such as development level, geographic location, and prior trends do not fully explain why development is more metropolitan-oriented in some cases than others.

#### *Rising concentration of people and economic activity in large cities*

The stunning pace of urbanization in China during the past three decades can obscure change over time in the nature of urban growth. Urbanization, Henderson and Wang (2007) point

out, involves distinct processes, including growth in overall urban population but also change in the number of cities and shifts in the size distribution of cities. The character of urban and regional development may vary considerably depending on the precise combination of these processes. During the 1980s and into the 1990s, urbanization in China featured particularly rapid growth of small and medium-sized cities as well as rapid growth in the number of urban settlement. The emergence – often by administrative designation – of many new cities, and the fast growth of smaller cities (those with an urban population less than 500,000) relative to larger ones, led to a flattening of China’s urban hierarchy (Fan 1999; Anderson and Ge 2005).<sup>1</sup>

Since the late-1990s on, however, China’s urban growth has changed track, with major metropolitan centers growing very rapidly and reclaiming a dominant role in the urban economy. After the mid-1990s, large cities grew faster relative to smaller cities not only in terms of population (Wang and Zhu 2013), but also in terms of economic and physical size. The emerging urban growth model featured rapid physical expansion of large cities and dramatic enhancement of cities’ built environments, often in the form of planned new districts that combined large-scale real estate and industrial development (Lin 2007; Hsing 2010). After over a decade in which the development of large cities had lagged behind that of smaller cities, major metropolitan centers increased sharply in number, size, and economic centrality.

Some basic calculations capture these underlying trends. In the seven years between 2000 and 2007 alone, the share of total urban population located in “large” (0.5-one million-person) and “very large” (one-million-plus-person) cities rose from 53.2 percent to 58.5 percent (Xie 2012).

Between 2000 and 2010, the spatial Gini coefficient of city-level GDP in China rose from 0.447 to

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<sup>1</sup> Some geographers attributed this transformation of China’s urban structure to the process of “state disarticulation” and economic reform and opening: loosening of restrictions on migration from rural areas to nearby urban centers and the rapid growth of smaller manufacturing centers as light industry boomed weakened the position of large cities closely tied to the state-owned economy (Lin 1999). The relatively fast growth of smaller urban centers was also linked to state policies that explicitly favored smaller cities and sought to limit rapid growth of major metropolises (Fan 1999).

0.470, indicating rising concentration of economic activity in larger centers.<sup>2</sup> Most striking, perhaps, has been the rapid proliferation of “super-large” (two million-person plus) and “very large” (one million-person plus) cities between 2000 and 2010, which contrasts with slower growth in these categories during the preceding decade. Whereas the number of cities with urban populations over two million and one million had climbed from nine to 13 and from 31 to 40, respectively, in the 1990s, the number of two million-person-plus and one million-person-plus person cities rose to 24 and 61 respectively in the 2000s. The margin of growth in the number of cities in the 0.5-one million-person range, meanwhile, was only slightly larger (28 versus 25) than in the previous decade.

**Table 2.1: Number of Chinese cities in each size class for various years\***

Year	Total cities	>1mn (>2mn)	0.5-1mn	<0.5mn
1949	136	5	8	123
1978	192	13	27	152
1990	461	31 (9)	28	402
2000	663	40 (13)	53	570
2010	657	61 (24)	81	515

*Sources: China Statistical Yearbook; China Data Online; Xie (2012); author's calculations.*

*\*Totals are based on non-agricultural population in urban districts.*

In many instances, the leading urban areas of different provinces also have become more economically dominant within their respective units. I identify provincial “top cities” based on their initial GDP size; in most cases, they are provincial capitals.<sup>3</sup> Across the 20 provinces in my sample, top cities’ average share of (official) provincial non-agricultural population generally has held steady or increased slightly between 2000 and 2010.<sup>4</sup> Meanwhile, the economic dominance of top cities has risen across the 20-province sample. The largest cities generally saw their regional economic

<sup>2</sup> Author’s calculations in R using city-level data from National Bureau of Statistics.

<sup>3</sup> I use 1996 city-level GDP data from China Data Online to identify the top city of each of the 20 provinces in my sample. The top cities for all provinces except Jiangsu and Shandong are provincial capitals. For Jiangsu, the top city by GDP size is Suzhou, but I also examine outcomes for Nanjing, the provincial capital and largest city by urban district population. For Shandong, the largest city by GDP size is Qingdao, but I also examine outcomes for Jinan, the capital.

<sup>4</sup> Between 2000 and 2010, the average share of urban population located in the leading city (here defined in GDP terms) held constant at 0.15 in coastal provinces, while rising from 0.18 to 0.19 in inland regions (China Data Online; author’s calculations.) These figures are based on official “non-agricultural” population, and thus almost certainly understate actual concentration of people in top cities.

dominance increase, with top cities' average share of provincial GDP rising from 22 percent in 1996 to 25 percent in 2010. This broad trend was largely driven by outcomes in inland China: in the 13 interior provinces in the sample, average top-city share of total GDP rose from 23 percent in 1996 to over 27 percent in 2010 (China Data Online; author's calculations).<sup>5</sup> Thus, top-city population and economic shares not only started out higher in inland provinces than in coastal regions, but also tended to increase more.

### *Rising metropolitan concentration of investment*

Although geographers and urban economists often focus on changes in the distribution of GDP and population across different cities and regions, the spatial distribution of investment arguably offers a clearer picture of where economic development is taking place during a given period. In China, fixed-asset investment (FAI), which includes investment in industrial plant and equipment, real estate, and infrastructure, among other categories, is a key indicator of economic development—and urban development in particular (Barnett and Brooks 2006; Geng and N'Diaye 2012).<sup>6</sup> Over the past two decades, fixed-asset investment has represented a very large share of economic activity in China and has been a leading driver of economic growth. Between 1996 and 2010, China saw average annual growth in FAI of 16 percent, five percentage points faster than its rate of GDP growth. The ratio of FAI to GDP climbed sharply during the 2000s, rising from 0.33 in 2000, to 0.46 in 2005, and then to 0.60 in 2010 (China Data Online; author's calculations).

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<sup>5</sup> In coastal provinces, the average capital city share dropped slightly, from 19.1 percent to 18.8 percent. This is not surprising in light of the fact that most coastal provinces are home to more than one large metropolitan center.

<sup>6</sup> According to the *China Statistical Yearbook (2000)*, “The statistics of the investment in fixed assets cover the investment in capital construction, the investment in innovation, the investment in real estate development, the investment in other state-owned fixed assets, the investment in fixed assets by urban collective units, the investment in fixed assets by rural collective units, the housing investment by urban individuals and the investment in fixed assets by rural individuals. Starting from 1999, investment statistics also include investment in fixed assets by urban private units and individuals” (National Bureau of Statistics 2001). Fixed-asset investment differs from the more commonly used gross fixed capital formation indicator in that it includes expenditures on existing assets as well as new assets (Knight and Ding 1999).

Subnational investment outcomes reflect a mix of factors, but are determined in part by the amount of direct and indirect state support a given locality receives. Where investment goes is obviously extremely important as an economic outcome, and, to the extent that the location of investment activity is directly or indirectly shaped by administrative factors, it also represents an important outcome of policymaking and distributive politics. As Wei (2000) notes, “regional allocation of fixed investment...is considered a key instrument in China’s industrialization and regional development policy” (67-68). State agencies, or actors with close ties to the state, are directly responsible for, or help finance, a considerable share of investment in China—especially large-scale industrial and infrastructure investment. State actors also exercise considerable influence over private and foreign investment in China, because investment projects require approval by bureaucratic agencies at different levels, and also because investment decisions are heavily influenced by tax policies, subsidies, and administrative guidance (Huang 1996; Barnett and Brooks 2006; McKinsey 2009; Geng and N’Diaye 2012).

In addition to the broad category of FAI, there are several more specific forms of developmental investment or policy support that matter significantly for urban development and which also reflect trends in the distribution of state resources and policy support. Hard and soft urban infrastructure – including items such as urban roads, health facilities, and higher education institutions – is crucial to cities’ development and is largely state-provided. Other important indicators of developmental support include expansion of urban land area and cities’ fiscal expenditures, which in part reflect the allocation of quotas or resources by higher-level actors.

Whether it comes to overall FAI outcomes or more specific categories of development investment and public goods provision, there has been a tendency across much of China for resources to become more concentrated in the largest urban centers. Unsurprisingly, a large share of FAI across China over the past decade has taken place in urban centers with close ties to the state.



China’s four province-level municipalities enjoyed extremely fast investment-led growth during the 1990s and 2000s, and this has been well documented.<sup>7</sup> But more broadly, the leading metropolitan cities in China’s provinces – usually provincial capitals but also in some cases non-capital deputy-provincial (*fu sheng ji*) cities – have recorded huge quantities of infrastructure and industrial investment. These provincial “top cities,” which I identify based on municipal GDP, have accounted for a growing share of FAI in their respective areas, as shown in Table 2.2 below. Especially in inland areas, top cities’ share of FAI rose dramatically in the 2000s, to the extent that such cities accounted for 30 percent of provincial FAI on average—far above their typical population shares.

**Table 2.2: Top-city share of provincial FAI – averages by region and period**

<i>Year</i>	<i>Overall</i>	<i>Coastal</i>	<i>Inland</i>
1996-2000	0.22	0.18	0.24
2001-2005	0.27	0.22	0.30
2006-2010	0.27	0.21	0.31

*Sources: China Data Online; National Bureau of Statistics; provincial yearbooks; author’s calculations*

Major metropolitan centers’ advantage in securing developmental resources has not been limited to FAI broadly. Across various categories of urban resources, amenities, and services, top cities have tended to maintain or widen their already considerable advantages over other urban centers, as shown in Table 2.3. Top cities’ share of hard resources such as urban roads, built-up urban land (a scarce resource following the introduction of stricter controls on land development in the late 1990s), and “soft” resources such as higher education facilities remained high or climbed further. Not surprisingly, however, metropolitan centers in inland areas tended to enjoy greater benefits in resource allocation than the top cities of coastal provinces.

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<sup>7</sup> The four centrally controlled (province-level) municipalities include Beijing, Shanghai, Tianjin, and Chongqing. From the explosive growth of Shanghai’s Pudong New Area after 1990, to the rapid expansion of suburban districts in Beijing, to the more recent build-ups of huge skylines and new districts in Chongqing and Tianjin, the four municipalities have seen rapid economic and demographic growth supported by heavy state investment over the past two decades. See Wu (2003); Sanderson and Forsythe (2012).

**Table 2.3: Average top-city share of selected developmental resources, 2000 and 2010**

<i>Variable</i>	<i>Year</i>	<i>Overall</i>	<i>Coastal provinces</i>	<i>Inland provinces</i>
Urban road area	2000	0.22	0.16	0.25
	2010	0.25	0.17	0.30
Urban built-up area	2000	0.20	0.15	0.22
	2010	0.23	0.16	0.28
Hospital beds	2000	0.20	0.17	0.21
	2010	0.21	0.18	0.22
Higher-education enrollment	2000	0.51	0.38	0.59
	2010	0.52	0.36	0.60

*Sources: China Data Online; author's calculations*

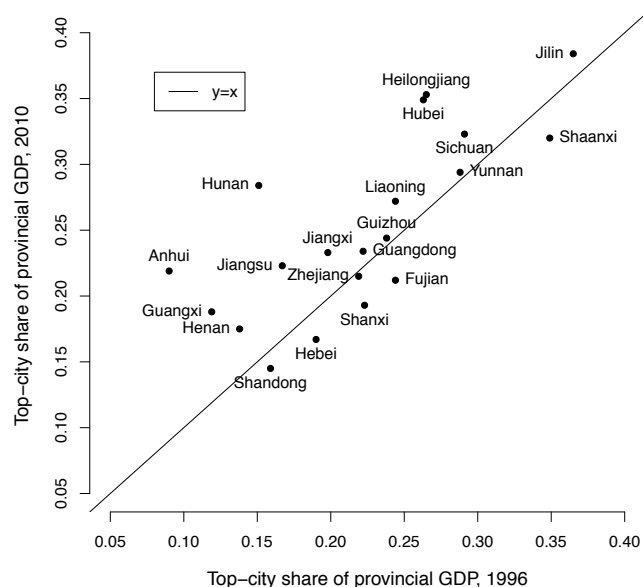
*Disaggregating outcomes: Metropolitan GDP growth and investment outcomes across provinces and over time*

While there has been a general trend of metropolitan-oriented urban growth and development, there has also been marked variation over time and across units in the extent to which investment and state resources are concentrated in provincial top cities. The top-city share of provincial GDP has increased sharply over the past 15 or so years in some cases, while remaining fairly steady or even declining elsewhere. In some instances, otherwise similar provinces have displayed very different outcomes. Such variation can be seen in Figure 2.4 below, which charts change in the top-city share of provincial GDP between 1996 and 2010. The 45-degree line indicates where an observation would have fallen had economic primacy remained constant, and thus provides a baseline against which to assess outcomes. Vertical distance from this line shows the increment by which top-city GDP share in 2010 exceeded or fell short of the share in 1996.

As the chart makes clear, top-city GDP share increased in the majority of cases. Provinces such as Anhui and Hunan stand out, however, for having especially dramatic increases in metropolitan concentration of GDP between 1996 and 2010. Meanwhile, in provinces such as Hebei and Shanxi top-city share of provincial GDP remained stable or even dropped during this period.

The economic performance of top cities relative to larger provincial economies thus varied quite a bit during the period in question.

**Figure 2.4: Top-city share of GDP by province, 1996 and 2010**



*Sources: China Data Online; author's calculations*

To help clarify whether rising top-city GDP share is a result of relatively fast metropolitan growth, slow provincial growth, or some combination of these, Table 2.5 below provides a breakdown of city-level and provincial-level compound annual growth rates (CAGR) during the period 2000-2010. The table also provides data on several city-level variables which one might expect to be associated with urban growth outcomes. These include a proxy for economic openness (the ratio of foreign investment to city GDP), an indicator of business climate (2005 World Bank rankings of the city's investment climate for domestic and foreign firms, respectively), and a baseline growth trend (city growth from the preceding period, 1996-2000). Taking into account these other variables makes it easier to identify cities with surprisingly fast or slow growth during the 2000s.

**Table 2.5: Economic growth of 20 top cities, 2000-2010**

<i>Province (top city)</i>	<i>Top city CAGR 2000-2010</i>	<i>Province CAGR 2000-2010</i>	<i>Top city 2000 FDI/GDP</i>	<i>2005 World Bank ranking of city's investment climate, domestic/foreign (out of the 20 cities on the list here)</i>	<i>Top city CAGR 1996-2000</i>
Anhui (Hefei)	<b>21%</b>	13%	0.03	7 <sup>th</sup> /10 <sup>th</sup>	11%
Hunan (Changsha)	<b>19%</b>	13%	0.03	16 <sup>th</sup> /20 <sup>th</sup>	12%
Guangxi (Nanning)	<b>17%</b>	14%	0.03	19 <sup>th</sup> /15 <sup>th</sup>	11%
Jiangsu (Suzhou)	<b>16%</b>	15%	0.16	2 <sup>nd</sup> /1 <sup>st</sup>	11%
Shanxi (Taiyuan)	<b>16%</b>	17%	0.02	20 <sup>th</sup> /19 <sup>th</sup>	3%
Henan (Zhengzhou)	<b>16%</b>	13%	0.01	14 <sup>th</sup> /13 <sup>th</sup>	11%
Shandong (Qingdao)	<b>15%</b>	14%	0.09	4 <sup>th</sup> /2 <sup>nd</sup>	13%
Guangdong (Guangzhou)	<b>15%</b>	15%	0.11	3 <sup>rd</sup> /3 <sup>rd</sup>	13%
Jiangxi (Nanchang)	<b>15%</b>	15%	0.01	10 <sup>th</sup> /6 <sup>th</sup>	8%
Zhejiang (Hangzhou)	<b>14%</b>	15%	0.03	1 <sup>st</sup> /4 <sup>th</sup>	10%
Liaoning (Shenyang)	<b>14%</b>	13%	0.05	8 <sup>th</sup> /8 <sup>th</sup>	9%
Shaanxi (Xi'an)	<b>14%</b>	17%	0.02	12 <sup>th</sup> /16 <sup>th</sup>	14%
Hubei (Wuhan)	<b>14%</b>	12%	0.05	6 <sup>th</sup> /12 <sup>th</sup>	12%
Sichuan (Chengdu)	<b>13%</b>	13%	0.02	5 <sup>th</sup> /14 <sup>th</sup>	10%
Guizhou (Guiyang)	<b>13%</b>	14%	0.02	17 <sup>th</sup> /17 <sup>th</sup>	11%
Heilongjiang (Haerbin)	<b>12%</b>	10%	0.02	11 <sup>th</sup> /18 <sup>th</sup>	12%
Jilin (Changchun)	<b>12%</b>	15%	0.02	13 <sup>th</sup> /11 <sup>th</sup>	15%
Hebei (Shijiazhuang)	<b>11%</b>	13%	0.01	15 <sup>th</sup> /7 <sup>th</sup>	11%
Fujian (Fuzhou)	<b>10%</b>	12%	0.07	9 <sup>th</sup> /5 <sup>rd</sup>	11%
Yunnan (Kunming)	<b>10%</b>	11%	0.00	18 <sup>th</sup> /9 <sup>th</sup>	9%
Yunnan (Kunming)	<b>10%</b>	11%	0.00	18 <sup>th</sup> /9 <sup>th</sup>	9%
AVERAGE OF 20	<b>14%</b>	14%	0.04	N.A.	11%

*Sources: China Data Online; World Bank (2006); author's calculations*

The table reveals several puzzling growth outcomes. First, it shows that growth in several cities departed considerably from regional and historical baselines. Growth in provincial capitals such as Changsha and Hefei was impressive not only relative to the provincial rate of growth, but also exceptional in absolute terms. Changsha averaged 19 percent growth during the 2000s, while Hunan as a whole had below-average growth of 13 percent. Hefei, for its part, achieved 21 percent average annual growth, while Anhui saw only 13 percent growth.<sup>8</sup> At the other end of the spectrum, top-city GDP growth lagged behind overall provincial growth rates in provinces including Hebei, Shandong, Zhejiang, Fujian, Shanxi, Shaanxi, and Guizhou. Similarly puzzling are the sharp breaks

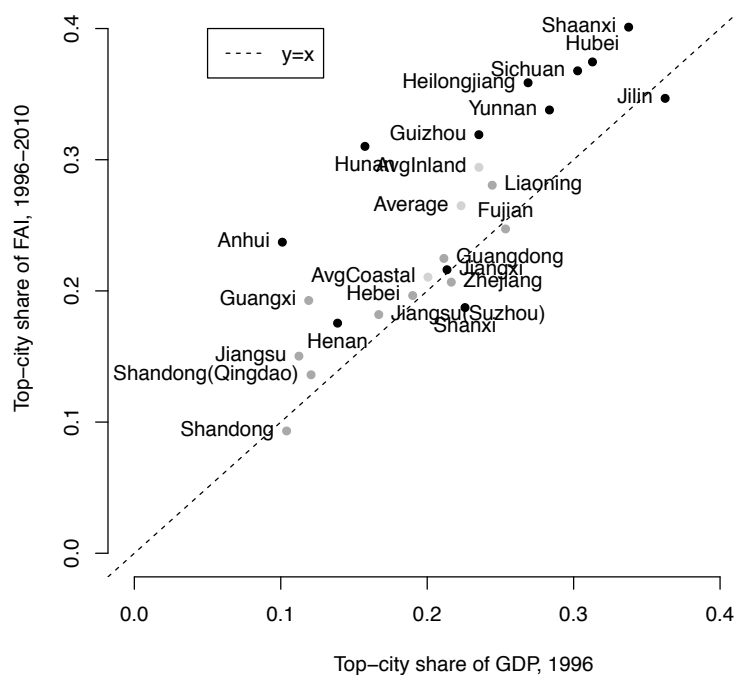
<sup>8</sup> The fact that Changsha and Hefei are located in a geographic belt which economic geographers have recognized as an area of relatively slow urban growth overall makes their standout performance even more striking (Chen et al 2011).

with historical growth trends seen in several cities. Many of the fastest-growing cities of the 2000s had not stood out in the late 1990s.

Also surprising, some of the fastest-growing capital cities during the 2000s – a period of rapid internationalization and export-led growth – were not cities with particularly open economies or attractive business environments. Past studies of city growth in China have emphasized economic openness as a key determinant of growth rates (Demurger et al 2004; Xu and Zhu 2008). Yet some of the cities with the most open economies circa 2000, including Fuzhou and Hangzhou, saw relatively slow or at least unexceptional growth over the following decade. Meanwhile, several cities with relatively closed economies, including Changsha, Nanning, and Zhengzhou, saw extremely rapid growth. It is also hard to attribute the rapid growth of these star performers to their business-friendly institutional climates: Changsha, Nanning, and Zhengzhou ranked poorly among China's provincial capitals in the quality of their investment climates for both domestic and foreign firms (World Bank 2006). That many of the best-performing metropolitan centers were cities that enjoyed few apparent advantages in terms of regional setting, business environment, economic openness, or historical trajectory suggests that factors other than historical path dependence and market advantage shaped the performance of cities during the 2000s.

We also find considerable variation across units and over time in top cities' share of investment and public resources. Figure 2.6 below shows how the top-city share of provincial FAI between 1996-2010 compared to initial top-city share of provincial GDP across 20 provinces. Overall, coastal, and inland average values are also plotted. Data points are colored dark gray for coastal provinces and black for inland provinces.

**Figure 2.6: Top-city FAI share (1996-2010) versus initial GDP share with region indicated**



*Sources: National Bureau of Statistics; China Data Online; author's calculations*

While top-city FAI share (1996-2010) generally exceeded initial 1996 top-city GDP share, there was wide variation from province to province. In some provinces, the top city's share of investment far exceeded its initial share of the provincial economy, while in other cases top cities received shares of investment smaller than their initial shares of GDP. Overall, top-city FAI share was significantly higher in inland areas than in coastal areas—both in absolute terms and also relative to initial top-city GDP share. Once again, provinces such as Anhui and Hunan stand out for having disproportionately high concentration of economic resources in their capital cities. In both provinces, top-city FAI share between 1996-2010 exceeded 1996 GDP share by over 10 percentage points. In other cases, such as Shanxi and Jiangxi, the top city's FAI share was very similar to or even fell below its initial share of provincial GDP, showing that investment was far less concentrated in top cities.

Just as striking as variation across provinces in the top-city concentration of investment for the period from 1996-2010 as a whole is the marked variation over time in the top-city share of economic activity seen in many provinces. Using province-level and city-level time series data, I examine year-by-year patterns in top cities' share of provincial GDP and FAI. Time-trend plots for all 20 provinces are provided in Figure A.5 of the Statistical Appendix.

Beyond some basic trends in the data, there is sharp variation over time within cases as well as divergence in overall trajectories across cases. Many provinces saw a surge in top-city FAI share during the early 2000s, only to see top-city FAI shares dip again slightly thereafter. Whereas few coastal provinces saw sustained increases in top-city FAI share across the full period, while a number of inland provinces saw fairly large and sustained increases. Stark province-to-province differences in outcomes again stand out, as do sharp fluctuations over time within provinces. Anhui and Hunan again stand apart for the dramatic and sustained increases they experienced in both top-city GDP share and top-city FAI share. In both provinces, moreover, top-city FAI share substantially exceeded concurrent GDP share for long stretches of time. Outcomes in Shandong and Guangdong look strikingly different: top-city FAI share steadily declined over time, and GDP share remained flat or dipped slightly. In several provinces, including Jiangsu, Jiangxi, Fujian, and Sichuan, there was considerable fluctuation over time in top-city FAI share, with sharp rises and drops seen. At some moments, top-city FAI share in these provinces rose above concurrent top-city GDP share, while at other points, it remained far below it.

These considerable cross-province discrepancies and sharp fluctuation over time within cases suggest that policy factors may have influenced metropolitan development outcomes in important ways. In order to get a clearer picture of how policies may have influenced outcomes, the next section uses a novel method to gauge the degree of metropolitan bias in different provinces.

### **Measuring metropolitan bias**

As discussed in Chapter 1, the geographic distribution of policy support and state resources may significantly affect the development opportunities of different cities and regions. Depending on how it is targeted, provision of infrastructure, preferential policies, and economic resources may reinforce the advantages of core urban areas or may lead to more dispersed patterns of development (Henderson 2002; Glaeser 2008). I use the idea of “metropolitan bias” as a shorthand for the degree to which policy support and state resources are disproportionately concentrated in the leading metropolitan center of a province, rather than being distributed across different cities and regions in proportion to their economic weight and pre-existing growth trajectory. “High” metropolitan bias, as I mean it, signifies proactive state support for, and concentration of resources in, leading urban centers. “Low” metropolitan bias indicates the opposite—the absence of favoritism toward top cities, or state efforts to steer resources to secondary cities and outlying areas of provinces. Because higher-level governments and state institutions play a key role in allocating many of the resources crucial for urban development – land, financing, fiscal monies, strategic industry projects, and infrastructure – policies may significantly influence where investment and economic growth occurs.

Insofar as spatial bias in development policies represents an important distributional outcome in its own right and also affects longer-term urban and regional development patterns, it is important to know where metropolitan bias in development has been greatest, and to explore why there is greater metropolitan bias in development policies in some instances than others. The task for this section is to gauge where metropolitan bias has been strong and where, conversely, there has been little favoritism toward, or even bias away from, top cities. The rest of the dissertation explores why metropolitan bias is greater in some cases than others.

Of course, metropolitan bias is not straightforward to observe or easy to summarize. Policy support and the allocation of development resources takes various forms and entails both more- and



less-visible dimensions. Later in the dissertation, I use in-depth case studies to examine some of the specific kinds of policy measures central and local government actors and state entities in China use to promote development in particular locations. In order to summarize outcomes in different provinces and compare outcomes across a larger number of units here, I use a simpler means of summarizing the spatial slant of development policies. Such an approach is necessarily reductive, but has the benefit of enabling crisper comparison across units.

To assess the level of metropolitan bias, I look at the extent to which top-city concentration of FAI in a province during the 2000s deviates from what we might expect given past trends and basic economic or structural factors. There are several underlying conditions that should affect the spatial concentration of urban economic activity and/or population in a territorial unit. First, the metropolitan concentration of urban development activity during a given period should bear a strong relationship to the existing distribution of economic activity and ex ante growth trends. Past research suggests that cities in an urban system tend to grow in parallel, with the relative dominance of different cities changing fairly little over time (Eaton and Eckstein 1997; Wang and Zhu 2013). Cities that already account for a large share of provincial economic activity, or which have previously been growing at an above-average rate, can be expected to account for higher levels of economic activity in following years. Second, we should expect the spatial concentration (or any increase therein) of urban development to be negatively related to the population size of a given province, as more populous provinces should typically contain a larger number of urban centers (Davis and Henderson 2003). Third, we should expect the development level of a given unit to affect the concentration of economic activity, with activity more concentrated in poorer or less-urbanized units than in relatively prosperous areas (Ibid.; Williamson 1965). Beyond this, we may also expect the economic openness or market-orientation of a provincial economy to affect the spatial concentration of development, insofar as the freer play of market forces may serve either to

undermine or promote concentration of economic activity in particular places (Krugman and Elizondo 1996; Davis and Henderson 2003). Together, these variables should provide a baseline expectation for the top-city concentration of investment.

Regression analysis of the top-city share of FAI in different provinces using these “baseline” economic and structural variables can give us a clearer picture of where, and to what extent, actual metropolitan concentration of investment diverges from expectations. My approach is to first regress top-city FAI shares for the period 2001-2010 on the above baseline economic and structural variables, and then to look at regression residuals to identify whether observed values fall above, below, or close to fitted values. Higher-than-expected top-city FAI share or top-city FAI totals during the decade between 2001-2010 (positive regression residuals) suggest greater metropolitan bias in development policies, while lower-than-expected top-city FAI shares (negative residuals) can be taken to indicate a low degree of metropolitan bias—or even a bias away from top cities.

To operationalize the baseline variables above, I include in the regression models the following covariates: 2000 top-city share of provincial GDP (to indicate the ex ante metropolitan concentration of economic activity); change in the top-city’s share of provincial GDP between 1996-2000 (to indicate whether a top city has outperformed the province as a whole during a prior period); 2000 provincial population; 2000 provincial per capita GDP (to indicate development level); and a “coastal” dummy variable (to account for systematic differences between coastal and inland provinces). I also try out alternate specifications for this baseline model, including one with a lagged measure of the dependent variables (1996-2000 top-city FAI share), and one that includes indicators for provincial-level marketization, urbanization, and openness levels. All regressions use ordinary least squares (OLS) estimation.

**Table 2.7: Regression results – top-city FAI share and baseline covariates**

	<i>Dependent variable:</i>		
	Top-city FAI share (2001-2010)		
	(1)	(2)	(3)
top-city gdpshare2000	0.559** (0.204)	0.209 (0.370)	0.630** (0.218)
top-city gdpsharechange	0.587 (0.642)	1.022 (0.744)	0.418 (0.724)
population	-0.0001 (0.001)	-0.001 (0.001)	0.00002 (0.001)
log GDPpc	-0.013 (0.036)	-0.002 (0.037)	-0.031 (0.065)
coastal dummy	-0.042 (0.033)	-0.042 (0.033)	
top-city faishare9600		0.337 (0.299)	
marketization			-0.002 (0.019)
urbanization			0.001 (0.002)
log openness			-0.016 (0.027)
Constant	0.264 (0.290)	0.201 (0.292)	0.330 (0.490)
Observations	20	20	20
R <sup>2</sup>	0.785	0.804	0.772
Adjusted R <sup>2</sup>	0.708	0.714	0.639
Residual Std. Error	0.045( <i>df</i> = 14)	0.045( <i>df</i> = 13)	0.050( <i>df</i> = 12)
F statistic	10.210***( <i>df</i> = 5; 14)	8.889***( <i>df</i> = 6; 13)	5.800***( <i>df</i> = 7; 12)
<i>Note:</i>		*p<0.1; **p<0.05; ***p<0.01	

*Table generated with Hlavac (2014)'s Stargazer package (5.0) for R.*

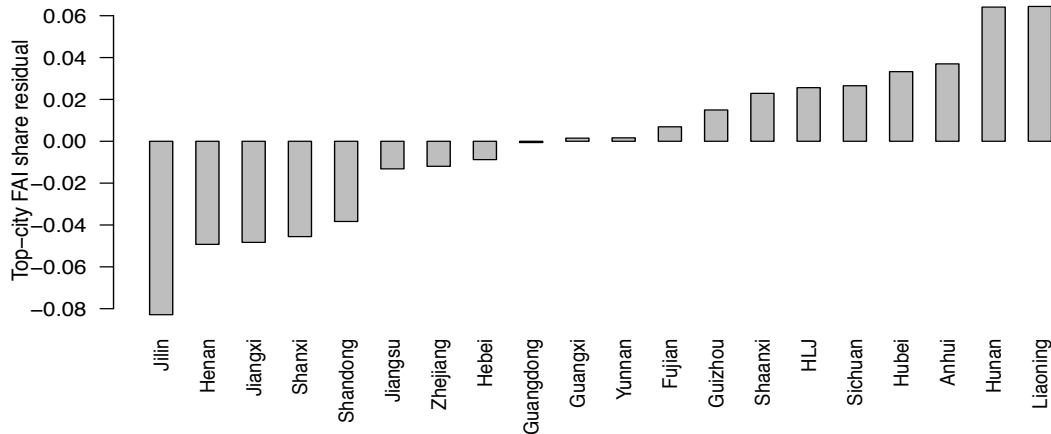
These baseline specifications achieve  $r^2$  values between 0.77 and 0.80 (adjusted  $r^2$  ranges from 0.64 to 0.71), indicating that the sets of covariates used are indeed good predictors of top-city FAI share. The covariates in these specifications have high joint significance (F statistics range from 5.8 to 10.2), and, as would be expected, 2000 top-city GDP share is a consistently positive and significant predictor of 2001-2010 top-city FAI share. The coastal dummy and the lagged DV measure have the expected signs (negative and positive, respectively) and approach statistical significance as well. Other covariates, however, appear to have limited predictive power for

explaining top-city FAI share outcomes. Indicators of economic openness, market-orientation, existing urbanization level, and provincial size, in particular, appear to lack much independent explanatory power for the 2001-2010 spatial distribution of FAI.

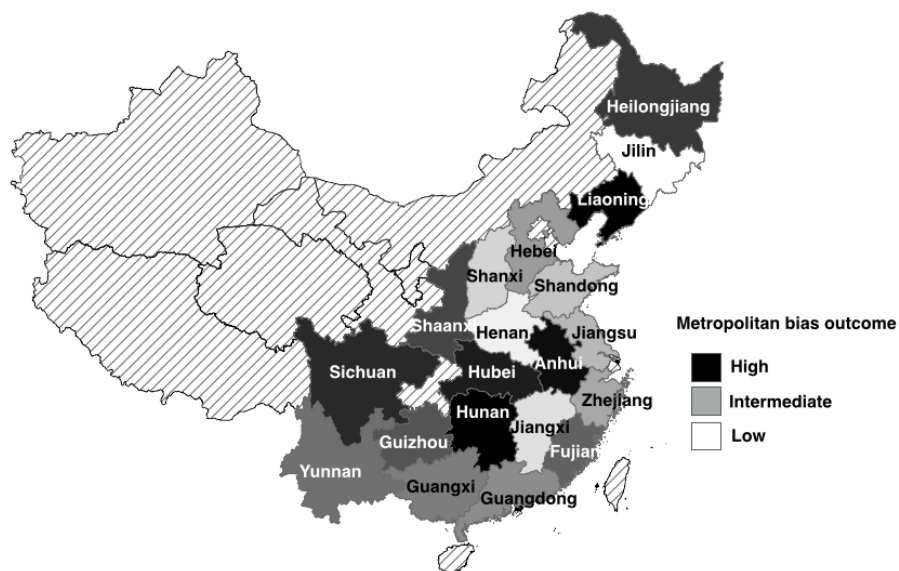
While these baseline covariates together account for a large share of overall variation in top-city FAI share outcomes, there is a considerable piece of variation that remains unexplained: several provinces display fairly large regression residuals. I use these residuals – which represent percentage points of extra or missing top-city FAI share – as my measure for the degree of metropolitan bias in development policies in different provinces during the 2000s. As the residuals show, the 2001-2010 capital-city share of FAI in provinces such as Hunan, Liaoning, and Anhui is well above what would be expected given past trends and basic economic variables: the share of capital-city FAI in these three provinces exceeded the estimated values by 6.4, 6.4, and 3.7 percentage points, respectively. These are substantively large deviations considering that the average capital-city share of FAI was about 26 percent of the provincial total. Indeed, in absolute terms these deviations represent tens of billions of yuan worth of excess or missing investment.<sup>9</sup> On the other hand, observations for provinces such as Jilin, Henan, Jiangxi, and Shanxi show large negative residuals (-8.3, -4.9, -4.8, -4.6), with the top-city share of FAI considerably lower than expected. Meanwhile, the baseline models do a very good job of predicting top-city FAI share for several provinces, including Jiangsu, Guangdong, and Guangxi.

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<sup>9</sup> As a point of reference, Hubei, which ranks in the middle of the pack in its provincial investment total, saw approximately \$500 billion of FAI during the decade from 2001-2010. As such, a deviation of a few percentage points in top-city FAI share amounts to a difference of several billion U.S. dollars (National Bureau of Statistics; China Data Online; author's calculations).

**Figure 2.8: Variation in metropolitan bias – top-city FAI share (2001-2010) residuals**

Although, as noted above, inland provinces tend to have higher top-city FAI shares, there is no clear-cut geographic pattern to metropolitan bias outcomes. Figure 2.9 maps how measurements of metropolitan bias vary across space, with darker shades denoting greater metropolitan bias. While most cases with high top-city FAI residuals are found in inland China, there are exceptions to this rule. And while there are several instances in which nearby provinces display similar outcomes, there are also a number of cases in which similarly situated provinces' outcomes differ strikingly.

**Figure 2.9: The geography of metropolitan bias**

Sources: Figure by author; Shape file obtained from [worldmap.harvard.edu/chinamap](http://worldmap.harvard.edu/chinamap)

As the above analysis and preceding sections show, then, there has been marked and sometimes puzzling variation across China in the extent to which development was oriented toward top cities. Above, I have found marked variation across provinces in the top-city concentration of investment—variation that persists even after controlling for past trends and basic economic factors. I interpret higher-than-expected top-city shares of FAI as an indication of high metropolitan bias in policies, and vice versa. More generally, amid an overall trend of increasingly metropolitan-oriented development, there has been substantial variation across provinces and over time in the concentration of investment and growth in leading urban areas.

Needless to say, looking at a large number of units in such a summary way makes it difficult to get a detailed picture either of development outcomes or of the case-specific factors that may be contributing to these outcomes. To bring the puzzle of varying provincial development trajectories and metropolitan bias outcomes into clearer focus, and analyze in a more context-sensitive way how different explanatory factors contributed to these outcomes, I carry out provincial case studies.

### **Jiangsu, Hunan, and Jiangxi: Diverging outcomes in three Chinese provinces**

This section looks in greater detail at development outcomes and the economic-structural context of development in Jiangsu, Hunan, and Jiangxi. As discussed in Chapter 1, I have selected these cases to capture a range of metropolitan bias outcomes, to contrast development dynamics in coastal and inland China, and to explore why similarly situated units take diverging paths.

Jiangsu, Hunan, and Jiangxi embody striking cross-sectional and longitudinal variation in development outcomes. Development in Hunan showed a much stronger metropolitan slant overall than the other provinces, but we also see major shifts over time within cases in spatial patterns of development. Of course, structural legacies and economic variables help to account for the varying outcomes in Jiangsu, Hunan, and Jiangxi. Given Jiangsu's advanced development stage, economic

geography, and relatively outward-oriented economy, the limited metropolitan concentration of investment there is not surprising. Sharp shifts over time in the spatial slant of development in Jiangsu, however, are less readily explained by underlying economic factors. Hunan's economic backwardness and provincial geography, meanwhile, help explain the province's high metropolitan concentration of investment, yet still do not fully account for the striking speed of Changsha's development. Meanwhile, the diverging trajectories of Hunan and neighboring Jiangxi are surprising given the similarity of starting conditions, and beg the question of how policy factors affected outcomes. Development indicators for the three provinces listed below show Jiangsu's position as a leader in development, and underscore the basic similarities of Hunan and Jiangxi.

**Table 2.10: Development indicators for Jiangsu, Hunan, and Jiangxi**

<i>Province</i>	<i>Land area (1000 sq. km)</i>	<i>Pop-ulation (mn people)</i>	<i>2000 GDP (bn yuan)</i>	<i>2000 GDP per capita (yuan)</i>	<i>GDP CAGR 1990-2000 (%)</i>	<i>2000 urban-ization level (%)</i>	<i>2000 state-controlled economy share</i>	<i>2000 top-city GDP (bn yuan)</i>	<i>2000 top-city urban pop (mn people)</i>
Jiangsu (Suzhou) (Nanjing)	103	73.3	855.3	11714	11.3	42.3	0.36	154.1 (102.1)	2.46 (3.10)
Hunan	212	65.6	355.1	5626	7.7	27.5	0.29	65.6	1.86
Jiangxi	167	41.5	200.3	4828	8.6	27.7	0.37	43.5	1.76
20-province average	208	55.2	410.5	7266	10.1	36.2	0.42	91.7	2.61
Maximum	485	94.9	1074.3	12898	13.8	55.7	0.76	237.6	4.41
Minimum	102	26.8	103.0	2645	6.2	23.4	0.21	26.5	1.43

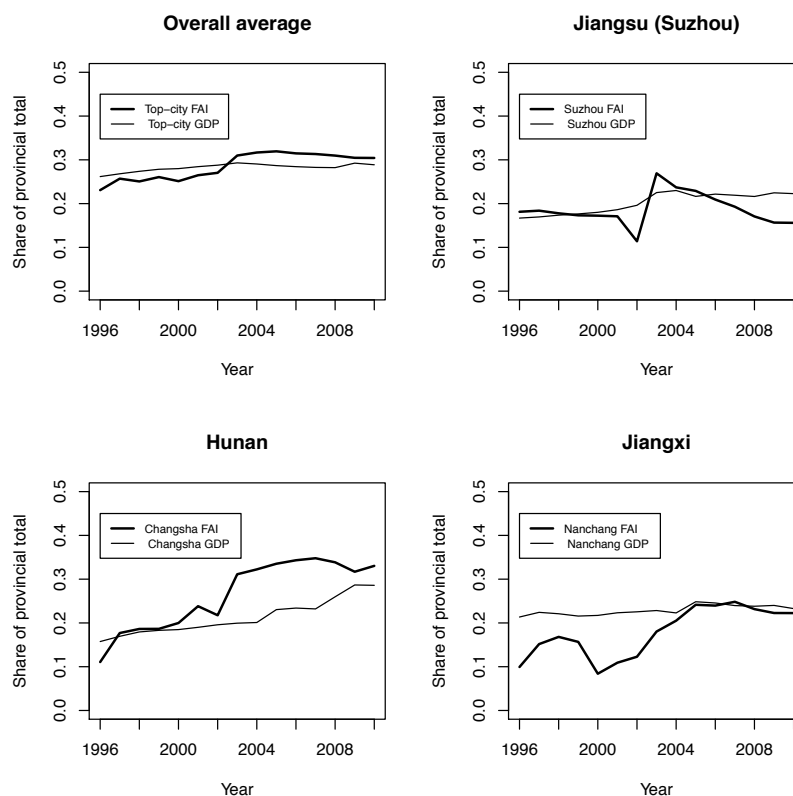
*Source: China Data Online; National Bureau of Statistics; author's calculations*

### *Varying development outcomes in the three main cases*

Jiangsu, Hunan, and Jiangxi display different overall levels of metropolitan bias as well as contrasting trends over time in top-city FAI and GDP share. For the period between 1996-2010 as a whole, Jiangsu represents a case of intermediate metropolitan bias. But the metropolitan slant of development in Jiangsu varied over time. Hunan, by contrast, is a case of strongly metropolitan-oriented development: for virtually the entire period in question, Changsha saw a disproportionately

large amount of FAI (both in absolute terms and as a share of Hunan's total). Meanwhile, Jiangxi, despite being similar to Hunan in many respects, saw far less metropolitan concentration of investment overall, and showed more striking variation over time than its neighbor to the west.

**Figure 2.11: Top-city FAI share time trends for main provincial cases**



*Sources: China Data Online; author's calculations*

Figure 2.11 above juxtaposes time trends of top-city FAI and GDP share in the three provinces (along with a 20-province average). As the charts show, Jiangsu, Hunan, and Jiangxi all experienced sharp increases in top-city FAI share during the early 2000s, with this trend tapering off or reversing in the late 2000s. In Jiangsu, top-city FAI share declined sharply after its spike in the early 2000s, dropping far below top-city GDP share by the end of the decade.<sup>10</sup>

<sup>10</sup> Using Nanjing, Jiangsu's provincial capital, rather than Suzhou, Jiangsu's leading economic center, as the top city, the time trend in top-city FAI share remains similar, though Nanjing receives a slightly higher share of provincial FAI relative to its GDP share than Suzhou. See Table A.5 in the Statistical Appendix.



In Hunan, top-city FAI share rose from 11 percent in 1996 to 18 percent the following year, and remained at this elevated level for several years before again jumping sharply in the early 2000s from 20 percent to over 30 percent. After crossing this 30 percent threshold, Changsha's share of Hunan's FAI stayed above this level for the rest of the decade. Such high and sustained top-city concentration of investment in Hunan differs from outcomes in Jiangsu and Jiangxi.

The contrast between Jiangxi and Hunan is especially striking. The provinces started with similar capital-city shares of FAI in 1996, and followed similar trajectories before FAI share plunged in Jiangxi at the turn of the century. Jiangxi's top-city FAI share rose in parallel with Hunan's between 2000 and 2006, but remained significantly lower. As Jiangxi's top-city FAI share plateaued and then declined in the late 2000s, the Hunan-Jiangxi gap widened further.

Table 2.12 below breaks down metropolitan development outcomes in Jiangsu, Hunan, and Jiangxi by three different historical periods to further emphasize the shifts seen over time and to clarify how outcomes varied in absolute terms across the three provinces.

**Table 2.12: Growth and investment outcomes in Jiangsu, Hunan, and Jiangxi by period**

<i>Province</i>	<i>Period</i>	<i>Top-city GDP CAGR during period</i>	<i>Provincial GDP CAGR during period</i>	<i>Top-city FAI share during five-year period</i>	<i>Top-city GDP share at the beginning of period</i>
<b>Jiangsu (Suzhou)</b>	<b>1996-2000</b>	11%	9%	0.18	0.17
	<b>2000-2005</b>	19%	15%	0.22	0.18
	<b>2005-2010</b>	15%	14%	0.17	0.22
<b>Jiangsu (Nanjing)</b>	<b>1996-2000</b>	11%	9%	0.10	0.11
	<b>2000-2005</b>	17%	15%	0.17	0.12
	<b>2005-2010</b>	13%	14%	0.15	0.13
<b>Hunan (Changsha)</b>	<b>1996-2000</b>	12%	7%	0.18	0.15
	<b>2000-2005</b>	16%	11%	0.30	0.18
	<b>2005-2010</b>	21%	16%	0.33	0.23
<b>Jiangxi (Nanchang)</b>	<b>1996-2000</b>	9%	9%	0.13	0.20
	<b>2000-2005</b>	17%	14%	0.19	0.22
	<b>2005-2010</b>	14%	15%	0.23	0.25

*Sources: China Data Online; author's calculations*

The especially strong metropolitan slant of development in Hunan is also apparent when we look at more specific types of investment and public goods provision. Table 2.13 below reports top-city shares of total provincial urban road area, urban built-up area, fiscal expenditure, hospital beds, and higher education enrollment in the three provinces for the years 2000 and 2010.

**Table 2.13: Top-city shares of GDP, urban population, and selected resources in main cases**

<i>Province</i>	<i>Year</i>	<i>GDP</i>	<i>Urban pop</i>	<i>1. Urban road area</i>	<i>2. Built-up area</i>	<i>3. Fiscal expenditure</i>	<i>4. Hospital beds</i>	<i>5. Higher education enrollment</i>
<b>Jiangsu (Suzhou)</b>	<b>2000</b>	0.18	0.11	0.07	0.06	0.13	0.11	0.11
	<b>2010</b>	0.22	0.11	0.15	0.10	0.17	0.15	0.11
<b>Jiangsu (Nanjing)</b>	<b>2000</b>	0.12	0.11	0.16	0.15	0.17	0.13	0.48
	<b>2010</b>	0.12	0.13	0.24	0.19	0.11	0.11	0.48
<b>Hunan (Changsha)</b>	<b>2000</b>	0.18	0.11	0.19	0.15	0.12	0.16	0.47
	<b>2010</b>	0.28	0.12	0.23	0.21	0.15	0.19	0.49
<b>Jiangxi (Nanchang)</b>	<b>2000</b>	0.22	0.14	0.25	0.16	0.11	0.17	0.53
	<b>2010</b>	0.23	0.14	0.16	0.22	0.12	0.16	0.60

*Sources: China Data Online, author's calculations*

Hunan had the highest top-city share of most of these types of resources relative to concurrent top-city GDP or population share,<sup>11</sup> and only in Hunan did the top-city share of each category of resources increase between 2000 and 2010. Jiangsu and Jiangxi also showed high or increasing metropolitan bias in the distribution of some resources, but the pattern was less uniform or pronounced. In Jiangsu, Suzhou's share of total provincial urban road area, built-up area, fiscal expenditure, and hospital beds rose sharply between 2000 and 2010, but these shares started from a relatively low base. Nanjing, meanwhile, saw increases in the first two categories but its share of total provincial fiscal expenditure and hospital beds decreased and its higher education enrollment remained constant.<sup>12</sup> In Jiangxi, Nanchang's share of provincial urban built-up area, higher education

<sup>11</sup> Several figures actually understate the capital-city share of resources in Hunan, insofar as they exclude resources going to Changsha County. Although the county is directly adjacent to the city's center and contains Changsha's largest development zone and airport, it is not formally included among urban districts.

<sup>12</sup> Some of the sharp growth in Nanjing's share of Jiangsu's urban road area and built-up area likely relates to the fact that several of Nanjing's counties were converted into urban districts during the 2000s.

enrollment, and fiscal expenditure increased between 2000 and 2010, but the capital's share of urban road area and hospital beds fell, indicating dispersal of these urban resources.

Taken as a whole, the above data underscore the contrasting development trajectories in the three main provincial cases, and raise questions about the factors that have contributed to more or less metropolitan-oriented economic growth. In Jiangsu and Jiangxi, the distribution of FAI and public resources tilted in favor of metropolitan cities for several years in the early 2000s, but the metropolitan slant in development was comparatively limited and short-lived. In Hunan, by contrast, there was higher and more sustained metropolitan concentration of FAI and development resources.

*The insufficiency of basic economic-structural variables in explaining case outcomes*

Geography, structural conditions, and economic trends help to make sense of outcomes in Jiangsu, Hunan, and Jiangxi, but these factors alone do not provide a satisfying explanation of variation across provinces and over time in development patterns. It is hard to account for the strong metropolitan slant of growth in Hunan or to explain sharp swings in top-city investment share in Jiangsu and Jiangxi solely in terms of baseline variables.

*Jiangsu*

While Jiangsu's relatively limited overall metropolitan bias is understandable in light of the province's development level, economic geography, and industrial structure, these structural factors do not readily explain the sharp swings over time in the spatial distribution of investment.

Jiangsu's relatively advanced development stage helps account for the limited metropolitan bias seen there. It is typical for urban concentration and regional disparities in an economy to decline as the level of development increases (Williamson 1965; Henderson 2002). As Table 11 makes clear, Jiangsu is one of China's most prosperous provinces, and is also a leader in terms of its

level of internationalization and urbanization. Jiangsu's wealth of financial, physical, and human capital makes it less necessary to concentrate resources narrowly to carry out large-scale developmental investment than in poorer regions.

The fact that Jiangsu is home to several major cities, which are scattered across different parts of the province, also helps explain the limited concentration of economic activity and people in the key metropolitan cities of Suzhou and Nanjing. Both Suzhou and Nanjing have deep endowments of human and institutional capital from their long histories as commercial, administrative, and cultural centers, and both have been major industrial centers and bases for foreign-oriented economic activity during the reform era. But many other cities in Jiangsu are also dynamic centers of urban and industrial growth. Wuxi and Changzhou, sitting along the Yangtze River, and Lianyungang and Xuzhou, which straddle a major rail line in northern Jiangsu, are also major cities with advantageous locations, well-developed industrial bases, and solid infrastructure. Investors thus have various attractive locations in Jiangsu from which to choose, and policymakers look out on multiple cities with the potential to serve as regional growth engines.

The structure of Jiangsu's industrial economy may also help account for the relatively limited concentration of economic activity in the largest urban areas. Entering the 2000s, Jiangsu's largest industrial sectors included textiles, chemicals, electronics, and electrical machinery and equipment, and over the course of the decade, advanced manufacturing and heavy industry boomed, with the electronics, equipment and machinery, chemicals, and steel industries at the fore (Jiangsu Statistical Bureau 2001; 2011).<sup>13</sup> With mature manufacturing sectors playing a key role in Jiangsu's economy, there may have been less need for the special amenities and human capital of top metropolitan centers. Although emerging service industries and nascent high-tech sectors concentrated in Nanjing

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<sup>13</sup> During the 1990s and 2000s, Jiangsu experienced breakneck growth of manufacturing industries, propelled in large part by China's WTO accession and the further expansion of the foreign sector. Suzhou continued to boom, while Nanjing, which had seen relatively lackluster industry growth until the late 1990s, enjoyed very rapid growth in the early 2000s.

and Suzhou (along with Wuxi and Changzhou), well-located smaller cities were also able to thrive as centers for export-processing and heavy industry.<sup>14</sup>

The composition of economic activity in Suzhou points to industrial competitiveness – and not simply generous state support – as a key factor in the city’s rapid development. Investment in urban infrastructure, real estate, and industrial capacity contributed greatly to Suzhou’s rapid growth, but explosive growth in export-oriented manufacturing and related services – rooted in the competitiveness of Suzhou’s firms and the city’s proximity to Shanghai – was a key factor behind the city’s rapid growth after 2000. The city was less reliant on high levels of investment to sustain rapid growth than many other large cities in China. Whereas FAI averaged 35 percent of Suzhou’s GDP from 1996-2000, FAI rose to an average of 39 percent of GDP between 2001 and 2005, and 40 percent of GDP from 2006-2010 (NBS and author’s calculations).<sup>15</sup>

Higher-level policy support may have played a somewhat larger role in Nanjing’s development. Nanjing’s economic growth during the 2000s was more oriented toward the tertiary sector and more investment-driven than in the case of Suzhou. Although Nanjing’s manufacturing and service sectors both expanded rapidly in the early 2000s, industrial growth later slowed from its feverish rate, and tertiary sector growth substantially outpaced secondary activity.<sup>16</sup> Throughout the 2000s, FAI played a prominent role in Nanjing’s rapid growth. Whereas the ratio of FAI to GDP

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<sup>14</sup> Mature manufacturing industries often thrive in medium-sized cities, whereas emerging and knowledge-intensive industries and service industries cluster in larger cities. See Henderson (1997); Glaeser and Ponsoetto (2007).

<sup>15</sup> During the 2000s, Suzhou’s growth was driven in large part by advanced manufacturing, export processing, and logistics. The central city had considerable success in upgrading its industrial base and establishing itself as a center for electronics and high-technology manufacturing (Ren and Liu 2008, 101), while sub-centers such as Zhangjiagang and Taicang thrived as more traditional manufacturing centers and logistics bases. With extremely rapid manufacturing growth in the early 2000s, the secondary sector share of Suzhou’s economy rose sharply between 2000 and 2005 (from 0.56 to 0.67), but then retreated somewhat (to 0.56) by 2010, as the service sector grew more quickly in the late 2000s and export-oriented industries struggled amid the global financial crisis (CDO and author’s calculations). Robust growth of service sectors in the late 2000s suggested that Suzhou was beginning to diversify its economy, and that the city was developing beyond its traditional role as a manufacturing and export-processing base for the Shanghai region.

<sup>16</sup> The tertiary sector’s share of GDP rose from 0.47 in 2005 to 0.52 in 2010, and secondary share declined from 0.50 to 0.45 (Jiangsu Statistical Bureau 2001; 2011 and author’s calculations).

had averaged 0.29 between 1996-2000, the ratio climbed to an average of 0.51 between 2001-2005, and increased further to 0.60 between 2006-2010 (China Data Online and author's calculations).

If Jiangsu's intermediate level of metropolitan bias makes sense in light of the province's geography and industrial structure, sharp shifts in development patterns over time pose problems for explanations that point to slow-moving structural variables. Suzhou and Nanjing's shares of provincial FAI started from a relatively low base in the late 1990s, rose sharply after the turn of the century, and then declined – steeply in Suzhou's case – during the late 2000s. Such abrupt changes in the spatial distribution of investment over time suggest shifting patterns of policy support.

### *Hunan*

The metropolitan concentration of investment and growth in Hunan during the 2000s remains striking even after one takes into account basic economic and structural variables and past trends. It is not unusual to see highly concentrated development in backward economies, but the sharp metropolitan turn in Hunan after the late 1990s was at odds with the patterns of development seen in earlier years. While the rapid growth of commercial activity and cultural industries in Changsha may have reflected basic locational advantages, the speed with which the city emerged as a center for manufacturing (at a time when other industrial centers in Hunan were badly struggling) suggests the role of strong policy support. The highly investment-driven makeup of growth in Changsha also points to the key role of state support in metropolitan development.

Hunan's highly concentrated urban and industrial development relates in part to the province's poverty and structural backwardness: in an underdeveloped region, there are a limited number of locations able to support advanced industrial and urban functions, and it is necessary to economize on infrastructure and social overhead (Friedmann 1956; Henderson 2002). Located in the interior of south-central China, Hunan is a rich agricultural region but has remained a laggard in

urban, industrial, and commercial development, as Table 11 shows. Hunan's economy had been oriented toward agriculture and heavy industry since the 1950s, and developed slowly during the first two decades of the reform era.<sup>17</sup> With weak external economic ties and few major cities, Hunan had difficulty attracting or holding onto financial and human capital during the first decades of the reform era. Even the Xiang River corridor, Hunan's most developed region, remained only partly industrialized; central, southern, and western Hunan remained overwhelmingly rural and poor.

While it is not surprising that public agencies and private investors alike would focus on Hunan's more industrialized northeast region, the fact that economic activity was dispersed across several urban areas at the turn of the century makes the high concentration of FAI in Changsha thereafter surprising. As late as the mid-1990s, Changsha remained a middling metropolis with an urban population of about 1.5 million people. The city had a relatively strong consumer economy and was home to a handful of prominent universities, research facilities, and cultural institutions, but it did not enjoy a huge lead in population or economic size over medium-sized industrial centers such as Hengyang, Yueyang, Zhuzhou, and Changde, which were also located astride major transport arteries.<sup>18</sup> And, although Changsha sits in an advantageous location along the Xiang River, its location in the northeast region of Hunan put it far from the geographic center of the province.

The sectoral composition of Hunan's economy during the 1990s and 2000s also makes the sharp metropolitan turn in development after the late 1990s puzzling. Entering the 21<sup>st</sup> century, Hunan's most important industrial sectors included agriculture (especially tobacco and food products) and heavy industries such as metallurgy and chemical manufacturing. There was little momentum in high-tech industries, and Hunan's service sector and outward-oriented economy

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<sup>17</sup> Between 1990-1998, industrial FAI in Hunan grew at only 12 percent per year, five points below the national average (He 2001). State-owned industrial operations in Hunan struggled amid reform and opening in the 1990s, with many outmoded plants shuttered and many thousands of workers laid off (Zhou and Xu 2000).

<sup>18</sup> In 1996, the combined economic output of these four cities was over 2.4 times that of Changsha that of Changsha (China Data Online and author's calculations).

remained weak. As the 2000s unfolded, Hunan saw faster industrial development than it had during the 1990s, but growth rates remained subpar in comparative terms (Li et al 2007). Even as some new growth areas appeared, traditional manufacturing sectors such as chemicals, machinery and equipment-manufacturing, non-ferrous metallurgy, and agricultural-processing industries remained important (Hunan Statistical Bureau 2001; 2011). Changsha, on the other hand, enjoyed a sudden industrial boom. After the late 1990s, the city's equipment manufacturing sector, led by construction machinery makers Zhonglian and Sanyi, grew explosively, gaining a foothold in domestic and foreign markets (EIU 2011). Changsha's cultural industries also surged, emblemized by Hunan Satellite Television's (*Hunan weishi*) rise to become a key player in China's media market (EIU 2009).

While Changsha's cultural industries and construction machinery sector may have depended on some distinctive local strengths, it is doubtful that the city's stellar economic performance during the 2000s was driven by intrinsic locational advantages alone. According to a 2006 World Bank report, Changsha's investment climate for domestic and foreign firms alike was very poor compared with many other large cities in China (World Bank 2006). The public sector remained important in the city's economy: as late as 2008, Changsha's economy featured a lower share of private sector activity than Hunan's economy overall (Zeng 2010). And Changsha's relatively weak performance in foreign trade and foreign investment during the 2000s calls into question the role of internationalization as a growth driver (Ren and Liu 2008).

Rather, Changsha's boom during the 2000s was, to an even greater degree than Nanjing's, driven by urban investment. Between 1996-2000, FAI amounted to 26 percent of Changsha's GDP on average, but this figure rose to 49 percent between 2001-2005, and climbed to 65 percent between 2006-2010. Urban construction and tertiary sector growth were key driving forces in Changsha's economic growth between the late 1990s and early 2000s (EIU 2002a), and large



amounts of FAI in urban roads, public facilities, and real estate after the turn of the century reflected strong government support (Hunan Gazetteer Commission 2002, 82-85).

### *Jiangxi*

Contrasting patterns of development in Jiangxi during the late 1990s and 2010 set Hunan's outcomes in starker relief and raise some important questions of their own. No two provinces or cities in China offer a perfectly controlled comparison, but Hunan and Jiangxi and their capitals of Changsha and Nanchang represent a pair of "most-similar" cases. The two provinces had similar economic structures and faced similar development challenges heading into the 21<sup>st</sup> century. Yet development in Jiangxi was oriented toward secondary cities and rural areas to a much greater extent than in Hunan, despite the fact that Jiangxi's structural backwardness and economic geography might have seemed to favor a metropolitan-oriented development model. Sharp variation over time in Jiangxi's spatial development also raises questions. Why, for instance, did metropolitan development accelerate abruptly for a few years after 2001, before tailing off again after 2006?

Like Hunan, Jiangxi is a verdant, mountainous, and heavily rural province and sits at margins of wealthier coastal provinces and the Yangtze River valley. Throughout the 1990s, Jiangxi, like Hunan, struggled with structural backwardness, widespread poverty, and economic marginalization. The province was even poorer in per capita income terms, and had an even weaker urban-industrial economy than Hunan's. At the beginning of the 21<sup>st</sup> century, primary sector activity still made up 24 percent of Jiangxi's GDP (versus 22 percent in Hunan), and – as in Hunan – foreign investment and exports continued to make up under six percent of provincial GDP (Jiangxi Statistical Bureau 2001; China Data Online; author's calculations). Given Jiangxi's low development level, it would have been unsurprising to see highly concentrated urban and industrial development; the province had

limited resources to spread around, and among its cities, only Nanchang and Jiujiang possessed the large, diverse industrial bases and urban infrastructure to compete with other leading cities in China.

If anything, Jiangxi's economic geography would appear to be even more conducive to concentrated development than Hunan's, which makes its more dispersed investment outcomes more puzzling. Jiangxi's territory comprises a large central plain and river basin ringed by mountainous periphery. Nanchang occupies a pivotal position in the central plain, sitting astride the province's economic center of gravity and its most important rail and road junctions.<sup>19</sup> Like Changsha, Nanchang was a middling metropolis at best during the 1990s.<sup>20</sup> Compared with Changsha, Nanchang had a slightly smaller urban population and GDP, a slightly lower per capita GDP, and a more manufacturing-oriented economy as of 2000. But Nanchang had a more dominant position in the provincial economy, making up 22 percent of Jiangxi's GDP and 14 percent of Jiangxi's urban population (compared with Changsha's 18 percent and 11 percent). Despite Nanchang's greater economic and geographic centrality at the outset, the city's share of provincial FAI and GDP did not increase nearly as dramatically as Changsha's.

The important role of resource-based industries in Jiangxi's development during the 2000s helps to explain the province's more regionally dispersed growth pattern, but it does not explain sharp variation over time in the metropolitan slant of investment. At the beginning of the 2000s, Jiangxi's largest industries were ferrous and nonferrous metallurgy, transportation equipment manufacturing, and petroleum refining. Over the course of the decade, Jiangxi saw rapid growth of manufacturing industries and a boom in nonferrous mining and metallurgy, which grew to become the province's largest industrial sector (Jiangxi Statistical Bureau 2001; 2011). Jiangxi has China's

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<sup>19</sup> Jiangxi's next largest urban centers, Jiujiang and Ganzhou, are located at the northern and southern ends of Jiangxi, and lack the industrial resources and human capital of the capital city (even though Jiujiang, a port city situated at the confluence of the Gan River and the Yangtze, can claim to rival Nanchang as a commercial and logistical center.)

<sup>20</sup> Like Changsha, Nanchang is located along a major tributary of the Yangtze River (the Gan River) and boasts a long history as a commercial hub and administrative center.

largest deposits of copper and certain rare earth elements, and these were developed aggressively amid high domestic and global demand (EIU 2010). Because refining and processing industries tend to locate near the source of their inputs, much of this development naturally took place outside the metropolitan region in smaller urban centers and rural areas. At the same time, Jiangxi saw rapid growth in electrical-mechanical machinery and chemical industries, many of which were located in or near larger urban centers. Overall, the province's secondary sector surged during the 2000s, while the tertiary sector's share of the provincial economy actually fell, dropping from 37 to 33 percent of GDP (Jiangxi Statistical Bureau 2001, 2011). With service industries and knowledge-intensive sectors making slower gains than in Hunan, Jiangxi's economy was less metropolitan-oriented.<sup>21</sup>

More perplexing, on the other hand, is why the pace of metropolitan development in Jiangxi varied so much over time. After experiencing slow GDP and investment growth in the late 1990s, Nanchang developed rapidly in the early 2000s, both in absolute terms and relative to the rest of the province. But during the late 2000s, Nanchang grew more slowly than the province as a whole. The fluctuation of Nanchang's share of provincial FAI between the late 1990s, early 2000s, and late 2000s – first a steep decline, then a rapid increase, and finally a leveling off and decline – shows that investment patterns often shifted sharply from year-to-year.

Also surprising is the fact that Nanchang's development lagged behind that of Changsha during the mid- and late-2000s despite apparently having a superior environment for private and foreign business activity. Nanchang not only received far better marks from the World Bank for its business climate than Changsha, but also outperformed Changsha for much of the decade in securing foreign direct investment (World Bank 2006; China Data Online). Again, the discrepancy seems to relate to the fact that Nanchang secured far less FAI overall than Changsha, especially early

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<sup>21</sup> Of course, this still begs the question of why policymakers in Jiangxi did not place heavier emphasis on service sectors and knowledge-intensive industries during the 2000s, as leaders in Hunan did.

on. In Nanchang, FAI averaged 15 percent of GDP between 1996-2000 (compared with 26 percent in Changsha), while making up 34 percent of GDP between 2001-2005 (compared with Changsha's 49 percent.)

In sum, despite the fact that Nanchang had a more dominant position in Jiangxi's economy at the outset than Changsha had in Hunan, and despite the stronger outward orientation of Jiangxi's capital as compared with Changsha, development in Jiangxi was far less metropolitan-oriented. This contrast makes the outcomes in Hunan all the more striking, and calls for a more careful look at the development policies that contributed to diverging trajectories.

## **Conclusion**

This chapter has surveyed patterns of metropolitan development across China broadly and in the three main provincial cases, highlighting several puzzling outcomes. The rapid growth of metropolitan cities in China since the late 1990s represents a departure from China's preceding trajectory of small city-based urban development. In many provinces, top cities have captured growing shares of FAI and public goods, and increased their share of provincial GDP. Against the backdrop of this metropolitan turn in development, however, there has been striking variation in development patterns both across provinces and also over time within cases.

Diverging development patterns clearly stem in part from differences in the three provinces' underlying structural conditions and economic trends. Yet, as I have shown, variation across provinces and over time in the metropolitan slant of development is difficult to explain in terms of baseline factors alone. These puzzling outcomes call for a closer analysis of how policy factors and political dynamics are shaping development outcomes in Jiangsu, Hunan, and Jiangxi, and across China more broadly.

In the three chapters that follow, I take an in-depth look at the nature and determinants of spatial development policies in China. The chapters examine how basic state institutions and targeted policy initiatives have varied over time and across provinces, exploring the consequences for urban and regional development. I begin in Chapter 3 by looking at national-level policy factors, tracing change over time in central development policies and key governance institutions. In the two case-study chapters that follow, I examine how national-level policies and institutions have interacted with provincial-level variables to shape outcomes over time in Jiangsu, Hunan, and Jiangxi.

### III. The Fragmented State of Urban and Regional Governance

#### **Introduction**

To what extent do evolving central government policies and institutions account for variation in metropolitan bias over time and across regions in China? In this chapter, I explore how national-level policy factors have contributed to the puzzling outcomes discussed in Chapter 2. The first half of the chapter traces how China's development policies – and urban and regional policies, in particular – have evolved over different historical periods. The second half of the chapter looks in greater detail at governance institutions in four policy areas with important implications for how economic resources and state support get distributed in space—regional planning, land governance, investment policy, and fiscal and financial policy.

I show that while shifts in central policies and the rebuilding of central state capacity may contribute to greater metropolitan bias overall, national-level factors do not determine provincial outcomes in a straightforward or uniform way. During the past two decades, Beijing has eased curbs on the growth of large cities, and increasingly recognized the development role of metropolitan areas. Yet, intense debate among central policymakers over the proper approach to urban and regional development has persisted, and Beijing has continued to emphasize the need for coordinating top cities' growth with the development of rural areas and lagging regions. And, since the 1990s, national leaders have rebuilt state capacity and reasserted hierarchical control in various areas of development policy, often with the goal of promoting more balanced, inclusive, and sustainable growth. But in practice stronger state guidance of development has in some ways worked in favor of larger cities.

More generally, I emphasize the fragmented nature of developmental governance in China, and the importance of intergovernmental politics in shaping policy outcomes. Because the size and diversity of China's economy make it hard to design policies on a national scale, and because

coordination among central bureaucracies is often difficult, provinces have remained key units for governance. Indeed, Beijing's efforts to tighten top-down control in areas such as regional planning, land governance, and investment have often involved strengthening provincial governments and province-ministry coordination. And, in a system where central actors control many key resources but subnational governments enjoy considerable operational autonomy, the relations between different government levels significantly shape development policy outcomes. Depending on which actors take the initiative in policymaking, and how effectively they can mobilize support across the larger state apparatus, results may vary significantly.

### **The evolution of national-level development policies**

China's central leaders have not entirely lost their predecessors' wariness of big cities, but in recent decades they have come to embrace urbanization as an engine for development, and have allowed more policy latitude for metropolitan-centered growth. For much of the Maoist era, Beijing worked to repress urban growth as the state directed industrialization and social development. But China's first-generation leaders also showed a capacity for flexible governance—tailoring policies in to different regional conditions. Since the onset of reform and opening, and especially since the mid-1990s, this pragmatic tendency has prevailed. Though initially in favor of a gradualist, small city-based approach to urban development, national leaders have come to accept that China's ambitious economic agenda requires rapid urbanization and dynamic big cities.

Of course, urban governance in post-Deng China has involved much more than a relaxation of state controls over economic activity and city growth. Higher-level government have deployed state authority and resources to mold the structure of industrial and urban development in line with their policy goals. While central policymakers have in many instances offered state support for the development and integration of core economic regions such as the Yangtze River Delta, policies

since the late 1990s have also sought to better coordinate development across regions and sectors. In different places and at different times, national-level policies have ranged from strong support of large metropolitan centers to preferential treatment of rural areas and smaller cities. Indeed, different parts of China's central government have favored different development approaches, sometimes butting heads. The tensions within central government policy were especially striking after Hu Jintao and Wen Jiabao came to power in the early 2000s. While China's top leaders often struck a populist note and expressed concern for hinterland areas, some central state agencies proved more than willing in practice to support a more elitist and metropolitan-oriented growth model.

#### *Conflicting Maoist-era legacies*

In development policy, as in many other areas of Chinese politics, the legacy of the Maoist period still looms over contemporary debates and practices. Where urban and regional policy is concerned, the Maoist-era legacy is a complex, even contradictory one. On the one hand, the Maoist period instilled a wariness on the part of national leaders toward large cities, a mentality that has persisted ever since. On the other hand, the Maoist era saw the creation of a statist economic order that ingrained practices such as development planning, administrative allocation of resources, and the building of “growth poles” (*zengzhang ji*). Just as significant for reform-era China, the Maoist period created precedents for regionally varied economic governance.

Development policies during much of the Maoist period promoted dispersed urban and industrial development and explicitly curbed development of large commercial cities. For a regime that had come to power through rural revolution and campaigned against the decadence of capitalist cities and China's outward-oriented economy, there were important ideological reasons for suppressing the growth of metropolitan cities and the economic activities they abetted. But as China's leaders sought to consolidate control over a vast territory and prepare for the possibility of



great-power war, their approach to industrial and spatial development was also driven by practical necessities. Mao argued against focusing development efforts on large cities in part because highly concentrated population and industry would make China more vulnerable in case of nuclear war (McGee 2007, 33).

Even though many large and medium-sized cities were built up as centers for industry and administration, policymakers sought to limit the amount of urban population growth and to stifle the urban character of cities (Ibid., 33; Yeh et al 2011). China's First Five-Year Plan (FYP) report insisted that "our task in municipal construction at present is not to develop big coastal cities but medium and small cities in the interior, at the same time duly restricting the development of big cities" (Harvard Center for International Affairs 1962, 60). Geostategic and ideological considerations factored even more heavily in development after the 1960s, as international tensions mounted and Mao rekindled revolution at home. Under the "Third Front" (*san xian*) policies of the 1960s and early 1970s, Beijing dispersed industry, infrastructure, and talent across small cities and rural areas in the interior (Yang 1990; Naughton 1988).

At the same time, of course, the Maoist era also saw the creation of a command economy and an industrialization approach that concentrated investment in strategic industrial sectors and regional centers. Starting with the First FYP, China's leaders took cues from the Soviet development model, prioritizing the development of heavy industry and large-scale infrastructure. They built regional "growth poles" (*zengzhang ji*)—urban-industrial centers in strategic locations across the country where investment would be concentrated to support the development of surrounding areas (Harvard Center for International Affairs 1962, 47-49, 60; Larsen 1992, 106-109).<sup>1</sup> The First FYP

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<sup>1</sup> As the Report on the First FYP explained, "Socialism cannot be built on the basis of a small-peasant economy; it must have a foundation of large-scale industry and large-scale collective farming" (Harvard Center for International Affairs 1962, 47). The First FYP named 156 key state projects, including several major highways and railways linking important regional cities. The plan especially emphasized development of inland regions, calling for the correction of China's "irrational distribution" of economic activity between coast and interior (Ibid., 47-49, 52, 60).

established a lasting precedent for an activist state role in shaping urban and regional growth, promoting development of China's interior and the creation of new industrial cities across the country. In practice, heavy state investment in key industrial centers contributed to the growth of large and medium-sized cities in spite of Beijing's anti-urban ideology (Sit 1985, 23, 33).

Even as it entrenched a statist economic order, however, the Maoist-era created precedents for administrative flexibility under a politically strong center. As Heilmann and Perry (2011) explain, Communist Party tactics of “adaptive governance” and locally variegated governance that had emerged in the pre-1949 period survived – and indeed thrived – after 1949. Beijing supported “experimentation under hierarchy,” allowing or encouraging particular localities or regions to try out new economic or social governance techniques before adopting new practices more broadly (Heilmann 2011). Devolution of greater economic and social policymaking authority to the provinces after 1958, and especially during the Cultural Revolution period, helped institutionalize these tendencies.<sup>2</sup>

#### *The early years of reform (1978-1995)*

In many respects, the first 15 years of the reform period showed a radical break from the development policy approaches of the Maoist era. Beginning in 1978, but especially after 1984, the national leadership under Deng Xiaoping pushed forward an agenda of market-oriented reform and economic liberalization. During the Sixth (1981-1985) and Seventh (1986-1990) FYP plan periods, central and provincial policymakers reduced the use of planning and direct intervention in the economy, and tried to foster new market linkages across localities and economic sectors. Seeking to make the most of China's existing economic strengths, Beijing gave development priority to coastal

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<sup>2</sup> After 1958, many formerly centrally controlled SOEs were put under provincial control, and provinces were given a larger role in planning and fiscal policy. And, after the early 1970s, many provinces were allowed to retain more revenues and play a larger role in economic administration (Yin 2011, 110-111).

regions, allowing localities freer rein to try out new policies. Yet, even as the state retreated in many areas, Beijing continued efforts to counteract overly rapid and concentrated urban growth.

Development policy during the first 15 years of the reform period shifted to place more emphasis on light and export-oriented industries, even as central ministries continued to support heavy and extractive industry development in inland regions. To make better use of China's huge labor force and improve popular livelihood, central policymakers supported the rapid growth of labor-intensive, consumer-oriented industries. And, by incrementally dismantling the rural and urban economic planning systems, cutting back state subsidies, and giving greater latitude to local governments to pursue development on their own terms, central and provincial policies enabled a boom of non-state industry and commercial activity across the country (Shirk 1993; Naughton 1995).

The early reform years also saw a major reorientation of China's regional policy. In contrast with a Maoist-era agenda that had emphasized inland development, the Sixth, Seventh, and Eighth FYPs prioritized development of China's coastal provinces. These areas had the advantageous conditions – location, human capital, economic resources, market institutions, and industrial structure – to achieve rapid growth and accumulate wealth in short order. One way Beijing supported coastal provinces' development was by cutting back the redistribution of fiscal revenue and economic resources to interior areas (Yang 1990). Fiscal decentralization allowed provinces such as Guangdong and Fujian to retain and reinvest large amounts of revenue locally. But the central government also supported the development of coastal provinces in more proactive ways. The designation of four Special Economic Zones and, later, of 14 Coastal Open Cities and other priority areas, gave greater policy autonomy to these locations and brought more state investment and subsidies (Solinger 1993, 158). Coastal development gained even stronger central backing in the early 1990s, as a new state-level Pudong New Area was established in Shanghai and new preferential policies were extended to the YRD region and other key economic centers (Wu 2003).

While China's regional policy in the early part of the reform era reinforced the economic advantages of coastal provinces, urban development policies were conducive to the growth of small- and medium-sized cities. The early years of the reform era saw the emergence of new urban planning and development approaches aimed at promoting stronger market networks, absorbing displaced agricultural labor, and overcoming the urban-rural dualism that had taken hold during the Maoist era. On the one hand, the scaling back of the planned economy held out benefits for smaller cities. Whereas urban development in the Maoist era had been very hierarchical, with cities' administrative status significantly affecting their ability to obtain economic resources and gain approval for new construction, there was less overt policy favoritism toward big cities with close ties to the state during the 1980s and early 1990s. Retrenchment of the state-centered economy also created space for local initiative and market forces to play a larger role in shaping urban growth. In many provinces, smaller and medium-sized cities thrived on this more level, market-driven playing field, while large cities – subject to stricter controls – grew less quickly (Lin 1999).<sup>3</sup>

On the other hand, the relatively rapid growth of smaller cities also reflected state efforts to regulate urbanization. In 1980, the central government convened a National Urban Planning Work Meeting that endorsed small city-based urban growth. A new Urban Planning Law, discussed for years and formally adopted in 1989, stipulated that “the state shall guide itself by the principle of strictly controlling the size of large cities and developing medium-sized and small cities and towns

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<sup>3</sup> Despite the fact that larger cities in many places showed economic dynamism and attracted migrants during this period, state investment remained limited (Wei 1994). While the central government in the 1980s did adopt new policies to empower administratively and economically a handful of key regional centers across the country – Wuhan, Xi'an, Guangzhou, Shenyang, etc. – it did so with the aim of breaking down administrative barriers to economic cooperation and fostering greater horizontal market relations across provincial boundaries. And many of these efforts ran into political pushback. In the early and mid-1980s, the central government embarked on new efforts at interprovincial regional planning and cooperation efforts. Zhao Ziyang tried to cultivate stronger urban economic networks around regional central cities that had traditionally anchored multi-provincial economic areas. To help these cities develop more autonomously, several were granted line-item status in the state plan and given preferential policies. In practice, however, it proved difficult to build up these cities as planned and to foster cross-provincial regions. Some provincial governments cut back their support for cities that had become more economically autonomous, and local protectionism remained rampant (Solinger 1993, 160-164, 208-212, 217).

[...]” (Gu et al 2012a; National People’s Congress 1989). Such policies led to the adoption of restrictive population and land area growth targets for provincial capitals and other larger cities.

The more market-oriented, horizontally structured development model that emerged in the 1980s began to undergo important adjustments in the early 1990s. Following the upheaval of the late 1980s – severe inflation, protest movements, and the events of Tiananmen – Beijing reasserted a guiding state role in economic development as part of broader efforts to enhance stability and boost growth (Yang 2004, 7-13). While the Eighth FYP resembled its predecessors in prioritizing coastal development, industrial and spatial policy under the plan replaced the bottom-up ethos of the 1980s with a stronger state role in driving and orchestrating development. The 1992 14<sup>th</sup> Party Congress set an agenda of faster state-led economic opening and construction of a socialist market economy, but also stressed the importance of enhancing state capacity for “macro-level adjustments and control” (*hongguan tiaokong*) (Saich 1992). During the early 1990s, larger amounts of state support were channeled to leading regions such as the Yangtze River Delta (YRD) and central policymakers stepped up efforts to guide industrial and regional development in line with strategic priorities.<sup>4</sup> After 1993, China’s national leaders worked to revive economic and regional planning, taking a new approach of “planning with and for markets” (Heilmann 2011; Heilmann and Melton 2013). Perhaps most significant, a politically strengthened central leadership succeeded in pressing through a dramatic recentralization of China’s fiscal system between 1993-1994 (Yang 2004, 74; Wong 2002).

#### *State-orchestrated reform and opening (1996-2000)*

During the mid- and late 1990s, the central government pushed forward administrative centralization and major economic reforms as it tried to build an economic order that combined

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<sup>4</sup> After 1992, the central government extended support to a wide range of newly designated or upgraded development zones, including many in larger cities such as Suzhou, Guangzhou, and Dalian.

targeted state intervention with greater market-based competition. Though reining in the local investment fever of the mid-1990s proved a challenge for Beijing, the central government more successfully flexed its muscle as the decade wore on. The Ninth FYP outlined an active state role in promoting economic restructuring and liberalization, but also called for “coordinated regional development” (*quyu xietiao fazhan*) and efforts to preserve economic and social stability amid rapid change. Jiang Zemin’s consolidation of political authority enabled a burst of administrative and economic reforms in the late 1990s, but Beijing also rolled out major state initiatives to assist the losers of reform and help China weather the Asian Financial Crisis. While policymakers recognized the need for faster urbanization and greater investment in cities, urban development became a highly contested subject—caught between the dual imperatives of boosting competitiveness and preserving stability. As the national leadership held to conservative urban policies, some bureaucracies and subnational governments took advantage of economic upheaval to explore new urban strategies.

The ambitious agenda of the Ninth FYP – rapid economic development and upgrading, SOE reform, opening up, and improved regional coordination of growth – called for a stronger yet nimbler administrative apparatus and state industrial sector (Yang 2010, 54). In the late 1990s, premier Zhu Rongji oversaw a wave of administrative restructuring aimed at creating more authoritative and responsive central agencies in policy realms such as land, investment, and finance. A new Ministry of Land and Resources (MOLAR) was created, China’s economic planning authority was reformed, and the People’s Bank of China and commercial banks underwent recentralization and restructuring. By pooling more authority and resources in key agencies, the central government created the administrative tools for major reform and development efforts.

In the late 1990s, Beijing aggressively pushed reform and opening measures to restructure China’s economy, while also adopting more targeted state efforts to address the gaps between winners and losers. Under Zhu Rongji, the central government pressed forward sweeping reforms of

state-owned industry in line with the principle of “grasp the large, release the small” (*zhuo da fang xiao*). Beijing worked to restructure SOEs as modern market enterprises, and divested itself of smaller, struggling SOEs while building up and tightening control over large firms in strategic sectors (Yang 2004, 25-33, 44-45, 78-99). Beijing also pushed forward the commercialization of housing, ending allocation through work units (Yang 2004, 25-33; Yeh et al 2011). In 1999, central leaders cleared the way for China’s 2001 WTO accession, which would further reduce barriers to trade and outside investment but also expose localities across the country to intense foreign and domestic competition.

At the same, Beijing drew on strengthened central fiscal and planning capacity to promote economic integration of the country and to assist the losers of reform and opening. “Coordinated regional development” under the Ninth FYP involved an expansion of state fiscal and investment support to lagging regions. China’s 1999 Central Economic Work Meeting announced a new Western Development program as its top priority for the coming year. Formally launched in 2000, Western Development was the first and most ambitious of a series of new mega-regional initiatives.<sup>5</sup> Although the central government did not go as far in efforts to balance development as under old Mao-era policies, Beijing used infrastructural investment and preferential policies to help western provinces develop as economic growth centers in their own right, and to better integrate these areas into the national and global economy. At the end of the 1990s, the central government also scaled up social assistance to impoverished rural regions and to the old industry centers hardest hit by SOE reform and restructuring (Bao 2009, 29-30, 93-95). In these ways, Beijing endeavored to make faster restructuring and opening-up compatible with economic and political stability.

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<sup>5</sup> The Western Development program, publicly unveiled in Xi’an in 1999, involved major infrastructure improvements, environmental protection work, preferential investment and lending policies, preferential land and mining policies, and scaled-up poverty relief for poor areas (Bao 2009, 93-95; Goodman 2004; Yin 2011, 65). In the following years, additional mega-regional programs targeting China’s northeast and lagging central provinces would also be launched.

Beijing's concern for maintaining stability amid rapid economic restructuring was also apparent in the conservative approach taken to urban policy. During the mid-1990s, China's Agenda 21, a report drafted by the State Planning Commission and State Science and Technology Commission and endorsed by the State Council, had called for development policies to support medium-sized and smaller cities. The Ninth FYP maintained this emphasis on dispersed urban growth, and through the end of the decade, top national leaders as well as officials from key urban policy agencies such as the Ministry of Construction (MOC) refrained from endorsing a more metropolitan-oriented approach (Gu et al 2012a; Interviews BJ081206a; NJ081205a).<sup>6</sup> Meanwhile, several prominent academic researchers, including Liu Jiaqiang and Zheng Hongyi, argued for continuing to focus on the development of small and medium-sized cities (Gu et al 2012a).

By the late 1990s, however, a growing chorus of academics and bureaucrats in China had begun calling for an adjustment of urban policies, stressing the efficiency advantages of large cities. As China's State Development Planning Commission (SDPC) and Ministry of Finance (MOF) began planning work for the 10th FYP period, they engaged experts from the World Bank and other organizations to help launch new research on urbanization and outline a more aggressive urban development agenda. Bureaucratic elites such as Lou Jiwei of the MOF and Zhu Baozhi of the SDPC argued that there should be greater latitude and policy support for the growth of major cities, even as China continued emphasizing the development of smaller cities (Gu et al 2012a).<sup>7</sup>

As differences of opinion in Beijing provided subnational actors with more political space to try out new urban development policies, the economic circumstances of the late 1990s gave them stronger motivation to do so. Just as it contributed to China's economic restructuring more broadly,

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<sup>6</sup> According to one urban policy expert, this "big-city urbanization" versus "small-city urbanization" debate was largely a question about which areas would be prioritized in development policy and given the most state support (Interview BJ131301a).

<sup>7</sup> In May 2000, for example, the SDPC, MOF, and World Bank convened an International Seminar on Chinese Urbanization that advocated an approach of 'reasonably develop [sic] large cities, actively developing medium-sized and small cities, greatly promoting the development of carefully chosen towns' (Gu et al 2012a).



the Asian Financial Crisis fueled interest across the country in faster urban development and urban policy reforms (Yang 2004, 84-85; Gu et al 2012a; Tong 2011). To limit spillover from the crisis, Beijing launched a major stimulus effort, sharply scaling up fiscal spending and bank lending. Provincial and municipal leaders recognized that accelerated construction of urban infrastructure and real estate could help revive economic growth while also enhancing the business environment and living conditions of their cities. The availability of stimulus funding and general loosening of economic policies in the late 1990s gave subnational governments greater room to experiment with bolder urban development approaches. Several provinces, including Guangdong and Zhejiang, moved ahead with new initiatives to build up large cities and metropolitan regions (Zou 2006; Fan 2010). In adopting metropolitan-oriented development strategies, however, provincial leaders had to take the initiative: if not exactly defying Beijing, they were venturing beyond the central policy line.

*The embrace of urbanization (2001-2005)*

During the early 2000s, China's national economic policies prioritized fast growth and internationalization. Urbanization (*chengzhenhua*) was elevated to the status of a national development strategy, and there was greater acceptance of the role of major cities in China's development. But different central government actors continued to clash over the proper approach to urban development, and Beijing maintained its emphasis on coordinated regional and urban development.

Under the 10<sup>th</sup> (2001-2005) FYP plan, central policymakers stressed rapid growth, reform, and opening-up. Following China's 2001 WTO accession, policymakers at each level worked to increase industrial and regional competitiveness. Beijing continued promoting SOE reforms in the early 2000s, and supported the growth of larger-scale, more capital- and knowledge-intensive industry (Yang 2010, 54). In line with the broader elitist turn in economic policy, the 10<sup>th</sup> FYP put more weight on developing "key points" (*zhongdian*), strategic locations that could serve as engines of

growth and reform for larger regions ([news.xinhuanet.com/zhengfu](http://news.xinhuanet.com/zhengfu)). Meanwhile, relaxation of policy controls over municipal finance, real estate, and urban construction enabled fast development in cities with ready access to local, foreign, or state capital (Lin 2007; Wong 2013).

For the first time, urbanization was designated as a national development strategy, setting the stage for expanded investment in cities but also giving rise to sharper bureaucratic conflict over the content and control of urban policy (Gu et al 2012a; Xu 2008). Whereas urban and regional planning had for many years been the domain of the MOC, officials from China's planning commission now began to play a larger role. Oriented toward physical planning and responsible for overseeing construction of smaller urban settlements as well as major centers, the MOC continued to advocate a more balanced and inclusive approach to urban development (Interview BJ081206a; [www.mhurd.gov.cn](http://www.mhurd.gov.cn)). Indeed, during the mid-2000s, construction minister Wang Guangtao would decry what he saw as blind growth of large cities and excessive spending on urban vanity projects (McGee et al 2007, 207). Compared with MOC officials such as Wang, technocrats from the SDPC and its successor agency, the National Development and Reform Commission (NDRC), laid more stress on efficiency and scale in urban growth, and thus were more sympathetic to metropolitan development (Interview BJ081206a). From the early 2000s on, the NDRC would remain a champion for rapid urbanization and for development and integration of China's large metropolitan regions.<sup>8</sup>

As debates between big-city and small-city urbanization advocates continued, top national leaders stopped short of endorsing a metropolitan-oriented growth model. While granting larger cities freer rein to develop, the 10<sup>th</sup> FYP called for a mixed and gradual urbanization process (Gu et al 2012a). Meanwhile, discussions on urban policy at the 2001 Fifth Plenum of the 15<sup>th</sup> Central Committee called for correcting imbalance in China's urban growth. Party leaders at the meeting

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<sup>8</sup> The NDRC's predecessor agency highlighted various urbanization-related topics when it launched research for the 10<sup>th</sup> Five-Year Plan in 1998. In 2001, the agency published a report entitled "Urbanization: The Mainstream of Modernization in China." See Gu et al (2012a).

reiterated the need to build up medium-sized and smaller cities, noting that high concentration of people in large cities was bad for the stability of the urban system (*Zhongguo jianshe bao* 5/29/2001).<sup>9</sup>

The center underscored its concern for coordinated and inclusive development in other ways as well. During the early 2000s, China's national leadership continued to give strong organizational and material support to the Western Development initiative,<sup>10</sup> and also approved new strategies targeting other lagging regions of the country. In 2003, Beijing officially launched a new Revive the Old Northeast Industrial Base (*zhenxing dongbei lao gongye jidi*) strategy. And, in early 2004, premier Wen Jiabao mentioned a new Central China Rising (*zhangbu jueqi*) strategy that would take aim at economically struggling central provinces (Lai 2007).<sup>11</sup>

Administrative reforms also continued after Hu Jintao and Wen Jiabao took office. In 2003, the central government created an upgraded NDRC meant to serve as a super-ministry for economic planning and regulation (Yang 2004, 59-64).<sup>12</sup> The new leadership also called for stronger state guidance of development, emphasizing from 2003 on “the five comprehensive coordinations” (*wuge tongchou*), which included coordinated urban and rural development, regional development, economic and social development, human and natural development, and domestic development and international opening (Heilmann and Melton 2013). Leaders also pushed for a more strategic and

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<sup>9</sup> The meeting called for stronger urban system management at different administrative levels, and for regionally varied approaches to urbanization. It was argued that very large cities, with urban populations over three million people, should have their growth curbed, while smaller cities should be developed more actively. The meeting noted that controlling the size of large cities was not the same as halting their development; it was appropriate for cities to continue upgrading their urban environment and industry, but efforts to avoid sprawl and conserve green space were necessary (*Zhongguo jianshe bao* 5/29/2011). While the 2002 16<sup>th</sup> Party Congress report struck a slightly more permissive tone, calling for balanced development of cities of different sizes, it was hardly an endorsement of metropolitan-oriented growth (Gu et al 2012a).

<sup>10</sup> In 2000, the central government established a Western Development Leading office (Li and Wu 2012), and in the following years Beijing channeled huge quantities of fiscal spending, preferential policies, and infrastructure investment to the western provinces targeted under the initiative (Yin 2011, 65; Goodman 2004).

<sup>11</sup> The Northeast and Central China strategies would involve smaller amounts of resources than Western Development, but they lent policy support for faster development in these respective regions, and offered aid for basic and heavy industry, regional infrastructure development, and agriculture. The northeast and central regions had experienced economic and social upheaval during the late 1990s and early 2000s (Yin 2011, 65-66; Lai 2007).

<sup>12</sup> A new Ministry of Commerce and a new State-owned Assets Supervision and Administration Commission (SASAC) were established at the same time (Yang 2004, 59-64).

implementation-oriented approach to development planning: Wen Jiabao shifted the official planning parlance from “*jihua*,” which connotes short-term, quantitative planning, to “*guihua*,” which suggests a longer-term, more spatial, and strategic planning mode (Ibid.; Heilmann 2011).

Confronted with runaway industrial investment and urban growth in the early and mid-2000s, Wen’s government also put in place stronger regulatory systems to rein in local governments. By strengthening the NDRC system and institutions for financial regulation and land governance, national leaders expanded state capacity for steering industrial and urban development. Ma Kai, appointed NDRC director in 2003, presided over efforts in the mid-2000s to clamp down on excessive local investment through stricter planning and oversight. The fact that these campaigns produced great resentment and pushback from subnational authorities suggests they achieved some success (Naughton 2008; Li 2010).<sup>13</sup>

But close central oversight of local governments was costly and difficult to sustain. As I discuss later in this chapter, Beijing often settled for “soft centralization” in its efforts to bolster higher-level control over economic development, vesting greater de facto authority at the provincial tier (Mertha 2005; Yang 2004, 100; Hsing 2010).

#### *Rescaling and rebalancing state-led development (2006-2010)*

In the second half of the 2000s, the Hu-Wen leadership stepped up efforts to rebalance China’s development and address problems that had emerged over the course of several years of extremely rapid urban and industrial growth. Under the 11<sup>th</sup> FYP, Hu and Wen advanced a more comprehensive development agenda, stressing rural development, inter-regional coordination, resource conservation, and environmental sustainability. To achieve this, the national leadership

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<sup>13</sup> Indeed, observers have attributed Ma Kai’s failure to secure promotion to the Politburo in 2007 to opposition from provincial and local interests resentful of the NDRC’s economic clampdown. See Naughton (2008); Li (2010).

promoted new modes of planning and governance. While Beijing gave its support to a variety of new urban and regional development initiatives in the late 2000s, however, these initiatives were not entirely under the control of the center or fully aligned with central priorities.

By the mid-2000s, problems with China's increasingly urban-oriented and resource-intensive growth model had become clear to central leaders. Despite Beijing's efforts to cool local land and industry development, rapid, investment-driven growth of major cities posed various risks. Urban expansion threatened China's stock of arable land. Insufficient land compensation and job opportunities for displaced farmers were creating substantial social hardships and instability risks. Large – and growing – development gaps separated major cities, on the one hand, from rural areas and smaller urban centers, on the other (Xie 2005). With strict residency registration (*hukou*) systems still in place in most large and medium-sized cities, migrants could find short-term employment opportunities in metropolitan areas but often lacked access to public services such as education and healthcare, presenting social risks (Tao 2011, 20). Public intellectuals appealed to central leaders to manage urbanization more cautiously, and to address more forcefully the economic and social crisis facing China's rural dwellers (Fan 2006; Day 2008).<sup>14</sup>

Hu Jintao and Wen Jiabao proved more receptive to these concerns than their predecessors had been. The 11<sup>th</sup> FYP, the first prepared under the Hu-Wen administration, gave high priority to rural development, social service provision, and sustainable urbanization. The “scientific development outlook” (*kexue fazhan guan*) and “taking people as the root” (*yi ren wei ben*) philosophies

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<sup>14</sup> One prominent urban expert, Zhou Yixing, warned top leaders against overly optimistic appraisals of the country's urbanization progress, and urged a more gradual and balanced approach to urbanization during the 11<sup>th</sup> FYP period (Fan 2006). Meanwhile, high-profile rural experts such as Wen Tiejun and Li Yuanxing continued to advocate loudly for stronger policies to address China's “three rural problems” (*san nong wenti*). Wen, Li, and other “new rural reconstruction” (*xin xiangcun jianshe*) proponents had mobilized from the late 1990s on to emphasize the worsening plight of China's peasants and call for a more comprehensive state approach to economic and social development of rural areas. In particular, public intellectuals called for better coordination of urban and rural development, noting that China's model of globally oriented development had marginalized the countryside and those with rural status (Day 2008).

championed by Hu and Wen took a broader view of China's development challenges, emphasizing social welfare, environmental sustainability, urban-rural coordination, and regional integration in addition to more technocratic concerns of industrial competitiveness and innovation capacity (Fan 2006; Yang 2010, 18-19). The 11<sup>th</sup> FYP called for rebalancing China's economy toward social development and more sustainable growth drivers—rural modernization, domestic consumption, service and knowledge-based industries, and energy-conserving, environmentally friendly technologies and management methods (Yang 2010, 19-20, 54).

Spatial development issues featured prominently in the Hu-Wen policy agenda. Central policymakers viewed improved regional and urban-rural coordination of growth as crucial for achieving more inclusive and sustainable development. From the mid-2000s on, the central leadership championed efforts to build “a socialist new countryside” (*shehuiizhuyi xin nongcun*) through renovation of villages across the country and better public service provision (Looney 2012, 204-213). After 2004, the Hu-Wen leadership devoted each year's Number One Document to rural work, and they backed up their rhetoric with stronger policies to support rural economic development and social welfare, such as the abolition of China's agricultural tax (Li and Wu 2012). And, in late 2007, the National People's Congress passed a new Urban and Rural Planning Law to guide urban-rural integration efforts (Yeh et al 2011). Meanwhile, Beijing continued to provide planning and policy support for the mega-regional initiatives launched in previous years (Yin 2011, 265; Tang 2011, 158), and also endorsed new, more implementation-oriented modes of regional development planning. Beijing designated several new “comprehensive reform pilot zones” (*zonghe peitao gaige shiyan qu*) and strategic “economic areas” (*jingji qu*) across the country, and preparatory work for a new “principal function area” (*zhubi gongneng qu*) planning scheme began (Li and Wu 2012).

Greater attention to sustainability concerns and rural issues did not mean less emphasis on urbanization, but central leaders called for more socially and environmentally minded urban

development. After the mid-2000s, Wen Jiabao and NDRC director Ma Kai actively supported efforts to comprehensively plan and develop “urban clusters” (*chengshi qun*) and strategic economic regions across China (Wu 2007, 130-131). While such strategies were in part geared toward boosting economic efficiency through regional integration and industrial restructuring, central policymakers also promoted regional planning as a means to rationalize development across space and achieve more sustainable development.<sup>15</sup> At the same time, top leaders and central government planners remained concerned about the overcrowding and overdevelopment of large cities (Saich 2008; Yang 2010, 30-31).<sup>16</sup> At a September 2005 Politburo session, for example, Hu Jintao called for a Chinese-style urbanization model that would balance development of cities of different sizes, conserve land resources, follow an intensive rather than extensive growth model, protect the environment, and prioritize social harmony as well as economic efficiency (Gu et al 2012a).<sup>17</sup> And, under the 11<sup>th</sup> FYP, Beijing called for gradualism in urban residency status reforms and continued working to steer rural migrants to smaller cities and towns (Fan 2006).

While the Hu-Wen leadership called for stronger administrative guidance of economic and spatial development, however, much of the work of designing and implementing new strategies fell to provincial authorities. Provinces enjoyed considerable policymaking latitude under the 11<sup>th</sup> FYP as the central government slashed the number of binding development targets (Yin 2011, 128). Beijing’s emphasis on coordination and integration of economic regions made provinces – China’s closest thing to regional entities – crucial as units for planning and administration (Gu et al 2012b).

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<sup>15</sup> The 11<sup>th</sup> FYP endorsed the development of tightly linked urban agglomerations whereby smaller cities and rural areas could form dense linkages to major centers. Large central cities were to serve as growth and innovation engines, vehicles for denser, more resource-efficient development, and drivers of regional economic integration (Shi and Zhuang 2007, 7; Gu et al 2012a).

<sup>16</sup> Planners worried about the tendency for major cities to be built up simultaneously as administrative, economic, logistical, and cultural centers. This resulted in concentration of urban amenities, overcrowding, resource strains, and price inflation—threats to economic, social, and environmental sustainability (Yang 2010, 30-31).

<sup>17</sup> According to Hu, China should increase the economic strength of larger cities and urban clusters, but urban growth should be carefully planned (Gu et al 2012a).

The economic circumstances of the late 2000s created even more space for provincial initiative. As part of the economic stimulus mounted in response to the Global Financial Crisis, Beijing opened the floodgates for a subnational investment spree.<sup>18</sup> Between late 2008 and 2010, Beijing and provincial governments jointly launched a large number of urban and regional development initiatives such as the Guanzhong-Tianshui Economic Area in Shaanxi and the Wanjiang Urban Belt in Anhui, many of which were to be financed by state bank lending rather than through the central government's budget (Li and Wu 2012; Wong 2013). Approving more programs than it could easily oversee, Beijing gave provinces significant discretion in crafting and carrying out such initiatives.

*The importance but insufficiency of national-level policies in explaining metropolitan bias*

From this overview of the evolution of China's development policies, we can see an increase over time in central permissiveness toward and support for metropolitan development. Beijing's promotion of an outward-oriented growth strategy and emphasis on capital- and knowledge-intensive industry since the 1990s has implicitly favored larger urban centers with the market scale, factor endowments, and amenities to serve as hubs for advanced industrial and commercial activity. And the central government's more explicit embrace of urbanization and metropolitan-regional development as economic strategies since the early 2000s has facilitated growth of large cities.

But central leaders have been slow to jettison their longstanding policy of curbing growth in big cities and favoring smaller urban centers. Debates within the central government over the proper approach to urban and regional development have not relented. As such, Beijing's policies since the turn of the century have featured an uneasy – and sometimes contradictory – mix of pro-

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<sup>18</sup> Central leaders announced in November 2008 that four trillion yuan (over \$580 billion) would be made available for the stimulus efforts (*The New York Times* 11/9/2008).



metropolitan and pro-hinterland tendencies. In addition to policies that help the development of infrastructure, real estate, and industry in major cities, Beijing over the past two decades also has adopted stronger policies to support lagging regions and rural areas, and called for stronger efforts to coordinate development and mitigate economic dualism. Indeed, central support for the recent wave of metropolitan-regional strategies has been justified in large part as a way to promote more integrated regional and urban-rural development. Over the last two decades, provincial policies have consistently been earlier and more overt in showing metropolitan bias, and realignments of central policy have been preceded by changes at the subnational level.

If central policies per se are too broad and indeterminate to fully explain variation in metropolitan bias over time and across provinces, the strengthening since the 1990s of higher-level urban and regional governance capacity has no doubt created the potential for stronger and more spatially targeted state interventions in the economy. Where higher-level state capacity is used to support central objectives such as regional coordination, urban-rural integration, and environmental sustainability, it may tend to dampen metropolitan growth. But, to the extent that pro-growth actors such as provincial governments are able to mobilize central authority and resources on behalf of their own development priorities, urban and regional governance institutions can work to favor large metropolitan centers. By looking at the architecture and operating mode of the institutions that govern different facets of urban and regional development, we can see how – and under what conditions – metropolitan bias arises. In the following sections, I explore how changing regional planning, land governance, investment, and fiscal and financial policy institutions may enable metropolitan bias in practice.

### The rise of regional development planning

Regional planning is one key area of governance in which the central government has created new hierarchical institutions to guide and coordinate development, yet has not exercised full control over these institutions in practice. As China's growing economic complexity and openness have reduced the effectiveness of traditional forms of economic coordination, Beijing has come to rely more heavily on regional planning as a means of both broad economic regulation and more targeted state intervention (Wu 2007, 129-140). Regional development planning became especially important after the mid-2000s, when Wen Jiabao and NDRC director Ma Kai supported the emergence of new, more implementation-oriented planning approaches (Wu 2007, 9).

Economic and spatial planning processes in China not only produce overall frameworks and blueprints for development, but also serve important policy communication functions. Planning processes bring together different levels of government, different agencies, and government and non-government experts. By providing a forum for “information gathering, consultation, analysis, document-drafting, implementation, experimentation, and revision,” planning processes enable greater alignment and cooperation across what is otherwise a highly segmented and stove-piped policymaking system (Heilmann and Melton 2013). Especially with Beijing's shift in the mid-2000s from “short-term, technical planning” (*jihua*) to “strategic, comprehensive planning” (*guihua*), planning processes have further emphasized holistic, coordinated, and action-oriented ways of achieving long-term policy goals (Yang 2010, 4; Heilmann 2011).

Plans, and the shared understandings that arise from the planning process, facilitate particular distributions of development resources. By highlighting particular development goals and designating high-priority programs, projects, and locations, plans open up policy space for subnational governments to launch related initiatives, and create channels through which subnational governments can tap into state resources. Indeed, inclusion in development plans is

often important for moving major investment projects forward. Under Wen Jiabao, the central government clamped down on projects which had not been approved as part of larger plans (Interview XA101203a). Moreover, strategic “designations” (*dingwei*) in higher-level plans often bring concrete policy benefits for the localities or sectors that receive them, including increased land-use quotas, tax policy benefits, easier access to financing, and major state-backed investment projects (Interview BJ061202a). At the same time, plans serve an important publicity and legitimation function in the development process. As authoritative policy statements, plans serve as costly signals about which areas are to receive priority state backing—and thus may also stimulate interest from private investors (Vogel et al 2010). And, by virtue of their technocratic veneer, development plans help to legitimize the concentration of state support in particular areas or sectors.

#### *Implementation-oriented regional plans*

The new regional plans that have emerged in China since the turn of the century provide more effective frameworks for spatial policy interventions than earlier types of plans. Since the 1980s, subnational governments and the departments under them have prepared a variety of local economic, spatial, and sectoral plans, including five-year development plans, urban master plans, urban system plans, land-use plans, and transportation plans, among others.<sup>19</sup> Traditionally, plans have been produced and implemented in a unit-by-unit, level-by-level, and sector-by-sector fashion. Such plans function as important statements of policy intent, and they may list key development indicators. Yet, plans produced in this fragmented manner often have weak implementation

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<sup>19</sup> For urban master plans, provincial governments and Beijing review and approve plans drawn up at the municipal level. The central government reviews master plans for 108 major cities in China, and there is an inter-ministerial mechanism whereby different central ministries discuss and decide on which functional designations to assign to different cities. In practice, however, central control and oversight remains weak. Planning and approval processes lag behind developments on the ground, and the central government has limited enforcement capacity (Interview BJ131301a).

prospects, insofar as intergovernmental and interagency cooperation – critical in practice – remains an afterthought (Wu 2007, 141-142; Xu 2008).<sup>20</sup>

The new regional development planning efforts that have taken shape since the turn of the century have been more explicitly designed to facilitate concrete results by enhancing cooperation among different government levels, functional systems, and jurisdictions.<sup>21</sup> Since 2000, regional development planning has been backed by stronger central state capacity – including an upgraded NDRC system and a much larger fiscal base – and a range of supporting economic policies (Wu 2007, 115-121; Yang 2010, 87-92). Planning processes have involved more intensive central-provincial and inter-agency consultation and cooperation.<sup>22</sup> The central government has provided policy authority, material resources, and strategic guidance, while subnational governments – working in concert with relevant central agencies – have often taken the lead in designing and implementing development plans (Zhang 2011). In this way, local knowledge and initiative have been paired with the vast resource base of the center.

On the one hand, Beijing and provincial governments have launched a series of mega-regional initiatives to accelerate development and opening-up in parts of the country that were

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<sup>20</sup> For instance, the population and land-area targets assigned in municipal master plans can serve as important guidelines for urban development. But the concrete spatial arrangements envisioned by such plans may be disregarded or quickly modified in practice (Interview XA101203).

<sup>21</sup> Although Beijing pursued regional economic planning schemes at different scales during the 1980s and 1990s, these efforts typically lacked much higher-level coordinating capacity or resource support, and were not well harmonized with China's overall economic development strategies. During the early and mid-1980s, the national leadership sought to promote regional economic integration across the country, and launched cross-provincial planning efforts such as a plan for the Shanghai region. After 1992, Beijing introduced major reforms to the planning system, emphasizing regionally coordinated development and creation of market connections across mega-regions. Seven mega-regional plans followed, including plans for the northwest region in 1993, the YRD region in 1995, and the northeast region in 1996. The Ninth FYP called for developing these mega-regions through integration around key central cities and transport corridors. In most cases, however, regions were not well defined, cooperation across administrative boundaries proved difficult, and concrete central support remained limited (Wu 2007, 115-121; Yang 2010 87-92).

<sup>22</sup> The post-2000 regional development system has involved intensive central-local consultation and bargaining, with the NDRC system serving as a key bridge across different state tiers and as a coordinating entity for different departments. Local leaders actively take part in central policy discussions and push for favorable central policies, while central agencies send out 'fact-finding' trips to the provinces and give guidance to provincial planners. In addition, a variety of regional meetings of central and subnational officials have been held in different parts of the country (Heilmann and Melton 2013).

passed over by the Coastal Development policies of the 1980s and early 1990s: the 2000 Western Development program, the 2003 Revive the Old Northeast Industrial Base campaign, and the 2004 Central China Rising strategy. The Western Development program, the largest of the initiatives, has promoted central policy goals such as regional economic integration, environmental restoration, and poverty alleviation while also addressing provincial priorities of economic development and industrial upgrading. Under the program, Beijing has channeled various forms of higher-level policy support and resources to provinces and localities in the west: preferential investment policies, major regional infrastructure improvement projects, fiscal aid, social spending, and environmental construction. But given that Western Development spanned multiple provinces, it has been necessary for much policymaking and implementation to be managed at the provincial level (Yang 2010, 87-92; Goodman 2004; Interview XA101206b).

Provincial authorities have played an even bigger role in the launch and implementation of the Revive the Northeast and Central China Rising initiatives. Beijing's announcement of each program came after aggressive provincial lobbying, and provincial governments have drawn up and overseen many of the projects and policy experiments launched under the programs (Chung et al 2009; Lai 2007; Li 2004).<sup>23</sup> In the case of the Central China Rising initiative, Beijing has offered provincial governments relatively modest material aid compared with what was given to western provinces. At the same time, however, Beijing has allowed provinces freer rein to experiment with new economic policies and shape the development of major urban regions (Lai 2007).

In recent years, Beijing and provincial governments have also teamed up to launch a new wave of urban-regional development initiatives aimed at fostering economic regions around major urban centers. While provincial governments in several provinces – Guangdong, Jiangsu, Hunan, etc.

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<sup>23</sup> For example, Chung et al (2009) note how after the announcement of the Revive the Northeast program, the central government gave prompt approval to 100 major projects proposed by provincial governments.

– had been drawing up and putting into practice provincial-level “urban cluster” or “metropolitan circle” (*dushi quan*) plans since the 1990s,<sup>24</sup> growing central government support for urban-regional planning under Wen Jiabao made possible a dramatic scaling-up of these initiatives.<sup>25</sup> The geographic areas of these new urban-regional plans have usually fallen within the territory of a single province but encompass multiple (prefectural-level) cities, and the plans have sought to promote greater economic integration and improved spatial ordering of extended urban regions.

In embracing urban-regional planning, central and provincial officials have stressed the need for stronger higher-level guidance of development to prevent vicious local competition and wasteful duplication of infrastructure, respond to regional-scale governance challenges such as pollution and inequality, and reassert higher-level control over runaway urbanization (Xu 2008). In practice, though, it is clear that – at least from the perspective of provinces – urban-regional planning is also very much about promoting local development and competitiveness (Ibid; Zou 2006).<sup>26</sup> Many of the more than two dozen state-level urban-regional initiatives that emerged after the mid-2000s have laid out ambitious targets for urban growth as well as sustainable development goals.

Administratively, the new urban-regional initiatives – from Hunan’s Changsha-Zhuzhou-Xiangtan zone to Jiangsu’s Coastal Development area – fall under two headings: “comprehensive reform pilot zones” and strategic “economic areas.” The former explicitly emphasize both

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<sup>24</sup> Guangdong province was a frontrunner when it came to metropolitan-regional planning. The Guangdong leadership in November 1994 launched an economic planning process for the Pearl River Delta (PRD) region that included city group planning as a major topic. The provincial construction commission took the lead in formulating a PRD urban cluster plan. The plan envisioned a polycentric, more integrated metropolitan region with Guangzhou at its core, and emphasized the need for higher-level government coordination of development. In practice, however, the plan was not effectively implemented as a framework for metropolitan development: many cities continued to act on their own (Wu 2007, 125-126).

<sup>25</sup> After 2003, the central government increasingly endorsed intra- and cross-provincial plans that encompassed multiple cities (Interview BJ061202a). In a 2005 State Council opinion on regional planning, the central government laid particular stress on the role of urban cluster planning as a means of achieving more efficient and sustainable urban and industrial development (Wu 2007, 132).

<sup>26</sup> As Zou Bing notes, “In reality, the fundamental starting point for each locality in drafting an urban cluster plan is still the consolidation of regional resources, upgrading of regional competitiveness, acceleration of development; it’s nothing more than the elevation of this theme to an ever-higher level” (Zou 2006).

development and policy experimentation and are overseen by the NDRC's Institutional Reform Department (*tigai si*), while the latter are oriented mainly toward development and fall under the supervision of the NDRC's Regional Department (*diqu si*). With few exceptions, state-level status has brought major benefits in terms of preferential policies, access to key development-related resources, and major state investment projects (Interview BJ061202a).<sup>27</sup> These urban-regional strategies have thus served as a powerful mode for spatially selective promotion of development and reform under the guidance of higher-level governments.

*Bureaucratic fragmentation and political initiative in the planning process*

The new regional planning approaches that have emerged during the 2000s have made the province an increasingly important scale or unit of governance, even as the central state's role in development has expanded. Because mega-regional programs such as Western Development and Central China Rising are too broad in scope and too complex to be administered entirely from the center, provincial governments in practice play important roles in carrying out large infrastructure projects and allocating investment and policy resources within their territories (Yang 2010 87-92; Goodman 2004). The provincial unit has been especially important when it comes to urban-regional initiatives, as most of these initiatives involve the development and integration of urban regions within, rather than across, provincial boundaries, and are closely linked with overall provincial economic strategies (Luo and Shen 2008; Zhang 2011).<sup>28</sup> Provinces are already responsible for making economic policy and handling cross-jurisdictional issues within their territories, and central

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<sup>27</sup> However, following a huge spate of special area approvals in 2009 in connection with China's stimulus effort (Li and Wu 2012), the frontrunner advantage of special area status has been diluted somewhat.

<sup>28</sup> Indeed, Zhang (2011), Xu (2008), and others have interpreted urban-regional initiatives as a rescaling of regional competitiveness policy to the provincial level in what amounts to an inter-provincial economic "arms race."

recognition of provinces' urban-regional plans often further increases the maneuvering room and resources at their disposal (Gu et al 2012b, 29).<sup>29</sup>

Beyond making the provincial scale more important, new planning approaches often allow provincial governments to take the initiative in their dealings with a fragmented central government and shape new initiatives around their own priorities. According to a central government researcher, urban-regional initiatives have often originated as provincial-level plans before undergoing modest revisions and obtaining central-level backing. Provincial officials tend to view urban-regional initiatives primarily as development opportunities, and press central ministries hard for growth-oriented policy benefits and material support (Interview BJ061307b).<sup>30</sup> As they do so, provincial leaders may be able to take advantage of the stove-piped character of the central bureaucracy to bargain separately with different ministries and offices for support (Yang 2010, 41-48). And, in any case, key central agencies such as the NDRC have limited organizational capacity for overseeing implementation of urban-regional initiatives once approval has been granted (Interview BJ061202a; Heilmann and Melton 2013).<sup>31</sup>

### **Land-use policies**

Land-use policy is another crucial area of multilevel governance shaping urban and regional development in contemporary China. Land is an enormously valuable resource for localities, functioning both as physical space for urban and industrial expansion, and also as a fungible asset

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<sup>29</sup> More broadly, efforts by Beijing after 2005 to refine a “three-level, three-type” planning system have relied on provinces to serve a key intermediary role and integrative function in development planning (Yang 2010, 112-123).

<sup>30</sup> Subnational leaders may be able to take advantage of the varying preferences and competitive relationships of different central bureaucracies, reaching out to whichever is more supportive of their own agenda. The NDRC has been known as a stronger supporter of metropolitan-oriented development than the Ministry of Construction (Interview BJ081206a).

<sup>31</sup> The NDRC offices that oversee urban and regional policies have only several dozen staff members apiece (Interview BJ061202a). According to Heilmann and Melton (2013), “In 2006, four overworked officials in the NDRC’s 27-person-strong planning department [*guibua si*] were charged with checking on the provincial-level plans.”



whose leasing, mortgaging, or cheap provision can bring in large quantities of fiscal revenue, bank lending, and capital investment (Naughton 2007; Tao 2011, 33-35; Jiang et al 2010, 5-6).<sup>32</sup>

Local governments – municipal, county, and township-level – have the most immediate control over land resources, and are closely involved in developing and leasing out urban land. After the 1990s, local governments across China turned to a new, land-driven urban growth model. Taking advantage of their control over state-owned land, local governments have prepared and leased out large land parcels to promote industrial investment, raise fiscal revenue, and borrow from banks (Lin 2007; Hsing 2010; Rithmire 2013).<sup>33</sup> Local officials, dependent on this growth model, have coveted land resources as a key developmental input, a source of competitive advantage, and as a means of meeting fiscal obligations and servicing local debts.

During the past 15 years, however, access to land resources for urban expansion – especially the large parcels on the urban periphery most coveted by developers and industrialists – has become much tighter. Expanding cities have rapidly consumed surrounding land, leaving themselves less space for future growth. Meanwhile, the central government since the late 1990s has stepped up efforts to protect China’s reserves of farmland to ensure food security and rural livelihood. Beijing has enacted major institutional changes and put many measures in place to prevent local governments’ haphazard rezoning and development of farmland.

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<sup>32</sup> As Naughton (2007) explains, “Land became a primary source of local governments’ patronage and wealth. Moreover, urban land became a resource for local development strategy. Development-oriented local officials regularly offered land for free, or at reduced prices, to attract foreign investors or local developers.” Land is also essential as means of obtaining revenue and financing. As Jiang et al (2010) explain, “The more land a government requisitions and sells, the more local disposable income increases; the more land a government can gain control of, the lower the cost of city expansion; the more convenient investment attraction becomes, the more government revenue sources increase” (5-6).

<sup>33</sup> Local governments have often resorted to “pseudo-urbanization,” whereby development of urban land to carry out prestige projects and obtain revenue far outpaces the bottom-up demand for new real estate (Yew 2012). The key to this system is the ability to requisition land resources cheaply from village collectives on the urban periphery; municipal governments compensate villagers for land primarily on the basis of its ex ante value as rural land (Lichtenberg and Ding 2007).

Though stricter state regulation of land-use has not been entirely effective, it has contributed to a tightening of land supply, making access to and discretion over land resources increasingly valuable to local governments. Because quotas for rezoning and developing land are granted through a hierarchical administrative system, land-resource allocation has become a key mode of spatially targeted development support and a highly politicized process. And, while Beijing has strengthened higher-level planning and regulation of land use, provinces in many ways have become key governance units under China's new land policy regime.

*Increasingly strict state regulation of land-use*

The central government has for decades worked to establish mechanisms for land-use planning and regulation, but strong political and institutional backing for such efforts has only come since the late 1990s. Confronted with China's rapid loss of farmland amid accelerated urbanization and development zone growth after the mid-1990s, Beijing between 1997 and 1998 strengthened its Land Management Law and created a new Ministry of Land and Resources (MOLAR) (Jiang et al 2010, 12; Xu and Yeh 2009; Li and Wu 2012). These reforms aimed at better protecting arable land and curbing wasteful land development efforts through stronger hierarchical planning and oversight.

Several features of the new land governance regime enhanced higher-level authority, even if important gaps in central control remained. To protect China's arable land stock while also ensuring a supply of land for development, the MOLAR system was empowered to regulate the amounts and types of land used in different areas of the country (Interview BJ141307a). After its creation, the ministry led a new round of overall land-use planning (*tudi liyong zongti guihua*), whereby governments at each level plotted out long-term land-use quotas for different categories of land and for their administrative sub-units (Wu 2007, 123). A new system of "dynamic balance" (*zhanbu pingheng*) was established at the provincial level and below, whereby any loss of farmland beyond the assigned

quota had to be replenished by a reduction in land-use or reclamation of new farmland elsewhere (Interview BJ141307a). And, whereas land conversion and development had gone through various channels in the mid-1990s, the revised Land Management Law required that land parcels be transferred to municipal governments before being leased to developers (Hsing 2010, 39-41).

In practice, higher-level enforcement capacity remained relatively weak, and new rules favored rapidly developing urban centers. Municipal governments, both empowered and incentivized by their monopoly on land conversion, urbanized farmland at a much faster pace than expected (Ibid.; Jiang et al 2010). With the national economy again growing rapidly and large cities booming by the early 2000s, China saw an explosion of land development in thousands of development zones and suburban “new districts” (*xin cheng*) (Hsing 2010, 99-104).

Facing this new burst of land development, Beijing took further steps after 2003 to constrain land-hungry municipal governments, imposing stricter and more targeted controls on land-use approval. In 2003, the central government deemed land policy a new instrument for macroeconomic regulation, and began requiring provincial approval for farmland conversion as well as for personnel appointments to local land bureaus. The following year, Beijing imposed stricter controls on the development of arable land and conducted nationwide audits that resulted in the recovery of large amounts of land illegally occupied by development zones (Ibid., 101-102).

With Beijing and the provinces still struggling to rein in localities’ land development, the center adopted more stringent land policies in 2006. For the first time, the central government stipulated in the 11<sup>th</sup> FYP a formal “red line” (*hong xian*) of 1.8bn mu below which China’s stock of arable land would not be allowed to fall (Chen 2014).<sup>34</sup> To enhance central oversight capacity, the State Council No. 31 document created a national land superintendency that would operate outside of the normal administrative hierarchy. Beijing also made provincial governments more accountable

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<sup>34</sup> One Chinese mu equals approximately one-sixth of an acre.

for land outcomes. Although provinces would continue to oversee localities' annual land-use plans (*niandu jibua*), land regulation would become a key criterion for evaluating leaders (Naughton 2007).

*Provinces and the multilevel politics of land-quota allocation*

The strengthening since the late 1990s of China's land policy institutions has made top-down allocation of land resources and privileges an important part of the development process, and has made provinces key units for land governance. This hierarchical system has some bias toward larger cities, but higher-level control over the distribution of land resources can also be used to curb development in big cities. Most important, perhaps, is the intergovernmental politics of land allocation that has emerged under stricter control—a politics in which the provincial level is pivotal.

Changes in land governance have generally worked in favor of large cities' development. Stricter land-use approval processes for investment projects, crackdowns on unauthorized land use, and efforts to maximize land-based revenues give precedence to larger projects and higher-ranking development zones. Large cities, home to most key industrial zones and new district-style developments, and better positioned than small cities to capture large-scale investment projects, thus stand to benefit from a land system that emphasizes scale and formality (Hsing 2010, 103-105, 211).

At the same time, from an administrative standpoint, China's land governance reforms have strengthened provincial and central authorities. While there have been efforts to standardize and professionalize land-use plans and decisions,<sup>35</sup> higher-level governments retain considerable discretion in allocating the land-use quotas localities need for urban and industrial expansion. Key decisions over the allocation among different localities of construction land quotas are made in Beijing and provincial capitals, according to a tiered system in which higher-level governments

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<sup>35</sup> In determining how to allocate land across different cities, land authorities take into account such factors as local growth rates, local environmental conditions, and local land quality (Interview NJ051204a).

review the land-use needs of lower levels and assign quotas downward. Beijing assigns annual construction land (*jianshe yongdi*) quotas to each province, and provincial governments divide this quota among the different prefectural level cities under them. Although the allocation of land quotas factors in several technical criteria, central and provincial policymakers have room at the margins for giving “preferential treatment” (*qingxie*) to particular localities or pet projects (Interviews CS061203b; BJ141307a). In particular, it is typical for central and provincial authorities to assign extra land quotas to locations prioritized under their development strategies (Interview NJ051204a).<sup>36</sup> Unsurprising, the quotas different localities receive are considered too politically sensitive to be made public (Interviews BJ141307a).

Stronger top-down control has made the provincial scale particularly important where land governance is concerned. Because provincial governments allocate land-use quotas among different cities, and because provinces are the largest scale for implementing dynamic balance and related policies, provinces function as key units for the distribution and redistribution of land resources. China’s quota-based land-use system makes it possible for annual quotas and actual land development to become disproportionately skewed toward the top urban areas in a province, while other cities and outlying areas serve as net-suppliers of land-use quotas and as sites for replenishing arable land (so as to enable more conversion of farmland on the fringe of metropolitan centers).<sup>37</sup>

The hierarchical character of China’s land system makes land-use quota allocation a very politicized process in which intergovernmental lobbying is rife. Most allocation of land-use quotas

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<sup>36</sup> For example, certain localities obtained land quotas under Jiangsu’s provincial-level Riverside Development program in the mid-2000s (Interview NJ051204a). Similarly, Hunan gained preferential access to land and more flexible land policies under the state-level Changsha-Zhuzhou-Xiangtan Reform Pilot Zone initiative (Interview CS061203a).

<sup>37</sup> Depending on how tightly provincial governments regulate the transfer of land-use quotas between different municipalities, quotas may be transferred either through a top-down administrative process or through market mechanisms. In some provinces, provincial governments have allowed for the emergence of land-quota exchange systems, whereby different localities can buy and sell land-use quotas in accordance with local market demand. Traditionally, however, provinces have exerted some degree of top-down administrative control over transfers of land-use quotas across cities (Interview NJ051204a).

occurs through annual land-use plans in a low-transparency fashion, which enables Beijing and provincial governments to adjust each year the precise distribution of quotas among subordinate units. With different provinces and different sub-provincial units often engaged in zero-sum competition for land quotas, there is fierce lobbying: provincial leaders press Beijing for increased land-use quotas, while provinces in turn face prodding from municipal authorities (Interviews BJ141307a; CS061203b; XA011202c). Under these arrangements, both the development priorities of higher-level authorities and the political pressure lower levels can muster may influence the distribution of valuable land quotas.

### **Investment policies**

The institutions that govern industrial and infrastructural investment represent another, closely related means by which higher-level actors influence the spatial form of development. In contemporary China, municipal governments play a key role in promoting investment in industry, urban infrastructure, and real estate (Hsing 2010; Interview BJ051112a).<sup>38</sup> At the same time, however, higher-level policies continue to affect the ease of investment and availability of space, and Beijing and provincial authorities continue to play a major part in the provision of economic infrastructure.

Even when they are not explicitly spatial, central and provincial-level economic policies may have important effects on urban and regional development patterns. Interventionist industrial policies and foreign economic policies enacted by Beijing and provincial governments implicitly help the locations that are home to (or at a competitive advantage for developing) priority sectors. There has been much greater liberalization of trade and foreign investment following WTO accession, but

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<sup>38</sup> Municipal governments often are closely involved with local industries, and take the lead in developing land, managing development zones, recruiting investment, and arranging supporting policies for investment (Hsing 2010; Interview BJ051112a). According to an executive from a foreign business association in China, the prefectural level is critical in an operational sense because municipal authorities have “both the authority to do things and the means to do things.” When outside investors are considering different locations for investment projects, they typically think in terms of municipal units and interface mainly with city- and county-level officials (Interview BJ051112a)

China has seen “fragmented liberalization,” whereby some provinces open up particular sectors to foreign competition more than others (Oh 2013). Meanwhile, even though WTO rules have placed some constraints on the use of industrial policy by Beijing, provincial governments across China have continued actively to use such policies, subsidizing investment in some industries while restricting it in others (Yin 2011, 127-128; Interview XA111307c).

But Beijing and provincial governments also have more direct, spatially targeted means for shaping the spatial distribution of industrial and infrastructural investment. On the one hand, higher-level actors are involved in the establishment and support of the development zones and urban new districts that have been the focus of industry and real estate development since the early 2000s. On the other hand, central and provincial state actors play a direct role in the development of large-scale urban and regional infrastructure cities need to accommodate growth and enhance competitiveness.

*The role of higher-level governments in zone-based development*

Special development zones, usually under the management of municipal governments, have been at the forefront of liberalization, industrialization, and urbanization throughout much of the reform era. With advanced infrastructure and easy access to capital, development zones embody the philosophy of “concentrating resources to do big things” (*jizhong ziyuan ban da shi*) (Yin 2011, 67; Interview XA071202a).<sup>39</sup> And, as the sites where new reform and opening policies are rolled out, development zones have played a key role in the “segmented deregulation” of China’s economy (Zweig 2002, 50).

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<sup>39</sup> The Economic and Technology Development Zones (EDTZ), High and New Technology Industries Development Zones (HTDZ), and other types of special zones that have been established at different administrative levels have enjoyed preferential tax policies, special economic administrative powers, and preferential land use, among other benefits. Most state-level development zones have city-level powers for fiscal policy, tax policy, industry and commerce, and other areas, which means they can liaise with provincial authorities (Yin 2011, 67,143).

While the 1990s and early 2000s saw the rapid, bottom-up proliferation of development zones, Beijing and provincial governments since the turn of the century have regulated zones more tightly, cracking down on unauthorized development. Higher-level authorities have increasingly favored large-scale, planned development zones that fit the mantras of “new-type industrialization” (*xinxing gongyehua*) and “new-type urbanization” (*xinxing chengzhenhua*). Cities have expanded through the construction of real estate mega-blocks, huge industrial parks, and major infrastructure projects in suburban new districts. Policy favoritism toward high-end zones and mega-projects has benefited larger cities, which are best equipped to manage large-scale development (Hsing 2010, 105-110, 214).

Major development zones are typically managed as specialized, semi-autonomous organs of municipal-level government, with city officials appointed to oversee management committees and zone investment companies that in turn report and remit revenues or profits to the municipal government. At the same time, however, higher-level governments play an important role in shaping the tangible and intangible “development space” (*fazhan kongjian*) development zones enjoy. Designation as a national-level (*guojia ji*) zone or provincial-level (*sheng ji*) zone, which brings improved policy treatment in matters such as land-use, tax reduction, and administrative fees, requires approval from the corresponding level of government. In addition, city governments typically need higher-level approval to alter the administrative configuration of development zones, or to expand the land area of zones (Interviews XA111206b; XA021202c; XA031202c; CS171205a; Yew 2012).<sup>40</sup> More generally, because urban and industrial growth increasingly follows the “new district” model, localities have a greater need to work through, rather than around, the state hierarchy. To develop these huge zones, cities have to secure huge allotments of land and financing in short order. This often requires provincial or central support.

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<sup>40</sup> Higher-level support has been especially important since 2003, when the central government instituted stronger regulation of development zones, carrying out more stringent reviews of urban master plans and approval procedures, and eliminating many unauthorized zones. By late 2004, a new development zone oversight system that tracked the land area of different zones had been set up other MOLAR and other agencies (Yew 2012).



*State-supported infrastructure and industry mega-projects*

A shift toward megaproject-driven development has also increased the importance of higher-level state actors in development. Just as urban growth in China has increasingly taken the form of huge, planned new districts, industrial and infrastructural development increasingly has consisted of megaprojects—huge, capital-intensive industrial campuses, and large-scale, state-of-the-art urban infrastructure. Moreover, since 2000, there has been a dramatic acceleration in the development of highways and other regional infrastructure networks that connect cities and provide logistical support for urban development (Lin 2012). Central and provincial authorities play a large role in planning and building many forms of urban and regional transportation and utilities investment. And when it comes to the real estate and industry mega-projects local governments rely on to generate GDP growth and fiscal revenue and to anchor their new urban districts, higher-level actors play important supporting roles.

Central and provincial governments oversee the development of regional transportation and utilities infrastructure that spans multiple jurisdictions, including rail, highway, and water infrastructure projects. For inter-provincial infrastructure, relevant central ministries typically work with provincial governments, SOEs, and state banks to plan, finance, and build projects (Interview CS091205b; Vermeer 2004; Lin 2012).<sup>41</sup> When it comes to highways, for example, Beijing and provincial governments work jointly to develop national expressways, while provinces take the lead in building and financing intra-provincial highways (Lin 2012).<sup>42</sup> For major urban infrastructure

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<sup>41</sup> For transportation projects, agencies such as the NDRC, the Ministry of Railways, the Ministry of Transportation, the Ministry of Construction, and the Ministry of Finance are typically involved (Interview CS091205b; Lin 2012).

<sup>42</sup> According to Lin (2012), provincial governments must provide 35 percent of financing for subnational highways out of their own revenue streams. Since the 1990s, Beijing has set basic targets for highway development, but there has been little effective central regulation or oversight. In practice, provincial governments have done much of the organization of highway development and arrangement of financing. Since the 1997 Highway Law, a variety of funding sources for

projects such as subways and airports, central and provincial-level planning and administrative approval is necessary, and specific arrangements for financing and construction can take various forms.<sup>43</sup> Localities compete to obtain central approvals for projects such as subways, which are granted selectively (Interview XA101206b). In the process of securing administrative approvals from Beijing for large projects, and the subsequent work of mobilizing financing and policy support from central ministries, provincial authorities often serve as key intermediaries between localities and the center (Interview XA021112b).

Although ministries, banks, and provincial governments play a major role in infrastructure development, there is limited central coordination of these different actors. Lin (2012), for instance, notes severe “bureaucratic fragmentation” in China’s recent highway-building boom, with different state actors pursuing their own interests as much as following an overall scheme. Provincial governments in particular have exhibited “a short-term fiscal opportunistic calculus,” and Beijing has struggled to rein in the construction of highways and regulate management of roads (Ibid.).<sup>44</sup>

Direct or indirect support from higher-level actors is also important as localities work to attract and carry out industry and real estate megaprojects in their jurisdictions. While local governments serve as the front line for investment recruiting efforts, provincial leaders, like governors in the United States, may play a very active role in wooing investors for high-profile projects (Interview XA031202c; Cheung et al, eds. 1998). Beijing and provincial governments may use their influence to steer major foreign investment projects to favored locations, even when this runs contrary to the plans of investors themselves (Xu 2008). And central and provincial leaders may

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highway development have been used, including commercial banks, international financial institutions, and local investment companies, in addition to central and local fiscal funds and policy bank loans.

<sup>43</sup> More generally, Vermeer (2004) explains, “The degree of involvement of provincial and local governments in project proposal and preparation, application for funds and implementation differs between sectors and regions, depending on existing planning and implementation procedures, the strength of local government organizations, and past experience.”

<sup>44</sup> Lin (2012) notes that “provincial governments have played a key intermediating role in the financing, construction, and redistributive aspects of highway and rural road expansions, for which they sought rewards in charging tolls irrespective of the legality and economic welfare consequences.”

instruct the SOEs and state investment companies they oversee to locate major industrial projects in favored locations (Interview NJ071205a). Finally, as mentioned above, it has become more difficult for local governments to find funding, land, and administrative clearances for projects not included in development plans approved by higher levels (Interview XA101203a), so central and provincial leaders can use the planning process to shape different localities' investment prospects.

### **Fiscal and financial institutions**

Central and provincial fiscal and financial policies can also significantly influence patterns of urban and regional development. As rapidly growing cities have sought to expand public services, build up infrastructure and industry, and recruit outside investment, they have had an enormous appetite for funding. Administrative decentralization during the 1980s and 1990s left local sub-provincial governments in China responsible for the lion's share of social service provision and a growing portion of basic capital investment (Wong 2013, 275-82). At the same time, increased economic competition among localities from the early 1990s on has placed pressure on localities to improve local economic infrastructure and to offer an array of tax, export, and land subsidies (Tao 2011, 33-35; Zweig 2002, 50-63). And with many municipal governments deeply involved in industry and real estate through local investment companies, local officials also seek large amounts of financing for business ventures (Sanderson and Forsythe 2012).

Yet many local governments are chronically short on funding, both because their needs have grown so rapidly, and also because of the basic design of fiscal institutions. Recentralization of many types of fiscal revenue after 1994, along with central control over tax rates, has produced a drastic mismatch between local government expenditures and local fiscal income. China's mid-1990s fiscal reforms sharply increased the central share of fiscal revenue and kept the provincial share roughly steady but gave little consideration to municipal- and county-level finances (Yang 2004, 74-79; Wong

2013, 283-287).<sup>45</sup> Following the reforms, many local governments were left in fiscal distress, relying on transfers from higher government levels as well as local administrative fees, bank loans, and extra-budgetary resources such as land-leasing revenue to help finance local public services and investment (Wong 2002, 288-290). Over the past two decades, local fiscal revenue has grown rapidly along with urban and industrial expansion, but expenditures have also grown rapidly, and new challenges have arisen. Following efforts by Beijing to reduce the collection of administrative fees, localities have relied increasingly on land revenues and on bank loans and bond issuances. Much funding for capital investments, in particular, has been carried out through the local investment companies (LICs) that have proliferated across China since the late 1990s (Wong 2013, 300-303).

But these new forms of municipal finance also suffer from sustainability problems. Land-transfer revenues have generated enormous amounts of income for local governments, but rapid consumption of land resources and displacement of farmers has created major social and environmental problems, and local governments' access to cheap land resources has declined significantly. Moreover, as localities have accumulated debt from bank lending, they have faced increasingly onerous debt-servicing burdens and thus needed to bring in additional investment and loans (Tao 2011; Interview BJ131301a). Thus, many localities have remained on a precarious fiscal footing, relying heavily on fast-paced land development, downward fiscal transfers, and the provision of inexpensive credit by state banks to cover shortfalls.

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<sup>45</sup> In 1994, China introduced a more centralized fiscal system. The central government took over collection of designated "central revenues," while subnational governments' revenue offices collected "local revenues" under central supervision. Provincial governments created vertical administration of local taxation bureaus to supervise and manage sub-provincial levels. There was further expansion of central tax collection capacity under the Tax Collection and Administration Law adopted in May 2001. And the central government announced in 2000 that granting of tax rebates was a central prerogative. The upshot of these fiscal reforms was to strengthen the central government's oversight, and give it direct control over a much larger share of revenues (Yang 2004, 74-79; Wong 2012, 287-287).

*Higher-level discretion and intergovernmental bargaining under the post-1994 fiscal regime*

In a context where many city and county governments struggle to meet their financing needs, higher-level fiscal policies can significantly affect localities' economic and social development prospects. Because of the lack of standardization of sub-provincial fiscal policies and of China's fiscal transfer system, Beijing and provincial governments in practice have considerable discretion over the allocation of fiscal resources. As in the other policy areas discussed above, the possibility for adjustment in policies over time and for differentiated policy arrangements across space makes for intense intergovernmental bargaining in which political considerations loom large. Some basic features of the fiscal system privilege larger metropolitan centers, but perhaps most striking is how much scope the system leaves for central-provincial and provincial-local bargaining to shape the distribution of fiscal resources.

Provinces have remained key units for fiscal policy and for decisions about the allocation of fiscal resources. While the 1994 fiscal recentralization and subsequent fiscal policy reforms instituted a more unified tax-collection system and stipulated how different revenue streams would be divided between Beijing and provincial governments, they did not clarify sub-provincial fiscal arrangements or fully standardize central-provincial (or sub-provincial) fiscal transfers. It falls to the provinces to determine how different types of fiscal revenue and expenditure will be split between the provincial level and different cities (Wong 2002, ii).<sup>46</sup> The specific breakdown of revenue and expenditure sharing between provincial governments and the cities under them reflects provincial discretion and province-city negotiation (Interview SZ011307a). As such, there can be significant variation in

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<sup>46</sup> As Wong (2002) notes, despite a putative recentralization of China's fiscal system, and "[...] although China has a unitary system of government, the inter-governmental fiscal arrangements give it a strong federalist character" (ii). Alongside Beijing's re-assertion of power, she notes, there was a "parallel centralizing trend" at the subnational level, with the provincial level growing stronger (ii-iii). Beijing's decision to designate 15 major cities as deputy-provincial (*fū shengji*) cities has enabled these cities to retain more fiscal revenue and contract directly with the center (rather than going through the provincial level) (Chung 2010, 115-119).

province-city fiscal relations over time, across provinces, and even across cities within a given province (Wong 2002, 26-28).

Such a system does not always promote greater fiscal equalization within provinces. Wong (2002) and others have noted greater disparities in public service provision levels across sub-provincial units in the same province than across provinces. While fiscal policies in some provinces have promoted redistribution from wealthier to poorer districts, policies elsewhere have kept more resources in well-off areas. Provincial decisions about the downward allocation of fiscal transfers from Beijing are especially important in this regard. In many cases, such transfers end up bringing money back to a province's wealthier localities (Wong 2002, ii-iii, 22-28; Zhou 2011, 205).<sup>47</sup>

Fiscal transfers from Beijing to provincial governments have also become highly politicized in the absence of clear rules. Although Beijing collects most categories of tax revenue from each province at the same rate, there is limited standardization of the various “fiscal transfer payments” (*zhuanyi zhibu*) Beijing makes to redistribute resources to provinces—transfers which make up a large share of many provinces' fiscal income. Only “ordinary” (*yibanxing*) fiscal transfers are distributed evenly among provinces; for other categories, such as “special project transfers” (*zhuanxiang zhuanyi zhibu*), the distribution of fiscal monies is less even and less progressive. Central fiscal subsidies to provinces may fluctuate considerably from year to year, with limited transparency in the decision-making process. Such a system incentivizes provincial authorities to lobby the central government continually for larger transfer payments (Tang 2011, 87, 206-209). As with the allocation of land quotas, both central government priorities and provinces' bargaining power may affect the ultimate

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<sup>47</sup> Zhou (2011) finds that provincial fiscal transfers are less likely to be associated with inter-locality equalization of fiscal spending than transfers done by Beijing, but also finds variation across provinces. Provinces such as Henan and Jiangsu evince some degree of intra-provincial redistribution, while provinces such as Hunan show a more regressive tendency in fiscal policy (193-194). Wong (2002) notes trends of worsening intra-provincial fiscal inequality in places such as Hunan and Jiangsu in the late 1990s (iii, 22).

distribution of transfers. Past research has noted, for instance, that provinces with more Communist Party Central Committee members are likely to get larger transfers (Fan 2011, 440, 454-456).

*The developmental symbiosis of state banks and subnational governments*

Just as local governments have become highly dependent on fiscal transfers from higher levels of government to meet their public service obligations, they have come to rely heavily on lending from state-owned banks to support major capital investments. Since the late 1990s, municipalities across China have established various types of local investment corporations (LICs) as platforms for promoting, managing, and financing for infrastructure and industry development. Though under the de facto control of local governments, these entities exist in a regulatory gray area. They have been used to take out huge bank loans and to issue corporate bonds, thereby skirting Beijing's ban on debt issuance by local governments.<sup>48</sup> While LICs may raise some of their funds from foreign or private investors, they rely heavily state banks. Among the financial institutions that have lent to LICs, the China Development Bank (CDB), China's flagship policy bank, has played a particularly important role—especially in inland provinces where the financial sector is less developed and market-oriented (Wong 2013, 300-303; Sanderson and Forsythe 2012; Interviews XA031202c; XA111206b). While lending from the CDB and other state banks has financed much of China's urban build-up over the past decade, such lending has been done in an uncoordinated manner, with little central government oversight (Wong 2013, 301). Even following Beijing's restructuring and recentralization of the banking sector in the late 1990s, it has been difficult for the central government to control the behavior of financial institutions such as the CDB.<sup>49</sup>

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<sup>48</sup> It is estimated that LICs took on three trillion yuan in debt in 2009 alone (Wong 2013, 300-303).

<sup>49</sup> In the late 1990s and early 2000s, Beijing oversaw efforts to restructure and recentralize key state financial institutions, including China's major commercial banks as well as policy banks such as the CDB (Yang 2004, 81-99).<sup>49</sup>

The CDB is emblematic of both the bureaucratic strength and the fragmented nature of China's state financial sector. Though the CDB has very strong ties to China's Party-state, it possessed a degree of institutional autonomy during the 2000s that enabled it to pursue its own organizational interests and support its preferred policy agenda. On the one hand, the CDB has enjoyed very high-profile leadership: in 1998, Chen Yuan, one of China's leading "princelings" and an experienced financial official, was appointed governor of the Bank, bringing both strong political capital and an intense patriotic drive to his work.<sup>50</sup> On the other hand, CDB enjoyed exceptional institutional power. Originally created in 1994, the Bank held ministerial-level status, and had the special prerogative of being able to raise capital by issuing long-term debt with de facto sovereign status (Sanderson and Forsythe 2012, 66-67).

In 1998, around the time Chen joined the CDB, the Bank was restructured to function as a more self-sufficient enterprise (and less as a financial arm of the central government). As part of the reorganization, the CDB absorbed the regional branches of the erstwhile China Investment Bank (*zhongguo touzi yinhang*), giving it a presence in provincial capitals across the country. Chen and his leadership team were very activist, asserting CDB's role as a leader in financing urban and regional infrastructure and strategic, large-scale industry. After studying the practices of international development banks, they broadened the Bank's financial services and overhauled its planning and risk management approaches (Interview BJ121206a).<sup>51</sup> An early and ardent champion of state-led urbanization, Chen from the late 1990s on carved out a distinctive niche for the CDB in financing

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<sup>50</sup> Chen Yuan is the son of Chen Yun. The elder Chen, a contemporary of Deng Xiaoping, was one of China's foremost economic policymakers during the Maoist period and one of its most influential political figures during the early years of the reform era (Sanderson and Forsythe 2012, 39-50).

<sup>51</sup> Chen's writings and public statements made clear his strongly statist development philosophy. In a 2004 publication, for instance, Chen argued for a model of "new-style industrialization" that stressed building indigenous knowledge- and capital-intensive industry instead of welcoming MNCs into China. Chen also strongly advocated the use of state-supported urbanization as a growth driver. He argued, however, that urbanization must be based on the creation of large-scale industry clusters that could provide employment and an economic basis for urban growth (Chen 2004, 1-5, 18, 123-124).



large-scale urban infrastructure. The CDB worked with subnational governments to set up LICs that could serve as fundraising and management platforms for urban modernization projects (Ibid.; Sanderson and Forsythe 2012).<sup>52</sup>

Since the late 1990s, the CDB has come to work closely with provincial governments, in a potent developmental symbiosis. Since the CDB's restructuring in 1998, the Bank has been organized largely along provincial lines and has had strong institutional linkages with provincial governments. Most of the Bank's regional branches are based in provincial capitals, and it is standard practice for branch officials to set up joint offices with host provincial governments, typically through provinces' economic planning commissions (Interview BJ121206a). Beginning in the late 1990s, the CDB worked to arrange financial support for provincial leaders' high-priority projects. Over time, cooperation between the CDB and host provincial governments deepened. After the early 2000s, CDB began to conduct more holistic evaluations of different provinces' borrowing capacity, and worked with provincial governments as an equal partner to finance coordinated bundles of infrastructure and industry projects.<sup>53</sup> And, from the late 2000s on, CDB further enhanced its partnership with provinces, shifting to an approach of working closely with provincial governments through both its regional branches and central office to formulate coordinated investment and financing plans for entire provinces or metropolitan areas. By closely

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<sup>52</sup> The classic early example of this was the CDB's cooperation with the city of Wuhu in Anhui to launch a major urban development initiative that included major industry and infrastructure projects (Interview BJ121206a; Sanderson and Forsythe 2012, 4-9).

<sup>53</sup> One example of this approach was the Bank's engagement with Yunnan province from 2003 on to launch a major program of coordinated development fundraising and investment. In August 2003, Chen Yuan and Yunnan's governor signed an agreement on development finance cooperation whereby the Bank would provide financing for several of Yunnan's priority projects, including four railway lines, 13 highways, three airports, and power transmission capacity. In exchange, Yunnan promised that it would devote a considerable share of its fiscal income to servicing the debt it incurred (China Development Bank and People's University 2007, 3-10). Another example of the scale of CDB's engagement with provincial governments is the Bank's support for transportation development in Hunan. According to 2011 bond prospectuses, CDB had given out 73.1 billion yuan in loans to Hunan's Provincial Expressway Construction Group (Sanderson and Forsythe 2012, 31).

linking regional development planning with financial planning, the CDB helped provinces improve the implementation prospects for their development strategies (Ibid.).

The CDB is thus emblematic of both the great power and the disjointed character of China's developmental state. The tight nexus between the CDB and provincial governments has empowered both sides, but may also make the central leadership uneasy. Cooperation with the CDB has bolstered provincial authorities by giving them the financial resources to carry out priority projects and broader development initiatives. At the same time, cooperation has benefited the CDB, giving it an important foothold in urban and regional planning and development finance across the country, and helping the CDB secure choice lending opportunities at a time of increasing competition among state financial institutions. It is less clear, however, whether the central government has appreciated CDB's aggressive and somewhat autonomous engagement with subnational governments. Indeed, until the 2008 financial crisis created the need for an all-out stimulus response, Wen Jiabao was reportedly seeking to rein in the CDB and restructure it along the lines of a commercial bank (Sanderson and Forsythe 2012, 74).

### **Discussion and conclusions**

To better understand how national-level policy factors influence metropolitan bias outcomes, this chapter has traced the historical evolution of central development policies and explored the workings of state institutions in four key policy areas. I have called attention to shifts over time in basic policies and institutions that may work in favor of larger cities, but also to continued efforts by Beijing to promote a dispersed form of urban development. Just as important, I have highlighted the fragmented character of urban and regional governance in China and, by extension, the importance of subnational variables and intergovernmental politics in shaping policy outcomes.

Since the turn of the century, national development policies in China have become more favorable to development in and around large urban centers. Central policymakers have given more rhetorical and material support to the development of extended metropolitan regions. Some central actors, such as the NDRC, have trumpeted the economic potential of big cities. Indeed, the type of state-led industrial and urban development the NDRC has promoted often privileges large urban areas, insofar as these locations have the infrastructure to support advanced economic activity and the ‘administrative capital’ to plan and manage large-scale projects (Fan 1995; Xu 2008).<sup>54</sup>

Yet one should not overstate Beijing’s role in driving the shift toward a more metropolitan-oriented development model. Debates and conflicts among central officials and policy intellectuals about what form of urban growth to pursue persisted through the 2000s and beyond. Many central policymakers have continued to call for developing smaller urban centers and better coordinating development between different regions and between city and countryside. Indeed, top national leaders such as Hu Jintao proved reluctant to embrace a development approach focused heavily on major cities. And some of the most ambitious initiatives to build up large metropolitan areas originated at the subnational level, gaining Beijing’s blessing after the fact.

Of course, it is the character of governance institutions as much as the official central line that shapes concrete policy outcomes. Across several key policy areas, China has seen a rebuilding of hierarchical governance institutions and a resurgent state role in development. Since the mid-1990s, the central government, state agencies, and provincial authorities have tried to assert more administrative authority and control over resources in realms such as regional planning, land-use, infrastructure investment, and public finance. Policymakers have justified stronger top-down

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<sup>54</sup> Large cities – with their advantageous local conditions and greater political clout – have an easier time bringing these projects to their jurisdictions. Indeed, there is a perception among many policy observers in China that development policy institutions are systematically biased in favor of big cities in the allocation of resources (Interview BJ131301a). Especially with the growing importance in urban development of state banks and major real estate conglomerates, which are primarily interested in large-scale, politically secure development projects, cities’ size and political rank may affect their ability to secure financing and investment (Hsing 2010, 214; Interview XA111307c).

interventions as necessary for coordinating development across regions and sectors, and for dealing with the negative externalities of local economic competition and breakneck urban growth.

Especially during the Hu-Wen period, national leaders have prioritized helping poor inland regions, rural areas, and industrial rustbelts. But higher-level state capacity in and of itself does not ensure that the national leadership's priorities always win out in the policy process.

In reality, it is hard to coordinate the making and implementation of development policies from the center. The fragmented nature of the central government – with stove-piped ministries and state agencies that compete for influence – limits Beijing's ability to orchestrate policy initiatives. Being of a more manageable size and having strong executives, provinces are an easier scale at which administer urban and regional development. In practice, Beijing's efforts to increase hierarchical oversight of development have reinforced the importance of provinces as governance units. As Mertha (2005) notes, recentralization of regulatory institutions has often stopped at the provincial level. Provinces have played a major role in staging the large-scale regional initiatives China has relied on to pursue spatial development goals since the late 1990s (Gu et al 2012b). And, in many cases, provincial authorities have been able to take the initiative in their dealings with a divided central state—in much the same way Sinha (2005) describes in the Indian case.<sup>55</sup>

In the context of a strong but fragmented state, intergovernmental politics crucially shapes outcomes on the ground. Central ministries, agencies, and financial institutions have enormous resources at their disposal, and localities' development prospects depend on extracting state resources and policy benefits. But to mount effective development strategies, policymakers must overcome inertia and political resistance and mobilize support across different government levels and agencies. Depending on which actors are able to take the lead in the policy process, outcomes

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<sup>55</sup> Because provincial governments can bargain separately with various ministries, and because ministries and state institutions are in many cases eager to have territorial platforms for their own policy agendas, provincial leaders may be able to drive policy-making processes and extract concessions from central actors (Sinha 2005).

may vary considerably. When provincial governments, the NDRC system, and other relatively elitist, growth-oriented actors have sway over policy planning and implementation, there is likely to be a stronger metropolitan slant to policies. When central actors that more strongly prioritize inclusive and sustainable development (i.e., top national leaders, the Construction system, the rural policy establishment) and non-metropolitan cities have greater influence over policymaking, there should be less metropolitan bias.

Multiple factors may affect the balance of power among different government tiers and between pro-metropolitan interests and advocates of more balanced development. The relative influence of different actors in the policy process may vary with different economic circumstances, as particular policy imperatives come to the fore.<sup>56</sup> Institutional legacies may matter: particular government tiers and state agencies have traditionally played a bigger development policy role in some provinces than others.<sup>57</sup> And the balance of power may be shaped by more fluid political factors, such as the presence of particularly strong leaders at one level of government or another.<sup>58</sup>

In the following two chapters, I analyze the cases of Jiangsu, Hunan, and Jiangxi to explore how these kinds of subnational and intergovernmental variables have interacted with China's national-level policy context to shape urban and regional development approaches.

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<sup>56</sup> For example, the circumstances of the Global Financial Crisis worked to empower the CDB. The CDB was able to take advantage of its indispensable role in China's economic stimulus efforts to expand its influence in regional development and to defend its organizational autonomy (Sanderson and Forsythe 2012, 72-75).

<sup>57</sup> For instance, according to one urban planning expert who has been involved in planning programs across China, the NDRC system tends to play a greater role in development planning in inland China than in certain coastal provinces, such as Jiangsu, where the Construction system has traditionally taken the lead in urban and regional planning work (Interview NJ011204b). Similarly, the CDB has stronger institutional roots and has played a more prominent role in development finance in China's inland provinces than in coastal regions (Interview BJ121206a).

<sup>58</sup> There are many well-documented cases in which the presence of politically well-connected provincial leaders has been associated with greater ability to launch policy initiatives and extract central support. See, for instance, Yusuf and Wu (1997) on the role of provincial leaders in Guangdong's ability to obtain special policies in the 1980s (116).

## **IV. Jiangsu: Shifting Tides of Development Policy in Eastern China**

### **Introduction**

To gain a clearer picture of how provincial-level economic and political conditions affect metropolitan bias outcomes, this chapter traces the evolution of spatial development policies in Jiangsu province between the late 1990s and 2010. Understanding how policymaking has unfolded in the Jiangsu case is important for a number of reasons. Jiangsu is a significant economic and political entity in its own right, with an official population close to Germany's and a GDP similar to that of Turkey.<sup>1</sup> As one of China's leaders in economic growth, reform, and globalization, Jiangsu often has been studied to gain insights about the nature and direction of development across the country more broadly.<sup>2</sup>

The case of Jiangsu is also important insofar as it offers a baseline for comparison with outcomes in other provinces.<sup>3</sup> As discussed in Chapter 2, Jiangsu represents a case of intermediate metropolitan bias during the period of interest. Regardless of whether one uses Suzhou or Nanjing as the top city for calculations, the metropolitan concentration of investment was neither surprisingly high nor surprisingly low in light of past trends and basic economic-structural variables. That is, there is no *prima facie* evidence to suggest that development policies in Jiangsu either strongly favored top metropolitan centers or discriminated against them. Indeed, Jiangsu is a province where market forces as well as government interventions heavily influence growth patterns, and where local and foreign capital, along with state resources, drive investment.

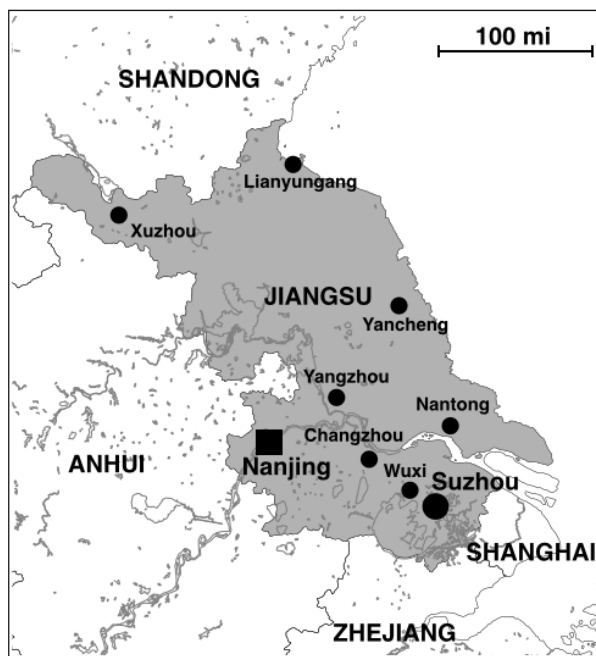
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<sup>1</sup> Jiangsu's official population in 2010 was 78.7 million, while its GDP in 2010 was 4.14 trillion yuan. (China Data Online).

<sup>2</sup> See, for example, Luo and Shen (2008); Wei (2000); Zweig (2002).

<sup>3</sup> Hunan and Jiangxi, which I look at in the next chapter, are less-developed inland provinces and show more extreme metropolitan bias outcomes.

Figure 4.1: Map of Jiangsu province and major cities



*Source: Figure by author; Shape files obtained from China Historical GIS ([www.fas.harvard.edu/~chgis](http://www.fas.harvard.edu/~chgis))*

Yet, there is much that remains uncertain about the case. It is unclear, for instance, how exactly to interpret Jiangsu's moderate level of metropolitan bias in the decade from 2001 to 2010. The lack of an overall spatial bias in development could indicate that policy factors played little role in shaping the distribution of investment within Jiangsu, but could also mean that shifting policies have washed out one another's effects over time. It is also unclear to what extent the sharp variation over time in the spatial distribution of investment and growth in Jiangsu was a product of targeted state interventions, as opposed to shifting market winds and more general policy shifts. By tracing variation in policies and development patterns over different periods, I hope to adjudicate among different ways of interpreting these outcomes.

Over the course of the chapter, I advance three main claims. First, I show that even in one of China's most developed and market-oriented provinces, higher-level policies had important consequences for the distribution of investment and for patterns of urban and regional growth. With policy approaches changing frequently, however, state interventions did not exert a consistent

influence on growth in Jiangsu. During the latter half of the 1990s, regional policies favored coordinated development of northern and southern Jiangsu, and the province kept in place a fairly conservative urban development policy. Whereas small and medium-sized cities in the prosperous south of the province grew rapidly, the largest urban centers saw relatively subdued growth during this period. After 2000, however, and especially between 2002-2005, policies in Jiangsu shifted to more strongly promote the development of top metropolitan centers and the urban-industrial belts around them. Under more favorable policies, Suzhou and Nanjing grew explosively in the early and mid-2000s. After 2006, however, development policies in Jiangsu shifted again, placing more emphasis on regional balance. State support was directed to coastal areas, while investment growth slowed in the largest urban centers. Although both Suzhou and Nanjing saw very fast growth overall between the late 1990s and 2010, neither city became dramatically more dominant in the provincial economy. Meanwhile, several other large- and medium-sized cities in Jiangsu also grew rapidly.

**Table 4.2: City-level and province-level development outcomes in Jiangsu, 1996-2010**

<i>City</i> PROVINCE	<i>1996-2010</i> GDP growth *, %	<i>1996-2010</i> share of prov. FAI, %		<i>Per capita</i> GDP, 10,000 yuan	<i>Per capita</i> road area in urban districts, m <sup>2</sup> per person	<i>Per capita</i> fiscal expend., 10,000 yuan per person	<i>Per capita</i> hospital capacity, beds per 10,000 people	<i>Per capita</i> university enrollment, students/ 10,000 people	<i>Provincial</i> rural per capita income, yuan
<b>Suzhou</b> <b>Nanjing</b> <b>(JIANGSU)</b>	15.4	18.2	<b>1996</b>	1.75	5.32	0.05	30	45	3,029.3
	13.8 (13.0)	15.0 (100)		1.28 (0.87)	5.07 (7.37)	0.08 (0.05)	39 (23)	213 (32)	
			<b>2010</b>	14.5 8.11 (5.55)	24.45 17.46 (14.23)	1.30 0.86 (0.66)	58 42 (33)	279 1254 (221)	9,118.2

Sources: China Data Online; Jiangsu Statistical Bureau (various years); author's calculations. \*I calculate the compound annual growth rate.

Second, I show that Jiangsu's economic situation as a leader in development often undercut the policy rationale and political basis for focusing policy support and resources on leading urban areas. On the one hand, the province's economic success softened the sense of crisis accompanying opening-up and structural reform. On the other hand, the lagging development of northern Jiangsu



and growing congestion in southern Jiangsu made spatial disparities in development as salient as concerns about outward economic competitiveness. Continual tension between the goals of efficiency and equity in development, and between different regional interests, contributed to frequent conflicts over and shifts in policy. As such, the relative priority attached to economic competitiveness and regional balance varied over time along with changing economic circumstances.

Third, I argue that the degree of metropolitan bias has also varied over time with changes in provincial government strength. Despite its economic dynamism, Jiangsu is not a strong province in an institutional sense. The provincial government lacks firm control over economic resources or policymaking authority in a province that contains many economically powerful and politically well-connected localities. And while Beijing's close attention to Jiangsu brings policy benefits to the province it also limits the scope for bold provincial-level initiatives. However, during the tenures of stronger provincial leaders such as Li Yuanchao and Hui Liangyu, Jiangsu pursued more metropolitan-oriented policies.

In what follows, I first provide background on key explanatory variables, describing Jiangsu's situation as a leader in development but also a politically divided province. The main body of the chapter traces variation over time in Jiangsu's urban and regional development approaches, focusing on changing policy treatment of the province's most important urban centers—Suzhou and Nanjing. I describe and contrast the policies in place during three different five-year plan (FYP) periods, showing how provincial economic circumstances and political variables shaped policymaking and implementation at different moments. In the chapter's conclusion, I consider alternative readings of Jiangsu's development path and review the evidence consistent with my argument.

## A leading region

Jiangsu was among the provinces at the forefront of China's development heading into the 21<sup>st</sup> century. Bordering Shanghai and straddling the Yangtze River, Jiangsu is home to a long commercial and industrial tradition and encompasses several dynamic urban centers. Jiangsu's rich factor endowments and advantageous geography enabled what had been an economic backwater under the planned economy to thrive after the launch of reform and opening. Jiangsu saw swift industrial growth from the 1980s on and a boom in its foreign economic activity after the early 1990s. The province, like China more broadly, faced challenges of economic restructuring and industrial upgrading in the late 1990s, but it was better equipped than most to handle these difficulties. Indeed, many of Jiangsu's quandaries and challenges – including how to coordinate urban and regional growth – were products of its rapid development.

**Table 4.3: Basic development indicators for Jiangsu circa 2000**

PROVINCE Top city	2000 pop- ulation (mn)	2000 GDP (bn yuan)	2000 GDP per capita (yuan)	2000 urban- ization rate (%)	1990-2000 provincial CAGR (%) (difference from natl. avg)**	2000 openness (FDI and exports share of GDP) (%)	2000 top cities' urban population* (mn)	2000 top cities' GDP share
JIANGSU (Suzhou) (Nanjing)	73.3	855.4	11714	42.3	11.3 (1.2)	31.1	2.46 3.10	0.18 0.12
Avg. of 20 provinces	55.1	410.5	7266	36.2	9.2	15.3	2.61	0.24

Sources: China Data Online; author's calculations. \*This records non-agricultural population. \*\*Compound annual growth rate.

Jiangsu has for several centuries been among China's leading areas in terms of socioeconomic development, and despite mid-20<sup>th</sup> century setbacks, this legacy remains intact. For most of the past millennium, the greater Yangtze River Delta (YRD) region has remained China's most important hub for industrial, commercial, and cultural activity<sup>4</sup> (Zheng 2007, 117-118). With

<sup>4</sup> After the Song and Yuan, Jiangsu was one of China's most commercialized provinces. During the Qing, commercialized handicraft industries grew rapidly. Modern industry began to take root in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, and by 1949, Jiangsu had 3,000 enterprises with over 25 workers (Zheng 2007, 117-118).

the rapid growth of China's treaty port economy in the late 19<sup>th</sup> and early 20<sup>th</sup> century, the YRD region – and especially Shanghai – also emerged as an important center for trade and foreign investment. Jiangsu's modern economic and cultural development was closely linked with that of Shanghai, which until the 20<sup>th</sup> century was part of a prefecture in Jiangsu. Shanghai's rapid economic rise and urban growth drew in many people and economic resources, and in turn helped propel social and economic modernization in nearby areas of Jiangsu. After 1928, Jiangsu, Shanghai (hived off from the province), and Zhejiang served as the political and economic base of Chiang Kaishek's Nanjing-based Nationalist regime.

After suffering a heavy human and economic toll during the war years of the 1930s and 1940s, Jiangsu found itself somewhat marginalized under the new Communist regime. The establishment of a planned economy geared toward heavy and defense industries did not bode well for a coastal province with a capitalist economy and ties to the old political order. Jiangsu received little large-scale industrial and infrastructure investment during the Maoist era<sup>5</sup>; only a few major cities, including Nanjing, Wuxi, and Xuzhou, became important centers in the state-owned economy (Wei 2000, 147-148). Suzhou, historically the most important economic and cultural center in the province, was largely bypassed in China's efforts to build up a planned economy.

Yet, decades of economic neglect and political turbulence did not negate Jiangsu's underlying strengths—advantageous geography, agricultural fertility, and rich human capital. Prior to 1949, a capitalist economy had already taken root, and dynamic local industry in Jiangsu persisted through the Maoist period even as ownership forms changed (Zheng 2007, 119-124). Jiangsu's agricultural bounty helped insulate it during the famine years at the end of the Great Leap. And during the 1960s and 1970s, rural communities in southern Jiangsu quietly nurtured local industry despite national

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<sup>5</sup> For example, Jiangsu did not receive any of the 156 key investment projects carried out under the PRC's First (1953-1957) Five-Year Plan, and was not an area of high emphasis during the following two decades (Wei 2000, 147-148).

campaigns emphasizing agriculture (Marton 1995). When economic policies shifted at the end of the Cultural Revolution period, these advantages helped Jiangsu develop quickly.<sup>6</sup>

In the two decades between the late 1970s and the late 1990s, Jiangsu again emerged as an economic powerhouse as localities seized on the opportunities of reform and opening. National development policies became more favorable to coastal provinces during the mid-1970s (Wei 2000, 151), and the increased emphasis on collective industry and start of rural reforms in the late 1970s and early 1980s enabled rapid growth in Jiangsu. During the 1980s, township and village enterprises (TVEs) engaged in processing and labor-intensive manufacturing boomed across the countryside of southeastern Jiangsu, stimulated by proximity to the markets of Shanghai and other major YRD cities. Large numbers of erstwhile farmers streamed into thriving local enterprises, “leaving the soil but not leaving the village” (*li tu bu li xiang*) (Ma and Fan 1994; Yao et al 2010, 254). The TVE boom allowed for rapid accumulation of wealth and the rise of local industrial and commercial networks around Suzhou and neighboring cities.

Larger urban centers saw new opportunities, too. Under the central government’s Coastal Development strategy of the mid- and late 1980s, multiple cities in Jiangsu were singled out as sites for preferential reform and economic opening policies.<sup>7</sup> And after 1990, when Beijing approved the establishment of the Pudong New Area and Shanghai entered a period of dramatic growth and internationalization, large-scale export-oriented manufacturing and foreign direct investment in Jiangsu also took off. Jiangsu’s Party committee in August 1990 announced it would pursue a

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<sup>6</sup> Indeed, even during the 1960s and 1970s, commune-level rural industry development had proceeded quickly in Jiangsu, as local leaders had the latitude to invest surplus resources in local industry (Zheng 2007, 122-124).

<sup>7</sup> During the 1980s, Beijing began to promote the development of Jiangsu, and the broader YRD region, as a key center for trade and foreign investment. Between 1984-1985, the State Council conducted research and organized meetings in the area to promote new opening-up measures. In 1984, Beijing designated Nantong and Lianyungang as coastal open cities, and the following year Jiangsu was successful in securing this status for Suzhou, Wuxi, and Changzhou as well (Zheng 2007, 128-129). Later in the decade, Beijing continued to emphasize the development of Jiangsu as a foreign-oriented economy with visits to the YRD region by General Secretary Zhao Ziyang in 1987 and 1988. Jiangsu’s leadership came under criticism for being insufficiently proactive in promoting opening up, which led to the province’s adoption of stronger policies to help its localities increase trade and foreign investment (Ibid., 142-148).

foreign-oriented economic strategy (Song 2011, 325-326), and, following Deng's 1992 Southern Tour, provincial authorities endorsed the creation of new development zones by localities.<sup>8</sup>

As local governments in southern Jiangsu set up development zones at a frenzied speed in the 1990s, manufacturing and foreign economic activity grew dramatically and urbanization accelerated (Song 2011, 332). During the 1990s, Jiangsu recorded a compound annual growth rate (CAGR) of 11 percent, ahead of the overall national rate of 10 percent (China Data Online; author's calculations).<sup>9</sup> Southern Jiangsu, including Suzhou, Wuxi, Changzhou, Nanjing, and other urban areas, developed faster still. By the second half of the 1990s Suzhou – with several rapidly expanding development zones – had emerged as one of China's key centers for foreign direct investment.

Economic success during the first two decades of the reform period made policymakers relatively confident about Jiangsu's ability to compete in a more open economy. Besides achieving fast GDP growth during the 1980s and 1990s, Jiangsu was also a leader in economic reform and restructuring—aided by the fact that the province was less closely tied to the erstwhile planned economy than most. From the early 1990s on, cities in Jiangsu had actively pursued industrial reform and upgrading. Given the progress they had made by the end of the 1990s, policymakers in Jiangsu saw China's plans for WTO accession as less of a threat and more of an opportunity than provincial officials in some provinces.

If they were optimistic about Jiangsu's overall economic outlook, however, policymakers were very concerned about the spatial unevenness of development by the mid-1990s. Devolution of administrative powers and resources to the city level had helped southern cities thrive, but the

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<sup>8</sup> In 1992, the provincial leadership endorsed the Kunshan model of “building the nest to attract the phoenix” (Song 2011, 325-326). Kunshan, a county-level city under Suzhou that directly borders Shanghai, had gone out on a limb, establishing its own development zone, and then seeking funding and lobbying for provincial and central-level recognition. Jiangsu Party secretary Shen Daren in July 1992 signaled his support for this approach (Ibid., 325-326). Though central or provincial actors would often provide recognition and policy support for development zones, local governments took the lead in building and managing the spaces.

<sup>9</sup> During the first half of the 1990s, Jiangsu's economy grew at roughly 14 percent per year, more than two percentage points faster than China's economy as a whole (China Data Online; author's calculations).

prefectures of central and northern Jiangsu, poorer to begin with, had lagged even further behind during the 1980s and early 1990s (Zhao 2009, 24). These spatial disparities posed a variety of risks. Beyond basic problems of slow economic development, limited employment, and stubborn rural poverty in northern Jiangsu, policymakers worried about over-concentration of people in southern cities and resulting strains on public services and social stability (Wei and Fan 2000; Interview NJ071205a). Southern Jiangsu's economic boom during the 1990s attracted large numbers of migrants from the north and from outside the province. Rising congestion placed a heavy burden on the urban infrastructure and public service capacity of the south, as well as a severe strain on its natural resources and ecology (Interview NJ081205a). Uneven development also placed centripetal pressures on Jiangsu as a political unit. As Shen Liren, an economist at the Provincial Academy of Social Sciences noted in a 2003 newspaper interview, the severity of Jiangsu's north-south divide even led some to discuss the possibility of breaking up or reorganizing the province administratively (*Jingji guancha bao* 7/28/2003).

While regional disparities made it harder to justify focusing policy attention and support on the province's top cities (Interview NJ021204a), provincial authorities still had important reasons to prioritize metropolitan development. Although Jiangsu's performance in the 1980s and 1990s compared well with that of China as a whole, the province faced real economic competition from rival coastal heavyweights such as Guangdong and from neighboring Shanghai and Zhejiang. Jiangsu's top cities lacked the industrial strength and urban amenities of cities like Guangzhou and Shenzhen—let alone Shanghai.<sup>10</sup> Breaking out of Shanghai's shadow and increasing Jiangsu's long-term economic competitiveness would require grooming more advanced industries and bigger cities with better amenities. Jiangsu's goal of strengthening its role as a key base for foreign trade and

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<sup>10</sup> Several provinces, including Guangdong, Fujian, and Zhejiang, grew more quickly than Jiangsu in the 1990s (China Data Online; author's calculations).

investment and upgrading its economy out of labor- and resource-intensive export-processing industries and low-end manufacturing made the strength of metropolitan regions especially important. The problem of enhancing outward competitiveness loomed especially large at the turn of the century, as Jiangsu worked to recover from the impact of the Asian Financial Crisis and prepared for the opportunities and challenges of WTO accession.

### **Limited provincial government strength**

In addition to its economic circumstances, Jiangsu's limited administrative strength and political cohesion reduced the potential for spatial bias in development policies. It is more difficult in the first place for government actors to shape the distribution of resources in economically open and market-oriented provinces such as Jiangsu than in more closed, state-dominated provinces.<sup>11</sup> But the political constraints on policymaking in Jiangsu arguably were as great as the structural ones. As of the late 1990s, Jiangsu's provincial establishment was relatively weak, with limited resources and administrative capacity of its own. Provincial authorities lacked much bargaining power vis-à-vis wealthy, administratively strong cities. The central government closely watched and frequently involved itself in the affairs of Jiangsu and the wider YRD region. At the same time, Jiangsu's fragmented geography and the lack of a common political identity also made it hard to justify concentrating policy support and resources narrowly in space. Despite these institutional weaknesses,

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<sup>11</sup> Jiangsu's relatively high levels of economic openness and marketization limit the potential for higher-level state actors to guide industrial and spatial development. With high mobility of production factors across localities, and private, local, and foreign capital playing an important role in supporting investment (Wei and Fan 2000), provincial and central state actors have less influence over the spatial or sectoral configuration of development in Jiangsu than in some provinces. Exports and foreign investment amounted to 31 percent of Jiangsu's provincial GDP in 2000, making the province one of China's most open (China Data Online and author's calculation). The province also has a stronger market orientation than many regions of China: Fan et al (2001) ranked Jiangsu above all but Guangdong, Zhejiang, and Fujian in terms of "marketization." State-owned enterprises and central planning never played as large a role in Jiangsu's economy as in some provinces, and there was further "state disarticulation" after the 1980s with the advance of local and market actors (Naughton 1995; Lin 1999). Even in Jiangsu, however, state actors at different levels intervene extensively in development, and investment and the operation of factor markets are heavily subject to administrative interventions.

however, the presence of stronger leaders in the early 2000s would galvanize the provincial establishment, making possible more aggressive efforts to promote metropolitan development.

On the one hand, the provincial level in Jiangsu has limited institutional capacity. Describing 1990s Jiangsu, Jacobs (1999) notes that, “although Jiangsu clearly ranks as an important province, paradoxically the province itself appears weak,” while “leadership at the sub-provincial level seems more relevant” (139-140). According to Wei (2000), meanwhile, Jiangsu is “relatively weak in adjusting investment allocation across sectors and regions” (173-177). The administrative weakness of the provincial level in Jiangsu relates in part to fiscal arrangements. With Jiangsu as a whole transferring a large amount of revenue to the central government and wealthy areas in the province retaining much revenue locally, the provincial level often has been squeezed fiscally (Zheng 2007, 126-127). Indeed, compared with other provinces, fiscal resources in Jiangsu were highly concentrated at the municipal level in the late 1990s (Ibid., 139-140; Wong 2002, 25). Jiangsu contains several cities – Suzhou, Nanjing, Wuxi, and Changzhou, among others – that have dynamic local economies, strong fiscal bases, and deeply entrenched local bureaucratic establishments. Because provincial authorities rely on the fiscal strength and administrative capacity of key cities to achieve Jiangsu’s broader development goals, these cities enjoy special “speaking rights” (*fayan quan*) in provincial affairs (Jacobs 1999, 118; Interview NJ031204a).

The relative weakness of the provincial government and strength of cities in Jiangsu is in part a legacy of governance arrangements during the first 15 years of the reform period. In its efforts to stimulate local governments’ enthusiasm for economic growth and reform during the 1980s, Jiangsu took many steps that administratively empowered localities. The province devolved many enterprise management functions to lower-level governments, allowed more retention of fiscal revenue and cultivation of extra-budgetary revenue at the local level, reduced the number of



mandatory planning targets, and expanded cities' foreign economic policy powers.<sup>12</sup> Jiangsu's early adoption in 1983 of a "city manages county" (*shi guan xian*) policy throughout the province, and promotion of horizontal market links among localities inside and outside the province, also expanded the economic governance role of municipal governments (Wei 2000, 151, 169-174; Zheng 2007, 26-127, 142-148, 159-161). The rise of locally managed development zones in the early 1990s further strengthened city governments' economic powers (Zweig 2002, 82-86).<sup>13</sup>

Provincial policymaking autonomy was also constrained by central state oversight of and intervention in Jiangsu's affairs. For centuries, the YRD region has had close links to central authorities and high levels of state penetration. Both historically and in the post-1949 period, Jiangsu has shouldered an outsize piece of China's fiscal burden (Whitney 1970).<sup>14</sup> During the reform era, Beijing has maintained close political and economic ties with the YRD region, supporting the region but also placing high demands on it. Beijing has collected large amounts of fiscal revenue from the Jiangsu, flexing political muscle when necessary to ensure contribution of a large share of its resources.<sup>15</sup> During the early years of the reform period, Jiangsu's rates of revenue remittance remained among the highest in the country (Zheng 2007, 117-118).<sup>16</sup> At the same time, the central government has worked in recent decades to promote the development and economic integration of Jiangsu and the greater YRD region (Li 1997; Sheng 2007; Interview NJ081205a). Beijing has

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<sup>12</sup> Some legacies are older. Since the 1950s, Jiangsu has had an industrial management system that gave municipal and county governments a larger role in industrial management than in many places (Zheng 2007, 126-127).

<sup>13</sup> The provincial government's support during the 1980s and early 1990s of development and opening-up in county-level cities such as Zhangjiagang and Kunshan (both of which belonged to the larger Suzhou municipality) are emblematic of the promotion of smaller urban centers and of the devolution of many economic policy powers to subprovincial governments in Jiangsu (Zweig 2002, 82-86).

<sup>14</sup> During the Maoist period, Jiangsu was consistently a large net contributor of fiscal revenue to Beijing: between 1949-1985, the province contributed nearly 60 percent of the revenue it collected to central coffers (Zheng 2007, 117-118).

<sup>15</sup> Disagreements between Jiangsu's leaders and the central government over fiscal recentralization policies were reportedly the reason for Party secretary Shen Daren's being forced from office in October 1993 (Yang 1997, 103).

<sup>16</sup> While Jiangsu's total fiscal revenue during the 1980s was similar to that of Guangdong, the former contributed four times as much to Beijing as the latter (Zheng 2007, 117-118).

invested heavily in the area, and extended many preferential policies to Shanghai, Jiangsu, and Zhejiang. Though Jiangsu certainly has enjoyed economic benefits from central state preferential policies and central investment in the cities of southern Jiangsu, Beijing's close attention to the area and efforts to coordinate its development limit Jiangsu's policymaking autonomy.

There is also a more political side to the intergovernmental power balance in Jiangsu. Jiangsu's lack of cohesion and common identity as an economic, cultural, and political unit militates against provincial-level policy initiatives. Although few provinces in China line up neatly with economic or cultural regions,<sup>17</sup> Jiangsu's geography is especially fragmented. In addition to the geographic differences and economic-structural disparities that divide the north, central, and south parts of the province, cultural and linguistic cleavages run through Jiangsu. Different urban centers in Jiangsu are oriented toward different economic regions, many of them cross-provincial, and local identities often outweigh provincial attachments. Suzhou and the neighboring cities of Wuxi and Changzhou belong to the Wu cultural region and Shanghai economic orbit. They identify strongly with the YRD's tradition as a national center of high culture, commerce, and industry. Though less important than Nanjing as a political center, Suzhou historically was a more important economic hub, and served for much of the Qing Dynasty as Jiangsu's capital (Jacobs 1999, 114, 141). Despite its status as Jiangsu's contemporary provincial capital and largest city by core urban population, Nanjing is hardly the undisputed economic or cultural center of the province (Interview NJ071205a). Meanwhile, heavily rural northern Jiangsu has little in common with the south economically or culturally: it more closely resembles neighboring areas across the border in Anhui and Shandong. Such sharp regional differences make it difficult to define, justify, and implement a development

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<sup>17</sup> For the classic discussion of the mismatch between administrative, economic, and natural geography in China, see Skinner (1977).

agenda for Jiangsu as a whole, and have given rise to much debate over possible administrative reorganization of the province (*Jingji guancha bao* 7/28/2003).<sup>18</sup>

At the same time, Jiangsu's municipalities are strong political actors in their own right. One important indicator of the strength of local governments in Jiangsu is the fact that multiple city leaders hold positions on Jiangsu's Communist Party standing committee. While in many provinces only the Party secretary of the provincial capital holds a standing committee seat, it has been typical in recent years for Nanjing, Suzhou, and Wuxi each to hold a seat in Jiangsu's top political body (Interview NJ021204b; China Directory 2001, 2006). The presence of municipal leaders in this body means that sub-provincial voices have influence and leverage at the highest levels of provincial policymaking—and that provincial decision-making is not insulated from local interests.<sup>19</sup> Provincial policymakers are hesitant to intervene in local affairs because there are local interests that may not only resist policies at the implementation stage but also push back politically (Interview NJ071205a).

The strength of Jiangsu's major cities also creates anxiety about the province's ability to control key parts of its territory. Special administrative arrangements give Suzhou and Nanjing – not to mention some other cities – a higher measure of economic or fiscal policy autonomy than ordinary prefectural-level cities.<sup>20</sup> Suzhou's close links to Shanghai, and its limited identification with

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<sup>18</sup> For example, rumors circulated in early 2003 about the possibility of splitting Jiangsu up by elevating Nanjing special municipality status, designating a new provincial capital, and transferring Kunshan to Shanghai. An official from China's Ministry of Civil Affairs acknowledged that such changes might be necessary (*Jingji guancha bao* 2003/7/28).

<sup>19</sup> Beyond this, different localities from across the province, from Suzhou to cities of northern Jiangsu, have been well represented among the ranks of provincial government officials, giving city governments backchannels for exerting pressure and extracting policy concessions (Interview NJ031204a; Jacobs 1999, 142-143). The institutional power and connections Jiangsu's cities enjoy emboldens them in policymaking. One central government researcher who has been involved in many regional planning efforts likened Jiangsu's major cities to grown-up children who do not listen carefully to their provincial parents (Interview BJ061307b). Furthermore, biographical ties of several current and former central Party leaders to cities in Jiangsu are sometimes seen as enhancing the political clout of localities in the province. Central Jiangsu was the birthplace of such senior Party leaders as Zhou Enlai, Jiang Zemin, and Hu Jintao (China Vitae).

<sup>20</sup> Cities such as Suzhou, Wuxi, and Nanjing that have direct links to and obtain policy benefits from the central government can gain greater developmental autonomy, as they are more self-sufficient in terms of resources and policy privileges (Interviews NJ021204b; NJ031204a). In the case of Suzhou and Nanjing, special administrative arrangements and close ties to the central government further augment municipal policymaking autonomy. In the 1990s, Beijing granted the Suzhou Industrial Park project-approval and foreign economic powers that exceeded even those of

the rest of the province, has made the provincial government wary of Suzhou's aspirations for greater administrative autonomy (Interview SZ011307a).<sup>21</sup> Jiangsu's control over Suzhou is also hampered by the fact that local government officials in Suzhou have political ties outside the province and relatively little regard for the provincial government (Interview SZ031307a).<sup>22</sup> Though it is easier for the provincial government to supervise and maintain influence over Nanjing, Jiangsu's grip there is also somewhat tenuous, given the provincial capital's geography, history, and deputy-provincial administrative status (Ye 2011, 109; *Jingji guancha bao* 7/28/2003).<sup>23</sup> With limited control over top cities, it is hard to orchestrate major policy initiatives, and provincial leaders may be hesitant to concentrate too much investment in places that could break away.

If the provincial government in Jiangsu is weak in an institutional sense, provincial-level strength in a multilevel policy process also depends on the political capital and dynamism of top provincial leaders. The presence of politically well-connected and well-traveled top leaders in Jiangsu during the early and mid-2000s enhanced the provincial level's capacity for action. In particular, the appointment in 2002 of Li Yuanchao as provincial Party secretary put in place a rising star with the political capital and ambition to launch bold policy initiatives and mobilize state resources behind these programs. During other periods, however, the provincial establishment lacked such high-

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provinces. The municipal officials in charge of zone management had urban planning autonomy, project approval powers, and could approve use of large parcels of land (Interview SZ031307a). Meanwhile, Nanjing's deputy-provincial status gives the municipal government considerable economic policymaking autonomy and enables it to liaise directly with Beijing in some matters.

<sup>21</sup> The fact that Shanghai historically has annexed counties from Suzhou and continues to covet parts of Suzhou's territory, makes provincial authorities defensive about Suzhou and anxious about giving it greater autonomy. In the words of a former government researcher from Suzhou, the city is like "a piece of fatty meat" (*yi pian fei rou*) coveted by Shanghai, Jiangsu, and municipal authorities alike (Interview SZ011307a).

<sup>22</sup> Jiangsu's control over Suzhou is also hampered by the fact that many local government officials in Suzhou have strong outside ties and little regard for, or desire to go work in, the provincial government (Interview SZ031307a). According to one urban planner from Suzhou, Suzhou cadres pride themselves on the city's high all-around level of development and its privileged ties to the central government and global economy. Many prefer the idea of remaining in Suzhou to the prospect of working for the provincial government (Interview SZ031307a).

<sup>23</sup> Nanjing historically has had close ties to China's central state, and, after serving as the capital of Chiang Kaishek's Nationalist regime, the province briefly held central municipality rank after the founding of the PRC. Though Nanjing has been Jiangsu's capital since 1953, its location in the southwest of the province and economic and cultural links to neighboring parts of Anhui province make for an awkward administrative situation (Ye 2011, 109).

profile leaders. Chen Huanyou, who served as Party secretary in the late 1990s, and Liang Baohua, who held the post in the late 2000s, had less political clout with which to advance provincial-level development interests. Having advanced their careers within Jiangsu, neither appeared to possess strong outside political ties like Li's. Both, moreover, were nearing retirement age at the time of their appointments.

### **Dispersing development, 1996-2000**

The bottom-up economic development and decentralized governance arrangements that emerged in Jiangsu during the 1980s and early 1990s produced lasting dynamism but also major governance challenges. Accumulating problems from Jiangsu's development model and the appearance of new economic challenges on the horizon triggered new efforts by policymakers to rebalance and restructure the provincial economy. From the mid-1990s on, the provincial government adopted new measures to address the worsening north-south development gap, and Jiangsu began to promote large-scale, capital-intensive industry. Under a relatively low-profile and cautious provincial leadership team, however, the province continued to limit emphasis on large central cities in development through the end of the 1990s—even as other coastal provinces were adopting more metropolitan-oriented policies. As the decade neared its end, however, development bottlenecks and an economic slowdown associated with the Asian Financial Crisis led policy elites in Jiangsu to rethink development policies. Following a leadership change in 2000, Jiangsu began to place more emphasis on the agenda of urban competitiveness.

#### *Coordinated regional development in the mid and late 1990s*

Though Jiangsu continued to grow rapidly in the mid-1990s, the problems of its bottom-up development model had become clear. Decentralized governance and policy support for the TVE

economy had helped southern cities generate rapid growth, transfer large amounts of labor out of agriculture, and accumulate wealth, know-how, and market infrastructure. But regional disparities between southern and northern Jiangsu had grown stark, and overheated development in the south was creating problems. Amid these changing circumstances, provincial elites began to question status quo urban and regional policies.

Since the early 1980s, Jiangsu had exemplified China's national urban strategy of promoting development in smaller cities while controlling the growth of large centers. Provincial policies had contributed to dispersal of economic activity and people across towns and smaller cities, while larger cities had received less support and grown more slowly (Tian 2011, 483).<sup>24</sup> By the mid-1990s, however, dispersed industrial and urban development was coming to be viewed as an inefficient use of land and infrastructure, and prospects for further expansion of the TVE sector looked dim given intense competition in low-end industrial sectors. On the other hand, with China's economy rapidly opening up there were new opportunities for knowledge- and capital-intensive industry. Some policy experts began to call for the build-up of larger cities that would economize on social overhead and achieve the necessary market scale and infrastructure for advanced industry.

But other policy priorities were also coming to the fore. With Beijing shifting course under the Ninth (1996-2000) FYP to lay greater stress on "coordinated regional development," there was mounting pressure on provincial policymakers to address disparities within Jiangsu. Although the provincial government had long provided development aid to northern cities, regional policy had

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<sup>24</sup> There was debate over the proper urbanization model in Jiangsu during the 1980s, but the small city and township 'dispersed' urbanization approach advocated by Fei Xiaotong and others prevailed for many years (Marton 1995). Because of its widely publicized success at shifting large amounts of surplus labor out of agricultural into productive employment, and facilitating rapid capital accumulation while minimizing disruptions to the preexisting social fabric, the development path taken in southern Jiangsu became an important template for regional and urban development more broadly. As one provincial policy expert explained looking back, "[...] the method of using township and village enterprises as the driving force, putting township and village urbanization in the leading role, and taking vigorous development of small towns and small cities as the emphasis has evolved into the 'standard' Chinese-style urbanization path" (Tian 2011, 502).

remained fairly limited in scope through the early 1990s. Decentralized governance and industrial policies had implicitly helped southern Jiangsu.

In Jiangsu, at least, the coordinated regional development agenda prevailed during the late 1990s. Indeed, the leaders in charge of Jiangsu during the mid- and late 1990s were not the type to step too far out of line with central government priorities. Chen Huanyou had served as provincial Party secretary since 1993 and by the late 1990s was nearing the age of mandatory retirement.<sup>25</sup> Originally appointed as Party secretary after Shen Daren was removed from the position for resisting Beijing's fiscal recentralization efforts, Chen was perceived as someone deferential to the center's wishes (Chung 1995). Chen had previously served as governor and held other high offices in the province, but he had very little career experience outside of Jiangsu (Liu 2014; China Vitae; *baike.baidu.com*). Although Zheng Silin, who served as Jiangsu's governor between 1995 and 1998, was younger than Chen and brought more out-of-province experience, he too lacked the résumé of a rising star.<sup>26</sup>

Under Chen, Jiangsu undertook stronger efforts to support development in lagging parts of the province while keeping in place status quo urban policies. In 1994, Jiangsu had launched a “joint regional development” (*qiyu gongtong fazhan*) strategy aimed at addressing the growing income and openness gap between the north and south of the province. Over the following years, the provincial government took several concrete steps to support this agenda, promoting development along the Longhai railway corridor between Xuzhou and Lianyungang, unveiling a “maritime eastern Jiangsu” (*baishang sudong*) strategy, and launching a program to fight poverty in the Huaibei region. During the late 1990s, the provincial government also increased the share of major investment projects and fiscal spending going to the north, and worked to develop stronger cooperation between northern

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<sup>25</sup> In fact, Chen was China's oldest provincial leader when he left the post in early 2000 at age 66 (Liu 2014).

<sup>26</sup> Fifty-five years old when appointed governor in Jiangsu, Zheng was of average age. Previously, he had worked on economic and trade policy issues in Shaanxi and Liaoning (China Vitae; *baike.baidu.com*).

and southern areas of the province in cadre development and other realms (Jiangsu Yearbook Commission 1996, 18-26; Zhao 2009, 23, 240-241; 267; Interview NJ071205a).<sup>27</sup> At the same time, Jiangsu used administrative adjustments to promote development in the north, elevating Taizhou and Suqian to prefectural-level-city status (Ren and Liu 2008, 66). Enjoying provincial support, Subei saw faster growth: its 11.8 percent annual GDP growth rate between 1996-2000 exceeded that of Jiangsu as a whole (Song et al 2005, 321-323).

Meanwhile, Jiangsu's leaders made major changes in urban policy during the late 1990s. Whereas development policies in some provinces had become more focused on building up core metropolitan centers, Jiangsu continued pursuing small-city based urban development and placed less emphasis on metropolitan development. In 1997, Jiangsu's Provincial Party Congress outlined plans for structural adjustment and upgrading, faster tertiary-sector growth, ownership reforms, and major infrastructure improvements, but big urban centers still faced serious development constraints (Song 2011, 326-328). Lacking adequate urban infrastructure and burdened by the task of reforming state-owned enterprises, central city areas of Suzhou, Nanjing, and Wuxi continued to grow more slowly than smaller cities (Tian 2011, 484). Suzhou as a whole enjoyed rapid growth between 1996-2000, and was second only to Shanghai in the amount of FDI recorded during this period (Song et al 2005, 305). And, following the creation of the Suzhou Industrial Park and the Suzhou High and New Technology Development Zone (HTDZ), Suzhou's central-city area expanded more quickly. But core urban districts still accounted for a minority of the city's economic output, while sub-centers such as Kunshan and Zhangjiagang (which were home to labor-intensive manufacturing and port-facing industries) generated much of Suzhou's economic growth (Interview NJ111307a). Nanjing's economic development, too, lagged behind growth of smaller cities in the southeast until

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<sup>27</sup> In 1998, the province adopted the strategy of "fight a hard war for five years, win a decisive victory in Subei," using major infrastructure projects, such as highway, bridge, and power plant construction to promote development breakthroughs in the north (Song et al 2005, 321-323).



the end of the 1990s. Transportation infrastructure and urban amenities remained spotty in Nanjing, and the central city faced serious traffic congestion problems (Song 2011, 249-251).<sup>28</sup>

*Jiangsu's increasing embrace of big city-centered development*

After 1998, fallout from the Asian Financial Crisis and the looming prospect of China's WTO accession made concerns over economic competitiveness increasingly salient in Jiangsu. By disrupting export markets, foreign investment, and bank lending across Asia, the Crisis threatened the economic lifeblood of outward-oriented provinces like Jiangsu. Although capital controls insulated China's economy from financial spillovers and central stimulus measures helped to combat a severe slowdown, Jiangsu saw its run of rapid development come to an end. Jiangsu's growth rate dropped off sharply between 1997 and 1999, and its economy ceased to dramatically outperform the country as a whole as it had done in years prior.<sup>29</sup> At the same time, breakthroughs in China's WTO accession negotiations during the late 1990s paved the way for faster liberalization. Accession to the WTO, planned for 2001, would bring improved access to export markets and foreign capital and expertise, but would also mean more intense domestic and international competition. To safeguard Jiangsu's position as an economic leader amid these shocks and changes, policy elites called for stronger efforts to upgrade industry and improve the province's business environment.

Shifting economic concerns had important implications for urban and regional policy. As policymakers in Jiangsu – and across China more broadly – confronted a slowdown of the foreign economic sector, they saw accelerated investment in urban infrastructure, real estate, and capital-intensive industry as an important means of maintaining high levels of economic demand and output

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<sup>28</sup> The city's leadership had begun outlining plans for major infrastructure development and urban beautification, but despite work on a ring road, a new airport, and a second Yangtze river bridge during the mid- and late-1990s, financing problems and other resource bottlenecks continued to hinder urban development during this period (Ye Nanke 2011, 146-147).

<sup>29</sup> Between 1997-1999, Jiangsu's economy grew at an annual rate of roughly 8 percent, substantially slower than in previous years, and only slightly faster than the country as a whole (China Data Online; author's calculations).

(Interview NJ071205a). Moreover, from the standpoint of policymakers trying to build up advanced manufacturing and technology industries, the smaller cities and towns that had anchored the TVE economy appeared seriously lacking in terms of infrastructure, market scale, and institutional quality. While Jiangsu's small-city urbanization model had worked well as a transitional approach, large, diversified urban areas with more advanced amenities were necessary to ensure local competitiveness as China entered the WTO (Tian 2011, 484, 502-519; Interview NJ071205a).<sup>30</sup> One provincial expert, Tian Boping, lamented the low "modernization" level of Jiangsu's cities in terms of urban infrastructure, expressing concern over the fact that Nanjing ranked only 10<sup>th</sup> out of the 13 very large cities in China across most economic indicators (Tian 2011, 484). At the same time, policy elites increasingly came to see development of large cities as crucial for achieving economic restructuring and boosting economic efficiency more generally.<sup>31</sup>

While some policy experts in Jiangsu defended status quo urban policies and expressed concerns about deviating from the central line,<sup>32</sup> advocates of faster urbanization grew more numerous by the late 1990s. City-level actors in Jiangsu, in particular, were quick to adjust their development approaches in line with changing economic imperatives. Suzhou and neighboring cities in southern Jiangsu quickly built up high-end development zones to attract investment from

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<sup>30</sup> Tian advocated building up three metropolitan circles, with particular emphasis on the Suzhou-Wuxi-Changzhou region and the Nanjing metropolitan area (Tian 2011, 502-519). As Tian noted in an article written during these years, "Carrying out the strategy of great expansion of urbanization, further spurring along Jiangsu's economic and social development and accelerating Jiangsu's modernization process by comprehensively pushing forward urban modernization, is good for increasing the international competitiveness of Jiangsu as a whole, resisting the impact force of the international market, and reducing the turbulence of WTO accession" (Tian 2011, 509).

<sup>31</sup> For example, Fan Chaoli, a prominent provincial expert, argued that a big city-centered urbanization model could enhance development of the tertiary sector, advanced industry, and outward-oriented sectors. Fan expressed concern that Jiangsu's urbanization was lagging behind that of Shandong and Zhejiang, where officials had adopted a "big-city urbanization" strategy between 1998 and 1999 (Fan 2010, 16-23).

<sup>32</sup> One expert who called for adhering more closely to the central line on urban policy and maintaining Jiangsu's traditional emphasis on town and small-city development was Shen Liren. In a piece written at the turn of the century, Shen noted that the fifth plenum of the Communist Party's Central Committee had called for a small city-based urbanization approach while discussing plans for China's national 10<sup>th</sup> Five-Year Plan, and advocated conforming to this approach (Shen 2010, 166-169).

American, European, and Japanese firms (Ren and Liu 2008, 24-26, 133-135). Provincial-level policy elites, too, moved to embrace a big-city centered development paradigm.

The arrival of a new leadership team in Jiangsu at the end of the decade created the political opportunity for a change of direction in development policies. Hui Liangyu, appointed Party secretary in 2000, was a decade younger than the man he replaced and brought far-ranging experience in provincial leadership.<sup>33</sup> Under Hui and governor Ji Yunshi, who had been appointed in 1998, Jiangsu adopted a more competitiveness-oriented approach to economic and urban development. While the provincial government continued to put rhetorical stress on northern Jiangsu's development, there was less policy support in practice. And, whereas Jiangsu's Ninth FYP agenda had focused on modernization and building a moderately well-off society across the province, the new 10<sup>th</sup> (2001-2005) FYP played up the themes of regional competitiveness and economic restructuring (Zhao 2009, 23, 240-241).

One of the most striking departures in Hui's development approach was its emphasis on building up Jiangsu's largest cities and the metropolitan regions around them. In July 2000, Jiangsu convened a major provincial meeting on urbanization work. The meeting put forward a new strategy for urban development, calling for "strengthening, enlarging, optimizing, and beautifying" (*zuo da, zuo qiang, zuo you, zuo mei*) Jiangsu's cities, and focusing to a greater extent on central cities such as Suzhou, Nanjing, and Xuzhou (Jiangsu Provincial Research Office 2010, 245-247). The explicit emphasis of the meeting on supporting large cities was a novelty in a province that had deliberately moderated the growth of large cities and promoted smaller centers' development since early in the reform period (Interview NJ081205a). And, while other provinces had already moved in this direction, Jiangsu's new approach preceded a shift in China's official urban policy.

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<sup>33</sup> Hui Liangyu was originally from Jilin and had spent the early part of his career there before holding high provincial posts in Hubei and, more recently, serving as governor and Party secretary of Anhui. Ji was in his mid-50s when he took over as governor, and had advanced his career within Jiangsu province, most recently having held high-level provincial government posts during the mid-1990s (China Vitae; baike.baidu.com).

Several concrete steps were taken to begin implementing this new vision for urban development. Consistent with the importance of administrative units in defining the contours of China's economy, one of the province's first steps was to alter the boundaries of many cities and towns in Jiangsu, consolidating different units and annexing more territory and resources to large cities and key towns. In cities such as Nanjing and Wuxi, counties were changed into districts, and administrative boundaries were redrawn to enlarge central cities and give them access to more land. Suzhou saw an expansion of its central urban area with rapid extension of the large development zones on its eastern and western flanks (Yao et al 2010, 255-263).<sup>34</sup> The provincial leadership also placed more emphasis on construction in and around top cities. After the turn of the century, Nanjing saw an accelerated build-up of urban infrastructure as well as rapid development of new highways and expressways linking the capital to other parts of the province (Tian 2011, 591-597). And, in 2000, Hui instituted a special annual meeting of the provincial leadership devoted to discussing ways to promote Nanjing's development (Interview NJ081205a).

In short, the end of the 20<sup>th</sup> century saw Jiangsu shift away from the erstwhile model of dispersed, small-scale industrial and urban development to embrace a more elitist industrial and urban development paradigm. While the change in development approach was significant and certainly required provincial-level political support, it was not entirely a matter of top-down state leadership. In Jiangsu, the strategic shift was also driven by existing trends and on-the-ground necessities. The province's traditional growth model had begun to run out of steam, lack of urban infrastructure in key cities was creating problems, and the province – like China more broadly – faced an increasingly competitive domestic and international economic environment.

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<sup>34</sup> Changzhou, meanwhile, annexed neighboring Wujin County in 2002, with support from the province (Zhang and Wu 2006). Many town-level mergers were also carried out across the province after 1999 (Ren and Liu 2008, 134-136).

### **Taking a metropolitan turn, 2001-2005**

As China emerged from the economic turbulence of the late 1990s and acceded to the WTO in the early 2000s, rapid economic growth and internationalization resumed. Against this backdrop, metropolitan-oriented development thinking continued to gain ground across much of the country. Simultaneously, a more permissive, growth-oriented central line toward urban investment and population growth under the national 10<sup>th</sup> Five-Year Plan framework facilitated faster growth of large metropolitan areas. Still, much of the initiative came from subnational policymakers, who saw the rapid build-up of industry, infrastructure, and real estate in large cities not just as a huge growth opportunity but also as an essential investment in local competitiveness. Jiangsu was no exception to this broader trend. Following the shift in urban policy under Hui Liangyu in 2000, Jiangsu moved quickly with metropolitan-scale development thinking, egged on by fierce competition with neighboring provinces for mobile capital, state resources, and political recognition.

If provincial leaders showed strong interest in metropolitan-oriented development during the first half of the 2000s, however, crafting and implementing focused development policies proved a challenge. The Three Metropolitan Circles strategy launched by Hui Liangyu in 2001 suffered from a shortage of political consensus and organizational capacity, and the effort was largely shelved within a couple years of its launch. Li Yuanchao, Hui's successor, put in motion a bolder and more unified urban and regional development strategy over the following years. Bolstered by Li's political standing as one of the Party's rising stars, the 2003 Riverside Development scheme produced significant results within its first couple years, and served as a framework for the province to advance its goal of developing core urban and industrial areas. By mid-decade, however, this strategy too encountered stiff opposition inside and outside the province.

*The Three Metropolitan Circles strategy*

National and provincial circumstances at the start of the 21<sup>st</sup> century created an opening for more activist regional and urban policy in Jiangsu. The bolder urbanization approach adopted by Hui Liangyu and his counterparts in other provinces was at least partially vindicated when the National 10<sup>th</sup> FYP made urbanization a national economic strategy, and recognized a strategic role for larger cities in China's development. Many localities in Jiangsu were again growing at full tilt, but policymakers worried that without improved coordination, urban and industrial growth across the province might result in vicious local competition rather than a rational division of labor and structural upgrading. Jiangsu's leadership thus sought a spatial development strategy that would coordinate urban and industrial growth across the province while also promoting outward competitiveness.

In 2001, Jiangsu's Construction Department put forward a development plan meant to address these goals. The Three Metropolitan Circles Plan laid out a strategic framework for developing Jiangsu's urban system based around the build-up and economic integration of the province's three largest urban areas—the Suzhou-Wuxi-Changzhou region, the Nanjing metropolitan area, and the Xuzhou area in northern Jiangsu. Compared with previous regional and urban planning approaches, the Three Metropolitan Circles scheme put more emphasis on the planning and development of large, internationally competitive urban regions as the foundation of economic growth, and envisioned a larger provincial-level role in planning and facilitating this development.<sup>35</sup> Yet, insofar as the plan conceived of the province in terms of discrete economic

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<sup>35</sup> For the SWC region, officials said, the province's main goal would be to improve coordination of development across Suzhou and its neighbors, to mold the region into an economic region greater than the sum of its parts. For the Nanjing metropolitan region, emphasis would fall both on building up the central city's size and economic strength and promoting better infrastructural and economic integration. For Xuzhou, the least developed of the circles, the near-term focus would be on fostering a stronger economic base (*Xinhua ribao* 1/16/2003).

areas and named multiple focal points for investment, it also represented a compromise with different local interests in Jiangsu.

The provincial government's first order of business under the new development strategy was to draw up and start implementing plans for the Suzhou-Wuxi-Changzhou (SWC) Metropolitan Circle. Jiangsu's Construction Department led a planning process that involved provincial bureaucrats as well as academic experts from Nanjing University, and the provincial government approved the resulting plan in 2002. Aimed at coordinating the development of infrastructure across the SWC urban belt, the plan was touted by some as the first comprehensive regional and urban development plan of its type in China (Luo 2011, 99-100, 106-115). According to Jiangsu Construction Department director Huang Wei, the main motive behind the SWC Metropolitan Circle Plan was to better orchestrate the resources and economic strength of the cities for competitive advantage (*Xinhua ribao* 1/16/2003).<sup>36</sup> While not solely geared toward economic growth, the plan was strongly pro-development, calling for several major new regional infrastructure projects, including a new Southern Jiangsu international airport, a new logistics center in Wuxi, and various rail and road transit projects (Luo and Shen 2008). In addition to its economic objectives, the SWC Metropolitan Circle plan was also seen by some as having a more political motive: it could help the provincial government better tether Suzhou to the rest of the provincial economy, and expand provincial planning authority over the city's growth (Interview NJ111307a).

The SWC Metropolitan Circle scheme had problems from the outset, however. The province-led planning approach proved to be at odds with the actual balance of power between Jiangsu and the municipalities. While the province took control over the planning process, Jiangsu

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<sup>36</sup> By combining forces, Huang noted, Suzhou, Wuxi, and Changzhou could hold their own against Shanghai: the cities had three times as much land area as Shanghai, were home to a comparable population, and attracted more foreign investment (*Xinhua ribao* 1/16/2003). A July 2002 article entitled "strengthen the big city development idea" called for strengthening transportation and water and gas utilities infrastructure, local policy innovation, and real estate development so as to bolster urbanization, and laid out ambitious quantitative and qualitative urban growth targets for Suzhou (*Jiangsu jingjibao* 7/24/2002).

would have to rely on municipal governments, which had more operational capacity and financial resources available, to carry out most implementation of major projects (Luo and Shen 2008). But the scheme underestimated the difficulties of development coordination in a polycentric urban region in which city governments were fiercely guarding their economic turf and interests. Suzhou, Wuxi, and Changzhou had similar industrial structures and very competitive economic relations, and proved more interested in forging tighter links with Shanghai than in integrating with one another (Ibid.).<sup>37</sup> Making matters worse, the limited administrative status of the SWC Plan – it was issued by an ordinary provincial department – made it vulnerable to obstruction by lower levels of government and other agencies (Interview NJ031204a).

Concrete implementation of the plan was plagued by many difficulties. In several instances, city governments did not comply with provincial plans for infrastructure projects and economic coordination (Luo and Shen 2008). One well-known dispute concerned the question of where to locate a new regional airport. While the province favored building an airport on the western side of the Metropolitan Circle in Changzhou, Wuxi and Suzhou resisted this idea, pushing forward plans for their own airports. As a result, plans for a new Southern Jiangsu airport had to be put on hold (Wong et al 2008; Luo and Shen 2008). Jiangsu also had to contend with efforts by city governments to draw up their own, conflicting metropolitan region plans (Luo 2011, 106-115). To smooth implementation, the province resorted to such measures as rotating municipal leaders between Suzhou and Wuxi, but even this failed to bring localities fully into line (Luo and Shen 2008). While

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<sup>37</sup> The cities' prioritization of closer ties to Shanghai was shown, for example, by the decision in 2002 of Suzhou, Wuxi, and Changzhou to withdraw from participation in a major Nanjing economic and trade forum. Given their orientation toward Shanghai, the cities viewed the Nanjing-centered promotional event as increasingly irrelevant (*Zhongguo jingying bao* 10/10/2002). According to a former government researcher from Suzhou, city officials from Suzhou and Wuxi had remained skeptical during the planning phase of the provincial government's approach. Experts from both cities saw that the misalignment between Suzhou's status as the economic center of the region and Wuxi's position as the geographical center would make coordinated development of the SWC belt difficult. Nevertheless, according to the Suzhou government researcher, the provincial government at that time showed little interest in alternate ideas floated by city officials, such as a proposal for a Taihu city group (Interview SZ011307a).



the SWC planning effort facilitated new infrastructure projects in and around Suzhou, then, it did not achieve its vision of building an integrated urban region (Interview SZ021307a).

In its efforts to foster a more integrated and competitive Nanjing metropolitan region, Jiangsu took a less top-down and more flexible approach than in the SWC region. For the Nanjing region, provincial authorities used an existing foundation of metropolitan-regional planning,<sup>38</sup> working jointly with city officials in a more bottom-up fashion over the course of 2001 and 2002 to draft a Nanjing Metropolitan Circle Plan. City governments played a big role, and there was regular consultation between Nanjing and other cities. Jiangsu formally approved the plan in January 2003, and a Nanjing Metropolitan Circle Development Forum comprising government, business, and academia from cities in the region was created to assist with regional governance (Luo et al 2010; Luo 2011, 97-99, 116-125).

In its substance, the Nanjing Metropolitan Circle plan combined growth-pole logic with global city-region thinking (Luo et al 2010). The plan emphasized “building up the core city” (*zhuoda hexin chengshi*), and called for better integrating the markets and regional infrastructure of several cities in Jiangsu and Anhui around Nanjing to increase competitiveness (Nanjing Metropolitan Circle Yearbook Committee, 2011, 8-30).<sup>39</sup> The planning region crossed administrative boundaries, extending to the Jiangsu cities of Zhenjiang, Yangzhou, and Huai’an, and also included cities from

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<sup>38</sup> In the early 2000s, municipal leaders in Nanjing had already begun to think regionally as they drew up plans to promote faster growth in the city. The city’s 10<sup>th</sup> FYP Outline (November 2000) called for efforts to strengthen Nanjing’s status as the central city of the surrounding region through the development of high-quality metropolitan infrastructure and services (*Zhongguo jingji shibao*, 4/3/2001). Progress at the central level, such as a State Planning Commission report on major metropolitan areas that discussed the possibility of linking Nanjing more closely with nearby cities in Anhui also offered a template to work with. On the heels of that report, Jiangsu’s Provincial Planning Commission in spring 2001 convened a meeting of several cities from Jiangsu and Anhui to discuss visions for metropolitan circle development (*Jiangsu jingji bao* 5/13/2002).

<sup>39</sup> Specifically, the document called for improving Nanjing’s industrial base and strengthening urban and regional infrastructure. Development of the service sector and of heavy industries such as petrochemicals and steel in and around Nanjing was to be accelerated, and Nanjing’s role as an education center was to be strengthened by integrating and consolidating university facilities. The plan called for creating a standing body comprising leaders from various provincial departments, as well as leaders of Nanjing, Zhenjiang, and Yangzhou. Cities were to implement the plan under higher-level guidance, with provincial departments taking the lead on matters cities could not coordinate (Nanjing Metropolitan Circle Yearbook Committee, 2011, 8-30).

Anhui province. Because the planning region was cross-provincial, however, the plan lacked compulsory status and could only serve as a coordinating framework. City governments would have to take the lead into metropolitan-regional coordination, while reporting to Jiangsu's provincial government (Luo 2011, 97-99, 116-125). While this more bottom-up, consensus-based planning and governance helped policymakers avoid some of the inter-city and province-city interest conflicts that plagued the SWC Metropolitan Circle, it meant that agency was more diffuse and concrete progress was slower.<sup>40</sup>

Although Jiangsu's metropolitan-regional planning efforts had only limited success, Suzhou and Nanjing experienced rapid development in the early 2000s aided by the pro-metropolitan outlook of the provincial government and Beijing, active efforts on the part of city-level governments, and Jiangsu's advantageous economic circumstances. Suzhou's central urban area and secondary centers all grew rapidly as foreign investment levels rose to new heights following WTO accession and investment in urban real estate and infrastructure surged under greater central and provincial support. With investment soaring, the Suzhou Industrial Park saw especially rapid economic and urban growth (Interview SZ031307a). A series of administrative mergers and upgrades from early 2001 on expanded the boundaries of Suzhou's central urban area and bolstered development there (Xu 2010).<sup>41</sup>

Meanwhile, Nanjing grew quickly under stronger provincial support and the energetic leadership of municipal Party secretary Li Yuanchao. At the October 2001 11<sup>th</sup> City Party Congress,

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<sup>40</sup> Although participating cities made plans for cooperation on tourism and investment promotion, there were few major infrastructure projects that could be quickly implemented (Luo 2011, 121-124; Interview NJ031204a).

<sup>41</sup> Whereas Suzhou's central city area had remained relatively small and underdeveloped during the 1990s, the municipal government placed more emphasis on the central city during the 2000s. Between 2000-2007, the overall land area of central city districts was increased from 392 to 1650 square kilometers. Still, Suzhou's secondary urban and industrial centers continued to play a major role in growth. As late as 2008, central city districts' share of Suzhou's GDP would be only 40.6 percent (Xu 2010). Much of Suzhou's economic and urban growth during the early 2000s continued to take place in secondary centers such as Kunshan, Taicang, and Zhangjiagang, whose economies were closely tied to export-processing and outward-oriented logistics.

Nanjing's leadership outlined an aggressive urban development agenda to help the city's growth keep pace with that of Suzhou and Wuxi. To enhance Nanjing's competitiveness as an international production base, Li called for aggressively supporting modern manufacturing industries, recruiting large-scale FDI, and building up the city's development zones and new urban districts. With help from the province and Beijing, Nanjing adjusted its administrative configuration and launched several major investment projects to drive development around the periphery of the city.<sup>42</sup>

As Suzhou, Nanjing, and Jiangsu's other larger cities grew rapidly in the new economic and political climate, however, the Three Metropolitan Circle development framework proved untenable. Though Hui's development approach for Jiangsu supported three distinct regions as growth poles, cities in central and eastern Jiangsu complained about being neglected (Interview NJ071205a). And although large cities were enjoying a moment of very rapid urban and economic development, there was little success at higher-level coordination of rapid urban growth. Provincial control over urban and regional development remained limited, and intense competition among different cities within Jiangsu threatened hopes for a more efficient economic division of labor in the province. Never fully successful, the Three Metropolitan Circles scheme unraveled further after Hui's departure.

#### *Riverside Development and rapid growth of metropolitan Nanjing and Suzhou*

After Li Yuanchao replaced Hui in 2002, a new spatial development strategy took shape in Jiangsu. The Riverside Development (*yanjiang kaifa*) program launched in 2003 aimed both at

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<sup>42</sup> After 2000, three of Jiangsu's counties were converted into or annexed by city districts: Jiangning was converted into an urban district, Jiangpu County was merged into an expanded Pukou district, and Liuhe county was combined with Daguang district to create a new Liuhe district. These changes created a great deal of new development space, and helped to advance metropolitan regional development (Ye 2011, 153). In 2001, the area of Nanjing's High-Tech Development Zone (HTDZ) on the north bank of the Yangtze River was expanded from roughly five to 17.5 square kilometers. And, in May 2002, administrative boundaries were adjusted to align the HTDZ with Nanjing's Pukou urban district (Chen 2009). Through active work of the city government and higher-level support, Nanjing landed huge new petrochemical industry investments and several major foreign-invested projects in its development zones (*Zhongguo jingying bao* 10/10/2002; *Jingji ribao* 10/29/2002).

enhancing Jiangsu's economic competitiveness and at better integrating the province economically. Such an ambitious undertaking required strong executive support, and relied on Li's personal clout and energy as a rising political star.

Though lacking his predecessor's résumé of provincial leadership postings, Li had extensive experience in Beijing and had garnered attention from political observers as a rising star in the Party (Li 2002). Only 52 when he took over as Jiangsu's leader, Li had many years of active political life ahead of him and bright prospects. Li was originally from Jiangsu, but had spent much of his career in Beijing, where he had served as a leader in the Ministry of Culture and the Information Office of the State Council.<sup>43</sup> His prior posts had given Li an opportunity to develop close ties to senior Party leaders, including Hu Jintao (Li 2002; China Vitae; baike.baidu.com). These high-level connections, along with Li's prior experience in Jiangsu as Nanjing's leader, gave him both the political capital and local knowledge to launch major economic and social policy initiatives. The "two take-the-leads" (*liangge shuaxian*) strategy announced by Li at the 2003 Fifth Plenum of Jiangsu's 10<sup>th</sup> Provincial committee, which called for Jiangsu to lead the country in constructing a moderately well-off society and basically achieving modernization, made clear his ambitious aims (Song et al 2005, 308).<sup>44</sup>

Throughout his tenure as Jiangsu's chief, however, Li had to manage a partnership with a governor who had deep political roots in the province and did not always share his priorities. Liang Baohua, appointed at the end of 2002, originally hailed from Jiangxi but had spent several decades in Jiangsu, where he had risen through the ranks to serve in several key leadership posts by the end of the 1990s. Liang was Suzhou Party secretary and deputy Party secretary of Jiangsu between 1998-

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<sup>43</sup> Earlier in his career, Li had risen through the Chinese Communist Youth League system (CYLC), having headed the national CYLC organization and, prior to that, the Shanghai CYLC branch (Li 2002; China Vitae; baike.baidu.com).

<sup>44</sup> In his speech, Li laid out ambitious economic goals for Jiangsu, and put emphasis on science and education and cultural industry development. Li also called for achieving social harmony (including better compensating and supporting landless farmers), improving living conditions, and carrying out a range of market and administrative reforms. There was only modest emphasis on regional rebalancing: Li said Jiangsu should take a step-by-step approach to turning back the trend of growing industrial-rural gaps and regional gaps, but called for Subei to more strongly "fight for itself" (*zishen fendou*) (*Xinhua ribao* 7/23/2003).

2000, and his strong ties to Suzhou and experience in Jiangsu's corridors of power made him a potential counterweight to Li from the outset. Unlike the relatively young Li, however, Liang was 58 when he assumed the governorship, and thus closer to the end of his career (China Vitae; baidu.baikē.com). Moreover, despite his status as a seasoned veteran of Jiangsu politics, Liang's lack of experience and political ties outside the province also meant he had a more limited profile on the national stage than the younger Party chief. These factors may have made it easier for Li, a newcomer to Jiangsu in comparison with Liang, to quickly establish his political authority in the province and get a new policy agenda off the ground.

As Li took over, Jiangsu was facing intense economic competition from its neighbors but also continued pressure to address regional disparities within the province. With Shanghai and Zhejiang announcing a slew of policies to recruit investors and upgrade their business environments in the early 2000s,<sup>45</sup> Jiangsu's leaders saw faster development of industry clusters and logistics infrastructure as crucial for keeping up (Interview SZ011307a). At the same time, with southern cities again booming and the north trailing, Jiangsu again confronted worsening regional gaps.

During his first year in office, Li announced a major adjustment to Jiangsu's development strategy, launching a new Riverside Development program that sought to address both challenges at once. The Riverside Development initiative was based on a plan Jiangsu's Planning Commission had been preparing since summer 2002 (*21 Shiji jingji baodao* 9/4/2003). In contrast with the Three Metropolitan Circles scheme,<sup>46</sup> the new strategy would prioritize development in the Yangtze River

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<sup>45</sup> Between 2002-2004, Shanghai and Zhejiang launched a new wave of efforts to boost local competitiveness following WTO accession. Shanghai unveiled new investment-promotion initiatives, including a "173" policy that would greatly expand the scope of development-zone style policies, as well as efforts to further build up its logistics infrastructure. Shanghai played hardball with its neighbors, shifting many logistics flights away from Hongqiao Airport, located very close to Suzhou, to Pudong Airport on Shanghai's east side. This was a source of major concern for Jiangsu, as many of the cities in southeastern Jiangsu had major electronics industries that depended heavily on access to air logistics (*Jiangsu jingjibao* 4/28/2004). Meanwhile, Zhejiang governor Xi Jinping launched a Hangzhou Bay regional strategy with the goal of building up a strong industrial base around Hangzhou (Tian 2011, 390-396).

<sup>46</sup> Following the appearance of the new policy, discussion of the erstwhile Three Metropolitan Circles framework approach largely ceased (Interview NJ031204a).

corridor running through the middle of the province (*Jingji guancha bao* 2003/7/28). By stimulating industrial development on both banks of the Yangtze and linking the two banks more tightly with new infrastructure and policy initiatives, the strategy aimed to make the province more economically integrated and competitive while also building a stronger foundation for future growth in central and northern Jiangsu (*21 Shiji jingji baodao* 4/15/2004).

Although Riverside Development was similar to the Three Metropolitan Circles plan in its emphasis on economic competitiveness, it differed from its predecessor in the more top-down, integrated approach to development it took. The strategy aimed to create a larger economic core for Jiangsu, and to fashion the province into a more organic economic entity (Wong et al 2008). In its specifics, Riverside Development had a clearer geographic and sectoral focus and greater institutional support than the Metropolitan Circles strategy. The planning area encompassed Nanjing, Zhenjiang, Changzhou, Yangzhou, Taizhou, Nantong, and parts of Suzhou and Wuxi adjacent to the Yangtze River. Smaller cities near the Yangtze would receive expanded development support, but policymakers also stressed the role of key metropolitan areas in building an economic region. “Taking the Nanjing Metropolitan Circle and Suzhou-Wuxi-Changzhou Metropolitan Circle as vehicles,” the Riverside Development Overall Plan said, Jiangsu should “organize an integrated space”(Jiangsu Provincial Government 2006).<sup>47</sup> To provide executive support for the program, the province created a coordinating small group, with a high-level official in charge (Ibid.). Jiangsu’s Planning Commission, meanwhile, was to oversee day-to-day work (Interview NJ031204a).<sup>48</sup>

Through publicity and outreach, the provincial leadership made clear its commitment to Riverside Development. Li Yuanchao touted the new plan at various public meetings and political

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<sup>47</sup> Indeed, the plan devoted particular attention to improving Nanjing’s ports and cross-river infrastructure links, and emphasized development of basic- and capital-intensive industries such as autos, chemicals, metallurgy, and logistics, for which Nanjing was a key base (Jiangsu Provincial Government 2006).

<sup>48</sup> Higher-ranked than ordinary provincial departments, and better equipped to handle coordination across different functional areas and different city jurisdictions, the commission oversaw the preparation of the plan between 2002-2003 and implementation work thereafter (Interview NJ031204a).

events. At a development forum at Nanjing University held in April 2003, Li Yuanchao stressed the importance of Riverside Development for Jiangsu's economic future, calling for support from the whole province to help the initiative succeed (*Xinhua ribao* 4/21/2003). In late June 2003, provincial leaders convened a meeting with officials from the cities along the river corridor to discuss the new plan, mobilize support, and assuage local concerns about the new program. Despite such outreach efforts, however, the new approach was not universally welcomed. Skeptics expressed concern that the strategy would marginalize large parts of northern Jiangsu, including the Xuzhou area and coastal areas far from the river belt (*Jingji guancha bao* 2003/7/28). The plan was also seen as posing an environmental threat to downstream areas (Interview NJ071205a).

Notwithstanding some opposition, Jiangsu's leadership pressed forward quickly with implementation after 2003. The province used infrastructure construction, financial support, and preferential resource allocation to spur faster development along the river corridor.<sup>49</sup> Many new large-scale projects – bridges, port facilities, highways, and industrial operations – sprang up along the Yangtze's banks in the mid-2000s. To speed up development of central Jiangsu and better link northern and southern Jiangsu together, several major projects under Riverside Development targeted the Yangtze's northern bank, including cities such as Jingjiang (Song et al 2005, 314-317).<sup>50</sup>

While the Riverside Development strategy could legitimately claim to be spurring growth in smaller river cities and better knitting together the province, it also provided a framework for rapidly building up major metropolitan areas—especially Nanjing. Suzhou continued to grow rapidly

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<sup>49</sup> One important policy tool was the allocation of generous land-use quotas to cities, giving these cities room to grow and a resource they could monetize for development purposes (Interview NJ051204a).

<sup>50</sup> One signature undertaking was the effort to speed construction of a new port and industry zone in Jingjiang, a small urban area in Taizhou. Since 2001, Jingjiang had been working with Jiangyin, a sub-center of Wuxi located on the other side of the river, to set up a cooperatively managed zone that took advantage of Jiangyin's administrative talent and Jingjiang's land. Under Hui Liangyu, the province had approved this cooperation effort, but concrete progress had been slow. During an inspection visit in January 2003, however, Li Yuanchao praised the initiative and pledged provincial support. Jiangsu extended a raft of preferential policies, including financing, tax benefits, and preferential export rebate policies, and routed a new highway so that it would pass through the zone and spur its development. With this higher-level support, development in the zone sped up dramatically (*21 Shiji jingji baodao* 9/4/2003; Luo and Shen 2009).

following the launch of the Riverside Development strategy, buoyed by its local advantages but also helped by quick development in Zhangjiagang and other port cities helped by the plan. Riverside Development came as a particular windfall for Jiangsu's capital. With nearly 200 km of river bank and many large industrial zones located along the river, Nanjing stood to benefit greatly from Riverside Development. Riverside Development aligned well with existing plans to expand Nanjing's automobile, electronics, steel, and petrochemicals industries, strengthen transportation infrastructure, and extend the city's development across the Yangtze River (*Zhongguo jingji shibao* 8/19/2003). Under the program, the rapid development that had been taking place in Nanjing since the turn of the century accelerated further, and Nanjing's share of provincial FAI spiked between 2003 and 2005. Major projects such as construction of a huge Longtan port facility, upgrading of Nanjing's Lukou Airport, construction of a new train station, and the building of Nanjing's first subway line proceeded rapidly. Nanjing also saw rapid development of new urban districts, including the Hexi area, a new Xianlin "university city," and new districts on the north bank of the Yangtze (Wang, ed. 2006, 131-145; *Jiangsu jingji bao* 6/25/2004; Ye 2011, 127-133).

As with previous regional strategies, Riverside Development encountered growing pushback inside and outside the province over time. Since its launch, some observers in Jiangsu had viewed Riverside Development unfavorably. New industrial zones did not always develop smoothly, and water pollution was indeed an issue. Locating along the Yangtze worked better for basic industries than for knowledge-economy sectors or time-sensitive logistics. Meanwhile, large parts of northern Jiangsu continued to complain of neglect, and there was mounting pressure for new policies that would help northern cities more directly (Interview NJ021204b). Pressure mounted from outside the province as well. The 2004 Tieben Incident, a major industrial corruption case involving a steel enterprise in Changzhou, brought nationwide negative publicity (*21 Shiji jingji baodao* 11/20/2006). Shanghai opposed the Riverside Development strategy, which aggravated pollution problems for



downstream areas and placed competitive pressure on the municipality (Interview NJ071205a). And with the central government actively promoting inter-provincial coordination in the YRD region after 2004, subnational programs that pitted one province against another increasingly ran against Beijing's priorities as well. Even as opposition grew, and other development ideas surfaced, however, Li continued to champion Riverside Development and development of the greater Nanjing region.<sup>51</sup> By the time the program wound down in 2007, Nanjing and several other river cities had enjoyed a hefty catch of new infrastructure and industry investment.<sup>52</sup>

In sum, the first few years of Li Yuanchao's tenure in Jiangsu saw an activist provincial-level role in urban and regional development. While the Riverside Development program was publicized as a way to better link the province's northern and southern halves and stimulate faster growth in the central part of the province, a more careful look at both its content and execution shows that the policy was in large part geared toward enhancing provincial competitiveness by creating a continuous industrial belt along the main axis of the province and building up the capital city. After this burst of developmental work between 2003-2005, however, things slowed down in Jiangsu, as Li's term neared its end and a new policy approach emerged under his successor, Liang Baohua.

### **Rebalancing development, 2006-2010**

During the latter part of the decade, Jiangsu's development approach shifted away from the goal of competitive region-building and metropolitan growth to place more emphasis on balanced development. Some provincial elites felt that Suzhou and Nanjing still lacked the size and amenities

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<sup>51</sup> In Li's report to the Provincial Party Congress in November 2006, he called for deepening Riverside Development, with a particular focus on the "Nanjing-Zhenjiang-Yangzhou" economic area (*Yangzhou ribao* 11/9/2006).

<sup>52</sup> A 2008 report from the Jiangsu Development Planning Commission noted that under the auspices of Riverside Development Jiangsu had seen over 100 billion-plus-yuan projects, and that major progress had been made in developing regional industry clusters for autos, shipbuilding, machine tools, and other sectors. The report also cited rapid growth of high-tech industry and R&D in Nanjing and major headway on key urban infrastructure projects in the city (Jiangsu Development Planning Commission 2/26/2008).

to compete effectively with China's other leading cities,<sup>53</sup> but after several years of rapid growth, opening-up, and urbanization across southern Jiangsu, localities in northern Jiangsu were lagging further behind and calling for more attention. Aggressive lobbying by northern cities for development assistance, paired with greater central emphasis on coordinated regional development under Hu Jintao and Wen Jiabao, outmatched those advocating further efforts to build up metropolitan centers. Meanwhile, the departure of Li Yuanchao left the provincial establishment weaker. With local and central interests constraining provincial policies to a greater extent, Jiangsu adopted a Coastal Development strategy that directed more resources toward medium-sized coastal cities. Having more difficulty obtaining the higher-level support they sought, Suzhou and Nanjing looked for their own ways to boost development and outward ties.

*Central development priorities and a less assertive provincial leadership*

A shifting national development agenda under Hu Jintao and Wen Jiabao placed new demands and constraints on provincial authorities, contributing to a shift in Jiangsu's urban and regional policy after the mid-2000s. Since taking office, Hu and Wen had attached special priority to rural development and assistance for lagging regions. Under the priorities of the national 11<sup>th</sup> FYP, provincial leaders felt new pressure to address Jiangsu's regional and socioeconomic inequality in a more head-on fashion (Interview NJ111307a). Jiangsu's own 11<sup>th</sup> FYP took cues from Beijing and emphasized people-oriented and sustainable development as well as more rigorous spatial planning (Zhao 2009, 243). After 2005, the provincial leadership began to adopt a new set of measures to support development in the northern half of Jiangsu.<sup>54</sup>

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<sup>53</sup> Despite efforts to enhance Nanjing's infrastructure, its competitiveness ranking had slid from 12<sup>th</sup> in 2003 to 20<sup>th</sup> in 2006 (Ye 2011, 67-79).

<sup>54</sup> Li Yuanchao put in place programs to increase cadre rotation between south and north, expanded preferential allocation of resources to the north, and paired northern and southern cities for development cooperation (Interviews NJ071205a; NJ081205a).

At the same time, Beijing's efforts to play a more active role in coordinating YRD regional development also placed constraints on provincial development policies. Starting in the mid-2000s, the National Development and Reform Commission (NDRC) began work on a cross-provincial YRD Regional Plan, with hopes of having the new strategy included in the 11<sup>th</sup> Five-Year Plan agenda.<sup>55</sup> In part a response to the recent burst of economic competition and local protectionism among Shanghai, Jiangsu, and Zhejiang during the early 2000s, the emerging plan sought to promote deeper economic integration of the YRD region and better coordinate infrastructure and industry development (Li and Wu 2013; NDRC 2010).<sup>56</sup> Drawn out by intergovernmental and bureaucratic squabbles, preparation of the YRD plan ended up taking the full latter half of the 2000s.<sup>57</sup> With regional planning underway, however, Jiangsu's government faced more pressure – and had more incentives – to align its own development approach with the broader YRD scheme.

During the late 2000s, there was also less provincial-level political clout to support an urban competitiveness agenda in Jiangsu. Jiangsu's provincial government remained relatively weak in an institutional sense,<sup>58</sup> and the leadership change in 2007 left Jiangsu politically weaker as well. As Li

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<sup>55</sup> The NDRC's Regional Economic Development bureau took the lead in preparing the plan, and solicited help and input from local governments, think tanks, and academic institutions (Li and Wu 2013).

<sup>56</sup> The geographic scope of the final plan was very broad—spanning 16 cities in Shanghai, Jiangsu, and Zhejiang. The Plan called for developing Shanghai as the “dragonhead” of the YRD region while also enhancing development and internationalization of sub-centers such as Nanjing, Suzhou, Wuxi, Hangzhou, and Ningbo and increasing these cities' linkages with Shanghai (NDRC 2010). Unsurprising in light of the complex mix of central and local interests involved, the planning process proved tortuous and friction-prone (Interview SH011301a). After work on the regional plan began in late 2004, many rounds of revisions proved necessary, and the release of the document was continually delayed (*21 Shiji jingji baodao* 12/3/2007). Indeed, the final version of the plan would not be approved by the State Council until 2010—many years later than anticipated. (Li and Wu 2013).

<sup>57</sup> Following leadership reshuffles in Jiangsu and neighboring units, a modified approach to YRD regional planning was announced in mid-2007, with the planning area expanded from the originally envisioned 16 cities to include all of Shanghai, Jiangsu, and Zhejiang, and plans made for stronger central guidance and consolidated regional institutions (*21 Shiji jingji baodao* 12/3/2007). The YRD Plan did ultimately yield some concrete results, including major infrastructure projects such as an Wuxi airport and a Nanjing-Hangzhou rail line (Interview NJ031204a).

<sup>58</sup> Continued provincial-level weakness was apparent in the difficulties the Jiangsu leadership had in its effort to roll out “province manages county” (*sheng guan xian*) administrative reforms in 2006. Despite the fact that the provincial government had made this reform – which would place counties under the fiscal supervision of the provincial government rather than municipal authorities – a major priority under its 11<sup>th</sup> FYP, strong city-level resistance stymied implementation efforts (*21 Shiji jingji baodao* 3/29/2006).

Yuanchao's term as Party secretary concluded, governor Liang Baohua rose to become Party chief. Despite his long experience with high-level posts in the province, Liang lacked the national political standing of Li, and was in his early 60s – and presumably close to the end of his career – when he took over. As Liang was promoted, Luo Zhijun, who had previously served as Nanjing's Party secretary and mayor and had deep roots in the city, moved into the governor slot (China Vitae; baike.baidu.com).

The new leadership team's development policies placed more stress on supporting lagging regions and distributing investment more widely across Jiangsu's territory, reflecting a more subdued provincial approach than what had come before. In 2007, Jiangsu endorsed a "four corridors" (*si yan*) spatial strategy that, in contrast to the heavy river belt emphasis in the mid-2000s, called for supporting four different belts of development in the province (Jiangsu Provincial Research Office 2010, 281). Over the following three years, Jiangsu promoted regional re-balancing by fostering clusters of major projects across different parts of the province.<sup>59</sup>

### *Jiangsu's Coastal Development Strategy*

In 2007, as Liang replaced Li, Jiangsu launched a Coastal Development (*yanhai kaifa*) strategy that shifted the spatial focus of development away from the Yangtze River corridor to the less urbanized and industrialized coastal prefectures of Lianyungang, Yancheng, and Nantong. Although it was coordinated and carried out by the provincial government, the new strategy reflected stronger sub-provincial and central input than Riverside Development.

The Coastal Development Strategy had various past precedents and had been a long time in the making, but municipal and central-level maneuvering contributed in an important way to its

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<sup>59</sup> This followed on the approach Liang had taken while governor. He had made calls on different occasions for stronger support of northern Jiangsu's development, including an opinion put forward at a 2005 work meeting devoted to the theme of "Accelerating Northern Jiangsu's Revitalization and Pushing Forward Regional Common Development" (*Neikan yaowen huibian* 2005).

launch. In prior years, provincial policymakers had called attention to the need to support development of the lagging coastal region at various points, and variants of the term “coastal development” had been used several times since the 1990s.<sup>60</sup> Northern cities’ continued economic travails were harder to ignore in the mid-2000s after several years in which Jiangsu’s growth rate had far exceeded the national baseline.<sup>61</sup> In early 2005, the provincial People’s Congress had taken up and forwarded to the provincial government a proposal for a new coastal development initiative. On that occasion, however, conflicting views within the provincial leadership – particularly resistance from policymakers who saw Jiangsu’s river corridor as the top regional priority – had stalled the adoption of a new program (*21 Shiji jingji baodao* 11/20/2006).<sup>62</sup>

Over the following years, however, aggressive political outreach by northern cities helped bring about a new wave of higher-level support for the coastal region.<sup>63</sup> In 2006, Lianyungang’s leaders lobbied aggressively to persuade premier Wen Jiabao to visit Lianyungang and offer his endorsement of stronger development efforts there (Interview NJ111307a). This gambit succeeded, and Wen Jiabao made a high-profile visit to Lianyungang in early January 2007. Besides inquiring about agricultural issues and visiting with local peasants, Wen used the tour to call for a build-up of

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<sup>60</sup> During an inspection tour in 2005, then-governor Liang Baohua had called for more research on how to spur industrial development in the coastal region, which accounted for only one-sixth of provincial GDP. Liang had stressed the importance of coastal development, and advocated building up wind power, developing liquefied natural gas infrastructure, and enhancing agriculture in Jiangsu’s coastal region (*Xinhua ribao* 5/31/2005). A book commissioned on this topic emphasized the ample land, port development potential, and rich environmental resources of Jiangsu’s coastal region (Huang and Xie, eds. 2006, 1-8, 21-22). In 2005, Liang had advocated building up wind power and developing liquefied natural gas in Jiangsu’s coastal region (*Xinhua ribao* 5/31/2005).

<sup>61</sup> Jiangsu’s annual GDP growth between 2000 and 2005 had averaged 16 percent, substantially above the 12 percent growth rate of the country as a whole (China Data Online; author’s calculations).

<sup>62</sup> According to one report, although the provincial leadership held several meetings on this motion and originally planned to hold a meeting to announce a strategic policy decision in mid-2006, no such meeting occurred. Concerns over whether Jiangsu’s coastline – much of it shoals and marshland – was suitable for large-scale development, and whether investment in this area could yield strong returns had been a sticking point. Some policymakers argued that focusing on the river belt would be more conducive to development in the northern part of the province, and favored development of the Nanjing-Zhenjiang-Yangzhou area as a way to prop up the economy of central Jiangsu and, by extension, to stimulate faster development in the north (*21 Shiji jingji baodao* 11/20/2006).

<sup>63</sup> A port city in the northeastern corner of the province, Lianyungang had long had strategic importance as a good natural harbor and the eastern terminus of China’s Longhai rail line. The city had enjoyed preferential reform and opening policies since the 1980s, but had developed very slowly in comparison with southern Jiangsu.

Lianyungang's industry and infrastructure. Wen stressed Lianyungang's significance for China's national economy as a key regional port and as the eastern end of a new Eurasian "land bridge" (State Council Office 2007). Responding to Wen's guidelines, the provincial leadership held a meeting in early March 2007 to unveil plans for a new development drive in Lianyungang. Li Yuanchao, Liang Baohua, and other officials called for building up Lianyungang as the "dragonhead" (*longtou*) of northern Jiangsu, and discussed plans to extend various forms of economic support to the city (*Xinhua ribao* 3/3/2007).<sup>64</sup>

After taking over Jiangsu's leadership post, Liang Baohua took advantage of the political opportunity provided by the new Lianyungang development initiative to seek central support for a broader Coastal Development program. The provincial government launched new rounds of research and planning, and also mobilized dignitaries and respected academics to speak in favor of the plan (Interview NJ111307a). Finally, in 2009 Jiangsu succeeded in winning State Council approval for its Coastal Development strategy, and a provincial work meeting was held to make plans for expanding investment and policy support in the region. More concrete arrangements followed in the fall, as Jiangsu promulgated an opinion on Coastal Development, and formulated 13 special plans and three implementation schemes. To provide financial and organizational support for the program, the provincial government created a capital-raising platform and established a Coastal Development enterprise group (Jiangsu Provincial Research Office 2010, 282-298).

Implementation work for Coastal Development proceeded quickly during 2009 and 2010. The provincial government and the city governments of Lianyungang, Yancheng, and Nantong carried out a wave of investments in transportation infrastructure and regional industry clusters. Highway development accelerated dramatically, and investment poured into new port facilities and

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<sup>64</sup> Provincial leaders called for using the assignment of skilled cadres, preferential provision of financial aid and development resources, and construction of major investment projects to build up Lianyungang. These efforts would focus on port development and improvement of the city's urban environment (*Xinhua ribao* 3/3/2007).

development zones. Particular emphasis was placed on chemicals production and other heavy industries (*21 shiji jingji baodao* 8/6/2012). Under the stimulus of these policies, development in the coastal region accelerated: In 2009, for instance, the region recorded GDP growth of 13.8 percent and urban FAI growth of 28.8 percent (Jiangsu Provincial Research Office 2010, 291-298).

Like its predecessors, however, the Coastal Development strategy encountered criticism. The program faced growing scrutiny over its resource-intensive, relatively low-end development model. With new investment projects spread over a wide area that was not very internally integrated, the agglomeration benefits of the program were less clear than for Riverside Development. Indeed, some of the major port development projects carried out, including one in Yancheng's Dafeng county, were located far from large urban centers.<sup>65</sup> At the same time, some policy experts raised concerns over the environmental damage being caused by heavy industry and port-building in Jiangsu's coastal wetlands (*21 Shiji jingji baodao* 8/6/2012; Interview NJ071205a).

#### *Limited support for main metropolitan centers*

With the provincial government's attention turned toward coastal cities, Jiangsu's main metropolitan centers received less concerted support from higher-level policymakers. Although Suzhou's red-hot growth in the first half of the 2000s had made the city Jiangsu's undisputed economic leader, the provincial government treated it somewhat coolly in the latter half of the decade. Following the frustrating results of the early 2000s, Jiangsu had largely abandoned the Suzhou-Wuxi-Changzhou Metropolitan Circle project, leaving the cities more to their own devices. During the late 2000s, Suzhou and its neighbors saw less of the concerted infrastructure investment and preferential policy treatment they had gotten in earlier years (Interview NJ031205b). Meanwhile,

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<sup>65</sup> This port development project in Yancheng's Dafeng county was done cooperatively with Shanghai (Interview BJ061307b).

the special administrative privileges of the Suzhou Industrial Park became diluted with the passing of time, as the zone used up much of its allotted space and preferential policies were given out more broadly (Interview SZ031307a).<sup>66</sup> In addition, Suzhou felt constrained by the limited land quotas Jiangsu was giving it, frustrated to have projects ready but little land available (Interview SZ021307a).

While Jiangsu had little choice but to allow Suzhou a high level of policymaking autonomy, it rebuffed the city's efforts to obtain higher administrative status and to consolidate control over its territory in a way that would strengthen the city government's hand. For several years, Suzhou had pressed for an upgrade to deputy-provincial status, but to no avail (Interview SZ021307a). As the city tried to transition away from extensive industrialization and urban growth and upgrade its economy and urban environment, its leaders viewed the lack of deputy-provincial status and the trappings thereof – including higher rates of retention for local fiscal revenue, higher-quality infrastructure, and larger numbers of major academic institutions – as a key obstacle (Xu 2010). One local scholar complained about this “political binding effect,” arguing that it “makes it hard for Suzhou to engage in competition with Beijing, Shanghai, and other cities on a fair footing, and means that Suzhou has no way to join the ranks of top-tier cities” (Su 2012). Suzhou's inability to obtain higher status – attributed in large part to Jiangsu's unwillingness to part with fiscal revenues and administrative influence – had limited the city's “development space” and resources.<sup>67</sup>

Without concerted higher-level support, Suzhou nevertheless did its best to push forward development in the late 2000s. The city continued to enjoy good access to Beijing and the provincial

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<sup>66</sup> That said, the zone did continue to enjoy relatively advantageous land-planning, foreign economic, and project-approval policies (Interview SZ031307a).

<sup>67</sup> Beyond this, the fact that Suzhou remained a prefectural-level city meant that the municipal government lacked sufficient bargaining power vis-à-vis the county-level governments under it to pool the city's resources and build the central city districts into a world-class metropolitan center (Su 2012). Unable to exert effective control over county-level governments, Suzhou's municipal government had sought since 2003 to have subsidiary units such as Wujiang annexed to the central urban area to expand its “development space,” but Jiangsu continued to withhold its approval in the late 2000s (Interview SZ021307a). Annexation of Wujiang city into Suzhou's central urban area did ultimately happen—in 2012. Around the same time, three central-city districts were merged to create a Gusu District (Interview SZ021307a).



government, and was in a position to lobby for various benefits (Interview NJ031204a). City-level policymakers adopted stronger policies to support advanced industrial and service sectors such as finance.<sup>68</sup> To address land-shortage issues, Suzhou purchased land quotas from other cities through new market mechanisms where possible, and launched cooperation with cities in northern Jiangsu whereby northern cities provided land and Suzhou contributed capital and management expertise (Interview SZ021307a).<sup>69</sup>

After 2007, Nanjing too perceived a lack of strong higher-level support for its development. Some local policy experts saw the regional policy approach taken under Liang Baohua as a threat. As one wrote, “[...] to a great extent, the implementation of the Coastal Development Strategy also scatters Nanjing’s development resources, and may constitute a serious challenge to Nanjing’s development” (Huang et al 2009, 55). Despite the city’s perceived importance as provincial capital, its investment growth tapered off in the late 2000s, and Nanjing did not get disproportionately high allotments of land and other resources.<sup>70</sup> And, when city leaders from Nanjing and neighboring cities organized research and planning work for a Nanjing-Zhenjiang-Yangzhou Regional Cooperation

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<sup>68</sup> In recent years, Suzhou has placed more emphasis on developing central-city functions such as commerce and finance, as well as on grooming knowledge-oriented industries and high-end residential and leisure areas (Interview SZ021307a).

<sup>69</sup> In recent years, a more decentralized system of land quota exchange and compensation has taken shape in Jiangsu, supplanting the more top-down land management system of the past. Local governments can negotiate with one another to transfer land-use quotas, enabling cities from southern Jiangsu that are short on land to acquire land quotas from cities in other parts of the province (Interview NJ051204a). More recently, Suzhou has also worked to develop tighter transportation links to Shanghai, including an extension of the Shanghai Metro to serve Kunshan, and the development of a unified transit card system for Shanghai and southeastern Jiangsu. According to a Shanghai-based policy expert, provincial authorities have taken part in such discussions and planning, but local governments have led the efforts (Interview SH011301a).

<sup>70</sup> According to one local land policy expert, Nanjing has not been highly favored by Jiangsu in terms of land allocation, though the fact that it hosts various education, research, and state institutions helps it to obtain higher quotas (Interview NJ051204a). Many Nanjing elites felt that the city was not getting as much support from Jiangsu province as it might. Jiangsu was seen as more preoccupied with helping the Suzhou-Wuxi-Changzhou area and expanding aid to poorer parts of the province (Interview NJ031205b).

and Development Strategy and sought higher-level support between 2009 and 2011, there was little provincial and central aid forthcoming (Interviews NJ031204a; NJ021204b).<sup>71</sup>

In the absence of much help from the provincial government or Beijing, city-level actors did what was in their power to upgrade Nanjing's urban environment and better integrate the broader metropolitan region. While the province played a background role, city governments laid out new plans for economic cooperation. From 2004 on, construction offices from various cities in Jiangsu and Anhui had held meetings on project planning for the larger Nanjing region, and in 2006 they worked together to formulate a five-year plan for infrastructure construction. Starting in 2007, the cities of the larger Nanjing Metropolitan Circle region convened annual Mayors' Summits that addressed different key themes on the regional integration agenda (Nanjing Metropolitan Circle Yearbook Committee 2011, 547-548).<sup>72</sup> At the same time that Nanjing engaged with neighboring cities on regional cooperation projects, the city pushed ahead with a Cross-River Development Strategy, promoting large-scale urban construction on the north side of the Yangtze.<sup>73</sup>

Despite active efforts by municipal governments, however, lack of authoritative political mechanisms to manage inter-city cooperation and delays in securing higher-level approvals and

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<sup>71</sup> In December 2009, city leaders from Nanjing, Zhenjiang, and Yangzhou met to launch research on a Nanjing-Zhenjiang-Yangzhou Regional Cooperation and Development Strategy, with the goal of strengthening the region's competitiveness and attracting development support for major infrastructural projects. Nanjing mayor Ji Jianye and his counterparts chaired the meeting, while Nanjing University Party Secretary Hong Yinxing was tapped to serve as coordinator for the research (*Nanjing ribao* 12/9/2009). Over the following two years, the team produced a detailed report and reached out to higher-level actors in the province and the NDRC in hopes of winning state-level recognition for the plan. The province never fully threw its support behind the project, however, and the NDRC declined to offer its help (Interviews NJ031204a; NJ021204b).

<sup>72</sup> The cities also worked together to launch a yearly Large Project Investment Forum, at which city governments recruited investment for major projects in the region. In 2009, this meeting resulted in agreements for 169 projects totaling over 100bn yuan. And they worked to develop a variety of other projects to aid regional integration—such as a unified transit card for the region, coordination of toll stations, and efforts to jointly promote tourism in the area (Zhu and He 2010, 210-215).

<sup>73</sup> Nanjing's strategy aimed at speeding up development on the north side of the river and building up Pukou district. Insufficient cross-river infrastructure and slow urban and industrial growth on the north side of the city were seen by city experts as holding back the city's overall development and its ability to serve as an influential regional center (Jiangsu Province Urban Development Research Institute, date unknown; Huang et al 2009, 32-33, 47-48). According to one city government researcher, Nanjing was fairly autonomous in formulating its development plans (Interview NJ091205a).

resources for planned infrastructure projects meant progress remained limited through the end of the 2000s. The idea of building a more closely integrated Nanjing-Zhenjiang-Yangzhou region to serve as the leading area for the broader Nanjing economic region hit snags. Although a secretariat for the Nanjing Metropolitan Circle had been established earlier, there was no standing body set up to manage Nanjing-Zhenjiang-Yangzhou work (Interview NJ031205b). Coordination of urban, industrial, and logistics development in the three cities proved hard, as Nanjing's neighbors resisted taking orders from Nanjing (Interview NJ021204b). As late as 2012, little headway had been made in building a rapid inter-city rail system between the three cities, and city governments showed limited coordination in their industry development, port construction, and urban spatial planning (Interview NJ031205b). Together, these issues hindered Nanjing's quest to remake itself as a more competitive metropolis. Though Nanjing would see some new opportunities for development after 2010,<sup>74</sup> many in Jiangsu perceived the city's development after the mid-2000s as "below expectations" (*buzhengqi*).

Overall, then, the late 2000s were a period of rebalancing in Jiangsu's urban and regional development. After extremely fast and somewhat chaotic growth of core urban areas during the first half of the decade, higher-level policymakers increasingly saw addressing regional disparities as a more urgent priority than strengthening the province's leading metropolitan centers. At the same time, Jiangsu's provincial government was squeezed by new central demands for regionally coordinated development and subprovincial political pressure to spread more wealth around. Under a politically weaker leader, the provincial government responded to these pressures. Liang Baohua's administration worked to bring greater development to the northern part of the province, while the provincial government took a more passive role when it came to promoting and coordinating the

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<sup>74</sup> In the early 2010s, there was discussion of the possibility of a cross-provincial regional plan for the Nanjing metropolitan region that might be able to win central support (Interview NJ031204a). And Nanjing's preparations for hosting the 2014 Youth Olympics also offered a window of opportunity for building new infrastructure, such as additional subway lines (Interview NJ091205a).

growth of Suzhou and Nanjing. In the absence of provincial help, city-level authorities played a proactive role, working to forge stronger economic links to neighboring regions. Some of their more ambitious goals were frustrated, however, by the lack of strong material support and political support from the provincial government and Beijing. Neither Suzhou nor Nanjing emerged as a first-class metropolitan center in its own right able to compete more directly with Shanghai or Guangzhou. At the same time, however, Jiangsu's polycentric development model helped several different urban centers across the province thrive, thereby spreading economic opportunities more widely and helping Jiangsu avoid some of the problems of mega-city governance.

### **Discussion and conclusions**

Jiangsu saw marked variation in its urban and regional development policies between the mid-1990s and the end of the 2000s, and limited metropolitan bias overall. Whereas the provincial government had made way for rapid, bottom-up development across southern Jiangsu in the 1980s and early 1990s, higher-level government actors intervened in urban and regional development more forcefully thereafter. During the late 1990s, the provincial government promoted growth in the lagging north. Leaders adopted a more big city-focused development philosophy at the turn of the century, and worked to support the development of larger, more integrated metropolitan areas in the early 2000s. During the mid-2000s, the provincial government launched a regionally focused economic strategy, prioritizing development of areas along the Yangtze River in order to boost competitiveness and better integrate the provincial economy. Then, from 2007 on, the slant of development policies shifted again under a new regional strategy targeting Jiangsu's coastal cities.

While Suzhou and Nanjing saw rapid economic and population growth between 1996 and 2010, the cities' growth rates fluctuated over time and did not dramatically outpace the growth of Jiangsu as a whole. Except for a few years in the early and mid 2000s, investment does not appear to

have been disproportionately concentrated in the province's largest cities, and neither Suzhou nor Nanjing became much more dominant in the provincial economy. Instead, Jiangsu's polycentric economic geography became more ingrained, with several different urban areas developing rapidly.

Of course, policymakers in Jiangsu had sound economic reasons for dispersing investment and policy support across different cities and regions, and for pivoting between competitiveness-oriented and more-balanced spatial strategies at different moments in time. Because the cities of southern Jiangsu were growing quickly and could draw on local and foreign capital as well as state resources to spur growth, they were less in need of state support.<sup>75</sup> Meanwhile, northern Jiangsu, which remained heavily rural and lacked adequate local capital for industrial and infrastructural development, had a greater need for higher-level support (Interview NJ081205a). And shifting macroeconomic circumstances and various exogenous shocks – from the Asian Financial Crisis, to WTO accession, to nationwide inflation during the mid-2000s – required a continuous rebalancing in Jiangsu of the priorities of rapid growth and broad-based, sustainable development.

Yet Jiangsu's development policies were more than mechanical responses to changing economic conditions. Economic realities are necessarily interpreted through a political lens, and governments can be proactive as well as reactive. A closer look at outcomes in Jiangsu has shown that strategic state interventions shaped the development of cities and regions in important ways, and that the making and execution of policies were in turn shaped by political considerations.

Jiangsu's leading position in development meant that the objective of increasing competitiveness did not trump all other issues. Provincial leaders as well as central leaders were worried about helping lagging regions, because they perceived threats to the social and political stability of the province, and to the sustainability of growth in Jiangsu. Jiangsu's high population

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<sup>75</sup> And because there were several large and medium-sized cities with fairly strong industrial bases and urban infrastructure in the province, fostering more advanced economic sectors did not require huge, concentrated capital investments (Interview NJ051205b).

density, and the large flows of migrants to southern Jiangsu from northern Jiangsu cities and areas outside the province after the 1990s placed strains on southern cities' infrastructure and environment, prompting concerns about social stability and ecological sustainability. The prospect of increasingly congested and ungovernable cities called for measures to promote more dispersed urban growth (Interview NJ071205a). And because leaders were not single-mindedly preoccupied with boosting development, they also worried about the political consequences of further strengthening large cities such as Suzhou that were not fully under their control.

Even in a relatively open and market-oriented province, urban and regional development policy was highly politicized. In Jiangsu, urban and regional policy had important implications for the distribution of key development resources. While Riverside Development and other initiatives involved a limited amount of direct provincial-level investment in industry, these programs preferentially allocated land-use quotas, financing, and infrastructure investment to priority areas (Interview NJ111307a). Favoring one part of the province in terms of policy support and resource allocation necessarily affected the interests of other regions, and initiatives like the Three Metropolitan Circles plan, Riverside Development, and Coastal Development generated backlash from areas that were marginalized.

Urban and regional policies also had important implications for elite politics and intergovernmental relations. Jiangsu's top leaders saw achievements in the urban and regional development realm as a crucial piece of their policy legacies, and pushed planners and working-level bureaucrats to help craft and realize their development visions (Interview SZ021307a). Major initiatives were tied to the personalities of the leaders who launched them, and, accordingly, development policy could become a front for larger political struggles. At the same time, as Xu (2008) and Luo and Shen (2008) have noted, urban and regional policies had major consequences for intergovernmental relations, insofar as different approaches gave different administrative levels

larger or smaller roles in development. The Three Metropolitan Circles and Riverside Development programs, for instance, sought to assert greater provincial planning authority as well as enhance Jiangsu's economic competitiveness.

The weakness of the provincial establishment relative to localities, on the one hand, and the central government on the other, tended to limit metropolitan bias in Jiangsu. Whereas the impulse of provincial governments is to aggrandize the provincial unit and the key centers thereof, central actors are more concerned with integrating the national economic “chessboard” and building up key national economic centers. Beijing paid close attention and offered much support to Jiangsu, but the center also placed high demands on the province given its role as a leader in development and as a microcosm for addressing China's regional coordination problems. At the same time, Beijing prioritized the economic integration and development coordination of Jiangsu with Shanghai and neighboring provinces. Centrally driven development schemes such as the YRD Regional Plan limited the scope for Jiangsu to carry out initiatives geared toward provincial competitiveness.

To an even greater extent, though, it was the clout of localities in Jiangsu politics that limited the amount of spatial bias in development policies. The fiscal and administrative strength and strong outward linkages of Suzhou and other large Jiangsu cities limited the provincial government's ability to dictate the terms of development, and also created anxiety about partial or complete administrative breakaway of these cities from the province. The provincial government struggled to coordinate cities effectively when it inserted itself in metropolitan governance, and remained wary about investing resources in areas not fully under its own control. Meanwhile, the fact that Nanjing, Suzhou, and Wuxi all held seats on the provincial Party standing committee limited the cohesiveness of provincial decision-making, and made it hard to privilege one top city while excluding others from benefits. And the strategic positions of several Jiangsu cities in the YRD region – and in the national economy more generally – in some cases enabled cities to lobby Beijing directly for support.

Lianyungang's outreach to the central government, and Beijing's subsequent pressure on Jiangsu to aid northern cities, attest to the capacity of cities in Jiangsu to exercise sway over development policy not only at the implementation stage but also at the formulation stage.

Consistent with the main hypotheses advanced in Chapter 1, the period of greatest metropolitan bias in Jiangsu – the early 2000s – coincided with the moment of greatest economic threat and the height of provincial-level strength. During the early 2000s, Jiangsu was still regaining its economic footing in the aftermath of the Asian Financial Crisis, and was adjusting to the new realities of WTO membership. Because Jiangsu had not fully completed its transition out of low-value-added manufacturing and processing industries to more advanced manufacturing and service industries, and lacked urban centers with amenities comparable to those offered by Shanghai, Guangzhou, or Shenzhen, success in the post-accession environment could not be taken for granted. At the opening of the 21<sup>st</sup> century, the immediate challenge of maintaining Jiangsu's external competitiveness loomed large relative to the issue of unbalanced development.

The early 2000s were also a period of strong provincial-level leadership—under Hui Liangyu and especially Li Yuanchao. As relatively young leaders who brought experience and ties from outside the province and had already established themselves as rising stars, Hui and Li enjoyed the political capital and career incentives to support bolder change in policies within Jiangsu. Prioritizing Jiangsu's economic competitiveness, each adopted policies that more heavily concentrated policy support and resources in the main metropolitan areas and more developed regions of the province. Li displayed greater political clout than his predecessor, adopting a unified provincial development strategy where Hui had dealt separately with different parts of the province. Still, even Li had to contend with the reality of fragmented governance and limited provincial power in Jiangsu. Over time, both the Three Metropolitan Circles scheme and Riverside Development foundered on intra-provincial opposition.



To a greater extent than some past research has acknowledged, then, provincial-level policies and politics have shaped Jiangsu's urban and regional development. Development strategies have shifted frequently, with their effects washing out over time. But the provincial unit nevertheless has functioned as a key arena for developmental governance and the politics that surrounds it.

## **V. Hunan and Jiangxi: The Politics of Lagging Growth and Leading Areas**

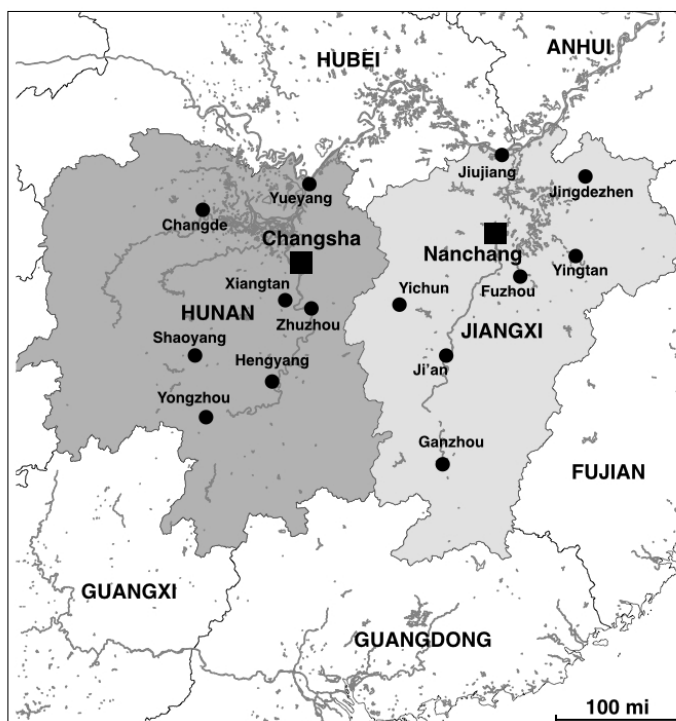
### **Introduction**

This chapter traces the making and execution of development policies in Hunan and Jiangxi, neighboring provinces in central China that in recent decades have grappled with similar challenges of economic backwardness and marginalization. As these cases show, crises of lagging economic performance can provide occasion for sweeping policy changes and bold state initiatives to enhance competitiveness. But policy outcomes are not determined by economic circumstances alone. Similar underlying conditions may be framed in different ways and lead to varying policy approaches depending on which government actors set the agenda and dominate the making of development policy. In urban and regional development, political variables do not only influence which sectors and which locations receive state support. They also affect the extent to which development strategies foreground the problems and interests of particular territorial entities – the nation, the province, or the locality – instead of focusing on other units. Here, I show how varying intergovernmental power balances have led to different policy approaches in otherwise similar places: high metropolitan bias in Hunan and more spatially balanced development in Jiangxi.

Given their similar starting conditions and diverging paths, the cases of Hunan and Jiangxi offer an excellent opportunity to parse the factors that influence development approaches. Truly controlled case comparisons are elusive, but social scientists continue to gain key causal insights by tracing how varying outcomes arise in similar units (Slater and Ziblatt 2013; Anckar 2008; George and Bennett 2004). Hunan and Jiangxi show many relevant similarities. The two provinces are located side by side in the lush but rugged interior of south-central China. Both are historically rural, underdeveloped, and inward-looking. Helped by their agricultural bounty, Hunan and Jiangxi saw improvements in living standards and fared relatively well in the Maoist period. But both provinces

fell far behind neighboring areas in development and opening-up after 1978, and by the 1990s faced crises of economic marginalization. Amid these difficulties, policy elites called for more aggressive efforts to enhance urban and industrial competitiveness.

**Figure 5.1: Map of Hunan and Jiangxi provinces and major cities**



*Source: Figure by author; Shape files obtained from China Historical GIS ([www.fas.harvard.edu/~chgis](http://www.fas.harvard.edu/~chgis))*

Although Hunan's and Jiangxi's development policy approaches and outcomes during the 1980s and early 1990s were similar, the provinces followed varying courses after the mid-1990s. Between the late 1990s and 2010, Hunan was earlier in adopting and more forceful in implementing a strategy of metropolitan-oriented, uneven development. Provincial leaders prioritized development in and around the capital city of Changsha. Jiangxi's development approach, in contrast, never showed such pronounced metropolitan bias. Jiangxi pursued a balanced, rural-oriented strategy of urban and regional development in the late 1990s before shifting to a more metropolitan-oriented approach for several years in the early 2000s. After 2006, the province reverted to more spatially balanced policies, emphasizing coordinated urban-rural development and environmental issues.

Varying policy approaches had important consequences for development outcomes in Hunan and Jiangxi. Changsha grew explosively after the late 1990s, becoming one of the most dynamic urban areas in the country.<sup>1</sup> The rise of Nanchang, Jiangxi's capital, was less meteoric and less sustained. On the other hand, Hunan saw widening regional and urban-rural inequality, while in Jiangxi rural incomes grew nearly in step with urban incomes and smaller urban centers across the province made larger economic strides between the late 1990s and 2010.

**Table 5.2: Top-city and full-province development outcomes for Hunan and Jiangxi**

<i>City</i> PROVINCE	<i>1996-2010</i> GDP growth *, %	<i>1996-2010</i> share of prov. FAI, %		<i>Per capita</i> GDP, 10,000 yuan	<i>Per capita</i> road area in urban districts, m <sup>2</sup> per person	<i>Per capita</i> fiscal expend., 10,000 yuan per person	<i>Per capita</i> hospital capacity, beds per 10,000 people	<i>Per capita</i> university enrollment, students/ 10,000 people	<i>Provincial</i> rural per capita income, yuan
<b>Changsha</b> <b>(HUNAN)</b>	16.6 (11.8)	31.0 (100)	<b>1996</b>	0.70 (0.40)	5.66 (4.11)	0.05 (0.03)	31 (14)	120 (21)	(1,792.3)
			<b>2010</b>	6.99 (2.25)	14.91 (10.10)	0.62 (0.38)	62 (31)	782 (148)	(5,622.0)
<b>Nanchang</b> <b>(JIANGXI)</b>	13.5 (12.8)	21.6 (100)	<b>1996</b>	0.75 (0.34)	3.15 (5.10)	0.03 (0.03)	35 (20)	118 (21)	(1,869.6)
			<b>2010</b>	4.38 (2.01)	10.62 (10.25)	0.46 (0.41)	35 (24)	976 (174)	(5,788.6)

Sources: China Data Online; Hunan Bureau of Statistics (various years); Jiangxi Bureau of Statistics (various years); author's calculations.  
\*I calculate the compound annual growth rate of GDP.

I find that metropolitan-oriented development progressed faster and further in Hunan in large part because of greater provincial government strength. Heading into the period of interest, Hunan displayed greater institutional strength than Jiangxi, with administrative resources and policy authority more concentrated at the provincial level. At the same time, Hunan's provincial establishment also enjoyed more political leverage relative to Beijing above and localities below.

<sup>1</sup> In 2000, Changsha's leadership called for using 15 years to build an "economic strong city," and set the goal of achieving GDP totals of 100 billion yuan by 2005 and 280 billion yuan by 2015. By 2008, Changsha's GDP had already surpassed 300 billion yuan, and Changsha ranked fifth overall among provincial capitals in terms of its overall economic strength by some assessments. After 2000, Changsha successively overtook Changchun, Fuzhou, Xi'an, Harbin, and Shijiazhuang in economic strength rankings, and in a 2008 city competitiveness report placed in the top 10 (Li 2009).

Both historically and more recently, Hunan has been a more cohesive political entity than Jiangxi. And, for much of the period, Hunan had better-connected and higher-profile leaders in place.

Hunan's provincial government strength enabled the framing of development strategies around provincial-level priorities and helped the province mobilize internal resources and external influence on behalf of Changsha's development. In Jiangxi, the metropolitan agenda was not nearly as dominant in policy-making. Development strategies aimed to address multiple development priorities, and the political strength of the hinterland constrained the implementation of pro-metropolitan initiatives in the province. With Beijing's influence and local interests shaping the policy process to a greater degree, greater emphasis was given to rural problems, environmental issues, and inter-regional coordination. Both provinces saw high metropolitan bias during the tenures of "rising star" leaders, but in Hunan a succession of activist leaders – supported by strong provincial-level institutions – kept a metropolitan-oriented development strategy in place over time.

Greater overall metropolitan bias in Hunan also reflected the province's more stubborn economic difficulties. Whereas Jiangxi achieved relatively fast economic growth after the early 2000s, Hunan continued to trail much of the country in industrial growth and internationalization. While Jiangxi's changing fortunes helped to erode the rationale for metropolitan-oriented development, policymakers in Hunan continued to view the creation of a world-class metropolis as an economic imperative. Still, politics mattered considerably: Even after Hunan's growth picked up pace in the late 2000s, strong provincial backing kept the metropolitan agenda alive.

In what follows, I first discuss the main explanatory factors of interest, describing the similar development challenges Hunan and Jiangxi faced after the 1990s and the varying intergovernmental power balances seen in the two provinces. The bulk of the chapter traces the evolution of urban and regional policies and development outcomes across three different Five-Year Plan (FYP) periods. I describe key features of and shifts in provincial policy approaches, and show how economic

circumstances and political factors affected the degree of metropolitan bias in development. The chapter concludes by reviewing the evidence in favor of my argument and addressing alternative explanations of the outcomes seen in Hunan and Jiangxi.

### Crises of lagging economic performance

Heading into the 21<sup>st</sup> century, Hunan and Jiangxi, notwithstanding their agricultural bounty lagged behind much of the country in economic growth and internationalization. Since early in the reform era, policymakers in Hunan and Jiangxi had struggled to open up their economies, shift labor out of farming, stimulate industry, and stanch outflows of talent and capital to coastal regions. Experts in both provinces pointed to lagging urban growth as a key developmental bottleneck.

**Table 5.3: Basic development indicators for Hunan and Jiangxi**

<i>PROVINCE Top city</i>	<i>2000 pop- ulation (mn)</i>	<i>2000 GDP (bn yuan)</i>	<i>2000 GDP per capita (yuan)</i>	<i>2000 urban- ization rate (%)</i>	<i>1990-2000 provincial CAGR (%) (difference from natl. avg)</i>	<i>2000 openness (FDI and exports share of GDP) (%)</i>	<i>2000 capital urban population* (mn)</i>	<i>2000 capital city GDP share</i>
HUNAN (Changsha)	65.6	355.1	5626	27.5	7.7 (-2.4)	5.2	1.86	0.18
JIANGXI (Nanchang)	41.5	200.3	4828	27.5	8.6 (-1.4)	5.9	1.76	0.22
Avg. of 20 provinces	55.1	410.5	7266	36.2	9.2 (-0.9)	15.3	2.61	0.24

Sources: China Data Online; author's calculations. \* This records non-agricultural population. \*\*Compound annual growth rate.

Hunan and Jiangxi resemble each other considerably both in terms of geography and in terms of economic structure. Verdant mountains and broad river basins dominate the landscapes of both provinces. With fertile soil and abundant freshwater, Hunan and Jiangxi are agricultural heavyweights and major exporters of grain and other foodstuffs to the rest of China. Throughout their modern histories, however, Hunan and Jiangxi have remained comparatively poor and insular. During the century prior to 1949, both provinces lacked major industrial cities, and neither was tightly tied into China's quickly growing maritime economy. Unlike Hubei, their neighbor to the

north, both provinces had remained largely closed to foreign commerce.<sup>2</sup> Indeed, provincial elites in Hunan and Jiangxi were notorious for their resistance to foreign economic and cultural influence (McDonald 1978; Feng 1999; Platt 2007).

In the years after the Communist takeover, both Hunan and Jiangxi experienced bursts of industrialization and urban development, but neither became a major center of state-owned industry. Under China's First FYP, Hunan and Jiangxi secured seven and six key national investment projects, respectively, and industrial cities in each province grew rapidly (Feng 1999, 256; Hunan Gazetteer Commission 2007, 331). Urban and industrial growth slowed later in the Maoist period, however. Both provinces were largely bypassed in China's Third Front (*san xian*) policies of the late 1960s and early 1970s, during which industrial and defense investment was dispersed in deeper parts of the interior. Hunan and Jiangxi continued to serve primarily as agricultural areas, and both provinces experienced considerable upheaval during the Cultural Revolution period. Economic and political disruption in Jiangxi was especially severe (Feng 1999; 257-258).

When post-Mao reforms were inaugurated in 1978, Hunan and Jiangxi remained heavily rural and politically leftist, having seen their development side-tracked by ideological concerns and political struggles for over a decade. Both provinces' agricultural sectors benefited from rural reforms, but urban and industrial development remained comparatively slow. While foreign trade and investment grew rapidly in neighboring coastal provinces, Hunan and Jiangxi's economies remained largely closed.<sup>3</sup> And, as in much of inland China, market institutions and norms developed slowly, with government intervention in the economy and trade barriers remaining widespread.<sup>4</sup>

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<sup>2</sup> The Yangtze River, historically China's key artery for inland commerce, flows through the center of Hubei but passes only briefly through Hunan and Jiangxi's territory.

<sup>3</sup> As of 2000, exports and foreign direct investment (FDI) still totaled only 5.2 percent of provincial GDP in Hunan and 5.9 percent of GDP in Jiangxi (China Data Online and author's calculations).

<sup>4</sup> An analysis of different provinces' 1999 "marketization" levels by economists at China's National Economic Research Institute ranked Hunan and Jiangxi in the middle of the pack. To calculate marketization indices, the study aggregated measures of government intervention in the economy, factor market liberalization, economic structure, inter-regional

Throughout the 1980s, development policies in Hunan continued to emphasize urban-rural and regional balance. The provincial government promoted the simultaneous development of agriculture and extractive industries, light industry, and more capital- and technology-intensive sectors (Hunan Gazetteer Commission 2007). Like many provinces, Hunan supported the development of small and medium-sized cities while curbing metropolitan growth. Policymakers assigned restrictive land-area and population-size targets to larger cities, and meager investment in urban infrastructure hindered the growth of Changsha and other urban centers (Hunan Gazetteer Commission 1997, 50-51). Some provincial policy elites did push an agenda of faster metropolitan-region growth in the early 1980s. Zhang Ping, a senior expert at Hunan's Provincial Academy of Social Sciences (HPASS), argued for integrating Changsha, Zhuzhou, and Xiangtan economically to build a more dynamic metropolitan area, reviving an idea that had first surfaced in the 1950s.<sup>5</sup> The proposal to build a Changsha-Zhuzhou-Xiangtan (CZX) Economic Region garnered enough interest to progress to the planning stage. Following a couple of years of discussion and debate, however, the idea encountered political opposition within Hunan in 1986 and was shelved indefinitely.<sup>6</sup>

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trade, and market institution development. Whereas Guangdong, China's most market-oriented province, scored a ranking of 8.33, and Jiangsu scored 7.04, Hunan and Jiangxi scored 5.99 and 5.12, respectively. See Fan et al (2001).

<sup>5</sup> During the 1950s, provincial leaders in Hunan had put forward the idea of merging Changsha with the nearby cities of Zhuzhou and Xiangtan to build a Mao Zedong City. Although the proposal ultimately failed to gain central support, it kindled lasting interest in Hunan (Zeng 2010, 92-93).

<sup>6</sup> In April 1984, Hunan commissioned a CZX Economic Regional Economic Development Direction study. By November, researchers were ready to present their ideas to the provincial Party standing committee, which gave the go-ahead for further planning efforts. The Provincial Construction Commission organized work with HPASS to explore urban planning approaches for the cities, and this collaboration resulted in a CZX region urban system and plan configuration study. In late 1984, the HPASS gave the provincial committee suggestions on establishing a provincial-level economic zone in the three cities. Provincial authorities approved the establishment of a CZX area planning office, which subsequently carried out functional planning studies (Hunan Gazetteer Commission 1997, 60-65). Over the next two years, provincial and city leaders held meetings to work on plans or preliminary steps for greater bank cooperation, regional industry groups, and infrastructure integration in the tri-city area, and development projects were drawn up (*Liangxing ban* 2011a; Luo 2012). During meetings of Hunan's Provincial Party Congress and Provincial People's Congress in 1985 and 1986, however, many participants complained that plans for CZX economic region would give further preference to what was already Hunan's most privileged area. Amid mounting opposition, CZX plans were shelved indefinitely, and hopes for a greater Changsha region were again deferred (Zhu and Tong 2011, 42).



In Jiangxi, too, provincial policymakers emphasized the development of smaller cities, towns, and villages, while planners set restrictive growth targets for Nanchang (Jiangxi Construction Gazetteer Commission 2000, 24).<sup>7</sup> More broadly, development policy in Jiangxi emphasized rural construction, agriculture, and environmental protection. During the 1980s, Jiangxi launched a Mountain-River-Lake Project (*shan jiang hu gongcheng*) for environmental management and rural development, and leaders further stressed green economic themes with their “paint a beautiful landscape picture” policy slogan (Jiangxi Government Gazetteer Commission 2002, 167).<sup>8</sup>

During the 1990s, Hunan and Jiangxi not only remained poor in absolute terms, but also increasingly fell behind their counterparts, with GDP growth and industrial development lagging behind national baseline rates.<sup>9</sup> From 1990-2000, Hunan and Jiangxi had inflation-adjusted compound annual GDP growth rates (CAGR) of 7.7 percent and 8.6 percent, respectively—2.4 and 1.4 percentage points below China’s overall growth rate (China Data Online; author’s calculations). Between 1990-1998, Hunan’s industrial fixed-asset investment (FAI) grew at four percentage points below the average national rate. The province lacked many large industrial firms, and struggled to develop technologically advanced sectors (He ed. 2001, 466-467). As late as 2000, the two provinces remained predominantly rural, with urbanization rates of approximately 28 percent (Shen 2006). If Hunan’s growth was slower than Jiangxi’s, Jiangxi’s structural backwardness was more severe. The province had fewer viable urban centers and an even narrower industrial base than Hunan. Jiangxi saw its share of national industrial output plunge during the reform era, and by 1995 its per capita industrial output was only 40.7 percent of the national average (Feng 1999; Liu 2009, 103-106).

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<sup>7</sup> Nanchang, home to an urban population just under one million by the mid-1980s, was assigned a population target of 1.05mn for the year 2000 (Jiangxi Construction Gazetteer Commission 2000, 24).

<sup>8</sup> In late 1988, for instance, provincial leaders called for dedicating the following five years to consolidating Jiangxi’s agricultural economy. The 1986-1990 Seventh Five-Year Plan called for building up north Jiangxi as a window to the outside world and developing cities along the Zhejiang-Jiangxi railway in central Jiangxi, but leaders continued to lay heavy stress on rural development (Jiangxi Government Gazetteer Commission 2002, 13, 167).

<sup>9</sup> In 2000, Hunan’s per capita GDP, at 5,626 yuan, was 72 percent of the national average, while Jiangxi’s per capita GDP, at 4,828 yuan, was only 61 percent of the national average (China Data Online; author’s calculations).

After the early 1990s, policy elites in Hunan and Jiangxi grew increasingly distressed about their regions' lagging performance, and came to view low rates of urbanization and the lack of strong economic centers as a key problem (Zhou and Xu 2000; Li et al 2007). Policymakers in Hunan fretted about Changsha's inability to compete for capital and talent with the metropolitan regions of neighboring provinces. "We're not as good as Wuhan to the north; we're inferior to Guangzhou in the south," was one typical lament (Interview CS061203a). With Changsha's urban population having barely breached the one-million mark by the early 1990s, there was also concern about the lack of large, dynamic cities able to absorb Hunan's large and increasingly mobile rural population (Interview CS021111a). Over the following years, a preoccupation with maintaining the province's – and more specifically the capital city's – competitiveness vis-à-vis Guangdong and Hubei would remain a common motif in Hunan's development discourse. In Jiangxi, policymakers and experts also voiced growing concern about their province's weak industrial growth and slow opening-up, and called for stronger state action (Jiangxi Government Gazetteer Commission 2002). Over the following years, elites in both provinces endorsed plans to invest more heavily in strategic growth centers so as to "spur along" (*daidong*) larger provincial economies (Xiong 1992; Feng 1999; Zhu 2011). In both provinces, new development strategies prioritizing industrial development near key urban centers and along major transport corridors emerged in the early 1990s.<sup>10</sup>

As the turn of the century approached, however, efforts in Hunan and Jiangxi to promote urban and industrial development were complicated by turbulent markets, natural disasters, regional competition, and central neglect. Besides the shock of the Asian Financial Crisis, the late 1990s also

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<sup>10</sup> In Hunan, a new regional development scheme unveiled in March 1992 placed greater emphasis on building up "five zones and one corridor"—the five major cities (and key development zones) running north to south between Hengyang and Yueyang along the Xiang River (Hunan Gazetteer Commission 2007, 12; Xiong 1992, 212). Soon after, work accelerated on Hunan's national- and provincial-level development zones, most of them located in this corridor (Hunan Gazetteer Commission 2007). Meanwhile, Jiangxi's June 1992 provincial Party Congress endorsed faster development in the Nanchang-Jiujiang-Jingdezhen triangle, and provincial leaders in December 1992 called for speeding up urban and industrial growth along Jiangxi's main north-south and east-west rail lines. A key focus was the Nanchang-Jiujiang industrial corridor (Liu 2009, 15; Zhu 2011).

brought damaging floods to south-central China. The sense of crisis mounted as China announced final preparations to join the World Trade Organization (WTO) and Beijing launched a Western Development campaign that left provinces in central China feeling skipped-over. Policy experts in Hunan, Jiangxi, and neighboring provinces rified darkly that “as neither East nor West, we're of no interest” (*budong, buxi, bu shi dongxi*), and warned of an impending “central region collapse” (*zhongbu taxian*) (Wang 2010, 76). Middling metropolises in an increasingly competitive landscape, cities such as Changsha and Nanchang were poorly positioned to attract large quantities of private investment or large amounts of central state aid (Luo 2002, 14-16).<sup>11</sup>

As they entered the 21<sup>st</sup> century, then, leaders in Hunan and Jiangxi showed frustration from a decade of lagging development and anxiety about economic marginalization going forward. With limited central assistance, provincial policymakers realized they would have to devise their own means for making economic headway amid greater inter-provincial and international competition.

### **Disparities in provincial administrative strength**

While Hunan and Jiangxi confronted similar underlying challenges, political variables would affect which development priorities were highlighted, what strategies were adopted to address them, and how such strategies were implemented. Higher-level governments tend to have greater policymaking authority and a larger share of resources in inland provinces than in wealthy coastal areas like Jiangsu. But even among inland provinces there is marked variation across units and over time in the relative strength of provincial governments.<sup>12</sup> The Hunan and Jiangxi cases embody both

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<sup>11</sup> As one Chinese scholar noted, notwithstanding Changsha's status as a center for culture and scientific research, the city was located in a transitional zone between coastal China and the poorer, more remote interior, and was not an area of special status or great national concern (Luo 2002, 14-16).

<sup>12</sup> As one central government researcher explained, provincial governments in inland areas such as Hunan have a much greater ability to exercise administrative control over cities than coastal provinces such as Jiangsu, where provincial authorities must contend with relatively wealthy, outward-oriented, and politically connected city governments (Interview BJ0613097b).

cross-case and within-case variation in the ability of provincial-level actors to dominate the formulation and implementation of development strategies. Whereas Hunan's provincial establishment had the administrative capacity and political clout to orchestrate a metropolitan-oriented development approach, institutional weakness at the provincial level in Jiangxi made it harder to assert provincial-level priorities. However, the presence of a rising star leader during the early 2000s enabled Jiangxi to take greater initiative and promote a competitiveness-oriented agenda.

As discussed in previous chapters, provincial government strength depends in part on the administrative capacity of provincial authorities relative to other tiers. Hunan is larger than Jiangxi in geographic, demographic, and economic terms, and is slightly wealthier on a per capita basis, which gives it a larger potential resource base. Notwithstanding Hunan's greater size, the province appears to have been more administratively centralized than Jiangxi. At the turn of the 21<sup>st</sup> century, for instance, the proportion of subnational fiscal expenditures carried out at the provincial level was higher in Hunan than Jiangxi.<sup>13</sup> Meanwhile, provincial authorities wielded firmer administrative control over prefectural-level cities in Hunan than in Jiangxi.<sup>14</sup> Jiangxi had carried out multiple experiments with enhanced sub-provincial autonomy since the 1980s. The large southern prefecture of Ganzhou obtained provincial-level economic powers and special exemptions from provincial

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<sup>13</sup> In 1999-2000, the provincial-level share of "local" fiscal expenditure in Hunan was 32 percent, compared with 24 percent in Jiangxi (Provincial statistical yearbooks and author's calculations). Hunan's provincial government also presided over an unusually large fraction of capital construction expenditure within the province, suggesting an important provincial role in development work (Wong 2002, 34).

<sup>14</sup> According one provincial planning official, cities and counties in Hunan typically are quite fiscally dependent on higher levels, and the province has a strong ability to "plan as a whole" (*tongchou guihua*) as compared with some provinces (Interview CS191205a). In Jiangxi, provincial-level economic planning appears weaker, and local governments have a reputation for recalcitrance. Feng (1999) notes that local governments and the public have often resisted provincially initiated policies. For instance, Jiangxi Party Secretary Mao Zhiyong complained in 1992 that many localities were refusing to develop a domestic private economy or to encourage foreign investment, while provincial scholars complained about "an old revolutionary area mentality" among cadres (259-261).

planning under an experimental reform zone scheme adopted in the mid-1980s. Special policies had also been granted to the Yangtze River port city of Jiujiang in northern Jiangxi (Liu 2009, 9-10).<sup>15</sup>

Hunan's institutional strength also derives from the province's tradition of economic self-reliance and administrative autonomy. In late imperial times, Hunan and its elite stood more aloof from central state institutions than their counterparts in Jiangxi.<sup>16</sup> During the first half of the 20<sup>th</sup> century, Hunan was a hotbed of provincially oriented reform and agitation, and was never brought tightly into the fold of Chiang Kai-shek's Nanjing-based Nationalist regime (McDonald 1978; Whitney 1970). Hunan also remained fairly marginal in China's post-1949 planned economy, despite its political aura as the home province of Mao Zedong and other revolutionary leaders. Economically and geographically middle-of-the-pack, the province led a fairly autarkic existence, and relatively few major industrial projects or key state institutions were located there. During the post-Mao era, Hunan had remained fairly self-contained and self-sufficient, neither receiving generous amounts of central state assistance and investment nor providing much fiscal revenue to national coffers (Interview CS011203b).<sup>17</sup>

In contrast, Jiangxi both historically and in recent decades has experienced greater central government involvement in its affairs. As the Communist Party's most important early bastion of

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<sup>15</sup> In the mid-1980s, provincial authorities had called for Ganzhou to anchor development in the southern half of the province, and take the lead in linking up with special economic areas in neighboring Fujian and Guangdong (Feng 1999, 262; Jiangxi Construction Gazetteer Commission 2000). In early 1986, the province issued a circular announcing that an Economic System Reform Experimental Zone would be established in Ganzhou, and supporting policies were promulgated in December 1987 and January 1988 (Liu 2009, 9). The province devolved preferential policies to counties in Ganzhou, and also told prefectural authorities that the scope of provincial-level planning in the region would be limited going forward so as to create more flexibility (Jiangxi Government Gazetteer Commission 2002). Though a plan for a special reform area in southern Hunan also surfaced in the late 1980s, it came later and was never fully implemented (Xiong 1992, 202).

<sup>16</sup> McDonald (1978) notes the limited ties between Hunan's elite and the national elite during late imperial times: "In an empire that valued scholarship as the road to bureaucratic advancement, Hunan was not outstanding as a scholarly center during either the Ming or the Qing. It ranked thirteenth among seventeen provinces during the Ming dynasty (A.D. 1368-1644), and fifteenth among nineteen provinces during the Qing (A.D. 1644-1911)" (12-13). Jiangxi, by contrast, was disproportionately represented among successful Ming and Qing imperial exam candidates (Feng 1999, 255-256).

<sup>17</sup> In recent decades, Hunan has continued to rank low in terms of state-owned industry share and fiscal yield (China Data Online; author's calculations).

rural revolution, Jiangxi developed a strong revolutionary cultural legacy and came to occupy a key place in the PRC's national imaginary (Perry 2012). After 1949, Jiangxi's historical significance and its material need as one of central China's most war-ravaged, underdeveloped areas led central leaders to forge a paternalistic relationship with the province, providing development aid and guidance (Feng 1999, 250-256). While it enjoyed close ties with Beijing and was singled out for special support as an old revolutionary base and model agricultural province, Jiangxi was also expected to maintain a steady supply of agricultural exports and to exemplify ideological orthodoxy. Beyond its agricultural bounty, Jiangxi's rich endowments of minerals (Jiangxi ranks among China's top provinces in its deposits of copper, uranium, gold, and various rare earth metals), forestland, and freshwater have made it a natural resource base of great significance. Especially during the reform era, central state actors have taken a strong interest in managing and developing these highly valued resources (Ibid.; Hua 2011, 1-2). The combination of a prominent revolutionary legacy, historical dependence on central assistance, and strategic natural resource endowments have bound Jiangxi tightly to Beijing and invited more central state intervention than in Hunan.

Beyond administrative aspects of provincial government strength, political variables also affect the intergovernmental power balance and the extent to which provincial leaders are affected by subprovincial political pressures. While the only city-level leader on Hunan's provincial Party standing committee during the 2000s was Changsha's Party secretary, the Party secretaries of Ganzhou as well as Nanchang sat on Jiangxi's standing committee after 2003 (*China Directory* 2001; 2006). Hunan's top leadership was thus more insulated from subnational interests than Jiangxi's.

The ease with which policymaking can be organized around the interests of a given territorial unit also depends on the presence or absence of a widespread sense of political community and

subnational cohesion.<sup>18</sup> Although Hunan and Jiangxi have both existed in more or less their current shape since early in the Qing Dynasty, Hunan commands more symbolic prestige and loyalty than Jiangxi as a subnational unit. Several scholars of modern and contemporary China have noted Hunan's lively provincial tradition and potent regional identity: the province's "anti-outsider" (*pai nai*) currents and distinctive Xiang dialect are well known (McDonald 1978; Platt 2007; Interview CS161203a).<sup>19</sup> In Hunan, moreover, Changsha's centrality is well-established: the city and surrounding region have served for centuries as the political, cultural, and economic pivot of the province (McDonald 1971). While Hunan also contains large peripheral regions, these areas are themselves culturally fragmented and have been pulled into the political orbit of Changsha since at least the 19<sup>th</sup> century (Platt 2007, 80-86).

Jiangxi lacks a provincial political tradition comparable to Hunan's or a similar degree of subnational cohesion. Feng (1999) notes the absence of a shared identity in Jiangxi:

Unlike many regional or provincial cultures in China, Gan culture is by no means readily defined. First of all, there is no dominant language or dialect in Jiangxi. While more than 99.9 per cent of Jiangxi's population are Han, they speak several different dialects. [...] All of these linguistic groups have a natural tendency to identify themselves with people speaking the same language or dialect and sharing many other customs across the provincial borders (264-265).

Though Nanchang anchors the province geographically and serves as its administrative and economic hub, Jiangxi contains other important cultural and historical centers, such as Ganzhou—a large prefecture in southern Jiangxi whose population is largely Hakka (Looney 2012, 287).<sup>20</sup> Indeed,

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<sup>18</sup> Territorial identities make possible the framing of public issues with respect to the needs of large, artificial political communities, and help legitimize the deployment of power and mobilization of resources for state projects. See Hartshorne (1950); Gerschenkron (1962); Whitney (1970); Singh (2010).

<sup>19</sup> Hunan stands out among Chinese provinces for its 19<sup>th</sup> and 20<sup>th</sup> century political tradition as a key base of provincial military power and a hotbed of sub-national and proto-nationalist political mobilization. Provincial-level military and political mobilization in the 19<sup>th</sup> and early 20<sup>th</sup> centuries contributed to the emergence of a military organization and print culture that penetrated much of the province. Meanwhile, Hunan's self-contained geography have left the province with a distinctive and relatively cohesive dialect family and culinary culture (McDonald 1978; Platt 2007).

<sup>20</sup> Ethnically distinct (the regional population is Hakka, and maintains cross-border ties to co-ethnic regions in Fujian and Guangdong), large enough to contain a quarter of Jiangxi's territory and population, and famous as the site of the

Jiangxi's lack of cohesion as a territorial entity is underscored by the fact that provincial authorities have gone to great lengths to forge a stronger subnational imaginary. During the early 1990s, governor Wu Guanzheng launched a Gan cultural campaign to promote Jiangxi identity and support the cause of provincial economic development. Addressing the “centrifugal” tendencies pulling different parts of the province into different economic and cultural orbits, the campaign sought to strengthen Nanchang's role as the province's cultural and symbolic center (Feng 1999, 263-266).<sup>21</sup>

Finally, provincial government strength in a multilevel policy process depends on the characteristics of top provincial leaders. Since the 1990s, both Hunan and Jiangxi have seen stronger and weaker, more proactive and more reactive, provincial leaders come and go. Over the past two decades as a whole, however, Hunan has had a larger number of strong leaders, and has had dynamic leaders in place at moments when national circumstances created special opportunities for provincial initiative. After the departure in 1997 of Wu Guanzheng,<sup>22</sup> Jiangxi came under the comparatively conservative leadership of Shu Shengyou and Shu Huiguo. Both had risen through the ranks within Jiangxi, and both were already nearing retirement age at the time of appointment. By contrast, Hunan in the late 1990s had more activist leaders in Yang Zhengwu and Chu Bo, both of whom had risen to high-ranked posts while still in their mid-50s, with several years of their political careers left. In 2001, Zhang Yunchuan, another dynamic mid-career politician, was

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Chinese Communist Party's Jiangxi Soviet, Ganzhou is something of a realm unto itself. Ganzhou ranks as one of China's largest cities by area at 39,400 square km., and its population of approximately 9 million is 95 percent Hakka, a sub-group of Han Chinese that maintain a distinctive dialect, cultural identity, and practices (Looney 2012, 286-287). It is telling that in 2000 Ganzhou outranked Jiangxi's provincial capital in the number of cultural and arts institutions and enterprises located within its boundaries (Jiangxi Statistical Bureau 2001).

<sup>21</sup> Jiangxi's provincially led cultural campaign entailed sponsorship of new publications, creation of new educational institutions (such as an Institute for Gan Cultural Studies at Nanchang University), and vigorous publicity work. Some of the intellectuals leading this Gan culture movement went so far as to advocate separating Jiangxi's identity from the province's revolutionary past, arguing that many of the Communist Party's early endeavors in the province had been neither successful nor organically connected with Jiangxi culture (Feng 1999, 263-266).

<sup>22</sup> Wu had served first as Jiangxi's governor and later as Party secretary between the late 1980s and early 1990s. He aggressively promoted industrial development and reform, and also spearheaded a provincial campaign to promote a Jiangxi (Gan) cultural revival (Feng 1999, 263-264).



appointed governor, before Hunan local Zhou Bohua, took over in 2003 (China Directory; China Vitae). Jiangxi gained a more energetic top leader in 2001 when Meng Jianzhu, a rising star from Shanghai, was appointed. Later in the decade, however, the tables turned again as Meng was replaced by Su Rong, an older Party secretary who had previously served in backwater provinces. Meanwhile, Hunan in 2006 gained not one but two heavyweight leaders when Zhang Chunxian and Zhou Qiang were rotated into the province. Both were rising stars in China's political elite, enjoying close ties with central leaders and state agencies that could be used on behalf of Hunan's interests.

In sum, Hunan for the most part outmatched Jiangxi on both administrative and political dimensions of provincial government strength. Resulting differences in provincial authorities' ability to dominate a multilevel policymaking process, as much as variation in underlying economic challenges and opportunities, would affect the urban and regional development approaches Hunan and Jiangxi took between the 1990s and 2000s.

### **Diverging development approaches, 1996-2000**

As of 1996, the capital cities of Hunan and Jiangxi differed little in their economic size and urban population. Changsha had a GDP of 40 billion yuan and an urban population of 1.67 million, while Nanchang had a GDP of 30 billion yuan and a population of 1.57 million. Both remained middling inland cities in a country where major coastal metropolises like Shenzhen, Qingdao, and Dalian defined the front lines of economic development. Over the following five years, however, a major urban build-up gained steam in Changsha, while policymakers in Jiangxi shifted the emphasis of development away from the Nanchang region. Spurred by a perceived crisis of competitiveness, top provincial leaders in Hunan adopted a new, more metropolitan-oriented development strategy in the late 1990s and mobilized local bureaucrats and planners behind it. By 2000, provincial policymakers had already made major progress with planning efforts, and major development

projects were getting underway in the CZX area. Jiangxi authorities moved in the opposite direction during the late 1990s, putting in place more balanced and rural-oriented development policies.

While Hunan's disappointing economic performance in the early 1990s set the stage for an adjustment to its development approach thereafter, the initiative of provincial leaders also significantly shaped policy outcomes. In Hunan, a tight nucleus of provincial policy elites engineered a metropolitan turn in development policy well before such an approach gained favor in Beijing. Jiangxi's policy approach, on the other hand, adhered closely to national urban policies and paid respect to the province's traditional designation as an agricultural region. It also showed greater sensitivity to local pressures from across the province to spread developmental support more broadly. Between 1996 and 2000, Changsha grew increasingly dominant in Hunan's economy, and surged ahead of Nanchang, carrying out vastly more FAI and achieving much faster GDP growth.<sup>23</sup>

### *Hunan*

By the mid-1990s, frustration over Hunan's slow development and Changsha's inability to keep up with competitors was mounting. Between 1990-1995, the province's economy had grown at an annualized rate of 7.3 percent, well below the national benchmark of 11.7 percent and even behind Jiangxi's 8.1 percent (China Data Online; author's calculations). And while "zone fever" had swept the country and many major cities were booming, Changsha's urban growth lagged behind (Changsha Urban Construction Editorial Commission 2005).<sup>24</sup> Guangzhou and Wuhan continued to tower over Changsha in population size and GDP, pulling away talent and investment. Concerned city-level leaders, including municipal Party secretary Qin Guangrong, had begun to push an agenda

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<sup>23</sup> Between 1996-2000, Changsha made up a higher share of total provincial FAI than Nanchang (18 percent versus 13 percent) and capital construction spending (18 percent versus 14 percent), despite the fact that Hunan was a significantly larger province with more major urban centers (China Data Online and author's calculations).

<sup>24</sup> Macroeconomic controls in Hunan were enforced fairly strictly, and provincial policies had not yet turned fully in favor of the city (Changsha Urban Construction Editorial Commission 2005, 5).

of faster urban development (Ibid., 6-7).<sup>25</sup> With Changsha lacking adequate resources of its own to realize bolder development goals, however, its fate depended heavily on provincial-level policies.

Since the early 1990s, provincial policymakers in Hunan had been discussing new approaches for development of the metropolitan region. At an April 1993 meeting of provincial department heads led by deputy governors Chu Bo and Zheng Peimin, officials had decided that regional planning work should emphasize the “golden triangle” (*jin sanjiao*) of the CZX region. Soon after, in June 1993, Chu Bo had chaired another meeting of top government leaders at which officials concluded that an integrated approach to regional development should be taken, and the government endorsed an “unbalanced development strategy” (*feijunheng fazhan zhanlüe*) that would give priority to the CZX region in the near term (Hunan Gazetteer Commission 2007, 94-95).<sup>26</sup>

Prominent policy intellectuals lent their backing to proposals for more aggressive metropolitan development approaches. Development experts from provincial research institutions and universities called for fostering a stronger central growth pole in Hunan, and resurrected the idea of an integrated CZX urban region that could serve as a counterweight to metropolitan centers outside Hunan. Zhang Ping, the same HPASS expert who had in the 1980s advocated building a CZX economic area, proved especially instrumental in laying out a new agenda of metropolitan-regional development. Between 1995 and 1996, Zhang discussed plans for the CZX region with provincial and city-level leaders, and spearheaded supporting research (*21 Shiji jingji baodao* 10/16/2003). At a meeting of provincial officials in 1995, city leaders from Changsha, Zhuzhou, and Xiangtan voiced support for new efforts at regional economic integration (*Liangxing ban* 2011a, 5).

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<sup>25</sup> Changsha’s 1994 urban work meeting called for accelerated construction in the city, and the city’s 1995 Party Congress meeting outlined a strategy of cross-river expansion (Changsha Urban Construction Editorial Commission 2005, 6-7).

<sup>26</sup> Those at the meeting agreed that provincial policies should promote industrialization and urbanization in this area most aggressively, with the broader Xiang River industrial corridor as the area of secondary emphasis.

The CZX development strategy found important champions among high-level provincial leaders. Appointed governor in 1995, Yang Zhengwu came from a rustic background but brought considerable high-level leadership experience.<sup>27</sup> Despite his roots in rural western Hunan, Yang quickly signaled a stronger interest in metropolitan-oriented growth than his predecessor.<sup>28</sup> Yang called for Hunan's development and construction efforts in the Ninth Five-Year Plan (FYP) period (1996-2000) to prioritize Changsha (Hunan Gazetteer Commission 2007). In 1996, Yang called for greater emphasis on large-scale industrial and infrastructure projects and strategic development locations, exhorting his colleagues that “the whole province from top to bottom should firmly establish the mentality of big trade, big opening, and big development” (Ibid., 92).

Under Yang, Hunan's development approach was recast to place greater stress on Changsha and its immediate neighbors. Provincial leaders announced a “one point, one line” (*yi dian yi xian*) strategy, singling out Changsha as Hunan's main growth pole and designating the corridor along National Highway 107 and the Beijing-Guangzhou railway as the key development axis (Ibid., 95).<sup>29</sup> The provincial leadership formally adopted the strategy of CZX economic integration in March 1997 at a meeting of departmental and city leaders convened by Party secretary Wang Maolin. According to one official account, by 1997 “Hunan recognized more clearly that as an inland province, it would always remain in a passive position in [China's] regional economic division of labor if it lacked a

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<sup>27</sup> Though Yang had advanced his career within Hunan, he had relatively strong political credentials, having joined Hunan's provincial Party standing committee and become a member of the Communist Party Central Committee at a relatively young age (*Xinhua Net*). Yang became a Central Committee member in 1987, while only 46. See [http://news.xinhuanet.com/ziliao/2004-10/25/content\\_2136727.htm](http://news.xinhuanet.com/ziliao/2004-10/25/content_2136727.htm). Yang rose to high Party posts in Hunan early on, becoming a provincial Party standing committee member in 1985. See <http://baike.baidu.com/view/121701.htm>.

<sup>28</sup> While Governor Chen Bangzhu, who had served since early 1993, had supported a reform-oriented economic agenda, Chen's urban strategy had continued to emphasize small city-oriented development. Provincial meetings in August 1994, for instance, had concluded that a rural, late-developing province such as Hunan ought to continue giving priority to small-town development as urbanization proceeded (Hunan Gazetteer Commission 2007, 349).

<sup>29</sup> Provincial policy documents stressed that “[...] Changsha, as the highest emphasis, particularly needs accelerated development. We must exert effort to push forward CZX integration, and in this way to form a relatively large-sized economic center with greater strength and more comprehensive function” (Hunan Gazetteer Commission 2007, 95).

large-scale, strongly radiating central city, and if it failed to change its ‘small horse pulling a big cart’ approach” (*Liangxing ban* 2011a, 5).

Elevated to the provincial Party secretary post in 1998, Yang would remain in power until 2005, backing the efforts of successive governors to promote CZX development. Chu Bo, who for several years served under Yang, played a similarly important role in advancing the metropolitan agenda. Originally from Anhui, Chu had served as a deputy governor in Hunan since the early 1990s (*China Vitae*). As deputy governor, Chu had been involved from the outset with efforts to get CZX plans off the ground. Promoted to governor when Yang became Party chief, Chu threw his weight behind an agenda of rapid urbanization, industrialization, and commercialization (Interview CS061203a; Hunan Gazetteer Commission 2007).<sup>30</sup> Chu argued that in order to become a “strong economic province,” Hunan needed to break away from its long tradition an agricultural province and its rural-oriented mentality. Instead, Hunan should “concentrate and consolidate limited resources” and “use the strength of the whole province to fuse Changsha, Zhuzhou, and Xiangtan into a regional ‘dragonhead’ capable of spurring along Hunan’s economic development” (Jin 2001).

Between 1997 and 1999, top provincial leaders held several meetings to lay the groundwork for CZX economic integration (Luo 2012). In 1997, Hunan established a leading small group to coordinate CZX economic integration. Headed by the governor, the membership was rounded out with officials from provincial departments and city-level leaders, and an administrative office for the small group was established in Hunan’s Planning Commission (Zeng 2010, 92-93). To promote economic integration, the province adopted an approach of “overall planning guides, infrastructure takes the lead, and major projects follow” (Hunan Gazetteer Commission 2007, 95-97). Planning work for CZX integration got underway during 1998 and 1999, with provincial departments drafting

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<sup>30</sup> In November 2000 Chu Bo articulated a “Three –izations” strategy, of “industrialization, commercialization, and urbanization,” which would remain in place in following years (Hunan Gazetteer Commission 2007, 93).

blueprints for coordination of communications, transportation, financial activity, environmental work, and industrial development across the three cities. In February 1999, provincial and city leaders at the CZX Economic Integration and Development Forum discussed creating a broader CZX regional plan to guide spatial development and provide an overarching framework for planning efforts (*Liangxing ban* 2011a; Luo 2012). Later that year, the provincial government approved the five functional plans for tri-city integration, and moved quickly toward project implementation (Hunan Development Planning Commission 2002, 15).

Though the convening of several meetings of Hunan's provincial Party standing committee to deal with CZX integration showed a high degree of elite political support for the project, the metropolitan regional strategy remained controversial. According to one Hunan official, participants in these meetings questioned whether further support should be given to the province's best-off areas, and whether CZX could indeed function as a growth pole for the whole province (Interview CS191205a). But, with strong executive support, the metropolitan agenda moved forward quickly despite such objections.

Progress on CZX-related initiatives at the turn of the century was bolstered by Hunan's success in obtaining timely outside recognition and support. Hunan's strategy for CZX integration won mention for the Changsha region as one of seven nationally highlighted urban clusters for the 10<sup>th</sup> FYP period. Even more important, Hunan managed to get the CZX region designated as one of two Chinese test-point regions under a new World Bank City Development Strategy (CDS) program (World Bank 2004; Luo 2012).<sup>31</sup> Over the following years, the provincial leadership was proactive in deepening and leveraging to its own advantage the partnership with the World Bank.<sup>32</sup> Hunan would

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<sup>31</sup> Changsha had been nominated by the State Planning Commission (Hunan Gazetteer Commission 2007, 96).

<sup>32</sup> Hunan's leaders had sought out Bank support, and, during a CDS team visit in May 2000, had also successfully pressed the World Bank to enlarge the scope of the project to include the whole CZX region rather than Changsha alone. Hunan had also provided institutional support for the collaboration, establishing a provincial leading group headed by the governor to facilitate work with the World Bank (World Bank 2004; Luo 2012).

benefit from several Bank-funded investment projects, and the planning documents that emerged from collaboration between World Bank experts and Hunan officials would provide an important template and a stamp of validation for CZX regional development work.

Bolstered by outside recognition and support, Hunan's metropolitan region strategy made further breakthroughs at the policy level and on the ground. A July 2000 meeting of provincial and city leaders in Zhuzhou adopted plans to construct a "Xiang River economic corridor," and thereby push forward physical integration of the three cities. Several regional infrastructure projects were launched, including a renovation of Changsha's Huanghua Airport, an upgrading of the regional power grid, environmental work on the Xiang River, and construction of new highways (Luo 2012).

One key focus of provincial efforts was the build-up of the Changsha Economic and Technological Development Zone (ETDZ). Located in Changsha County just east of the city center, the ETDZ had first been established in 1992.<sup>33</sup> After the county government moved from central Changsha to Xingsha new town in the ETDZ in 1996, the zone had begun to develop quickly as a site for large-scale industrial projects and a new urban center (China Small and Medium City Task Force 2013). In April 1997, the ETDZ managed to obtain special recognition from China's Ministry of Science and Technology as a development zone for high-technology industry. Hunan deputy governor Wang Keying led a team of provincial departments and Changsha officials in promoting the ETDZ's further development, highlighting its role as a "demonstration area for the whole province's opening and development, a model area for investment recruiting, and an area to pull along leading development" (Hunan Gazetteer Commission 2007, 233-234). Later that year, governor Yang Zhengwu set up a leading small group and new provincial office to oversee Hunan's

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<sup>33</sup> The zone had originally been set up in Xingsha, on the outskirts of central Changsha, in July 1992. In 1993, the provincial government authorized the movement of the Changsha county government from a location in the city center to the new urban area in Xingsha, where the county government could operate more easily as a stand-alone entity. In March 1994, the provincial government approved changing the zone's name to the "Changsha ETDZ" (Changsha Urban Construction Editorial Commission 2005, 180).

development zone work. Wang was put in charge, and particular emphasis was placed on further building up the Changsha ETDZ (Ibid.). Infrastructure and industrial investment in the zone quickly picked up pace, and by 1999 the provincial government had released a revised plan for the ETDZ that raised its population and land area targets for 2015 to 150,000 people and 38 square kilometers (Changsha Urban Construction Editorial Commission 2005). In 2000, the ETDZ won recognition as a state-level development zone, and a growing list of major firms – including LG, Philipps, Dannon, Coca Cola, and Bosch, as well as local champions such as Sany Heavy Industry<sup>34</sup> – set up or expanded operations in the zone (Hunan Gazetteer Commission 2007).

Beyond the ETDZ, Changsha more broadly saw accelerating urban and industrial development in the late 1990s. With promotion from city leaders such as Changsha Party secretary Zhang Yunchuan, growing support from the provincial level, and help from national-level stimulus policies, Changsha entered an investment-led boom (Changsha Urban Construction Editorial Commission 2005).<sup>35</sup> After the turn of the century, this rush of growth would further accelerate.

### *Jiangxi*

Unlike their counterparts in Hunan, Jiangxi's authorities in the late 1990s shifted the emphasis of development away from major cities and advanced industries, despite new opportunities. The openings of the Beijing-Kowloon railroad in 1996 and the Changbei International Airport in 1999 repositioned Nanchang as a more important domestic and international transportation hub. Meanwhile, new highway and bridge projects around the capital-city region also moved forward

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<sup>34</sup> During the late 1990s, Sany, a Hunanese construction equipment firm established in 1994, began to expand rapidly and win accolades. In following years, Sany would establish itself as one of Hunan's most famous firms, capturing a growing share of China's booming construction equipment market (Liu, ed. 2006, 17).

<sup>35</sup> Between 1995-1998, reforms to the urban land, housing, and real estate system had begun to usher in faster growth, and, with falling interest rates during the Asian Financial Crisis period, the real estate sector began to heat up in late 1998. The real boost came in 1999, though, when municipal and provincial authorities embarked on massive new campaigns of infrastructure and real estate development in the city (Changsha Urban Construction Editorial Commission 2005, 5-6).



(Wang, ed. 2006, 30). However, even as these improvements in regional infrastructure opened up new possibilities for Nanchang, the provincial government pursued a balanced urban and regional development approach under Party secretary Shu Huiguo and governor Shu Shengyou.

The two Shus were Jiangxi natives who had risen through the ranks within the province, holding various local and provincial leadership posts. Their lack of experience outside Jiangxi suggested that they did not enjoy close personal ties with central Party and state leaders. Furthermore, because both men were 60 years of age or older upon taking office, they had limited prospects for promotion to higher office (China Vitae; baike.baidu.com). The Shus thus had neither the political capital nor the motives to launch ambitious development initiatives while in office.

In contrast with the more industry- and urban-oriented development approach pursued under Jiangxi's previous Party chief, Wu Guanzheng, provincial policies in the late 1990s focused on boosting rural incomes and building up smaller cities and towns. At a time when Hunan and several other provinces had explicitly shifted toward metropolitan-oriented strategies of urban and industrial development, Jiangxi's leaders put less emphasis on economic competitiveness and more on balanced growth. The 2000 Provincial People's Congress, for example, called for "taking the people's prosperity and strong counties as the goals," indicating a rural slant to policy (Liu 2009, 17).

Jiangxi's spatial development strategy during this period hewed closely to central guidelines that prioritized smaller cities and regionally coordinated development. Echoing Beijing's calls at the turn of the century for accelerating the growth of small towns, Jiangxi's provincial leadership in July 2000 issued a joint Party-Government decision on small town development. The document called for building urban networks around medium and small cities, investing in county towns to stimulate

the rural economy, and speeding up hukou reforms to enable more peasants to move into towns. The decision instructed officials at all levels to give priority to this work (Cao and Zhu 2010, 200).<sup>36</sup>

Under the combined influence of these policies and outside economic shocks, Jiangxi saw relatively slow metropolitan development and urbanization of its population between 1996-2000. Nanchang received a disproportionately small share of capital construction in the province and saw little improvement of its urban amenities during this period, while the secondary urban centers of Jiujiang and Ganzhou saw an uptick in investment (China Data Online and author's calculations).<sup>37</sup> Fallout from the Asian Financial Crisis, and crippling floods that struck Jiangxi in 1998-1999, were partly responsible for disrupting the province's economic growth and industrialization efforts during the late 1990s. Still, many analysts identified provincial policies as a crucial factor behind Jiangxi's weak industrial growth and slow urbanization (Cao and Zhu, ed. 2010, 194-197; Wang, ed. 2006, 13).

### **Metropolitan moment, 2001-2005**

The first years of the 21<sup>st</sup> century were a heady time across China, as the country emerged from the Asian Financial Crisis, joined the WTO, and entered a new boom phase of investment- and export-fueled growth. Central policies favored rapid economic growth and were gradually becoming more supportive toward the development of major cities, as discussed in Chapter 3. Although China's top leaders continued to call for gradualism and balance in urbanization, rhetorical shifts and positive signals from some central actors made subnational policymakers bolder.

During the early 2000s, both Hunan and Jiangxi, along with many provinces across China, adopted development strategies that gave pride of place to top urban centers. Hunan's development

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<sup>36</sup> According to one provincial policy researcher, leaders at this time prioritized medium-sized cities with populations in the 200,000-500,000 range, while the province also drew up plans for 200 key towns (Interview NC041301a).

<sup>37</sup> Jiujiang and Ganzhou saw large amounts of fiscal expenditure relative to their revenue contributions during this period, suggesting greater favoritism from the provincial level (China Data Online and author's calculations).

approach showed overt bias toward Changsha and the surrounding region in the distribution of policy support and state resources. Building on the foundation laid in the late 1990s, Hunan accelerated its metropolitan build-up and pushed ahead with CZX integration. Jiangxi, meanwhile, saw a dramatic reorientation in its development strategy after a leadership change brought Shanghai-transplant Meng Jianzhu in as Party secretary in 2001. Under Meng's activist leadership, Jiangxi's government placed more stress on urbanization, industrialization, and internationalization.

Even as it charted a new course, however, Jiangxi did not approach the degree of metropolitan bias in Hunan. Between 2001-2005, Changsha would absorb 30 percent of FAI in Hunan and 33 percent of capital construction in the province, while Nanchang accounted for 19 percent of Jiangxi's FAI and 20 percent of capital construction (China Data Online; Hunan Statistical Bureau; Jiangxi Statistical Bureau; author's calculations). Changsha's GDP surged from 65.6 billion yuan in 2000 (18 percent of the provincial total) to 152 billion yuan in 2005 (23 percent of the provincial total), while Nanchang's GDP rose from 43.5 billion yuan in 2000 (22 percent of the provincial total) to 100.7 billion yuan in 2005 (25 percent of the provincial total).

### *Hunan*

In the early 2000s, under Party secretary Yang Zhengwu and two different governors, Hunan put in place bolder metropolitan-oriented policies as the province's broader economic difficulties continued. Despite the help of stimulus policies, Hunan's growth had continued to lag behind the national average between 1996-2000 (China Data Online; author's calculations). In public statements and policy documents, leaders focused on the task of building Changsha into a stronger growth engine and more attractive showcase—one that could invigorate a lagging provincial economy.

In a January 2001 report on Hunan's 10<sup>th</sup> FYP outline, governor Chu Bo called for rapid urbanization that would give full play to large cities' strength. An aggressive urban development

approach could increase Hunan's productivity, consumption, and fiscal revenue generation, and help Hunan reach an average level of urbanization by mid-decade. Changsha, Chu said, should quickly grow into a city of three million people (Hunan Gazetteer Commission 2007, 351). Meanwhile, a 10<sup>th</sup> Five-Year Plan for CZX Economic Integration drawn up by Hunan's Development Planning Commission stressed the need to build up the metropolitan region to respond to 21<sup>st</sup>-century challenges of globalization and technological change. According to the plan, the CZX region should urbanize at the ambitious pace of two percentage points per year and achieve GDP growth two percentage points faster than the province as a whole between 2001-2005. Underscoring Hunan's eagerness to catch up to nearby provinces, it called for raising the CZX region's per capita GDP to the average level of China's coastal provinces. "Changsha," the plan stipulated, "should achieve leap-over development, lead in basically achieving modernization, and gradually build itself into a regional central city." To support this, Hunan should prioritize urban infrastructure projects such as a renovation of Changsha's Huanghua Airport, upgrading of Zhuzhou's transport facilities, and new highway construction around the capital (Hunan Development Planning Commission 2002, 16-17).

Other statements also made clear provincial elites' relentless comparison of Changsha with competitors outside the province, and heavy focus on quantitative benchmarks. A 2001 article by deputy governor Pan Guiyu entitled "Lift up the whole province's strength to build Changsha" pointed to Changsha's existing advantages as an education, science, and technology center, and its strategic role in Hunan as the city with the best factor endowments. Changsha's primacy in Hunan's economy, however, lagged far behind that of rival provincial capitals such as Xi'an and Wuhan. By leveraging Hunan's huge "economic hinterland," Changsha could – and should – increase its share of the provincial economy from the current one-sixth to one-third. Without achieving this economic scale, however, Changsha would lack adequate "radiating power" (*jusheli*) to drive growth in the rest

of Hunan (Pan 2001, 893-894). Other provincial policy elites echoed this call to build Changsha into a “very strong growth pole” able to compete more directly with Guangzhou and Wuhan.<sup>38</sup>

Advocates of competitiveness-oriented policies found an eager and able champion in Zhang Yunchuan, who was elevated from Changsha Party secretary to become provincial governor in 2001. Zhang laid heavy emphasis on the goal of “new-style industrialization” (*xinxiing gongyebua*), favoring clustered development of high value-added industrial sectors and efforts to build up major firms and industry groups that could compete in broader domestic and global markets.<sup>39</sup> Under Zhang, the provincial government continued efforts to groom local industrial champions that had gained speed during Chu’s tenure. In 2000, Hunan had established a major provincially owned media conglomerate, the Hunan Broadcast and Television Group, along with three provincial-level publishing, newspaper, and film industry groups (Ouyang and Yu 2010). Over the following years, Hunan singled out 10 leading industries for preferential treatment, supporting sectors such as construction equipment manufacturing, steel, and electronics, and key firms such as Sany Heavy Industry and Valin Steel (*Zhongguo Jingji Shibao* 3/15/2005; Liu, ed. 2006).<sup>40</sup>

This pursuit of faster industrial growth was closely intertwined with Hunan’s spatial development strategy. During the two years of his tenure, Zhang aggressively promoted the build-up of Changsha and the CZX urban cluster as Hunan’s main platform for new-style industrialization.

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<sup>38</sup> For instance, Zhu Xiang, a Changsha-based scholar and provincial government advisor, voiced concern about Changsha’s small size and strongly advocated an “unbalanced” development approach. Zhu suggested that “Hunan should construct an extra-large central city on a scale comparable to that of Wuhan and Guangzhou; it should build a very strong growth pole that can radiate through and spur along the whole province. The suitable approach is to push forward the integrated construction of Chang-Zhu-Tan, and then to construct a high-level modernized metropolitan city area” (Zhu and He 2004, 27).

<sup>39</sup> At a meeting of the Hunan leadership in October 2001, Zhang outlined his approach, calling for strong but discriminating government support for industry. Hunan should more forcefully guide and rationalize its industrial development, he argued, promoting some industries while also limiting or eliminating others. It should also take a comprehensive approach to supporting industrial development, ensuring the availability of financing, human resources, and technical support (*Hunan ribao* 10/26/2001).

<sup>40</sup> Sany’s star rose especially fast. The firm, based in the Changsha County state-level EDTZ, became a provincial champion and gained increasing prominence outside Hunan. Though privately owned, the firm enjoyed strong government support, and achieved growth of over 50 percent each year in the early 2000s. By 2003, when the firm was publicly listed, it had an annual income of over 2 billion yuan (Liu, ed. 2006, 17).

Accordingly, the campaign of investment in Changsha's urban infrastructure and real estate that had started in 1999 accelerated further after 2001, with numerous road, bridge, and urban construction projects underway. Changsha launched work on a new urban district on the west bank of the Xiang River, a new port-facing zone, a new University Town in the Yuelu Mountain area, as well as many new conference, cultural, athletic, and tourism facilities (Wang 2010, 73-75; Hunan Gazetteer Commission 2002, 82-85).

With massive improvements to Changsha's built environment underway, the provincial leadership continued to push forward CZX integration. At a 2001 work meeting, Party secretary Yang Zhengwu called for completing several urban and regional planning tasks by 2002 and using major projects to accelerate the pace of metropolitan integration (Yang 2002; Luo 2012). Delivering on these demands, Hunan in June 2002 released the CZX Urban Cluster Industrial Integration Plan, which laid out a scheme for government promotion and coordination of industrial development, envisioning greater economic integration and division of labor among Changsha and its neighbors (Hunan Gazetteer Commission 2002). Hunan's collaboration with the World Bank on city-region planning moved forward, and in March 2002 the World Bank's expert team released the final report of its CZX City Development Strategy (CDS) project. This paved the way for the launch in following years of World Bank-funded projects such as an inter-city flood control system and scenic highway route, a modern logistics center, new bridges for Xiangtan, and a clean coal facility in Zhuzhou (Hunan Gazetteer Commission 2007, 95-96; Chen, ed. 2003). And, while not a binding policy document, the Bank's CDS plan influenced subsequent provincial planning work, especially in its emphasis on environmental aspects of city development (Interview CS191205a). Incorporating content from the CDS study, the provincial leadership in late 2003 approved a Xiang River Ecological Economy Belt Construction Plan to guide the implementation of inter-city infrastructure

projects (*Liangxing ban* 2011 b, 5).<sup>41</sup> Work on a broader CZX Urban Cluster Regional Plan also moved forward quickly, culminating in a 2004 final product that became the first formal city-cluster plan drawn up by an inland province (*Zhongguo jianshe bao* 10/25/2004).

Despite the large amount of regional planning work accomplished in the early 2000s, practical CZX integration efforts hit some roadblocks. Between 2000 and 2002, the tri-city region took steps to integrate mobile telephone networks and link highway and electricity infrastructure, but progress on issues such as industrial policy coordination and inter-city transportation service remained spotty as city governments aggressively defended their economic turf and local industries. Some of the difficulties in integration work related to a diminishing sense of urgency on Changsha officials' part amid the city's rapid growth. Progress was also hindered by local protectionism, as Zhuzhou and Xiangtan became increasingly worried about being stuck in Changsha's shadow and losing investment and talent to the capital (Zhang, ed. 2007b; Changsha Development and Reform Commission 2010; *21 Shiji jingji baodao* 10/16/2003). A further obstacle to regional integration was the lack of an authoritative bureaucratic entity to supervise inter-city cooperation. Because the administrative office established to handle integration work was subordinate to Hunan's Development Planning Commission and of the same political rank as the three cities, its writ could not resolve inter-agency or inter-city conflicts (*Liangxing ban* 2011a, 11-12). Other local observers attributed the continuing CZX integration problems and delays in plan approvals between 2003 and 2004 to the less energetic and forward-thinking leadership style of governor Zhou Bohua, a Hunan local who replaced Zhang Yunchuan in 2003 (Interview CS011203b).

Between 2004 and 2005, however, provincial moves – both physical and institutional – helped to renew momentum for the CZX integration project. In October 2004, following many

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<sup>41</sup> Provincial leaders had reviewed the Xiang River Ecological Economy Belt plan along with a draft of the CZX Urban Cluster Regional Plan outline at a third CZX integration work meeting held in August 2003 (Luo 2012).

months of preparation, Hunan relocated the provincial government and related institutions to a huge new campus 15 kilometers south of Changsha's old city center. This massive construction project was meant to promote urban growth in Changsha's southern districts and thereby promote closer physical integration of the city with Zhuzhou and Xiangtan (Interview CS061203a, *Liangxing ban* 2011a). The next year, the long-gestating CZX Urban Cluster Regional Plan won government approval and was issued as Hunan's Number 16 Document in August 2005.<sup>42</sup> Formal adoption of the plan brought a lengthy process full circle, clearing the way for specific development projects and positioning Hunan to move forward quickly with CZX integration work at the beginning of the 11<sup>th</sup> FYP period.<sup>43</sup> Meanwhile, the provincial leadership took steps to improve the institutional framework for CZX integration work, putting forward a document that spelled out the division of responsibility for CZX integration work and mandated annual governor-led meetings of the CZX economic integration leading small group from 2006 on (*Liangxing ban* 2011a, 7).

With strong provincial support, Changsha boomed even as much of Hunan saw weak economic performance.<sup>44</sup> While Changsha outpaced neighboring Zhuzhou and Xiangtan in GDP growth, it left most other cities in Hunan far behind. Southern Hunan, despite its proximity to Guangdong and locational advantages for outward-oriented development, received relatively little attention from provincial policymakers in the first half of the 2000s. Hengyang, a major industrial and transportation hub and Hunan's second-largest urban center, grew much more slowly than the

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<sup>42</sup> Minor adjustments had been made to the 2004 version before the plan was passed by the provincial People's Congress (Interview CS021203b).

<sup>43</sup> Over the eight years between 1997 and 2005, a report from the provincial Development and Reform Commission noted, "the provincial committee, and provincial government used planning arrangements, project configurations, capital investment and other methods to expand the scope of support to CZX, and guided production factors and capital to become more concentrated in CZX, pushed forward CZX regional industrial agglomeration, and arranged the construction of a set of infrastructure projects [...]" (Luo 2012).

<sup>44</sup> During the early 2000s, Hunan's overall economic performance remained middling, even among the central provinces. And Hunan continued to see millions of young people – unskilled and skilled alike – leave the province to work in neighboring regions, especially Guangdong (*Zhongguo jingji shibao* 3/15/2005).



CZX region.<sup>45</sup> While many of Hengyang's problems related to the city's longstanding poverty and its difficult transition out of the planned economy (the city faced major fiscal shortfalls and mass unemployment issues as uncompetitive state-owned firms failed), a relative lack of support from provincial policymakers also factored into its weak economic performance (Wang 2010, 78-83; Interview CS061203a). Other southern and central cities, such as Yongzhou and Shaoyang, saw even slower growth (China Data Online; author's calculations). Provincial leaders did show concern in the early 2000s for the fortunes of western Hunan, the province's least developed region.<sup>46</sup> Following the designation in 2001 of much of western Hunan as eligible for expanded central assistance under the Western Development program, however, provincial leaders had to bear only part of the burden.

### *Jiangxi*

As Hunan pressed forward with the project of building up and integrating the Changsha region, Jiangxi, under a new leadership, embarked on a major change of course. The 2001 replacement of Party secretary Shu Huiguo by Meng Jianzhu, freshly rotated in from Shanghai and nearly a decade younger than Shu, led to a major overhaul of politics and development policy in Jiangxi. Meng had established a reputation as a talented administrator in Shanghai, where he had most recently served as deputy Party secretary. But his rise also appears to have been bolstered by close ties with Jiang Zemin and Jiang-ally Zeng Qinghong (*South China Morning Post* 10/29/2007). Such links gave him political cover to adopt bold policies after arriving in Jiangxi.

During the late spring and summer of 2001, Meng shook up political life and policy discourse in the province, launching a major "thought liberation" campaign to drive home to cadres

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<sup>45</sup> Hengyang's share of provincial GDP slid from 10 percent in 2000 to 9 percent in 2005 (China Data Online and author's calculations.)

<sup>46</sup> During the early 2000s, Hunan established a provincial leading group to oversee and promote development work in western Hunan (Hunan Gazetteer Commission 2007, 97).

and the public a new approach to development and governance. Over the course of several public statements and meetings, Meng appealed for radical efforts to promote industrialization, commercialization, and a more urban-oriented outlook mode in each sphere of development.<sup>47</sup> Holding high-profile meetings, Meng brought in a roster of rising stars from outside the province that included figures like Bo Xilai and Huang Qifan. Meanwhile, a series of study tours took Jiangxi cadres to observe policy work in nearby provinces (Liu 2009, 45-48).

In early August 2001, the mobilization exercise hit its peak as Meng convened an expanded meeting of Jiangxi's provincial Party committee in Jingtangshan, a famous early base area of the Communist revolution. Invoking a "new Jingtangshan spirit" of bold developmentalism, Meng outlined a "three bases, one back garden" (*sange jidi yige houhuayuan*) strategy for Jiangxi's development. Jiangxi, Meng stressed, should exploit its basic endowments but take a far more entrepreneurial governance approach, turning the province into a base for relocating industry, commercial agriculture, and labor-outsourcing, and rebranding it as an eco-tourism destination. To achieve a "great opening" of Jiangxi's economy, the province should emphasize central city construction and industrial development. A few months later, at Jiangxi's December 2001 11<sup>th</sup> Party Congress, Meng further highlighted the imperative of inter-provincial competition, asking delegates to help "achieve Jiangxi's rise in the central region." This task would require more ambitious urbanization, industrialization, and opening up, and efforts to enhance not only the province's hard infrastructure and outward links, but also the 'soft environment' of its top cities (Liu 2009, 22). In

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<sup>47</sup> Speaking before the provincial People's Congress in May, for instance, Meng exhorted the province to "confidently shake off backwardness," telling delegates that "to accelerate Jiangxi's development, we must make forceful promotion of progress in industrialization the strategic emphasis of the whole province's economic development." Even in rural work, which had been prioritized under Meng's predecessors, industrialization, commercialization, and opening would be emphasized (*Jiangxi ribao* 5/18/2001).

the following months and years, Meng's high-flying mobilization and publicity work continued, and a new development policy approach took shape.<sup>48</sup>

Jiangxi's 2001-2005 10<sup>th</sup> Five-Year Plan program placed greater emphasis on the size and competitiveness of the province's industrial and urban economy, and particularly on Nanchang's status. In the early 2000s, Jiangxi showed greater attention to capital- and knowledge-intensive parts of the economy, adopting new policies to support designated pillar industries such as autos, aviation, precision manufacturing, special metallurgy, medicines, electronics and IT, food products, and high-grade chemicals (Liu 2009, 118). At the same time, provincial policies emphasized the need for faster metropolitan development.

After Meng's arrival, Jiangxi's previous small-city emphasis was set aside and new stress was laid on "strengthening and building up Nanchang as a breakthrough point" (Jiangxi Development Research Center 2006).<sup>49</sup> Meng presided over a literal leap in Nanchang's urban development, as the city launched construction of the Honggutan new district across the Gan River from Nanchang's old center (Chen 2010). In the following years, the provincial government placed heavy emphasis on urban and regional infrastructure and development zone construction around Nanchang, building new highways, railway facilities, and airport improvements. With greater provincial support, Nanchang's population swelled, with the urban district population breaching the two-million mark in 2004 (Jiangxi Development Research Center 2006, 214-215). Meng also worked to strengthen

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<sup>48</sup> During a March 2002 interview with the People's Daily, Meng touted Jiangxi's new development momentum, asserting "Jiangxi has full confidence of achieving a rise in the central China region. In the following five years, per capita GDP in central China will move forward in the rankings, and we will strive to enter the front lines, achieving basic industrialization by 2010" (*Renmin ribao* 3/7/2002). Later, at a provincial committee meeting in July 2003, Meng called for stronger efforts to promote the globalization of Jiangxi's economy (Jiangxi Development Research Center 2006).

<sup>49</sup> The extent to which Meng's early 2000s vision of city-centered development differed from Jiangxi's traditional approach was clear in his comments from an interview with the People's Daily in 2004. In that interview, Meng noted the importance of rural problems in Jiangxi, but emphasized that coordinated development of cities and countryside would be the key for dealing with them. Rural commercialization and development would be needed, but industrialization and urbanization (*chengshibhua*) would also be key parts of the solution to the "three rural problems" (*Renmin ribao* 3/8/ 2004).

Nanchang's position as an education center. By 2007, when Meng left Jiangxi, the capital city was home to 70 percent of higher education institutions in the province (Liu 2009, 133). These aggressive efforts to improve Nanchang's urban environment garnered outside recognition. In the mid-2000s, Nanchang earned high marks in a World Bank analysis of 120 Chinese cities and jumped upward in domestic ratings of urban competitiveness (World Bank 2006; Ni 2006).

Of course, Jiangxi's provincial development strategy under Meng was never single-mindedly focused on urban-industrial development, and secondary policy motifs of environmental protection, rural development, and regional coordination became more salient over time. Looking back to the early 2000s, one provincial policy researcher noted that despite the strong rhetorical emphasis on large city development, there were still a fairly limited number of concrete policies to promote metropolitan-region development (Interview NC041301a). And, over time, environmental themes became more prominent in Meng's public statements. In 2003, for instance, Meng told an interviewer that "we don't only want mountains of gold and silver; we want green water and verdant hills even more," and explained that Jiangxi was being selective in choosing investment projects and sectors to develop, ruling out activity that would harm the environment, public health, or public values (*Renmin ribao* 3/5/2003). In a province as overwhelmingly rural as Jiangxi, it was not surprising that the leadership continued devoting considerable attention to rural development issues during the early 2000s. Nevertheless, Meng's rhetoric between 2001 and 2004 continued to subsume the issue of rural development under his broader strategy of commercialization and urbanization.<sup>50</sup>

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<sup>50</sup> In 2003, for instance, Meng explained to an interviewer that "only by accelerating industrialization can Jiangxi fundamentally address the 'three rural problems'" (*Zhongguo gongye bao* 12/23/2003). And during a visit to rural counties in Ganzhou in January 2004, Meng stressed the need to keep developing a more outward-oriented economy, building industry parks and infrastructure, and expanding cities. Meng said Ganzhou more broadly should strive to improve its investment climate and serve as a vanguard in opening-up, taking advantage of its location adjacent to Guangdong and Fujian. The pace of city construction should be accelerated, and urbanization should be used to spur along the countryside, and emphasized rural industrialization and an export-oriented economy as a way to solve rural problems (*Jiangxi ribao* 1/19/2004). Meng's response to the call in China's 2004 Central Document Number One for prioritizing "three rural problems" (*san nong wenti*) was to advocate emulating Zhejiang, pushing forward more small and medium-

As Meng continued to push a metropolitan-centered, outward-oriented growth model in the mid-2000s, however, a new policy approach was germinating in southern Jiangxi. Between 2004 and 2005, the Construct a New Socialist Countryside (NSC) rural development program pioneered in Ganzhou under municipal Party secretary Pan Yiyang gained a high political profile and came to influence development policies across Jiangxi and China more broadly. Appointed as Ganzhou's chief in 2003, Pan had attracted attention for writing a doctoral dissertation on 'peasant-centered' development, and was also noteworthy for his past experience as a leader in China's Communist Youth League system (Li 2006; China Vitae; Looney 2012, 293). Since the early 2000s, Pan had served as a member of Jiangxi's Party standing committee, working under Meng and holding the agricultural policy portfolio.<sup>51</sup> After taking over as the leader of Jiangxi's sprawling southern prefecture, Pan embarked on a series of bold experiments in rural development. Under the banner of a 2004 city-level "Decision on Strengthening Efforts to Build a New Socialist Countryside," he aggressively pushed village reconstruction and rural public service initiatives.

The NSC program, closely coordinated by Pan and his Ganzhou colleagues, echoed the pro-rural thrust of the new central development policies that had appeared in 2003 and 2004 under the new Hu-Wen leadership. Pan displayed strong ties with Beijing,<sup>52</sup> as the campaign in Ganzhou attracted praise and support from several high-ranking central government and Party leaders. Construction Minister Wang Guangtao, for one, offered a particularly strong endorsement of Ganzhou's experiments, choosing the city as the site for China's national conference on village

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sized enterprise development, and solving rural problems through "industrialization, urbanization, and rural commercialization" (*Zhengquan ribao* 9/19/2004).

<sup>51</sup> In this role, Pan advocated innovation in rural work, but had also called for rural policy to serve the larger strategy of "three bases, one back garden" laid out by Meng (*Nongmin ribao*, 8/8/2002).

<sup>52</sup> As Looney (2012) notes, "[...] Pan may have had privileged access to central leaders, allowing him to anticipate central policy and take action to make Ganzhou and national model for the NSC" (296). In particular, it is possible that Pan's background in the Communist Youth League leadership may have given him personal links to the leadership faction surrounding Hu Jintao (Li 2006; China Vitae).

construction work in late 2005.<sup>53</sup> With central backing, Pan gained an unusually high political profile for a municipal leader, even publishing articles about his Ganzhou model in key central Party outlets such as *The People's Daily* and *Seeking Truth (qiu shi)* magazine in 2005 (Looney 2012, 292-295).

With Pan Yiyang mobilizing central support for his reform experiments and cultivating a national-level political persona, the Ganzhou campaign represented a striking counterpoint to the developmental vision Meng Jianzhu had promoted since arriving in Jiangxi. The presence of so well-connected and high-profile a city-level leader may have made it more difficult for Meng to shape Jiangxi's development policy agenda as he saw fit. Whether Meng was won over by Pan's ideas over time, or whether he simply faced mounting pressure from above and below to signal stronger provincial endorsement for a more rural-oriented, populist development model, is hard to ascertain. Soon after the Ganzhou development experiment began, however, the tone of development policies in Jiangxi again changed abruptly.

### **Scaling up different development models, 2006-2010**

During the latter half of the 2000s, development approaches in Hunan and Jiangxi again diverged as new leadership teams came onto the scene in both provinces. Under the leadership of Zhang Chunxian and Zhou Qiang, Hunan further intensified its metropolitan-oriented development push and CZX regional integration efforts, and obtained growing central support for its projects. Jiangxi's leadership, meanwhile, downgraded the metropolitan growth agenda to promote a more balanced and ecologically oriented development model. Even during the later years of Meng Jianzhu's tenure, an adjustment of policy priorities became clear. After Su Rong replaced Meng as Party secretary in Jiangxi, environmental and urban-rural coordination goals gained an even higher

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<sup>53</sup> Wang also called publicly for urban planning and construction departments nationwide to place their support behind the NSC program (*Zhongguo jianshebao* 8/9/2005).

profile. Under the influence of these policies, investment and growth trends in the two provinces varied considerably. Between 2006-2010, Changsha accounted for 33 percent of Hunan's FAI and 29 percent of capital construction. Nanchang, meanwhile, secured 23 percent of FAI and 25 percent of capital construction in Jiangxi.<sup>54</sup> In Hunan, Changsha's boom reached new heights, with growth dramatically outpacing the rest of the province and most other large Chinese cities. Jiangxi as a whole experienced surging FAI and rapid economic growth, and outlying cities and rural areas tended to grow quickly. Nanchang's position, however, slid considerably not only relative to nearby provincial capitals but also within the province. Whereas Changsha's GDP climbed from 152 billion yuan in 2005 (23 percent of Hunan's total) to 454.7 billion yuan in 2010 (28 percent of Hunan's total), Nanchang's rose from 100.7 billion yuan in 2005 (25 percent of Jiangxi's total) to 220 billion yuan in 2010 (23 percent of Jiangxi's total). Nanchang's economy, once three-fourths the size of Changsha's, was by 2010 less than half as large (China Data Online; author's calculations).

### *Hunan*

During the 11<sup>th</sup> (2006-2010) FYP period, changing national policies placed new demands on central provinces, but also created new openings for provincial-level initiative. Under the heading of the "scientific development outlook" (*kexue fazhan guan*), the center stressed economic restructuring, spatial and sectoral coordination of development, and environmental protection. Particular emphasis was placed on rural welfare, with NSC construction elevated to the status of a key national strategy.<sup>55</sup> But the 11<sup>th</sup> FYP framework also laid stress on regional planning, including urban cluster development, economic innovation, and industrial upgrading. Beijing's endorsement of top-down

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<sup>54</sup> See Chapter 2. Data are from Hunan and Jiangxi statistical yearbooks; China Data Online; author's calculations.

<sup>55</sup> For a description of the top policy priorities and programs listed under the Plan, see [http://english.gov.cn/special/115y\\_index.htm](http://english.gov.cn/special/115y_index.htm).

coordination of development created scope for provincial governments to take more active roles in industrial policy roles and urban-regional planning and development (Yin 2011, 128; Gu et al 2012b).

Beyond the broad 11<sup>th</sup> FYP framework, the State Council's formal rollout in 2006 of a "Central China Rising" (*zhongguo jueqi*) strategy held out new opportunities for Hunan, Jiangxi, and other heartland provinces.<sup>56</sup> Outlined in the 2006 No. 10 Central Document, Central China Rising affirmed the need for faster development in central provinces, acknowledging that this region had been left behind as coastal provinces had boomed and central assistance had gone to China's western and northeastern provinces. The strategy aimed to shore up grain production and supporting infrastructure, but also showed a shift away from Beijing's traditional treatment of the six central provinces as bases for agriculture and resource extraction. Endorsing efforts already underway in the central provinces, the No. 10 Document called for large urban clusters to play a key role in regional development,<sup>57</sup> and named four specific areas (Hubei's Wuhan City Circle, Henan's Central Plains Urban Cluster, Anhui's Wanjiang Urban Belt, and Hunan's CZX Urban Cluster) as points of emphasis. For greater Changsha and other listed urban clusters, gaining mention in a central strategic document was seen as a breakthrough in efforts to win more state support (*Liangxing ban* 2011b, Tong 2011, 85).

While the amount of concrete state support distributed under Central China Rising looked likely to be smaller than what had been given out under the earlier Western Development and Revive the Old Northeast Industrial Base strategies, there would be other perks. The NDRC, Ministry of Finance, and other central ministries announced a handful of new measures to support

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<sup>56</sup> These policies were first announced by Wen Jiabao in March 2004, but the policy program was laid out more clearly over the next two years. The Central China strategy appears to have been prompted in part by persistent pressure by provincial leaders from China's six central provinces for greater state support (Lai 2007).

<sup>57</sup> Among other objectives, the document called for "[...] creating a structurally optimal urban system with coordinated development of large, medium, and small cities and small towns, taking provincial capitals and central cities with relatively strong resource and environmental carrying capacity as supports, and accelerate the development of economic belts along backbone railways and along the Yangtze" (*Liangxing ban* 2011 b, 42)



grain production, urban cluster development, industrial renovation, opening up, and education in central provinces. For the most part, though, Central China Rising would be about “giving policy privileges rather than giving money” (*gei zhengce er bu gei qian*) (Lai 2007, Yin 2011, 103). Instead of guaranteeing specific forms of central support, the new program would function largely as an umbrella under which provinces could launch new policies or initiatives and then reach out to various central state entities for approvals or resources.

If the unveiling of Central China Rising helped Hunan’s development prospects, so did the appointment in early 2006 of a younger, more dynamic provincial leadership duo. Fifty-three years old when he took over as Party secretary, Zhang Chunxian had already amassed an impressive resume, having previously served as China’s Minister of Transportation. Zhang had built a reputation for efficiency and public relations savvy in that role, but the high-level personal connections he brought were seen as a particular boon (*21 Shiji jingji baodao* 3/17/2006).<sup>58</sup> Zhou Qiang, only 46 years old when he became Hunan’s governor later in 2006, had risen through the ranks even faster, navigating the central state and Party establishment and gaining extensive experience in China’s law and order system.<sup>59</sup> Both leaders brought with them inside knowledge of central politics, personal connections in Beijing, as well as the hunger for achievement common to mid-career politicians. They arrived at a moment of high potential, and also wasted little time in setting new development efforts in motion.

Upon his arrival, Zhang Chunxian not only embraced, but further accelerated CZX integration and the build-up of Changsha. Zhang declared that Hunan had to confront three urgent challenges—a lingering rural orientation and huge rural population, lagging urbanization, and a

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58 In 2006, Zhang himself told reporters that “There are indeed some people who are familiar with me, some major companies that have been in touch with Hunan province. They all want to come to Hunan and have a look around, and they are willing to help Hunan” (*21 Shiji jingji baodao* 3/17/2006).

59 Zhou reputedly enjoyed close ties to senior national Party and government leader as former first secretary of the Chinese Communist Youth League and his long experience in the Ministry of Justice establishment (Li 2010).

relatively low level of industrialization. Acknowledging a central policy agenda that emphasized rural work and welfare, Zhang said public service provision and NSC work would be a key priority of his administration. Yet Zhang's comments suggested that radical progress in the countryside could not be expected right away; it would be necessary to focus on urban infrastructure and basic industry development in the near term (*21 Shiji jingji baodao* 3/17/2006).<sup>60</sup> The main stress of provincial work should continue to fall on industrialization and urbanization.

Zhang quickly took up recommendations from veteran provincial experts such as Zhang Ping and Tong Zhongxian who advocated increasing the scale and scope of CZX plans and creating stronger administrative mechanisms to lead and coordinate metropolitan development.<sup>61</sup> In a May 2006 forum about the Central China Rising agenda, Zhang endorsed the idea of expanding the CZX initiative beyond the original three cities (*Hunan Ribao* 8/18/2006; *Zhongguo gaige bao* 11/20/2006). In line with this “3+5” strategy, Hunan's 11<sup>th</sup> FYP for CZX Economic Integration broadened the planning region to include five medium and large cities located within a one-hour radius of Changsha (Yueyang, Hengyang, Changde, Yiyang, and Loudi). Even as more of Hunan was brought into the fold, however, the new leadership made clear that Changsha would remain the focal point for development. Hunan's 11<sup>th</sup> FYP Outline called for the economy of Changsha and the core CZX region to grow at a rate three percentage points faster than the province overall (Chen, ed. 2006).

The arrival of new leaders lent new impetus to CZX integration efforts. Hunan's government had been preparing to move forward with a variety of related infrastructure and

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<sup>60</sup> In early 2006, Zhang highlighted NSC work with a discussion meeting and an inspection of rural areas shortly after taking office. He took a measured approach, however, noting that “NSC construction is a historical process, and we must both feel a sense of urgency but we should not overeagerly seek achievements, and cannot excessively go beyond the current conditions [...]” (*Hunan ribao* 2/13/2006).

<sup>61</sup> Many of the points raised by Zhang Ping in a report sent to top provincial leaders in July 2006 made their way into Zhang Chunxian's policy agenda. Zhang had argued for using economic integration to push forward greater administrative coordination and integration in the CZX region down the line, and he called for creating stronger provincial and inter-city mechanisms to promote coordination. In particular, Zhang called for an upgraded provincially led planning and construction committee for CZX (Zhang 2007, 14). It was Tong who originated the idea of a “3+5” approach that would integrate CZX development more tightly with that of nearby cities (Tong 2011, 81).

industrial projects since the approval of the CZX regional plan in 2005, but progress had remained limited. During 2006, Hunan rolled out a multi-city environmental plan and a plan for harmonizing industry entry rules, and the provincial environmental bureau organized a joint inspection team and common environmental evaluation indicators for the three cities (Changsha Development and Reform Commission 2010, 5). In June 2006, at the first joint meeting of city leaders under the new CZX regional plan framework, Changsha, Zhuzhou, and Xiangtan signed a cooperation framework agreement, inked agreements on industry, science and technology, and environmental cooperation, and launched several joint infrastructure projects (*Liangxing ban* 2011a, 7-8).

Zhang Chunxian's commitment to building advanced, large-scale industry and infrastructure meant a continued focus on the capital-city region. Over the course of 2006, Zhang used major government and Party events such as Hunan's Ninth Provincial Party Congress to elaborate a new development mantra of "new-style industrialization and three basics" (*yi hua san ji*).<sup>62</sup> Emphasizing the need for "leap-over" (*kuayue*) economic growth and upgrading in Hunan, Zhang called for the coordinated build-up of transportation infrastructure, development zones, and clusters for advanced industries such as equipment manufacturing, automobiles, electronics, bio-medicine, and new materials (Wu 2009; Zhang 2009; Wu et al 2011). Hunan should also continue investing in cultural, media, and entertainment industries, which had become strategic sectors in their own right, growing rapidly since the early 2000s and gaining nationwide attention.<sup>63</sup>

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<sup>62</sup> In May 2006, the provincial government convened a Forum on Accelerating and Pushing Forward New-Style Industrialization. Zhang continued to emphasize his new development strategy at the November 2006 Ninth Provincial Party Congress (Wu 2009; Zhang 2009).

<sup>63</sup> The Ninth Provincial Party Congress adopted a slogan of "develop modern culture, construct a cultural strong province," and Zhang called for using the 11-5 plan period to build a nationally and internationally competitive cultural industry. In the following months and years, new cultural industry bases were designated, and an investment guide for cultural industries was issued (Ouyang and Yu 2010). Further policies would later follow as part of the CZX development and integration strategy, such as plans for eight cultural industry zones around greater Changsha. By 2009, annual cultural industry output in Hunan would reach 76.22 billion yuan (Luo 2011, 55-56). Though many small private firms had been entering the industry, Hunan's cultural, media, and entertainment industries remained largely publicly controlled through the late 2000s: only about one-third of cultural industry added value came from privately owned firms (Ouyang and Yu 2010, 20).

The CZX region, and particularly top-flight development zones such as Changsha's EDTZ, stood to benefit greatly from an economic agenda focused on capital- and knowledge-intensive industries. These locations housed leading firms and also were home to much of the best talent and urban infrastructure. Indeed, Zhang explicitly called for strengthening the advantages of leading areas. In a 2008 article that outlined his development philosophy, Zhang called for "Using the law of uneven development, firmly upholding priority for the advantageously placed, [...] and making the CZX urban cluster into the leading zone for new-style industrialization" (Zhang 2009, 9).

The new leadership team, experienced in navigating China's central bureaucracy, also worked to obtain greater support and resources from Beijing to bolster CZX development. Since 2004, when provincial officials in Hunan learned that Shanghai and Shenzhen were seeking special central designation as "Comprehensive Reform Pilot Zones" (*zonghe peitao gaige shiyanqu*), researchers in the provincial Development and Reform Commission had begun exploring the possibility of winning similar status for the CZX region. Following a year of research, the provincial government had by late 2005 come up with a preliminary vision for a pilot zone based on the existing foundations of the CZX plan. This framework went through review and revision in early 2006, and the new provincial Party secretary and governor quickly got behind the effort to win pilot zone status for the CZX region. In June 2006, Hunan made a formal bid to the National Development and Reform Commission (NDRC), soon afterward, the NDRC sent a team from its Institutional Reform Office (*tizhi gaige si*) to conduct a related fact-finding visit.

Over the following year, Hunan's top leaders devoted considerable effort to advancing their plan (*Liangxin ban* 2011a, 6-11). It is the job of provincial leaders in China to obtain policy benefits for their regions, but Zhang Chunxian and Zhou Qiang worked overtime to line up central support for Hunan's pilot zone plan. According to one NDRC expert who took part in central-provincial negotiations over plans for the CZX pilot zone, Hunan's top leaders showed special "proactiveness"

(*jijixing*) in proposing and lobbying for the zone. They pressed hard and effectively used their connections in Beijing to win the central designation (Interview BJ061307b). In March 2007, Zhang Chunxian and Zhou Qiang met with NDRC chief Ma Kai, and settled on a substantive theme of “energy-conserving and environmentally friendly society construction” for the CZX zone. Hunan had initially proposed a pilot zone with an urbanization-related theme, but over the course of central-provincial discussions, the “two-type society construction” (*liangxing shehui jianshe*) title was selected as a compromise between the development interests of the province and the policy goals of the central government (*Liangxing ban* 2011a, 139-140; Interview BJ061307b). The next month, Hunan’s leaders sent a special letter of application for State Council recognition of the CZX pilot zone to Premier Wen Jiabao.

As they sought more central support, Zhang and Zhou ensured that there was fast CZX progress on the home front. In early 2007, new road links, such as the Changsha-Xiangtan expressway, were opening between the three cities, and work was also getting underway on a new Changsha-Zhuzhou highway. Later that year, in September, the standing committee of the provincial People’s Congress passed measures on the CZX Urban Cluster Regional Plan, further raising the profile and binding power of the plan (*Liangxing ban* 2011a, 7-8; 135-136).

Years of advance work by provincial bureaucrats and energetic promotion by Hunan’s top leaders paid off when, in December 2007, the CZX urban cluster – along with the Wuhan region in Hubei – formally won State Council authorization to launch a comprehensive reform pilot zone.<sup>64</sup> After getting the green light from Beijing, Hunan sprinted into action, rolling out infrastructure and industry projects under the CZX banner and launching work on an updated strategic framework and regional plan (*21 Shiji jingji baodao* 6/25/2008). As one of the first provinces approved to host a pilot

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<sup>64</sup> This simultaneous approval of zones in the neighboring provinces ensured that the decades-old rivalry between Hunan and Hubei would continue, further stoking provincial boosterism (*Liangxing ban* 2011a).

zone (only Shanghai, Guangdong, Sichuan, and Chongqing had come before), Hunan sought to exploit its special designation to the fullest. Instead of providing a clearly defined set of preferential policies or material resources, pilot zone status gave Hunan an important “sign” (*paizhi*) to hang and a great deal of space to innovate (Interview CS191205a). And, with Beijing’s imprimatur on what remained essentially a Hunan initiative, the provincial government would have an easier time breaking through city-level resistance to CZX integration and accessing central state resources.

On the ground in Hunan, major breakthroughs quickly followed. During 2009, 25 toll stations between the three cities were shuttered, simplifying road transport (Changsha Development and Reform Commission 2010, 8). Urban megaprojects moved rapidly between 2008 and 2010, as Hunan launched work on a major renovation to Changsha’s airport, a new Changsha subway system, a Xiang River Comprehensive Hub Project, and additional roads and expressways in the CZX region (*Liangxing ban* 2011b).<sup>65</sup> Zhang Chunxian, with his sectoral experience and connections from his time as transport minister, was credited by local observers with playing a key role in bringing transportation projects to the CZX region (Interview CS061203a).

Just as significant as this series of megaprojects were efforts to upgrade CZX region’s development plans and strengthen regional governance mechanisms. Between 2008-2010, Hunan’s leadership hastened to formulate new and even bolder plans for the capital-city region, retaining much content from the previous plans but also boosting growth targets and adding new features. In December 2007, the leadership brought in outside planners and experts to kick off a new round of planning work. A second meeting of top provincial leaders in May 2008 focused on the CZX zone’s overall approach and reviewed relevant experiences from other special zones and leading areas (*Liangxing ban* 2011a, 30).<sup>66</sup> Over several months, provincial officials, in consultation with Beijing,

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<sup>65</sup> Among the projects was extension of Furong Road to run 61km south along the Xiang River and connect the cities.

<sup>66</sup> This discussion involved provincial departments as well as experts from the China Urban Planning and Design Institute and the China Reform and Development Institute (*Liangxing ban* 2011a, 75).

city governments, and outside consultants, drew up both an CZX Overall Scheme and an updated – and upgraded – CZX Urban Cluster Regional Plan. The 2008 CZX Overall Scheme laid out basic goals and approaches for the development of the Reform Experimental Zone, breaking work into three phases. Between 2008-2010, Hunan was to focus on institution-building, infrastructure-development, and initial 3+5 work. The period from 2011-2015 would be crucial for completing key urban and regional infrastructure, deepening reforms and shifting to greater market orientation, and pushing forward environmental protection and resource conservation policies. Finally, between 2015-2020, Hunan should conclude key reforms and policy tasks. It also called for an approach of “the province coordinates as a whole, cities take the lead in implementation, reform tasks get divided by level and relevant department” (*Liangxing ban* 2011a, b). During the first phases of pilot zone work, government leadership and policy support were to play a key role, giving way over time to more work by market and societal actors (Interview CS091203a). In this way, the scheme frontloaded large infrastructure projects and development zone work, while leaving many of the more nuanced policy and reform tasks to future periods.

Hunan got basic central approval for the CZX Overall Scheme as well as for an updated CZX Regional Plan in 2008, and the provincial government formally promulgated the new Plan, along with a CZX Overall Scheme, in February 2009. The new regional plan retained much content from the CZX Regional Plan approved in 2005, but represented an upgrade in terms of scope and scale. The document set bold development targets, including raising the population of the CZX area from 13.25 million in 2007 to 18 million by 2020. Unlike its 2005 precursor, the 2008 regional plan included the full “3+5” region, and emphasized environmental and energy-conservation goals as well as development targets. The new plan was also more implementation-oriented, with specific

projects such as the Changsha subway, a new inter-city rail system, and new development zones plotted out in detail (Interview CS021203b; *Liangxing ban* 2011a, b).<sup>67</sup>

The overall spatial strategy of the regional plan boiled down to the phrase “have the core [the CZX central urban area] spur the other areas along; push forward leap-over development” (Hunan Provincial Government 2009; *Liangxing ban* 2011a, 118).<sup>68</sup> Changsha continued to enjoy pride of place as the designated center for science and technology, business services, advanced manufacturing, emerging industries, and long-distance passenger travel.<sup>69</sup> Five new demonstration zones (*shifan qu*) in the CZX core region would serve as hubs for development, with Changsha’s huge River West (*da hexi*) zone as the centerpiece.<sup>70</sup>

As it rolled out the new plans, Hunan also built stronger institutional mechanisms for coordinating CZX development. Central state backing and resources made Hunan’s task of coordinating relations among different cities easier, but squabbling between localities remained an obstacle.<sup>71</sup> Provincial leaders thus sought to strengthen hierarchical mechanisms for making and implementing CZX policies. With Beijing’s approval, the provincial leadership overhauled the existing CZX integration leading small group and its standing office, creating a higher-profile leading small group and a stand-alone Two-type Society Construction Office, or *Liangxing ban*. Unlike its predecessor, the new organ would be headed by a vice-governor, and would report directly to the provincial leadership. These changes boosted both the prestige and power of the office, expanding

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<sup>67</sup> In line with shifting national trends, the plan placed more emphasis on spatial-functional planning, designating different zone areas to serve different development functions and abide by different regulations (*Liangxing ban* 2011 a, b).

<sup>68</sup> In the core CZX region, the plan called for a central development corridor running north-south along the Xiang River as well as two lateral development belts spanning Changsha and the Zhuzhou-Xiangtan built-up area, respectively.

<sup>69</sup> Meanwhile, the plan emphasized Zhuzhou’s industrial and logistics role, and tapped Xiangtan to specialize in urban-rural linkages, social service provision, and rural business services (*Liangxing ban* 2011 a, 118-122).

<sup>70</sup> The five demonstration areas were later subdivided into 18 smaller sections to facilitate administration.

<sup>71</sup> With even higher stakes at play, the three cities competed to secure the choicest investment projects and build industry clusters within their boundaries, and to shift the more onerous policy tasks that came with CZX plans (Interviews CS181205a; CS191205a).



its jurisdiction to include the full 3+5 region and giving it the same rank as Hunan's Development and Reform Commission (Interview CS061203a).<sup>72</sup> Beyond setting up the office, Hunan adopted new laws and regulations to bolster regional planning, implementation, and oversight work. During 2008, the province approved new planning system regulations and Zhou Qiang pushed new Hunan Province Administrative Process Rules. Later, in September 2009, the Hunan Provincial People's Congress passed the Hunan CZX Urban Cluster Regional Plan Measures (*Liangxing ban* 2011 a, b, 16-28, 80).<sup>73</sup> These and other institutional changes vested new planning and regulatory authority in provincial government organs, strengthening tools for top-down metropolitan governance.

With these various plans and governance institutions in place, Hunan was ready to embark on more concrete policy, infrastructure, and industrial development programs after 2009. As top provincial leaders continued to convene high-level meetings,<sup>74</sup> provincial and city departments moved ahead with work in the five CZX demonstration zones. Officials set up new management committees and financing platforms, launched infrastructure, industry, and urban construction work, and began investment recruitment (Interview CS081203b).

As more detailed plans for development of the CZX region surfaced, the privileged position of the metropolitan core was clear. According to an April 2010 provincial government circular, Changsha's River West demonstration zone would have 230 square kilometers of construction land

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<sup>72</sup> The revamped *Liangxing ban* was charged with four main functions: research, advising top leaders, coordinating policy implementation, and providing support services for relevant actors. Under the guidance of the provincial office, each city would implement relevant projects and design local plans, while the province set strategic designations for different places, approved major projects and policies, and handled inter-jurisdictional issues. According to a provincial government official, once it was made independent of the provincial Development and Reform Commission the new office was better able to maintain balance in its policy priorities between economic objectives and portfolios such as social development, environmental policy, and administrative coordination (Interview CS181205a).

<sup>73</sup> Entering into force in January 2010, these provisions created a stronger legal basis for zone development and planning, and stipulated that departmental plans and city-level plans must take the provincial-level regional plan as their basis (*Liangxing ban* 2011 a, b, 16-28, 80).

<sup>74</sup> In June 2009, provincial leaders met to review major CZX zone work to date, and to finalize plans for 2009-2010. A March 2010 meeting called for accelerating project work, and a special meeting was convened at the party secretary's request in 2010 review work on key reform areas (*Liangxing ban* 2011 a).

available for near-term development, vastly more than the 10 square kilometers or so earmarked for other zones (*Liangxing ban* 2011b, 83-86).<sup>75</sup> The provincial government and Changsha also worked to drive the expansion of Changsha's urban area to the east and south, using airport construction and a new high-speed rail station to spur the growth of new city centers (Interview CS061203b). In particular, the Changsha ETDZ in Changsha County directly east of the central city districts saw very rapid development continue under the CZX pilot zone scheme.<sup>76</sup> Hunan succeeded in getting four provincial-level development zones, including the CZX region's Xiangtan HTDZ and Ningxiang County ETDZ, elevated to state-level status (*Liangxing ban* 2011b, 16). Areas adjacent to central Changsha were also slated for massive development projects and rapid urban growth under the CZX scheme. Zhuzhou's urban districts, located within easy driving distance of Changsha's south side and airport, saw an accelerated build-up after 2008 (Interview CS191205a).

Hunan's leaders successfully tapped into central state resources as pilot zone efforts gained speed. By 2010, the provincial government and the CZX zone officials had signed cooperation agreements with 34 central ministries or agencies and 71 financial institutions or central SOEs to launch policy initiatives, construction projects, and business investments in the pilot zone. Among

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<sup>75</sup> The total planned area of the River West (*da hexi*) zone is 1200km, with one-third slated to become construction-use land. The creation of this vast "leading zone" (*xiandao qu*) was one very concrete way in which Hunan took advantage of the CZX region's Pilot Zone status. This Rivers West area, which encompasses the Changsha HTDZ as well as the newly anointed Ningxiang ETDZ on the western side of Changsha, was to serve as a spatial "platform" for many of the key construction projects and policy initiatives envisioned under the Two-Type Society Construction agenda. Changsha's city government relocated to the west side of the Xiang River in 2001, and had for several years been working to spur development westward. The management committee for the River West Zone was established as a field office of the city government but was to enjoy a high degree of autonomy in the economic policy realm (Interview CS081203b).

<sup>76</sup> Under Zhang Chunxian's aggressive industrialization drive, the construction equipment industry in the zone continued to thrive (by 2011, it would reach a total production value of 90.4bn yuan, three-fifths of Hunan's total), and efforts to build an automotive industry cluster also moved forward quickly. Changsha County, and especially Xingsha new town, was also a key focus for urban development work. New projects to link the county more tightly to central Changsha and build key transport and development corridors between central Changsha, Huanghua Airport, and a new high-speed rail station, respectively, quickly entered the implementation stage. Spatial planning for Xingsha city was closely integrated with that of the overall CZX zone, and the city grew to 350,000 people and 53 square kilometers as new mega-blocks sprouted upward. Through local efforts and support from higher-levels, Changsha County recorded blistering GDP growth and would manage to raise its ranking among China's county-level economies from 47th in 2007 to 15th in 2012 (China Small and Medium City Task Force 2013, 1-4, 53, 85-89).

the largest-scale and most important of these province-ministry agreements was an accord between Hunan and the Ministry of Railways to establish a 3+5 Inter-City Rail Transport Company that would fund, construct, manage, and operate the massive inter-city rail transport system envisioned in the CZX regional plan (*Liangxing ban* 2011a). Efforts to raise capital for zone construction also took off, as provincial leaders established a new financial platform for the pilot zone called the Hunan Investment Development Company. In short order, this entity signed contracts for 300 billion yuan in planned investment with the China Development Bank (CDB) and 20 other financial institutions, and with government entities from various levels. Hunan and CDB also drew up a CZX Capital-Raising Plan for 2009-2020, and by 2010 financial platforms operating under the CZX zone had issued more than 10 billion yuan in debt (Changsha Development and Reform Commission 2010).

Beyond the construction boom, new preferential or experimental policies – especially in the realm of finance and land management – also fueled rapid economic growth in the CZX region. Taking advantage of its latitude under pilot zone policies, Hunan experimented with new financial arrangements to raise capital (Interview CS191205a) and introduced new land policies to facilitate growth in the CZX core region and promote high-density growth.<sup>77</sup> Hunan also experimented with new urban migration and environmental policies. In 2009-2010, efforts were rolled out to streamline *hukou* conversion, ID card management, and social integration with the CZX region (Changsha Development and Reform Commission 2010). On the environmental side, with new funding and compensation policies, cities launched major efforts to improve water treatment and to clean up and rehabilitate highly polluted industrial sites such as Qingshuitang and Pingtan town along the Xiang River corridor between Zhuzhou and Changsha (Interview CS081203b).

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<sup>77</sup> On the one hand, Hunan used its policy privileges to reduce (*hejian*) the amount of basic farmland in core regions, thus facilitating further land development there. The province also experimented with a system for market-based transfers of construction land quotas among different cities in the province so as to enable rapidly growing core cities to boost their land reserves while also ensuring compensation to the peripheral locations giving up land-development quotas (Interview CS061203a).

As the decade drew to a close, Hunan's developmental energies remained focused on the CZX region. With Changsha tapped to serve as Hunan's main growth pole and to increase its core urban population to 6 million people by 2030, development prospects continued to look bright (Interview CS081203b). And with governor Zhou Qiang taking over from Zhang Chunxian as Party secretary in 2010, Hunan's development policy orientation seemed unlikely to change drastically in the short run.<sup>78</sup> At the same time, there were signs that greater emphasis might be placed on lagging areas of the province in the future, as the provincial government began to devote more attention to southern and western Hunan (Zhang 2009).<sup>79</sup> Following improvements to regional infrastructure in these parts of the province, new economic opportunities had begun to emerge. There was also growing recognition among policy elites that the CZX region alone could not drive development across the province (Interview CS021111a).<sup>80</sup> Nevertheless, as the 2000s wound down, Changsha's long moment in the sun continued.

### *Jiangxi*

The development approach taken by Jiangxi during the latter half of the 2000s displayed much less metropolitan bias than policies in Hunan. During the later years of Meng Jianzhu's tenure as Party secretary, the provincial government evinced a very different development philosophy than the competitiveness-first outlook of the early 2000s. As Jiangxi moved into the 11<sup>th</sup> FYP period,

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<sup>78</sup> At a provincial leadership meeting ahead of the 12<sup>th</sup> Five-Year Plan period, Zhou called for continued emphasis on Zhang's "new-style industrialization, three basics" policy goals (Luo 2011). Zhou's own "four -izations, two-type" (*sibua liangxing*) economic strategy continued to emphasize industrialization and called for using urbanization as more of an economic engine in its own right, and better coordinating urban development with rural modernization. Notwithstanding minor policy adjustments, Hunan would continue to focus on the CZX area (Wu et al 2011).

<sup>79</sup> Zhang Chunxian called for creating a "southern Hunan industry-relocation economic circle" and supporting the emergence of a "resource-industry economic circle" in Western Hunan (Zhang 2009).

<sup>80</sup> A new Western Hunan plan for 2011-2020 being developed by provincial officials and researchers placed more emphasis on stimulating endogenous development in the region, and also envisioned major new infrastructure improvements (Interview CS091205b). Meanwhile, Hunan's 12<sup>th</sup> Five-Year Plan plan policies put more stress on improving the economic position in the province of border cities such as Changde, Chenzhou, Huaihua, and Yongzhou, and on strengthening economic links with neighboring provinces (Zhu 2011).

leaders placed less emphasis on the Nanchang-Jiujiang corridor and laid more stress on rural and environmental work. Following a leadership change, Jiangxi's new Party secretary Su Rong further played up rural issues, environmental protection, and coordinated regional development, making such themes central to his Poyang Lake Ecological Economy Zone initiative. Jiangxi thus devoted more attention to the policy priorities espoused by the central government and localities, to the chagrin of several provincial-level policy elites.

The adjustment of Jiangxi's development strategy after the mid-2000s can be understood in part as a reaction to multiple years of strong economic performance. After Meng's arrival, Jiangxi had experienced a boom: between 2000 and 2005, its economy grew at an annual rate of 13.9 percent, well ahead of not only Hunan, which achieved 11.3 percent, but also the national pace of 11.7 percent (China Data Online; author's calculations). With economic momentum finally established, policymakers could afford to give more attention to coordinating development across space and making it more sustainable. Still, with Jiangxi remaining very poor and economically marginal in relative terms, the realignment of the provincial development strategy away from a competitiveness agenda was surprising.

At least in his development-policy rhetoric, Meng Jianzhu circa 2006 sounded like a different leader than Meng circa 2003. His statements echoed Beijing's 11<sup>th</sup> FYP agenda, no longer placing the goal of provincial economic competitiveness front and center.<sup>81</sup> In a media interview at the 2006 National People's Congress meeting, Meng announced that he would place utmost priority on New Socialist Countryside construction work, and played up the NSC campaign's potential for addressing Jiangxi's development problems (*Renmin ribao*, 3/8/2006). "Jiangxi," he promised, "will continue to

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<sup>81</sup> Meng may have found himself in a weaker political position vis-a-vis Beijing as Hu Jintao consolidated power in the years after 2003 and the influence of Jiang Zemin, a key patron, receded. Indeed, the fact that Meng, despite major achievements, was not promoted out of Jiangxi within a few years to a more noteworthy province or an influential central post suggests that his previously rapid political ascent may have run into obstacles. In the end, Meng spent over six years in Jiangxi.

take developing the rural economy as the central task [...]” In another interview the following month, Meng noted that Jiangxi had emphasized industrialization and opening up during the early 2000s, but that it was now time for heavy emphasis on rural issues. It was unacceptable, he said, that “cities develop dramatically from day to day while the countryside continues to look the same as always.” He also cautioned against unsustainable growth that would “eat the food of our ancestors or cut off the road for our descendants” (*Renmin ribao* 4/18/2006). In late April 2006, Meng, accompanied by Pan Yiyang and other leaders, paid a high-profile visit to Ganzhou to inspect progress on rural development. During the visit, he reiterated the province’s commitment to NSC work and people-oriented rural development, and called for integrating NSC work with industrialization and county-level economic development (*Jiangxi ribao* 4/30/2006).

Whereas in previous years Meng had referred to Jiangxi’s urbanization efforts using the term *chengshibhua* (“big-city-based urbanization”), he – and the provincial government more broadly – now used the term preferred by Beijing, *chengzhenhua* (“small-city-based urbanization”). Indeed, the urban development strategy Jiangxi outlined in 2006 and further elaborated in 2007 called for placing greater emphasis on smaller cities and regionally balanced development, and for promoting urban cluster development in three different parts of the province (Liu 2009; Cao and Zhu 2010). In making these rhetorical and policy shifts, Meng aligned Jiangxi’s development program more closely with the approach favored by China’s top leaders.

While Hu Jintao and Wen Jiabao had begun to place emphasis on addressing rural problems soon after coming into power in the early 2000s, rural-focused rhetoric and action from the top leadership intensified during the 11<sup>th</sup> FYP period. After using the 2004 No. 1 Central Document to plug rural priorities, the top leadership placed rural issues – and, in particular, “building a New Socialist Countryside” – atop the agenda in the national 11-5 Plan. Hu, emphasizing the need to forestall threats to China’s food security and social stability, had further stressed these rural priorities

in a meeting with provincial leaders in February 2006 (Looney 2012, 204-213). During their visits to Jiangxi in the late 2000s, central leaders not only played up rural development themes but also emphasized environmental protection work. When Wen Jiabao visited Jiangxi in April 2007, for instance, he said that environmental work and building up an ecologically oriented economy in the Poyang Lake region were of the essence. Hu Jintao, on a later visit in 2009, called for a resource-conserving, environmentally friendly development approach (Hua 2011). Thus, there was central pressure on the Jiangxi government to shift away from a metropolitan-oriented development approach as well as pressure within the province from the ongoing NSC campaign.

After Su Rong replaced Meng in late 2007, Jiangxi shifted even further away from a metropolitan-oriented development model. Su, 59 years old at the time of his appointment, was a native of the rustbelt province of Jilin and had previously served as Party secretary in the poor, arid northwestern provinces of Qinghai and Gansu. Low-key verging on bland, Su cut a very different figure than Meng. After a much quieter arrival in Jiangxi than Meng's, Su Rong became well known for preaching environmental protection and balanced regional development (Liu 2009; *Zhongguo jingying bao* 3/9/2013).

Under Su, Jiangxi continued stressing the NSC agenda in the late 2000s (Looney 2012), and moved forward with a Poyang Lake Ecological Economy Zone initiative that resembled Hunan's CZX program in its broad form but differed in terms of its substance. After spending the beginning of his time in Jiangxi preoccupied with fallout from the winter storms that struck southern China in late 2007 and early 2008, Su Rong in March 2008 launched efforts to win for Jiangxi a special national-level designation similar to the pilot zone mantle Hunan had recently secured. Working with governor Wu Xinxiong, Su announced plans for a Poyang Lake Ecological Economy Zone (EEZ) that would encompass much of northern Jiangxi and combine environmental protection and economic development themes.

Obtaining central approval for the EEZ plan proved to be a laborious process. In the months after Su's proposal surfaced, Jiangxi's Development and Reform Commission worked to refine the details of the plan, engaging in frequent back-and-forth with the NDRC. During the summer of 2008, top provincial leaders appealed to central leaders such as vice premier Li Keqiang for help in moving the initiative forward. Li, for one, showed interest in the proposed zone – particularly its environmental protection components – but called for further revisions, saying the plan required a clearer geographic and thematic focus. In September 2008, the Jiangxi government approved a modified version of plan and submitted it to the State Council. Provincial leaders followed up by briefing central leaders in early 2009, and central-provincial consultations continued in the following months. Jiangxi's leaders failed to win approval by their target date of June 2009, as several further rounds of revisions proved necessary. By the end of 2009, however, Jiangxi finally succeeded in winning NDRC and State Council endorsement for the plan (Hua 2011, 47-51).

As with Hunan's CZX plan, winning a central-level strategic designation helped Jiangxi obtain many policy benefits and more state resources. However, the EEZ plan differed in several important respects from the CZX plan and thus had different consequences on the ground. First, the Zone's geographic scope was much broader than the CZX core region, spanning 51,200 square kilometers and encompassing Nanchang, Yingtan, Jingdezhen, counties from Jiujiang and four other cities. In addition, the substantive emphasis of Jiangxi's plan on environmental work, and, more specifically, protection of Poyang Lake and its watershed, made the plan less conducive to urban-industrial development than Hunan's (Du 2011; Interview BJ061307b).<sup>82</sup> Finally, because Jiangxi's plan was approved at a time when a large number of provinces were gaining approval for state-level regional development plans, it had a lower political profile than the earlier CZX initiative.

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<sup>82</sup> One important reason for the focus of Jiangxi's regional initiative on environmental, and specifically water-treatment, issues, was the large amount of pollution associated with rare-earth and copper mining activities in the province (Interview BJ061307b).



Nonetheless, many investment projects were developed in conjunction with the Ecological Economy Zone strategy. Following the Zone's approval in late 2009, the province launched mobilization meetings, set up a leading group under Governor Wu Xinxiong, and established a standing body in the provincial Development and Reform Commission. Over 400 investment projects were drawn up under the plan, but many of these – such as water supply and water treatment works, two nuclear power plants, a natural gas plant, and an urban water treatment facility – were oriented toward environmental construction and energy infrastructure rather than geared toward a metropolitan build-up. Jiangxi also unveiled new efforts to promote coordinated urban-rural development, with 26 town-development demonstration zone projects launched (*Zhongguo jingying bao* 3/9/2013; Du 2011).

If Nanchang continued to grow briskly in absolute terms during the late 2000s, metropolitan development efforts slackened considerably compared with the preceding years. Important advances in Nanchang's urban infrastructure during the late 2000s included upgrades to the Changbei Airport, initial work on a first subway line, and a new rail station built on the city's west side (Nanchang Development and Reform Commission 2011, 44). But Nanchang's economic growth slowed down in the late 2000s even as Jiangxi saw extremely rapid overall FAI and GDP growth. One government report noted that Nanchang had missed several of the 11<sup>th</sup> FYP period development targets laid out for the city. The capital's services sector grew especially sluggishly – tourism, for instance, grew at 0.1 percent annually rather than the intended 6 percent – and Nanchang's share of provincial GDP fell from 25 percent to 23.6 percent. Meanwhile, Nanchang saw setbacks in municipal planning work (Nanchang Development and Reform Commission 2011).

Some provincial policy elites blamed Jiangxi's shift of development strategy for causing Nanchang to lag further behind its competitors in the central region, and counseled a return to a more metropolitan-oriented strategy. Chen Xinhua, a provincial policy advisor, sent a letter to

provincial leaders in November 2006 urging them to reconsider the change in urban strategy and resume a big-city-based development approach. In the letter, he pointed out that

After leaping into the new century (or to be precise, since Secretary Meng took over), Jiangxi has come out with several new things as far as development concepts and approach are concerned; the loud and clear promotion of big-city-based urbanization has been one of them. [...] Perhaps some will say that small-city-based urbanization is the center's formulation, and we in Jiangxi should not break with orthodoxy. Nonsense! It's not the case that if the center puts out some slogan every province and city across the country should all completely imitate it; if this were the case, would each locality still have any creativity? [...] On the contrary, each place should completely put forward its own slogan in accordance with local realities according to its own situation. Otherwise, it is just ossification; it will just be a return to the old situation of unliberated thinking Jiangxi was in before, when it didn't dare to think this, and didn't dare to do that" (Chen 2010, 219-221).

It was essential, Chen argued, for a backward province such as Jiangxi to promote urbanization more aggressively. Jiangxi alone among its central neighbors had failed to gain recognition under the Central China Rising document for its metropolitan-region plans. Only by proactively building a greater Nanchang and rejecting the recent "small city, big strategy" approach could Jiangxi ensure greater success in urban competition and bring in more central resources (Chen 2010).

Along similar lines, Yao Mugen, former head of Jiangxi's Development and Reform Commission, decried the return to a more dispersed urban and industrial development model, noting in a 2010 book that new policies were holding back Nanchang and Jiujiang's growth. Yao argued that Jiangxi should use a full complement of preferential policies to build up Nanchang to one-third of provincial GDP (Yao, ed. 2010, 150-152). And later, during Su Rong's tenure, other critics derided Jiangxi's development approach as "chopping the big and planting the small, planting trees in water fields" (*Zhongguo jingying bao* 3/9/2013). Over time, persistent complaints such as these, combined with mounting evidence of Nanchang's slipping competitive position, would prompt further reevaluation of Jiangxi's urban development approach.<sup>83</sup>

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<sup>83</sup> There was a further shift in Jiangxi's urban policy early in the 12-5 period, shortly before Su Rong departed. In 2012, Su called for utilizing Jiangxi's full provincial strength to help build up Nanchang. According to a provincial policy researcher, a variety of financial, tax, land, investment, and other preferential policies were rolled out between 2012-2013

While Nanchang dropped out of the limelight, however, Jiangxi did an enviable job with its environmental work and in maintaining rapid rural-income growth. During the 11<sup>th</sup> FYP period, Jiangxi carried out heavy investment in the rural sector, energy production and distribution, and manufacturing. Provincial authorities worked to strengthen county-level finances, even though this meant shifting more fiscal resources down the administrative ladder and discontinuing upward transfer of certain tax revenues to provincial coffers. The province also made efforts to connect all administrative villages in the province to cement roads (Du 2011). As a result, Jiangxi as a whole experienced more regionally balanced growth and higher rural incomes than virtually all nearby provinces (Li et al, eds. 2007). Although Jiangxi's urban incomes in 2009 had reached only 82 percent of China's average, its rural incomes were 98 percent of national average (Zhu 2011). In Ganzhou, meanwhile, Pan Yiyang could claim significant rural development achievements for the NSC campaign. The campaign had curbed urban-rural income gaps, improved the living environment of rural residents, and facilitated movement of peasants into the denser, better-serviced settlements of rebuilt villages and county towns (*Zhongguo jingji zhoukan*, 3/7/2010). In short, Jiangxi had managed a very different kind of developmental success, akin in some ways to the “micro-oriented” model of Guizhou discussed by Donaldson (2011), even as it fell further behind Hubei, Hunan, and even Anhui in terms of metropolitan competitiveness.

## Discussion and conclusions

Despite sharing similar economic structures and facing similar developmental challenges as they entered the 21<sup>st</sup> century, Hunan and Jiangxi took surprisingly different approaches to urban and regional development. Policies in Hunan clearly and consistently prioritized development of the

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in support of this goal. There was even speculative talk of the possibility of adjustments to the size of Nanchang's administrative area to boost its competitive profile down the line (*Xinhua Net Jiangxi* 11/5/2012; Interview NC041301a).

Changsha metropolitan region over other areas of the province. Fueled by huge quantities of investment, Changsha experienced explosive economic, demographic, and physical growth between the late 1990s and 2010. Even as other parts of the province lagged behind, Hunan's capital city raised its profile both domestically and internationally. Jiangxi's development policies showed much less metropolitan bias. Spatial and industrial development strategies in Jiangxi fluctuated a great deal over time, and adhered more closely than Hunan's to the more regionally balanced and rural-oriented development approach both provinces had historically followed and to Beijing's policy line. State support and investment were more dispersed across space in Jiangxi, and metropolitan development efforts came in fits and starts. While state actors played a decisive role in shaping urban and regional development in both provinces, the greater clout of Hunan's provincial government meant more state support and resources were directed toward the metropolitan development agenda.

The meteoric rise of greater Changsha was not preordained by economic geography but depended, rather, on concerted higher-level policy interventions. Changsha only half fits the image of an outward-oriented, entrepreneurial city. During the 2000s, Changsha's environment for private and foreign investment got decidedly mixed marks, and the city's economy was never heavily oriented toward international trade or FDI (World Bank 2006; Luo 2011). Hunan's private sector may be better developed than those of some inland provinces, but it was not the principal engine for Changsha's development. Indeed, as late as 2008, the non-state share of Changsha's economy was 55.3 percent, lower than for Hunan overall (Zeng 2010, 107). Meanwhile, Changsha had a thinner industrial base than other central Chinese metropolises such as Wuhan or Zhengzhou (Luo 2011). On the other hand, FAI, much of it directed toward urban infrastructure and real estate, was crucial for Changsha's economic rise. By one estimate, FAI accounted for more than 60 percent of Changsha's growth during the crucial five years between 2001-2005 (Wang 2010, 143). In Jiangxi, as in Hunan, periods of especially rapid growth in the capital-city region – first in the mid-1990s and

then again in early 2000s – were associated with major investment drives and higher-level policies to promote urban competitiveness and growth. When provincial support faded, however, Nanchang's growth rate slowed. Thus, to understand variation in urban and regional growth outcomes across these two provinces and over time, it is necessary to clarify the conditions that enabled mobilization of policy support and state resources behind metropolitan development.

As I have shown, crises of lagging development in both provinces galvanized support for metropolitan-oriented strategies. Hunan's worsening economic marginalization and slow progress in grooming advanced industries and foreign-oriented sectors over the 15 years between the early 1990s and the mid-2000s fed demand for strong measures to boost competitiveness. In Jiangxi, which started out even poorer than Hunan and also recorded subpar growth rates during the 1990s, many policy elites viewed metropolitan development with a similar urgency. However, following Jiangxi's relatively strong growth performance during the first half of the decade, higher-level support for metropolitan development dropped off in the late 2000s (notwithstanding the fact that several provincial-level policy elites called for continued efforts to build up Nanchang).

Of course, economic circumstances alone did not determine policy outcomes. The balance of power among different levels of government proved crucial in shaping Hunan and Jiangxi's development approaches. In both cases, the provincial establishment's ability to define the policy agenda and shape the allocation of resources and policy benefits affected the degree of metropolitan bias. For much of the period in question, provincial-level actors and interests dominated the formulation of policies to a greater extent in Hunan than in Jiangxi. In Hunan, the provincial establishment – provincial leaders and agencies as well as policy intellectuals closely linked to the provincial government – mobilized behind a metropolitan-oriented development strategy even

before central policymakers had fully embraced new urban policies.<sup>84</sup> The provincial government loudly publicized its metropolitan strategy within the province, tapping into Hunanese pride, and began to secure backing from Beijing early on through active preparation and outreach. Over the following years, the provincial government sustained, and further escalated, its CZX strategy even as intra-provincial development gaps grew more pronounced and Beijing placed greater emphasis rural development problems. Even though some localities marginalized by provincial CZX policies voiced opposition, provincial-level priorities prevailed.

In Jiangxi, a politically weaker provincial unit than Hunan, both local interests and central priorities influenced provincial policy approaches between the late 1990s and 2010. In the late 1990s, rural development priorities won out over capital-city interests, and Jiangxi adhered to the small city-oriented central policy line on urban development. Though the province joined the nationwide urbanization and industrialization policy wave of the early 2000s, Jiangxi again changed tack in the mid-2000s. After 2004, development strategy took a more populist turn as a result of changing central policies and sub-provincial influences. Even though a vocal group of provincial policy elites continued to advocate a metropolitan-oriented strategy, local initiatives such as Ganzhou's NSC campaign and pressure from central leaders reshaped Jiangxi's development approach. The pursuit in the late 2000s of more regionally balanced, rural-oriented, and environmentally sustainable growth model marked a return to Jiangxi's green development tradition, but also caused many local observers to fear a decline in provincial economic competitiveness.

Hunan's more metropolitan-oriented development also reflected greater provincial capacity for and control over policy implementation. Beginning in the late 1990s, provincial authorities orchestrated a series of spatial and functional planning efforts for the CZX region, and overhauled

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<sup>84</sup> In this process, the regular involvement and support of a broader provincial policy-making establishment, centered around organizations such as HPASS and local universities, was crucial. Policy intellectuals such as Zhang Ping, Zhu Xiang, and Tong Zhongxian who identified closely with the provincial cause served as policy entrepreneurs and provided important guidance and research support to provincial leaders.

the regulatory framework and administrative institutions for metropolitan governance. Throughout this process, Hunan's provincial government proved adept at interfacing with Beijing to obtain special policies and resources that could be used in support of provincial objectives. Provincial authorities could not always compel city-level cooperation, but the Hunan government did prove able to shape the allocation of resources and policy benefits across different locations and sectors. Rapid growth of provincially prioritized industries (e.g., construction equipment) and locations (e.g., Xingsha new town) reflected heavy doses of state support and preferential policy treatment in addition to underlying resource endowments and management skill.<sup>85</sup>

By comparison, Jiangxi evinced less capacity for drafting and implementing plans in short order or using provincial policies to focus resources in priority areas. In the early 2000s, Jiangxi called for greater emphasis on Nanchang's development, but a limited number of concrete policies followed (Interview NC041301a). Throughout the 2000s, investment and urban infrastructure development were distributed relatively evenly across different areas in Jiangxi, rather than being heavily concentrated in leading cities. The numerous environmental construction projects launched under the auspices of the Poyang Lake Zone initiative in the late 2000s reflected central policy priorities and sub-provincial demands as much as a competitiveness-oriented metropolitan agenda. For better or worse, Jiangxi did not "concentrate strength to do big things" as much as Hunan.

In both provinces, the characteristics of top provincial leaders also appear to have had a large impact on metropolitan bias outcomes.<sup>86</sup> While it is very likely that the past experiences,

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<sup>85</sup> Many local policy scholars and experts interviewed mentioned the wide range of administrative means the provincial government deployed to promote CZX region development. These included preferential land allocation, transportation and urban infrastructure development, and tax and financial policies, as well as special policy designations that conferred greater visibility or regulatory flexibility (Interviews CS181205a; CS171205a; CS061203b).

<sup>86</sup> Party secretaries outrank governors, but both provincial Party secretaries and governors played important roles in Hunan and Jiangxi's development politics. Provincial Party secretaries, as the top political figures in provinces, play a major role in creating the political room and mobilizing the resources for major development undertakings. In some cases, as in that of Meng Jianzhu, they played highly visible policy-making roles, while in other cases, such as that of Yang Zhengwu, they played a lower-key role and let governors play active roles. Governors, meanwhile, played a key role in coordinating the design and execution of development strategies and related policies, even though it is less clear

personal styles, and individual worldviews of China's provincial leaders influenced the policy approaches they took (Donaldson 2011), I have particularly emphasized the importance of provincial leaders' dynamism and political strength. In both Hunan and Jiangxi, metropolitan bias in development was greatest during the tenures of relatively young and politically well-connected leaders. At the turn of the century, non-native, mid-career governors pushed forward CZX regional development in Hunan.<sup>87</sup> Across the border in Jiangxi, older locals held the top provincial leadership posts and more conservative urban policies prevailed (China Directory; China Vitae). In both Hunan and Jiangxi, major breakthroughs in metropolitan development occurred shortly after the arrival of relatively young Party secretaries who had gained important administrative experience and made key political or bureaucratic contacts while in their previous posts. Both Meng Jianzhu and Zhang Chunxian oversaw dramatic development breakthroughs, with economic growth, urbanization rates, and industrialization levels rising sharply during their tenures. Both leaders, like many of their counterparts elsewhere, played the game of provincial boosterism with zeal, working to improve their provinces' and top cities' economic rankings and positions in the competition among inland regions to attract investment and policy benefits. While Meng was replaced by an older and lower-profile leader, Zhang's role was taken over in 2010 by another rising star who had been serving as governor, Zhou Qiang. Zhou's promotion to Hunan's top post meant continued provincial-level clout, and continued emphasis on CZX development. Insofar as metropolitan bias grew out of provincial initiatives, then, the nature of top leaders was key.

One might question whether the build-up and integration of the Changsha region was primarily a provincial project enabled by the strength of Hunan's provincial government, and point

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to what extent they can be credited with creating the political conditions for major provincial initiatives. For more discussion of the respective roles of party secretaries and governors, see Tan (2004).

<sup>87</sup> Though Zhou Bohua, governor between 2003 and 2005, showed less flair than his predecessors, there was continuity at the top, with Yang Zhengwu continuing in the role of Party chief. Because Hunan's metropolitan agenda had already built up considerable momentum in the previous few years, and China as a whole continued to experience a major economic boom, growth prospects remained strong.



instead to the role central policies or city-level efforts played in the emergence of a metropolitan-oriented development approach. While the CZX regional initiative has over time increasingly dovetailed with national-level urban and regional policies, and while it is clear that central actors gave major support to CZX development at critical moments, it is hard to construe the Changsha region's build-up as a centrally led project. Metropolitan bias and CZX integration efforts in Hunan took shape before Beijing had endorsed the development of urban clusters or even shifted away from a small city-oriented urban policy.<sup>88</sup> Unlike Guangzhou and Wuhan, which were also pioneers for metropolitan-regional policies, Changsha had not previously been a key regional center or industrial hub. Indeed, at the time CZX efforts got off the ground in the late 1990s, local policy elites were lamenting the limited amount of central attention Hunan was receiving. It was not really until the mid-2000s, when the CZX region was named as a key urban region under Beijing's Central China Rising strategy, and when China's 11<sup>th</sup> FYP endorsed the idea of city-cluster development, that central policy unambiguously turned in favor of CZX development. Even then, central leaders did not instruct Hunan to go all-out with a policy of unbalanced development or pursue astronomical urban growth targets.<sup>89</sup>

Meanwhile, the development approach taken in the CZX region was no simple reflection of city-level preferences or policies. Although Changsha was the direct beneficiary of metropolitan-oriented policies, the urban development approach for CZX was designed to serve provincial objectives as much as to advance city-level interests. The spatial arrangement of urban development in the CZX area, for instance, was steered from above to serve provincial priorities. Efforts to weave

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<sup>88</sup> It is unclear, however, whether Premier Zhu Rongji – himself a Hunan native – might have encouraged or supported CZX development efforts from the late 1990s on.

<sup>89</sup> Central leaders appear to have called for more modest and balanced development targets in Hunan. While meeting with Hunan's delegation to the National People's Congress in March 2007, Hu Jintao expressed support for Hunan's new-style industrialization agenda, but placed particular emphasis on the need for Hunan to expand support for agricultural development and village programs (*Liangxing ban* 2011 a, 134). And, according to one Changsha official, the increasingly ambitious urban growth targets set for Changsha were driven mainly by city and provincial leaders rather than by central bureaucrats (Interview CS081203b).

Changsha, Zhuzhou, and Xiangtan's urban areas together along the Xiang River corridor ensured that provincial authorities would play a key coordinating role. And within Changsha, the parceling out of many new urban and industrial development projects to areas beyond the city's central districts meant Changsha's overall "economic strength" (*jingji shili*) could be increased without proportionate growth in the resource base or power of the municipal government.<sup>90</sup> Indeed, despite the city government's efforts to convert Changsha County, the area east of central Changsha that contained the metropolitan area's airport and most important industrial development zone, into an urban district, the county remained a separate entity—and hence administratively closer to the provincial government. Thus, by promoting a sprawling, polycentric urban form for both Changsha and the larger metropolitan region, and playing up inter-city infrastructural and policy initiatives, provincial authorities guaranteed themselves a key role in metropolitan development even as Changsha became more powerful in its own right.

In Jiangxi, on the other hand, the imprint of provincial-level priorities on the form of urban and regional development was fainter. After four years of aggressive metropolitan-oriented growth under Meng Jianzhu, central priorities such as environmental protection and coordinated urban-rural development featured more prominently in Jiangxi's policy approach from the mid-2000s on. With support and attention from the central government, the New Socialist Countryside construction policy piloted in Ganzhou grew in scope and status to influence Jiangxi's overall strategy. Jiangxi's abrupt shift of development model in the mid-2000s can be understood as the response of a politically constrained provincial government to growing central and sub-provincial pressure for a more balanced, populist, and environmentally sustainable development approach.<sup>91</sup> The push and

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<sup>90</sup> Under the CZX scheme, Changsha's outlying counties of Ningxiang and Liuyang saw rapid development, and the provincial government steered Changsha's urban growth southward toward Zhuzhou and Xiangtan.

<sup>91</sup> By the same token, the environmental protection agenda pursued under Su Rong in the late 2000s can be understood both as a reaction to Beijing's call for Jiangxi to do more to protect the quality of its freshwater (which was, in turn, essential to water quality in downstream reaches of the Yangtze River), and also as response to pressure from many

pull of different government levels and actors for control over Jiangxi's development agenda resulted in policymakers' attending to a broader range of concerns and interests than in Hunan. While this may have harmed Jiangxi's chances of repositioning itself in China's urban and industrial economy, it had clear benefits for many ordinary people and smaller cities across the province.

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localities within the province for a larger share of investment (many of the environmental projects launched were located in areas outside the capital city).

## VI: Generalizing Key Claims – Evidence from 20 Provinces

### **Introduction**

The foregoing chapters have examined the evolution of development policies in Jiangsu, Hunan, and Jiangxi, using process tracing to shed light on the factors influencing metropolitan bias outcomes. In each case, state interventions in urban and regional development were marked by difficult tradeoffs, debates, and conflicts. Under different economic and political conditions, policy outcomes varied dramatically across the three provinces and over time. Metropolitan-oriented development emerged earlier and went further in Hunan than in Jiangsu or Jiangxi.

I have argued that two variables in particular – the relative economic performance of a province and the intergovernmental power balance between provincial authorities and other tiers – influence the degree of metropolitan bias in development policy. Metropolitan bias should be greater, other things equal, in cases of lagging economic performance than in cases where provinces are performing well relative to their counterparts. This is because government actors at different levels should be more supportive of policies that concentrate resources to build competitive urban centers when provinces confront economic marginalization. We should also see greater metropolitan bias when provincial governments are strong relative to other tiers and able to shape policies in line with their preferences, insofar as provincial authorities prioritize metropolitan development more than either city governments or central actors (taken in the aggregate). Lagging economic performance and high provincial strength may occur together, but it is not necessarily the case that the two conditions will coincide. There should be greater metropolitan bias when both conditions are present than when only one or the other occurs. Yet either condition on its own should still be

associated with greater metropolitan bias than is seen in cases of leading economic performance and provincial government weakness.<sup>1</sup>

To test whether these explanatory variables display the expected relationships with metropolitan bias outcomes and help to explain diverging development trajectories across China's provinces more broadly, this chapter analyzes quantitative and qualitative evidence from beyond Jiangsu, Hunan, and Jiangxi. The analysis proceeds in three parts, as I evaluate different aspects of the argument and different observable implications of the main claims. First, to assess how well the explanatory variables account for variation in metropolitan bias outcomes *across* units, I carry out cross-sectional regression analysis using data from the full sample of provinces (n=20). Second, to test the relationship between key explanatory variables and metropolitan bias outcomes over time *within* provinces, I carry out panel (time-series cross-sectional) regression analysis using data from 20 provinces for the years 2000-2010 (n=220). More fine-grained than the cross-sectional analysis, panel analysis is especially useful for testing the relationship between the nature of provincial leaders and metropolitan bias outcomes. Third, I look more closely at the case of Liaoning to gain insight into a key outlier and to assess how well the main causal narrative performs in a context with plausible alternative explanations of metropolitan bias.

Using these different modes of analysis, I find at least preliminary evidence to suggest that the explanatory factors highlighted above are important across China's provinces more broadly. The concluding section summarizes my main findings while also discussing limitations of the analysis and

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<sup>1</sup> Intuitively, it seems possible that lagging economic performance and provincial government strength might have a multiplicative interaction rather than an additive one. On the one hand, the two variables might reinforce one another, with high levels of one variable increasing the potency of the other. On the other hand, if there is a ceiling or saturation point for metropolitan bias, high levels of one variable might limit the potential for an increase on the other variable to intensify metropolitan bias. I take an additive relationship as the starting point because I expect lagging performance or high strength to be associated with relatively high levels of metropolitan bias even at intermediate levels of the other variable, and because I expect metropolitan bias to be greatest when both explanatory variables are at high levels.

lingering questions. Additional regression results and further information on my data and methods are provided in the dissertation's Statistical Appendix.

### **Analyzing the correlates of metropolitan bias across 20 provinces**

How well does variation in relative economic performance and provincial government strength account for differences in metropolitan bias across China's provinces? To examine whether these explanatory factors show the expected relationships with metropolitan bias outcomes more generally, I carry out cross-sectional regression analysis with data from the full sample of 20 provinces. Through this analysis, I find support for the hypotheses that lagging economic performance and provincial government strength, respectively, are associated with greater metropolitan bias. Results from the regression analysis and simulation of quantities of interest suggest that the two explanatory variables influence metropolitan bias in an additive fashion.

#### *Hypotheses to be tested*

In previous chapters, I have argued that lagging economic performance and provincial government strength, either alone or in combination, should contribute to greater metropolitan bias. If this is true, we should find correlation in the expected direction among these variables across different Chinese provinces as a whole.

Below, I test three related hypotheses for the period 2001-2010. First, I check whether lagging economic performance is associated with higher levels of metropolitan bias across China's provinces. Second, I test whether provincial government strength is associated with greater metropolitan bias across provinces. Third, I explore whether there is indeed an additive relationship between the variables, such that the highest levels of metropolitan bias occur when economic performance is lagging and provincial governments are strong, the lowest levels occur when

economic performance is leading and provincial governments are weak, and intermediate levels are associated with mixed or intermediate values of the explanatory variables. At the same time, it is important to verify that these relationships hold after taking into account other explanatory factors such as the political status of top cities and the threat of social instability in different provinces.

### *Methods and data*

To test these hypotheses, I regress provinces' top-city investment share outcomes on the main explanatory variables and controls using ordinary least squares (OLS) estimation. I use data for the full sample of provinces ( $n=20$ ), but also run regressions excluding my case-study provinces (Jiangsu, Hunan, and Jiangxi) to ensure that these observations do not drive the overall results.

As in Chapter 2, I use top-city share of total provincial fixed-asset investment (FAI) for the period 2001-2010 as the dependent variable. So as to control for baseline predictors of top-city FAI share, I include terms for provincial population, 2000 top-city GDP share, change in top-city GDP share between 1996-2000, and 2000 GDP per capita, and also include a "coastal province" dummy to capture other differences between inland and coastal areas. In other regression specifications, I also include measures for provinces' levels of urbanization, marketization, and economic openness. As discussed in the Statistical Appendix, most development indicators and economic data come from three sources: the China Data Online database (<http://chinadataonline.org>), a cities dataset obtained from China's National Bureau of Statistics, and various provincial statistical yearbooks.<sup>2</sup>

To operationalize relative economic performance, I calculate the difference between a given province's compound annual growth rate (CAGR) of GDP and the overall national CAGR for the period from 1990-2000.<sup>3</sup> I opt for GDP growth rate rather than another economic performance

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<sup>2</sup> My indicator for marketization is the index from Fan Gang et al (2000). I use Shen Jianfa's (2003) estimate of 2000 urbanization level. As an indicator of economic openness, I calculate the ratio of provincial exports plus FDI to GDP.

<sup>3</sup> I adjust GDP growth rates for the varying rates of inflation recorded by different provinces.

measure because GDP is a comprehensive indicator, and because provincial GDP growth rates are closely watched and politically salient in China. Data for the full decade from 1990-2000 is used because I am interested in how provinces' relative economic performance during an extended prior period influences their subsequent development approaches.<sup>4</sup> As an alternative measure, I use the difference between a given province's GDP growth and the average growth rate for the larger set of coastal or inland provinces. Data for GDP and inflation are obtained from China Data Online.

**Table 6.1: Different provinces' relative economic performance, 1990-2000**

<i>Unit</i>	<i>1990-2000 inflation- adjusted CAGR (%)</i>	<i>Growth rate lead/lag (%) (national benchmark)</i>	<i>Growth rate lead/lag (%) (regional benchmark)</i>
Hebei	11.6	1.5	0.0
Shanxi	7.2	-2.9	-0.1
Liaoning	8.0	-2.1	-3.5
Jilin	9.1	-1.0	1.1
Heilongjiang	8.0	-2.0	0.0
Jiangsu	11.4	1.3	-0.2
Zhejiang	12.2	2.2	0.7
Anhui	7.7	-2.4	-0.3
Fujian	13.8	3.7	2.2
Jiangxi	8.6	-1.4	0.7
Shandong	10.5	0.4	-1.1
Henan	11.3	1.2	3.3
Hubei	6.9	-3.1	-1.0
Hunan	7.7	-2.4	-0.3
Guangdong	13.4	3.4	1.9
Guangxi	8.7	-1.4	0.7
Sichuan	7.4	2.6	-0.5
Guizhou	6.2	-3.9	-1.7
Yunnan	7.2	-2.8	-0.7
Shaanxi	7.5	-2.5	-0.4
<b>National avg</b>	<b>10.1</b>	-	-
<b>Avg coastal</b>	<b>11.5</b>	-	-
<b>Avg inland</b>	<b>8.0</b>	-	-

*Source: China Data Online; author's calculations*

Operationalizing provincial government strength is a greater challenge, because provincial strength is a complex concept for which there are no existing measures. In the choice of several

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<sup>4</sup> Because I analyze FAI outcomes for the whole decade between 2001-2010, it is appropriate to look at relative economic performance over a similarly long prior period. My theoretical expectation, and finding from the main case studies, is that a prolonged period of lagging performance may trigger a major adjustment of provincial development strategies. My expectations about the consequences of short-term – one or two-year – dips in relative economic performance are less clear, as such economic hiccups may be attributed to cyclical rather than structural problems.



indicators, I take cues from Falletti's (2005) approach for measuring the relative power of central and subnational governments.<sup>5</sup> Theoretically, however, I understand provincial government strength as the administrative capacity and political leverage of the provincial tier relative to both Beijing above and city-level governments below. As such, I use an original index that addresses both institutional and leadership-related aspects of provincial strength, and that captures both "upward" and "downward" facets of provincial strength.

The provincial government strength index takes an evenly weighted sum of scores on five indicators related to different dimensions of political and administrative strength, with a maximum possible value of 10 and a minimum possible value of 0. Some pairs of indicators are positively correlated with one another, while other pairs are negatively correlated or uncorrelated altogether.<sup>6</sup> Indeed, it is precisely because provinces are unlikely to be strong or weak on all of these different indicators simultaneously that this additive index, however crude, provides a useful measure of provincial-level strength.

Two of the five indicators speak to the strength of provincial governments relative to cities. These include (1) the share of "local" (*difang*) fiscal expenditures in a province accounted for by the provincial tier of government, averaged for the two years 1999-2000; and (2) how many cities other than the provincial capital, if any, have representation on a given province's provincial Party

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<sup>5</sup> To operationalize her concept of the "intergovernmental balance of power," Falletti (2005) examines the subnational share of fiscal revenues, the subnational share of fiscal expenditures, the division of policymaking authority, the mode of appointment of subnational officials, and the representation of subnational units in national institutions.

<sup>6</sup> The two "downward" indicators of provincial government strength, provincial share of local fiscal expenditure and the number of cities other than the provincial capital that hold seats on the provincial Party standing committee, display a relatively strong but far from perfect correlation (coefficient of correlation=0.56). The two "upward" indicators are not significantly correlated with one another. Meanwhile, there is a reasonably strong correlation (0.40) between the proximity measure and the standing committee measure. The fiscal dependency measure has a strong negative correlation with provincial share of local revenue (-0.79) and with the provincial standing committee indicator (-0.68), which tends to limit extreme high and low scores on the index. The rising star indicator is not significantly correlated with any of the other indicators.

standing committee.<sup>7</sup> I use the first indicator as a proxy for how dependent localities are on the provincial level for economic resources. When the provincial level controls a larger share of fiscal expenditure, provincial authorities have more sway over the allocation of resources in the province and can be expected to have greater bargaining power relative to cities. Fiscal data is obtained from China Data Online. The second indicator gets at the degree to which provincial-level politics and decision-making are insulated from sub-provincial interests. Where city-level leaders sit on the provincial Party standing committee, it should be easier for city-level governments to influence provincial decision-making, and more difficult for provincial-level priorities to dominate the making and implementation of policies. Data on provincial standing committee composition are taken from the *China Directory* series published by Radiopress, Inc.<sup>8</sup>

Two other indicators are used to proxy the amount of leverage provincial governments have vis-à-vis the central government. These include (3) the fiscal dependency of different provinces on the central government, calculated as a ratio of provinces' overall fiscal expenditure to total local revenue; and (4) provinces' geographic proximity to Beijing. Provinces rely on central fiscal transfers to help them cover the gap between their budgetary expenditures and locally controlled revenues. I assume that, other things equal, dependence on central largesse makes provincial governments more beholden to Beijing—and, by extension, to central policy priorities.<sup>9</sup> Again, fiscal data are obtained from China Data Online. Second, I assume that provinces located nearer to Beijing geographically have had tighter bonds to the central state both historically and in more recent periods. In such cases, Beijing may have a greater capacity for oversight of provincial affairs, may be more involved

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<sup>7</sup> I gathered data on the makeup of provincial Party committees for the years 2000 and 2005. In most provinces, there is not frequent change in which sub-provincial cities have leaders who sit on the provincial Party committee.

<sup>8</sup> I assign Hebei a score of 0 on this indicator rather than the 1 it would otherwise receive because the province surrounds the territory of both Beijing, China's capital, and Tianjin, another centrally controlled municipality, and faces political constraints from the presence of such powerful localities.

<sup>9</sup> This is the typical finding of past China scholars. See, for instance, Watson et al (1999).

in provincial policymaking, and may also give or take more resources to/from provinces.<sup>10</sup> I measure different provinces' proximity to Beijing using the distance calculation tool in the Google Maps application (<https://maps.google.com>).<sup>11</sup>

The final indicator in the provincial strength index (5) records the number of “rising stars” who have held top leadership positions (either Party secretary or governor) in a province between 2000-2010. Rising star leaders are identified as those whose age upon assuming the leadership post in a province was a standard deviation younger than the average age for incoming Party secretaries or governors, respectively.<sup>12</sup> Following Li (2010), I assume that leaders who rise to high office at a young age enjoy either strong political patronage from top national Party leaders or exhibit unusual individual leadership talent. In either case, I assume that such leaders bring greater political capital and bargaining leverage to the provincial governments over which they preside. Data on leaders are taken from the Radiopress, Inc. *China Directory* series, from Baidu's *Baike* online encyclopedia (<http://baidu.baik.com>), and from China Vitae ([www.chinavitae.com](http://www.chinavitae.com)).

After collecting raw data for each of these sub-indicators for the 20 provinces, I compare the marks for different provinces and assign each province a score of 0, 1, or 2 on the indicator. A score of 2 signifies a relatively high level of provincial strength, while 1 signifies intermediate strength, and 0 relatively low strength. Possible cumulative scores on the index range from 0 (indicating very low provincial-level strength) to 10 (indicating very high provincial-level strength). After I code for the different sub-indicators and sum them up, actual scores on the index range between 2 and 8, with the mean, median, and modal scores being 5.

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<sup>10</sup> Historically, there has not been a perfect correlation between central state penetration and provinces' distance from Beijing, but it seems generally to be the case that Beijing has more tightly governed nearby provinces, and that provinces closer to the center have remitted more revenues. See Whitney (1970); Fitzgerald (2002).

<sup>11</sup> I measure the air distance from each province's capital to Beijing.

<sup>12</sup> For Party secretaries, the median age at appointment is 58, and I code those appointed at age 54 or younger as rising stars. For governors, the median age at appointment is 56, and those under 52 are coded as rising stars.

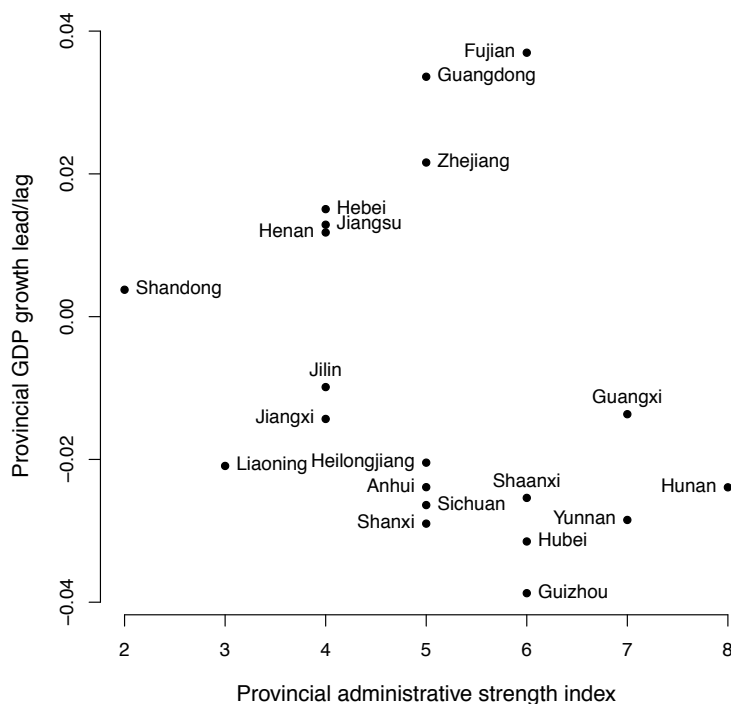
I list each province's scores for each provincial strength indicator and for the overall provincial government strength score in Table 6.2 below, and I present the raw data for each sub-indicator in the Statistical Appendix.

**Table 6.2: Provincial government strength – overall score and individual indicators**

<i>Province</i>	<i>Provincial strength index (0-10)</i>	<i>Provincial share of local expenditures</i>	<i>Sub-provincial political clout</i>	<i>Fiscal dependency on Beijing</i>	<i>Proximity to Beijing</i>	<i>Rising star leaders</i>
Hebei	4	1	0	2	0	1
Shanxi	5	2	1	1	0	1
Liaoning	3	0	0	1	0	2
Jilin	4	2	0	0	1	1
Heilongjiang	5	2	2	0	1	0
Jiangsu	4	0	0	2	1	1
Zhejiang	5	0	0	2	1	2
Anhui	5	2	1	1	1	0
Fujian	6	0	0	2	2	2
Jiangxi	4	1	1	0	2	0
Shandong	2	0	0	2	0	0
Henan	4	1	1	1	0	1
Hubei	6	1	2	1	1	1
Hunan	8	2	2	0	2	2
Guangdong	5	0	0	2	2	1
Guangxi	7	1	1	1	2	2
Sichuan	5	0	2	1	2	0
Guizhou	6	2	2	0	2	0
Yunnan	7	2	2	0	2	1
Shaanxi	6	2	1	0	1	2

*Sources: Author's calculations using data from various sources. See Statistical Appendix for raw indicator scores.*

The two main explanatory variables do not show a clear linear relationship with one another, allaying concerns about multicollinearity. A scatterplot of provinces' relative economic performance and provincial strength scores in Figure 6.3 below shows that there is no simple linear relationship between the variables. Several provinces with lagging performance also have higher strength, which is not surprising insofar as inland provinces are likely to have slower development and to display greater strength. Yet there are exceptions to this pattern, and there is no fixed overall trend.

**Figure 6.3: No clear linear relationship between key explanatory variables***Alternate explanatory variables*

As I evaluate the relationship between these key explanatory variables and metropolitan bias, it is also important to examine whether alternate variables might do a better job of predicting metropolitan bias outcomes, and/or whether the inclusion of alternate variables in regression models might affect the observed relationship between the main explanatory variables and metropolitan bias. I look in particular at three possibilities: (1) that metropolitan bias outcomes are driven by certain cities' close links with or special status under China's central state; (2) that high levels of metropolitan bias are associated with the deputy-provincial rank some cities enjoy (which confers added administrative powers and resources); and (3) that state support has been directed to cities prone to social instability.

First, it is possible that disproportionate concentration of investment in the top cities of some provinces reflects cities' status as key administrative centers for the country more broadly. To test whether status as a key national center drives provincial metropolitan bias outcomes, I use a

dummy variable that indicates whether a province's top city is home to a regional military command, a central bank branch, or the headquarters of one of China's six historical macro-regions.<sup>13</sup>

Second, cities with higher administrative rank may be empowered to adopt pro-investment policies or to lobby higher-level governments for policy benefits and state resources. In particular, past research by Chung (2010) and others finds that deputy-provincial cities enjoy certain administrative and economic policy privileges that give them advantages in economic competition. Accordingly, I test a dummy variable for whether or not the top city of a given province has deputy-provincial status.<sup>14</sup>

Finally, it is possible that high metropolitan bias reflects state efforts to head off social unrest by improving livelihoods and increasing public goods provision in the major cities of regions prone to instability (Wallace 2013). Given the difficulty of directly comparing levels of social unrest across different Chinese cities, I use the state-owned share of the economy in different provinces as a proxy for the magnitude of instability problems top cities faced heading into the 2000s. As Freeman (2002), Hurst (2009), and others note, provinces with large state-owned economic sectors faced particularly difficult structural transitions during the late 1990s and early 2000s, experiencing mass layoffs, economic stagnation, and social instability—especially in and around major cities.

Summary statistics for the main dependent and explanatory variables, as well as control variables, are provided below in Table 6.4.

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<sup>13</sup> The provinces in the sample that contain key national centers include Liaoning, Jiangsu, Shandong, Hubei, Guangzhou, Sichuan, and Shaanxi.

<sup>14</sup> The list of provinces in my sample for which this is true includes Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Shandong, Hubei, Guangzhou, Sichuan, and Shaanxi.

**Table 6.4: Summary statistics for cross-sectional regressions**

Variable	N	Mean	St. Dev.	Min	Max
DV: top-city faishare0110	20	0.270	0.083	0.135	0.410
gdppc	20	7,266.300	3,072.905	2,645	12,898
population	20	55.159	21.200	26.820	94.880
urbanization	20	36.245	11.168	23.380	55.660
gdpsharechange9600	20	0.019	0.023	-0.038	0.079
gdpshare2000	20	0.242	0.089	0.112	0.441
faishare9600	20	0.217	0.073	0.091	0.351
coastal	20	0.400	0.503	0	1
marketization	20	5.639	1.371	3.390	8.330
openness	20	0.153	0.199	0.033	0.884
gdpgrowth lag/lead	20	-0.009	0.023	-0.039	0.037
gdpgrowth lag/lead2	20	0.000	0.015	-0.036	0.033
provstrength	20	5.050	1.432	2	8

*Table generated with Hlavac (2014)'s Stargazer package (5.0) for R.*

### *Regression results*

My main regression results are presented in Table 6.5 on the next page, and additional regression tables are presented in the Statistical Appendix.

I first examine the relationship between relative provincial economic performance and metropolitan bias outcomes. While including the same set of baseline covariates used in Chapter 2 for measuring metropolitan bias, I add the indicator for provinces' relative GDP growth rate. (See specification 2 in Table 6.5 below.) As expected, I find that the GDP growth lead/lag term is negatively related to top-city FAI share, and that this relationship is statistically significant at the 0.05 level. The specification shows improved goodness-of-fit relative to the baseline model, with  $r^2$  increasing from 0.79 to 0.85 (adjusted  $r^2$  increases from 0.71 to 0.78). Moreover, when I use an alternate measure of provincial relative economic performance – a province's performance relative to the coastal or inland regional average – results are similar. Again, the GDP growth lead/lag shows up negative and significant at the 0.05 level, and goodness-of-fit improves noticeably relative to the baseline model. (See Table A.6 in the Statistical Appendix.) I also verify that dropping observations for the three case-study provinces does not affect the basic results.

**Table 6.5: Regression results – correlates of top-city FAI share (2001-2010)**

	<i>Dependent variable:</i>		
	Top-city FAI share (2001-2010)		
	(1)	(2)	(3)
top-city gdpshare2000	0.559** (0.204)	0.543*** (0.178)	0.565*** (0.140)
top-city gdpsharechange	0.587 (0.642)	0.669 (0.562)	0.496 (0.443)
population	−0.0001 (0.001)	0.0001 (0.001)	0.0005 (0.0004)
log GDPpc	−0.013 (0.036)	0.019 (0.034)	0.043 (0.028)
coastal dummy	−0.042 (0.033)	−0.015 (0.031)	−0.012 (0.024)
gdpgrowth lag/lead		−1.514** (0.654)	−1.645*** (0.513)
provincial strength			0.017** (0.006)
Constant	0.264 (0.290)	−0.056 (0.288)	−0.376 (0.249)
Observations	20	20	20
R <sup>2</sup>	0.785	0.848	0.914
Adjusted R <sup>2</sup>	0.708	0.777	0.864
Residual Std. Error	0.045( <i>df</i> = 14)	0.039( <i>df</i> = 13)	0.031( <i>df</i> = 12)
F statistic	10.210***( <i>df</i> = 5; 14)	12.044***( <i>df</i> = 6; 13)	18.216***( <i>df</i> = 7; 12)

*Note:* \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

*Table generated with Hlavanac (2014)'s Stargazer package (5.0) for R.*

I next test the relationship between provincial government strength and metropolitan bias. While retaining the baseline covariates, I include the provincial government strength index discussed above. (See Table A.7 in the Statistical Appendix). When I run the regression with the provincial strength term, goodness-of-fit again improves noticeably over the baseline model, with  $r^2$  increasing from 0.79 to 0.84 (adjusted  $r^2$  increases from 0.71 to 0.77). As expected, the provincial strength term has a positive coefficient and is statistically significant at the 0.10 level. When I drop observations for the three case-study provinces, this relationship does attenuate somewhat. The coefficient for the provincial strength term remains positive but shrinks in magnitude (from 0.016 to 0.010), and the p-value increases to 0.36, so the relationship is no longer significant at conventional levels.



Next, I include both the relative economic performance term and the provincial government strength term in the model (see specification 3 in Table 6.5). I expect this model to outperform either of the single-explanatory-factor models, because the relationship between each explanatory variable and metropolitan bias should stand out more clearly after controlling for the other. Indeed, when both terms are included, we see a greater improvement over the baseline specification in goodness-of-fit than when either term is included individually:  $r^2$  increases from 0.79 to 0.91 (adjusted  $r^2$  increases from 0.71 to 0.86). Both terms, moreover, display the expected relationship with top-city FAI share, and both are statistically significant at the 0.05 level or above. When observations for the case-study provinces are excluded, both terms retain the expected relationship with top-city FAI share and remain statistically significant at the 0.10 level or above.

These findings thus offer support for my main hypotheses. Both key explanatory variables display the expected relationship with metropolitan bias across the broader sample of provinces. And with both explanatory variables included in the model, these relationships not only remain intact but grow more robust. Thus, an additive model with first-order terms for relative economic performance and provincial strength bears out the main hypotheses and performs well in explaining overall variation.

To make these findings easier to visualize, I plot top-city FAI share residuals (my measure of metropolitan bias) against each of the explanatory variables in Figures 6.6 and 6.7 below using data from the 20 provinces in the larger sample. The plots make clear that the basic tendencies conform to expectations: relative economic performance is negatively related to metropolitan bias, and provincial strength is positively related. There is, of course, some dispersion in the data, and there are some striking outliers. Liaoning, for instance, has an observed top-city FAI share significantly higher than the fitted value in both plots. I take a closer look at this puzzling case later in the chapter.

Figure 6.6: Lagging economic performance and metropolitan bias across 20 provinces

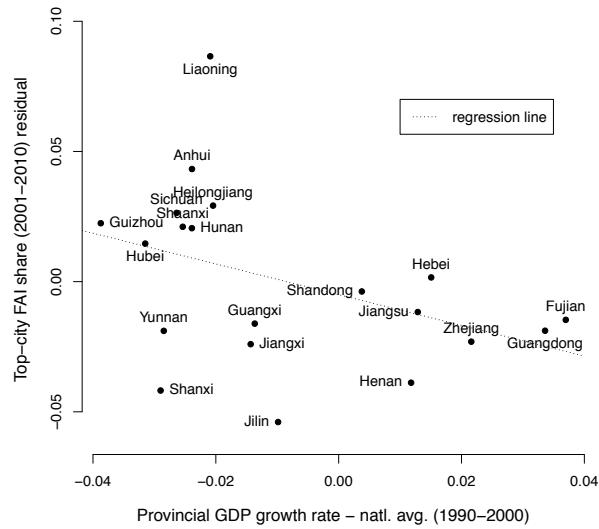
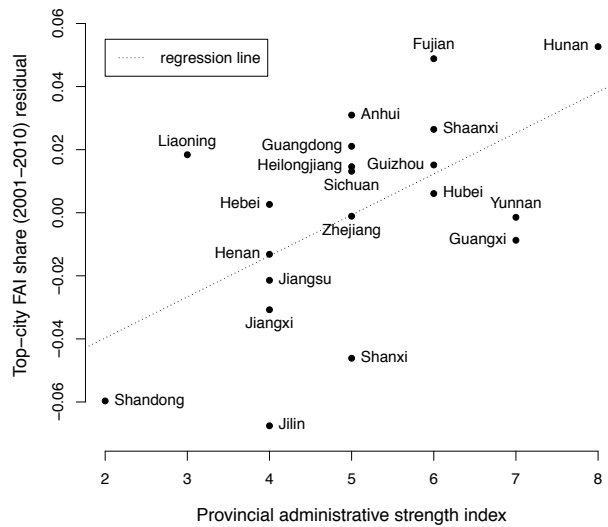


Figure 6.7: Provincial government strength and metropolitan bias across 20 provinces



Having examined the first-order relationships between the explanatory variables and top-city FAI share outcomes, it is important also to look at how relative performance and provincial strength interact. The above analysis does not clarify whether the relationship between each explanatory variable and metropolitan bias is invariant with respect to the other explanatory variable's level. Are the two variables multipliers, reinforcing each other's relationship with metropolitan bias? Conversely, do high levels of one variable weaken the other's relationship with metropolitan bias?

To address these questions, I run additional variants of the above regression models with interaction terms. (See Table A.10 in the Statistical Appendix.) When an interaction term is added to the main model, the term shows a positive sign and is statistically significant at the 0.10 level. The positive sign on the interaction term indicates that the positive relationship between provincial strength and metropolitan bias attenuates slightly when economic performance is lagging, and that the relationship between lagging economic performance and top-city FAI share weakens when provincial strength is higher. Rather than amplifying each other's relationships with metropolitan bias, then, the explanatory variables appear to weaken one another's effects. It is unclear how much stock to put in this finding, however; the result is very sensitive to a single outlying observation, and addition of the interaction term does not substantially improve the explanatory power of the model, in any event.<sup>15</sup> A more conservative interpretation of the interaction term results would be that relative performance and provincial strength do not reinforce one another.

### *Quantities of interest*

To assess the substantive importance of the coefficient estimates reported above, I use Imai, King, and Lau's (2010) Zelig package for R to simulate key quantities of interest, including first differences in top-city FAI share with changes from low to high values on the key explanatory variables, and also conditional expectations for top-city FAI share given different combinations of values on the key explanatory variables. (See Table 6.8 below.)

Through simulation, I find that increasing either one of the key explanatory variables from a low (25<sup>th</sup> percentile) to a high (75<sup>th</sup> percentile) level while holding other covariates at their mean

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<sup>15</sup> First, the interactive model does not display a dramatic improvement in explanatory power over the first-order model:  $r^2$  rises only slightly, from 0.91 to 0.93 (adjusted  $r^2$  rises from 0.86 to 0.89). Second, the observed interaction effect is very dependent on a single provincial observation—that of Liaoning, a stark outlier. When the Liaoning data point is dropped from the regression, the coefficient on the interaction term shrinks considerably and the term ceases to be statistically significant.

values yields a sizeable expected increase in the top-city share of provincial FAI. Changing a province's GDP growth rate during the 1990s from 1.2 percent above the overall national CAGR to 2.5 percent below the national value is expected to be associated with an increase of 6.5 percentage points in top-city FAI share. Meanwhile, increasing a province's administrative strength index score from 4 to 6 is associated with an expected difference of 3.5 percentage points in top-city FAI share. Given that the sums of provincial FAI during the decade between 2001-2010 tend to be on the order of several hundred billion Chinese yuan, these differences of a few percentage points in top-city FAI share are quite substantial—dozens of billions of yuan in absolute terms.

Simulation is also useful for examining how expected top-city FAI share varies with different combinations of values on the key explanatory variables, and for comparing expected values generated from models with and without interaction terms. Using coefficient estimates from a non-interactive model, simulated top-city FAI share when both lagging economic performance and provincial strength are at 75<sup>th</sup> percentile levels and other variables held at their means is 0.32. If both explanatory variables are dropped to their 25<sup>th</sup> percentile levels, then simulated top-city FAI share falls dramatically, to 0.22. When provincial strength is held at the 75<sup>th</sup> percentile while lagging economic performance is at the 25<sup>th</sup> percentile, simulated top-city FAI share is 0.25. The simulated top-city FAI share is 0.28 when provincial strength is in the 25<sup>th</sup> percentile and lagging economic performance is set to the 75<sup>th</sup> percentile. As expected, the highest levels of top-city FAI share are obtained when both explanatory variables are set to high values, the lowest top-city FAI share levels are obtained when both explanatory variables set to low values, and setting one variable high and the other low produces an intermediate top-city FAI share level. Using coefficient estimates from the

interactive model instead of the non-interactive model, simulated top-city FAI share values for these different combinations change slightly, but the basic finding remains the same, as shown below.<sup>16</sup>

**Table 6.8: Simulated first differences and expected values of top-city FAI share**

<i>Explanatory variable of interest</i>	$x_1$ (25 <sup>th</sup> percentile level of variable)	$x_2$ (75 <sup>th</sup> percentile level of variable)	<i>Level of other covariates</i>	<i>Simulated first difference in top-city FAI share</i> $E(Y X=x_2) - E(Y X=x_1)$
GDP growth lag/lead (1990s)	1.2%	-2.5%	Mean	<b>0.065</b>
Provincial strength	4	6	Mean	<b>0.035</b>
<i>GDP growth lead/lag value set to</i>	<i>Provincial strength value set to</i>	<i>Other covariates set to</i>	<i>Simulated top-city FAI share (model without interaction term)</i>	<i>Simulated top-city FAI share (model with interaction term)</i>
75 <sup>th</sup> percentile	75 <sup>th</sup> percentile	Mean	<b>0.32</b>	<b>0.32</b>
75 <sup>th</sup> percentile	25 <sup>th</sup> percentile	Mean	<b>0.28</b>	<b>0.30</b>
25 <sup>th</sup> percentile	75 <sup>th</sup> percentile	Mean	<b>0.25</b>	<b>0.27</b>
25 <sup>th</sup> percentile	25 <sup>th</sup> percentile	Mean	<b>0.22</b>	<b>0.20</b>

In sum, simulation of quantities of interest shows that there is considerable variation in expected top-city FAI shares depending on whether explanatory variables are set to higher or lower levels. Because there is little difference in the results from models with and without an interaction term, and because the negative interaction observed between lagging economic performance and provincial strength is neither very strong nor very robust, it would seem appropriate to describe the relationship between the two explanatory variables and metropolitan bias as primarily additive.

#### *Addressing alternative explanations and the possibility of spurious correlation*

To check that my main findings are robust to the inclusion of other variables, I run additional regressions that in turn use indicators for provinces' marketization level, urbanization

<sup>16</sup> The highest simulated top-city FAI share results are obtained by setting both explanatory variables to high (75<sup>th</sup>) percentile values, while the lowest simulated top-city FAI is obtained by setting both variables to low (25<sup>th</sup>) percentile levels. Mixed (25<sup>th</sup>/75<sup>th</sup> and 75<sup>th</sup>/25<sup>th</sup>) combinations yield intermediate metropolitan bias outcomes.

level, top cities' status as key national-center, and provinces' social instability. The results from these regressions are shown in Tables A.8 and A.9 of the Statistical Appendix.

Adding these terms to the models used earlier does not affect the main results, and none of the new terms comes up statistically significant when added to the main models.<sup>17</sup> Terms for provincial marketization and urbanization show no clear relationship with metropolitan bias outcomes, and including them does not affect the main findings. When a dummy variable for whether a province's top city is a key national center is included, the term shows up positive and is relatively large in magnitude. Nevertheless, the term falls short of statistical significance at conventional levels, and the main results are unaffected. Similarly, when I include an indicator for whether a province's top city is a deputy-provincial level city, the term comes up positive but falls short of statistical significance. Again, the main results are not affected. Meanwhile, when I add a term for the state-controlled share of industry in a province (my proxy for social instability in the province), I find no relationship between the term and top-city FAI share degree, and the main findings are unaffected.

In addition to testing how well alternate explanatory factors perform, I also check whether operationalizing key explanatory variables in different ways yields the same basic findings. When I use alternative measures of lagging provincial economic performance, such as change in each province's share of national total gross value of industrial output (GVIO) between 1990-2000, I obtain the same basic results: lagging economic performance in the 1990s is associated with higher metropolitan bias during the 2000s. And when I sequentially drop different sub-indicators from my original provincial strength index and re-run the regressions, I find that the main results still hold, suggesting that the provincial strength finding is not overly sensitive to the composition of the index.

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<sup>17</sup> The key national center dummy term does, however, have a positive and significant relationship with top-city FAI share when it is included along with baseline covariates and the main explanatory variables are dropped.

A more fundamental question is whether these statistical findings might be compromised by endogeneity issues or by non-independence of the assignment and outcome of explanatory variable “treatment.” First, one could imagine that metropolitan bias in policies (or metropolitan-oriented development) drives lagging economic performance and/or the level of provincial government strength, rather than vice versa. For instance, entrenched favoritism toward a top city may hinder overall provincial development or strengthen the hand of the provincial government relative to localities over time.

I have tried to address this threat of endogeneity in different ways. By including ex ante (2000) top-city GDP share and recent change (1996-2000) in this share as regression covariates, I indirectly control for the extent to which policies have favored a top city in the past. In cases where policies have historically or recently favored the leading city, top-city GDP share and the 1996-2000 increase in this share should both be larger. In addition, with one possible exception, my indicators for measuring provincial strength should not be affected by past metropolitan bias. A province’s distance from Beijing should bear no relation to past metropolitan bias, nor should the age (or political standing) of leaders appointed to the province. It is similarly unlikely that past metropolitan bias would affect a province’s degree of fiscal dependence on Beijing or the concentration of fiscal expenditure at the provincial level. On the other hand, it seems possible, if not likely, that metropolitan bias would affect which localities control seats on the provincial standing committee in the year 2000 or 2005. One would expect decisions about which local leaders have standing committee seats to have more to do with political considerations than with development strategies (or recent economic outcomes), but it is conceivable that local leaders might be appointed to or removed from the standing committee in conjunction with regional development approaches. If the standing committee indicator is dropped from the provincial strength index altogether, this weakens

the positive relationship between provincial government strength and metropolitan bias slightly but does not eliminate it.<sup>18</sup>

There is also the possibility that metropolitan bias and the level of explanatory variables in a given case are both affected by a causally prior variable. A particular concern is that the number of major cities in a province might affect policymakers' proclivity toward metropolitan bias while also affecting relative economic performance and provincial strength. It is generally coastal provinces that have two or more large metropolitan areas, so the "coastal" dummy variable included in the various regression models should control for some of the effect of having multiple large cities on top-city FAI share. At the same time, there is no necessary relationship between the number of large cities a province contains and the level of metropolitan bias. Liaoning, for instance, is home to two very large cities and other major cities but nevertheless displays high metropolitan bias.<sup>19</sup>

### **Explaining variation over time in metropolitan bias**

While cross-sectional analysis helps to clarify the correlates of variation in metropolitan bias outcomes across provinces, it is also important to examine the factors associated with metropolitan bias over time *within* provinces. As previous chapters make clear, many provinces have witnessed sharp variation from year to year in the share of FAI and other types of developmental resources flowing to their leading city. In the case studies of Jiangsu, Hunan, and Jiangxi, I have linked variation over time in metropolitan bias to changes in relative economic performance and provincial strength. To what extent is variation over time in metropolitan bias outcomes more generally explained by longitudinal variation in these factors?

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<sup>18</sup> When running specification 3 from Table 6.5 above but dropping the standing committee indicator from the provincial strength index, the coefficient on provincial strength term drops from 0.17 to 0.14, but the term remains statistically significant at the 0.10 level.

<sup>19</sup> Meanwhile, in Anhui and Hunan, two other provinces with very high metropolitan bias, the top cities did not initially stand head and shoulders above their counterparts: in both cases, there were several medium-sized or larger cities from which to choose as policymakers sought to develop growth poles.



To test whether key explanatory variables display the expected relationships with top-city FAI share outcomes over time within provinces during the 2000s, I carry out panel regression analysis with provincial fixed effects ( $n=220$ ). Here the unit of analysis is the province-year, and I examine the correlates of variation in top-city FAI share over different years within cases. Through this analysis, I find additional evidence of a relationship between provincial government strength and metropolitan bias. I do not, however, find any clear relationship between the level of metropolitan bias in a given province-year and the relative economic performance of the province over a prior three-year period.

#### *Hypotheses to be tested*

My theoretical framework and case-study findings yield testable hypotheses about patterns of variation in metropolitan bias over time within provinces. First, I expect lagging provincial economic performance during an extended prior period to be associated with greater metropolitan bias in policies for a given province-year. The cross-sectional analysis above shows a long-term relationship between lagging economic performance and greater metropolitan bias: provinces with lagging performance during the 1990s have greater overall metropolitan bias during the 2000s. It stands to reason that lagging economic performance might lead to greater metropolitan bias over shorter (still multi-year) time intervals as well. For example, my findings from provincial case studies suggest that provinces' economic performance over the preceding three to five years in some cases has strongly influenced development policy approaches. We might thus expect to see a more general relationship between top-city FAI shares and provinces' relative GDP growth rates during the prior few years.

Second, I expect variation over time in provincial government strength to be associated with shifts in the degree of metropolitan bias observed. Although some aspects of provincial government strength are unlikely to change much over an interval of a few years, top provincial leaders typically

rotate frequently, with tenures usually lasting between two and four years (Li 2002). As discussed in earlier chapters, the nature of top provincial leaders is a key determinant of the political leverage a province enjoys relative to Beijing above and cities below. Insofar as provincial governments should be stronger when politically well-connected and individually dynamic leaders are in place, I expect to find greater metropolitan bias in policies during province-years with “rising star” leaders in place.

### *Methods and data*

To test the correlates of metropolitan bias within provinces over time, I carry out panel regression analysis with provincial fixed effects. Inclusion of fixed effects restricts the analysis to variation in top-city FAI share over time within provinces: the regressions test whether the highlighted explanatory variables are associated with deviations from different provinces’ mean top-city FAI shares after controlling for baseline factors. I draw data from 20 provinces and 11 years, for a total of 220 observations. For panel analysis, I use the “plm” R package created by Yves Croissant and Giovanni Millo (2008).

The dependent variable for panel analysis is top-city share of total provincial FAI in a given province-year. As we have seen earlier, there is considerable year-to-year variation in top-city FAI share within provinces, which makes this dependent variable suitable for panel analysis. In analyzing metropolitan bias, of course, I am interested in deviations from a hypothetical baseline top-city FAI share rather than in top-city FAI share per se, so it is necessary to include control variables. I use a lagged (one-year) top-city GDP share term to control for the ex ante economic dominance of a top city within a given province, and I include year dummies to address the fact that some years are associated with higher top-city FAI share across the board.

To operationalize the key explanatory variables for panel analysis, it is necessary to have indicators that vary sufficiently over time within the observed 11-year window.<sup>20</sup> I operationalize relative economic performance with a term that records the change in a given province's share of China's overall national GDP during the preceding three years.<sup>21</sup> This indicator is meant to capture how well a given provincial economy has performed relative to the country as a whole during a multi-year prior period. As noted above, it is not clear that three years of lagging performance should have the same sort of effect on provincial policymaking that a decade-long trend of subpar performance might have. For the sake of statistical leverage, however, it is necessary to use an indicator for lagging economic performance with sufficient year-to-year variability.

As an indicator for provincial government strength, I use a dummy variable that records whether or not a province's top leader in a given year is a political rising star (in the sense defined earlier). I code this rising star dummy as "1" for province-years in which a rising star occupies the post of provincial Party secretary and "0" otherwise.<sup>22</sup> By comparing top-city FAI shares during years with and without rising stars in place for the same province, we can assess the relationship between provincial strength and metropolitan bias.

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<sup>20</sup> As discussed above, some indicators for key explanatory variables do not change much over time. A province's economic performance relative to the national average during the preceding decade will not change much from year to year. Similarly, structural or institutional aspects of provincial administrative strength (distance from Beijing, fiscal dependency on Beijing, the share of local expenditures handled at the provincial level, etc.) may not fluctuate much, if at all, from year to year. On the other hand, there are dimensions of or indicators for the key explanatory variables that should move around much more from year-to-year. Provinces' relative economic performance on short timescales (two or three years) varies considerably from year to year. And, as highlighted in preceding chapters, the top leaders of China's provinces change quite frequently (typically every two to four years), with important implications for policymaking. By selecting indicators for relative economic performance and provincial administrative strength that vary from year to year, we can get sufficient statistical leverage to test the main hypotheses with time-series data both within and across provinces.

<sup>21</sup> I also try using alternate measures, such as the average margin by which a province's annual GDP growth rate has led or lagged the overall national growth rate during the previous three years. Using alternate indicators of relative economic performance produces similar results.

<sup>22</sup> Once again, this "rising star" variable is coded as 1 for leaders who assume their provincial leadership post at an age at least one standard deviation below the average age for assuming this post.

Summary statistics for the dependent variable, explanatory variables, and main control variable are provided in Table 6.9 below. (Further information on the methods and data used for panel analysis is provided in the Panel Analysis section of the Statistical Appendix.)

**Table 6.9: Summary statistics for panel regression analysis**

Statistic	N	Mean	St. Dev.	Min	Max
DV: top-city FAI share	220	0.261	0.086	0.084	0.444
lagged top-city GDP share	220	0.249	0.081	0.109	0.503
Party Secretary rising star	220	0.327	0.470	0	1
GDP share change prev 3 yrs	220	0.001	0.003	-0.007	0.014

*Table generated with Hlavac (2014)'s Stargazer package (5.0) for R.*

### *Regression results*

The main regression results are presented in Table 6.10 below, while results for alternate model specifications can be found in Table A.11 of the Statistical Appendix. The results below are reported using panel-corrected standard errors à la Beck and Katz (1995).<sup>23</sup>

On the one hand, I find support for the hypothesis that provincial government strength is associated with greater metropolitan bias. The rising star dummy variable comes up positive and statistically significant at the 0.05 level (see specification 1 in Table 6.10). That is, looking within provinces over time and controlling for baseline factors, we find higher top-city FAI share during years with rising star Party secretaries in place than in years without rising stars. The coefficient estimate for the rising star dummy is substantively large: the presence of a rising star Party secretary is associated with a 1.7 percentage point increase in top-city FAI share during a given province-year. Dropping observations for the three main case-study provinces does not affect this finding.<sup>24</sup>

<sup>23</sup> Panel-corrected standard errors are estimated using the *plm* package for R.

<sup>24</sup> Table A.11 in the Statistical Appendix reports the results obtained using alternative ways of operationalizing the rising star variable. Besides the main approach – a dummy variable for whether the provincial Party secretary is a rising star – I also run regressions with a “governor rising star” dummy variable, an “either Party secretary or governor” dummy variable, and a “none, one, or both” categorical variable. As Table A.11 shows, I find strong, positive relationships between most of these rising star indicators and top-city FAI share. Although the presence of rising star Party secretaries is associated with higher top-city FAI share, there is no clear-cut relationship between rising star governors and top-city

**Table 6.10: Panel regression results – top-city FAI share with province fixed effects**

	<i>Dependent variable:</i>		
	Top-city FAI share by year		
	(1)	(2)	(3)
lagged top-city gdp share	0.263 (0.18)	0.282 (0.19)	0.263 (0.118)
2001	0.011** (0.005)	0.012** (0.005)	0.011** (0.005)
2002	0.015 (0.009)	0.015* (0.009)	0.014 (0.009)
2003	0.055*** (0.011)	0.055*** (0.012)	0.055*** (0.011)
2004	0.059*** (0.011)	0.060*** (0.012)	0.059*** (0.011)
2005	0.064*** (0.012)	0.064*** (0.014)	0.064*** (0.012)
2006	0.057*** (0.013)	0.058*** (0.014)	0.057*** (0.013)
2007	0.056*** (0.014)	0.057*** (0.015)	0.056*** (0.014)
2008	0.053*** (0.014)	0.053*** (0.015)	0.053*** (0.014)
2009	0.049*** (0.014)	0.049*** (0.015)	0.049*** (0.014)
2010	0.046*** (0.015)	0.046*** (0.015)	0.046*** (0.015)
Party Secretary rising star	0.017** (0.008)		0.017** (0.008)
GDP share change prev 3 yrs		-0.166 (1.36)	-0.198 (1.32)
Observations	220	220	220
R <sup>2</sup>	0.421	0.391	0.422
Adjusted R <sup>2</sup>	0.360	0.334	0.358
F Statistic	11.410*** (df = 12; 188)	10.045*** (df = 12; 188)	10.483*** (df = 13; 187)

*Note:* \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

*Table generated with Hlavac (2014)'s Stargazer package (5.0) for R.*

On the other hand, within-province panel analysis does not show any relationship between top-city FAI share and relative economic performance during the prior three-year period (see specification 2 in Table 6.10). Top-city FAI share is not systematically higher (or lower) for province-years following periods of lagging economic performance. While the coefficient for the relative economic performance term is negative, the term's magnitude is very small—both in an

FAI share. I do find that the simultaneous presence of a rising star Party secretary and a rising star governor is associated with a greater top-city FAI share than having one or the other, but this result is driven by a handful of observations.

absolute sense and relative to the standard error estimate. Thus, I do not find support broadly for the proposition that metropolitan bias increases in the wake of a few years of lagging performance.

To address the possibility that the results are influenced by unmodeled differences across provinces or years in the structure of error terms, I re-estimate standard errors with clustering of errors by province and by year.<sup>25</sup> Using clustered errors does not affect the finding that province-years with rising stars in place have higher top-city FAI share, other things equal. Clustering errors on either province or year inflates standard error estimates compared with those generated by OLS, but the rising star term remains statistically significant at the 0.05 level or above. Meanwhile, the relative performance term continues to fall far short of statistical significance.

In sum, analysis of variation in top-city FAI share over time within provinces yields a mixed picture. Although I find that the presence of rising star leaders (a proxy for heightened provincial government strength) is associated with a marked increase over the baseline in top-city FAI share, I see no clear relationship between the top-city share of FAI for a given province-year and the province's relative economic performance over a prior three year period. It is possible that no such longitudinal relationship between relative economic performance and metropolitan bias holds; it is also possible that such a relationship exists (as suggested by case-study evidence), but that the specific indicators and time intervals used here have failed to capture it.<sup>26</sup> In any event, more careful investigation of the longitudinal relationship between metropolitan bias outcomes and the highlighted explanatory variables will be necessary before firmer conclusions can be drawn.

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<sup>25</sup> I follow the approach of Bluhm (2013), implementing in R the functions carried out by Stata's package for estimating standard errors with clustering by unit and by time period (See <http://www.richard-bluhm.com/clustered-ses-in-r-and-stata-2/>).

<sup>26</sup> First, it seems possible that three years of lagging performance may be not be adequate to trigger a sweeping adjustment of provincial policies in the way that a decade of lagging performance might. Second, there is the question of whether it is a province's performance relative to the country as a whole that matters, or whether performance relative to neighboring provinces is more relevant. Third, it is unclear whether differences in GDP growth rates offer the most meaningful measures of lagging performance, or whether there are other development indicators that would be superior.

### Cracking a hard case: Qualitative evidence from Liaoning

To evaluate the wider validity of the dissertation's key claims, it is also helpful to look more closely at cases whose outcomes seem to be at odds with the main argument. If process-tracing reveals similar causal factors to be important to metropolitan bias outcomes even in "hard cases" where alternative explanations seem equally, if not more, plausible, this should boost our confidence in the main explanatory variables. The northeastern province of Liaoning, a puzzling outlier, represents one such case. By briefly examining the recent history of regional development policy in Liaoning, I hope to determine if and how relative economic performance and provincial government strength contributed to a trend of metropolitan-oriented development.

At first glance, the case of Liaoning appears to sit uncomfortably with my main argument. Like Hunan, Liaoning shows high metropolitan bias in development during the 2000s, with a top-city FAI share six percentage points higher than the fitted value.<sup>27</sup> However, Liaoning remains a high outlier even after terms for the main explanatory variables are added to the regression model, suggesting that other factors may be driving metropolitan bias.

There are also substantive reasons to question how important the explanatory variables I have highlighted are for Liaoning's development outcomes. One might be inclined to interpret metropolitan bias in Liaoning more as a product of central policies and/or the dynamism of major cities than as a consequence of provincial-level factors. Located in northeast China near Beijing, Liaoning historically has had close ties to the central government and the state-led economy. At the same time, Liaoning contains two large metropolitan centers that are powerful entities in their own right. Shenyang, the provincial capital, has served as a key regional administrative and economic hub for the northeast throughout the post-1949 period. Dalian, Liaoning's leading port city, is another major economic center with deputy-provincial level status.

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<sup>27</sup> Author's regression analysis. See Chapter 2.

Upon closer inspection, however, I find that the explanatory factors highlighted above did play a key role in shaping Liaoning's development approach during the 2000s. A provincial crisis of economic competitiveness triggered a major rethinking of development policies, and provincial authorities played a proactive, high-profile role in promoting metropolitan growth. The making and execution of development policies was undoubtedly a multilevel process, and central and city-level actions also mattered greatly. But provincial leaders served as key entrepreneurs for metropolitan-oriented development, launching bold measures of their own and mobilizing central support.

*The provincial response to Liaoning's crisis of competitiveness*

Liaoning straddles China's prosperous eastern seaboard and the country's Manchurian rustbelt. A key base for state-owned heavy industry since the establishment of the PRC, Liaoning was a linchpin in China's planned economy. Because of this, and also because of Liaoning's geostrategic importance as a northeastern border area, the province has long maintained close ties with the central state. By virtue of its coastal location, however, Liaoning was also exposed relatively early to the pressures and opportunities of reform and opening. Shenyang, the provincial capital and largest city, was granted reform privileges relatively early, and was among the cities designated as separately planned (*jibua danlie*) municipalities in the 1980s. Dalian, meanwhile, developed rapidly as a center of trade and foreign investment after the 1980s (Schueller 1997).

The economic challenges confronting Liaoning in the 1990s and early 2000s served as the backdrop for a major reorientation of policies in the province toward greater prioritization of competitiveness and metropolitan development. During the late 1980s and 1990s, Liaoning's state-owned industries suffered major operating losses (Schueller 1997), and Liaoning saw its share of China's overall output in sectors such as textiles, electronics, and metallurgy drop (He and Pan 2011). Huge numbers of workers – probably over a million – in the state-owned industrial sector faced



layoffs or furloughs as a result of bankruptcies and industrial restructuring by the late 1990s, and the province was shaken by social unrest (Freeman 2002; Li 2004; McGee 2007).<sup>28</sup> By the mid-1990s, top provincial officials understood that Liaoning's traditional state-led, inward-oriented economic model must be substantially reformed, and the outward competitiveness of the province's industries and cities enhanced (Schueller 1997, 99-101).<sup>29</sup> In the near term, however, China's impending accession to the WTO posed a further threat to Liaoning's economic wellbeing and social stability. Provincial officials appealed to Beijing to reconsider rapid liberalization measures that would expose Liaoning's struggling industries to even sharper competition, and pressed for more central aid to help get the province's economy back on track (Freeman 2002).

A change in Liaoning's leadership at the start of the 2000s set the stage for a major shift in provincial policies, including a more proactive provincial role in urban and industrial development and restructuring. Following a corruption scandal, provincial governor Zhang Guoguang was replaced in 2001 by Bo Xilai, then a young, politically ambitious leader with a track record of promoting outward-oriented development as leader of Dalian (Freeman 2002). Bo had already established a reputation nationwide as a bold, individualistic politician with bright prospects.<sup>30</sup> During his tenure as Liaoning governor (alongside Party secretary Wen Shizhen), Bo would accelerate economic reforms and reorient the spatial focus of development policies to place more emphasis on its top cities.

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<sup>28</sup> Like other northeastern provinces, Liaoning also had to deal with the economic stagnation during the 1990s of medium-sized cities with resource-oriented or highly specialized industrial economies (Schueller 1997; Dong 2005).

<sup>29</sup> An increasingly sharp development gap had opened not just between Liaoning and other coastal provinces, with Liaoning lagging further behind in trade, foreign direct investment, and income growth, but also between Liaoning's traditional core economic region around Shenyang and the thriving coastal city of Dalian (McGee 2007). In some ways, Dalian's successful reinvention of itself during the late 1980s and early 1990s as an outward-oriented commercial and industrial center offered a template for Shenyang and other struggling cities in Liaoning to follow.

<sup>30</sup> Bo's personal ties to the country's Party and military elite as one of China's foremost 'princelings', moreover gave him a broad and portable web of political resources (Li 2004).

As governor, Bo was active not only in overhauling Liaoning's industrial economy but also in mobilizing central support and provincial resources for metropolitan development. Upon taking office, Bo actively promoted both foreign and state investment in Liaoning, and became a strong advocate for a new national-level Revive the Northeast Old Industrial Base strategy, touting the economic potential of Liaoning and its neighbors (Li 2004). Although Bo had close ties to Dalian from his time as Party chief there, he was also vocal about the need for an urban transformation in Shenyang. To make Liaoning economically competitive, it would be necessary to enhance the size, amenities, and business environment of its largest cities. In a public statement in October 2002, Bo praised the urban renewal and "clean-up" work being done in Shenyang, and called for Shenyang to play an even larger role in Liaoning's economic development and urban construction going forward. Shenyang and Dalian, Bo said, should act as "locomotives" (*buoche tou*) for Liaoning's economy and grow into "international metropolises" (*guojibia da dushi*). To achieve this, Bo instructed provincial and city officials to draw up bold plans and pursue ambitious targets for metropolitan development (*Liaoning ribao* 10/30/2002).

Bo called for using the resources of the provincial government to support Shenyang's development, telling provincial departments to assist the city with investment attraction, technology renovation, services, infrastructure, and other major upgrading tasks (*Liaoning ribao* 6/28/2003). While Bo was governor, the provincial government lent its support to a new Shenyang Economic Area plan that envisioned a build-up of Shenyang's urban infrastructure and industry and tighter integration of Shenyang with surrounding cities (*Liaoning ribao* 8/18/2005).<sup>31</sup> Meanwhile, during 2003 and 2004, Bo engaged in aggressive outreach to both external investors and the central government

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<sup>31</sup> Under the arrangement, Shenyang was to more closely coordinate industrial and infrastructural development with neighboring cities such as Liaoyang and Fushun so as to enhance the overall competitiveness of the urban region (McGee 2007).

on behalf of Liaoning and its top metropolitan centers, traveling extensively and holding many events to promote investment in Liaoning's top cities (Li 2004; Dong 2005).<sup>32</sup>

Lobbying by Bo and other leaders from northeastern provinces appears to have factored importantly into Beijing's launch of the Revive the Northeast program. The program brought Liaoning a variety of policy benefits and state resources after 2003, including VAT reductions for local industry, greater central fiscal support, and centrally backed industrial and technological upgrading projects (Li 2004; Dong 2005).<sup>33</sup> Under the scheme, Beijing laid out broad economic and social development goals for the northeast and became more actively involved in supporting the region's development. But in practice Liaoning and its neighbors had space to formulate their own concrete strategies for development and reform. Provincial leaders gained space to experiment with new economic and social policies, and they secured prompt central backing for dozens of major investment projects they had proposed (Chung et al 2009).

After Bo Xilai left Liaoning in early 2004, the province soon gained another rising star in the figure of Li Keqiang, who was appointed Party chief at the end of the year. As one of Hu Jintao's principal protégés,<sup>34</sup> Li brought considerable political capital to deploy on behalf of Liaoning's development and would prove to be a champion for metropolitan-oriented policies.

Even more so than Bo, Li put the construction of larger, more integrated, and more competitive urban regions at the heart of his strategy for provincial economic development and structural transformation. In late 2004, shortly after taking office, Li used the occasion of his first

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<sup>32</sup> Shenyang in particular benefited dramatically from promotion efforts, recording a dramatic uptick in foreign direct investment in the mid-2000s (Li 2004; Dong 2005)

<sup>33</sup> Like other central development schemes, though, the Revive the Northeast program, was a platform for subnational initiative as much as a rigid top-down policy framework. The March 2003 No. 11 Central Document that introduced the policy highlighted policy goals such as faster industrial restructuring, greater marketization, technical upgrading and rehabilitation in old industry areas, and expanded social welfare provision, but it left many of the details and much of the implementation work to provincial governments (Central Committee 2003; Dong 2005).

<sup>34</sup> See Li (2002).

inspection visit in Shenyang to put forward plans for the development of “Greater Shenyang” (*da shenyang*) (*Shenyang ribao* 12/25/2004).<sup>35</sup> The provincial government work report delivered in early 2005 called for “constructing a Shenyang economic area that radiates to the whole northeast and has strong domestic and international competitiveness,” and in April 2005 the province convened a meeting of leaders to promote the Central Liaoning Urban Cluster (*liaozhong chengshi qun*) (*Zhonghua gongshang shibao* 4/19/2005).<sup>36</sup> Over the following two years, the cities of the Greater Shenyang area signed further cooperation accords, and regional industry and infrastructure development progressed rapidly (*Jingji ribao* 2/19/2008). Through the end of his tenure, Li continued to champion the growth of Greater Shenyang.<sup>37</sup>

Following Li’s departure later in 2007, Liaoning continued to pursue development of Greater Shenyang, and the province eventually obtained national-level recognition for the region in 2010. But, as Lin Muxi, a prominent local academic noted, the Central Liaoning Urban Cluster strategy suffered from limited institutionalization, lacking an effective overall planning system and administrative coordination mechanism (Lin 2007). Without strong provincial leaders in place, orchestrating major urban and regional development strategies became more difficult.

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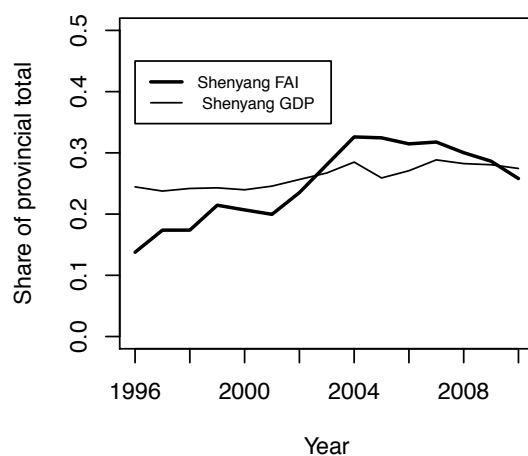
<sup>35</sup> According to one media report, Li argued that “Shenyang is in the decisive position for Liaoning’s revitalization drive; the build-up of Shenyang is of utmost importance.” For metropolitan development to succeed, Li said, “it is necessary to have a certain scale, form accumulated wealth, logistical and human function, and build Shenyang into a regional central city” (*Shenyang ribao* 12/25/2004).

<sup>36</sup> At the meeting, Li said that in order to build up the city cluster as a whole, it was essential first to build up Shenyang further and strengthen its central city functions, relying on a “comprehensive” urban development approach that emphasized cultural and social development as well as rapid economic growth. Realizing these goals for the Shenyang region would be key for making Liaoning, and the northeast more broadly, China’s fourth national growth pole (*Zhonghua gongshang shibao* 2005).

<sup>37</sup> In 2007, for example, Li called for “urban integration” (*tongchenghua*) of Shenyang and nearby cities (Lin 2007). Under Li, Liaoning also pursued a “Five Points, One Line” (*wu dian yi xian*) regional development strategy. The program, launched in 2001, targeted Liaoning’s belt of coastal cities and was geared toward promoting the outward-oriented economy. Along with the Central Liaoning Urban Cluster initiative, this strategy was meant to help Liaoning achieve faster economic restructuring and outward-oriented growth. This strategy seemed to complement efforts in Greater Shenyang more than distract from them, however, insofar as it sought to expand Liaoning’s outward linkages and to better integrate the Shenyang area with port cities such as Yingkou (Ibid. 2007; *Zhongguo jingying bao* 9/7/2009).

In sum, then, the causal factors highlighted in this project also appear to have shaped Liaoning's development trajectory in important ways. Liaoning's difficult transition out of the planned economy and prolonged crisis of economic competitiveness in the 1990s and early 2000s provided the motive for a shift in provincial policies. Meanwhile, strong provincial leadership played an important role in the launch of major metropolitan-oriented initiatives and the mobilization of central policy support and resources.

**Figure 6.11: Top-city share of provincial FAI and GDP in Liaoning, 1996-2010**



As Figure 6.11 above shows, Liaoning saw a sharp increase in the top-city concentration of FAI during the years when rising star leaders – first Bo and then Li – were in place. Between 2001 and 2007, Shenyang's FAI share first increased sharply, and then remained well above the city's share of provincial GDP for several years. In the late 2000s, however, Shenyang's share of Liaoning's total FAI dropped. And, whereas Shenyang's GDP growth had outpaced provincial growth every year but one between 2001-2007, the city's share of Liaoning's GDP dipped after 2007.

### Discussion and conclusions

This chapter has carried out additional quantitative and qualitative analysis of metropolitan bias outcomes to assess how well key claims generalize to the full sample of 20 provinces. I first

have tested whether key explanatory variables are correlated with metropolitan bias in the expected fashion across China's provinces more broadly. Second, I have examined whether key explanatory factors are associated with metropolitan bias outcomes in the expected way over time within provinces. Finally, I have examined additional qualitative evidence from Liaoning province to check whether similar causal processes are at work in a "hard case." These approaches yield several pieces of evidence consistent with the dissertation's core argument that lagging economic performance and provincial government strength, separately or in conjunction, contribute to greater metropolitan bias. At the same time, it is necessary to acknowledge that not all regression results support the main hypotheses, and that some of the evidence presented is more suggestive than conclusive.

Cross-sectional regression analysis provides evidence that expected relationships between key explanatory variables and metropolitan bias outcomes hold across the broader sample of 20 provinces. As expected, lagging provincial-level economic performance during a prior period is associated with higher top-city FAI share. Similarly, provincial-level administrative strength – operationalized using an original index that combines five indicators – is associated with higher top-city FAI share. When both relative economic performance and provincial strength are included in the regression model, each term retains the expected sign and remains significant at conventional levels. Results from regression analysis and simulation of quantities of interest are consistent with the expectation that metropolitan bias is greatest when both lagging economic performance and high provincial strength are present. The main findings hold when the main explanatory variables are operationalized differently, and when alternative explanatory variables are included.

Panel analysis, which tests how well key explanatory variables account for variation in metropolitan bias over time within provinces, provides further support for the provincial strength hypothesis but does not offer support for the lagging performance hypothesis. I find a substantively large and statistically robust relationship between the presence of "rising star" provincial Party chiefs

and higher top-city FAI share, which I interpret as support for the claim that provincial-level political clout leads to more concentration of policy support and resources in top cities. I do not, however, find a relationship over time within provinces between lagging economic performance (measured for the preceding three-year period) and top-city FAI share.

The case study of Liaoning, meanwhile, provides further support for my argument insofar as it shows that the pursuit of a metropolitan-oriented development model during the 2000s was closely related to concerns over lagging economic performance and reflected political initiative at the provincial level. Historical evidence from Liaoning helps address potential objections that metropolitan bias is simply a result of city-level dynamism, on the one hand, or national-level policies, on the other. Liaoning's top city, Shenyang, had in preceding years faced major economic difficulties and was widely perceived as underperforming economically. As such, the heavy state support Shenyang received in the 2000s was less an affirmation of rapid growth than an effort to rekindle a struggling metropolis. And while central government support played an important role in Shenyang's post-2001 boom, aggressive outreach by provincial leaders such as Bo Xilai played a key role in mobilizing central government resources in the first place. By setting in motion pro-metropolitan development strategies within their provinces and then lobbying Beijing to provide higher-level recognition and material support, activist provincial leaders leveraged central assistance on behalf of subnational development interests.<sup>38</sup>

Needless to say, the analysis presented here has important limitations and can be improved upon by future work. First, the quantity, quality, and range of statistical data used are limited. Going forward, it will be helpful to make use of data from a larger number of units and years, to collect data on a wider range of indicators, and to make better use of city-level statistical data. Second, the

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<sup>38</sup> This is not to suggest that Beijing was not interested in and amenable to promoting rapid development in Shenyang, which have long served as a key regional hub in the northeast.

approaches used for operationalizing key variables are not wholly satisfactory. In particular, one can imagine developing superior index-style measures for relative economic performance and provincial government strength.<sup>39</sup> Third, while I have been able to test for the existence of statistical correlations that are consistent with my key hypotheses, the analysis lacks rigorous strategies for causal identification. Particularly where panel analysis is concerned, it may be possible to establish stronger grounds for causal inference through the inclusion of additional control variables and the use of other statistical methods.

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<sup>39</sup> When evaluating the relationship between lagging economic performance and metropolitan bias, for instance, it is not clear that it should be a province's performance relative to a broader national or regional average that is most decisive. A province's performance relative to its immediate neighbors, for instance, might be the most politically salient and economically important consideration. Similarly, it is not immediately clear whether one should use GDP growth performance as opposed to other, more specific development indicators. I have tried including a few other measures in my analysis, such as performance of the secondary sector and foreign economic activity growth, but it may be that there are other economic indicators that loom larger in the minds of policymakers and are more important in terms of the competitive pressures provinces face. Provincial strength is even harder to quantify. In designing a provincial strength index, I have tried to balance the goal of simplicity and easy interpretation, on the one hand, with the goal of capturing different dimensions of intergovernmental power, on the other.



## **VII: Conclusions and Comparative Implications**

“Do not suppose that these efforts to promote agglomeration and congestion are wholly spontaneous. On the contrary, strenuous efforts were made—and continue to be made—to ensure it.”

—Lewis Mumford, *The City in History* (1961), 539

“It is not suggested that governments should appoint a Minister for Initiating Growth and a Minister for Restoring Balance; but to think in terms of these two tasks may perhaps serve to give ministers and governments a clearer conception of their role within the development process.”

—Albert Hirschman, *The Strategy of Economic Development* (1978), 204

### **Introduction**

This concluding chapter reviews key themes and findings from preceding chapters, and discusses how the project fits into and adds to a larger body of China-focused and comparative scholarship on development politics and urban governance. I begin by providing an overview of the dissertation’s main empirical findings. I next discuss the project’s contributions to the academic literature, highlighting three areas of theoretical and empirical progress. Third, I consider the cross-national implications of my findings, exploring how the arguments here may help to make sense of development outcomes in Brazil and India. Finally, I describe some of the major limitations of the study, and suggest ways for future work to improve upon and extend this research.

### **Empirical findings**

This project has presented several empirical findings that should be of interest to scholars of Chinese and comparative development politics and urban governance. Some of these findings are descriptive in nature, and help clarify patterns of development and governance in contemporary China. Others are explanatory, identifying some of the key variables and dynamics that contribute to metropolitan bias in development policies and shape patterns of urban and regional growth.

In the dissertation, I have described dramatic variation over time and across provinces in the extent to which investment and economic growth have been concentrated in leading urban areas. Of

course, historical trends and basic structural characteristics of provinces and cities explain much of this variation. Yet, marked variation across similarly situated units, and sharp fluctuation over time within cases, calls for a closer look at how policy factors affect urban and regional development.

The project has emphasized the important ways in which higher-level governments shape the growth of cities and regions, including the “strenuous efforts” to build up metropolitan centers seen in some cases. Changing central policies and institutions have contributed to the broad metropolitan turn in China’s urban development since the mid-1990s, but do not fully explain development approaches at the provincial level. Central policies are often ambivalent or flexible in practice, and different parts of the central government do not always work in concert. Like previous scholars, I find the making of development policy in China to be a contested, multilevel process in which different state actors seek to assert their interests. Absent rigid central control, the provincial scale is crucial for urban and regional governance, and bargaining among multiple government levels and actors significantly shapes policy outcomes. It is thus necessary to examine how provincial-level variables affect the formulation and implementation of development policy.

I find that the degree of metropolitan bias in development policies varies with provinces’ relative economic performance. In provinces where economic growth has lagged behind the national or regional average for extended periods, such as Hunan, policymakers attach high priority to building large, attractive metropolitan areas, which they see as essential for enhancing overall provincial economic competitiveness. Indeed, across the sample of 20 provinces, there is greater metropolitan bias in investment in provinces that were economic laggards during the prior decade.

I also find a relationship between metropolitan bias and the strength of provincial governments relative to other levels. Provincial governments evince a stronger preference for metropolitan-oriented development than either central policymakers or local governments (in the aggregate). In provinces where the provincial establishment is institutionally strong and in a position

to shape development policies in line with its own priorities (such as Hunan), and/or during periods when “rising star” provincial leaders are in place (as with Jiangxi in the early 2000s), development policies tend to prioritize metropolitan development to a greater degree. Across the 20-province sample, I find a strong correlation between a measure of provincial government strength and metropolitan bias in investment, and using longitudinal analysis I find that the presence of rising star leaders is associated with higher top-city concentration of investment.

Lagging economic performance and provincial strength seem to influence metropolitan bias in an additive manner. Lagging economic performance or high provincial government strength may contribute to a higher degree of metropolitan bias in development policies even in the absence of the other condition. Metropolitan bias tends to be greatest, however, when both conditions are present. The case of Hunan illustrates this proposition: whereas lagging economic performance led to continual prioritization of metropolitan development between the late 1990s and late 2000s, even greater state support was mobilized behind Changsha’s development when politically strong provincial leaders were in place in the late 2000s. Analysis of data from 20 provinces suggests that an additive relationship between the explanatory variables and metropolitan bias exists more generally.

Finally, through case studies and analysis of changing national-level policies, I have presented a variety of evidence to show that urban and regional policy is an integral and thus highly contested part of China’s development politics. Many national and subnational development policies in China are spatially selective, and the building of competitive regions and cities – as much as the building of industrial champions – has been a key plank of development strategies. Because of the significant distributive and governance consequences of urban and regional policies, the making of spatial policies is highly politicized. The case of Jiangsu is instructive. Even in a relatively open and market-oriented provincial economy, state interventions had a considerable influence on urban and regional development patterns. Because Jiangsu faced major tensions between the goals of efficiency

and equity in development, however, and because various government levels and actors had a hand in policymaking, urban and regional policies proved contentious and shifted often.

### **Contributions to the China and comparative literatures**

An overarching aim of this study has been to highlight the proactive role higher-level governments play in shaping the development of cities and regions, and to analyze the politics that surround such state interventions. On the one hand, this project joins other recent work in “bringing the state back in”<sup>1</sup> to the study of urban and regional development. Following the lead of Brenner (2004), Xu (2008), Wallace (2013), Kennedy (2014), and others, I have tried to show how higher-level governments and state institutions not only set the parameters for urban growth but also intervene in more direct ways to steer development. On the other hand, to a greater extent than most work on urban and regional development, this project brings politics back into the state. I have tried to disaggregate and politicize “the state,” highlighting the varying priorities of different government actors and foregrounding both cooperation and conflict between different administrative levels and constituencies. Rooted in this broad approach, the project contributes to existing academic literature in three more specific ways, which I discuss below.

#### *Developing a richer understanding of metropolitan bias*

One central contribution of this project has been to develop a clearer picture of the nature and determinants of metropolitan bias. Scholars have long called attention to urban bias, broadly, and the heavy concentration of investment and policy support in metropolitan cities in the context

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<sup>1</sup> I borrow this phrase from Evans, Rueschemeyer, and Skocpol’s (1985) edited volume of the same name. My project is indebted to and tries to build upon the post-1980s wave of political science and development scholarship that calls for conceptualizing the state not simply as an arena for politics but also as a key actor – or, more accurately, set of actors – with autonomous capacity to shape societal outcomes, and with distinct economic and political interests.

of development. And, as discussed in the first chapter, recent work has highlighted the emergence in recent decades of competitiveness-oriented strategies to build up metropolitan regions in China, India, and other settings. But existing research does not always highlight the larger political context of metropolitan-oriented development strategies—the policy tradeoffs and political conflicts surrounding decisions to concentrate state support in top cities rather than distribute resources more widely. Furthermore, much research portrays the metropolitanization of urban and economic growth as a broad trend, rather than analyzing how outcomes vary across different settings.

In theorizing metropolitan bias, I highlight the fact that higher-level policies actively favor some locations over other locations in the allocation of economic resources and state support, and emphasize that the degree of spatial bias in development policies is a variable. I call attention to the different tradeoffs metropolitan bias involves from the standpoint of policymakers, and, accordingly, how preferences toward metropolitan bias may vary across different parts of the state and under different economic circumstances. Depending on which development priorities are most salient, and which actors dominate the making of policies, I argue, policies may show greater or lesser favoritism toward leading urban areas.

Beyond theorizing metropolitan bias more clearly, I have assessed metropolitan bias empirically using top-city investment share and other indicators. Through qualitative analysis of development policies and quantitative analysis of outcomes across multiple provinces and years, I have charted broad trends as well as puzzling variation in metropolitan bias outcomes. And, using both case studies and statistical work, I have shown an association between metropolitan bias, on the one hand, and lagging economic performance and provincial government strength, on the other.

*Broadening the study of state-led development*

This project also contributes to our understanding of the modes and politics of state-led development, both in China and more broadly. It adds to a growing body of research that highlights the continued importance of statist policy logics in a more open and competitive Chinese economy.<sup>2</sup> I emphasize how central and provincial-level plans and administrative initiatives powerfully influence the growth of cities even at a time when municipal governments have become very strong actors in their own right. I show that this is particularly true in inland provinces, where challenges of lagging urbanization and industrialization create space for major state interventions.

Much comparative scholarship on state-led development focuses too narrowly on questions of industrial policy. Building on past research by China scholars, I emphasize the role urban and regional policies and spatially selective interventions play in state-led development. I show that the “growth pole” logic of concentrating investment in strategic locations is alive and well in China, even as it assumes new forms. In a more open 21<sup>st</sup>-century economy where large metropolitan areas provide the best territorial platforms for business activity, Chinese provinces are seeking to build up urban champions of their own that can compete with established global cities. By promoting heavy investment in top cities, policymakers hope to reap economies of scale in investment, foster agglomeration economies for industry, and create more attractive showcases for their regions. Many of these efforts to build competitive cities are more top-down and statist than “neoliberal” in nature.

At the same time, I show that development approaches have differed considerably in leading and lagging areas of China. Scholars from Gerschenkron (1962) on have observed that crises of backwardness – whether objective or socially constructed – provide the political fuel for programs of state-led development. Backwardness, or lagging development, is fundamentally a relative concept, and lagging economic performance matters to the extent that different territorial units are engaged

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<sup>2</sup> See, for instance, Heilmann and Melton (2013); Huang (2008).

in competition with one another. This study thus emphasizes the ways in which the competitive context of development matters for policy approaches. In particular, I show that metropolitan-oriented development strategies in China's provinces are fundamentally linked with efforts to enhance competitiveness vis-à-vis other regions. For provinces that have underperformed economically and face worsening marginalization, such concerns are especially salient.

*Analyzing multilevel politics and governance*

Finally, this project contributes to the study of policymaking in large, multilevel polities. Past work by China and comparative scholars has made important strides in describing and theorizing multilevel political systems and policy processes.<sup>3</sup> Many questions remain, however, and debates persist over how to conceptualize central-local relations and locate power in “fragmented” states. In this study, I try to reconcile conflicting images of China's central-local relations by emphasizing the flexibility and variability across provinces of intergovernmental dynamics.

Most scholars of contemporary China would agree that the making of development policy is a fragmented and less-than-fully institutionalized process. Yet researchers have differing views about the consequences of Beijing's efforts since the mid-1990s to rebuild central state authority and administrative capacity, and about the dynamics of policymaking. Some scholars have perceived a striking recentralization of administrative power.<sup>4</sup> Others have emphasized the growing power of subnational governments—especially municipal-level governments.<sup>5</sup> Another point of contention has been whether provincial governments, seen by many as a key locus of state power in the 1980s

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<sup>3</sup> Lieberthal and Oksenberg (1988), Li (1997), Zheng (2007), Faletti (2005), and Sinha (2005) among others have done very important work in this regard.

<sup>4</sup> See, for example, Yang (2004); Naughton (2007).

<sup>5</sup> See, for example, Hsing (2010), Luo and Shen (2008).

and 1990s, remain important in today's system.<sup>6</sup> Different views of the intergovernmental distribution of power naturally lead to different conclusions about which actors and priorities really drive the making of economic policy in China.

This dissertation tries to show that there is no single answer to the questions of where power resides in China's multilevel system and who dictates policy outcomes. Building on insights from past scholarship, I emphasize three key facts about development policymaking in multilevel systems such as China's. First, policymaking is a very fluid, very political process. Different government levels and actors engage in a hierarchical back-and-forth, but the crafting and implementation of policies is shaped as much by intergovernmental power considerations as by institutional rules. In different places, and at different times, different players may dominate the formulation and implementation of policies. Second, provinces continue to serve as crucial units for governance. Provincial authorities may or may not have the power to translate their own preferences into concrete policy outcomes. In any case, however, many important policies are necessarily formulated and staged at the provincial level—both because provinces are as large as major countries, and because provinces occupy a pivotal position in the administrative hierarchy. Third, provinces and/or cities may be able to achieve dramatic development results by tapping into the power and resources of the central state. China's central government holds sovereign authority and controls many resources, but it does not always function in a coordinated fashion. In much the same way as Sinha (2005) describes in her research on India, subnational governments can sometimes take the initiative in their interactions with the center, mobilizing central resources and policy support behind subnational development strategies.

A crucial determinant of policy outcomes in large, multilevel systems like China is what Falleti (2005) calls the "intergovernmental balance of power." I adapt this concept somewhat to fit

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<sup>6</sup> See Donaldson (2010); Fitzgerald (2002).



the Chinese context, emphasizing the relative strength of provincial governments as an important variable in the policy process. I argue that provincial authorities' ability to shape development policies around the interests of the provincial unit – as opposed to the interests of different localities or the interests of the nation as a whole – depends on the administrative capacity and political leverage they have vis-à-vis Beijing above and local governments below. Policymaking dynamics differ, I show, between “strong” provinces such as Hunan and “weaker” provinces like Jiangxi.

### **Taking the argument to other contexts**

The main claims I advance in this project apply primarily to the contemporary Chinese setting, as noted upfront. At the same time, of course, the phenomenon of metropolitan bias is neither peculiar to China nor confined to the precise historical moment examined here. It is thus important to consider whether, or to what extent, the arguments I present here can shed light on development policy outcomes in other geographic and temporal contexts.

If the arguments I make in the study are able to travel cross-nationally, Brazil and India should be among the most natural destinations. Like China, both are large developing nations with multilevel administrative systems, and both have historically followed state-led development trajectories. One can therefore expect to observe in the states of Brazil and India dynamics similar to those seen in China's provinces. Along these lines, the following sections look briefly at the cases of Brazil's Minas Gerais state and India's Andhra Pradesh state as plausibility probes for taking the argument elsewhere. A first glance suggests that metropolitan bias in Brazil and India is associated with the same types of economic and political conditions I have highlighted in the Chinese context.

Moving beyond the so-called “BRIC” nations, some elements of the argument presented here may apply more broadly. Though the dissertation has focused on explaining the development approaches of provincial units, it is possible that some sovereign states may be subject to analogous

economic and political dynamics. Like China's provinces, many medium-sized countries confront the twin challenges of coordinating urban and regional development internally and maintaining a competitive position in the global economy and international order. Countries such as Malaysia, Poland, Colombia, and Ghana – to name but a few – face difficult tradeoffs as they pursue rapid economic growth and work to enhance their international standing. Fostering attractive, globally connected metropolitan centers (e.g. Kuala Lumpur, Warsaw, etc.) may help these countries in their efforts to secure mobile capital and to obtain support and recognition from foreign governments or international organizations. At the same time, however, national leaders in these countries face demands from domestic constituencies to distribute the gains of development more evenly, and may feel pressure from foreign governments or international elites to attend to a wide range of development goals, non-economic as well as economic. The development approaches such countries pursue – and, in particular, the extent to which policymakers prioritize the build-up of leading urban areas relative to other development tasks – may be influenced by the same kinds of factors that affect policy approaches in China's provinces. Both the economic performance of these countries relative to external benchmarks (such as the performance of nearby countries), and the political strength of national authorities relative to subnational and supranational forces may affect the extent to which resources are mobilized behind the agenda of metropolitan development.

It is also important to consider the temporal scope conditions of the arguments advanced here. Given its emphasis on place competition, the theoretical framework I have advanced fits most neatly with the historical conditions of the post-1980s period of high globalization. This period has been characterized by economic restructuring, global integration, intensifying competition, and rapid growth in large swaths of the developing world. In many parts of the world, particularly in East Asia and South Asia, this period has also featured widespread state intervention in the spatial economy to promote urban and industrial competitiveness. While one can draw important distinctions between

this post-1980s “neoliberal” period and the preceding decades, there are some crucial continuities as well, and the scope conditions I have emphasized were also present to some degree during the mid-20<sup>th</sup> century. Between the 1950s and 1970s, several countries in East Asia and Latin America saw surging growth as they combined selective economic liberalization with state-led development of industry and infrastructure. Especially in places like Brazil, the build-up of major metropolitan centers was a key part of efforts to promote economic development and internationalization.

*The case of Minas Gerais, Brazil (1960s-1970s)*

Minas Gerais is a large state in the interior of Brazil that borders the states of Sao Paulo and Rio de Janeiro to the north. Although it is Brazil’s second most populous state, Minas Gerais for much of its history has remained largely rural, with an economy oriented toward mining and agriculture. Only since the mid-20<sup>th</sup> century has Belo Horizonte, the capital, risen to become a major metropolis and industrial center. During the 1960s and 1970s, Belo Horizonte saw especially rapid growth, with large-scale industry development and a major expansion of its urban area (Eakin 2001).

Belo Horizonte’s explosive economic and urban growth depended on strong support from both state and federal governments. From the early 20<sup>th</sup> century, provincial elites in Minas Gerais sought to build an inland metropolis, and “strong emphasis was placed on physical infrastructure to attract industrial capital and to occupy the new capital of the state” (Soares de Moura Costa 2011). Between the 1930s and 1950s, Belo Horizonte saw a build-up of basic industries and new city districts, and grew to become one of Brazil’s significant urban centers (Ibid.; Eakin 2001, 86). But it was during Brazil’s period of military dictatorship and import-substitution industrialization in the 1960s and 1970s that a particularly aggressive strategy of metropolitan development emerged. During these decades, policymakers worked to turn Belo Horizonte and the surrounding area into a hub of state industry and a “paradise of multinationals” (Montero 2001). The state government

rolled out large subsidies and preferential policies to attract industrial investment, and oversaw the construction of special infrastructure and industrial estates, including a new Cidade Industrial on the outskirts of the city (Eakin 2001, 111, 130-133). Policymakers actively courted multinationals such as Italian automaker Fiat, which established a huge facility just outside the capital.<sup>7</sup> With government support and increasingly strong agglomeration effects, industrial and urban growth in Belo Horizonte far outpaced that in other parts of Minas Gerais (Eakin 2001, 132-133; Montero 2001).

A key factor contributing to Minas Gerais's metropolitan-oriented development approach was Mineiro elites' urgent concern with overcoming economic marginalization. During the mid-20<sup>th</sup> century, Minas Gerais remained peripheral in a national economy dominated by Sao Paulo and Rio de Janeiro. With a limited capital base and relatively few entrepreneurs, proximity to Brazil's metropolitan regions was both "a blessing and a challenge" (Montero 2001; Eakin 2011). As new opportunities to attract large-scale investments from state-owned enterprises and multinationals emerged in the 1960s, Minas Gerais had to contend with its stronger neighbors. Provincial elites believed that Minas needed a larger and more attractive urban-industrial center of its own in order to break out of its "colonial" position in the domestic economy and move into more lucrative downstream industries (Eakin 2001, 131, 162). In practice, this would mean pooling investment and focusing more administrative energy to raise the profile of Belo Horizonte.

The build-up of Belo Horizonte was conceived and carried out as a project of the state government, and the administrative capacity and political clout of the Minas Gerais establishment helped make the city's rise possible. State-level authorities have traditionally been powerful under Brazil's federal arrangements, but Minas Gerais's provincial establishment during the mid-20<sup>th</sup> century was particularly strong. Minas Gerais had a socially cohesive government and business elite,

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<sup>7</sup> With continued support from the state government, the project grew to become Fiat's biggest facility worldwide and served as the nucleus for a larger cluster of automotive industries (Eakin 2001, 132-133; Montero 2001).

and throughout the 1960s and 1970s saw “low levels of conflict among the political class” (Montero 2001). Internally unified, enjoying support from business elites, and facing limited lower-class mobilization, the state government had the political autonomy to carry out a highly interventionist development strategy. Beyond its internal cohesion, Minas Gerais’s government also enjoyed privileged ties with the federal establishment. The state’s influence in national politics and state bureaucrats’ connections in national ministries helped the state to bring large amounts of federal investment and resources to the Belo Horizonte area (Ibid.).

Thus, the development experience of Minas Gerais during the 1960s and 1970s resonates with the arguments I have put forward in this study. In Minas Gerais, as in Hunan, the impetus of lagging development and the activism of a strong provincial establishment brought about a rapid build-up of metropolitan infrastructure and industry. This development trajectory was neither inevitable nor fixed; it was sustained by a particular combination of political and economic forces. Indeed, spatial and industrial policies in Minas Gerais changed quickly following Brazil’s mid-1980s democratization, which shook up the state’s political establishment. New governors placed more emphasis on spurring development in smaller cities and outlying areas of the state (Montero 2001).

*The case of Andhra Pradesh, India (1990s-2000s)*

Andhra Pradesh is a large and populous state in southeastern India, bordering Maharashtra (home to Mumbai), Karnataka (Bangalore), and Tamil Nadu (Chennai).<sup>8</sup> The state was first created through the amalgamation of the princely state of Hyderabad and neighboring areas as a homeland for Telugu speakers following Indian independence, and the large inland city of Hyderabad continued to serve as its capital thereafter. Beyond its urban core, Andhra Pradesh contains many

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<sup>8</sup> In early 2014, it was announced that Andhra Pradesh would subsequently be divided into two states. One, Telangana, would include the region surrounding Hyderabad in the northwestern portion of the former state. The other, an Andhra Pradesh successor state, would include the southern and coastal regions of the former state.

densely populated rural areas and several smaller urban centers. Hyderabad has remained the largest city and leading economic center of Andhra Pradesh throughout, but the metropolitan area saw especially dramatic growth in the 1990s and 2000s, when it underwent a major transformation to become one of India's leading hubs of information technology (IT) industry.

Given Hyderabad's size and historical importance, it is natural that the city has received much attention from state policymakers. It is striking, however, that Andhra Pradesh authorities made the build-up of Hyderabad their overwhelming priority during the 1990s and 2000s, even as much of the state remained rural and poor. Beginning in the mid-1990s, Andhra Pradesh worked aggressively to remake the city as a world-class hub of industry and commerce and "a growth engine for the entire region" (Kennedy 2007). Hyderabad was the focal point of the 1999 Andhra Pradesh Vision 2020 plan, which called for improving the quality of economic governance in the state and using strong policy support to foster advanced industries and global economic linkages. Under an IT industry development initiative launched in the early 2000s, Andhra Pradesh offered large subsidies to firms locating in the Hyderabad environs (Ibid.; Kennedy 2004). The state also invested heavily in new industry clusters and development districts on Hyderabad's urban fringe, beginning with the construction of HITEC city, and later planning a much larger Cyberabad Development Area with world-class transport infrastructure (Kennedy 2007). Over the following years, state authorities continued their efforts to build a global city, pushing forward plans for a consolidated Greater Hyderabad to facilitate urban governance and large-scale projects (Kennedy 2014, 121-122).

Andhra Pradesh's relative economic position factored importantly in the adoption of a metropolitan-oriented development strategy. Like other states, Andhra Pradesh faced a more competitive economic environment following India's early-1990s market reforms. Across the country, liberalization put pressure on state-level policymakers to enhance the competitiveness of local industries and cities (Shaw 2012). But Andhra Pradesh's position in the Indian economy made

metropolitan development an especially high priority. Though surrounded by several of India's most economically dynamic states, Andhra Pradesh until the 1990s had remained a middle-of-the-pack performer in terms of economic growth, living standards, and industrial competitiveness (Kohli 2012, 122; Kennedy 2014). During the late 1980s and early 1990s, the state faced rising competitive pressure as neighboring Karnataka and Tamil Nadu also worked to turn their capital cities into globally oriented economic hubs (Kennedy 2004, 35-36; Rudolph and Rudolph 2001). The threat of Bangalore or Chennai eclipsing Hyderabad as a regional economic center further galvanized efforts to speed up urban development in Andhra Pradesh.

Just as important in Andhra Pradesh's metropolitan development push, though, was the administrative strength and political initiative of the state government. The successor to one of India's most dynamic princely states, Andhra Pradesh from early on had possessed a relatively strong administrative apparatus (Beverly 2013). After the 1980s, the rise of regional parties created a political basis for more developmentally oriented policies. As was the case more broadly, identity politics increasingly displaced class-based mobilization. Regional parties such as the Telugu Desam Party championed business interests, giving state authorities more room to maneuver on development policy matters (Kennedy 2007; Murali 2010).

Of particular importance was the rise of an energetic and politically well-connected leader, Chandrababu Naidu, who served as chief minister of Andhra Pradesh from 1995 to 2004. A famously entrepreneurial politician who combined aggressive publicity efforts, administrative reforms, and high-level political maneuvering, Naidu played a key role in mobilizing state resources and public opinion behind a Hyderabad-centered development agenda (Rudolph and Rudolph 2001; Kennedy 2004). Besides promoting a competitiveness agenda within Andhra Pradesh, Naidu took advantage of political opportunities at the national level to advance the state's development interests. By positioning the Telugu Desam Party as a pivotal partner in India's coalition government during

the late 1990s and early 2000s, Naidu gained the political leverage needed to extract central policy support and resources for Andhra Pradesh (Kennedy 2007).

In sum, Andhra Pradesh represents another case in which a metropolitan-oriented development strategy arose in conjunction with the economic pressures of lagging development and the political initiative of a strong provincial establishment. Along with the Minas Gerais case, evidence from Andhra Pradesh suggests that the explanatory factors I have highlighted in the Chinese setting may indeed be helpful in explaining development policy outcomes more widely.

### **Limitations of the study and directions for future research**

Along with its substantive contributions, this study has a number of methodological and substantive limitations that call for analysis and point to useful avenues for future research. First and foremost, this study, like so many on China, suffers from difficulties of access. It is hard to get inside the black box of China's bureaucratic and intergovernmental politics, let alone inside the blacker box of elite politics, yet elite dynamics are crucial for understanding policy outcomes. By gaining better access to high-level policymakers, and by examining new archival evidence as it becomes available, future research may be able to give clearer answers about how key policy ideas originated, why particular strategies won out, and why particular areas or sectors were favored.

Second, and just as important, is the problem of the quality and consistency of the data – especially the quantitative data – used here. Development indicators from China are notoriously inaccurate and are in some cases inconsistent across units and over time. I have strived in this project to find credible and comparable data for key outcomes and variables, but by making use of alternative data and indicators it may be possible to check more carefully the findings presented here.

Third, the statistical and analytical methods I use may not conclusively answer the empirical questions posed. This project has opted for simple and transparent statistical methods, in hopes that



any inferential errors present will be easier to identify and correct. However, the statistical methods I employ do not meet the standards required for causal inference. Going forward, it will be helpful to conduct stronger and more discriminating quantitative tests of the project's main claims, and to derive and check for other observable implications of the theory.

Fourth, like many studies of political economy, this study grapples with the problem of how analytically to separate the political from the economic. When studying a setting such as China, where the categories of state and non-state, market and non-market blend together, it is necessary to transcend conventional ways of thinking and talking about what is political and what is economic. While few observers of China would question that politics and state intervention pervade the workings of the economy, there is also no question that market logics increasingly suffuse the workings of the state. Political economists are thus in urgent need of better analytical categories and vocabularies for explaining development outcomes in such hybrid systems.

Fifth, this study has compressed a variety of urban and regional development approaches into a typology of high and low metropolitan bias. I have argued that the extent to which governments privilege core metropolitan areas is a crucial aspect of development strategies. However, by focusing on the metropolitan/non-metropolitan dimension, I have given short shrift to other tradeoffs of spatial development policy. Notwithstanding excellent work by many scholars,<sup>9</sup> important questions about various aspects of urban, rural, and regional development policy remain. Nevertheless, with China's leaders committed to moving hundreds of millions more rural residents into cities, it is especially crucial to clarify the policy logics that underpin competing approaches to urban development, and the political factors that determine which approaches prevail.

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<sup>9</sup> Shirk (1993), Wang and Hu (1999), Goodman (2004), and others have examined the politics of China's regional development policies. Donaldson (2011), Looney (2012), and others have explored why economic policies favor rural areas and help the poor to a greater extent in some cases than others.

Finally, this study has focused on the causes of metropolitan bias to the exclusion of considering its consequences. I have described some of the benefits and costs of metropolitan bias, but have avoided the question of whether metropolitan bias is, in the end, a wise approach to development or a costly mistake. One reason to bracket this question is the possibility that concentrating investment in key cities may be a sound strategy in some cases but a bad idea in others. When the economic regions of leading cities do not align well with the political boundaries of provinces, for instance, metropolitan-oriented policies may do too little to advance provincial development more broadly. Just as important, the internal structure of metropolitan growth and governance may significantly affect economic, social, and political outcomes.

Given that many Chinese provinces have already chosen to invest heavily in leading cities and advanced industries, a key question is how flexible and responsive government policies will be in the face of evolving development needs. As Hirschman (1978) and others suggest, it is the nature of economic development to progress through an alternation of rapid, localized bursts of growth and periods of recovery and rebalancing. Governments, Hirschman argues, have an important role to play in both systole and diastole, pushing development forward but also helping to relieve pressure and restore equilibrium (202-204). China's policymakers surely have shown an impressive capacity where the first function is concerned, achieving development of key cities and industries at an unprecedented speed. The question is how readily policymakers can retool the growth machine to promote greater social and spatial equity, and more sustainable development. Since the mid-2000s, China's central leaders have taken many important steps to reorient public investment and policy support toward priorities like healthcare, education, and social security. At the same time, however, there are powerful interests aligned with metropolitan-oriented development, and there are limits to what the central government can accomplish on its own.

## **Statistical Appendix**

### **Data sources and operationalization of key variables**

I draw most economic, development, and fiscal data from the “provincial statistics,” “city statistics,” and “national statistics” data series on the University of Michigan China Data Center’s China Data Online web service (<http://chinadataonline.org>); from the annual provincial statistical yearbooks published by China’s National Bureau of Statistics (NBS); and from a proprietary China cities dataset acquired from the NBS. Some exceptions include the data used for secondary regression models, including a provincial marketization index calculated Fan et al (2001), an urbanization estimate calculated by Shen Jianfa (2006), and information on the status of particular cities as deputy-provincial level units (Chung 2010) or as key regional centers ([baike.baidu.com](http://baike.baidu.com)). Data on provincial leaders are obtained from Radiopress, Inc.’s *China Directory* series; the China Vitae website ([www.chinavitae.com](http://www.chinavitae.com)); and Baidu’s online encyclopedia ([baike.baidu.com](http://baike.baidu.com)).

In many cases it is necessary to carry out further computations using raw statistical data prior to statistical analysis, and I have noted these instances where they occur throughout the dissertation.

#### *Fixed-asset investment (FAI) data sources*

The city-level and province-level fixed-asset investment (FAI) data used in the dissertation reflect totals for entire prefectural or provincial units, rather than for urban districts only. I use data for full units rather than for urban districts only for two main reasons. First, the official boundaries of “urban areas” (*shiqu*) are frequently altered, and they often fail to align with the true extent of built-up areas. Second, at a theoretical level, I am interested in how investment is distributed across different urban regions. Prefectural units, which often operate as economically integrated regions (see Ke 2010), are the closest approximation of urban regions for which data are readily available.

The data on fixed-asset investment (FAI), including provincial total FAI and top-city FAI, were culled from three sources—the official China cities statistical dataset obtained from NBS, the city-level statistics database from China Data Online, and relevant provincial statistical yearbooks. Due to inconsistent practices in the tabulation of FAI across different years and different sources, it was necessary to piece data together from multiple sources to assemble the most consistent set of data series possible. For each province, I attempted to find FAI data that included totals for full prefectural city areas or full provinces, and that included the category of real-estate development (*fangdichan kaifa*). In a handful of cases, calculating FAI values required adding separate totals for real estate development and FAI exclusive of real estate development. Despite the author’s best efforts, it is possible that FAI data are not perfectly comparable for all years and units. Tabulation problems are a bigger concern for pre-2002 data than post-2002 data, however, whereas most of the data analyzed in the project is for the 2001-2010 period. And, to the extent that there is inconsistency in the data, I do not have any reason to think that it follows a systematic pattern across units.

There is also, of course, the question of whether – tabulation issues aside – city-level and provincial-level data recorded for different years and units are accurate enough for purposes of comparison. Two considerations may assuage concerns that inaccuracy in the statistical data biases findings. First, while it is possible that data from wealthier and more developed regions are more likely to be accurate, I do not have reason to think that there is systematic bias in which specific city- or provincial-level units misreport their numbers. Second, the fact that I use city-to-province ratios of FAI and GDP as key variables helps address concerns about inaccuracy. If growth and investment data from a given province are distorted, they are likely to be distorted in a similar fashion, such that using a ratio at least partly controls for any distortion. For more in-depth discussions of the upsides and downsides of using Chinese prefectural-level and provincial-level data see Herrmann-Pillath et al (2002) and Shih (2008).

**Table A.1: Sources for FAI data**

<i>Province</i>	<i>Data sources</i>
Hebei	China Data Online (CDO) for 1996-1999; provincial yearbooks for 2000-2002; CDO
Shanxi	CDO used for all years
Liaoning	Yearbooks used for 1996-2001; CDO thereafter
Jilin	CDO used for all years
Heilongjiang	CDO used for all years
Jiangsu	Yearbook 1996-2002; CDO used otherwise
Zhejiang	Yearbooks used for all years
Anhui	CDO used for all years
Fujian	CDO used for all years
Jiangxi	China Data Online/NBS for all years
Shandong	Yearbooks used for 1996-2002; CDO thereafter
Henan	Yearbooks used for 1996-2002; CDO thereafter
Hubei	Yearbooks used for 1996-2002; CDO thereafter
Hunan	China Data Online/NBS for all years
Guangdong	Yearbooks used for 1996-2002; CDO thereafter
Guangxi	Yearbooks used for 1996-2002; CDO thereafter
Sichuan	CDO used for all years
Guizhou	Yearbooks used for 1996-2002; CDO thereafter
Yunnan	CDO used for all years
Shaanxi	Yearbooks used for 1996-2002; CDO thereafter

*Measuring relative economic performance*

The relative economic performance of different provinces is one of the principal explanatory variables emphasized in the project. To operationalize relative economic performance, I calculate the difference between each province's compound annual growth rate (CAGR) of GDP and the overall national or macro-regional (coastal or inland) CAGR of GDP for the period from 1990-2000. I discuss my approach in more detail in Chapter 6, and Table 6.1 presents provinces' absolute and relative GDP growth rates (adjusted for inflation using provincial consumer price indices). Both GDP data and inflation data are obtained from China Data Online.

*Measuring provincial government strength*

Provincial government strength is the other key explanatory variable I highlight in the dissertation. My approach for operationalizing provincial government strength for cross-sectional

regression analysis is discussed in Chapter 6. Table A.3 below provides the raw measures for each provincial strength indicator and the scores given to each province for each indicator, and lists the overall provincial strength scores that are obtained from summing the latter up.

**Table A.2: Provincial government strength (sub-indicator scores in parentheses)**

<i>Province</i>	<i>Provincial share of local expenditures</i>	<i>Cities beside provincial capital on provincial committee</i>	<i>Fiscal self-sufficiency of province (total expenditure/total revenue)</i>	<i>Distance from Beijing (air distance in miles)</i>	<i>Rising star leaders (number of rising stars 2000-2010)</i>	<i>Provincial strength index (0-10)</i>
<b>Hebei</b>	0.27 (1)	Tangshan (0)*	1.62 (2)	165 (0)	1 (1)	<b>4</b>
<b>Shanxi</b>	0.30 (2)	None (1)	1.82 (1)	250 (0)	1 (1)	<b>5</b>
<b>Liaoning</b>	0.20 (0)	Dalian (0)	1.69 (1)	392 (0)	2 (2)	<b>3</b>
<b>Jilin</b>	0.40 (2)	Yanbian (0)	2.41 (0)	532 (1)	1 (1)	<b>4</b>
<b>Heilongjiang</b>	0.39 (2)	None (2)	2.03 (0)	657 (1)	0 (0)	<b>5</b>
<b>Jiangsu</b>	0.20 (0)	Suzhou (0)	1.37 (2)	557 (1)	1 (1)	<b>4</b>
<b>Zhejiang</b>	0.17 (0)	Ningbo (0)	1.33 (2)	697 (1)	2 (2)	<b>5</b>
<b>Anhui</b>	0.33 (2)	Wuhu (1)	1.73 (1)	560 (1)	0 (0)	<b>5</b>
<b>Fujian</b>	0.23 (0)	Xiamen (0)	1.36 (2)	966 (2)	2 (2)	<b>6</b>
<b>Jiangxi</b>	0.24 (1)	Ganzhou (1)	1.99 (0)	780 (2)	0 (0)	<b>4</b>
<b>Shandong</b>	0.18 (0)	Qingdao, Yantai (0)	1.34 (2)	227 (0)	0 (0)	<b>2</b>
<b>Henan</b>	0.26 (1)	Luoyang (1)	1.76 (1)	392 (0)	1 (1)	<b>4</b>
<b>Hubei</b>	0.26 (1)	None (2)	1.73 (1)	652 (1)	1 (1)	<b>6</b>
<b>Hunan</b>	0.32 (2)	None (2)	1.92 (0)	833 (2)	2 (2)	<b>8</b>
<b>Guangdong</b>	0.16 (0)	Shenzhen, Foshan (0)	1.22 (2)	1170 (2)	1 (1)	<b>5</b>
<b>Guangxi</b>	0.28 (1)	Beihai (1)	1.72 (1)	1271 (2)	2 (2)	<b>7</b>
<b>Sichuan</b>	0.23 (0)	None (2)	1.83 (1)	943 (2)	0 (0)	<b>5</b>
<b>Guizhou</b>	0.31 (2)	None (2)	2.33 (0)	1107 (2)	0 (0)	<b>6</b>
<b>Yunnan</b>	0.31 (2)	None (2)	2.24 (0)	1304 (2)	1 (1)	<b>7</b>
<b>Shaanxi</b>	0.39 (2)	Yan'an (1)	2.15 (0)	560 (1)	2 (2)	<b>6</b>

For both cross-sectional analysis and panel analysis, I use the presence of “rising star” leaders as a measure of provincial strength (see Chapter 6). Table A.4 lists the Party secretaries of each of the 20 provinces in my sample for the period 1996-2010, providing data on leaders’ tenures and on whether or not leaders are coded as rising stars.

**Table A.3: List of provincial Party secretaries for 20 provinces**

Province	Leader	Tenure	Age upon appointment	Rising star?
Hebei	Cheng Weigao (程维高)	1993-1998	63	N
Hebei	Ye Liansong (叶连松)	Nov 1998-June 2000	64	N
Hebei	Wang Xudong (王旭东)	June 2000-Nov 2002	54	Y
Hebei	Bai Keming (白克明)	Nov 2002-Aug 2007	59	N
Hebei	Zhang Yunchuan (张云川)	Aug 2007-Aug 2011	61	N
Shanxi	Hu Fuguo (胡富国)	Sep 1993-June 1999	59	N
Shanxi	Tian Chengping (田成平)	June 1999-June 2005	54	Y
Shanxi	Zhang Baoshun (张宝顺)	July 2005-May 2010	55	N
Shanxi	Yuan Chunqing (袁纯清)	May 2010-2013	58	N
Liaoning	Gu Jinchi (顾金池)	Sep 1993-Aug 1997	64	N
Liaoning	Wen Shizhen (闻世震)	Aug 1997-Dec 2004	57	N
Liaoning	Li Keqiang (李克强)	Dec 2004-2007	50	Y
Liaoning	Zhang Wenyue (张文岳)	Oct 2007-2009	63	N
Liaoning	Wang Min (王珉)	Jan 2010-Oct 2011	60	N
Jilin	Zhang Dejiang (张德江)	1995-1998	50	Y
Jilin	Wang Yunkun (王云坤)	Aug 1998-Dec 2006	57	N
Jilin	Wang Min (王珉)	Dec 2006-Jan 2010	57	N
Jilin	Sun Zhengcai (孙政才)	2010-2012	47	Y
Heilongjiang	Yue Qifeng (岳岐峰)	Apr 1994-July 1997	65	N
Heilongjiang	Xu Youfang (徐有芳)	July 1997-2003	58	N
Heilongjiang	Song Fatang (宋法棠)	Mar 2003-Dec 2005	63	N
Heilongjiang	Qian Yunlu (钱运录)	Dec 2005-2008	62	N
Heilongjiang	Ji Bingxuan (吉炳轩)	2008-2013	57	N
Jiangsu	Chen Huanyou (陈焕友)	Sep 1993-Dec 1999	62	N
Jiangsu	Hui Liangyu (回良玉)	1999-2002	55	N
Jiangsu	Li Yuanchao (李源潮)	2002-2007	52	Y
Jiangsu	Liang Baohua (梁保华)	Oct 2007-Dec 2010	62	N
Zhejiang	Li Zemin (李泽民)	Dec 1988-Sep 1998	62	N
Zhejiang	Zhang Dejiang (张德江)	1998-2002	53	Y
Zhejiang	Xi Jinping (习近平)	2002-2007	49	Y
Zhejiang	Zhao Hongzhu (赵洪祝)	2007-2012	60	N
Anhui	Lu Rongjing (卢荣景)	Apr 1989-Aug 1998	63	N
Anhui	Hui Liangyu (回良玉)	1998-1999	54	Y
Anhui	Wang Taihua (王太华)	Jan 2000-Dec 2004	55	N
Anhui	Guo Jinlong (郭金龙)	2004-2007	58	N
Anhui	Wang Jinshan (王金山)	Dec 2007-May 2010	62	N
Anhui	Zhang Baoshun (张宝顺)	May 2010-2013	60	N

**Table A.3 (Continued): List of provincial Party secretaries for 20 provinces**

Fujian	Jia Qinglin (贾庆林)	1993-1996	56	N
Fujian	Chen Mingyi (陈明义)	Oct 1996-Dec 2000	57	N
Fujian	Song Defu (宋德福)	Dec 2000-Feb 2004	55	N
Fujian	Lu Zhangong (卢展工)	Feb 2004-Nov 2009	52	Y
Fujian	Sun Chunlan (孙春兰)	2009-2010	60	N
Jiangxi	Wu Guanzheng (吴官正)	1995-1997	58	N
Jiangxi	Shu Huiguo (舒惠国)	Apr 1997-Apr 2001	59	N
Jiangxi	Meng Jianzhu (孟建柱)	2001-2007	54	Y
Jiangxi	Su Rong (苏荣)	2007-2013	59	N
Shandong	Zhao Zhihao (赵志浩)	Oct 1994-Apr 1997	65	N
Shandong	Wu Guanzheng (吴官正)	1997-2002	59	N
Shandong	Zhang Gaoli (张高丽)	2002-2007	56	N
Shandong	Li Jianguo (李建国)	2007-2008	61	N
Shandong	Jiang Yikang (姜异康)	Mar 2008-2013	55	N
Henan	Li Changchun (李长春)	1992-1998	52	Y
Henan	Ma Zhongchen (马忠臣)	Jul 1998-Sep 2000	62	N
Henan	Chen Kuiyuan (陈奎元)	2000-2002	60	N
Henan	Li Keqiang (李克强)	2002-2004	48	Y
Henan	Xu Guangchun (徐光春)	Dec 2004-Nov 2009	61	N
Henan	Lu Zhangong (卢展工)	Nov 2009-Mar 2013	58	N
Hubei	Jia Zhijie (贾志杰)	Feb 1995-Dec 2000	61	N
Hubei	Jiang Zhuping (蒋祝平)	Dec 2000-Dec 2001	64	N
Hubei	Yu Zhengsheng (俞正声)	Dec 2001-2007	57	N
Hubei	Luo Qingquan (罗清泉)	Dec 2007-Dec 2010	62	N
Hunan	Wang Maolin (王茂林)	Sep 1993-Sep 1998	62	N
Hunan	Yang Zhengwu (杨正午)	Sep 1998-Dec 2005	58	N
Hunan	Zhang Chunxian (张春贤)	2006-2010	53	Y
Hunan	Zhou Qiang (周强)	2010-2013	50	Y
Guangdong	Xie Fei (谢非)	May 1993-Mar 1997	58	N
Guangdong	Li Changchun (李长春)	1998-2002	54	Y
Guangdong	Zhang Dejiang (张德江)	2002-2007	56	N
Guangdong	Wang Yang (汪洋)	2007-Dec 2012	52	Y
Guangxi	Zhao Fulin (赵富林)	Oct 1990-Jul 1997	64	N
Guangxi	Cao Bochun (曹伯纯)	Jul 1997-Jun 2006	56	N
Guangxi	Liu Qibao (刘奇葆)	Jun 2006-Nov 2007	53	Y
Guangxi	Guo Shengkun (郭声琨)	Nov 2007-Dec 2012	54	Y
Sichuan	Xie Shijie (谢世杰)	Mar 1993-1999	62	N
Sichuan	Zhou Yongkang (周永康)	1999-2002	58	N
Sichuan	Zhang Xuezhong (张学忠)	Dec 2002-Dec 2006	59	N
Sichuan	Liu Qibao (刘奇葆)	2007-2012	54	Y
Guizhou	Liu Fangren (刘方仁)	Jun 1993-Jan 2001	60	N
Guizhou	Qian Yunlu (钱运录)	2001-Dec 2005	57	N
Guizhou	Shi Zongyuan (石宗源)	Dec 2005-Aug 2010	60	N
Guizhou	Li Zhanshu (栗战书)	2010-2012	60	N
Yunnan	Gao Yan (高严)	Jun 1995-Aug 1997	54	Y
Yunnan	Linghu An (令狐安)	Aug 1997-Oct 2001	51	Y



**Table A.3 (Continued): List of provincial Party secretaries for 20 provinces**

Yunnan	Bai Enpei (白恩培)	Oct 2001-Aug 2011	56	N
Shaanxi	An Qiyuan (安启元)	Nov 1994-Jan 1997	63	N
Shaanxi	Li Jianguo (李建国)	Jan 1997-2007	51	Y
Shaanxi	Zhao Leji (赵乐际)	2007-Nov 2012	50	Y

*Data sources: Radiopress, Inc. China Directory; China Vitae; baike.baidu.com; author's calculations.*

**Outcomes: FAI share and GDP share in 20 provinces**

Using the time-series city-level and province-level FAI data, I examine trends over time in top-city FAI share and top-city GDP share for each of the 20 provinces in the sample. I describe these trends in Chapter 2, while charts showing the time trends for each province are presented below in Figure A.5.

**Figure A.4: Time trends of top-city FAI share (thick line) and GDP share (thin line)**

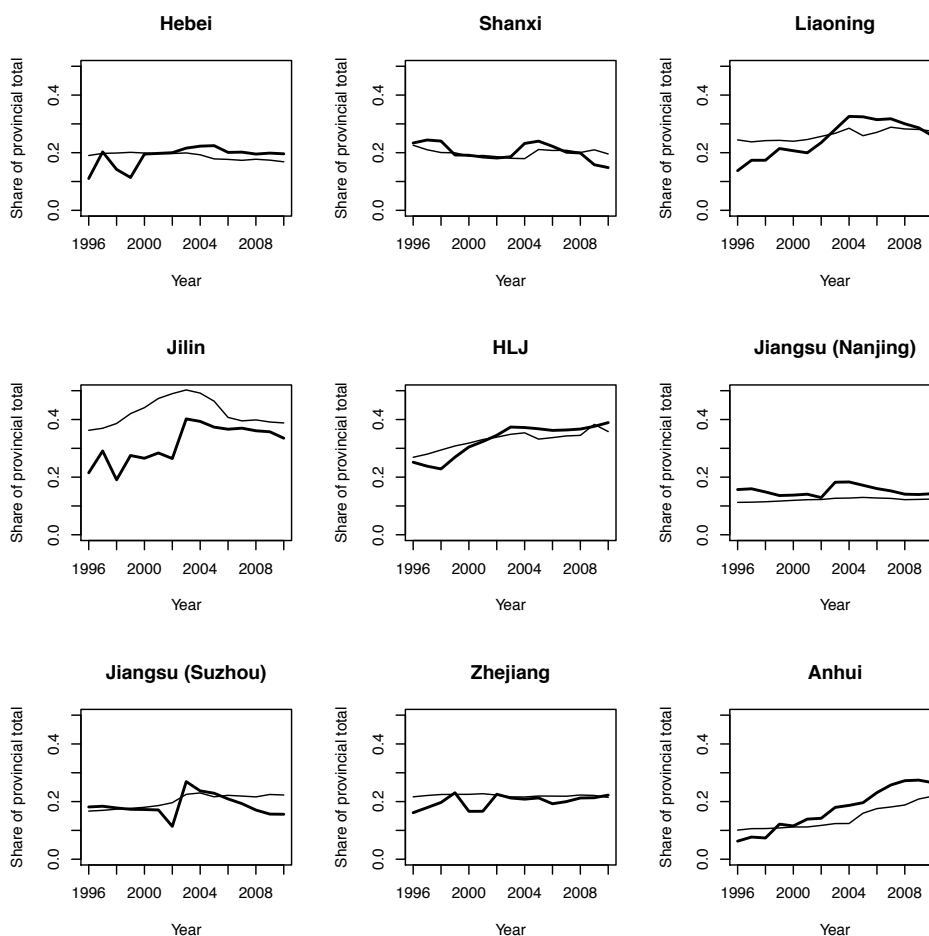
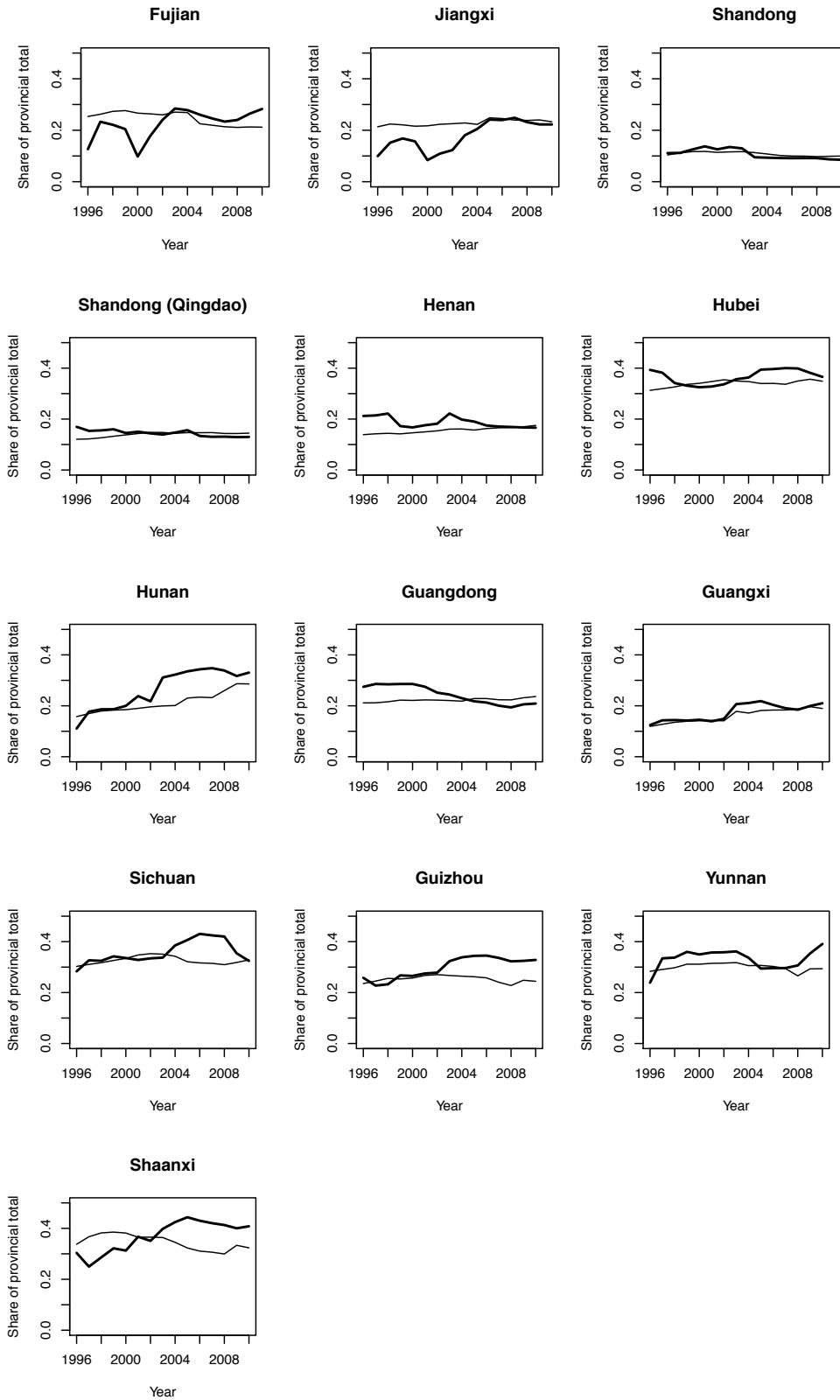


Figure A.4 (cont.): Time trends of top-city FAI share (thick line) and GDP share (thin line)



### Cross-sectional regression analysis

The methods and data used for province-level cross-sectional regression analysis, and the main results from the analysis, are discussed in Chapter 6. Regression tables for additional regression specifications are included below.

**Table A.5: Lagging economic performance is associated with greater top-city FAI share**

	<i>Dependent variable:</i>		
	Top-city FAI share (2001-2010)		
	(1)	(2)	(3)
top-city gdpshare2000	0.543*** (0.178)	0.488** (0.183)	0.622*** (0.193)
top-city gdpsharechange	0.669 (0.562)	0.889 (0.581)	0.394 (0.591)
population	0.0001 (0.001)	0.00000 (0.001)	0.0001 (0.001)
log GDPpc	0.019 (0.034)	-0.002 (0.032)	0.009 (0.036)
coastal dummy	-0.015 (0.031)	-0.049 (0.029)	-0.008 (0.033)
GDP growth lag/lead	-1.514** (0.654)		-1.303* (0.675)
GDP growth lag/lead regional		-1.469** (0.653)	
Constant	-0.056 (0.288)	0.168 (0.259)	0.019 (0.301)
Observations	20	20	17
R <sup>2</sup>	0.848	0.845	0.871
Adjusted R <sup>2</sup>	0.777	0.774	0.794
Residual Std. Error	0.039(df = 13)	0.040(df = 13)	0.039(df = 10)
F statistic	12.044***(df = 6; 13)	11.821***(df = 6; 13)	11.262***(df = 6; 10)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

*Note: Model number three drops observations for Jiangsu, Hunan, Jiangxi to ensure that main results still hold. Table generated with Hlavac (2014)'s Stargazer package (5.0) for R.*

**Table A.6: Provincial government strength is associated with greater top-city FAI share**

	<i>Dependent variable:</i>		
	Top-city FAI share (2001-2010)		
	(1)	(2)	(3)
top-city gdpshare2000	0.580*** (0.183)	0.565*** (0.140)	0.560** (0.174)
top-city gdpsharechange	0.423 (0.579)	0.496 (0.443)	0.506 (0.527)
population	0.0001 (0.001)	0.0005 (0.0004)	0.0005 (0.001)
log GDPpc	0.006 (0.033)	0.043 (0.028)	0.045 (0.037)
coastal dummy	-0.043 (0.029)	-0.012 (0.024)	-0.011 (0.029)
GDP growth lag/lead		-1.645*** (0.513)	-1.655** (0.626)
Provincial strength	0.016* (0.007)	0.017** (0.006)	0.017* (0.009)
Constant	-0.003 (0.288)	-0.376 (0.249)	-0.389 (0.340)
Observations	20	20	17
R <sup>2</sup>	0.840	0.914	0.909
Adjusted R <sup>2</sup>	0.767	0.864	0.838
Residual Std. Error	0.040( <i>df</i> = 13)	0.031( <i>df</i> = 12)	0.035( <i>df</i> = 9)
F statistic	11.411***( <i>df</i> = 6; 13)	18.216***( <i>df</i> = 7; 12)	12.822***( <i>df</i> = 7; 9)

Note:

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

Note: Model number three drops observations for Jiangsu, Hunan, Jiangxi to ensure that main results still hold. Table generated with Hlavac (2014)'s Stargazer package (5.0) for R.

**Table A.7: Main results are robust to including other covariates or operationalizing provincial strength without “rising star” sub-indicator**

	<i>Dependent variable:</i>		
	Top-city FAI share (2001-2010)		
	(1)	(2)	(3)
top-city gdpshare2000	0.563*** (0.144)	0.568*** (0.149)	0.588*** (0.154)
top-city gdpsharechange	0.577 (0.482)	0.501 (0.464)	0.439 (0.490)
population	0.0003 (0.001)	0.0004 (0.0005)	0.0002 (0.0005)
log GDPpc	0.035 (0.033)	0.047 (0.044)	0.044 (0.031)
coastal dummy	-0.015 (0.026)	-0.012 (0.025)	0.00001 (0.027)
gdpgrowth lag/lead	-1.858** (0.668)	-1.660** (0.553)	-1.577** (0.560)
provincial strength	0.016** (0.007)	0.017** (0.006)	
marketization	0.008 (0.015)		
urbanization		-0.0002 (0.001)	
prov strength excl. leaders			0.019** (0.008)
Constant	-0.335 (0.269)	-0.403 (0.349)	-0.374 (0.280)
Observations	20	20	20
R <sup>2</sup>	0.916	0.914	0.897
Adjusted R <sup>2</sup>	0.855	0.852	0.837
Residual Std. Error	0.032(df = 11)	0.032(df = 11)	0.034(df = 12)
F statistic	15.010***(df = 8; 11)	14.630***(df = 8; 11)	14.957***(df = 7; 12)

*Note:* \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

*Table generated with Hlavanac (2014)'s Stargazer package (5.0) for R.*

**Table A.8: Including alternative explanatory factors does not affect main findings**

	<i>Dependent variable:</i>		
	Top-city FAI share (2001-2010)		
	(1)	(2)	(3)
top-city gdpshare2000	0.577*** (0.147)	0.419* (0.195)	0.543** (0.175)
top-city gdpsharechange	0.578 (0.488)	0.718 (0.487)	0.484 (0.465)
population	0.0003 (0.001)	-0.0001 (0.001)	0.0004 (0.001)
log GDPpc	0.044 (0.029)	0.039 (0.028)	0.039 (0.033)
coastal dummy	-0.014 (0.025)	-0.029 (0.029)	-0.014 (0.026)
gdpgrowth lag/lead	-1.780** (0.600)	-1.223* (0.645)	-1.577** (0.618)
provincial strength	0.015* (0.008)	0.018*** (0.006)	0.018** (0.006)
state-owned share	-0.049 (0.101)		
key city		0.028 (0.026)	
dep prov status			0.006 (0.026)
Constant	-0.352 (0.262)	-0.287 (0.261)	-0.341 (0.305)
Observations	20	20	20
R <sup>2</sup>	0.916	0.922	0.914
Adjusted R <sup>2</sup>	0.855	0.865	0.852
Residual Std. Error (df = 11)	0.032	0.031	0.032
F statistic (df = 8; 11)	14.949***	16.270***	14.681***

*Note:* \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

*Table generated with Hlavac (2014)'s Stargazer package (5.0) for R.*

**Table A.9: The interaction term (GDP growth lag/lead\*provincial strength) coefficient suggests a substitutive rather than complementary relationship between key variables**

	<i>Dependent variable:</i>		
	Top-city FAI share (2001-2010)		
	(1)	(2)	(3)
top-city gdpshare2000	0.524*** (0.130)	0.524*** (0.116)	0.503*** (0.123)
top-city gdpsharechange	0.723 (0.426)	0.731* (0.367)	0.827* (0.407)
population	0.001* (0.0005)	0.001 (0.0004)	0.001 (0.0004)
log GDPpc	0.037 (0.026)	0.016 (0.022)	0.026 (0.025)
coastal dummy	-0.009 (0.022)	-0.071*** (0.021)	-0.027 (0.024)
GDP growth lag/lead	-5.675** (2.287)		-3.755 (2.488)
GDP growth lag/lead regional		-6.078** (2.225)	
Provincial strength	0.026*** (0.007)	0.022*** (0.005)	0.026*** (0.007)
Interaction Term	0.744* (0.413)		0.489 (0.423)
Interaction Term Regional		0.989* (0.509)	
Constant	-0.385 (0.228)	-0.131 (0.186)	-0.272 (0.227)
Observations	20	20	19
R <sup>2</sup>	0.934	0.948	0.946
Adjusted R <sup>2</sup>	0.885	0.911	0.903
Residual Std. Error	0.028( <i>df</i> = 11)	0.025( <i>df</i> = 11)	0.027( <i>df</i> = 10)
F statistic	19.322***( <i>df</i> = 8; 11)	25.166***( <i>df</i> = 8; 11)	21.990***( <i>df</i> = 8; 10)

*Note:* \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

*Note: Model number three drops results for Liaoning to ensure that main results still hold. Table generated with Hlavac (2014)'s Stargazer package (5.0) for R.*

## Panel regression analysis

The dissertation uses (time-series cross-sectional) regression analysis as a further test of the relationship between key explanatory variables and metropolitan bias outcomes. The main results for panel analysis with provincial fixed effects are presented in Chapter 6. Table A.11 below shows the results obtained when operationalizing the rising star variable in different ways: using Party secretaries, governors, either, or both.

**Table A.10 – Provincial Party secretaries are the rising stars who matter**

	<i>Dependent variable:</i>			
	Top-city FAI share by year			
	(1)	(2)	(3)	(4)
lagged top-city gdp share	0.263** (0.105)	0.271** (0.108)	0.261** (0.106)	0.233** (0.106)
2001	0.011 (0.010)	0.012 (0.010)	0.011 (0.010)	0.011 (0.010)
2002	0.015 (0.010)	0.015 (0.010)	0.015 (0.010)	0.012 (0.010)
2003	0.055*** (0.010)	0.055*** (0.010)	0.055*** (0.010)	0.055*** (0.010)
2004	0.059*** (0.010)	0.061*** (0.010)	0.061*** (0.010)	0.060*** (0.010)
2005	0.064*** (0.010)	0.064*** (0.010)	0.064*** (0.010)	0.065*** (0.010)
2006	0.057*** (0.010)	0.059*** (0.010)	0.058*** (0.010)	0.058*** (0.010)
2007	0.056*** (0.010)	0.057*** (0.010)	0.057*** (0.010)	0.056*** (0.010)
2008	0.053*** (0.010)	0.053*** (0.010)	0.053*** (0.010)	0.052*** (0.010)
2009	0.049*** (0.010)	0.049*** (0.010)	0.049*** (0.010)	0.048*** (0.010)
2010	0.046*** (0.010)	0.046*** (0.010)	0.047*** (0.010)	0.047*** (0.010)
Party secretary rising star	0.017*** (0.005)			
Governor rising star		0.007 (0.008)		
Either PS/gov rising star			0.015*** (0.005)	
Sum PS/gov =1				0.013** (0.005)
Sum PS/gov = 2				0.038*** (0.014)
Observations	220	220	220	220
R <sup>2</sup>	0.421	0.393	0.415	0.425
Adjusted R <sup>2</sup>	0.360	0.336	0.355	0.361
F Statistic	11.410*** (df = 12; 188)	10.142*** (df = 12; 188)	11.133*** (df = 12; 188)	10.631*** (df = 13; 187)

Note:

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

Table generated with Hlavac (2014)'s Stargazer package (5.0) for R.



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## Selected Interviews

Interviews were conducted with provincial policy experts, local academics, policymakers, businesspeople, journalists, and others in Beijing, Shanghai, Xi'an, Changsha, Nanchang, Nanjing, and Suzhou between 2011-2013. I preserve the anonymity of interview subjects in accordance with the research protocol approved by the Harvard University Committee on the Use of Human Subjects, but I provide a unique code for each interviewee, and give the location, year, and month of interviews, and a general description of each interviewee. For example, interview code BJ011109a indicates interviewee BJ01, the year 2011 (11), the month September (09), and the first interview (a). A table listing the various interviewees and interview dates and locations is provided below.

<b>Interview subject</b>	<b>Description</b>	<b>Location</b>	<b>Interview date(s)</b>
BJ01	Foreign business association representative	Beijing	September 2011
BJ02	International financial institution official	Beijing	October 2011
BJ03	Central government researcher	Beijing	October 2011
BJ04	Foreign business association representative	Beijing	November 2011
BJ05	Foreign business association representative	Beijing	December 2011
BJ06	Central government researcher	Beijing	February 2012; July 2013
BJ07	Academic researcher and government consultant	Beijing	February 2012
BJ08	Academic researcher and government consultant	Beijing	June 2012
BJ09	Central government researcher	Beijing	June 2012; January 2013
BJ10	Bank official	Beijing	June 2012
BJ11	International financial institution official	Beijing	June 2012
BJ12	Bank official	Beijing	June 2012
BJ13	Urban planner and government researcher	Beijing	January 2013
BJ14	Academic researcher and government consultant	Beijing	July 2013
BJ15	Academic researcher	Beijing	July 2013
BJ16	Central government official	Beijing	July 2013
CS01	Academic researcher and government consultant	Changsha	November 2011; March 2012

CS02	Provincial government researcher	Changsha	November 2011; March 2012
CS03	Local businessperson	Changsha	November 2011
CS04	Provincial government official	Changsha	November 2011
CS05	Bank official	Changsha	November 2011
CS06	Academic researcher and government consultant	Changsha	March 2012
CS07	Provincial government official	Changsha	March 2012
CS08	City government official	Changsha	March 2012
CS09	Provincial government researcher	Changsha	March 2012; May 2012
CS10	Academic researcher	Changsha	March 2012
CS11	Academic researcher	Changsha	March 2012
CS12	Academic researcher	Changsha	March 2012
CS13	Academic researcher	Changsha	March 2012
CS14	Urban planner	Changsha	March 2012
CS15	Foreign businessperson	Changsha	March 2012
CS16	Foreign businessperson	Changsha	March 2012
CS17	Academic researcher	Changsha	May 2012
CS18	Provincial government official	Changsha	May 2012
CS19	Provincial government official	Changsha	May 2012
NC01	Journalist	Nanchang	January 2013
NC02	Local businessperson	Nanchang	January 2013
NC03	Academic researcher	Nanchang	January 2013
NC04	Provincial government researcher	Nanchang	January 2013
NJ01	Urban planner	Nanjing	January 2012; April 2012
NJ02	Regional planner and academic researcher	Nanjing	April 2012
NJ03	Urban planner and academic researcher	Nanjing	April 2012; May 2012
NJ04	Academic researcher and government consultant	Nanjing	April 2012; May 2012
NJ05	Academic researcher and land planner	Nanjing	April 2012; May 2012
NJ06	Academic researcher	Nanjing	April 2012
NJ07	Provincial government researcher	Nanjing	May 2012
NJ08	Former provincial government official	Nanjing	May 2012
NJ09	City government researcher	Nanjing	May 2012
NJ10	Academic researcher	Nanjing	May 2012
NJ11	Academic researcher	Nanjing	July 2013
SH01	Municipal government researcher	Shanghai	January 2013
SZ01	Former city government official	Suzhou	July 2013
SZ02	Academic researcher and urban planner	Suzhou	July 2013
SZ03	Urban planner and government consultant	Suzhou	July 2013

XA01	Provincial enterprise executive	Xi'an	November 2011; February 2012
XA02	Provincial government researcher	Xi'an	November 2011; February 2012
XA03	Academic researcher and government consultant	Xi'an	November 2011; February 2012
XA04	Provincial government researcher	Xi'an	November 2011; March 2012
XA05	Academic researcher and government consultant	Xi'an	November 2011
XA06	Academic researcher	Xi'an	November 2011; March 2012
XA07	Provincial government official	Xi'an	February 2012
XA08	Academic researcher and government consultant	Xi'an	February 2012
XA09	Provincial government researcher	Xi'an	February 2012; March 2012
XA10	Urban planner and government consultant	Xi'an	March 2012; June 2012
XA11	Academic researcher and government consultant	Xi'an	March 2012; June 2012; July 2013
XA12	Development zone official	Xi'an	March 2012
XA13	Development zone researcher	Xi'an	March 2012
XA14	Provincial government official	Xi'an	March 2012
XA15	Foreign businessperson	Xi'an	March 2012
XA16	Foreign businessperson	Xi'an	March 2012
XA17	Journalist	Xi'an	June 2012
XA18	Academic researcher and provincial government advisor	Xi'an	June 2012; July 2013
XA19	Urban planner	Xi'an	June 2012
XA20	Provincial government researcher	Xi'an	July 2013
XA21	Academic researcher	Xi'an	July 2013
XA22	Journalist	Xi'an	July 2013