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**Local Social Governance in China:
Spatial politics and social welfare**

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Abstract

The policy goal of establishing local social governance in the People's Republic of China since 2021 highlights two somewhat contradictory tendencies in its spatial politics. One is increased social welfare provision through economic, social and governmental institutions cooperating to create self-sustaining communities. The other is greater city-district and county level local control by the Communist Party of China. Local social governance remains in its infancy with limited policy implementation. The evidence to date though from an examination of the settings for local social governance, its causes, and preliminary implementation does not suggest major changes in the longer-term balance between the Party-state's undoubted centralist and decentralist tendencies. Moreover, while there may be the desire both to improve social welfare provision, and to extend the reach of the state and the Party, the proposed programme of change faces immense and probably intractable challenges.

Keywords

China; Local; Governance

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Starting in the middle of 2020 the leadership of the People's Republic of China [PRC] moved to adopt a new policy goal of local social governance. As is most usually the way with policy goals in the PRC the detail of implementation, and in a sense of policy formulation has been left to local authorities (Heilmann 2008; Dickson 2021: 79) In this case the conceptualisation of local social governance built on and developed from ideas of local governance which had become very popular within the PRC during the previous two decades. The earlier discussion of the desirability of local governance emphasised state-society cooperation in community development and particularly welfare provision through close interaction amongst economic enterprises, government, social units, and NGOs (Yu and Wang 2019). The added ingredients in terms of creating new structures of local social governance have been the explicit identification of the roles of the Communist Party of China [CCP] and of local cadres. Unlike the earlier discussion of local governance, local social governance places local CCP committees in a central coordinative and controlling capacity.

There are then two competing tendencies apparent in the Party-state's attempt to introduce local social governance. One is greater decentralisation to provide increased welfare (health, education, social services, and aged care in particular) and local economic development. The other is greater centralisation around the structures of the CCP and its control mechanisms. There is nothing new in this apparent paradox. As Pierre Landry has pointed out there has been an almost necessary tension since the mid-1950s between the regime's need to empower local officials to deliver social and economic development, on the one hand, and an imperative to control them politically at the same time on the other (Landry 2008).

Local social governance remains in its infancy as a policy goal, with limited policy implementation at the local level to indicate the eventual longer-term results. At the same time the evidence to date from an examination of the settings for local social governance, its causes, and the start of implementation does not suggest major changes in the co-existence and interdependence of centralist and decentralist tendencies. This is not to say that the PRC's spatial politics may not change dramatically in the future, not least because some aspects of the implementation of local social governance remain to be clarified. These include, in particular, the level of the Party-state's administrative structure at which CCP coordination of local social governance may occur, as between the city-region and the county; and the variable extent to which local social governance may be implemented and social welfare provision delivered. Analysis of the move to local social governance indicates on the one hand the desire to improve social welfare provision, and to extend the reach of the state and the Party, as well as on the other the immense challenges to both.

Local governance in context

To social scientists more used to operating in liberal democracies, the suggestion that there can be local governance in an authoritarian regime, and especially in one-party states seems remote. Though the term governance is sometimes (as in the PRC itself) often used to refer to the political system and government in a vague kind of way, the starting point for academic literature that has emerged on governance elsewhere is the autonomy of actors in the state-society relationship. This is the context in which to understand competing precise definitions of governance, even in liberal democracies. Academic debate has centred on

questions of the relationships between the public and the private, between state and society, and between state authority and strategies of broader participation, but with the assumption of the autonomy of social actors. Under such conditions neither governance nor local governance can co-exist with the state monopoly of political power (Stoker 1998; Kersting et al 2009; Bevir 2013).

The PRC lacks the obvious liberal democratic characteristics that facilitate local governance as generally understood: a high degree of autonomous public accountability, a judicial system independent of political control, and the organisation of civil society activities. This disconnect has though not stopped commentators outside the PRC discussing the increase in local governance there since 1978. The last two decades have seen the emergence of a substantial literature dealing with China's local governance published outside the PRC (Teets and Hurst 2015; Yu and Guo 2019). While this usage of the term is not in itself intended to suggest that the lack of autonomy for social actors is more palatable in the PRC than more open political systems, it may certainly mask the way in which state-sponsored governance mechanisms reinforce centralisation and the power of the state. At the same time, that is not to say that at least to the present identified examples of local governance in China are only about the Party-state's control of society. There may even not be a zero-sum relationship between central control and what is identified as local governance.

In research on the PRC the use of the term 'local governance' has been justified in one of two ways. The first is the interaction of state and society at the local level: 'the blurring of boundaries and responsibilities for tackling social and economic issues' in the words of Yu Keping, the former Deputy Director of the CCP Central Committee's Translation Bureau (Yu Keping 2018: 2). In practical terms, local governance is seen in the interaction of the market, enterprises, public service units, State-Owned Enterprises [SOE], social associations and NGOs after the introduction of market socialism in 1992 to support socio-economic development (Chen 2015; Ahlers et al 2016). Commentators on the PRC accept that there are clearly limits on the autonomy of social organisations and their impact, but recognize that society, its representatives and manifestations may play a part in those interactions. Mertha identified the role and influence of 'policy entrepreneurs' who did not hold positions in the Party-state (Mertha 2009). Minglu Chen discusses the roles of social representatives as deputies in local congresses and representative institutions, demonstrating how their initiatives and ideas may not only feed into the political process but are to some extent the price of their participation (Chen 2015). Beibei Tang examines how local communities determine their own welfare services and the administrative affairs of their housing neighbourhoods (Tang 2018; Tang 2020; Tang 2023).

The second justification for research on the PRC to identify local governance as process is because the local has long featured in its system of government and Party-development. Local policy experimentation has always been (from even before 1949) fundamental to the CCP's operation, in large part because of China's size and scale and the varied social and economic conditions across the country (Fiorini, Lai and Yan 2012). Part of the CCP's guerrilla heritage was its administrative principles of 'doing the best according to local conditions' and 'proceeding from a point to the surface.' The CCP's leadership set broad policy goals but left implementation to those in local situations to develop implementation and models for emulation. The role of experimental models was crucial: policy

implementation emerged from experimental points to become a more agreed policy, both locally and more generally (Goodman 1986: 10).

There has then been an inherent variability to local authority implementation of national policy. Heilmann has emphasised the importance of this 'historically entrenched process of policy generation through local experiments and model generation' as the platform on which the productive relationship between 'central and local initiative' developed after 1978 enabling 'policy-makers to move beyond policy' (Heilmann 2008: 30). In practice that interactive process also characterised centre-local relations and policy implementation in the PRC before 1978, almost universally (Goodman 1989: 431). A quite remarkable (for a Communist Party-state) example of this in an early stage of policy development was the request to Provincial CCP leaders to speak at the 8th CCP Congress in September 1956. The decision had been taken to abandon the (overly-centralised) Soviet Model of development (which had been the basis of the First Five-year Plan 1952-1957) and provincial leaders were asked to suggest ideas for a more suitable development strategy, including specific proposals. Their speeches and suggestions were fully reported in the Party-state media (XHBYK 1956; MacFarquhar 1974:126-33). The use of the term local governance has then become more acceptable, as in research on other authoritarian regimes, essentially justified in terms of elements of decentralized politics, government or administration regardless of the degree of social autonomy (Ahlers 2021: 68).

Spatial politics

In some ways the recently proposed approach to local social governance with decentralisation of economic and social development decision-making alongside elements of CCP centralisation is reminiscent of the 1958 decentralisation of government functions to the provincial-level. Those earlier changes came about because the leadership of the Party-state came to see the Soviet Model as not so appropriate for the varied economic geography of the PRC or for the CCP's principles of practical politics born out of its pre-1949 experience and which prioritised localised implementation of broad policy goals 'in order to encourage local initiative' (Mao 1956: 292; Lardy 1978: 90ff). Mindful of the possible challenges to central control inherent in decentralisation these changes had been preceded by the removal of several provincial-level leaders in the period immediately before to ensure their commitment not least to the central CCP leadership and the new strategic directions being sought (Teiwes 1966); and were accompanied by the establishment of regional CCP committees, one of whose responsibilities was to ensure continued central control of provinces (Barnett 1967: 7).

Nonetheless, subsequent discussions in scholarship outside the PRC as to the significance of the localisation of policy implementation developed as a result of the large-scale 1958 provincial-level decentralisation. The relationship between centralising and decentralising tendencies then and later has led to conflicting interpretations of the PRC's political system. There are those who have emphasised elements of political diffusion in the Party-state, especially after the decentralisation of 1958 (Donnithorne 1969: 151; Donnithorne 1972: 616-617; Chang 1970: 175-6; Montinola et al 1995). There were even explicit suggestions that the 1958 decentralisation was the result of pressure from provincial leaders demanding greater autonomy (Donnithorne 1967: 502; Chang 1972: 14, 52). On the other hand, the

accepted orthodoxy has long remained that the PRC is a highly centralised Party-state. Since 2012 this interpretation has increased in intensity with considerable attention to the apparent increased political centralisation that appears in commentary on the development of Xi Jinping's New Era (Chung 2017; Hsu 2017; Bulman and Jaros 2021) especially as it relates to social welfare provision (Zhu 2017). The choice between extremes of decentralisation and centralisation may though be a false dichotomy in interpreting the PRC's spatial politics (Falkenheim 1972; Goodman 1986: 7). In the words of Franz Schurmann, commenting on the consequences of the 1958 provincial-level decentralisation 'Local power is party power' (Schurmann 1968: 362).

In practice, central control and local policy implementation have long co-existed in a mutually constructed creative tension (Goodman 2023: 11.) The explanation of this relationship lies in the process of local policy experimentation and the interactions amongst and between central and local leaders. The choice of 'experimental points' and 'models' to be promoted, examined, and followed in moving towards a policy goal is rarely random. Different desiderata related to for example, economic geography, political positions adopted in inner-Party debates, or even personal animosities and alliances will result in different choices. This a process that requires agency to be exercised. Alliances are formed: local leaders provide ideas, and effectively proposals that have been trialled; central leaders provide the necessary political support to both local leaders and their policy positions. Areas of experimental implementation are chosen so that policy preferences can be highlighted. Models for emulation are then legitimated in the decision-making process, not least by demonstrating success by example.

The dynamics of decision-making and the internal politics of the Party-state make it likely that senior decision-makers may raise an issue or even a policy goal in order to bring them to wider attention. Equally, local leaders may react to more senior leaders either spontaneously or at a senior leader's request before policy is determined. Before the Cultural Revolution Chairman Mao was often at the centre of such activities. One of these was the evolution of the 'High Tide of Agricultural Collectivization' during 1955-6. Discussions on rural socio-economic development by the CCP had seen this as a new staged process. Lower stage cooperatives where peasants continued to own their own productive resources but might work and sell their produce collectively, would eventually be replaced by larger higher stage collectives with distribution according to labour. In the middle of 1955 relatively low targets had been set by the leadership of the Party-state for only one-third of peasant households to be in cooperatives by the end of 1957. At a meeting with provincial leaders a few days after the announcement of that policy Mao criticised the cautious approach to development and suggested a new target of half of peasant households to be in cooperatives by 1960. Provincial leaders left the meeting, began to implement change in August and September 1956 exceeding the targets to such an extent that a CCP Central Committee meeting in October revised the target to completion by spring of 1958. Following that meeting though provincial leaders once again exceeded expectations raising the target for completion to the end of 1956. This reiterative process continued resulting in cooperativisation being completed by the end of January 1956, and collectivisation being established for 62.2% of peasant households by the middle of 1956 (MacFarquhar 1974: 26-32; Walker 1966).

Another, in some ways, more remarkable example was the introduction of rural people's communes in 1958, where a similar process involving Chairman Mao and provincial leaders resulted in the completion of communization across almost all of China before the policy had been nationally agreed at the end of August and announced in September (Goodman 1986: 136-9). Before the Cultural Revolution, Mao's persona played a key role in local policy experimentation as leaders at all levels attempted to meet his expectations, particularly during the Great Leap Forward during the late 1950s and the evolution of the Socialist Education Campaign in the early 1960s (Teiwes 1974). Even during 1967-68 Mao Zedong's attempt to 'seize power from those in authority taking the capitalist road' was met by an experimental process that resulted at first in a variety of different organisational forms for his 'revolutionary three-way alliance' of 'revolutionary mass organisations, the People's Liberation Army, and revolutionary leading cadres.' The institution of the Revolutionary Committee which later came to be the organisational form of rule most closely associated with the Cultural Revolution only emerged somewhat late in the process as the preferred model (Goodman 1981: 54ff).

Since the death of Mao Zedong in 1976 the interactive centre-local relationship has continued though the balance of power between the two has sometimes been variable not only with the specific policy issue, but also over time. The 3rd Plenum (of the 11th Central Committee of the CCP) at the end of 1978 announced a dramatic change in the PRC's development strategy towards 'Reform and Openness'. Two notable proposals that were part and parcel of that change were the decollectivization of agriculture and the reform of local economic enterprises, both of which had been the subject of local experimentation in the lead-up to the Plenum. Decollectivization was earlier implemented on an experimental basis in Fengyang County, Anhui Province, and promoted by its Provincial Party Secretary Wan Li, repeating previous experiments in Anhui in the early 1960s (Sun 2002:159). In Sichuan in early 1978 Provincial Party Secretary Zhao Ziyang initiated experiments to reform six local enterprises (greater operational autonomy and new reporting lines) in Chengdu and Chongqing, repeating the province's experience from 1956 (XHBYK 20: 52; Shambaugh 1984).

In general, the increased government decentralisation and the fragmentation of political authority that accompanied the changed economic development strategy of 1978 resulted in emerging forms of bureaucratic pluralism and somewhat greater capacity in negotiations with the centre passing to provincial and local authorities (Lieberthal and Oksenberg 1988). So it was, for example, that attempts to create a new Sanxia Province to support the development of the Three Gorges Dam on the borders of Sichuan and Hubei Provinces in 1984 foundered on the opposition of the provincial and local authorities involved (Hong 1997: 214). At the same time, increased decentralisation of government functions significantly increased local expenditure though local authorities struggled to meet required revenue levels (Wong 1991: 704). Local budgets and investment were initially centrally controlled which further weakened the position of local authorities (Naughton 1987: 51). With the introduction of tax rather than revenue-sharing under the structures of market socialism introduced in 1993 local authorities became dependent on central support to local social and economic development (Wong 2021). Unsurprisingly under those financial and fiscal circumstances, negotiations amongst provincial and local authorities, and between central and local authorities involved extremely hard bargaining. Provincial and even some

more local authorities even sometimes engaged in protectionist and mercantilist behaviour against each other (Liu, Song and Tao 2006). Xiao Ma's research into the development of the PRC high-speed railway system highlights the 'bottom-up bargaining by territorial administrations' that contributes to the 'the allocation of policy benefits like infrastructure investments' flowing back into local communities (Ma 2022:9).

Since 2012 and Xi Jinping's appointment as CCP General Secretary there has been some evidence of a tip in the balance towards more central control. For example, local initiatives in policy implementation are still encouraged, but since 2016 provincial-level policy experimentation must first obtain higher level authorisation (Chen Xuelian 2017). Considerably greater care has been paid by central authorities in appointing and monitoring leading cadres at provincial and local levels (Chung 2016). At the same time, most recently, the development of policy on establishing a new 'Era of Common Prosperity' echoes earlier spatial politics. In August 2020, CCP General Secretary Xi Jinping had written an article in the Party's theoretical magazine setting out the policy goal of Common Prosperity (Xi 2020). The experience of Zhejiang Province – where Xi had worked in leadership positions 2002-2007 and might be assumed to have had reliable associates – in implementing this policy was publicized in national media a year later (Zhejiang Plan 2021).

Such observations about spatial politics lead to a focus on the authority structures of the Party-state and the political behaviour and networks of central and local leaders, rather than to concerns about the operations of decentralised government. As it happens, research on other political systems (including liberal democracies) has demonstrated there is no correlation between the degree of decentralisation (or centralisation) introduced and the strength (or weakness) of demands for local governance and its operation as understood more generally (Malesky et al 2014). On the other hand, there may be limited social autonomy, but there certainly are state-society interactions at local levels in China. Authoritarianism is after all not endlessly repressive and there are many reasons for invoking consultation, representation and local governance (Desai et al 2009; Gandhi and Lust-Okar 2009; Teets 2013). In considering state-society relations then in this context there is a clear logic that suggests proceeding from the fundamental centralisation of politics, that may then licence and control the maintenance (or otherwise) of elements of social pluralism.

Local social governance

These interpretations of PRC politics certainly seem to be reinforced by the process of emergence of ideas about local social governance. Challenges of social welfare and its provision existed before 2020, but were (re)formulated somewhat later in the development of the official discourse of local social governance. Local social governance may address economic, social, fiscal and even political challenges but its genesis would appear to have been at least initially concerns with social stability and the operation of the Party-state.

The PRC leadership's public embrace of local social governance began in the middle of 2021. The desirability of establishing local social governance has its own independent political existence, but is also closely connected to the emergence of the policy goal of Common Prosperity. Indeed, local social governance might in some ways be regarded as the vehicle

to deliver Common Prosperity, highlighted by Xi Jinping during 2021 as a priority for future development. At the same time, while the latter has been a long-term CCP goal (CMP 2021), local social governance emerged in 2021 from two separate sources. The first was the recognition after 1993 of an increased local governance; and the second was the development of ideas about social governance that first emerged in 2013. The development of each is somewhat different and they contribute different aspects to contemporary understandings of local social governance. The former highlights the interaction of enterprises, public service units, state-owned enterprises, social associations, NPOs and NGOs with local government to deliver social welfare and support economic development. The latter highlights mechanisms to ensure social stability and Party-state control.

As already noted, ideas of local governance flourished in the PRC after the introduction of market socialism. Some aspects of the proposed changes are by no means new. 'Social management innovation' became a priority for the Party leadership after 2004, and in that context experiments with 'grid governance' in middle-class neighbourhoods were designed to resolve social conflict, ensure Party involvement and provide a degree of self-governance (Tang 2020). The involvement of social organisations in local government activities has already seen collaboration between state and society in welfare and community service provision for over a decade (Fulda et al 2012; Teets 2013; Thornton 2013; Hsu and Hasmath 2014). Yu Keping regarded these as the PRC's 'major political reform' after 1978 (Yu Keping 2012: 7) and indeed he has been one of those at the forefront of moves to develop social organisations and local government innovation, not least through the *Innovations and Excellence in Chinese Local Governance* programme that he promoted (Wang and Guo 2015: 988).

At the same time, Yu Keping and his colleagues also seem to have been at least one of the main sources for the development of ideas of social governance. In their view social governance consists of 'social management' and 'social self-government'. Social management 'refers to the government's regulation and management of social affairs, social organizations, and social life' while social self-government 'refers to self-management of the general populace over grassroots public affairs' through various social organisations which though not part of the Party-state are nonetheless subservient to its authority. Effective social governance requires both social management and social self-government. Central to this interaction is the notion of 'rule by law': officials following standardised procedures in line with agreed policy (Yu Keping et al 2012: 3-4).

These ideas on social governance gained wider acceptance in 2013, in particular when Xi Jinping attended a conference in Fengqiao, Zhejiang Province and delivered 'important instructions on the development of the Fengqiao experience' (FZRB 14 October 2013). The meeting was also attended by other Party-state leaders including the Minister of Public Security, Meng Jianzhu. In addition to delivering messages about social governance and the importance of rule by law, the meeting commemorated the fiftieth anniversary of Mao's instruction to the then Minister of Public Security in 1963 to learn from the Fengqiao Experience (Mao 1963). The context of that instruction by Mao was the Socialist Education Campaign that had followed his 1962 directive to 'Never Forget Class Struggle'. At the time the Fengqiao Experience was a consequence of Mao's Mass Line in which the masses were invited to identify and re-educate counter-revolutionaries in their community. According to

later reminiscences, some one-in-50 of the population were so identified and struggled against (RMRB 1979). While, the Fengqiao Experience was in 2013 praised for its local solutions to local problems, it was also re-badged as a model of social governance and rule by law. According to Xu Liangping, the township Party Secretary, where Fengqiao is located:

‘better local governance involves pressuring officials to resolve public concerns by providing better services. Grassroots participation is crucial, but so are Party cadres regularly reaching out to residents and hearing their concerns. Neither citizens nor officials can fully solve problems by themselves, only in tandem.’ (Tu 2013)

Following the 2013 Fengqiao meeting, both promotion of the idea of social governance and referral to the Fengqiao Experience became more common. For example, in 2014 local cadres were praised for using rule by law to solve social governance problems that emerged (Xinhua 2014). Subsequently, the 14th Five-year Plan announced in March 2021 (Xinhua March 2021), and even the 2021 Resolution on Party History adopted by the CCP at the 6th Plenum of the 19th Central Committee in November 2021 (Xinhua November 2021) both also highlighted social governance and the Fengqiao Experience.

In the meantime, a wide range of social initiatives were brought together under the broad policy goal of Common Prosperity in and after the middle of 2020, with implementation through the vehicle of local social governance. The overall context for these developments was the formulation and adoption of the 14th Five Year Plan (2021-25) whose main stated theme is an emphasis on replacing quantity by quality in economic development. The economic goal is increased domestic consumption to replace investment as the driver of economic growth. The problem though is that in the absence of adequate state welfare provision most people have limited disposable income as they feel the need to save to cover their potential future welfare costs. One social goal for Common Prosperity is then precisely the greater provision of health, education and other social services including aged care (Wu Guoguang 2022).

Xi Jinping reharnessed the goal of Common Prosperity in a speech published in the CCP’s theoretical journal (Xi 2020) and subsequently the policy was trialed in a number of counties in Zhejiang Province, though with no apparent publicity at the time. The 5th Plenum of the 19th Central Committee of the CCP had met in October 2020 and discussed the implementation of the (new) 14th Five-year Plan. In a speech delivered by Xi Jinping in January 2021 at a seminar for ministerial and provincial levels cadres on implementing the principles of the 5th Plenum, but not published until the celebrations for the 100th anniversary of the founding of the CCP in July 2021, he pointedly identified the need for Common Prosperity:

‘Realizing common prosperity is more than an economic goal. It is a major political issue that bears on our Party’s governance foundation. We cannot allow the gap between the rich and the poor to continue growing—for the poor to keep getting poorer while the rich continue growing richer. We cannot permit the wealth gap to become an unbridgeable gulf. Of course, common prosperity should be realized in a gradual way that gives full consideration to what is necessary and what is possible and adheres to the laws governing social and economic development. At the same time, however, we cannot afford to just sit around and wait. We must be proactive about narrowing the gaps between regions, between urban and rural areas, and between rich and poor people. ...We should ... make them feel that common prosperity is not an empty slogan but a concrete fact that they can see and feel for themselves.’ (Xi Jinping 2021a)

The report on the results of the trials in Zhejiang and that province's plan for the future implementation of policies towards Common Prosperity were published in the middle of July 2021. The report highlighted local social governance as the way to effect change, and not surprisingly featured the local genesis of the Fengqiao Experience. 'The Fengqiao Experience of the New Era' though would promote 'advanced demonstrations of social governance' through the 'urban and rural grass-roots governance system under the leadership of the Party.' 'Social stability maintenance and the management of social conflict was a major concern. Attention focused on 'county-level social conflict resolution centres' charged with 'resolving petitions and disputes':

'To promote the modernisation of social governance in municipal areas, comprehensively build a social governance community in which everyone has responsibilities, does their part, and enjoys the benefits; improve the system of grassroots democratic consultation; innovate the linkage mechanism between communities and group organisations, social organisations, social workers, community volunteers, and social charitable resources; and promotes peoples' voices ... so as to realise the positive interaction between government governance, social regulation and village (neighbourhood) autonomy' (Zhejiang Plan 2021: Clause 42).

Increased social welfare provision of all kinds was targeted, including the technical upskilling of the workforce, the supply of aged care, and better educational opportunities for rural populations. Collaboration in the provision of local social governance was to involve state agencies, private and state-owned economic enterprises, public service units, NPOs and NGOs (as appropriate) through coordination by CCP cadres and party committees at the levels of local governments (Zhejiang Plan 2021).

With the report of the Zhejiang experiments, Xi Jinping later announced formally in August 2021 in a speech to the CCP Central Financial and Economic Affairs Commission that the policy of Common Prosperity would proceed nationally. Xi highlighted six political objectives for Common Prosperity: i) Identifying a more balanced, coordinated and inclusive development path; ii) Endeavouring to expand the middle-income group; iii) Facilitating equal access to basic public services; iv) Intensifying the regulation and adjustment of excessive income; v) Promoting common prosperity of the people's spiritual life; and vi) Promoting common prosperity in rural areas (Xi Jinping 2021b). At the meeting where Xi Jinping spoke, there was also considerable discussion about the merits of a system of 'tertiary distribution' that 'encourages high-income individuals and enterprises to give more back to society' through philanthropy (Caixin 2021). This too was to result not just from state encouragement but through government that would 'formulate partnerships with social groups' (Li Shi 2021).

Commentators outside the PRC since the middle of 2021 have sometimes suggested that the policy goal of Common Prosperity has been postponed or abandoned as the result of other economic challenges related to both the Covid-19 pandemic and geopolitics (Kyodo April 2022). This call seems premature. Xi Jinping stressed the importance of the policy goal in his Work Report to the 20th CCP Congress in October 2022 (Xi Jinping 2022); the *Resolution of the CPC Central Committee on the Major Achievements of Historical Experience of the Party over the Past Century* adopted at the 6th Plenum of the CCP Central Committee in November 2021 emphasized the commitment to Common Prosperity (Xinhua November 2021); and Common Prosperity featured in the social and economic planning

announcements of the sessions of the National People's Congress [NPC] in both 2022 and 2023 (NDRC 2022; NRDC 2023).

In their implementation in the PRC since 2020 Common Prosperity and Local Social Governance clearly have much in common. Local Social Governance though has a greater emphasis on the development of state-society relations and the involvement of the CCP in all local activities. In July 2021 the State Council and the CCP Central Committee jointly approved new guidelines for the 'Modernisation of the Basic-level Governance System and Capacity for Governance' related to urban housing districts and rural villages. These emphasized not only putting the CCP at the centre of basic-level governance so that a system of 'unified leadership' resulted but also a long-term programme of basic-level party-building (CCP Central Committee and State Council 2021). In his 2022 Government Work Report to the NPC in March Premier Li Keqiang had emphasized:

'We will advance social governance based on collaboration, participation and common gains ... We will develop new approaches to improving social governance at primary level, strengthen the service provision of communities, develop a system for mobilizing all sectors of society, and enhance primary-level governance capacity' (Li Keqiang 2022a: 32).

The National Development Reform Commission [NDRC] in its report to the March 2022 NPC repeatedly emphasized the extent to which local authorities are now required to develop their own arrangements for all aspects of local social governance including (explicitly in the document) regulations for enterprise development, education, and social welfare provision, and extending even to environmental responsibility and pollution control. Instead of encouraging local authorities to just 'do the best according to conditions' (as has long been the case previously) they are now mandated to experiment (NDRC 2022:24). There are multiple emphases in the report that 'local governments fulfil their primary responsibility' but little precision as to which level should exercise CCP leadership and coordination over the locality where local social governance takes place. The NRDC Report and Premier Li Keqiang in his press conference after the NPC in 2022 talked variously about the city-region (prefecture) and county levels in this context but with no further explication (NDRC 2022; Li Keqiang 2022).

Later when reflecting on the past year's experience in March 2023 in his last Government Work Report to the NPC, Li Keqiang reported

'We developed new and better forms of social governance. We advanced the modernization of urban social governance, improved primary-level governance, and provided better community services. We supported the sound development of social organizations, humanitarian assistance, social work, volunteer services, public welfare, charitable initiatives, and other related services' (Li Keqiang 2023:27)

In the second part of that Report when talking about future tasks, Li Keqiang emphasised the importance of both 'Party self-governance' (p.29) and the need to 'practice law-based governance' (p.30) 'to make social governance more effective' (p.38). Similarly, the NDRC Report to the March 2023 NPC emphasised the role of local social governance, especially for environmental issues (NDRC 2023: 30); for 'public safety' and the 'maintenance of law and order' (NDRC 2023: 67); to remove 'supply shortages in education, medical services, childcare,

elderly care, and housing’ and because ‘Access to basic public services needs to be made more equitable’ (NDRC 2023: 33).

Local social governance is then both fundamental to the drive for Common Prosperity and distinguished from previous local governance practices in several ways. Local social governance offers the possibility of an adjustment to the framework of government, not least through the CCP’s direct involvement extending more effectively to the most local of administrative levels. It suggests the possibility of significant change in state-society relations and signals increased welfare provision of all kinds. It also provides a mandate for local leadership of and responsibility for socio-economic development (NDRC 2022: 30) with an explicit emphasis on the central role of local CCP leadership at the county and city-region levels (Zhejiang Plan 2021; Li Keqiang 2022b).

Challenges and prospects

The reasons for the implementation of local social governance are complex though by no means invisible, or indeed in at least some cases unique to the PRC. Inequality may be a significant challenge facing the regime, for ideological as well as economic reasons, but it is not a sufficient explanation for the proposed changes. A wider explanation requires consideration of economic, social, fiscal and even political challenges facing the leadership of the Party-state.

In 2021 when Xi Jinping talked about the need to reduce economic inequality there was certainly an issue to be addressed. While there is some evidence that inequality had decreased slightly since 2013, or at least not greatly increased, the Gini Coefficient of income remained relatively high at 0.465 and of wealth over 0.71 (Hofman 2021). Equally the geographical differences across China are severe not just in terms of income and wealth but especially in terms of health care provision and educational opportunity, not just between urban and rural areas, but between the major cities of the eastern seaboard and the more westerly parts of the country. The nature and scale of regional difference across China is such that inequalities will always remain, though it is possible to reduce the inequalities of opportunity which are at least equally as severe (Gustafsson et al 2009; Fan et al 2009; Li Chunling 2015; Carrillo 2017; Guo et al 2020).

The economic problem though is that the debt-financed growth model followed by the PRC for so long could not and still cannot be maintained. That was in many ways the point of the 14th Five-year plan’s commitment to quality over quantity. Investment that certainly contributes to the calculation of GDP but has no longer-term impact on economic development needs to be replaced by increased domestic consumption, income redistribution, and demand-led production (Ma 2021; Pettis 2022). It was a message reiterated in the communique of the CCP Politburo meeting on 24 July 2023:

‘To stimulate domestic demand, the meeting called for harnessing the fundamental role of consumer spending in driving economic growth. This would be achieved through increasing household incomes to expand consumption and to expand demand through generating effective supply. The meeting also urged support for major consumer goods such as automobiles, electronic products, and home furnishings, as well as for service consumption in sports, leisure, culture, and tourism’ (CCP Politburo 2023).

Unfortunately, income and wealth redistribution have essentially been non-existent in the PRC during the last few decades and this is where inequality adversely impacts attempts to increase domestic consumption. Almost 70% of national wealth is owned by the wealthiest 10% of the population; and only 6% by the least wealthy half of the population (Walder 2023: 7-8). Domestic consumption depends on households having disposable incomes. Yet as Li Keqiang pointed out in May 2020, 43% of the population have a monthly income of not greater than 1,000 *yuan renminbi* (Li Qiaoyi 2020). Growing the middle class not least to increase domestic consumption has been a constant policy goal since 2002, including for example in the Zhejiang Plan of 2021. Estimates of the size of the contemporary middle class vary with its more precise definition and the purpose of analysis. Nonetheless, the extent of the middle class who might be expected to have real disposal income available to contribute significantly to domestic consumption has remained relatively limited at about 20% of households (Yang, Sicular, Gustafsson 2023).

In any case, one reason for the low level of household consumption is the high level of household savings. Amongst the highest levels in the world, China's household savings rate in 2021 was 46% of GDP. China's domestic consumption was amongst the lowest at 54% of GDP (World Bank 2023). Only a very small proportion of the population have the total costs of their children's education, the provision of health services to their family, or old-age care for the retired met by the state. Subsidies in each welfare category are small even for those who have a local household registration. Most have to contribute to the costs, and for the very substantial number of rural migrant workers who have moved to urban areas (where the individual or family has no local household registration) away from home the costs can be very high indeed. With the unfolding of the consequences of the one-child policy from 1979-2016, education costs for urban children may have decreased somewhat but these have been more than offset by the increased costs of looking after the old when families are smaller. To meet all these welfare needs, people save for both immediate and long-term expected needs (Carrillo and Duckett 2011).

These socio-economic concerns are related in large measure to the fiscal environment which is not conducive to supporting welfare and its development. Local governments are largely responsible for welfare expenditure but have inadequate revenue, even with central government financial transfers. The national taxation system is not positioned to any degree to redistribute wealth, despite local governments' reliance on the central budget.

Local governments are responsible for a wide range of support services in addition to the more obvious responsibilities in the provision of transport, education, public health, social security, roads and environmental protection services, with in most cases the standards set by central government. Shortly after Xi Jinping became CCP General Secretary a thorough-going reform of the fiscal underpinnings of these arrangements was announced in November 2013, but by 2018 the process had ground to a halt (Wong 2021: 28). Local government (at all levels) is responsible for about 85% of all government expenditure but is only operating at about 49% self-sufficiency (Lin 2022: 363). The burden of service and funding has fallen particularly heavily on the county-level which is responsible for in excess of 46% of all government expenditure derived from 26% of all government revenue; and on the city-region level responsible for 25% of government expenditure from only 18% of all government revenue (Wang 2022: 130). Central government had for several years sought to

manage this situation by simultaneously providing transfers to local government (about 40% of local government revenue) and encouraging the reduction of transfers, though without much evident success in the case of the latter (Wong 2021: 26). In the event in March 2022 at the National People's Congress the National Development Reform Commission announced an increase of 18% in fiscal transfers to local authorities (NRDC 2022:29). At the National People's Congress in 2023 it was announced that transfer payments to local governments were now 70% of central government expenditure and that such transfers would now become a 'regular practice' (Li Keqiang 2023: 10).

Exacerbating their financial situations, local governments have developed large amounts of unsustainable debt, unrecorded in their own budgets. In the past one of the few channels of revenue-making more freely available to local government was land sales and development. But the recent property market crisis and the stress on budgets from the Covid-19 pandemic have dramatically restricted these activities. According to a March 2023 report by the Chinese Academy of Fiscal Sciences it seems some local governments as an emergency measure generated 'revenue' by selling land to their own local government financing vehicles, amounting to about half of all residential land sales in 2022 (Sun Yu 2023).

Local government financing of welfare provision is then clearly difficult and unlikely to be resolved in the near future. At the same time despite concerns about income and wealth inequalities the taxation system is not being utilized in ways that are in place in other countries to assist redistribution. In the PRC VAT is the major source of government revenue, greater even than corporate income tax. As an indirect tax it places a greater proportionate financial burden on the poor than on the wealthy. Personal income tax generates very little of government revenue (5-6%) and most people do not pay any (OECD 2023; CSIS 2023). Moreover, although there is considerable private wealth it remains little taxed (Walder 2023:22). Given that some 90% of households own their own dwellings and that home-ownership is closely related to access to local government services a property tax might be one solution to local government finance as well as providing a degree of redistribution. Experiments with the introduction of a property tax in Shanghai and Chongqing met such determined resistance that the idea seems to have been shelved (Zhang and Jing 2020).

As already noted, the call for Common Prosperity suggested in 2021 that the wealthy should be encouraged to practice philanthropy in order to assist welfare provision and wealth redistribution. As Hofman points out this is not really very practical. There is nowhere that has developed philanthropy to the extent that it has reduced inequality. In the USA philanthropy provides 0.4% of GDP, and the most anywhere is The Netherlands where philanthropy amounts to 0.9% of GDP (Hofman 2022:116). In addition, the evidence from recent philanthropy drives in China would suggest that the results would exacerbate regional equality. Philanthropic activities are not numerous in poor areas and it is the already richest provinces that benefit the most (Liang Xinlu 2021).

Local social governance is clearly intended to mitigate the adverse effects of socio-economic inequality and the need for greater welfare provision through local social public wealth and service generation. While the ultimate success of that approach remains to be determined (Wang et al 2023), it is not the whole design and there are more focused political concerns

driving the changes. The most obvious of these is the attempt to extend the reach of the Party-state which lies at the heart of the proposed changes. In addition, it remains widely recognized that authoritarian regimes have greater problems of local governance than liberal democracies: they suffer from both poor feedback loops and have issues with local government compliance (Wallace 2014; Pan and Chen 2018; Anderson et al 2019). Both of those are addressed through local social governance to some extent.

The plans for local social governance have emphasised, especially through the recreation of the Fengqiao Experience, procedures for dealing with and defusing potential social conflict. As already noted, the Zhejiang Plan has provided for the creation of county-level social conflict management centres. Disagreements and social conflict may arise both amongst different groups in a community, and between that community and its leadership. This concern with managing feedback has also been part of the development of the CCP's new Department of Social Work in 2023, which handles 'complaints and proposals from the public' and which was announced on 16 March 2023 as part of an institutional reform plan adopted jointly by the CCP Central Committee and the State Council. As with other CCP departments, the Social Work Department will have branch offices at lower levels of the administration (Li Lei 2023).

Problems of local official or local authority compliance appeared to become particularly acute in the PRC at least to 2015. It seems the well-entrenched CCP practices in policy formulation and implementation that existed before 2012 created problems for the Central CCP leadership that were met by adjustments in central control measures focussing on personnel measures (Chung 2016). There has certainly been resistance from local officials to central direction on occasion in various ways (Mei and Pearson 2015).

Equally concerning for the CCP leadership, it is clear that the degree of leeway afforded to local leaders within the long-established framework of 'doing the best according to local conditions' did not lead to positive outcomes in policy implementation but rather high degrees of inaction. In their collection of studies of local innovation Teets and Hurst (2015) identified four possible approaches that local governments and cadres employed through policy implementation and experimentation: compliance, resistance, innovation, and involution (where central policies are adapted to personal advantage). Interestingly, they concluded that compliance was 'in many instances the last best option for local elites. It leaves them little discretion, yet it leaves them exposed to whatever backlash or negative consequences any given policy might engender.' On the contrary Teets and Hurst highlighted the tendency for inaction, rather than positive moves to support central policy, or for that matter to articulate local interests (Teets and Hurst 2015: 175ff; Shue and Thornton 2017).

There were then compliance issues in local Party leadership that were part of the decision to move towards local social governance, and this has subsequently been made plain in statements to the effect that local leaders should take their 'responsibilities more seriously.' Officials have been accused of 'pointless formalities and bureaucratism' and 'failing to stay grounded in reality' with explicit instructions to take the initiative in both implementing policy and 'doing the best according to local conditions' (NRDC 2022:24; Li Keqiang 2023: 31).

There is an obvious paradox here. The attempt to change the kind of non-compliance that existed at least earlier may well founder on similar reactions by local leaders, not least because of the inherent uncertainties facing local leaders and officials. One recent example provides evidence of the difficulties involved. The central leadership explicitly does not believe in a one-size-fits-all approach to social and economic development. Local leaders attempt at least sometimes to do their best to meet the ‘imbalances’ in local government finance through finding additional ways of raising revenue including raising taxes on local enterprises. These then run the risk of being criticised as pathological economic behaviour for being ‘inappropriate interference ... in microeconomic activities’ by institutions of the Party-state (Lee 2023). More generally, this highlights a fundamental issue with the implementation of local social governance. It proposes adjustments to rule and social organisation without providing new structures or incentives to facilitate delivery.

Future perspectives

Local social governance has two main objectives. One is increased welfare provision through collaboration amongst government and its agencies, economic enterprises, and social organisations. The other is the greater reach of the state and the CCP, especially down to the basic level. As in the past there remains a crucial and symbiotic relationship between centralist and decentralist tendencies in the state system, even as the increased emphasis on social governance under Party direction, basic-level Party-building and the role of cadres in local government certainly represent an attempted adjustment in that relationship.

At the present, from one perspective local social governance appears to be a major long-term state-, and to some extent nation-building exercise. From another perspective, local social governance appears to be an equally major attempt in the shorter term to repair previously existing political, socio-economic and fiscal problems from before 2020. Both of these intents are relatively clear, and indeed not mutually exclusive. Less certain is how local social governance will develop in practice.

The changes heralded by the introduction of local social governance remain to some extent in their infancy, delayed by the Covid-19 pandemic, the emerging geopolitical environment, and the economic consequences of both which have captured the leadership’s greater attention and delayed reform, especially in fiscal arrangements. Uncertainties certainly remain. It is unclear for example at what level of the CCP’s hierarchy it will coordinate local social governance. It is even possible that the level of CCP coordination – as between city-region and county, or in urban neighbourhoods and villages – will be determined by the nature of each activity. It is also uncertain that there can be major improvements in equality or social welfare provision through local collaboration as opposed to more fundamental structural reforms. In any case, the extent of change will be locally determined and inherently variable across China.

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