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Political Institutions, Provincial Interests, and Resource Allocation in Reformist China

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Political Institutions, Provincial Interests, and Resource Allocation in Reformist China

FUBING SU AND DALI L. YANG*

We test two models of China’s political economy using data on provincial representation in the center and the distribution of investment funds across provincial units. One model points to central control over the provinces while the other predicts that more resources will go to those provinces that boast greater representation in the center. Adjusted for control variables, our data analyses find some support for both models and reveal the conditions under which the models would hold. The center treats central cities and other provinces differently. Moreover, central–provincial interactions are contingent on the macro-political environment.

Politics is about the authoritative allocation of resources. As Harold Lasswell put it in a classic study, politics concerns ‘who gets what, when, how’.


China under reform has sought to harness the various interests for developmental purposes and to address the inefficiencies inherent in its rigid command economy. Shortly after he re-emerged from yet another political downfall under Chairman Mao, Deng Xiaoping justified the need for economic reform with a perceptive diagnosis of the pitfalls of a centrally administered economy. Deng argued in December 1978 that power was over-concentrated in China’s command economy. He called for devolving some power of operation and management to lower levels, such as local governments and enterprises, so as to give full scope to their initiative and creativity. This became the basis for the Party’s policy platform that was adopted in the same month at the Third Plenum of the Eleventh Central Committee. In consequence, there has been a steady diffusion of authority over investments in the Chinese system, with local governments having been major beneficiaries.

Higher investments not only generate economic growth, revenue and employment but also provide opportunities for local leaders to nourish patron-client ties and gain greater political prominence. Consequently, local officials, including provincial authorities, have eagerly competed for central government projects, preferential policies, and higher investment quotas in their jurisdictions. Yet all provinces have not benefited equally from the decentralizing trend. There have been significant variations in the regional, provincial, and local patterns of investment and economic growth. Whereas there has been much scholarly attention to the economic aspects of the disparities in regional and provincial growth and investment, little systematic effort has been made to uncover the political patterns and dynamics of resource allocation.

In this paper, we offer a preliminary study of the political patterns of resource allocation across Chinese provinces. This study is both theoretical and empirical. Through an investigation of why some provinces have fared better than others in gaining investment resources from the center, we seek to empirically test the validity of two competing theoretical conceptions of China’s political economy. Of the two theoretical perspectives, one emphasizes the role of a rational center allocating resources according to certain objective criteria (such as economic returns and distributive justice), the other suggests that provincial representation in the councils of political power, particularly the Central Committee of the Chinese Communist Party, will significantly influence access to resources. To anticipate our argument, we find empirical support for both perspectives or models but they are valid under different conditions. This allows us to offer important modifications of existing theories of Chinese political economy.

We proceed as follows in this paper. First we will examine the competing

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theories of Chinese political economy and derive their respective predictions for empirical analyses. Next, we define the variables to be used in our models and discuss the data sources and methods of data collection. We then present the results of our data analysis and discuss their relevance to our theoretical concerns.

**Competing conceptualizations of China’s transitional political economy**

We first present two ideal-typical models of China’s political economy. The first model emphasizes the role of the center. It also takes seriously the central leadership’s constant refrain that urges local leaders to place the national interest above parochial interests. For the period we cover, China’s gradual reforms have allowed elements of the command economy to coexist with the growing presence of the market.\(^7\) We thus expect to find that the center’s role remains substantial.

The second model takes heed of the growing literature on the importance of bureaucratic and local interests in Chinese decision-making.\(^8\) More specifically, we draw attention to the institutional approach that has been advanced by Susan Shirk.\(^9\)

Before we offer a more detailed discussion of these two different models, we would like to recognize that these two models do not exhaust all theoretical possibilities. The increasingly pluralistic nature of Chinese society and economy, for example, calls for incorporating the influence of social forces into models of Chinese politics.\(^10\) Nevertheless, for the sake of tractability and because our purpose here is to test for the impact of the formal political system on patterns of resource allocation, we have chosen, with some reluctance, to limit the reach of our models in this paper. We hope the significance of our specific conclusions justify our economy.

**The autonomous center model**

The first model emphasizes the role of the center in Chinese policy making and resource allocation. Building on the rationality model of Chinese politics as discussed by Lieberthal and Oksenberg,\(^11\) this model treats the central government as a rational actor. The center undertakes diagnoses of problems or tasks in economy and society, deliberates over the menu of choices for problem-solving and task fulfillment, and then makes its policy decisions. Even though top leaders may

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disagree over policy orientation, the model assumes that they are capable of gathering information and making informed decisions. The bottom line of this model is that the central government is a homogenous decision maker.

Second, the autonomous center model assumes that the central leadership has autonomy from parochial interests such as social groups, territorial units, and industrial sectors. In this connection, the model takes seriously the central leadership’s constant push for national interests. As national leaders from Mao to Jiang have repeatedly stated, the country should be regarded as a giant chess-board. Whereas variations in policy implementation are needed to adapt to local conditions, policy choices are ultimately made to maximize national interests as perceived by the Communist Party elite at the center. There is little room for special interests, such as social groups, to influence national policy making.

The emphasis on national versus parochial interests has been especially prominent in central–local relations, which have been a perennial issue throughout Chinese history. The autonomous center model assumes that the center has effective control over local interests in spite of the growing economic resources being commanded by localities. In this model, major reform policies such as China’s opening up to the outside world and the ‘coastal development strategy’ are initiatives by the central government in spite of strong resistance from inland provinces. In allocating resources, central leaders seek to maximize overarching national economic interests in terms of output or revenue. Some scholars now claim that, in light of the contrasting economic performance between China and the former Soviet Union, a powerful and autonomous central government is the key to the success of economic transformation. The center’s ability to shield itself from special interests has enabled China to reform its economy more successfully.

For the autonomous center model to hold in our analyses of resource allocation, variables indicating special interest influence will show no systematic effect on resource allocation. For the present study, this prediction will mean that provincial representation at the power center, after adjusting for other variables, does not affect patterns of resource allocation among China’s provinces.

**The institutional interest model**

The theoretical alternative to the autonomous center model places its emphasis on the influence of parochial interest groups in Chinese decision making. Specialists on China have devoted much attention to the analysis of various interests such as economists-cum-policy makers, provincial Party first secretaries, the military, teachers, workers, intellectuals, and peasants. In the past decade, much analytical and empirical work has focused on interest groups within the formal political

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system. Lieberthal and Oksenberg, for example, pointed to the fragmented nature of Chinese decision making and the competing interests of central government bureaucracies including State Council Commissions and various line ministries.\textsuperscript{16} These bureaucratic agencies have been depicted as representatives of different economic sectors, constantly lobbying top leaders to extract favorable policies or to maintain their vested interests during redistributive reform.\textsuperscript{17}

Instead of an examination of resource allocation among central ministries, this study will focus on the provinces, which are ranked equally as ministries in the bureaucratic hierarchy.\textsuperscript{18} Unlike central government ministries and commissions, which are regular participants in State Council executive meetings, the provinces are not formally enfranchised in the government policy-making process.\textsuperscript{19} This has tended to give industry, especially heavy industry, a strong voice in government policy making and resource allocation. Instead, provinces are usually represented in various work conferences.\textsuperscript{20} The lack of regularized representation for provinces places a premium on political entrepreneurship for provincial interests to gain access to the center and the resources it controls and allocates.

While provincial interests are not formally enfranchised in the government policy-making process, they have nevertheless been a major political group within the Party establishment.\textsuperscript{21} As Table 1 shows, from the late 1970s to the early 1990s, members from the provinces accounted for more than 40% of the membership of the Party Central Committee, which is formally the paramount decision making body of the Chinese Communist Party. To be sure, many members

\begin{table}
\centering
\caption{Provincial representation on the Central Committee of the Chinese Communist Party (%)}
\begin{tabular}{lcccc}
\hline
\hline
Full members & 46.3 & 40 & 38.9 & 33.3 \\
Alternate members & 47.7 & 42 & 48.2 & 50.8 \\
Total & 46.9 & 41 & 42.5 & 40.4 \\
\hline
\end{tabular}
\end{table}


\textsuperscript{16} Lieberthal and Oksenberg, Policy Making in China, pp. 16–34.
\textsuperscript{18} In this study, we use the word provinces to denote provincial units, including provinces, centrally administered cities (zhixia shi), and ethnic autonomous regions.
\textsuperscript{19} The exception is the National People’s Congress (NPC), which has so far had relatively little influence over budgetary allocations.
\textsuperscript{21} The National People’s Congress has increasingly become an arena for policy contention, yet the full assembly meets infrequently. Provincial delegates to the NPC have used this venue to voice their interests and showcase their provinces during the annual sessions but have not been a major influence over law-making.
of the Central Committee do not have an independent base of power and are instead handpicked by central leaders. Nevertheless, the Central Committee has the formal authority to endorse the Party’s policy program and ratify the choice of top party leaders. In consequence, even though the Central Committee has not been known for flexing its muscle to reject the candidates placed before it, the need for the Central Committee’s formal approval means that ‘incumbent party leaders, and those aspiring to replace them, must seek support among current Central Committee members’.

Following the institutional interest model, what do the provincial leaders who are also Central Committee members seek? While hometown boys are expected to promote the interests of their hometowns and seek more resources from the center, outsiders also have strong incentives to do the same for their adopted hometowns. Indeed, precisely because a sizable number of provincial leaders are appointed to their provincial positions by the center, these leaders need to demonstrate that they can accomplish something for their adopted provinces in order to gain local acceptance. The attention to the institutional linkage between political interest representation and formal authority leads us to ask the following question: can provinces with more representation on the Central Committee translate their political ranking and thus clout into economic resources?

The institutional interest model leads us to expect a ‘yes’ answer to this question and thus a statistically significant relationship between special interest influence and resource allocation. Generally speaking, provinces enjoying greater representation on the Central Committee should have more political capital to bear on central government policy making. With the central decision making process being highly fragmented, there are potentially multiple access points for local interests to lobby central decision makers and translate their political capital into economic resources. Local leaders are widely known to make frequent trips to Beijing in pursuit of project support or preferential policy treatment from the State Council leadership and government agencies.

The data

To test the two competing models, we need to operationalize the variables identified above. The nature of these variables and limited information force us to rely on approximate measures. We cover the 1978–1994 period. The basic unit of observation is province/year; for each variable there are thus 17 data points for each province. We provide summary statistics for the variables used in our analysis in the Appendix. The rest of this section discusses each of the major variables.

Resources

The resources that the central government may allocate include two major categories, investment funds and goods, and preferential policies that may be converted into economic benefits. While it is theoretically possible to index the level of

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preferential policies that each province receives, in practice such indexing requires much subjective judgment and is necessarily a treacherous exercise that we feel incapable of doing at the present. Instead, we have chosen to use the share of state sector capital construction investment which each province receives as an approximate indication of the level of resources a province secures. Such a measure is admittedly less than ideal, it is nevertheless justified on the following grounds. First, despite the rise of non-state enterprises, including Township and Village Enterprises (TVEs), private enterprises, and foreign investments, state sector investment has continued to claim most of the government allocations, both through the budget and through government-controlled banks, during the 1978–1994 period. Second, between 25 and 30% of the capital construction investment went into investment in ‘key projects’. These key project investments have typically been under tight central control and scrutiny and thus the territorial allocation of such funds constitutes a good indication of the political economy of central–provincial relations. Third, since state sector capital construction investment funds include both central government allocations and funds generated by local governments and state-owned enterprises, this variable thus also reflects the preferential policies enjoyed by different provinces.

**Political capital**

We define the political capital of a province as the political resources that enable a province to gain access to central decision making and resource allocation. It has both formal and informal dimensions. Informally, a province may be able to gain greater access to the center and its resources through the direct or indirect intervention of top leaders, central government bureaucrats, and their personal secretaries who were born in the province or had worked there. Thus it comes as no surprise that provinces such as Hunan (hometown of Mao Zedong and Liu Shaoqi), Hubei (hometown of Lin Biao and Li Xiannian), and Sichuan (hometown of Zhu De and Deng Xiaoping) were major beneficiaries during the Third Front Program from the mid-1960s to the mid-1970s. Other informal personal connections also matter; the leader of one locality boasted that the locality benefited greatly by training and supplying household staff for central leaders during the reform era. As birth-place connections, career patterns, and other personal connections help sustain and nurture central–local networks and patron–client relations, studies of Chinese politics have paid much attention to the birth-place and

23. It is best to use data on central investment in key projects or central investment more broadly defined. Unfortunately, these data are not systematically available for the time period we cover.  
27. Personal interviews by Yang, 1997.
career patterns of the political elite. Indeed, the copious attention devoted to such issues in scholarly studies and gossip has in some sense made the search for such ties self-fulfilling. Nevertheless, even though birth-place and career patterns of the top elite are relatively easy to identify, it is practically impossible to systematically link such ties with the allocation of resources by the central government. In the present study, we have consciously chosen not to focus on the informal dimension of provincial political capital. Instead, following Shirk, we focus our attention on formal provincial representation in the Central Committee of the Chinese Communist Party as the main indicator of provincial political capital and compile an index of such representation.28

Some readers may worry that our resource and political capital variables may be in an endogenous relationship. Rather than a straight translation of political capital (representation) into economic resources, greater resources may in turn enhance political representation in the center. We agree that a determinant of political representation is itself an important research topic and share the concern about mutual causation,29 but we believe political factors, including patron–client relations, play important roles in the selection of central committee members. Moreover, the top leadership has from time to time reshuffled provincial leaders (including Central Committee members) from place to place, thus extenuating the causal chain leading from local resources to central representation. In contrast, top appointees in China have often been given access to resources to enable them to make an impression in their new posts.

Our index of provincial representation on the Central Committee, hereafter the Central Committee Index (CCI), is compiled as follows: every full member of the Central Committee receives two points while an alternate member is assigned one point to reflect the hierarchical rankings of different types of memberships.30 For the moment, we have chosen to leave out membership on the Political Bureau of the Central Committee but will discuss the implications of Political Bureau membership for our analysis later.

Thus, the CCI for province \( y = 2 \times \text{number of full CC members} + \text{number of alternate CC members} \).

We have relied on a variety of sources to collect the data for the Central Committee Index. Some of the sources are published by PRC publishers, including *Lijie zhonggong zhongyang weiyuan renming cidian [A Biographical Dictionary of CCP Central Committee Members]* and *Who’s Who in China: Current Leaders*.31 For the present study, we have found especially useful two publications from


29. Zhiyue Bo, for example, has published a paper on the determinants of representation. See Zhiyue Bo, ‘Provincial power and provincial economic resources in the PRC’, *Issues & Studies* 34(4), (April 1998), pp. 1–18.

30. The relative weights for the two types of memberships could be 1.5 or 2 or 3, and the results of our analysis will not be materially affected.

Taiwan, *Zhongguo dalu yanjiu* [Mainland China Studies], *Zhonggong nianbao* [Yearbook on Chinese Communism].  
32 The Chinese sources are supplemented by two German publications.  

**Control variables**

Other factors may also affect the distribution of capital construction investment in the state sector across provinces. We thus introduce a number of control variables, including level of economic development and population size. We use provincial national income per capita as the measure of economic development level. This variable also strongly correlates with net fiscal revenue contribution, for which we do not have complete data for the entire period. Population size is added to normalize the demographic bases of different provinces.

Finally we introduce two dummy variables for geographical location, following the government tripartite regionalization scheme of coastal, central, and western regions. For the ‘coastal’ variable, a province is coded as ‘1’ if it is located in the coastal region and ‘0’ if it is not. For the ‘central’ variable, a province is coded as ‘1’ if it is located in the central region and ‘0’ if it is not.

**Regression results**

In order to test the competing claims of our two models, we pool all the data together and the regression results are reported in Table 2. Not surprisingly, both the level of economic development and population size are positively associated with a province’s share of state sector capital construction investment. All things being equal, a more developed province will contribute more revenue to the center and thus should receive more in return. Similarly, a more populous province will contribute more and receive more resources in return. Geographic location also matters and the coastal and central regions enjoy advantages.

Most importantly, the sign for the Central Committee Index is positive and significant at the 0.01 level. This implies that a province that enjoys greater representation on the Party Central Committee is likely to have more resources allocated to that province from the central government. Thus, at first glance, the data support the institutional interest model.

The pooling of data for statistical analyses may obscure certain patterns, however. We especially suspect that the dynamics of central–provincial relations may be different among different types of provincial units. The three municipalities

34. Another way of normalizing the data is to divide the amount of investment by provincial population size. Also note that we are using adjusted R-square here. Our purpose in this study is to test hypotheses regarding several variables, not to offer a model that best fits the data.
Table 2. Regression estimates: provincial shares of state sector capital construction investment, 1978–1994

<table>
<thead>
<tr>
<th>Model I</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Committee Index (CCI)</td>
<td>0.189*** (0.051)</td>
</tr>
<tr>
<td>Provincial income per capita</td>
<td>0.782*** (0.046)</td>
</tr>
<tr>
<td>Population</td>
<td>18.345*** (0.873)</td>
</tr>
<tr>
<td>Central region</td>
<td>0.207*** (0.046)</td>
</tr>
<tr>
<td>Coastal region</td>
<td>0.158*** (0.054)</td>
</tr>
<tr>
<td>(Constant)</td>
<td>−3.622*** (0.188)</td>
</tr>
<tr>
<td>R-sq (adjusted)</td>
<td>0.711</td>
</tr>
<tr>
<td>D–W</td>
<td>2.175</td>
</tr>
<tr>
<td>No. of observations</td>
<td>497</td>
</tr>
</tbody>
</table>

Notes: 1. CCI is normalized by the sum of provincial representation in the Central Committee. Provincial income per capita is normalized by national average in a given year, and population is the share of the national total in a given year. The provincial capital construction investment share, Central Committee index, and provincial income per capita have been transformed by natural log function for the regression analysis.  
2. Numbers in brackets are standard errors.  
3. Here **, *** indicate the significance level of p < 0.05, and 0.01, respectively.  

of Beijing, Tianjin, and Shanghai, which, as their appellation zhixiashi implies, are under the direct supervision of the central government, have economic and political characteristics that distinguish them from other provincial units. Politically, these central cities have regularly boasted representation on the Political Bureau of the Central Committee. Economically, these cities, particularly Shanghai, are more developed than most provinces and have been major revenue contributors to the central treasury. To examine the different dynamics between central cities and other provinces,


37. Lynn White III, Shanghai Shanghai? Uneven Taxes in Reform China (Hong Kong: Center of Asian Studies, University of Hong Kong, 1989).
we divide our data into two sub-pools. The first sub-pool contains data for all provinces except the three central cities; the second sub-pool contains only data for the three central cities. We then run our regression tests on these two sub-pools and report the regression results in Table 3. As the column for sub-pool I shows, for the provinces minus central cities, the regression results differ only slightly from those presented in Table 2. Economic development level, population size, and the Central Committee Index all remain positively related to the distribution of state sector investment among the provinces. This portion of the data thus lends support to the institutional interest model.

The regression estimates for the central cities, however, change dramatically from those in Table 2 with the exception of the variable population size. The estimate for income per capita is negative and no longer statistically significant \( (p = 0.250) \). Most interestingly, the estimate for the Central Committee Index also becomes negative. This indicates that, as far as the three central cities are concerned, greater representation on the Central Committee is associated with less state sector capital construction investment. However, if we use the customary measure of statistical significance, this estimate is insignificant \( (p = 0.10) \). This lends support to the autonomous center model.

Despite the low confidence level we have of this estimate, the negative sign gives us a hint of the casual direction. It appears that the political prominence that the central cities have garnered, including membership on the powerful Political Bureau of the Central Committee, is a device used by the central leadership to ensure control over these cities—and their revenue—for the time period we study. Indeed, in recent years, the center, partly in response to uncertainties surrounding the death of Deng Xiaoping, has made more concentrated efforts to assert control

### Table 3. Provincial shares of state sector capital construction investment, 1978–1994 (segregated data pools)

<table>
<thead>
<tr>
<th></th>
<th>Subpool I: All provinces minus Beijing, Shanghai, and Tianjin</th>
<th>Subpool II: Beijing, Shanghai, and Tianjin only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Committee Index</td>
<td>0.228***</td>
<td>−0.221</td>
</tr>
<tr>
<td></td>
<td>(0.054)</td>
<td>(0.121)</td>
</tr>
<tr>
<td>Provincial income per capita</td>
<td>0.871***</td>
<td>−0.294</td>
</tr>
<tr>
<td></td>
<td>(0.067)</td>
<td>(0.253)</td>
</tr>
<tr>
<td>Population</td>
<td>17.836***</td>
<td>255.54***</td>
</tr>
<tr>
<td></td>
<td>(0.905)</td>
<td>(43.42)</td>
</tr>
<tr>
<td>Central region</td>
<td>0.192***</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>(0.047)</td>
<td></td>
</tr>
<tr>
<td>Coastal region</td>
<td>0.142**</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>(0.055)</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>−3.424***</td>
<td>−6.026***</td>
</tr>
<tr>
<td></td>
<td>(0.199)</td>
<td>(0.518)</td>
</tr>
<tr>
<td>R-sq (adjusted)</td>
<td>0.710</td>
<td>0.629</td>
</tr>
<tr>
<td>D–W</td>
<td>2.122</td>
<td>2.140</td>
</tr>
<tr>
<td>No. of observations</td>
<td>446</td>
<td>51</td>
</tr>
</tbody>
</table>

Notes: Same as Table 2.
Sources: Same as Table 2.
over major provinces such as Guangdong. In 1997–98, for the first time in more than a decade, the center brought in ‘outsiders’, including Political Bureau member Li Changchun and former deputy central bank governor Wang Qishan, to take over the top positions in party and government from Guangdong natives.

Thus, because of the different political dynamics for central cities and other provinces, our analyses have found partial support for both of our models. While the regression results derived from analysis of the central cities data confirm our initial suspicion, we are somewhat surprised by the results concerning the other provinces. This prompted us to examine whether these results held across time as well. We decided to make this analytical move in response to the central hypothesis advanced by Susan Shirk on leadership succession and the distribution of benefits to potential supporters.

According to Shirk, top Chinese leaders (including Communist Party general secretary and members of the Political Bureau) are not popularly elected by voters but are chosen by a selectorate that the top leaders have had a hand in filling. By the terms of the Communist Party (CCP) constitution, the selectorate should be the CCP Central Committee, though in practice the exact composition of the selectorate has been hard to pin down and has included party elders or patriarchs holding no official positions. Nevertheless, the Central Committee’s influence is expected to grow as the number of party elders is reduced by death. Owing to the lack of clear institutional rules about leadership selection and succession, top Chinese leaders and contenders for these positions must try to win the support of the selectorate.

While the relative influence of the selectors is difficult to fathom, Shirk assumes that numbers in the selectorate make a difference. As rational politicians responding to career incentives, Chinese policy makers competing for the top must play to the selectorate and especially the largest blocs in it. As one of the largest blocs, Central Committee members from the provinces are thus expected to have clout. In this sense, Shirk offers a variant of the institutional interest model. Yet, by linking succession with the distribution of political benefits, she goes a step further. We not only expect a positive statistical relationship between the allocation of central resources and provincial representation on the Central Committee, we expect the relationship to hold especially in years of political succession or when the central needs such support the most, such as during the crisis of 1989.

In an earlier study, Yang offered a preliminary test of the Shirk thesis using provincial revenue balance data for 1987 and found no statistical support for the thesis. But Yang’s data was for 1987 only. It is conceivable that the Shirk thesis is better supported for other years. Here we group our data, for all provinces except the three central cities, into two categories. In the first category are years of political normalcy; in contrast, we put data for years with ‘severe political environment’ into a second category. We define years of ‘severe political environment’ as ones in which tight political and ideological controls were attempted in anticipation of political succession in connection with the Communist Party’s

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national congress or in response to social protests. For the period covered in this study, we classify the years of 1978, 1982, 1986, 1987, 1989 and 1992 as ones of ‘severe political environment’. The rest belong to the normal category. For Shirk’s political succession thesis to be supported, a positive and a statistically significant relationship between provincial representation on the Central Committee and the allocation of central resources is expected for the years when the political environment is ‘severe’.

We present the regression estimates for different types of political environment in Table 4. As indicated in the first column of the table, the basic relations for all variables in years of political normalcy are the same as those in the first column of Table 3. The estimate for the Central Committee Index is positive and significant at the 0.01 level. In other words, in years of political normalcy, greater provincial representation on the Party Central Committee translated into more state investment in the province, thus giving support for the institutional interest model. When the political environment becomes ‘severe’, however, the positive relationship between the Central Committee Index and investment resource allocation ceases to be statistically significant ($p = 0.205$). This means that, even though provincial representatives are expected to promote the interests of their provinces, their effectiveness varies with the macro political environment. They are more likely to be successful in calmer political environments. In times of political transition or emergency, the influence of provincial interests in central resource allocation diminishes.

Thus, our analysis does not support Shirk’s thesis on the linkages between competition for political succession and distributional benefits for the 1978–1994 period. Nevertheless, leaving the succession competition thesis aside, the data does

<table>
<thead>
<tr>
<th></th>
<th>Normal political environment</th>
<th>Severe political environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Committee Index</td>
<td>0.291*** (0.068)</td>
<td>0.113 (0.089)</td>
</tr>
<tr>
<td>Provincial income per capita</td>
<td>0.775*** (0.079)</td>
<td>1.136*** (0.127)</td>
</tr>
<tr>
<td>Population</td>
<td>16.875*** (1.140)</td>
<td>19.780*** (1.484)</td>
</tr>
<tr>
<td>Central</td>
<td>0.215*** (0.059)</td>
<td>0.140 (0.078)</td>
</tr>
<tr>
<td>Coastal</td>
<td>0.170** (0.068)</td>
<td>0.049 (0.095)</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-3.210*** (0.250)</td>
<td>-3.784*** (0.326)</td>
</tr>
<tr>
<td>R-sq (adj)</td>
<td>0.703</td>
<td>0.728</td>
</tr>
<tr>
<td>D–W</td>
<td>2.159</td>
<td>1.972</td>
</tr>
<tr>
<td>No. of observations</td>
<td>289</td>
<td>157</td>
</tr>
</tbody>
</table>

Notes: Same as Table 2.
Sources: Same as Table 2.
suggest that Shirk’s emphasis on political institutions and the allocation of resources (including preferential policies) is fruitful and deserves more careful research. For the time period covered here, we have found a significant relationship between political representation and resource allocation. We believe that, as Chinese politics moves beyond the era of strongmen and becomes more institutionalized, the influence of different interests, including that of the provinces, will likely increase, especially after the major government restructuring announced in 1998 is implemented.

**Discussion and conclusion**

We proposed to test for how political institutions, rather than personalities and idiosyncratic factors, have affected the distribution of resources in China during the reform era. Adjusted for common control variables, we find that the distribution of investment resources among China’s provincial units—averaging more than 40 million people each currently—does follow some interesting and systematic patterns. These patterns allow us to contribute to a more fine-tuned understanding of China’s political economy during the transition from plan to market.

The most important pattern to emerge from our data analysis points to the importance of formal political institutions that recent scholarship has begun to emphasize. In general, those provinces that enjoyed greater representation on the Central Committee stood to benefit more in the allocation of state sector investments. This finding underscores the transformation that China has undergone in the post-Mao era to allow for the expression of special interests. While individual leaders and idiosyncratic factors continue to be important in understanding Chinese politics and economy, political scientists have an obligation to examine the deep underlying patterns in Chinese politics.

Yet the pattern between representation and allocation does not hold at all times and places. Confirming a truism about China and other large countries, significant regional and temporal variations of central–local relations exist in China, thus calling into question any attempt to encapsulate Chinese political economy in simple terms or models. Temporally, the data analyses suggest that the center can render the interest-based resource distribution process inoperable in times of political transition and emergency, thus alluding to the continual significance of top-down political controls in China and providing support for the autonomous center model. Other scholars, such as Yasheng Huang, have come to similar conclusions regarding the control of macroeconomic policies.39 The central leadership, as is commonly known, tends to tighten its grip when it perceives serious political challenges or threats. It is only in periods of political calm that the institutional interest model comes into play, suggesting that the center becomes more tolerant of special interests and lobbying in these times.

The different dynamics for central cities—Beijing, Tianjin, and Shanghai—also point to the significance of central control. Because of their economic (revenue)

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contributions and their potential, as urban centers, for organized political opposition to the state, the central leadership has tended to give these cities, and more recently Guangdong, higher political ranking, in the form of membership on the Political Bureau, in order to ensure control over these places. Political representation can thus be a double-edged sword. Like good wine, moderate consumption may be conducive to a more healthy heart but taking too much of it can actually be harmful to your interests. Thus, the autonomous center model best captures the political dynamics of this group of central cities.

Our findings also have important implications for the burgeoning literature on central–local relations in China. While recent studies of these relations have gone beyond portraying these relations as zero-sum, much attention remains riveted on uncovering the logic underlying these relations. In contrast, we believe our findings show that there is no single logic for central–local relations in China. Our study also opens up new questions. Under what conditions do certain types of central–local interactions take place? Do central–local relations vary across policy domains? What impact do other institutions, such as the National People’s Congress, have on central–local relations? What is the effect of uncertainty in central government intervention on the incentives and behavior of local officials? We hope that future research will provide answers to these questions.

Appendix

Table A1. Summary of statistics (for all provincial units)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial share of capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>construction investment</td>
<td>0.003</td>
<td>0.144</td>
<td>0.032</td>
<td>0.019</td>
</tr>
<tr>
<td>CCI</td>
<td>0.007</td>
<td>0.08</td>
<td>0.034</td>
<td>0.012</td>
</tr>
<tr>
<td>Provincial income per capita</td>
<td>0.36</td>
<td>5.67</td>
<td>1.01</td>
<td>0.765</td>
</tr>
<tr>
<td>Population</td>
<td>0.002</td>
<td>0.102</td>
<td>0.034</td>
<td>0.023</td>
</tr>
<tr>
<td>Central</td>
<td>0</td>
<td>1</td>
<td>0.31</td>
<td>—</td>
</tr>
<tr>
<td>Coastal</td>
<td>0</td>
<td>1</td>
<td>0.39</td>
<td>—</td>
</tr>
</tbody>
</table>

Notes: 1. CCI, provincial income per capita, and population have all been normalized in the data set to make them comparable across various years. CCI is normalized by the sum of provincial representation in the Central Committee in a given year (i.e. as a percentage of total provincial representation). Provincial income per capita is normalized by the national average in a given year, and population is the share of the national total in a given year.
2. For dummy variables, proportions rather than means are reported.