

Institutional Reforms in Xian'an

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Like many agricultural areas of the interior, Xian'an district in Hubei Province faced enormous problems from growing numbers of bureaucratic offices, increasing numbers of cadres, escalating debt, and financial malfeasance. Beginning in 2000, a new Party secretary, Song Yaping, began drastic measures to reduce the size of the cadre force and restructure local government. With strong political backing and a forceful personality, Song appears to have been largely successful, though his reforms remain controversial. The bigger question is whether the model adopted in Xian'an can be spread to other areas, and the answer to that appears to be negative.

Formerly a county, Xian'an (咸安) became a district of Xianing city in 1998. Lying about 80 kilometers south of Wuhan, it is largely an agricultural area; indeed, 350,000 of its 460,000 residents are engaged in agriculture. It has a relatively favorable geographic location, being situated astride both the Beijing-Guangzhou rail line and the No. 107 highway. It nevertheless has long been one of the 38 impoverished county-level divisions in Hubei (out of 103), suggesting many years of mismanagement.

Song Yaping (宋亚平), the Party secretary who would be the driving force in the reforms in Xian'an district, had an unusual background, not only because of his educational history but also because he had worked in business for several years. As a child, Song was forced to stop schooling and work in the fields, but in 1979 he was able to test into the history department at Wuhan University. In 1986, after graduating with a master's degree, he worked in the research department of the Hubei provincial government. Quickly growing bored, Song resigned after only two years and went south to try his hand at business. He worked in Guangzhou and Shenzhen for two years before returning to Wuhan. Testing into the history department at Central China Normal University (*Huazhong shifan daxue* 华中师范大学), Song received his doctorate two years later, in 1993. He then worked in the Yangpu Development Zone in Hainan before becoming executive deputy mayor of Hanyang City in 1998. A year later, he was appointed Party secretary of Xian'an district, where he stayed for five years until being transferred to the Hubei Provincial Policy Research Office in December 2003.¹ Thus, Song brought an unusual array of experience and academic background to his new position.²

Xian'an was perhaps typical of many central Chinese counties in the late 1990s: overburdened by debt, overstaffed by underworked employees, and beset by a traditional mindset. All these needed to change if Xian'an was to have any chance of escaping poverty and moving ahead economically. Overstaffing of local government has become a

serious problem throughout the interior since the 1980s. According to Song Yaping, whose memoir was published last year, there are about 45 million cadres in China, over 20 times the number in 1978. But it is difficult to come up with accurate estimates of the number of cadres: Some receive salaries that are fully covered by the budget (*quan'e yusuan* 全额预算), others' salaries are partially covered (*cha'e yusuan* 差额预算), and there are yet others who have to collect funds in order to cover their own salaries (*zishou zizhi* 自收自支).³

In Xian'an there were 4,200 cadres in 1985, but by 1999 there were three times as many, 13,111. Nearby Jianli County held 30,785 cadres in 1998; after two rounds of institutional reform and separating (*fenliu* 分流) superfluous cadres, the number by 2003 had actually *increased* to 32,702!⁴ The increasing number of cadres followed the expansion of offices; in Xian'an there had been 65 office- (*bu* 部), commission- (*wei* 委), district- (*ban* 办), and department- (*ju* 局) level organs in 1985, but by 1999 this number had increased to 107.⁵ Keeping the number of cadres down, much less reducing it, was as difficult as it was necessary to improving efficiency and stimulating economic development.

Under the condition of strained finances, this expansion of cadres is bound to affect social order. As Song Yaping put it, when cadres run out of "imperial grain" (*huangliang* 皇粮, public funds), they will turn to the "people's grain" (*minliang* 民粮) by thinking of ways to raise funds: through arbitrarily collecting fees (*shoufei* 收费), fines (*fakuan* 罚款), assessments (*tanpai* 摊派), fund raising (*jizi* 集资), aide assessment (*zanzhu* 赞助), and other sorts of illegal activity. At the same time, with overlapping duties and few incentives, cadres become lazy; as the saying goes, one-third works, one-third watches, and the other third makes trouble.⁶

However, getting rid of unnecessary, even bad, cadres is not easy. When Song Yaping first arrived in Xian'an he learned that there were 13 mid-level cadres who had been expelled from the CCP two years earlier for malfeasance and were later given a suspended sentence in court. Nevertheless, they were not officially removed from the rolls and demanded to be assigned work. Song was told that there were no regulations governing this situation, so he thought that in the absence of regulations he could go ahead and remove them from their positions. But these cadres not only complained to Song, they employed various channels to appeal to the next higher level, complaining that Xian'an had "obviously violated the normal procedures." When Song left Xian'an five years later, in 2003, this case was still not resolved.⁷

Although there are obvious pressures to expand the size of government at the local level, the fault does not lie entirely with the local level. After all, every office that is established at the local level has the approval of a higher-level office. Often this is done because of the bureaucratic propensity to have offices at one level matched up (*duikou* 对口) with a corresponding office at the next lower level. So as bureaucratic offices expand at higher levels, the number of corresponding offices grows at the lower level. The number of employees an office is authorized to hire (*bianzhi* 编制) is approved by higher

levels, but lower levels exceed this limit by hiring above quota and employing temporary workers of various sorts.

Xian'an not only faced a heavy fiscal burden as the number of offices and cadres expanded but also incredible threat of financial collapse, as lax oversight had allowed the accumulation of debt and corruption. In 1987 government policies permitted the establishment of "village cooperative funds" (*nongcun hezuo jijinhui* 农村合作基金会). These were intended to mobilize funds and provide a source of investment for rural construction, but over the following decade they got out of hand. By 1996 there were 113 approved funds and an additional 24 that had not been approved. Over the time since their establishment, they had accumulated some 368 million yuan of losses (mostly due to corruption). The problem exploded in March 1998 when savings could not be withdrawn. Angry savers appealed to the government, and, finding the government devoid of funds, started petitioning higher levels and attacking government offices.⁸

Similar problems were accumulating elsewhere throughout the country and the central government ordered these funds closed—while making local governments responsible for all debt obligations. Song had no choice but to order all funds closed and all assets frozen and transferred to the district government. There were 1,129 cadres in the district, including 43 at the department (*ju* 局) level, who had borrowed funds (in many cases such funds were borrowed for speculative purposes and not returned on time). Song ordered them to take a month's leave and find sufficient funds or assets to clear their debts; those who could not clear their debts in a month were not paid wages or salary. In the end, he was able to recover over 3 hundred million yuan in assets.⁹ This was just the beginning of Song's efforts to straighten out local government in Xian'an.

Song's Strategy

Some of the obstacles Song faced in effecting his reforms in Xian'an, as well as the methods he employed to overcome those obstacles, are described below.

Social Security (wubao heyi 五保合一)

Before Song could move to reduce the cadre ranks and reform the operation of local townships, he had to provide security for those who would be removed. If cadres continued to work for the government, then their health and retirement would be covered. These are important benefits and cadres would certainly fight to retain them. So before he did anything else, Song devised a plan that would provide basic benefits for old age pension, health, worker's compensation, unemployment, and pregnancy. In order to buy into the insurance program established for national and provincial cadres, the district had to pay the insurance premiums for the previous 10 years.¹⁰ Moreover, once the policy had been established, state-owned enterprises could follow the example, which paved the way for their privatization (*minyinghua* 民营化). Over the next three years, the reforms in Xian'an would result in over 3,000 people being laid off. Without the establishment of a security net, this would have been impossible.¹¹

Sending cadres to work (ganbu dagong 干部打工)

Song also found himself frustrated by conservative ways of thinking that had been formed by the old planned economy as well as traditional Chinese attitudes about being officials. The usual way to try to deal with the traditional thinking of interior cadres was to post them for short periods in coastal areas. But such officials would stay on the coast for periods of one to three months and would not be given substantive responsibilities. As a result, they were not challenged to think for themselves. Reflecting on his own experience, Song decided that the only way to break cadres out of their accustomed modes of thought was organize them to leave Xian'an and find their own jobs in the south.

This plan was not easily accepted. Cadres feared they were being not trained but fired; they worried that if Song were transferred out of Xian'an while they were away, the new Party secretary would not welcome them back. Song picked out cadres who were younger and better educated and assured them that they could return to their jobs after two years of working on their own. Nevertheless, Song also worried that the cadres' backgrounds did not prepare them to undertake this sort of hardship, and, if after several months they came back defeated, this failure would upset his plans for further reform.

The first group of 187 cadres left Xian'an in February 2001. All were able to find work within three months. The program was so successful that Song invited several back in June to report on their experiences. They described the coastal areas and their work experiences in such terms that other cadres were all of a sudden excited about the program. Striking while the iron was hot, Song organized another group of 86 cadres to set off at the end June.¹² By 2003 when Song left Xian'an, four groups of cadres, totaling over 600, had gone off to Guangdong, Fujian, Shanghai, and other places to find work for themselves. By that time the first two groups had returned to Xian'an. Most were given promotions on their return. But one-third were so satisfied with their new positions on the coast that they did not return at all.¹³

"Using Money to Buy Services" (yiqian yangshi 以钱养事)

Song Yaping's best-known and most controversial reform was to eliminate the various bureaucratic offices under township governments in favor of marketing the services they are supposed to deliver. As outlined above, the growth of these bureaucracies, known colloquially as the "seven stands and eight centers" (*qizhan basuo* 七站八所), was an important reason for the expansion of personnel and the cost of local government. These offices numbered over 20 and included agricultural technical advice, seeds, irrigation, animal husbandry, forestry, culture, broadcasting, finance, family planning, and transportation. Some were under the direct control of township governments and others were staffed by people sent out from the county. Most of these offices had sources of revenue; for instance, when people decided to leave and seek work elsewhere, they needed to get a "family planning certificate" (*jisheng zheng* 计生证), public security certificate (*zhi'an zheng* 治安证), and a certificate of health, (*jiankang zheng* 健康证), paying a fee for each one.¹⁴

Although the services offered by these offices were in obvious decline by the mid-1990s, the abolition of the agricultural taxes and fees starting in 2002 turned a problem into a crisis. Township governments were big losers in this tax reform, and transfer payments to township governments from higher levels did not make up one-third of the lost revenues.¹⁵ Even in the 1990s, many employees of these offices left in search of better work. In 1999, when Song started working in Xian'an, there were over 1,000 employees on the books in these various offices, but only 150 showed up for work. The offices were inefficient and expensive.

In February 2002, Hubei provincial Party secretary Yu Zhengsheng came to Xian'an to investigate. Taking advantage of Yu's visit, Song began working out a comprehensive plan for reform. But closing the various offices was expensive: Employees needed to be bought out according to how many years they had worked and had to be given an additional supplement to help them get settled in a new life. Also the debts of the various offices needed to be settled. On average each person was given 14,000 yuan; total expenses for the district were 14.4 million yuan. In addition, the district had to pay to put these employees on the provincial social security program—at a cost of 12.8 million yuan. Then Song and his colleagues had to set aside money for the purchase of services in 2003: another 5 million yuan. Altogether these costs totaled 51.24 million yuan, a figure roughly equal to the district's total budget for 1998. Fortunately, over the preceding four years fiscal income had tripled in Xian'an (Song does not say how) and the province was willing to advance funds owed to Xian'an in 2004 to support the implementation of this program. In this way, Xian'an was able to launch this dramatic restructuring of government.¹⁶

Political Reform

Although Xian'an is best known for its program of sending cadres off to find work and for commercializing services, it has also pursued limited political reforms. Rather than use the local people's congresses to open up the local budget to public scrutiny, as Xinhe township in Wenling city did in Zhejiang, Xian'an has followed the opposite approach: Combining the four components of government—the Party, the government, the People's Congress, and the Chinese People's Political Consultative Conference (perhaps better known by its acronym, CPPCC, or its Chinese name, *zhengxie* 政协)—into bodies with deliberately overlapping leaderships. In doing so, Song Yaping argued that at the local level these organs are overlapping and that their separation required too many cadres. So he merged them at the township and county levels.

In merging them, however, Song opened up township-level offices to inner-party elections. The model followed in Xian'an resembles closely that adopted (then largely abandoned) in Sichuan's Changping County.¹⁷ In January 2003, all 12 townships held inner-party elections for the four components of government, though different townships followed different models. Henggouqiao (横沟桥) township convened a meeting of Party representatives. By secret ballot, the 70 representatives elected a Party committee of nine out of a group of 12 candidates, then selected the Party secretary from the two candidates nominated by the county, and finally elected three people to serve as deputy secretaries out of the remaining eight Party committee members. So each of these electoral

procedures, while hardly wide open, nevertheless was competitive, with more candidates than seats (*cha'e* 差额). Although most of the successful candidates had served as leaders in the past, one mid-level cadre was unexpectedly elected to the Party committee.¹⁸

In Heshengqiao (贺胜桥) township there were 680 “representatives,” constituting 62 percent of those eligible to vote (i.e., Party members). They first conducted a “sea election” (*haixuan* 海选) selecting 20 candidates. Of these candidates, nine had been leaders in one of the four components of government, three were among those cadres who had been sent out to work on the coast and had returned, and eight were mid-level cadres. In the first round of election, eight lost, and the leadership was then elected from the remaining 12.¹⁹

The result of combining the four components of government and using competitive elections to choose the leadership of a downsized government was to reduce the leadership of the 12 townships from a combined total of 540 people to only 301—a reduction of 44 percent.²⁰

Although the materials available do not say so explicitly, it seems apparent that Song Yaping used these inner-party elections to choose who would stay and who would go after downsizing the cadre force. Certainly there would have been less pressure on him to choose the leadership that way rather than for him to appoint the leaders directly.

Conclusion

Song Yaping developed a reputation as one of China’s “three great reformers,” the other two being Qiu He (仇和) in Suqian (northern Jiangsu)²¹ and Lü Rizhou (吕日周) in Changzhi city, Shanxi. Just as Qiu He had the support of Li Yuanchao in Jiangsu, Song had the backing of provincial Party secretary Yu Zhengsheng.²² Song had also made a considerable sum of money when he had worked in business, so he had no fear of the future; the worst that could happen to him would be having to leave officialdom and earn a comfortable living! This personal financial security, political backing, and a very strong personality made Song willing and able to take on the local political structure in Xian’an. This is why some scholars have argued that the Xian’an reforms cannot be popularized; Xian’an, it is said, is an isolated island of reform.²³

Perhaps because of Song’s strong personality he sought to reform Xian’an through a radical restructuring of the organization and personnel of township-level governments rather than through more extensive political reform or supervisory measures. Certainly Song seems ambivalent at best about adopting democratic procedures. After all, he comments on several occasions that Party regulations requiring “democratic evaluation” of cadres has made cadres just want to get along with others and thereby undercut reform. As noted above, he also combined the four parts of government into one, undercutting the possibility of carrying out the sort of participatory budget making that Wenling has made famous.²⁴

Seven years after Song left Xian'an his model remains very controversial. Some scholars fault it for not saving any money, despite its claims, and it is not clear that the model has delivered services to residents of Xia'an any better than was done in pre-reform Xian'an. Most of all, however, is that the model relies too much on a single individual with strong political backing, and that condition is difficult to replicate.

Notes

¹ I would like to acknowledge the research assistance of Zhao Chen in preparing this article.

² See Song's biographical data on p. 286 of Song Yaping, *Xian'an zhenggai* (Political reform in Xian'an) (Wuhan: Hubei renmin chubanshe, 2009). See also Xiang Jiquan, "Xian'an gage: Xunqiu tizhi de tupo—jianlun yixie 'gaige mingxing' de chuangxin zhidao" (The Xian'an reform: Searching for structural breakthroughs—and discussing the innovative course of some 'reform stars'), included in Song Yaping, *Xian'an zhenggai*, pp. 274–285.

³ Song Yaping, *Xian'an zhenggai*, p. 61.

⁴ *Ibid.*, p. 61.

⁵ *Ibid.*, p. 62.

⁶ *Ibid.*, p. 63.

⁷ *Ibid.*, pp. 63–64.

⁸ *Ibid.*, p. 34–35.

⁹ *Ibid.*, pp. 38–41.

¹⁰ In order to buy into the national and provincial insurance program, Xian'an had to pay a sum equivalent to what insurance premiums for the previous ten years would have been.

¹¹ *Ibid.*, pp. 47–54.

¹² *Ibid.*, pp. 85–89.

¹³ *Ibid.*, p. 95.

¹⁴ *Ibid.*, p. 244.

¹⁵ *Ibid.*, p. 12.

¹⁶ *Ibid.*, p. 260–261.

¹⁷ "A New Upsurge in Reform?—Maybe." *China Leadership Monitor*, no. 24 (Spring 2008).

¹⁸ Zhang Shuangwu, "Xian'an zhenggai 'dizhen'" (The 'earthquake caused by Xian'an's political reform), *Renmin wenzhai*, vol 4, pp. 26-27. See also Xiong Jiayu and Yang Fawei, "Fazhan, gaige, tansuo—Xian'an xiangzhen guanli tizhi gaige toudi" (Development, reform, exploration—A look at the reform of the township management system in Xian'an), *Hubei ribao zhuanqi baogao*, vol. 5, pp. 32-35.

¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ See "Promotion of Qiu He Raises Questions about Direction of Reform," *China Leadership Monitor*, no. 17 (Winter 2006).

²² It is clear that Yu backed Song, but it is not clear when this support started. Song may have come to Yu's attention after he began his reforms in Xian'an, but, in any case, he could not have carried them as far as he did without Yu's backing.

²³ Wan Jingpo, "Xian'an gaige: 'gudao tuwei' haishi 'renzou zhengxi?'" (Xian'an reform: An 'isolated island breaking through its encirclement' or 'reforms ending when the leader goes?'), *Nanfeng zhounuo*, December 4, 2003; and Ma Ya, "Xian'an gaige ke fuzhi fou?" (Can the Xian'an reforms be replicated?), *Nanfengchuang*, July 30, 2006.

²⁴ See "Exercising the Power of the Purse?" in *China Leadership Monitor*, no. 19 (Fall 2006), and "Participatory Budgeting: Development and Limitations," in *China Leadership Monitor*, no. 9 (Summer 2009).