

the new drive for economic prosperity. In Kunming in the 1980s, for example, the city government had a difficult time enforcing preservation guidelines for the central city. Retail establishments sought to modernize their buildings as a means of generating greater profits, and city ordinances requiring new structures to be at least three stories tall conflicted with attempts to preserve traditional one- and two-story neighborhood landscapes. Moreover, preservation remains difficult to carry out throughout China in situations without state support. The most widespread "grass-roots" preservation effort in the post-Mao era has been the reconstruction of mosques by many of China's Islamic communities.

#### CONCLUDING REMARKS

The continued increase in spatial and functional specialization in Chinese cities is strongly tied to increased autonomy and diversity in the social and economic spheres. District specialization and intraurban travel are likely to increase as Chinese individuals and businesses continue to gain increasing control over where they live, work, shop, and gather for recreational activities. This trend is being accentuated by current urban planning tendencies, with urban administrators increasingly emphasizing citywide planning, in which specialized use zones and districts play an increasingly important role.

Whereas the Maoist city was predicated on a static population and a very specific ideal of urban life and space, the post-Mao city is developing in a context of greater socioeconomic and individual mobility and changing and increasingly complex economic organization and urban form. The new districts described in this chapter impose a complex and specialized network on the older forms of the Maoist city and the traditional city. The increasing specialization of districts within Chinese cities is a direct result of China's attempts at reform and redefinition. As the districts identified above continue to develop, and the strains on infrastructure increase, the emerging specialized structure of large Chinese cities will continue to diverge from the generalized model advocated during the Maoist period, and will present increasing challenges to Chinese urban planners, administrators, and residents.

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## Cities in the Chinese economic system: changing roles and conditions for autonomy

BARRY NAUGHTON

The lives of urban dwellers are shaped by the cities in which they live, and cities themselves are shaped by economic forces that extend well beyond urban boundaries. As economic systems change, the links between cities and national and international economies change, affecting the form of cities and the character of urban life. People cluster in large, dense population units not because they are gregarious but primarily because they can accomplish certain activities more productively in cities. This productivity differential creates the possibility of higher incomes and more rewarding lifestyles, which attracts people to cities in spite of the added costs of urban life. Both the opportunities and the freedom to take advantage of opportunities change during the process of economic reform.

In a socialist economic system, economic planners have enormous control over many economic decisions. Choices of individuals and households are still important, but they are shaped and constricted in significant ways by the choices made by planners. In China, even more than in other socialist countries, planners consistently made choices about the role and function of cities that tended to undervalue the contribution of cities. Particularly between the early 1960s and the late 1970s, planners restricted the growth of cities, and channeled resources away from cities, especially the existing large, often coastal, cities. Despite their antiurban biases, planners were forced to rely on these same cities to achieve their own objectives and to collect the financial resources they needed to run the economic system. Out of this contradictory mixture of neglect and dependence came urban development policies that crucially marked the life choices of urban dwellers, and rural residents

as well. Economic planners needed to control city economies, and the economic policies they adopted enforced that control. The needs and actions of economic planners in turn encouraged the adoption of social policies that emphasized social control and severely constricted the autonomy of urban dwellers.

After the initiation of economic reform, and particularly since the mid-1980s, these policies have been relaxed in important respects. Some observers might have supposed that the relaxation of antiurban policies would lead to a resurgence of the traditional urban centers, yet by and large that did not happen during the first decade of reform. In part, this is because some crucial elements of the old policy remained in place, most notably the prohibition against permanent migration to large cities. Even more important, however, is that reform has caused substantial changes in the broader economy within which the role of cities is determined. Those changes have tended to reduce the distance between urban and rural activities and create a more diffuse, sprawly pattern of urban development. As markets have grown, and as cities have tended to spread beyond their initial boundaries, the need for planners to exercise tight control over city economies has become less compelling. Planners have devolved greater power to city governments, and urban dwellers have gained more control over their own lives. The character of cities, and thus of urban life, has been markedly altered.

#### CITIES IN THE TRADITIONAL ECONOMIC SYSTEM

*Chinese urbanization and socialist industrialization strategy.* A neglect of the economic importance of cities is deeply rooted in socialist industrialization strategy, and may also have been reinforced by the relatively weak development of cities in China before the revolution. Industrialization strategy in almost all socialist countries has included the desire to achieve industrialization with minimum urbanization costs.<sup>1</sup> This approach reflected a fairly straightforward, if shortsighted, cost-benefit assessment of urbanization. The goal was seen as achievement of industrialization on a nationwide scale, and urbanization was viewed primar-

<sup>1</sup>Kam Wing Chan, "Economic Growth Strategy and Urbanization Policies in China, 1949-1982," *International Journal of Urban and Regional Research* 16, no. 2 (June 1992): 275-305; Gyorgy Konrad and Ivan Szelenyi, "Social Conflicts of Underurbanization," in Michael Harloe, ed., *Captive Cities: Studies in the Political Economy of Cities and Regions* (New York: John Wiley, 1977), 157-74.

ily as a cost incurred in the pursuit of industrialization. Cities were costly because urban infrastructure—housing, sewage, and streets—was expensive, and because urban dwellers demanded additional commercial and entertainment facilities. Thus, while a certain amount of urbanization was seen as an inevitable part of the industrialization process, the objective was to minimize those costs to the greatest extent possible. This meant slowing down the urbanization process in general, and in particular redirecting urbanization toward smaller urban centers, where costs were lower.

Moreover, planners attached little importance to the economic institutions that are at the core of city economies in market regimes. Financial institutions, commodity markets, advertising agencies, consulting firms—planners perceived, quite correctly, that the administrative decision-making processes over which they presided were designed to replace these market institutions. In their view, independent institutions of this sort were obsolete, and so cities no longer needed to develop in ways supportive of those institutions. Urbanization was perceived as being one of many spontaneous and disorderly market-driven processes that were to be replaced by the self-conscious activity of the planner acting in the public name. During the 1920s in the Soviet Union, utopian urban planners envisioned both city and countryside disappearing in a reconstructed factory landscape, with rationally organized production spread evenly across the land. These extreme visions faded with the triumph of Stalin, and planners accepted that urbanization was a necessary concomitant of industrialization. Nevertheless, hostility to the largest cities remained one of the central features in urban development theory.<sup>2</sup> A fundamental orthodox tenet in both Soviet and subsequently Chinese urban policy was that the development of large cities should be restricted, and that urban growth should be channeled into medium and small cities.

Such attitudes may have been readily accepted in China because of the country's limited urbanization before 1949. China had no strong tradition of independent cities and limited development of an independent urban culture. Max Weber believed that the lack of urban autonomy was one of the most important reasons that China did not independently initiate a process of modernization and industrialization.<sup>3</sup> Work on the

<sup>2</sup>James H. Bater, *The Soviet Scene: A Geographical Perspective* (London: Edward Arnold, 1989), 94-108.

<sup>3</sup>Max Weber, *The Religion of China* (New York: Free Press, 1951), 13-20. Weber argues, "The Chinese city . . . differed decisively from that of the Occident . . . and lacked polit-

Chinese traditional economy has stressed the sophisticated commercial development of China's rural areas and smaller urban centers, suggesting that a "bottom-heavy" economic system existed.<sup>4</sup> China's cities began to play an autonomous and catalytic role only with the arrival of the foreigner. The treaty port cities grew rapidly and—while undeniably creative—they were accompanied by the aura of corruption that came from excessive foreign influence and cooperation with the imperialists. It became reasonable to think of draining cities of the resources that fed this corruption. The Communist revolution achieved its first real successes in the countryside, and finally seized the cities only after the civil war had been won. There was thus a nativist strain of antiurban thought in China, drawing from the rural revolution and the fact that large cities had grown up primarily under foreign aegis.<sup>5</sup> Mao Zedong seems to have had a real aversion to big cities, and his antiurbanism became prominent after the Great Leap Forward (1958–60). The initial draft of the Third Five-Year Plan (in 1964) called for some migration to urban areas, which had been stripped of population in the aftermath of the Great Leap Forward. Mao's comment was: "No way." As late as 1978, urban planners were taking as the guideline Mao's laconic comment: "It's no good if cities are too big" (Chengshi taidale, buhao).

By the 1950s, the period of maximum direct Soviet influence in China, Soviet doctrine on urbanization had been modified from its earlier strictly antiurban stance. As industrialization proceeded, urban planners

ical autonomy. . . . The city as an imperial fortress actually had fewer formal guarantees of self-government than the village. . . . The prosperity of the Chinese city did not primarily depend upon the citizens' enterprising spirit in economic and political ventures but rather upon the imperial administration. . . . [T]hey failed to create a system of guild privileges comparable to that of the West during the Middle Ages. . . . this also accounted for the absence of fixed, publicly recognized, formal and reliable legal foundations for a free and cooperatively regulated organization of industry and commerce. . . . These were the legal foundations beneficial to the development of petty capitalism in occidental medieval artisan crafts but in China they were absent because the cities and guilds had no politicomilitary power of their own." This Weberian strain was further developed by Etienne Balazs.

<sup>4</sup>Madeleine Zelin, "The Structure of the Chinese Economy during the Qing Period: Some Thoughts on the 150th Anniversary of the Opium War," in Kenneth Lieberthal, Joyce Kallgren, Roderick MacFarquhar, and Frederic Wakeman, Jr., eds., *Perspectives on Modern China: Four Anniversaries* (Armonk, N.Y.: M.E. Sharpe, 1991).

<sup>5</sup>But see the excellent discussion on this point in R. J. R. Kirkby, *Urbanisation in China: Town and Country in a Developing Economy 1949–2000* (London: Croom Helm), 1–18. Kirkby concludes by stressing that "the purpose of constraining urban concentration in China has been to enhance, rather than to curtail, the role of the cities as loci of production." Thus industrialization without urbanization remains the most important explanatory framework.

in the Soviet Union compromised with the demand for cities. Officials of industrial ministries sought to place their projects near the largest cities for reasons of convenience and because they recognized that productivity was higher in those locales. (Thus, the bureaucracy did respond to market forces of a sort.) Beginning in the 1950s, Soviet planners accepted the need for better housing, and allowed resources to be devoted to improving deplorable housing. Planners adapted to these economic forces by accepting increased urbanization but channeling urban growth into distinctive forms. Old center cities were usually left intact, and new growth channeled into the outskirts of the city. New districts (*rayon* in Russian) were constructed that combined factories and high-rise residences, theoretically allowing workers to walk to work. In a sense, while Russian planners accepted increased urbanization, they retained a preference for dispersed development patterns within that urbanization that can perhaps be linked to earlier antiurban attitudes. High-density districts were frequently separated by wide expanses of green or open space, as in garden-city visions. Additional open space was created for symbolic political centers, replicating Moscow's Red Square. Transport corridors were required to connect outlying and traditional centers. These cities required huge amounts of land to accommodate their populations. Moreover, both Moscow and St. Petersburg display the peculiar fact that population densities actually *increase* as one moves away from the center city, in contrast to the opposite pattern that prevails quite consistently in cities in market economies.<sup>6</sup> Such an approach was certainly not a cost-minimizing way to achieve urbanization (particularly if land costs had been taken into account). In fact, significant sums were invested in costly urban improvements, primarily by purchasing open space in inappropriate locations at high prices. The policy shared with the earlier antiurban attitude, though, a hostility to dense and complex development of center cities, and particularly large cities.

During the 1950s, it was this modified version of Soviet doctrine that made the most visible mark on Chinese cities. Existing coastal cities such as Shanghai and Tianjin were starved for resources while investment went to create a new, more dispersed pattern of urban growth. Resources were expended rather lavishly on cities designated

<sup>6</sup>World Bank, *China: Urban Land Management in an Emerging Market Economy* (Washington, D.C.: World Bank, 1993), 2, 38; Batey, *The Soviet Scene*, 111–28.

for key-point development, typically in inland regions of China. To this day, the broad divided boulevards, large squares, and dispersed housing blocks are evident in districts of key-point cities such as Luoyang, Zhengzhou, and Shenyang. Existing cities commonly requisitioned large amounts of land during the 1950s, often doubling or tripling in area. The consequences of this period remain visible in the wide variations in open space and other amenities provided in the 1950s cities compared to the traditional urban centers. Denser older cities such as Shanghai, Tianjin, and Chongqing have only about 3 square meters of open space per resident (including streets, squares, and parks), while Beijing has 10 square meters and Shenyang 8.5, primarily reflecting the 1950s construction.<sup>7</sup> Despite these amenities, of course, most Chinese would prefer to live in the more interesting and productive, crowded but vital traditional centers. What is striking about this period is thus not the underestimation of the benefits of cities overall, but rather the deprecation of the older coastal cities.

After the collapse of the Great Leap Forward, Chinese planners found themselves faced with increasingly serious economic challenges.<sup>8</sup> Unwilling to moderate the pace of industrialization in order to support more rapid growth of living standards, planners found themselves unable to afford the relatively expensive urban development of the 1950s. At this point, the even more radically antiurban strain of socialist industrialization policy became dominant—in a sense, Chinese policy went back to an earlier strand in Soviet industrialization policy, marked by greater hostility to cities and a greater effort to restrain the growth of living standards. In the mid-1960s, Mao Zedong launched an even more extreme policy of dispersing economic activity away from existing urban centers. Mao's Third Front industrialization strategy, carried out between 1965 and 1971, sent industry into the far hinterland in massive proportions. Skilled manpower followed the plants outward.<sup>9</sup> A few new

<sup>7</sup>Zhang Chaozun, *Zhongguo shehuizhuyi tudi jingji wenti* (Questions of land economics in Chinese socialism) (Beijing: People's University, 1991), 244–45; World Bank, *China*, 42–46. The eighteen key-point cities of the First Plan period were Beijing, Chengdu, Luoyang, Zhengzhou, Wuhan, Xi'an, Xuzhou, Shenyang, Anshan, Datong, Shijiazhuang, Qiqihar, Harbin, Jilin, Changchun, Lanzhou, Taiyuan, and Baotou. Not all experienced extensive urban construction.

<sup>8</sup>During the Great Leap Forward itself, urban construction continued at a rapid pace, as cities plunged into grandiose investments. This was the period, for example, when the complex of public buildings around Tiananmen Square in Beijing took shape.

<sup>9</sup>Barry Naughton, "The Third Front: Defense Industrialization in the Chinese Interior," *China Quarterly*, no. 115 (Autumn 1988).

urban centers were created, such as Dukou in Sichuan, site of the Pan-zhuhua steel mill. In those cases, the urban model was quite similar to that of the Soviet-inspired planning projects of the 1950s. But more commonly, Third Front projects attempted to dispense with urbanization altogether. Industrial projects were dispersed in mountainous terrain, and workers' dormitories were built alongside the factories. The motivation for these policies was unambiguously military—population dispersion was adopted as a conscious attempt to reduce the vulnerability of the population to strategic attack. The Third Front was an extreme case of industrialization without urbanization.

This period was accompanied by a drastic restriction in the growth of existing urban centers. For most Chinese cities, urban development simply ceased for about a decade, between 1965 and 1978. Beginning around 1967, a policy of rustication of urban youth sent 17 million urban dwellers to the countryside. At the end of the Cultural Revolution, and after the death of Mao, nearly half these youths were still in the countryside. Shanghai, in particular, had a zero population growth rate during most of the 1960s and 1970s as emigration outweighed new births and modest immigration flows. There was even an antiurban model of industrialization advanced: the industrial settlement of the Daqing oil field accommodated several hundred thousand residents in dispersed clusters, each of which was supposed to combine agricultural and industrial production, minimizing settlement costs while maximizing output.<sup>10</sup>

Thus, for about fifteen years, China followed an explicitly antiurban approach that attempted to continue industrialization while minimizing urbanization. This movement occurred while the Soviet Union and other socialist countries were moving in the opposite direction, accepting more urbanization and investing large sums of money in urban housing and infrastructure. Thus, by the late 1970s, China stood out for the extreme lack of attention its urban areas had received; for the degree of neglect evident in its cities; and for the slow pace of urbanization. Yet in spite of this neglect, cities had not become any less important in the Chinese economic system.

*Cities as cash cows.* In China, as in other command economies, the government has been almost completely dependent on revenues from state-

<sup>10</sup>Zhao Xiqing, "A Brief Record of Thirty Years of Urban Planning Work in China," *Chengshi guihua* (City planning review) (January 1984): 45; Kirkby, *Urbanisation in China*, 15–16.

owned industry to fund its activity. The traditional planned economy had no regular taxation system; rather, the taxation system was implicit in the socialist price system. The government maintained low prices for agricultural and mining products, and high prices for manufactured goods. As a result, profits in the manufacturing sector were large, and factories were simply required to turn over those profits to the government. The predominance of state ownership in manufacturing allowed the state to tap into these profits directly in its capacity as owner of the factories. With revenues concentrated in a relatively small number of factories, the state could easily collect revenues, and the government was relieved of the difficult and politically sensitive task of taxing millions of households, farms, and petty traders. Inevitably, most factories were located in urban areas, and cities became the primary collection points for state revenues. The cities were cash cows for the government, and their main role was to be "milked" by the state.

Development of industry around the country did relatively little to reduce the central government's dependence on a few large cities. By 1978, despite years of attempting to disperse industry, 65 percent of total industrial output value was produced in the thirty-eight largest cities.<sup>11</sup> Almost certainly, these large cities produced an even higher percentage of total industrial profits, since state-run urban firms were substantially more profitable than state-run nonurban firms. What these numbers tell us is that the attempt to disperse industry into remote regions of the country was tremendously costly. Productivity was so much lower in the inland exurban sites that production remained concentrated in large cities in spite of the vast investment going to other locales. And since manufacturing production was concentrated in cities, the national government was almost entirely dependent on large cities for budgetary revenues.

Correspondingly, large cities paid an exceptionally large proportion of their national income to the national budget. Table 3.1 summarizes the evolution of the fiscal position of three cities. In 1978 in Shanghai, 69 percent of municipal gross domestic product (GDP) accrued to fiscal authorities, and 86 percent of this was remitted to the central government. Nearly 60 percent of municipal product was turned over to the national government. This had been the case in earlier years as well. The

<sup>11</sup>"Develop the Role of Small Towns," *Renmin ribao*, October 20, 1980: 5, translated in *JPRS Economic Affairs* no. 104: 17.

Table 3.1. *Municipal budgets in percent of municipal GDP (percent of budgetary revenues)*

	Total budgetary revenues	Remitted to center	Retained for local expenditure
<i>Shanghai:</i>			
1978	69.0 (100)	59.5 (86)	9.5 (14)
1985	56.0 (100)	46.1 (82)	9.9 (18)
1990	37.2 (100)	27.1 (73)	10.1 (27)
<i>Tianjin:</i>			
1978	52.0 (100)	34.4 (66)	17.6 (34)
1985	45.7 (100)	30.4 (67)	15.3 (33)
1990	29.2 (100)	15.8 (54)	13.4 (46)
<i>Guangzhou:</i>			
1978	31.8 (100)	22.6 (71)	9.3 (29)
1985	33.6 (100)	24.3 (72)	9.3 (28)
1990	18.4 (100)	11.3 (61)	7.1 (39)

Sources: Shanghai Statistical Bureau, ed., *Shanghai Tongji Nianjian* (Shanghai statistical yearbook), Shanghai: Zhongguo Tongji, 1991. 53; Tianjin Statistical Bureau, ed., *Tianjin Tongji Nianjian* (Tianjin statistical yearbook), Tianjin: Zhongguo Tongji, 1991. 267; interviews with Guangzhou Municipal budget officials. Figures include both revenues remitted to the municipal government and revenues generated within the municipality by central and provincial enterprises and remitted directly to central and provincial authorities.

situation in the other cities was similar in character, though not quite as extreme. Tianjin turned over 34 percent of municipal GDP to the national government in 1978, and Guangzhou turned over 23 percent. Tianjin and Guangzhou both retained about a third of fiscal revenues raised, compared with only 14 percent in Shanghai. (Table 3.1 also shows that this fiscal system began to change in the 1980s, and particularly after 1985: this point is discussed below.)

This pattern did not in itself represent extraction of revenues from cities. After all, the cities were able to accumulate such large surpluses in the first place only because state pricing policy made manufacturing such a lucrative activity. The point is simply that the national government was dependent on a fiscal system that used the larger cities as the

predominant point of revenue collection. Yet, given the existing tendency to devalue the economic role of cities, it was perhaps inevitable, that planners would look at cities primarily as cash cows and regard them simply as revenue sources to be exploited.

*Outcomes of the traditional pattern.* In practice, planners did take an essentially exploitative attitude toward existing cities. Cities were milked for revenues and output, while the minimum possible investment went into them. It was not, of course, that urban dwellers were "exploited" in any meaningful sense; quite the contrary, rural dwellers bore a far heavier burden from the state's price and taxation policies. Rather, cities as economic resources were exploited, in the sense that insufficient investments were made to maintain their long-run productivity. The most visible consequence of these policies was the stagnation and relative decline of the traditional urban centers. By the late 1970s, the central districts of Shanghai, Tianjin, and Guangzhou had an almost museumlike character, so little had they apparently changed from the 1930s. Yet actually only the facades had been maintained unchanged. Behind the walls of the old buildings, new activities were occurring: manufacturing and warehousing expanded, crowding out shops and residences. The density of activities, especially industrial activities, increased, even as the density of structures did not. Antagonistic uses were increasingly in proximity, and problems of noise, air, and water pollution became increasingly serious. Urban infrastructure was allowed to deteriorate and became increasingly overburdened.

Stagnation of the physical form of the core cities was an apt metaphor for stagnation of their economic function. The coastal cities gradually began to lose their economic and technological dynamism, and fell further behind world developments. With crucial economic decision-making increasingly in the hands of government administrators, urban economic institutions—finance and information particularly—atrophied. The complex web of services that undergirded urban productivity fell further and further behind growing industry; specific and idiosyncratic skills fell into disuse; and the superior access to information that had once existed gradually evaporated. While cities overall maintained their expected dominance of industrial production, the coastal cities that had led China's industrialization saw a dramatic decline in relative position. Shanghai and Tianjin together had accounted for 26.7 percent of total industrial output in 1952, but by 1978 this

had declined to 16.8 percent. The declining share of Shanghai and Tianjin followed inevitably from the development of new inland industrial centers. Nonetheless, such phenomena are unlikely to have been observed if China had pursued a market-led development path. Typically, during the early stages of industrialization, a few primary cities increase their dominant position, and only much later does industry spread to numerous secondary centers. At the early stages of development, growth is constrained by shortages of capital and skilled labor; as a result the largest cities have big advantages in offering a diversified pool of workers, access to capital and information, and connections to world markets. Instead of developing many specialized cities, many different industries cluster in the biggest city or cities. That is what was happening in China before the 1949 revolution.<sup>12</sup> The relative decline of cities such as Shanghai and Tianjin occurred too soon and proceeded too rapidly.

Beyond the obvious implications of physical and economic stagnation, the twin policies of neglect and exploitation of cities led to other consequences that may be somewhat less obvious. The single-minded focus on the extractive role of cities fostered an extreme division of labor between cities and the countryside, as a natural outcome of the Chinese fiscal mechanism. Revenues were raised primarily in the form of profits and taxes on manufacturing. Because manufacturing profitability depended on access to cheap agricultural products used as industrial raw materials, planners had a strong incentive to maintain the state monopoly over agricultural procurement, in order to control supplies and prices. To maintain control over the agricultural surplus, the government insisted that virtually all rural workers should be farmers, since rural handicrafts and factories would merely compete for agricultural raw materials. By the mid-1960s, as documented by Fei Xiaotong and others, the traditional diversified rural economic base had been destroyed, and the rural economy had become overwhelmingly concentrated on agriculture. Chinese statistics show an almost unbelievable 97 percent of the rural labor force engaged in agriculture as of 1965.<sup>13</sup> When rural industry began to grow again, after 1970, it was from this minuscule base,

<sup>12</sup>Andrew Hamer, "Decentralized Urban Development: Stylized Facts and Policy Implications," in Roland Fuchs, Gavin Jones, and Ernesto Pernia, eds., *Urbanization and Urban Policies in Pacific Asia* (Boulder: Westview, 1987), 195-213.

<sup>13</sup>State Statistical Bureau, *Zhongguo laodong gongzi tongji ziliao 1949-1985* (China labor and wage statistical materials 1949-1985) (Beijing: Zhongguo Tongji, 1987), 80.

Table 3.2. *Structure of employment (percent of non-primary sector employment)*

	Secondary (ind + const.)	Industry	Tertiary (services)
Shanghai 1978	67.3	(60.5)	32.7
Shanghai 1990	67.9	(60.8)	32.1
Tianjin 1985	63.9	(54.9)	36.1
Tianjin 1990	61.7	(53.8)	38.3
Guangzhou 1978	57.1	(—)	42.9
Guangzhou 1990	50.3	(41.9)	49.7

Sources: Shanghai Statistical Bureau, ed., *Shanghai Tongji Nianjian* (Shanghai statistical yearbook), Shanghai: Zhongguo Tongji, 1991, 72–73; Tianjin Statistical Bureau, ed., *Tianjin Tongji Nianjian* (Tianjin statistical yearbook), Tianjin: Zhongguo Tongji, 1991, 185; Guangzhou Statistical Bureau, ed., *Guangzhou Tongji Nianjian* (Guangzhou statistical yearbook), Guangzhou: Zhongguo Tongji, 1991, 340–41.

and with few links to the traditional economies of advanced rural regions.

Conversely, Chinese cities were overwhelmingly specialized in manufacturing. Table 3.2 shows the structure of employment in the three most important coastal cities (agricultural and mining employment has been excluded to eliminate the effects of changing urban boundaries). In all three cities, well over half the urban labor force was employed in industry in 1978. (Equally surprising is the fact that, except in Guangzhou, this structure did not change much in the succeeding twelve years. These employment figures, however, exclude the floating population that provides many of the petty retail services in cities today; they thus understate the degree of change. See Chapter 5 in this volume.) The huge share of manufacturing and the correspondingly small share of services derives naturally from the overall evolution of the urban function. Service employment is low for two reasons. First, in an attempt to economize on industrialization costs, the government systematically starved the urban areas of investment in consumer services and correspondingly sought to expand industrial employment directly. In 1952, there had been one retail sales clerk for every 81 urban dwellers; by 1965, there was a single clerk for every 216 dwellers, a figure virtually unchanged in 1978.<sup>14</sup> Second, service sector employment is low because planners

<sup>14</sup>*Zhongguo tongji nianjian* 1991 (China statistical yearbook), Beijing: Zhongguo Tongji, 1991, 581. Substitution of personnel within the work-unit may account for some of this decline. See Chapter 2 in this volume.

have appropriated many economic coordination functions of cities, which ordinarily generated employment. Thus, in the economy as a whole, service employment was far below what we would anticipate (for countries at comparable levels of development), and the labor force was divided between a rural agricultural labor force and an urban predominantly industrial labor force.

This stark demarcation between the employment opportunities of urban and rural dwellers was followed by severe restrictions on population mobility. Even though policymakers underestimated the importance of cities to the national economy, they granted urban dwellers a privileged place in that economy. Urban incomes were substantially higher than rural incomes. More fundamentally, pricing policy concentrated economic opportunities in the modern sector, itself overwhelmingly concentrated in cities. As a result, returns not only to labor but also to capital and entrepreneurship were potentially much higher in urban areas. In an uncontrolled economic environment, resources, including labor, would relocate to areas where returns were higher.

After the Great Leap Forward disaster, policymakers became acutely conscious of the dangers of uncontrolled flows of resources—particularly labor—from agriculture to urban areas. They imposed strict controls on rural-urban migration. These controls institutionalized and protected the privileged position of urban dwellers. Thus, while cities as economic entities were discriminated against, urban dwellers benefited from the main thrust of economic policy making. The cost, however, was tight controls over labor mobility, and a built-in disequilibrium between urban and rural incomes.

The sharp divide between urban and rural occupations and income also found a physical reflection in the form of cities. Chinese cities, as of the late 1970s, did not sprawl into the countryside. Spatial growth had been effectively limited since the mid-1960s. Cities were relatively compact, given their large populations, and had high densities. A sharp line divided the city from its surrounding agricultural hinterland. Indeed, the average urban dweller, even in Shanghai, the largest metropolis, could easily ride a bicycle to the edge of the city, and then continue out into a countryside that was markedly different from the city itself. The sharp distinction between urban and rural lives was visible in the abrupt end, the “hard edges” of cities. This physical form was only apparently a metaphor for the urban/rural divide; in fact it was the direct physical expression of policies that concentrated eco-

conomic opportunities in cities and then sharply limited access to those opportunities.

*Social consequences of the urbanization pattern.* The economic system described here is peculiar in that many of its features implied the need for strong and intrusive social control exerted over city populations. This follows first of all from the basic nature of the planned economic system itself. The traditional hierarchical economic system required direct administrative control over urban production units. In order for the command economy to function, an institutional framework of command had to be in place. Once that structure existed, it was convenient (i.e., economical) to use that structure for provision of benefits, social control, and other functions. Even more important was the need to control the financial revenues raised in cities. In order to ensure a continuing flow of ample budgetary resources to the central government, tight control over urban economies had to be maintained. The delivery by Shanghai of 60 percent of its GDP to the national authorities exemplifies the relationship between cities and their governmental superiors. Since municipal governments were engaged primarily in collecting revenues and handing them over to higher level provincial or national governments, municipal governments had to serve as agents of higher levels and have limited autonomy themselves. And indeed, at the end of the 1970s municipal governments had almost no autonomous financial resources, and precious few financial resources of any kind.<sup>15</sup> Municipal governments did play an important role in managing industrial enterprises—but the resources they controlled remained within the industrial systems, in order to further the goal of industrialization without urbanization.

The drive for social control occasioned by the need to command urban resources was powerfully reinforced by the need to prevent uncontrolled movement by individuals. The disequilibrium between incomes in cities and in the countryside implied a strong latent demand for movement into the city that, in the eyes of planners, had to be contained. Administrative regulations were strengthened to guard the integrity of the two separate economic subsystems, with different relative prices and rules of

<sup>15</sup>Nanjing Finance Bureau, "The Role of Urban Finance during the Readjustment Period," *Caimao jingji congkan* (Finance and trade economics digest) 5 (1981): 13-17.

operation. Moreover, with labor mobility between rural and urban areas virtually eliminated, labor mobility among urban work-units also gradually faded away. In sharp contrast to the reality in Soviet workplaces—where labor mobility of blue-collar workers was high—Chinese urban workers gradually lost the ability to change jobs. Restrictions on long-distance migration encouraged the inherent tendency of the system to treat workers as appendages of individual work-units. Workers became permanent members of their work-unit, upon which they were dependant for social services and ration cards, as well as wages. The result was a complicated and dense network of dependencies that kept workers thoroughly enmeshed in relations of obligation and control.<sup>16</sup> The ability of the work-unit to serve as a unit of surveillance and social control was correspondingly enhanced. The work-unit therefore became the basic unit of urban society, increasing the ability of political authorities to control individual behavior, and decreasing the scope for individual autonomy. Tight administrative control of urban areas under the traditional economic system was not accidental, but rather followed from clear economic imperatives. Doubtless, tight social control is a general characteristic of Communist societies, and would have existed in China regardless of the particular way in which cities were integrated into the economic system. But China by the late 1970s was structured such that economic factors strongly reinforced political factors, leading to an urban population that was extraordinarily subject to surveillance and political control, even by the standards of the Communist states.

The other fundamental social consequence of the restrictions on urban growth and immigration was the policy of increasing female labor force participation. In the 1950s, women had difficulty entering the urban labor force, and planners had difficulty providing jobs to all potential workers.<sup>17</sup> But as strict limits on city growth came into effect after the mid-1960s and industrialization continued while many graduates were sent out of the cities, unemployment gradually disappeared, and female labor force participation rates increased steadily. By the late

<sup>16</sup>Andrew Walder, *Communist Neo-traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986). Walder argues that these outcomes are basically the same in the Soviet Union and in China. However, the absence of labor mobility in China does represent a fundamental difference between the two environments.

<sup>17</sup>Christopher Howe, *Employment and Economic Growth in Urban China, 1949-1957* (Cambridge: Cambridge University Press, 1971).

1970s, almost all urban women entered the labor force after leaving school, and high female labor force participation became an essential characteristic of urban society.

Increased female labor force participation has numerous important implications that cannot be explored here. Note simply that increased female labor participation, combined with a reduction in availability of urban services, greatly reduced the amount of leisure time available to families. (See Chapter 6 in this volume.) Women took on double duties as wage-earners and household workers, and without having any commercialized household or consumer services available for support. Hours were taken up queuing for scarce goods. The urban public social sphere declined in importance as the importance of work-units organized around major employers increased. The external growth of cities was constrained, but the intensity of labor within the cities—like the intensity of land use within the same cities—increased. Here again, the imperatives of the economic decisions made at the top reinforced those of the political decisions made, since this was also the time when personal autonomy and leisure time were sharply restricted by successive political campaigns. Urbanites had little free time.

Not everything about urban daily life was negative. Employment was virtually guaranteed, so life held little economic risk or uncertainty. Lack of commercialization meant that the visual environment was quiet, to the point of being dull. Restrictions on immigration meant that streets were not unduly crowded—at least given the initial high population densities involved—and that there were scarcely any shantytowns or homeless, though many lived in extremely cramped quarters. Thus, although leisure was scarce, life was not particularly stressful. The daily routine was busy but predictable; aspirations were limited, in part because social controls were so pervasive. Outside the immediate family circle, the most dramatic occurrences would have been the political campaigns that occasionally broke from their usual monotony and turned exciting or dangerous.

#### BEGINNINGS OF REFORM AND EMERGENCE OF A NEW PATTERN OF URBANIZATION

With the beginning of China's reform era, after December 1978, great changes in the economic system began. China's neglect of its coastal urban centers was already obvious to those paying attention. Indeed,

even before the beginning of reform, during the mid-1970s, government investment began to shift back toward coastal cities where productivity was higher. Thus, it was reasonable to suppose that one of the effects of economic reform would be the resurgence of China's traditional urban centers, such as Shanghai and Tianjin, particularly since economic reform was accompanied by an opening to the world economy. Yet such a resurgence did not occur. Indeed, through the end of the 1980s, individual cities such as Shanghai and Tianjin continued to experience an erosion in their relative positions.

However, enormous economic dynamism quickly became evident in larger regions extending beyond traditional urban boundaries. Huge increases in output were recorded in large areas around existing cities—labeled rural in Chinese classification, but more accurately considered suburban. The areas where this phenomenon was most obvious were the Pearl River Delta (between Guangzhou and Hong Kong) and the Lower Yangtze, particularly the southern part of Jiangsu Province. This phenomenon provides insight into the changing role of cities in today's China: It shows that, in spite of the failure of traditional cities to take off, the traditional controls over cities and their economies are breaking down. The superior productivity of urban areas is now becoming manifest in larger metropolitan regions, rather than in narrowly defined center cities. As a result, the separation of city and countryside that so strongly marked the traditional economic system is being reduced. These changes are caused by broader changes in the economic system, and present opportunities for increased urban autonomy.

*The take-off that didn't happen.* By the 1980s, attitudes toward cities were beginning to shift in China. Awareness greatly increased of the importance of cities both as nodes of superior productivity and as centers of regional economic networks. The economist Yu Guangyuan, one of China's most prominent idea men, began arguing for the importance of city-centered economic development regions in 1982. Greater attention to the importance of cities was also manifest in the movement toward city-controlled counties, under which cities (especially smaller and provincial cities) were given administrative authority over suburban or peri-urban counties.<sup>18</sup> Geographers and urban planners began to ac-

<sup>18</sup>Laurence J. C. Ma and Gonghao Cui, "Administrative Changes and Urban Population in China," *Annals of the Association of American Geographers* 77, no. 3 (1987): 373-95.

Table 3.3. *Locally produced exports (billion U.S.\$ and percentage of national total)*

	Shanghai share		Tianjin share	
	Billion U.S.\$	Percentage	Billion U.S.\$	Percentage
1978	1.29	13.3%	—	—
1980	2.08	11.5%	.76	4.2%
1985	2.29	8.4%	.74	2.7%
1986	2.45	7.9%	.79	2.5%
1987	2.80	7.1%	.93	2.4%
1988	3.21	6.8%	1.10	2.3%
1989	3.56	6.8%	1.09	2.1%
1990	3.79	6.1%	1.14	1.8%

Sources: Exports produced within the municipality only—transshipments not included. Calculated from Shanghai Statistical Bureau, ed., *Shanghai Tongji Nianjian* (Shanghai statistical yearbook), Shanghai: Zhongguo Tongji, 1991; Tianjin Statistical Bureau, ed., *Tianjin Tongji Nianjian* (Tianjin statistical yearbook), Tianjin: Zhongguo Tongji, 1991.

knowledge the productivity of big cities, and the need for even the largest cities to grow was again acknowledged.<sup>19</sup>

Yet despite the more favorable attitude toward big cities, an urban take-off, based on reformist policies, never happened. A few numbers can trace the continuing process of decline that was experienced by Shanghai and Tianjin. We noted above that Shanghai and Tianjin's share of national industrial output had declined to 16.8 percent by 1978; this declined further to 10.2 percent by 1990. This picture of relative decline is also reflected in foreign trade performance (Table 3.3). In the early 1980s, planners in Beijing anticipated that Shanghai and other coastal cities would become export powerhouses. A continuing decline in the cities' share of domestic output might have been acceptable, if this were the price paid for success in competitive international markets. In fact,

<sup>19</sup>For example, see Zou Deci, "The Review and Prospect of Chinese Urban Planning from 1980s to 1990s," *China City Planning Review* 6, no. 3 (September 1990): 3-16; Zhou Yixing, "Relations Between the Industrial Output and the Size of Cities in China," *China City Planning Review* 5, no. 2 (June 1989): 3-11. The shift of emphasis in China mirrors a similar shift in urban planning circles in the West. In the 1950s, it was common to hear talk of "overurbanization," of unproductive "parasitic cities," and for planners to make serious efforts to restrain the growth of large cities. Such views began to be modified on a wide scale in the 1960s. On one side, programs to restrain large city growth failed with remarkable consistency—attempts to contain Jakarta, Manila, São Paulo, and Mexico City all failed spectacularly. The failure of attempts to limit city growth and redistribute urbanization toward secondary urban centers demonstrated to planners the strength of the economic forces at work in the determination of urban form. On the other side, some planners began to stress the importance of urban diversity and complexity from the 1960s. In the United States, this approach was eloquently exemplified in the works of Jane Jacobs.

existing cities have been outclassed in international markets by newly arising centers of production, most obviously the Pearl River Delta region linked to world markets through Hong Kong entrepreneurs.

Relative decline of traditional urban centers was evident throughout the 1980s. By the late 1980s, government leaders had become concerned about the slow pace of growth within traditional urban centers. Noticing the steady relative decline of Shanghai, the Beijing leadership began to worry that Shanghai might not make it in the new era. Newspaper stories began to appear: "Are Shanghai people losing their traditional pride?" Shanghai was becoming . . . a *backwater!* . . . all the action was in Beijing. Finally, around 1988, policy changed and began to countenance the injection of substantial new resources into Shanghai. In the early 1990s, Shanghai has emerged as a significant beneficiary of central government policy, for perhaps the first time since 1949.<sup>20</sup> Meanwhile, other traditional centers—such as Tianjin and Shenyang—continue to languish. New policies in the 1990s may well reverse the stagnation of the 1980s, but only if they are based on an acceptance of an even broader economic role for China's cities than has heretofore been the case. In order to understand the changing position of Chinese cities, we need to ask why Chinese cities did not take off during the 1980s.

*Unbalanced reform implementation.* China's cities lagged behind in the 1980s in part because economic reforms achieved earlier and quicker success in rural areas. While rural reforms did not precede urban reforms, they were more thorough and successful at a time, during the early 1980s, when urban reformers were still searching for a workable model.<sup>21</sup> Rural reforms simultaneously released surplus labor from agriculture—by disbanding the agricultural collective system—and opened up new opportunities for that labor by relaxing earlier prohibitions on rural nonagricultural activities. The result was a surge of economic activity that changed the face of the Chinese countryside. In one sense, then, China's cities lagged only in comparison to the dynamic course of reform and economic growth in the countryside. The coexistence in the early 1980s of a vigorous and successful rural reform and

<sup>20</sup>This statement depends on our definition of beneficiary. Here I mean simply that the central government treats Shanghai as a priority applicant for resources under central government control.

<sup>21</sup>For a full account, see Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform, 1978-1993* (Cambridge: Cambridge University Press, 1995).

a still floundering urban reform led to one description of the overall Chinese reform strategy as "surrounding the cities from the countryside."<sup>22</sup>

Moreover, even industrial reforms proceeded more slowly in the largest, most productive cities. For example, one of the key provisions of China's industrial reform has been the authority given state-run factories to buy and sell output outside the plan at market prices. The gradual marketization of China's industry has proceeded largely through the steady increase in the proportion of total factory output sold outside the plan. However, the 1985 industrial census showed that the proportion of industrial output sold independently by factories was *lowest* in Shanghai of any province-level unit, 35 percent compared with 54 percent nationwide.<sup>23</sup> Anecdotal evidence suggests that reform proceeded more slowly in Shanghai than other areas precisely because central planners were interested in retaining the revenues generated in Shanghai and the relatively high quality industrial products that only Shanghai could produce. In short, reform proceeded least rapidly in precisely those urban areas that appeared to be most productive and efficient at the outset of reform. As a result, economic growth lagged in the areas that would seem to have had the greatest potential advantage in market competition. The two municipalities of Shanghai and Tianjin, for example, were by far the slowest-growing province-level units throughout the 1980s.

Finally, restrictions on population movement have continued to hamper the growth of the larger cities. After 1980, large cities began to grow again after years of near-zero growth. But while big cities no longer grew less rapidly than medium cities, small cities (population of less than 200,000) grew significantly more rapidly than large or medium cities. An important reason for this differential performance is that restrictions on migration continue to be much more strictly enforced for cities with a population over half a million.<sup>24</sup> These restrictions have contributed

<sup>22</sup>Christopher Findlay and Andrew Watson, "Surrounding the Cities from the Countryside," in R. Garnaut and Liu Guoguang, eds., *Economic Reform and Internationalisation: China and the Pacific Region* (St. Leonards, Australia: Allen and Unwin, 1992), 49-78.

<sup>23</sup>Industrial Census Leading Group, *Summary Volume, 1985 Industrial Census* (Beijing: Zhongguo tongji, 1988), 122-25. The contrast was even greater than the averages indicate, because self-sales ratios were normally higher for light industry and heavy industrial manufactures (61 percent and 68 percent respectively), precisely the kind of industries in which Shanghai specialized.

<sup>24</sup>Zhou Yixing, "The Metropolitan Interlocking Region in China: A Preliminary Hypothesis," in Norton Ginsburg, Bruce Koppel, and T. G. McGee, eds., *The Extended Me-*

to channeling growth into smaller urban centers, including newly emerging small cities such as Xinji (described by Shue in Chapter 4). In addition, since attaining permanent residence in large cities is still nearly impossible, migrants attracted by the economic opportunity in large cities continue to fall into the twilight category of floating population. (See Chapter 5 in this volume.)

Thus, an unbalanced pattern of reform implementation has continued to harm large cities. Even though attitudes toward cities have swung remarkably toward a recognition of their superior productivity, actual policies have continued to disfavor cities, particularly large cities. This shows that earlier policies did not spring merely from "attitudes" toward cities, but rather from serious concerns about controlling output and revenue, and preventing excess urban migration, and that these concerns, while diminished, have not disappeared. Nevertheless, the changing role of cities, and their sluggish revival in the 1980s, cannot be understood solely with reference to the pattern of reform implementation. More profound changes with respect to the relationship between urban and rural areas and the overall progress of economic reform are at work.

*Rural industrialization and the urbanized countryside.* Of all the changes in the Chinese economy since the beginning of reform, perhaps the most striking has been the rapid growth of industrial production located in rural areas, such that the rural share of total industrial output grew from only 9 percent in 1978 to 27 percent in 1990. While urban industry has also grown rapidly, its growth has been overshadowed by the more spectacular performance of rural industry. Regional growth performance seems to reflect the importance of rural industry more than anything else. During the first half of the 1980s, industrial growth accelerated throughout the country, with no particular pattern, except for the slow growth of Shanghai and Tianjin.<sup>25</sup> However, during the second half of the 1980s, growth became concentrated in coastal areas—but not the existing urban centers. Five coastal provinces emerged as superior per-

*tropolis: Settlement Transition in Asia* (Honolulu: University of Hawaii Press, 1991), 93, 109.

<sup>25</sup>A strong pattern in the early 1980s is absent because some provinces had been disproportionately burdened by the policies of the Cultural Revolution period. Those provinces experienced recovery growth, while other provinces were accelerating to a new, sustainable high growth path. See David Denny, "Regional Economic Differences during the Decade of Reform," in U.S. Congress, Joint Economic Committee, ed., *China's Economic Dilemmas in the 1990s: The Problem of Reforms, Modernization and Interdependence* (Washington, D.C.: U.S. Government Printing Office, 1991) I: 186-208.

formers: ranked by annual industrial growth rates, they were Guangdong (18.5 percent), Fujian (17.6 percent), Zhejiang (17.5 percent), Jiangsu (16.4 percent), and Shandong (16.3 percent). The southern coast became the most dynamic region of the country, with growth radiating northward through the middle coastal provinces. Here, too, Shanghai and Tianjin were the two slowest-growing province-level units. The fastest-growing provinces were precisely those in which rural industries were playing a pivotal role in industrial development.

How can we explain this nearly unbelievable explosion of output from China's rural areas? The key lies in recognizing that the growth of rural industry is inseparably linked to a change in the economic role of large cities in the Chinese economy. Although rural industry is diverse, and a part of it produces goods (such as building materials) primarily for the local market, the bulk of rural industrialization might best be thought of as "suburban industrialization." This is especially true of firms that produce goods for "export" beyond the local community.<sup>26</sup> The most vigorous regions of rural industrial growth rely largely on the presence of neighboring cities. Urban areas provide investment, subcontracting relations, skilled technical and managerial personnel, and information about market access.<sup>27</sup> Rural industrialization mostly represents the spillover of urban economies from the bounds imposed on them by the command economy. Indeed, there is even a significant outflow of skilled urban workers to these rural enterprises. Chinese estimates are that 3 million urban people now work in "rural" firms. Four hundred thousand of these are in Guangdong, but large numbers are also recorded in Jiangsu and Shandong.<sup>28</sup>

These peri-urban regions are designated as rural by Chinese administrative classification, but few would unambiguously identify these regions as such. The suburban zones contain some of the most outstanding examples of entrepreneurship in the Chinese economy, as well as

<sup>26</sup>Dwight Perkins, "The Influence of Economic Reforms on China's Urbanization," in R. Y. Kwok, W. Parish, A. Yeh, and Xu Xueqiang, eds., *Chinese Urban Reform: What Model Now?* (Armonk, N.Y.: M. E. Sharpe, 1990), 91-95. This point has also been stressed by Bao Yongjiang of the Tianjin Academy of Social Sciences.

<sup>27</sup>Tao Youzhi, *Sunan muoshi yu zhifu zhi dao* (The Southern Jiangsu model and the route to wealth) (Shanghai shehui kexue yuan, 1988), 90, 99-100.

<sup>28</sup>"Folk from City Flock to Booming Rural Firms," *China Daily*, February 9, 1993. There were 300,000 in Jiangsu, 200,000 in Shandong, and over 100,000 each in Guangxi, Hubei, Zhejiang, Liaoning, Sichuan, Anhui, and Fujian. The source also mentions that many floating population rural residents have returned from sojourning in the cities to start enterprises in their hometowns, with their urban experiences having provided them with start-up capital and management and market experience.

some of the wealthiest individuals. In this zone, weak surveillance of economic activity intersects with abundant economic opportunity. At times entrepreneurship goes beyond the bounds of legality, and the suburban zone then becomes the site of China's quasi-legal "hidden economy."<sup>29</sup> In short, it is possible to get things done cheaply and relatively expeditiously in the suburban regions. Urban factories are also attracted by these opportunities: to expand without hiring new permanent workers; to find land to grow on; to cut costs to increase their own bonuses—for all these reasons, city factories sponsor and support rural firms through subcontracting, joint ventures, and investment. The economic influence radiates out from the large cities, whose residents find expansion difficult within their own urban boundaries. Thus, belts of rural industry grow up around existing cities.

The most successful cases of rural industrial development in China are closely related to existing urban centers. The most spectacular example—the Pearl River Delta in Guangdong—owes its vitality not primarily to the city of Guangzhou but to the dynamism of Hong Kong, which by historical accident is separated from its suburban hinterland by a national boundary. Similarly, the lower Yangtze region is heavily dependent on the services provided by Shanghai and other existing urban centers. In terms of speed of growth, two additional emerging regions clearly fit this pattern: Shandong Province, in a belt stretching between Qingdao and Jinan; and the coastal region of Fujian. By level of development, the suburban regions of the Beijing-Tianjin-Tangshan region, and the extended metropolis around Shenyang in Liaoning, also appear to fit this pattern. In all these cases, dynamism in rural industry is closely related to the emergence of a new, more geographically extended urban region centered on an existing urban core.<sup>30</sup>

This pattern should not be surprising when viewed in a comparative Asian context. In most countries, center cities do not contain the bulk of industry. Rather, center cities act as service centers that underpin industrial growth in much larger hinterlands. This tendency, which is found to some extent in all market economies, is if anything stronger in East Asia than elsewhere. Indeed, it has been argued that Asian urbanization, particularly in paddy rice growing areas, tends to take on a distinctive form. These regions—originally densely populated agricul-

<sup>29</sup>Huang Weiding, *Zhongguo yinxing jingji* (China's hidden economy) (Beijing: Zhongguo Shangye, 1992), 69 and *passim*.

<sup>30</sup>Zhou Yixing, "The Metropolitan Interlocking Region," 98-108.

tural zones—are transformed under the impact of nearby cities into dense mixtures of agricultural and non-agricultural activities, a kind of urbanized countryside. The phenomenon is common enough that Japanese has a word for that type of landscape (*konjuka*), and it is also highly characteristic of Taiwan, where nearly the entire western plain might be considered an urbanized countryside. Similar stretches are discernible in central Java, Thailand, and the Philippines.<sup>31</sup>

In this type of urbanized countryside, good transportation and communications combine with an initially dense population to spread urban-type activities into the suburban and exurban fringe. These new urban activities do not completely drive out the preexisting agricultural activities, so the two types coexist in a crazy-quilt pattern of activities. Under these conditions, activities apparently do not need to be located within urban boundaries in order to experience the agglomeration economies characteristic of cities. Good transport and cheap agricultural labor are enough, but only if those conditions prevail in close proximity to an existing urban center that can provide essential coordination and service facilities.

Once we take the urbanized countryside as the norm against which Chinese urbanization can be compared, two general patterns immediately become evident. First, Chinese urban development until 1978 was almost the polar opposite of this Asian norm. The sharp “edge” between city and countryside was antithetical to the urbanized countryside. Moreover, despite the publicity given to rural industry in earlier periods, overall the level of nonagricultural activities among rural dwellers was much lower than would be expected for a country at China’s level of development.<sup>32</sup> Other Asian experiences would lead us to believe that many profitable opportunities to develop industry were being forgone in the immediate vicinity of large cities. Second, when we examine the rapid growth in these peri-urban areas during the past decade, we find the emergence at breathtaking speed of belts of urbanized countryside

<sup>31</sup>Hsung-Hsiung Tsai, “Population Decentralization Policies: The Experience of Taiwan,” in Fuchs et al., eds., *Urbanization and Urban Policies*, 214–29; T. G. McGee, “The Emergence of *Desakota* Regions in Asia: Expanding a Hypothesis,” and Norton Ginsburg, “Extended Metropolitan Regions in Asia: A New Spatial Paradigm,” both in N. Ginsburg, B. Koppel, and T. G. McGee, eds., *The Extended Metropolis: Settlement Transition in Asia* (Honolulu: University of Hawaii Press, 1991).

<sup>32</sup>Grant Blank and William L. Parish, “Rural Industry and Nonfarm Employment: Comparative Perspectives,” in Kwok et al., eds., *Chinese Urban Reform*, 109–39.

concentrated in areas where they can take advantage of neighboring urban centers.

How urban planners have gradually adapted to these changes remains to be examined. The spatial evolution of Shanghai provides a revealing example. Through most of the 1980s, planners had a fairly definite sense of how Shanghai would evolve. Shanghai obviously needed more space, and the accepted plan was for Shanghai to expand along a north–south axis. Urban development would, as was traditional under the socialist model, be led by industrial development. Shanghai would grow to the north to encompass the Baoshan steel mill, and to the south to encompass the Jinshan Petrochemical facility. Ultimately, Shanghai’s urban form would resemble a capital “I,” with a horizontal bar to the north along the Yangtze, and to the south, along Hangzhou Bay, connected by a north–south axis through the old center city. The areas to the west and to the east (Pudong) would retain their primarily rural nature, and large areas would specialize in growing vegetables. At the heart of this conception, then, was the idea that the sharp edge between urban and rural land uses could be retained to the west and east of the city.<sup>33</sup>

By the late 1980s, though, Shanghai planners began to discover that the actual development of the city was not conforming to the master plan. For a variety of reasons, urban and industrial activities were sprawling into the areas west and east of the city. Despite the attempt of planners to contain the city in a definite shape, it was developing in a direction not too dissimilar from the diffuse, concentric city form common in market economies. New approaches to guiding urban development were tried as planners sought to catch up with a reality that threatened to leave them behind.<sup>34</sup> The development of the area east of Shanghai—Pudong—as a Special Economic Zone follows the logic of accepting a more rapid and more diffuse growth of the Shanghai urban

<sup>33</sup>See Cheng Lu, *Shanghai jingji dili* (An economic geography of Shanghai) (Beijing: Renmin, People’s Publishing House 1988); Yang Wanzhong, *Shanghai gongye jigou yu buju yanjiu* (A Study of Shanghai’s Industrial Structure and Layout) (Shanghai: Huadong Shifan Daxue, 1991), 60–70. Chinese planners did not call it an “I,” of course, but rather an “inverted *ding*.” Even at an early date, some planners were arguing for the expansion of the city east of the Huangpu—i.e., into Pudong—but they were arguing for modest movement of government offices across the Huangpu to relieve pressure on the center city and allow redevelopment. Chen Minzhi, *Shanghai jingji fazhan zhanlue yanjiu* (Studies of Shanghai’s Economic Development Strategy) (Shanghai: Shanghai Renmin [Shanghai People’s Press], 1985), 30–31.

<sup>34</sup>World Bank, *China*, 100 (Box 4.2).

area. The Pudong Special Economic Zone is not only important as a large zone that provides concessionary terms to foreign investors, and thus opens Shanghai more to the outside world; it is also important as a recognition of the fact that the city will sprawl out, becoming much bigger, somewhat more unruly, extending its economic influence into the countryside in all directions.

*Opportunities for greater urban autonomy.* The changes in the pattern of Chinese urbanization can stand as an apt metaphor for the broader changes in Chinese society that have occurred in the wake of economic reform. Changes were set in motion that were not in themselves expected to have radical consequences, but which set in motion a process of change that turned out to be of fundamental importance. In this case, the broader process of economic reform has greatly influenced the position of cities. Cities have steadily lost at least a part of their peculiar position in the economic system. The division of labor between city and countryside has become less stark, and the need to control cities has become correspondingly less compelling. Some of these changes are the direct result of reform policies consciously adopted, but others are the unanticipated result of larger processes—including that of rural industrialization—touched off without full awareness of the consequences.

First, a key feature of economic reform has been the shrinkage of the traditional vertically organized economic system. Plans have been virtually fixed in size since 1984, leading the economy to grow out of the plan. As a result, what is still called “the plan” increasingly has come to resemble a set of contractual obligations that state-owned enterprises undertake with regard to the national and local governments. Under these circumstances, the government has far less need to exert direct administrative control over productive enterprises, or over the municipal government bodies that still oversee them. This, then, has been an anticipated component of economic reform.

Shrinkage of the relative size of the state planned economy has, however, had even more powerful indirect effects. Most significant has been the elimination of the prohibition against entry into the profitable manufacturing sector, previously reserved for state-owned firms. This prohibition lay behind the initial sharp division of labor between city and countryside, and its elimination, in 1979, created the conditions for the explosive growth of rural industry. Rapid entry into manufacturing, particularly light consumer goods production, increased demand for raw

materials while increasing the supply of finished manufactured goods. Thus, supply of previously overpriced consumer goods increased, while demand for previously underpriced raw materials also increased. These new market forces—combined with administrative price adjustments by the national government—significantly realigned the pricing system. The end result was the steady erosion of the former monopoly profits of the state industrial sector. Manufacturing profitability declined annually every year between 1980 and 1990.<sup>35</sup>

The control of the price system that had previously concentrated revenues in cities like Shanghai eroded. Industry in Shanghai, for example, remained substantially more profitable than the national average. But as profit rates declined everywhere, it became increasingly difficult for Shanghai to turn over 80 percent of its surpluses to the national government. As a result, the net transfer of surplus from cities to the national budget also declined steadily. Correspondingly, the need for the government to guard its cash cows has become less urgent. In Shanghai, Tianjin, and Guangzhou, the share of GDP collected as fiscal revenue shrank by half between 1978 and 1990 (Table 3.1). Particularly striking is the sharp contraction between 1985 and 1988. The manufacturing enterprises located in cities, facing competition from rural enterprises and from start-up state firms in other cities, simply were not as profitable as they had been. As a result, the state's ability to raise huge amounts of revenue from those firms decreased steadily.

At the same time, economic reform coincided with a greater willingness on the part of the central government to give local governments and enterprises control over resources, including financial resources. While the total surplus available to be “harvested” in manufacturing declined, the share of that surplus that could be retained at the local level increased. It is not hard to see why the national government allowed cities to keep a larger share of their resources. As cities were increasingly exposed to the need to become internationally competitive, the dangers of the previous exploitative policies became increasingly clear. Shanghai and Tianjin would never return to vigorous growth if they were not permitted to make substantial investment in their urban infrastructure and other facilities. The result of these trends can be seen in Table 3.1. The three cities now retain a larger share of their fiscal

<sup>35</sup>Barry Naughton, “Implications of the State Monopoly over Industry and Its Relaxation,” *Modern China* 18, no. 1 (January 1992).

revenues. Guangzhou now retains 40–45 percent; Tianjin 45–50 percent; and Shanghai about 35 percent of total fiscal revenues. When set against the long-term decline in total fiscal revenues as a share of GDP, the increased retention ratios do not allow the cities a significant increase in total resources (as a share of GDP). Nevertheless, with slightly increased retention and substantially increased autonomy, cities are better able to maneuver and have many more opportunities, to cope with the problems of increased growth. As for the national government, it has less need to exert such tight control over municipal finances. Instead of extracting a majority of urban fiscal revenues, the national government now takes about half, and a significant portion of this comes from the large enterprises that are under direct central government control to begin with. Thus, reduced extraction plus increased recognition of urban needs has added up to greater potential urban autonomy.

The third and final change in the position of cities has come with the rapid growth of income in peri-urban areas. This has combined with increased willingness to tolerate an informal sector in the urban economy. Thus, the local income differentials that fuel rural-urban migration have probably diminished.<sup>36</sup> Here, suburban industrialization has reduced pressure on urban cores by providing employment opportunities to rural residents near their place of residence. Moreover, rapid increases in food supplies during the first half of the 1980s greatly reduced fears about uncontrolled urbanization. As a result, the need to restrict such migration has become less important.

Thus, all three economic motivations for urban control became much weaker during the 1980s. As the economic imperatives of control have become weaker, continued political controls have come to seem more arbitrary, and are more frequently contested by urban residents. In that sense, changes in the economic system might be seen as creating the conditions for a substantial expansion in the autonomy of cities and urban groups.

#### CONCLUSION

The Chinese failure to anticipate the strength of rural industrial growth may be seen—paradoxically—to spring from much the same roots as

<sup>36</sup>The disequilibria between the poorest rural areas and cities is undoubtedly as large as ever. Yet in most countries, migration to cities draws primarily from the cities' extended hinterland, and not from distant regions. Thus, local disequilibria are probably more important in determining the magnitude of migration.

their previous deprecation of the role of existing cities. The extraordinary productivity of large metropolitan regions, creating agglomeration economies and spillover effects, provides an extremely powerful momentum for economic growth. During the 1980s, the Chinese relaxed their control of the economic system enough to bring some of these forces into play. As cities spilled over the economic bounds set on them, much of their economic growth was actually recorded outside their immediate boundaries. But as growth spread outward, it eroded the peculiar position of cities in the old economic system, and this in turn helps to create conditions for increased autonomy in the cities themselves.

Cities, as economic entities, have sprawled out of their previous bounds, squirming out of the control previously exerted over them by the national government. City dwellers have not yet been so successful in defeating the controls placed on them. Nevertheless, their sphere of autonomy has increased. In the economic realm, the rules are far more flexible than they used to be. As a result, city dwellers have more occupational flexibility, and more access to the services provided by others (particularly by temporary migrants to the city—the floating population). City life has become more heterogeneous, with more diversity, but also more crowded and, in some respects, more stressful. Even more important, the economic imperatives that led national authorities to constrict urban development severely have faded in importance. As a result, there are far fewer economic reasons to obstruct continued liberalization of urban life and expansion of an autonomous public sphere. If political conditions develop in such a way as to support such a liberalization, there is no reason to believe that economic conditions will pose significant obstacles. Indeed, the economic changes that have occurred to date support rather than impede a continuing retreat of the sphere of direct state influence. In this sense, the position of cities in the economic system has changed dramatically, and now presents the opportunity for a further expansion in the autonomy of cities and urban dwellers.