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ABSTRACT

This article examines the current changes of the local administration in urban China. Due to the cripple of the work-unit system, the state reconstructed the urban grassroots administration system to maintain a governable society by initiating community-building programs; and it also strengthened the role of the lowest-ranking government agencies in the system. However, the orientation of these local government agencies has also become increasingly utilitarian. To promote their image-building, which are highly related to seeking political and economic interests, the agencies forge informal coalitions with business groups and other social forces like higher-ranking officials, mass media, etc. The coalitions utilize guanxi networks not only to build patronage relations with each other, but also to impose constraints on civil associations and local residents. However, adversely affecting the interests of citizens, the domination of the coalitions over neighborhoods has triggered dissatisfaction and resistance from citizens and resulted in "state involution" in terms of the performance of neighborhood governance.

Local Pro-image Coalition

And Urban Governance in China*

Introduction

Since the 1980s, there have been drastic socio-political changes in communist states, and most people believed that it were the rise of civil society and citizen protests that promoted the great transformation. However, as Andrew Walder (1995b) suggested, that in post-socialist states including China, changes within political systems themselves should be primarily responsible for social transformations and the expansion of public space. This provides another perspective to examine political development in China.

City is the focal point and "dragon head" of modernization efforts of China. With recent socio-political reforms, there have been also many adjustments to the administrative system and local government organizations in China's cities. Therefore, to understand the dynamics of neighborhood governance, we have to first look at local regimes and the changes within the political system.

Generally, in the political system of contemporary China, formal arrangements define the boundary of a certain political field. However, existing research has reminded us of the influence of informal politics and the role of personal networks in Chinese political field (e.g. Nathan 1973; Walder 1986; Dittmer 1995; Wank 1995; Brunn 1995; Bi & Zhou 2001; Zhang & Zhuang 2008). As

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Lucian W. Pye (1995:39) pointed out, that China's political system is "not well institutionalized," "not government by a binding legal system," and "largely operates in secret and out of public scrutiny." Therefore, this article examines the formal institutional changes of urban local administration on the one hand and the informal channels that local governments utilize to construct their domination on the other. In the following sections, first, it examines the existing research on local regimes in liberal countries and China. Next, it describes the transformation of grassroots governance from the era of command economy to market economy in order to provide the setting for further analysis of local regimes in urban China. Then, it will examine the impact of the reform on the interests and concerns of local authorities and economic elites, leading to the behavior pattern analysis their regarding neighborhood management. Finally, it will discuss the logic of local pro-image coalitions' action under the context of urban reforms.

Social Transition and Local Regimes

Globalization and economic restructuring from manufacturing to services have led to rough competition among cities instead of nations (Jacobs, 1984; Zhu, 1999). Correspondingly, as a major actor in urban development, local government is very concerned with economic growth and is thus "moving from its traditional role of producing services to a new function of enabling the business community to produce." (Zhu 1999:535; also see Preteceille,1990; Goldsmith,1992) Primarily based on examining the redevelopment process of American cities, researchers have created the dominant concept of "urban regime" to describe the informal coalitions among local governments and business groups, and other social forces like community organizations as well. The researchers found out that, in Western liberal countries, the local governments which represent the elected public authority usually forge informal coalitions with other

actors just to promote economic growth and urban governance; this is beneficial to the public interests of all parties including local residents and thus the enhancement of legitimacy of the state. These research studies also examined the interaction dynamics of the actors in the field of urban politics which lead to the formation of various types of urban regimes (Logan & Molotch 1987; Stone 1987, 1993; Zhu,1999; Zhang, 2002). In general, they focus on exploring one question: "how and under what conditions do different types of governing coalitions emerge, consolidate, and become hegemonic or devolve and transform?" (Lauria 1997, 1-2) There are many similarities between the present drastic redevelopment of China's cities and those of Western cities. Therefore, as Tingwei Zhang (2002: 476) argued, "the research question about the relationship between local government and other interest groups on urban development in a *socialist society* may have theoretical significance."

The great transition from a command economy towards a more market-oriented economy initiated in socialist China since the 1980s has imposed a significant impact on local governance. Many studies have examined the transformation of the functions of local governments and their behavior pattern in the context of this transition. Before the mid-1980s, local governments were primarily concerned with enforcing state policies and promoting balanced community development (Blecher 1991). However, later formal institutional changes like decentralization and fiscal reform allowed local governments to share "profits" of local economic development, like tax revenue, with the central state. They thus became more concerned with economic growth rather than social development and attempted to attain economic resources with their administrative power (Yang & Su 2002). Therefore, local governments operate like industrial firms (Walder 1995).

Researchers have also developed some models to explain the mechanisms that local states are involved in economic activities. Jean Oi (1992, 1999) explored the relations between local governments and the enterprises auxiliary to them. She found that local governments have characteristics of modern corporations. Local officials behave like trustees, and they intervene in the operation of enterprises, utilizing the political and financial resources under their control to support the latter. Therefore, these enterprises grow rapidly. She termed this type of symbiotic unity between local governments and enterprises as "local corporatism". Lin Nan (1995) paid much attention to the role of informal networks in local political economy. Using the concept of "local market socialism", he highlighted the role of family networks in facilitating the operation of political and economic institutions at the grassroots level. Some research also examined the interaction relations between local governments and the peasants. Thomas P. Bernstein and Xiaobo Lu (2000) pointed out, in undeveloped rural area, local governments relied on extraction of taxes and fees from the peasants to meet their needs. Therefore, they imposed heavy financial burdens on the peasants, which brought about many conflicts between the two parties. The new study of Zhou Feizhou (2006) showed that, due to the rural fee reform from 2002, the basis of local government finance was transformed from rural fees and levies to intergovernmental transfers and debts. To maintain their operation, local governments in rural area turn to request for appropriations and loans from higher-ranking governments instead of imposing levies and fees on the peasants. This may cause some fundamental changes in state-peasant relations: the connections between local governments and the peasants are becoming loose.

Drawing on the popular perspective of regime theory, a few researchers started to investigate local administration in China's cities. Jieming Zhu (1999: 539) claimed that, "to deal with regional

competition and to circumvent central pressure for revenue submission", urban local governments attempted to give support to enterprises and inward foreign capital, especially property industry under their jurisdiction. These parties thus formed informal coalitions to promote local growth to enhance the interests of these involved groups at the expense of state revenue. Tingwei Zhang (2002) argued that, in western liberal polities like U.S., business groups dominate in local politics while, in China, there is a strong government involvement in development programs at various levels, which often assumes the leadership of bureaucracy. His study further "reveals features of the socialist pro-growth coalition in Shanghai in the transitional era: a regime characterized by a strong local government followed by cooperative nonpublic sectors with excluded community organizations." (ibid, p475)

As Yongshun Cai (2004) pointed out, the above arguments on the behavior pattern of local states in China fall in a developmental-predatory spectrum. He also clarified another scenario "where the state engages in activities for neither developmental nor predatory purposes"(p21)— the image-building activities of local governments. Cai argued that many local officials, due to their concern of image-building of performance, allocate resources in irresponsible ways to implement unfeasible big projects. At the cost of the public interests, the misuse of public resources will hinder economic and social development in the long term.

Most of the existing research focused on examining the involvement of local governments in economic activities and resource distribution, with very little attention being paid to the way that local governments implement their routine management in urban neighborhoods and the effects of their management on neighborhood governance. Based on field research in Shanghai from 2000-2009, this article examines how local governments and

other social forces cope with routine management in neighborhoods within the context of Chinese urban reform, and the influence of their interactions on grassroots governance. In particular, it addresses the following questions: How have urban reforms, especially the initiation of community building programs, affected the orientation and functions of the local government? How does the local government exercise its management and interact with other parties? And what is the influence of this management practice on neighborhood governance and macro politics?

Formal Institutional Changes: Community Building and the Transformation of Local Governance in Urban China
The local management systems in neighborhoods in the era of command economy

Grassroots community is one location where the state directly interacts with social forces, especially citizens. To consolidate the regime and to accomplish its development strategy, the Party-state endeavored to stabilize and control urban grassroots communities. After the 1949 Revolution, the Party-state attempted to permeate grassroots communities and organizations, and gradually established a set of systems in the urban society: Party-state System, Household Registration System, Work-unit System and Neighborhood System. Wu Fulong has pointed out that, before economic reforms, the former three systems were pillars of socialist urban governance:

"The leadership of the Chinese Communist Party (CCP) is guaranteed by the hierarchical party system which is parallel to the administration system. Party branches exist at all levels of government, institutions and workplaces, and play a leadership role in these organizations. Household registration (*hukou*) effectively requires the

registration of the place of residence with the public security agency. Tied with food rationing, employment permission and other welfare benefits that were not purchasable, the system effectively prevented rural peasants from moving into the cities" (Wu 2002:1073)

Among them, the most important was the hierarchical Workunit System, by which the state mobilized citizens to strive for socialist industrialization. Before the 1990s, most urban citizens were integrated into state-owned or collectivity-owned work-units such as factories, shops, schools, hospitals and government agencies at different levels. Each work-unit was called a danwei. As many previous studies found, these work-units were not only work places, but also main channels by which the state served, and imposed control over, urban citizens. In particular, the members of work-units were granted a lot of privileges and welfare denied to peasants such as secure jobs, nearly free housing, free medical care, subsidies for many items and good retirement pensions. But the work-units also imposed strong political control over their employees because the party branch and the security department at every work-unit closely monitored their activities, granting rewards to encourage political loyalty and sanctioning punishments for politically unacceptable behavior (Lu & Perry 1997:3, also see Whyte & Parish 1984; Walder 1986; Lu 1989; Shaw 1996). Thus, work-units played both political and economic roles in cities and became the center of urban social activities. This system resulted in citizens' "organized dependence" on their work-units which could thus effectively manage and control citizens (Walder 1986). Therefore, the 'hierarchical' Work-unit System was the main pillar of the routine management of the Party-state in cities (e.g. Hua 2000; Wu 2002).

The Party-state also utilized neighborhood organizations as the secondary governing system to manage the citizens who either did not belong to any work-units or had retired from work-units. The administrative system of China's big cities usually includes two levels of government including the municipal government and district (qu) governments. Every district government usually set up a few Street Offices (*jiedao banshichu*) as its local branches to administer sub-districts (jiedao), each of which usually includes several neighborhoods. In contrast to the sociological concept of "community" which highlights the common sense of identity, China's "neighborhood" is a more geography-oriented concept. It refers to a geographical area which includes hundreds of buildings and is surrounded by some natural boundaries such as rivers or broad roads. However, its scale varies from one city to another. In Shanghai, a neighborhood may include several lanes (*linong*) or a new-style urban village (jumin xincun), and some public facilities such as schools, shops as well. Usually, for a neighborhood of *jumin* xincun, the population is around several hundred thousand.

To facilitate their administration, Street Offices usually divide a neighborhood into several sub-neighborhoods (xiaoqu) а Resident Committee (juweihui) in every neighborhood to help it oversee residents. Each sub-neighborhood is often roughly separated from others by walls or fences, and its population ranges from several hundreds to several thousands. By the end of 2002, excluding its rural suburbs, urban Shanghai comprised 18 district governing 99 Street Offices, which in turn oversaw 3393 Resident Committees. According to the law, Resident Committee is "base-level autonomous organization of residents", whose obligations are mainly to serve residents and to help Street Offices advertise state policies. Its members should be elected by, and from within, its constituents. As one branch of the district government, Street Offices should provide operation fund and other

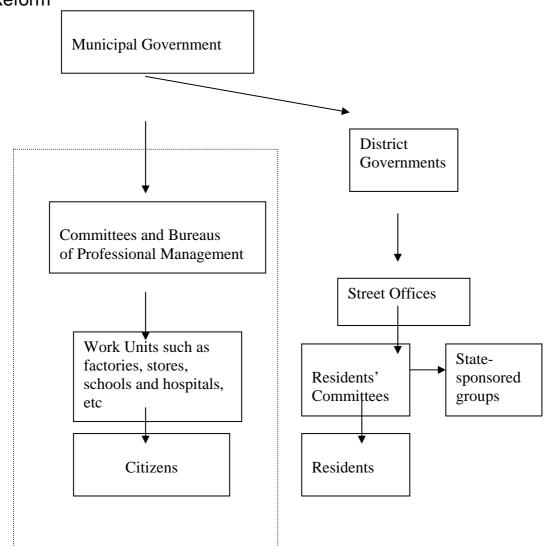
forms of support, but has no power to give any order, to Resident Committees under its jurisdiction. ¹ However, Street Offices and police stations in neighborhoods actually supervised the operation of Resident Committees and utilized the latter help them to implement state policies, to monitor citizens' activities in neighborhoods, to organize a few residents who did not belong to any work-units for regular political study, and to provide a few services to residents as well (Whyte, Vogel & Parish 1977: l86; Whyte & Parish 1984; Read 2003a). Therefore, Street Offices have actually integrated Resident Committees into part of the grassroots administrative system, which was called the Neighborhood System (Xiang & Song 1997).

The four systems constituted a tight government control network to supervise all citizens. As China researchers observed, "In both work-units and in neighborhoods, efforts are made by authorities to ensure conformity with official standards of behavior." (Whyte and Parish 1984: 240) Such "administered organizations" like trade unions and women unions in work-units and Resident Committees in neighborhoods help a lot to organize citizens, making China working like a "conscription society" (Kasza 1995). During the era of command economy, these administrative systems were highly effective in terms of social control. As a result, compared to other world cities, "Chinese cities after 1949 became remarkably orderly."(Whyte & Parish 1984: 247) The strict state control also resulted in a clear integral hierarchy of community power structure in every urban neighborhood, with Street Offices and other government branch agencies, such as police station, housing maintenance bureau, food bureau handling all important

¹ See<Regulations of Urban Residents' Committee >(1954), <Constitution of the People's Republic China>(1982) and < Urban Residents' Committee Law of the People's Republic of China >(1989) for details.

matters, often with assistance from the Resident Committees (Read 2003b:54; also see Whyte & Parish 1984).

Chart 3.1 Administrative Hierarchy in Urban China before the Reform



The reconstruction of grassroots governance under market-oriented reforms

The implementation of market-oriented urban reforms in the 1990s, including those of state-owned enterprises, fiscal system, housing and land, and labor market has had imposed great impact

on the former urban governing systems, especially the Work-unit System. First, after the initiation of market-oriented reforms, many state-owned enterprises were unable to compete with private sectors due to their low efficiency. ² Many went bankrupt; others not only dismissed many workers they did not need any more, but also reduced the services offered to existing employees to cut down management cost. Many workers thus lost their jobs. In Shanghai, the number of workers who were laid off from 1991 to 1996 was 1.091 million (Sun et al 1999:16). Therefore, the Work-unit System characteristic of full employment and full social services has been gradually crippled.

Second, since the 1990s, a new tide of urbanization has arisen in China; many cities have initiated urban renewal projects. In 1992, the state decided to push forward the opening of Shanghai and to develop it into an international metropolis. This orientation also makes the city government care about the image-building of the city very much. With the support of the central government, the Shanghai government started to reconstruct the city on a large scale. They proclaimed that Shanghai would be improved significantly every year and substantially every three years in terms of its image (*yinian yige yang, sannian da bianyang*). Especially, when Shanghai won the bid for hosting the Expo 2010 in 2002, the official has become most sensitive to the image of the city. Governments at different levels have not only invested heavily to reconstruct the infrastructure, but also invited domestic and international investors to develop real estates in Shanghai. With the large-scale city renewal, many citizens had to be moved from their former

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² According to Janos Kornai (1992), due to the system of "soft budget", socialist state-owned enterprises under command economy are deemed to be in low efficiency in terms of their economic efficiency. In the 1990s, over half of state-own enterprises made financial losses in China(Wu 2002: 1076)

residences affiliated to their work-units to newly-constructed neighborhoods; the total number of resettled families was more than one million in the 1990s. ³

Third, with the labor market reform and economic development, more and more citizens worked for private and foreign enterprises instead of state-owned work-units. Economic development also attracted a large number of citizens moving from rural areas and small cities to developed cities to look for jobs or to conduct business; they are called "floating population" (Solinger 1999). In Shanghai, there has been millions of "floating population" since the mid-1990s. Therefore, due to urban reforms, many former work-unit employees (danwei ren), particularly workers, lost their links with the state-owned workplaces. Together with citizens who work in private sectors and the "floating" population, they have become simple members of the society (shehui ren) that are beyond the control of the Work-unit System (Hua 2000; Wu 2002). Furthermore, as Wu Fulong pointed out, the foundations of the Party-state System in work-units and the Household Registration System have also been shaken by reforms. Specifically, to increase efficiency of stateowned enterprises, the state implemented the system of "manager responsibility" to shift more executive discretion from Party branches to professional managers in work-units. The Household Registration System aiming to confining rural-urban migration and intercity migration was previously related to the provision of welfare and jobs through work-units. With the disintegration of the Work-unit System, the Household Registration System was also gradually relaxed. Migrants can purchase a hukou or acquire it through buying "commodity housing" (see Wu 2002: 1074).

³ http://unn.people.com.cn/GB/14748/3249670.html

With the governing capacity based on these systems greatly weakened, the Party-state then tried to shift its main pillar of grassroots management from work-units to residential neighborhoods because neighborhoods have "the jurisdictional capacity to regulate all activities within the area regardless of their affiliation" (Wu 2002:1080). The state required these local territorial agencies to take more management functions to regulate new activities taking place outside work-units and to administer citizens who are beyond the control of work-units (Tang & Parish 2000; Hua 2000; Yang 2002; Wu 2002). However, before the mid-1990s, local governments and Resident Committees had inadequate economic and political resources to fulfill such difficult tasks, since the former Neighborhood System was the secondary administrative system. Therefore, there were great potentials for social unrest to occur, which would have threatened the rule of the Party-state. In many big cities such as Shanghai, there was increasing number of citizens complaining (shangfang) to all levels of governmental agencies of losing their jobs or being forcibly resettled, which was regarded by the Party-state as an indication of social unrest.

To cope with these challenges, the state launched extensive community building projects in big cities to strengthen the Neighborhood System as the main control channel. The central government encouraged local governments to explore new models of Neighborhood System that suited their local social conditions. Therefore, the Shanghai Municipal Government started community building in the early 1990s. Besides, as mentioned above, the orientation towards an international metropolis also caused the government to care much about the image-building of the city and all of its neighborhoods. Therefore, the community building programs included not only providing social services, promoting reemployment and poverty reduction in neighborhoods, but also conducting "spiritual-civilization building" projects that are aimed to restore

social order, to improve physical environments, and to build social networks among residents, which could be utilized by Resident Committees to govern them.

Specifically, the government set up five main criteria to evaluate the performance of community building, or "spiritual-civilization building" projects, in particular: good public orders, neat and tidy environments, comprehensive social services, harmonious neighbor relationships and abundant entertainment activities. ⁴ In 2005, the government set up another new criterion--high satisfaction of residents with their neighborhoods. ⁵These criteria have also been quantitatively operationalized into small items that can be measured. Sub-neighborhoods which meet these criteria at different level are be granted municipal-rank or district-rank honor titles of "Model Quarter" (*wenming xiaoqu*).

To promote the enthusiasm of local governments in developing develop "Model Quarters", the municipal government established "committees of 'spiritual-civilization building" at various government levels, constituted by heads of all government departments to supervise the implementations of the project. Furthermore, it regarded the number and the rank of "Model Quarter" as one main criterion for evaluating the management performance of local governments. Therefore, many Street Offices invested significantly to build "Model Quarters". They not only endeavor to improve neighborhood environments such as planting greeneries, building service facilities, establishing enclosing walls and fences around sub-neighborhoods to enhance security, but also enthusiastically organize exercise teams and host entertainment activities to show how peaceful and harmonious neighborhood life is

⁴ see http://www.godpp.gov.cn/cjzc/2003-12/13/content_1336847.htm

⁵ see http://wm.eastday.com/jianbao6.htm

under their jurisdiction. Especially, since the breaking out of the *Falungong* movement in the end of 1999, the state has attached more importance to "spiritual-civilization building". It claimed that local governments should "guide the citizens to live a healthy life" and make sure they do not join "evil religious organizations" like the *Falungong* association.

Especially, the government endeavored to strengthen the organizations of Street Offices and Resident Committees. In the age of command economy, the municipal government, representative of the state, had control over almost all power and resources; government agencies at the district level and Street Offices could only passively perform directives from the municipal government, which seriously impaired their capability and enthusiasm to positively promote local development. Due to rapid social changes, there have been increasing administrative affairs to be dealt with, which were beyond the management capability of the municipal government. The latter thus had to entrust the district governments to take over many management functions. Especially, after having initiated the community building plan, the municipal government had insufficient financial resources to implement these projects, which needed a large amount of investment, by itself. 6 The government then had to rely on local agencies, particularly Street Offices that directly take care of public management at the neighborhood level with the assistance of the Resident Committees. Therefore, the municipal government set up a city administration mode of 'two levels of government, three tiers of management and four levels of networks (the municipal government, district governments, Street Offices, Resident Committees) and granted Street Offices much power to stimulate their enthusiasm.

⁶ For instance, it will cost millions of *yuan* to develop a "Model Quarter".

After 1996, the municipal government not only raised the ranks of main leaders of the Street Offices, but also empowered the latter to be in charge of the socio-political and economic development of the neighborhoods under their jurisdiction. Most importantly, the government has enforced the policy of "refunding business tax". That is, the government refunded large percentage of the tax levied on those enterprises registered in a certain neighborhood to the local Street Office so that it would have enough resources to promote local development. The more enterprises register in a neighborhood, the more economic resources the Street Office will have. Since then, the performance of Street Office officials and their personal income have been highly tied to local economic development. As a result, "the combination of new market elements and decentralized state apparatus has given rise to the entrepreneurial endeavor of China's governance" (Wu 2002:1071). Street Offices not only set up their own businesses, but also make every effort to attract external enterprises to register in the neighborhoods under their jurisdiction through all kinds of channels and means including providing investors with various schemes of incentive (e.g. Zhu 1999; Wu 2000). Furthermore, they also welcome estate developers to reconstruct neighborhoods under their jurisdiction. Obviously, once a neighborhood is reconstructed and "updated", its image is improved and its economic production increases. The local government therefore mobilizes more financial resources and can cut down the budget for poverty reduction since the poor families are resettled away. Thus, local governments spare no effort to encourage and help estate developers. Consequently, with the initiation of community building projects, local growth coalitions have been gradually formed among local governments and businessmen (Wu 1999; Zhu 1999,2004; Wu 2002; Zhu, Sim& Zhang, 2006).

Since the mid-1990s, Street Offices have had more economic resources at their disposal. Some of these resources are spent on community-building projects and other management affairs; others are distributed among local officials. Correspondingly, the income and professional reputation of the staff in Street Offices have highly risen (Sun, 1997: 202). In 2000, the average annul salary for Shanghai work force is 15,420 *yuan*, ⁷ while the average annul salary of the middle-rank management of Street Offices in some developed neighborhoods is more than 100,000 *yuan*. As a result, many people with high education including Master and PhD degrees are attracted to positions in Street Offices.

At the same time, Street Offices have also been burdened with rapidly increasing management affairs shifted to them. To cope with this, they tended to establish many branch institutions and recruit more staff. Furthermore, following the instructions of the municipal government, Street Offices also strengthened Resident Committees to manage the sub-neighborhoods. Before the initiation of community buildings, Resident Committees played a marginal role in urban management. Most of their staff was retired or jobless residents with little education. To improve the efficiency of Resident Committees. Street Offices recruited laid-off middle-ranking management staff of state-owned enterprises to constitute new Resident Committees. In recent years, they have even begun to recruit young college undergraduates to work as the staff of Resident Committees. Furthermore, Street Offices have also renovated the office facilities of Resident Committees. Since they can decide on the amount of the operating fund distributed to Resident Committees, Street Offices often ignore the law and require the Resident Committees to work mainly for them instead of for residents; and they appoint the staff of Resident Committees to

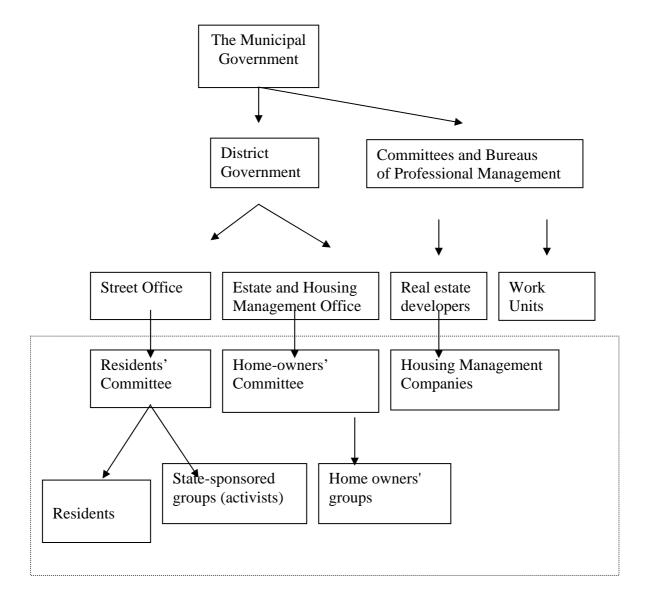
⁷ http://sh.focus.cn/msgview/11137/168901667.html

ensure that the latter do their best to serve the Street Offices. As a result, Resident Committees have been transformed into quasi-administrative institutions (Shi, 2005). Thus, Street Offices and Residents' Committees have become to be fully responsible for the urban grassroots management and social control of citizens. Therefore, with the cripple of the Work-unit System and the initiation of community building, more management functions have been shifted from workplaces to neighborhoods.

In addition, due to urban development, there have been emerging new public affairs that need to be managed. Hence, the scope and amount of neighborhood management, together with the economic and human capital invested in this field, have been substantially expanded. As a result, the Neighborhood System has been revitalized as the main pillar of urban grassroots governance. In sum, community building "reflected the state's attempt to reconsolidate its power to create a governable society as well as to cope with practical pressures such as the provision of social assistance to poor and aged residents, re-employment of laid-off workers, and the management of 'floating' immigrants." (Wu 2002: 1071; also see Dai & He 2000; Hua 2000) Due to limited economic resources and poor management capability of government agencies, the state also encouraged commercial organizations and citizens to participate in local governance. The ideal objectives that the state wanted to achieve are reflected by a slogan of the Shanghai Municipal Government: "the Party must be able to impose strong leadership over communities; the government agencies can orderly administer them; all parties of social forces should actively participate in community building; citizens should live in peace and enjoy their lives in communities" (Dang de lingdao youli; xingzheng guanli youxu; gefang guangfan canyu; gunzhong anjuleye). Therefore, with shifting focus from work-units to neighborhoods, China's urban grassroots governance is changing

towards being more market-oriented (Wu 2002; Yang 2002), which have also trigged many unexpected consequences.

Chart 3.2 Current Administrative Hierarchy in China's Cities



Informal Politics: *Guanxi* Networks and the Formation of Local Proimage Coalitions in Neighborhoods

In community building, the Party state has attempted to maintain a governable society and to improve the image of cities by empowering local governments. As a result, local governments have been able to play an important role in urban administration. Being concerned with promotion and other interests, local officials endeavor to mobilize political and financial resources to improve the image of the neighborhoods under their jurisdiction to impress high-ranking governments. As Yongshun Cai (2004) argued that, in the political system of China, building a "good" image is the most important thing for the officials to maintain and upgrade their positions; they thus attempted to implement all kinds of so called "face (*mianzi*) projects "or " performance (*zhengji*) projects "like establishing a very broad road to promote their images. But my investigation also reveals that, there are many constraints for local officials, especially for low-ranking ones, to initiate big projects; and they more often utilize *guanxi* networks to facilitate image-building in the everyday management practice.

The primary target for local officials to build and show their images is officials in high-ranking government agencies. Since the career prospect of China's officials depends on the impression of their superiors involving both the image of local development under their jurisdiction and their personal image, local officials spare no efforts to impress their superiors. Usually, to promote their personal image, local officials seek to establish *guanxi* or good relationship with high-ranking officials to get their patronage by giving presents like local products, transportation cards, food tickets and even cash gift in envelops (*hongbao*) with tactful excuses, often at the expense of the public. For instance, when officials in high-ranking government agencies visit lower-level government agencies under their supervision, local officials often present transportation cards with several hundred or thousand yuan in the account with words like: "many thanks for coming, we welcome you to visit us in the future to give instructions and help; and the cards are just to cover your transportation fees." Local officials also invite officials in highranking government agencies to visit popular scenic sites under their

jurisdiction with the excuse of "asking you leaders to take a rest from busy work." More seriously, when big festivals like Moon Festival or Spring Festival are coming, many local officials and management authorities will send expensive presents or cash to their superiors at the cost of public finance, with the excuse like "thanks for great help and instructions in the past" from the superiors, etc. As the former head of the W Street Office told me, "it is normal for us to treat visitors from high-ranking government agencies to something." Actually, many local government agencies set up quite big budget with the name of "treatment fees". For example, the J Street Office spent one or two million *yuan* on treating guests every year. Naturally, the officials who accept the offers would help the Office on other occasions in return for their favors.

The mass media is another important channel for local officials to show off their "management performance" and to improve their image. Once a local government agency get praise by the mass media for their performance and image, they can attract the attention of high-ranking officials and investment from businessmen. Many local officials concede, "If you want to impress them (superiors), you have to spend 30% energy on working, and 70% energy on propaganda (*sanfen gan, qifen chui*)." Therefore, they would always like to make friends with media reporters. In Shanghai, some big media, like the municipal-government affiliated *WH Newspaper*, are politically influential; their journalists are very popular among local officials.

The relationship between the W Street Office and media is a typical case. In 1989, Mr. Wang, the then Party Secretary of the Office invited Ms. Ge, a journalist working for the WH Newspaper to visit the W Neighborhood and to broadcast the performance of the

⁸ http://jcj.ningbo.gov.cn/12class/dtxx.jsp?aid=32745

Office on managing the neighborhood. Ms. Ge then got her report published on the front page of the newspaper, attracting extensive attention from high-ranking officials. Since then, the Street Office has become very famous in Shanghai for its performance, which has in turn enhanced the personal political image of Mr. Wang. In fact, he got promoted later. Wang and other main officials in the Street Office built good *guanxi* with Ms. Ge and invited her to visit them and sent her presents. In the following decade, both parties cooperated well with each other. As Ge herself told me, "They (the leaders of the Street Office) attached much importance to broadcasting their image in the media. Any time when they initiate new projects, they inform journalists about this. " My personal experience also confirmed the attitude of the W Street Office towards the media. I worked for a newspaper as a journalist for a short period in 2001. When I visited the Street Office, they treated me to a big meal and gave me a cash gift. Only then, did I understand why there had been always some good news about the Office on many Shanghai media. To show my friendship to them, I declined the cash gift. However, being experienced, my friend laughed at me saying that I did not really understand the local officials. As he told me, "If you accept their offer, they would believe that you would be on their side in future; otherwise, they would not trust you and tell you the truth."

Due to the practice of *guanxi* of local officials, many power holders like the officials in high-ranking government agencies and the journalists of influential medias receive too many gifts such as cigarettes, wines, consumption cards, etc, so that they can not use up these things at all. As a result, many people in cities conduct small business of retrieving such kinds of gifts in relative low price. The formation of this kind of black market partly reflects the

prevalence of informal favor exchanges in the China's administrative system.9

Research indicates that, in economic field, local officials also attempt to build informal alliances with investors, especially estate developers, to make profits (Zhu 1999; Zhang 2002). The initial success of resource mobilization through informal networks in turn provides local officials more resources to build both neighborhood image and their personal *guanxi* networks. Therefore, they have gradually forged coalitions with high-ranking officials, media reporters, businessmen, controlling a large number of resources. In Shanghai, many Street Offices can collect tens or hundreds million yuan revenue, and the number for the W Street Office is about six hundred and twenty million yuan in 2004. Then, local officials try their best to seek interests for themselves from the huge resources. For example, the former Party Secretary of the J Street Office claimed more than two million yuan with guest-treatment invoices, many of which were fake ones, for his personal use during the period of 2005 and 2007. His corruption behavior was finally reported to police. To seek political and economical interests, these local government-centered coalitions are most concerned about building and maintaining good images of the places under their jurisdiction, and they are thus can be called "local pro-image" coalitions". Actually, many local governments in cities care about image building in the extreme manner so that their staff in charge of neighborhood environment maintenance. called frequently fought citizens who violated their regulations, which has triggered much dissatisfaction and resistance from the mass.

⁹ http://biz.icxo.com/htmlnews/2009/01/30/1354957.htm

¹⁰ Unrest in China's cities, Mar 31st,

^{2010,}http://www.economist.com/world/asia/displayStory.cfm?story_id=15806697&source=most_commented.

Focusing on image building, Street Offices tend to promote social development in a perfunctory manner because this is not really highlighted by high-ranking governments. Therefore, local officials in the Offices prefer to allocate more resources on those magnificent projects that can attract the attention of their superiors. This tendency can be reflected by the budget distribution of the W Street Office in 2004. In recent years, due to the opening of Shanghai to domestic and foreign investors, there has been great economic growth. In 2004, the W Street Office collected more than two hundred million yuan, which was four times of the amount in 2001. However, they spent most of the income on those apparently visible "image projects" (xingxiang gongcheng) under the label of "serving-the-people projects" (weimin xiangmu or shishi gongcheng) like building many splendid gates in the neighborhoods under their jurisdiction. Not surprisingly, the officials in charge of these construction projects usually received big presents and rebates from the construction companies that they hired.

Table 1: 2004 Budget for Part of Neighborhood Management Items of the W Street Office

Items	Amount (<i>yuan</i>)
Propaganda	494,430
Social welfare and poverty	343,766
reduction	
Neighborhood security	325,000
Neighborhood infrastructure	628,872

Source: from the files of the Street Office

Table 1 shows that the Street Office invested less resources in social welfare of residents than other items. For example, the regular budget for propaganda was much higher than it. The Office also spends a lot of money to organize other casual propaganda

activities. In the 2004 summer, it hosted a large music party and invited many high-ranking officials and media reporters as part of its image building in the neighborhood. This cost about two hundred thousand *yuan*, more than a half of the budget for the social welfare of the whole year. Actually, there were many poor resident families in the neighborhoods under the jurisdiction of the W Street Office. But the official charge of social welfare at the Office told me that he had no sufficient resources to support the residents because "the leaders (of the Office) do not attach importance to these affairs."

Street Offices also attempt to dominate the neighborhoods under their jurisdiction so that they can manipulate everything to show off their "prosperous, peaceful and stable" image. On the one hand, the Offices utilize formal institutes like police stations and Resident Committees to manage neighborhoods. They also establish public facilities and organize all kinds of propaganda and entertainment activities to attract residents against the influence of dissident organizations. On the other hand, Street Offices also employ informal networks to facilitate their domination. For example, having control over Resident Committees, they can utilize the personal networks between the staff of Resident Committees and resident activists to influence other ordinary residents (Read 2000, 2003a). Furthermore, they also utilize informal networks to disunite (vezhu Homeowners' Committees *weiyuanhui*)—a neighborhood association whose obligation is to protect the rights of local residents (Shi, 2006:158-160). Most importantly, they forge alliances with business groups to facilitate image building and domination over the neighborhoods under their jurisdiction, which has brought about negative consequences. This can be illustrated by the situation of housing property management, which is almost relevant to the interests of every resident household.

The Consequences: Housing Property Management and the Domination of Local Pro-image Coalitions

When studying local socio-political transformation of China in the early twentieth century, Prasenjit Duara (1988) pointed out that the then state-building efforts fell into the impasse of "state involution". He adopted this concept to refer to low political capacity of the administration at the local level although the state expanded its local institutions in size; and he regarded the outcome of tax levying on rural households, which was the main concern of the then state, as the primary indicator to reflect its management efficiency. However, the contemporary central government is primarily concerned with maintaining stability in neighborhoods instead of directly levying tax on urban households. Therefore, this study looks at the situation of housing property management and the satisfaction of residents as the critical indicators to reflect the management efficiency of the state. Because of the limitation of my research resources, the study is focused on examining the situation of housing property management in the old neighborhoods of "sold public homes". 11 Up to the end of 2007, there are 10,870 residential neighborhoods in Shanghai, 5,297 of which were composed of "sold public homes" (Gao, 2009:28).

Due to the housing reform, the former state-owned Housing Maintenance Bureaus (*fangguansuo*) in every neighborhood have been transformed into independent commercial companies, and they are responsible for the management of a large number of "sold public homes". With the further reforms, these state-owned housing

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¹¹ Since the mid-1990s, China's cities have initiated the privatization reform of public-owned houses, and it has encouraged the citizen occupants of public-owned houses to buy the ownership of their homes, usually at very low price (also see Wang and Murie 1996). All these privatized homes are then called "sold public homes".

property management companies get less and less financial subsidies from the state, and they have to support a large number of staff, most who were previously distributed to them by the government and are not well qualified for their jobs. Concerned with profit-making, most of these companies choose to focus on taking over management of new neighborhoods composed of expensive condominiums where the rich residents can afford very high management fees so that the companies can make big money. They usually send skilled staff and allocated many resources to serve better for these new neighborhoods.

In contrast, the companies are quite irresponsible for the management of sold- public-home neighborhoods. They usually send unskilled staff to manage the old neighborhoods, showing little motivation to improve the environments and services there. Furthermore, since few residents know much about housing property management, these companies often try to defraud them of several yuan. For example, when maintaining the homes of residents, especially public facilities in the neighborhood, they charge much more than the approved fee. Having had many such experiences, residents and Homeowners' Committees in these old neighborhoods are able to see through such tricks and urge the companies to improve their services. But the latter would not be allocated many resources to do so, thus dealing with the requirements of residents passively. Some companies even employ rough former prisoners with low salary as guards (baoan) to deal with disgruntled residents. As one staff in a housing property management company privately admitted: "Our general manager told us, it is not worthwhile to provide the old neighborhood with good services. We can employ some rough guys instead of skilled staff. Only they (the former) can handle those disgruntled residents (diaomin). "However, concerned with legitimacy and social stability, the state requires housing property management companies to

improve their management. To deal with pressure from both higherranking governments and residents, many housing property management companies tend to seek shelter from the local governments. Being state-owned institutes before, their management staff had connections with local authorities. Therefore, they tend to utilize the existing *guanxi* and to actively build new informal networks with the officials.

Since Street Office is the grassroots administrative authority that is directly responsible for the routine management of neighborhoods, it is required to promote balanced community development including monitoring the management of property in their neighborhoods. Once some companies fail to provide fundamental services and a protest from residents is triggered, the Street Office there is also blamed by high-ranking government bodies. As a result, its image and reputation are hurt and thus may lose competition against its counterparts. Therefore, the Street Office has strong motivation to provide shelter for the housing property management companies under its jurisdiction in order to build a harmonious image of the neighborhood. Usually, a Street Office can assist housing property management companies in the following ways:

It can help the companies to monopolize the management of their neighborhoods without competition from other companies. According to law, a Homeowners' Committee has the power to dismiss the housing property management company which has failed to satisfy residents in their neighborhood, and to employ another company. However, in reality, it is very difficult for Homeowners' Committees to exert such power because the Street Office benefited from the present company will not allow them to do so. With administrative power, the local authorities always attempt to intervene in the decision-making of Homeowners' Committees. For

example, in 2000, the HC in the JQ Sub-neighborhood tried to dismiss their non-performing housing property management Another company was contacted to take management of their sub-neighborhood. However, the Street Office and the Residents' Committee in the sub-neighborhood did not allow the Homeowners' Committees to do this, as they were afraid that it would result in instability in the sub-neighborhood, thus adversely affecting their image. Furthermore, they had good relationship with the present company. Therefore, they insisted that the Residents' Committee was the representative of all residents and it had the power to make the decision of this kind of important matters. In the end, because of the pressure of the administrative authorities, the new company had to withdraw. Although this case has triggered much debate in China (see Yang 2000), it is not rare. In many old residents and Homeowners' Committees were neighborhoods, dissatisfied with their housing property management companies, but they were not allowed to dismiss the companies. With the support of Street Offices, the companies just ignored the requirements of residents without fear of being dismissed. Therefore, wielding administrative power, the authorities have imposed arrangements regarding housing property management upon the Homeowners' Committees and residents, and have deprived them of the power of decision-making.

The Street Office can help the companies evade state evaluation. To promote the development of social services, the state requires mandatory evaluation for those professional organizations which provide social services to citizens (hangfeng pingyl). Local government agencies are responsible for inviting ordinary citizens or some of their representatives to evaluate an organization in terms of its services on a designed form. The organizations that get high scores attain good image and thus have more commercial opportunities while those with low scores get their image hurt or

even their business license suspended. Since housing property management is important to all citizens, considerable attention is paid to its evaluation. The municipal government requires Street Offices to hold evaluation on management companies under their jurisdiction twice in a year. Most companies in old neighborhoods are afraid of this because of their poor management practices, turning to the Offices for help. As mentioned above, once some companies get unfavorable evaluation, the Street Office monitoring them is also embarrassed. Therefore, they often attempt to cheat together with the companies in the evaluation. Usually, the Office will distribute the evaluation forms to the secretaries of Party branches in sub-neighborhoods and ask them to find some residents with whom they have good personal relationships to write a favorable report of the housing property management companies on the forms. As a local official said at a big meeting attended by officials of the Street Office, managers of housing property management companies, secretaries of Party branch and heads of Residents' Committees.

"Now in this room, we are all people on the same side (*zijiren*), and we can tell the truth just between us. To be frank, in the evaluation, our secretaries (of Party branches) and the heads of Residents' Committees helped a lot. Your companies should appreciate this and express many thanks to them!"12

Therefore, by the patronage ties with the local authorities, the housing property management companies evade evaluation by the state and do not bother to improve their management practice. Ordinary residents are deprived of the power to know the enforcement of evaluation and to resort to high-ranking authorities through this formal channel of public evaluation.

¹² I was allowed to sit in the meeting and to record all the speeches.

The Street Office can help the companies in routine Street Office management. Usually, the requires Resident Committees under its jurisdiction to help housing management companies in mediating small disputes between them and residents on issues such as the collection of the fees of housing property management. The companies usually collect management fees from resident's households every quarterly. Because they fail to manage the neighborhoods well, some residents do not pay the fees. In such a situation, the Street Office requires the staff of Residents' Committees to help the companies collect the fees. Since the staff of Residents' Committees maintains better relationships with residents, they either ask heads of resident groups to collect the fees or do it by themselves.

The Street Office can shelter the companies when the latter have violent conflicts with residents. Due to the irresponsibility of housing property management companies in old neighborhoods, many residents are dissatisfied and often have conflicts with them. However, local authorities usually shelter the companies from complaint of residents, as illustrated by the following case. On June 7, 2002, Aunt Ho, the then vice head of one Homeowners' Committees in the W Neighborhood planned an outing with her husband, but she could not open the door of her home. She tried to call for help but found that she could not reach anyone. The old couple felt very scared and helpless. On that day, the Residents' Committee needed to contact her. Although they tried to call her again and again, they failed to reach her. Then they realized that there might be something wrong. The head of the Residents' Committee went to Ho's home and found that the lock to her door had been stuck by glue and the telephone cable had been cut off. Then he attempted to get the door opened and the old couple released. The next evening, Aunt Ho received a call from a hospital, saying that an ambulance was going to her home to pick up a

patient. Ho told them that nobody at her home was sick. But the hospital staff said that her son had just called to ask them to make an emergency rescue of his seriously sick mother. Aunt Ho realized that there must be someone trying to harass her, and she reported to the police. Finally, the police discovered that it was a staff in the housing property management company who had caused these troubles. This person was unskilled in housing maintenance and often impolite to customers. As the vice head of the Homeowners' Committees, Aunt Ho often criticized him and complained to the housing property management, and he thus attempted to take a revenge on her. After the incident, the company pleaded to the local police station for the person. Due to the good relationships between them and the local authorities, the man was not severely punished.¹³

Therefore, Street Offices can support housing property management companies in many aspects and help them a lot in their business. The Offices do so not only because of their own concern of "management performance", but also due to the favors they expect in return. Regularly, the companies send presents to officials in the Offices, secretaries of Party branches and the heads of Residents' Committees, and offer them meals as well, usually on festivals or meetings, to build networks with these power brokers. As one former secretary of Party branch in the W Neighborhood told me, "on many big occasions like Spring Festival, the housing property management company always had something for us, like bed sheets, purses, and a little cash." Actually, the Resident Committees are aware that residents are dissatisfied with the companies; they are also often upset by the irresponsibility of the latter and sometimes complain of the problems of the companies. But due to the pressure of the Street Office and the presents sent to them by the companies, the secretaries of Party branch and the

¹³ Also see the protesting letter of the No.4 HC to the property management company.

heads of Residents' Committees generally support the companies on official occasions in return for their favors. When asked why they help to cheat, another former secretary of the party branch told me,

"The Street Office expects us to do so. Furthermore, we need their (the company) support sometimes. They also often send us small presents. Since we are so close to one another, there is no reason for us to tell the truth to offend them; otherwise, we will make them lose face and can not get support from them any more."

Sometimes, the companies also provide payment in response to requests by the local authorities for "donation" to maintain their ties with the latter. For example, the officials in the W Street Office monitoring housing property management companies established a club to organize some entertainment activities regularly. In this way, they tried to establish *quanxi* networks with other officials and economic elites to seek more interests. To raise fund, they required all the companies under their jurisdiction to join the club and to pay high membership fees. Similarly, Resident Committees also regularly organize entertainment activities such as short tours for their staff and resident activists who often help them. Since Resident Committees have limited financial resources, they usually request support from the housing property management company in their sub-neighborhood. Although sometimes quite reluctant, companies pay the fees and provide petty financial support as required in case the local authorities withdraw their support or even cause troubles. The general manager of a housing property management company in the W Neighborhood complained in a private occasion,

"They (officials of the Street Office) are always asking for something. We have to send them presents like transportation cards and expensive food on big occasions like Spring Festival and Mid-Autumn Festival to solicit their support. These regular items cost us tens of thousand *yuan* every year. In addition, they may help to mediate disputes between us and residents sometimes. As a government agency, this is their duty. But they always regard their mediation as a kind of favor to us, and they expect favors in return. Then we have to send them presents and offer them meals again. Although we believe that it is unfair for them to do so, we can not charge them of committing blackmail or corruption; otherwise, we will be excluded from the business."

In sum, to deal with counterpart competition and to circumvent pressure of higher-ranking governments and ordinary citizens, Street Offices and the housing property management companies under their jurisdiction have forged an informal coalition between them through informal networks. Housing property management in the neighborhoods of "sold public homes" is thus embedded in bureaucratic support which is provided by the local administrative authorities. These coalitions composed of resource occupants "on the same side" are primarily concerned with economic growth and image-building. Ordinary residents are deprived of their power of decision-making; and the formal channels for them to approach high-ranking authorities like the evaluation activities are manipulated and blocked. If residents have violent conflicts with housing property management companies, it is hard for them to get fair mediation. Furthermore, to avoid the monitoring of Homeowners' Committees, the companies utilize the local authorities to impose constraints on these civil associations. They are also trying to buy off the members of Homeowners' Committees. Even when residents try to wield "weapon of the weak" like refusing to pay management fees, their resistance is often weakened by the Resident Committees. As a result, they are in a disadvantageous position to articulate their

concerns regarding housing property management, and are generally dominated by the local pro-image coalition.

With their domination over neighborhoods, local pro-image coalitions tend to ignore the requirements of the state and residents, thus resulting in dissatisfaction from citizens and hindering neighborhood governance. There was lack of systematically precise data to reflect the governance performance of all Shanghai neighborhoods. But I conducted fieldwork in five old neighborhoods, and my investigation suggested that governance performance in most neighborhoods was not satisfying. Few residents were satisfied with housing property management in their neighborhoods while most of them experienced dissatisfaction. In 2003, the municipal government sent teams to investigate social services and to rank all the relevant businesses. Housing property management was evaluated to be the worst among all businesses of public services. Another research report on the situation of housing property management in Shanghai, which was released in August, 2008, also revealed that, 39.8% homeowners complained about housing property management companies and 13.4% homeowners frequently did so; and the situation in sold-public-home neighborhoods was much worse. 14 This has led to the similar situation with the residents' sense of their neighborhoods and their feeling of satisfaction. However, local governments attempt to cover the fact with all kind of means. For example, one sub-neighborhood in the W Neighborhood had been granted the title of "Model Quarter" although it failed to meet the official criteria. It turned out that the head of the Residents' Committee monitoring the sub-neighborhood had a brother working for the municipal "committee of 'spiritualcivilization building". Just because of this, the Street Office had employed her, who then asked her brother to help them get the title.

¹⁴ http://www.pmmtp.com/Article/ShowInfo.asp?ID=6495.

This case shows again how local pro-image coalitions mobilize political resources through *guanxi* networks to cheat the public. Actually, in the past few years, the governance situation in neighborhoods has been getting worse in some aspects, and local pro-image coalitions should be partly responsible for this.

Interest-based Society and the Logic of Local Pro-image Coalitions' Action: A Discussion

This research examines the dynamics of the formation of local pro-image coalitions in urban neighborhoods. It has been found that their domination impedes neighborhood governance, thus adversely affecting both the quality of life of citizens and the performance of state building. However, my investigation also reveals that the present social context and institutional arrangements are partly responsible for the situation.

Efficiency-oriented Administrative Evaluation System and Local Proimage Governments

In managing neighborhoods, although Street Offices are officially required to promote balanced community development, their actual management orientation has been distorted by the present administrative evaluation system and social values. Having initiated reforms towards market economy, the state seeks to rebuild its legitimacy in management performance. Furthermore. utilitarianism has also been pervasive, and Chinese society has been transformed into an "interest-based society" (Zheng, 2001). As a result, "efficiency" has been highlighted in every aspects of social life, including administration. Almost all state institutions are efficiency-oriented in their management activities, but most of them just pay attention to immediate and visible performance. For example, in administrative management, the growth rate of GDP has

been regarded as the primary indicator in evaluating the management performance of governments at various levels; this was also the case in neighborhood management. When the municipal government and district governments evaluate the management performance of Street Offices, they generally adopt "hard" indicators such as the rate of local economic growth and image building of neighborhoods under their jurisdiction while ignoring "soft" indicators like the satisfaction of local residents.

Furthermore, since high-ranking governments frequently distribute a lot of administrative tasks to every Street Office, the latter have to establish more institutions and recruit new staff to cope with these radically increasing new tasks. For example, it has to establish "committee of 'spiritual-civilization building" and to invest a lot in the construction of "Model Quarters". However, the fund that the state could provide is limited, and even can not cover the salary of the increasing number of staff of the Street Office. In the era of command economy, there were only less than ten staff in a normal Office. However, presently, there were nearly seven hundred people in many Shanghai Street Offices including tenured officials and contracted staff. According to the Party secretary in one Office, the allotted fund from the state every year can only cover one sixth of its actual expenditure.

In addition, since the whole society is increasingly material-oriented, leaders in Street Offices also face pressure from their subordinates who want their income to be enhanced. As the Party secretary in the W Street Office claimed, "If there is no enhancement of income, they (the officials in the Office) will lose the motivation to work hard." Therefore, Street Offices have to make every endeavor to promote local economic growth rather than balanced development. When allocating resources in public affairs, Street Offices focus more on those apparently visible projects like image

building and organizing large-scale propaganda activities to show off their management performance, and they had little interest on promoting social welfare. Therefore, the efficiency-oriented administrative evaluation system and distorted management orientation of local authorities are partly to blame for this.

Policy Constraints and the "Rational Choice" of Housing Property Management Companies

Due to urban reforms, housing property management companies in old neighborhoods face many constraints and difficulties. In the old neighborhoods of "sold public homes", many residents belong to the working class, and quite a large number of them have been laid-off due to the reform of the state-own enterprises. They can not afford high management fees. Afraid of social unrest, the state requires the companies can only charge very low fees since many residents are already dissatisfied with the present reforms. According to the policies made by the Shanghai municipal government in 1996, housing property management companies could only charge 4.5 yuan management fee for oneroom apartment a month, 6 yuan for two-room apartment, and 7.5 yuan for three-room apartment (Gao, 2009). 15 One and a half decade passed, this price is still fixed. Quite a few residents in old neighborhoods also refuse to pay the fees with the excuses of poverty, sickness, etc. Therefore, the management companies serving old neighborhoods can make little profit. In the past years, the operation cost like the salary for staff has been rising. As the former state-owned housing maintenance bureaus, the companies can not just dismiss their many unskilled staff easily. Therefore, most of the companies complain that they have been experiencing loss because of serving old neighborhoods. However, although the

¹⁵ The fees for new condominiums are at least ten plus times of that for "sold public homes".

state requires maintaining low fees, it would not provide financial subsidy to the housing property management companies; it actually make the latter to take the cost of reforms. Due to low profit and even loss, the companies naturally have no motivation to provide good services in old neighborhoods, and they do not care much about their reputation among residents there.

The poor housing property management practice in old neighborhoods has triggered the dissatisfaction of residents, many of whom thus refuse to pay the management fees. According to a survey conducted in 235 neighborhoods of "sold public homes", only 74.34% homes pay the fees (Gao, 2009:28). With the decline of income, management companies have reduced their services. As a result, housing property management of "sold public homes" in many neighborhoods has fallen into a vicious circle. For the companies, it is more economical to seek shelter from local officials by giving presents than to provide good services to residents. When faced with the pressure from the state and residents, the companies thus choose to establish alliance with local governments which are concerned with boasting their management performance. When I asked some managers of the companies whether they could break away from the dependence on the local authorities if they improve their management and thus satisfy residents, they said they would not do so due to much bigger cost. Therefore, they prefer to keep the patronage networks with the local authorities in order to maintain the image and maximize the interests of both parties.

Conclusion

This article examines the changes of formal local political institutions in urban neighborhoods on the one hand, and discloses the formation of informal local pro-image coalition between Street Offices and other social forces, especially, business groups on the

other. It was found that *guanxi* networks are very important for local power holders to forge coalitions and to construct their domination, resulting in passive social-political consequences.

In particular, it illustrates that, with the disintegration of the work-unit system and the initiation of community building, the state has reconstructed the local administrative structure. Street Offices have been thus increasingly important in urban management system. However, they have also become very self-interested and have led to the forging local pro-image coalitions in neighborhoods. Therefore, urban reforms and the initiation of community-building projects are the structure of incentives for the local pro-image coalitions to emerge. Furthermore, this research also examines the informal ways in which local authorities construct coalitions and domination in neighborhoods. They utilize informal networks not only to mobilize political resources and build alliance with local economic elites, but also to impose domination over and exercise exploitation on residents. Therefore, neighborhood politics is dominated by local pro-image coalitions based on *guanxi* networks.

The formation of local pro-image coalitions and their domination in neighborhoods has led to the impasse similar to the devastating impact of what Duara (1988) refers to "state involution" in rural villages. As shown above, in the past years, local government agencies, especially, Street Offices, have expanded rapidly in terms of power, resources and the number of their staff. However, the *guanxi*-based pro-image coalitions of local government agencies and commercial organizations not only attempt to evade state monitoring, but also tend to ignore the interests and appeals of citizens. Therefore, contrary to the above-mentioned local coalitions in cities of Western liberal states, local governments in China's cities forge coalitions just to impose social control on citizens and to promote the interests of the special interest groups at the expense

of the public interests. This has triggered much dissatisfaction from citizens and thus impaired state legitimacy, which is partly demonstrated by the current continuous outbreak of collective civil resistance. The misusing of public resources on image-building of local government agencies and the "rational choice" of housing property management companies unwilling to improve their management and services imply one serious consequence of "state involution": the ceasing or even decline of neighborhood governance.

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