

Statism, Regionalism, and the (Re)Production of Space in Post-reform China

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In a provocative article on the restructuring of social sciences, Peter Taylor identified a significant intellectual movement in which the course of social sciences was believed to have increasingly shifted away from state-centric orthodoxy toward non-state-centric heterodoxy consequent upon the growing importance of globalization (Taylor, 1996). He also observed that the questions of space and place were often neglected in the mainstream inquiry of social sciences and that the eminent process of globalization would facilitate geography as a spatial science to become an integral part of the heterodoxy of social knowledge. While it remains questionable whether the transition from "embedded statism" to non-state-centric thinking can be completely attributed to the process of "globalization", it seems quite obvious that reassessment of the concept of nation-state has recently occupied a prime position on the research agenda among social sciences, not least in China studies.¹

A cursory survey of recent scholarship on China's post-reform development could easily identify the popularity of the state-society paradigm. Much has been written on the new central-local relations of the socialist state (Jia and Lin, 1994; Chung, 1995; Wong, 1991; Oksenberg and Tong, 1991), on the possibility of an emerging civil society (Chamberlain, 1993; White, 1993; Gold, 1990; Nevitt, 1996), and on the mechanism of interplay between state and society (Perry, 1994; Rosenbaum, 1992; Walder, 1995a; Goodman and Hooper, 1994). While these efforts have undoubtedly enhanced our understanding of the dynamics

of China's social and economic transition, they have shed little light on the spatial implications of change in the political, social, and economic spheres.

There are commendable attempts to assess the causes and consequences of spatial transformation in post-reform China (Pannell, 1990; Fan, 1995; Linge and Forbes, 1990; Goodman, 1989). With few exceptions (Yang, 1990; Huo, 1994; Lyons and Nee, 1994; Goodman, 1994; Paine, 1981), such attempts have been seldom related to the inquiries on the changing nature of the Chinese political economy. Moreover, the relationship between the functioning of the socialist state and the process of spatial restructuring remains controversial and vague. It has actually been an issue of unresolved debate between those who continue to describe a pivotal role played by the socialist state (Huang, 1996; Huo, 1994; Yang, 1990, 1994; Fan, 1995; Solinger, 1996) and others who argue that the central state no longer actively and directly intervenes in local developmental affairs (Wang, 1994, 1995; Naughton, 1987; Walder, 1994; Ma and Lin, 1993).

Given the existing intellectual context, this paper attempts to investigate the changing relationship between the role of the Chinese socialist state in policy making and the process of spatial restructuring. For the purpose of research, the whole period of socialist development is divided into two main phases using the 1978 economic reforms as a historical watershed. This arbitrary division is made with an understanding that there is noticeable continuity between the two phases and that there are considerable historical fluctuations within each phase. The changing function of the state is examined through an analysis of different development policies including the alloca-

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tion of financial resources among the seven macro regions as classified by Chinese geographers (Lu, 1990; Figure 1). The concept of space used in this study refers specifically to the geographical organization of production activities, the restructuring of human settlements, and the changing urban-rural relations. The process of spatial restructuring is assessed mainly by using data on the regional distribution of gross domestic product which have recently been made available by Chinese statistical authorities. The approach adopted in this study focuses on the general patterns of change at the macro level rather than on specific policy issues, detailed historical fluctuations, or varied local particularities. Inevitably, such an approach might miss out certain important details of the complex subject. The justification is that both the functioning of the state and restructuring of the space economy are highly sophisticated processes whose intricate relationship cannot be comprehended without necessary omission of certain historical details and local particularities.

This paper has three parts. It begins with an overview of the theoretical context which leads to the identification of several unresolved issues. This is followed by a comparison of different development strategies adopted by the Maoist and post-Mao regimes. The geographic outcome of implementing different development strategies is then assessed and compared. Findings of the research and their theoretical implications are discussed in the final section.

Spatial Restructuring in Socialist China: State Articulation or Disarticulation?

Transformation of the Chinese space economy is conventionally understood as a process driven mainly by the socialist state who has the power to manipulate spatial arrangement of population and economic activities according to its political and ideological ambitions. The role played by the socialist state is perhaps most noticeable in the process of urban and regional development. Influenced by the Marxist doctrine of anti-consumerism, the socialist state under Mao was committed to the transformation of the function of Chinese cities from "consumers" to "producers" (Lo, 1987; Pannell, 1990; Chang, 1981). The outcome of this exercise had been the dominance of manufacturing activities in employment and

output structure of most cities and towns (Pannell, 1989; Lin and Ma, 1994). The number and size of urban settlements were also effectively limited by the socialist state. Not only was the state able to curb further expansion of cities and towns, it could also remove urban residents from large cities from time to time and have them relocated in the remote countryside for political or ideological purposes. The result had been a peculiar pattern of what Forbes and Thrift called "polarization reversal" (Forbes and Thrift, 1987). Despite China's remarkable record of industrialization, urban population growth had remained abnormally slow for decades until recently.

The Chinese experience of limited urban growth has been identified by scholars as a "unique case" because it contradicts the normal theoretical expectation of a paralleled relationship between industrialization and urbanization. Early writers attributed the Chinese practice of limiting urban growth to the state's ideological conviction of "anti-urbanism" (Ma, 1976; Murphey, 1976; Cell, 1979). This ideological explanation was contested by others who contended that the root cause of limited urbanization lies in the imperative of the state to minimize the cost of urban service provision so that necessary capital be reserved for rapid industrial development (Kirkby, 1985; Chan, 1992). While the two interpretations differ in perspective, they share a common fundamental belief that there is a powerful and unitary socialist state capable of manipulating urban affairs for its political and economic pursuits (Lin, 1994).

In a manner similar to urban growth, China's regional development is often seen as a spatial process effectively shaped by a socialist state committed to the ideal goal of equit and egalitarianism. It has been well documented that the socialist state under Mao was deeply concerned of the existing regional disparity between the advanced coastal zone and the underdeveloped interior (Wu, 1967; Huo, 1994: 188; Wu, 1987; Yang, 1990; Hsu, 1991). Enormous and painstaking efforts were made by the state to overcome regional inequality and promote balanced economic development. Concrete actions included the transfer of financial resources from advanced regions in the eastern coast to backward areas in the west (Yang, 1990; Nee, 1989; Lardy, 1978; Hsu, 1991), forced migration of intellectual and technical personnels from coastal cities to remote areas

(Bernstein, 1977), frontier extension of railways to stimulate economic growth of regions in the west (Leung, 1980), and concentrated capital investment in some isolated areas of the interior (Naughton, 1988; Cannon, 1990). The thrust of the state for equalized regional development has

been variably interpreted as to honour the socialist principle of equity and egalitarianism (Wu, 1967; Yang, 1990; Hsu, 1991, Pannell, 1990), to ensure national integrity and social stability (Leung, 1980), or to protect industrial facilities

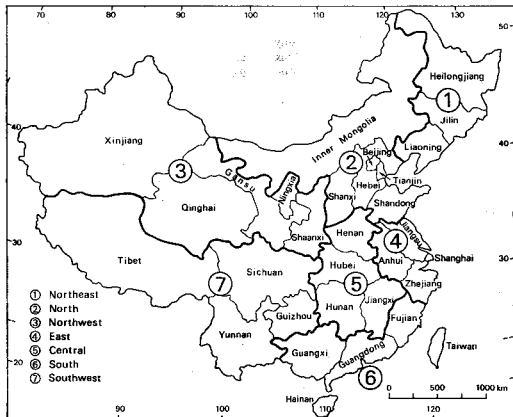


Figure 1 Geographical division of the people's Republic of China

(Source: Lu, 1990, p. 31; Lin, 1997, p. 15)

from possible military attacks by international powers (Kirkby, 1985; Cannon, 1990; Naughton, 1988). Common to all assertions is the argument that regional development is a product of state articulation.

The pivotal role played by the central state is believed to have extended into the post-Mao even after major institutional changes were made in the late 1970s. Although the development strategy adopted by the post-Mao regime is significant

different from those of its predecessor, it is generally believed that the central government has been responsible for the introduction of rural economic reforms and the open door policy (Goodman, 1994; Yang, 1990; Hsu, 1991). Not only was the central state credited for bringing about a "quiet revolution" in which economic reforms preceded political change and through which steady growth was achieved without the pains of "shock therapy", it was also regarded as the driving force of a "hidden hand" which, on the one hand, promoted rapid economic growth in selected regions with greater comparative advantages and, on the other hand, miraculously reduced regional inequality by enforcing well-design equalized fiscal and tax policies (Goodman, 1994; Huo, 1994:198; Fan, 1995:444).

The concept of a powerful and unitary state capable of manipulating China's spatial development has faced increasing challenges in recent years as a result of structural change taking place in the Chinese political economy. Important questions have been raised by those who stress the political consequences of the implementation of the reform program. Many studies have suggested that institutional changes that have been made since the late 1970s essentially represent a bold attempt of the central government to decentralize the power of decision-making as a means to stimulate local enthusiasm and arouse individual incentive (Yeh, 1984; Ash, 1988; Zhao, 1994; Naughton, 1994; Walder, 1995b). Although the decontrol of the centre may not necessarily jeopardize the effectiveness of central control (Shue, 1988; Yang, 1994; Huang, 1996), it is generally agreed that decentralization of decision-making has favoured local governments, that the capacity of the central state has been eroded, and that the state system has become increasingly fragile or fragmented in which the central state can no longer monopolize local developmental affairs (Wang, 1994, 1995; Jia and Lin, 1994:8; Walder, 1994, 1995b). The practice of fiscal reforms for instance, has significantly reduced the scope of state intervention in the control and management of financial resources although it has helped tap the latent potentials of local governments and enterprises in revenue generation (Wang, 1994; Naughton, 1987; Wong, 1992). Similarly, rural economic reforms and the opening to the outside world have brought into play free market forces which are operated more di-

rectly by local governments and enterprises than by the central state (Jia and Wang, 1994; Walder, 1995a, Smart, 1995). The combined result of decentralization, marketization, and globalization has been a new central-local relation in which local governments and enterprises no longer play a passive and obedient role. The economic manifestation of the reorganized central-local relation has been a new mechanism of what Jean Oi calls "local corporatism" in which local entrepreneurial cadres play decisive role in the developmental process (Oi, 1992, 1995; Lin, 1995; Walder, 1995b; Naughton, 1994; Liu, 1992).

The perceived instrumental role played by the central state in the design and implementation of the reform program has also met challenges. It has been revealed that many reform initiatives were actually originated from the grassroots level of the countryside (Liu, 1992; Ash, 1988), that the central state has not really had any "blueprint" or long-term strategy to guide the reform, and that the post-reform leaders only act passively according to changing circumstances (Naughton, 1995). The rapid expansion of a market economy and the opening up of the country to the outside world are seen as a result of state "disarticulation" (Naughton, 1995; Lin, 1997). The phenomenal growth of industries and numerous small towns in the countryside is interpreted as spontaneous, self-driven, and unplanned which owes little to active state intervention (Ma and Lin, 1993). The long-standing perception of the socialist state as a powerful "invisible hand" promoting "equalized regional development" has also been seriously questioned. Informative studies by Zhou, for instance, have revealed that the declared commitment of the socialist state to egalitarianism and spatial equity has been primarily rhetorical without effective actions, that the extent of inter-provincial resource transfer has actually been much less than what was generally perceived and that the central state has not effectively redistributed resources among provinces as has been commonly imagined (Zhou, 1996:580, 1993:174).

The competing interpretations identified above raise several important theoretical questions for further investigations. Has the function of the socialist state changed as a result of economic reforms instituted in 1978? Is the process of post-reform development a product of state articulation or disarticulation? Assuming that there is a cause-effect relationship between institutional reforms

and spatial restructuring, how has the functional change of the state altered the developmental landscape at the national and regional level? Is it still tenable to perceive the socialist state as a powerful and unitary entity? Is it still adequate to use the conventional framework of coast-inland-border regionalization for the assessment of China's spatial restructuring? To answer these questions would involve intensive investigations of some of the most sophisticated relationships which are extraordinarily difficult to unfold. The following section attempts to disentangle these complex relationships by first examining the changing political settings, particularly development strategies adopted by different political regimes, and then analyzing the consequences of spatial restructuring in different political context.

The Political Setting:

From Maoist Plan-Ideological Regime to Post-Mao Market-Regulatory Regime

To unfold the complex political settings that have evolved in socialist China, it may be necessary and useful to draw upon the conceptual framework developed by Dahrendorf (1968), Johnson (1982), and Henderson and Appelbaum (1992). The framework broadly classifies various political-economic systems into four main types: plan-ideological, plan-rational, market-ideological and market-rational. It is generally believed that the system of state socialism that dominated pre-reform China fit well into the "plan-ideological" quadrant of the framework (Oi, 1995: 1134; Dicken, 1994: 114). After economic reforms were instituted in 1978, China has endeavoured to develop a "socialist market economy with Chinese characteristics." While the transformation of the Chinese political economy is far from completion, there is growing evidence to suggest that a new developmental mechanism similar to the market-rational or market-regulatory system is taking shape.

More specifically, the system of state socialism that existed in China before the reforms was characterized by, among many other things, a centrally planned economy dominated by public ownership and the undivided power of a Marxist-Leninist party committed to the promotion of the Communist ideology (Kornai, 1992: 361). The centrally planned system was established to ensure that the central state maintain an absolute

control of the national economy. Under this system, the state monopolized economic affairs ranging from the setting of production targets through the supply of raw materials to the marketing of products. Theoretically, this system should enable the state to make rational and efficient utilization of natural and human resources. In reality, however, the system suffered from bureaucracy of the party and the government.

The second feature of the Maoist system of state socialism is the noticeable influence of the Communist ideology on national and regional economic development. Despite historical fluctuations and occasional shifting of emphasis, national economic development under the leadership of Mao had been guided by a principle that emphasizes on political correctness (*hong* or redness) rather than technical expertise or professionalism (*zhuan* or expertise). The idea was essentially derived from the Communist guerrilla warfare experience which demonstrated that a Red Army of peasant folk equipped with primitive weapons but strongly imbued with revolutionary zeal could eventually defeat the nationalist troop that was empowered with superior machine guns, tanks, and a modern airforce. It was believed that the key to military victory was not weapons but the correct ideology that infused the people who operated the weapons (Mao, 1937). Similarly, the key to successful economic development should not be technical know-how or modern machinery. Instead, it must be the correct Communist ideology that could indoctrinate the general mass and transform it into a tremendous source of energy sufficient to conquer the nature and change the world (Eckstein, 1977: 46).

Emphasis on correct Communist ideology has significant implications for Chinese urban and regional development (Wu, 1967; Ma, 1976; Murphey, 1976; Lo, 1987; Pannell, 1990). One of the important tenets of classic Marxism is to restrict trade and commercial activities because, in the Marxist version, commerce is an activity of "unproductive exploitation" in which a portion of the surplus value yielded by manufacturing is appropriated (Solinger, 1985). Commercialism is linked with capitalism and discriminated by the Chinese Communists. Geographically, Marxist-Maoist negativism against commerce means that those regions such as East and South China where the tradition of trade and commercial production was strong would suffer the most as they were

unable to perform those economic functions in which they have comparative advantages.

Following the industrialization practice of the Soviet Union under Stalin, the Maoist regime adopted an economic strategy that seeks high rates of industrial growth at the cost of agricultural development and urban consumption (Lardy, 1978; Eckstein, 1977). Industry, particularly heavy industry (resource extraction and manufacturing of heavy machinery), was identified as the leading economic sector in the national economy that should be given priority in the allocation of state capital investment. This growth-oriented and heavy-industry-based investment strategy was translated into a spatial development approach in favour of regions such as North and Northeast China where industrial resources are rich and the tradition of manufacturing is strong (Wu, 1967; Pannell, 1988). Moreover, to finance an ambitious industrialization program that aims at high growth rates and focuses on the capital-intensive sector requires high domestic savings. It means that urban consumption has to be kept low and rural to urban migration has to be restricted because the state was unwilling to invest in the urban sector for the provision of urban facilities to accommodate new urban dwellers. The result has been a peculiar pattern of slow urbanization despite significant industrial growth and a settlement system in which cities and the countryside are artificially separated (Kirkby, 1985; Chan, 1992, 1994).

The system of state socialism established by the Maoist regime essentially represents an attempt to centralize decision-making for the sake of social stability and national integrity. Although central policies might sometimes meet local resistance and the state might not always be able to "reach" effectively the grassroots of the administrative hierarchy (Shue, 1988), the system was established in such a way that the central state had an active role to play in national and regional development. Centralized decision-making appeared to be a logical response of the socialist state to a hostile international environment in which drastic policies often had to be made and implemented instantly to cope with emergent political and economic crises. Rigid control of the state had, however, left little room for local initiative and individual creativity. Apart from working to satisfy the needs of the central state, local governments and individual enterprises had

little incentive to raise productivity or to engage in those economic activities for which they had special skills or comparative advantages. Moreover, economic decisions made at the top level according to the needs of the central state were often unsuited to local conditions and insensitive to constant changes in actual market demand.

With a recognition of the deficiency of the Maoist plan-ideological approach, the post-reform government under the pragmatic leadership of Deng Xiaoping introduced a new system in which market forces could operate and decision making was decentralized to stimulate local and individual enthusiasm. To correct the inherited structural imbalance between arbitrary plan and actual market demand or between production and consumption, the new regime substantially reduced the scope of compulsory production plan and allowed a market economy to "grow out of the plan" (Naughton, 1995). Commodity prices that previously were set solely by the state are now free to fluctuate according to market demand. To avoid the possible chaos that might be caused by a sudden change in prices, the state permits a dual-track pricing mechanism (*shuang gui zhi*) to develop, in which a single commodity could have both a state-set price and a free market price. Enterprises are allowed to produce commodities that are demanded in the market after their state compulsory production targets are fulfilled. The result of freed market operation has been the formation of a distinct dual track economy characterized by the coexistence of the plan and market segments. The market segment, however, has been growing at a pace much faster than the plan segment because of its higher profitability, greater employment capacity, and better linkages to consumers. Geographically, the shift of emphasis from central planning to market oriented production means that regions such as East and South China which are traditionally good at trading and production of consumer goods can now grow at a pace faster than those in the north and northeast which are specialized in resource extraction or the manufacturing of capital-goods.

The reorientation of the economy from central planning to market coordination was accompanied by a decentralization of decision-making as a means to arouse local initiative and individual creativity. In the countryside, the socialist collective system was dismantled and replaced by an output-link contracted "household production

responsibility system" in which peasants are free to make production decisions so long as they satisfy an output quota contracted with the state. In the cities, a "fiscal responsibility system" was introduced to give local governments and individual enterprises concrete material rewards for better performance. An open door policy was implemented to grant greater autonomy to coastal cities and provinces for attracting foreign capital and promoting export. With these institutional changes, the central state no longer is actively and directly involved in local economic affairs. Instead, it has become reliant more on fiscal measures to monitor, regulate, and control regional economic development at the macro level. A significant economic consequence of this functional change of the state from direct involvement to indirect regulation has been a locally driven process of profound economic restructuring in which the emphasis of production is shifted from capital goods to consumer goods because the latter is generally considered to be a better option for the instant generation of income and employment. Moreover, decentralized decision making has enabled those geographic areas that have better capacity of independent development to grow at a pace faster than those that have long been dependent upon the direction and support of the central government.

Transformation of the Space Economy

The spatial imprint of the transition of the Chinese political economy from plan to market and from direct intervention to indirect regulation has been well documented (Yang, 1990; Linge and Forbes, 1990; Fan, 1995). In analyzing the transformation of the Chinese space economy, much attention has been directed to the changing distribution of population and economic activities among the coastal, inland, and border zones. While the three-zone division of the country has provided a useful framework for understanding the variation of major geographical features, it offers limited insight into the intricate dynamic of the interplay between reforms of the political economy and the process of spatial restructuring because spatial inequality among the three zones is actually a natural product of different physical environment which can hardly be altered by any political regime. A close analysis of the Chinese

space economy before and after the reforms suggests that the dynamic of spatial transformation, as a direct response to the transition from the Maoist plan-ideological regime to the post-Mao market-regulatory regime, is most noticeable in the changing relations between North and South China, between large cities and small towns, and between cities and the countryside.

The North-South Relation

Despite the Communist rhetoric of equity and egalitarianism, the spatial economy created by the Maoist plan-ideological regime was characterized by a striking disparity of development between regions in the north and the south. Influenced by both the Marxist ideology that favours material production over consumption and the Soviet practice of rapid industrial growth concentrating on heavy industry, the Maoist regime chose North and Northeast China as the target regions for heavy investment because these regions were endowed with rich mineral resources and inherited with an established economic infrastructure. It was reported that, of the 156 "key industrial projects" funded by the state in the First Five Year Plan (1953-57), 86 were located in the northeast and the north whereas none was found in South China (Chinese Academy of Sciences, 1987; Liu, Ma and Wei, 1997). An analysis of data on capital construction investment (*jiben jiangshi touzi*) reveals that the bulk of state investment had gone to regions in the north and northeast for most of the years in the 1950s and 1960s (Table 1). By comparison, South China received the smallest share of capital from the state because its mineral resource was poor, its tradition in trade and commercial activities was undesirable to the state, and its frontier location was perceived to be vulnerable to potential overseas military attacks. There was a period in the late 1960s when the southwest received a significant share of state capital investment to fund the Third Front Project (Table 1; Naughton, 1988; Cannon, 1990). Central China also received an increased share of capital from the state in the late 1960s and early 1970s as a result of industrial consolidation and adjustment. Such historical fluctuations had not, however, significantly altered the disparity between the north and the south until economic reforms were instituted in the late 1970s.

Table 1 Capital construction investment in state-owned enterprises by historical periods(%)

	1st FYP (1953-57)	2nd FYP (1958-65)	3rd FYP (1966-70)	4th FYP (1971-75)	5th FYP (1976-80)	6th FYP (1981-85)	7th FYP (1986-90)	8th FYP (1990-95)
North	11.7	21.6	16.9	19.8	24.4	22.2	22.5	20.7
Northeast	22.5	15.5	10.3	13.3	14.2	12.6	14.0	11.0
Northwest	12.3	10.4	13.0	11.2	10.5	8.5	9.0	8.3
Central	11.4	14.5	15.3	15.8	15.8	11.9	11.7	13.7
East	7.8	11.9	8.1	10.2	12.7	15.5	18.8	18.9
South	5.5	7.6	6.4	7.4	8.5	11.7	15.4	18.7
Southwest	6.2	10.6	16.2	11.7	10.2	8.4	8.8	8.7
Unclassified	22.7	7.9	13.9	10.6	3.7	9.2	--	--
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: D. Lu(1990) p.31; China, SSB(1996b) pp.226-887

Note: FYP stands for Five Year Plan. The unclassified category includes capital investment in those projects that are not area specific(e.g. ocean shipbuilding, aircraft development, testing of nuclear weapons, launching of satellites, army and navy development, etc.). For definition of the seven regions, see Figure 1

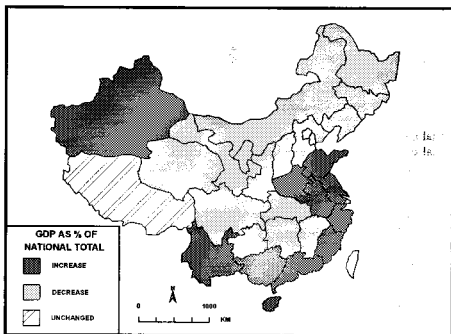


Figure 2 Provincial redistribution of gross domestic product in China, 1978-95 (Source: Table 3)

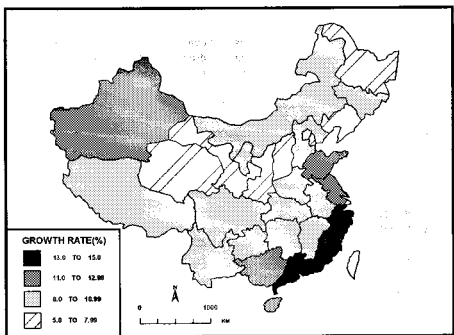


Figure 3 Annual growth of gross domestic product in China, 1978-95 (Source: Table 3)

Heavy investment in the north had given rise to an uneven production space in which regions in the north enjoyed an advanced level of development whereas those in the south remained underdeveloped. An analysis of data on per capita gross domestic product reveals that, in the eve of economic reforms, all provinces in the northeast and the two Special Municipalities in the north recorded a level of per capita GDP well above the national average (Table 2). By comparison, provinces in South China were all left behind by those in the north. Their production capability as measured by per capita GDP was significantly lower than the national average. Shanghai Municipality and the two provinces in the east also maintained an advanced level of production above the national average. However, the continued growth of the east had owed more to its inherited regional strengths than state articulation because the region had never received a large share of capital investment from the state for most of the Mao's years (Table 1). What the central state had been directly responsible for was, therefore, not so much the persistent gap between the east and west but the accelerated advancement of the north against an underdevelopment of the south.

If the legacy of the Maoist plan-ideological approach to national development was an uneven production space dominated by the northern industrial heartland, the spatial imprint of marketization and decentralized decision-making instituted by the post-Mao pragmatic regime has been a dynamic and converging landscape characterized most noticeably by the rapid upsurge of new economic regions in the south to challenge the dominant position held by the north. A well established tradition in market farming, commodity production, and international trade, plus close linkages with Hong Kong and Taiwan as well as Chinese emigrants overseas, has enabled South China to benefit tremendously from the ascendance of a pragmatic regime that tolerates the operation of market forces and allows economic exchange with the western capitalist world. In the Maoist era, South China was unable to develop a strong regional economy on the basis of its comparative advantages because of the rigid control of a radical regime that was in fear of the penetration of global capitalism and overseas military attack. With the emphasis of the economy shifting from plan to market and from self-isolation to opening up, South China can fully utilize its re-

gional strengths and materialize its great potential for genuine development. An analysis of the regional variation in terms of per capita gross domestic product since the reforms clearly identifies South China as one of the most rapidly growing economic regions in the country. With the exception of Guangxi Province in the interior, provinces in the south have dramatically raised the level of per capita GDP from one that stood below the national average in 1978 to one above the upgraded standard in 1995. Their double digit growth rates also exceeded those of their counterparts in the north and the northeast (Table 2). The eastern region is in a similar situation and has been able to experience substantial growth owing to the practice of marketization and decentralized decision-making. While regions of the south and the east have vigorously upgraded themselves on the national economic landscape, regions of the north and the northeast have found it increasingly difficult to maintain their dominant positions in the national economy. The edge they had over the national average in per capita GDP has actually been substantially reduced since the 1978 economic reforms (Table 2). The production capacity of the north and northeast has not reduced in absolute terms. However, these regions have been left behind by those in the south and the east in terms of the growth of the regional economy.

The dynamic of the reorganization of the Chinese production space is more evident when the geographic distribution of GDP is scrutinized, Table 3 analyzes the changing distribution of GDP among the seven macro regions of the country during the period of 1978-95. Although regions in the north and the northeast exhibited an increased amount of GDP in the absolute terms, their share in the national economy has dropped. By comparison, the South China region has demonstrated the largest increase in terms of its contribution of GDP to the nation (Table 3). This pattern of spatial restructuring becomes even more obvious when the GDP proportional change and its growth rates for all provinces are mapped. With the exception of Xinjiang, provinces that have increased their share of GDP in the national economy area all located in the south and along the eastern coast (Figure 2). In a similar manner, provinces in the south and the east have demonstrated a GDP growth rate significantly higher than those in the north and northeast (Figure 3). Clearly, the process of spatial restructuring taking

place in the post-Mao era is characterized primarily by the upsurge of new regional economies in the south and the east. This is coupled by and contrasted with the slow growth and proportional drop of the traditional manufacturing heartland in the north and northeast.

Table 2 Changing per capita gross domestic product, 1978-95

	Per Capita GDP (Yuan / Person)		Percent (National Average =100)		Annual Growth
	1978	1995	1978	1995	1978~ 95(%)
North					
Beijing	1,248	13,073	331.5	270.8	8.8
Tianjin	1,150	10,308	305.5	213.5	7.4
Hebei	364	4,444	96.7	92.1	8.7
Shanxi	365	3,569	97.0	73.9	7.3
I. Mongolia	307	3,013	81.5	62.4	8.3
Shandong	327	5,758	86.9	119.3	10.6
Northeast					
Liaoning	677	6,880	179.8	142.5	7.6
Jilin	391	4,414	103.9	91.4	8.4
Heilongjiang	563	5,465	149.5	113.2	6.6
East					
Jiangsu	430	7,299	114.2	151.2	11.5
Anhui	242	3,357	64.3	69.5	9.1
Zhejiang	470	8,074	124.8	167.2	12.8
Shanghai	2,498	18,943	663.5	392.4	7.9
Northwest					
Shaanx	294	2,843	78.1	58.9	8.0
Gansu	348	2,288	92.4	47.4	7.0
Qinghai	431	3,430	114.5	71.0	5.1
Ningxia	354	3,328	94.0	68.9	6.6
Xinjiang	313	4,819	83.1	99.8	9.0
Central					
Henan	232	3,313	61.6	68.6	9.2
Hubei	332	4,162	88.2	86.2	7.7
Hunan	285	3,470	75.7	71.9	7.4
Jiangxi	276	3,080	73.3	63.8	9.0
South					
Fujian	273	6,965	72.5	144.3	12.1
Guangdong	367	7,973	97.5	165.1	12.3
Hainan	310	5,225	82.3	108.2	11.9
Guangxi	225	3,543	59.8	73.4	8.0
Southwest					
Sichuan	253	3,201	67.2	66.3	8.5
Guizhou	175	1,853	46.5	38.4	7.6
Yunnan	223	3,044	59.2	63.1	8.2
Tibet	375	2,392	99.6	49.5	6.3
National Average	376.5	4,828	100.0	100.0	9.9

Source: China, SSB(1996b) pp 173~174.

Table 3 Distribution of gross domestic product, 1978-95

Province	GDP(billion Yuan)		Percentage of Total (%)		Annual Growth (%) 1978 ~95
	1978	1995	1978	1995	
Beijing	10,884	139,489	3.1	2.4	9.8
Tianjin	8,265	92,011	2.4	1.6	8.9
Hebei	18,306	284,952	5.3	5.0	10.2
Shanxi	8,799	109,248	2.5	1.9	8.8
I. Mongolia	5,804	68,192	1.7	1.2	9.7
Shandong	22,545	500,234	6.5	8.7	11.9
NORTH	74,603	1,194,126	21.5	20.8	
Liaoning	22,920	379,337	6.6	4.9	8.8
Jilin	8,198	112,920	2.4	2.0	9.5
Heilongjiang	17,438	201,453	5.1	3.5	4.8
NORTHEAST	48,596	593,710	14.0	10.3	
Jiangsu	24,924	515,525	7.2	9.0	12.8
Anhui	11,396	200,358	3.3	3.5	10.7
Zhejiang	12,372	352,479	3.6	6.1	13.8
Shanghai	27,281	246,257	7.9	4.3	9.1
EAST	75,983	1,314,619	21.9	22.9	
Shaanxi	8,107	100,003	2.3	1.7	9.1
Gansu	6,473	55,335	1.9	1.0	8.6
Qinghai	1,554	16,531	0.5	0.3	6.8
Ningxia	1,300	16,975	0.4	0.3	8.9
Xingjiang	3,907	83,457	1.1	1.5	11.1
NORTHWEST	21,341	272,301	6.2	4.7	
Henan	16,292	300,274	4.7	5.2	10.9
Hubei	15,100	239,142	4.4	4.2	10.5
Hunan	14,699	219,570	4.2	3.8	8.7
Jiangxi	8,700	120,511	2.5	2.1	10.4
CENTRAL	54,761	879,497	15.8	15.3	
Fujian	6,637	216,052	1.9	3.8	13.8
Guangdong	18,473	538,172	5.3	9.4	14.2
Hainan	1,640	36,417	0.5	0.6	12.3
Guangxi	7,585	160,615	2.2	2.8	9.9
SOUTH	34,355	951,256	9.9	16.6	
Sichuan	24,483	353,400	7.1	6.2	9.5
Guizhou	4,662	63,007	1.4	1.1	9.1
Yunnan	6,905	120,668	2.0	2.1	9.9
Tibet	665	5,598	0.2	0.1	8.3
SOUTHWEST	36,715	542,673	10.6	9.4	
Total	346,354	5,748,182	100	100	9.9

Source: China, SSB(1996b) pp. 165-169.

The relative decline of the regional economies in the north and northeast is mainly a reflection of their local conditions in a new national setting. In the Maoist era, the north and northeast were able to occupy a leading position in the national economy because their resource endowment and inherited manufacturing facilities were favourable to the Maoist plan-ideological regime for rapid industrial growth. These regions enjoyed preferential

capital allocation from the state and were protected by the centrally planned system from free competition of the non-state sector. With the gradual reduction of the state commitment to regional development and the emphasis of the economy shifting from plan to market, the foundation based on which the northern industrial heartland was developed has been significantly weakened. Moreover, the north and northeast are inexperienced in the production and marketing of consumer goods although they have a strong tradition in resource extraction and machinery making. After three decades of manufacturing development directed and supported by the central plan, it is simply too difficult for the northern manufacturing heartland to "jump into the sea" (*xiahai*) of commodity production.

If the decline of the northern industrial heartland is a consequence of the state's changing attitude toward the planned economy, what then is the relationship between the accelerated growth of South China and the articulation of the state? Is the rapid expansion of new production space in the south a result of increased state investment? Data on state capital construction investment listed in Table 1 seem to suggest that the South China region has received a growing share of capital investment from the state since the 1980s whereas regions in the north and northeast have suffered from a reduction of state commitment. This pattern of change has led some scholars to argue that the post-reform government is implementing a "growth pole" strategy using the southern and eastern coast as "growth centers" for concentrated investment (Yang, 1990; Li, 1988; Cao, 1990). A close examination of the investment data reveals that the prevailing perception of an increased state involvement in the development of South China might have been oversimplified and misleading.

In the Chinese statistics, capital investment in the state sector normally consists of two major components, namely budgetary allocation from the central state and mobilization of fund by local governments. Statistically, these two components are grouped together and labeled as the "state" (*kuojia*) on the ground that they are both controlled by government organizations. In practice, however, they represent different sources of capital formation and could be handled in very different manners. Figure 4 decomposes capital construction investment in China according to the

two sources of capital formation. During the years of 1953-79, capital formation under the Maoist plan-ideological regime was monopolized by the central state. There was no need at that time to differentiate the two components because local governments only contributed a tiny portion of capital and state investment was almost identical to central state investment. This situation has changed profoundly after the 1978 economic reforms. As Figure 4 has clearly shown, budgetary allocation from the central state has substantially dropped since 1979 and the balance has been made up by local governments through fund raising from various local and foreign channels. The bulk of "state" capital has now been provided and handled by local governments rather than the central state. Under this new situation, it would be oversimplified to interpret the role of the central state on the basis of the integrate data of "state" capital investment without making necessary differentiation of the various sources of capital formation and means of investment.

The complexity of capital formation can be further illustrated by the case of Guangdong Province. Although Guangdong has, like other provinces in the south and the east, shown an increased share of state capital investment in the nation since the reforms (Table 1), the bulk of capital has actually been mobilized by local governments through various domestic and international channels (Figure 5). It would be misleading to suggest that Guangdong Province has been selected by the central state as a "growth pole" or "growth center" to receive preferential and concentrated capital investment. From a financial standpoint, it appears that recent development in the South China region since the reforms has not been driven by any increased commitment or articulation of the central state. Rather, it has been

facilitated by the relaxation of state control which has freed the south to seek genuine development in its own ways.

The effect of the upward movement of the South China region on China's developmental landscape has been profound. It has fundamentally reorganized the spatial relationship between the north and the south and significantly reduced the unevenness of the space economy created by the Maoist regime. The surge of the regional economy of the south, which is essentially spontaneous and self-driven, has provided the key to solving the myth of a converging developmental landscape in post-reformed China despite the adoption of a new strategy which seemingly opts for efficient and uneven growth rather than balanced or equalized development (Fan, 1995, 1997; Lo, 1990; Huo, 1994).

Restructuring of the Settlement System

The transition of the Chinese leadership from the Maoist to post-Mao regime has found its way to restructure the settlement system. The uniqueness of urban policy in socialist China and its impacts on urban development has been well researched (Ma and Hanten, 1981; Kirkby, 1985; Pannell, 1990). Despite the existence of extensive documentation, the links between the changing nature of China's political economy and the reorganization of the urban system remains vague. Statistical data recently released by the Chinese authorities provide an important base for analyzing the relationship between the functioning of the state and restructuring of the urban system. Table 4 lists the composition of China's urban system for the three typical years of 1949, 1978, and 1995.

Table 4 Changing urban systems in China 1949-95

City Size	1949		1978		1995		Percent Change	
	#	Population* (%)	#	Population* (%)	#	Population* (%)	1949-78 (%)	1978-95 (%)
<0.2million	102	25.5	93	14.1	373	21.3	-11.4	7.2
0.2~0.5million	18	19.8	60	23.4	192	29.0	3.6	5.6
0.5~1million	7	18.7	27	25.0	43	14.8	6.3	-10.2
≥ 1million	5	36.0	13	37.5	32	34.9	1.5	-2.6
Total	132	100.0	193	100.0	640	100.0		

* Population refers to non-agricultural population in city proper.

Source: China, SSB (1990) pp. 5 and 55; China, SSB (1996a) pp. 319, 326, 327; China, SSB (1996c) pp. 28-29.

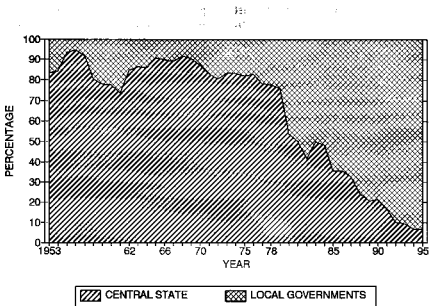


Figure 4 Capital construction investment in China, 1953-95

(Source: China, SSB, 1996a, p. 142)

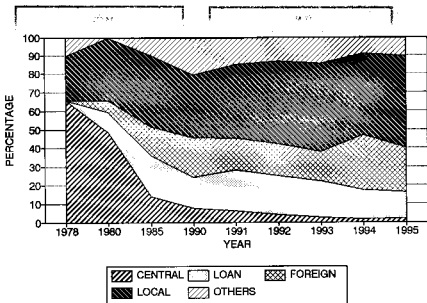


Figure 5 Capital construction investment in Guangdong Province, 1978-95

(Source: Guangdong Province, Statistical Bureau, 1992, p. 234; 1996, p. 264)

The urban system developed by the Maoist plan-ideological regime during the years of 1949-78 was characterized by a noticeable contrast between large and small cities. When the Communists took power in 1949, large cities with a urban (non-agricultural) population of 500 thousand or more accounted for 54 percent of the total urban population of all cities. This proportion had increased to 62 percent after three decades of development under Mao (Table 4). In contrast, the proportion of small cities with a urban population of less than 200 thousand had dropped from 25 percent in 1949 to only 14 percent in 1978. The

proportional increase of large cities admittedly included those medium-sized and small cities that had upgraded into the large city category. The fact remains, however, that the expansion of large and super-large cities had never been effectively curbed and the growth of small cities had suffered from insufficient upgrading of many market towns in the countryside despite the rhetoric of the Maoist regime to limit the growth of large cities and vigorously promote the development of small cities and towns.

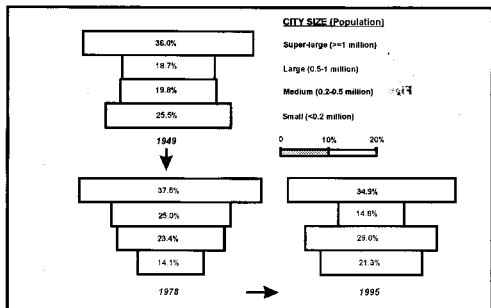


Figure 6 China's changing urban systems: Percent non-agricultural population, 1949-95
(Source: Table 4)

This revealed contrast between large and small cities is not surprising when it is linked with the plan-ideological nature of the Maoist political economy as identified in the previous section. The operation of a centrally planned economy had to rest upon a settlement system integrated by vertical linkages and coordinated by large cities that served as the control centers. The ambition of the Maoist regime for rapid industrial growth with an emphasis being placed on capital goods also necessitated an approach in favour of large cities because of their relatively advanced manufactur-

ing facilities, economic infrastructure, and a skillful industrial labour force. Moreover, large cities, especially those that served as provincial capitals, were seen as the crucial nodes for maintaining territorial integrity and were given priority for transport investment and railway extension (Leung, 1980). While the role of large cities had been strengthened by political, industrial, and transport developments, the growth of small cities and towns had suffered from the state's ideological commitment to anti-commercialism, which had effectively restricted the production and mar-

ket exchange of farm commodities in the countryside and thereby severely eroded the economic foundation of the towns (Skinner, 1985; Fei, 1986; Lin and Ma, 1994). The combined outcome of different approaches at the top and bottom of the settlement hierarchy had been a striking contrast between the continuous expansion of large cities and shrinking of small cities and towns. The picture of change becomes clear when the two settlement systems for 1949 and 1978 are depicted and compared (Figure 6).

The contrast between large and small urban settlements has been profoundly changed after the take-over of the post-Mao market-regulatory regime. As the state decentralizes decision-making to local governments and brings in free market forces to transform the economy, the previous rigid urban hierarchy organized by vertical linkages and political functionality has disintegrated and been replaced by a new system of cities shaped primarily by horizontal connections and economic exchange. One of the most remarkable consequences of this structural change is the rapid increase of the number of cities since the reforms, partly because rapid economic growth has created a great demand for urban functions, and partly because the central state has relaxed its restriction on the upgrading of towns into cities. During the years of 1978-95, the number of cities drastically increased from 193 to 640, among which the largest gain in terms of both number and population proportion occurred primarily in the two categories of small and medium-sized cities (Table 4). Obviously, many small cities have grown to reach medium-size and a great number of towns from the countryside has upgraded into the small city rank.

The remarkable expansion of small cities, plus the spectacular development of numerous towns that has already been well documented (Skinner, 1985; Fei, 1986; Tan, 1986; Lin, 1993; Ma and

Lin, 1994), has fundamentally restructured China's settlement system. Whereas large cities used to dominate the urban system because of the Maoist practice of city-based industrialization, small cities and towns have now picked up a large share of urban population and become the most rapidly growing component of the restructured settlement system (Figure 6). Super-large cities with a population size of over one million remain important economic centres. However, the functions they performed in urbanization and economic development have now to be shared with numerous small cities and towns that have been flourishing all over the country. The township and village industries, which are based primarily on towns, have become one of the most rapidly growing sectors in the national economy (Byrd and Lin, 1990; Ho, 1994). As for the absorption of the enormous number of surplus rural labourers recently released from agriculture as a result of increased productivity, small cities and towns have played a role no less important, if not greater, than that of the large or super-large cities. Table 5 analyzes the origins and destinations of migrants according to a nation-wide one percent sample survey conducted in 1987. During the years of 1982-87, Chinese towns received over 39 percent of all migrants and 41 percent of all rural-urban migrants. Both figures are significantly higher than those associated with cities. Obviously, these towns have become the major destinations for most migrants especially rural-urban migrants. The phenomenal growth of towns, which is facilitated by the tacit *laissez faire* attitude of the central state from above and driven directly by indigenous forces of development from below, has created a new dimension of "town-based" urbanization to complement and balance up with the orthodox dimension of city-based urbanization.

Table 5 Origins and destination of migrants in China, 1982~1987

Destination	Places of Origin							
	Cities		Towns		Villages		Total	
	Number	%	Number	%	Number	%	Number	%
Cities	32,923	59.9	10,097	25.6	69,046	33.3	112,066	36.7
Towns	14,313	26.1	21,317	49.8	85,473	41.2	121,103	39.7
Villages	7,704	14.0	11,371	26.6	53,083	25.6	72,158	23.6
Total	54,940	100.0	42,785	100.0	207,602	100.0	305,327	100.0

Source: China, SSB, Department of Population Census (1988) p. 677.

Blurring the Urban-Rural Division

The ongoing process of spatial restructuring, as a result of reforms in the political economy, has extended beyond the reorganization of the conventional settlement system and created new forms of intensified rural-urban interaction in the vast countryside. In the Maoist era, the organization of economic activities was guided by a principle known as "agriculture as the base" (*nongye weijichu*) and "industry as the lead" (*gongye weizhudao*). Practically, the principle suggests that the purpose of agricultural production is to provide foodstuffs and raw materials for industrial growth in the city. This principle was translated into a developmental strategy which retained a large agricultural labor force in the countryside for food production to support the program of city-based industrialization. At the same time, cities were effectively protected from the influx of rural-urban migration for the purpose of urban manageability and social stability (Kirkby, 1985). By restricting rural-urban migration, the state managed to save the cost of providing urban facilities and public services to new urban dwellers. The

combined result of a single-sided emphasis on foodgrain production in the countryside and protected urban growth was an invisible but effective "wall" that separated cities from the countryside (Chan, 1994). Despite the official rhetoric of reducing urban and rural differences, the urban-rural separation remained wide and deep for most of the Mao's years until economic reforms were instituted in the late 1970s.

The cause-effect relationship between the changing function of the state and the new form of rural-urban interaction has been a highly significant subject for investigations. However, as many scholars have correctly suggested, the issue remains ambiguous and elusive partly because of the difficulties of definition and measurement and partly because of the evolving and sophisticated nature of the subject matter (Pannell and Veeck, 1991). Nevertheless, existing data do provide considerable substance based on which the logical links between reforms of the political economy and formation of new rural-urban relations can be built.

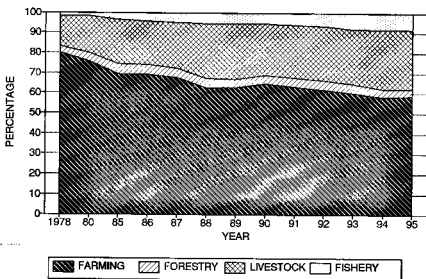


Figure 7 Changing composition of agricultural output value, 1978-95

(Source: China, SSB, 1996a, p. 356)

The transformation of the space economy in the countryside has been facilitated by the relaxation of state control over the rural economy. Under the new pragmatic market-regulatory regime, peasants no longer have to produce whatever the state needs and hand over to the state whatever they have produced. Instead, they are free to engage in those economic activities which they perceive to be more profitable and for which they have better production skills. This has given rise to a distinct process of diversification and commercialization of the agricultural sector. Figure 7 depicts the restructuring of the agricultural sector for the country. Although the process of internal restructuring was not drastic, the trend toward diversification is noticeable. At the eve of the 1978 reforms, agriculture was characterized by a single-sided emphasis on farming which accounted for 80 percent of the gross output value. The dominance of traditional farming in the agricultural sector has been substantially reduced since 1978 to make way for more profitable non-farm activities such as livestock husbandry, forestry, and fishery. This process of agricultural diversification and commercialization is more remarkable in those regions where the tradition of market farming has been strong. In the Pearl River Delta, for instance, food grain production has dropped proportionally from 75 percent of the total agricultural output to only 49 percent during 1980-90 and non-farm activities have grown to take up the main of the agricultural sector (Lin, 1997:88). A similar pattern of agricultural restructuring has taken place in the lower Yangtze Delta region (Ho, 1994; Veeck and Pannell, 1989).

A more phenomenal growth has occurred out of the agricultural sector. It involves the flourishing of millions of township and village enterprises in the vast countryside. These enterprises include all sorts of non-agricultural activities such as manufacturing, trading, transportation, construction, and services. They are mostly small scale, labour intensive, and rural-based. Their dramatic growth in the countryside has provided enormous employment opportunities to accommodate surplus rural labourers who have been released from the agricultural sector as a result of increased productivity. Table 6 examines the growth of township and village enterprises and analyzes the role they play in the rural economy. These enterprises had employed more than 28 percent of the total rural labour force by the year 1995 and contribut-

ed over 70 percent of the total rural social product by 1992.

Table 6 Township and village enterprises in China, 1978~95

	Employment			Output	
	Number (million)	Number (million)	As % of Rural Labor Force	Billion Yuan	As % of Gross Rural Social Product
1978	1.524	28.265	9.5	49.307	21.20
1980	1.424	29.996	9.4	65.690	23.50
1985	12.224	69.790	18.8	272.839	43.00
1990	18.504	92.648	22.1	958.110	57.70
1991	19.079	96.091	22.3	1161.170	59.20
1992	20.792	105.811	24.2	1797.540	70.81
1993	24.529	123.453	27.9	3154.070	/
1994	24.945	120.182	26.9	4258.850	/
1995	22.027	128.621	28.6	6891.520	/

Source: Editorial Committee (1992) p.133; China, SSB(1996a) pp. 388-389; China, SSB(1996d), p. 35.

The restructuring of the rural economy, especially the explosive expansion of township and village enterprises, has powerfully reshaped the rural-urban relation and reorganized the production space in the countryside. As a great number of employment opportunities has been created outside the agricultural sector and within the rural areas. Chinese peasants are now able to engage in a variety of non-agricultural activities within their living sphere. In the words of local people, Chinese peasants are able to "leave the soil but not the village" (*litu bulixiang*) and "enter the factory but not the city" (*jinchang bujincheng*). The spatial consequence of this process of internal redistribution of occupations has been a new settlement form in which industrial and agricultural or urban and rural activities take place side by side. This new settlement form, called by Chinese scholars as "rural-urban integration" (*chengxiang yitihua*), does not fit into the conventional classification of "urban" or "rural" settlement, but it displays characteristics of both types. It is most visible in those areas extending between or around large metropolitan centers where rural-urban interaction has been most intensified (McGee, 1991; Ginsburg, 1990; Zhou, 1991; Lin, 1997).

The driving forces behind the new settlement form of "rural-urban integration" are complex. They include relaxed state control over the rural economy, development of a market mechanism, flow of transnational capital, and improvement of

the transportation infrastructure which "compresses time and space." Whatever the cause, the ongoing process of intensified rural-urban interaction has fundamentally altered the unequal relationship between industry and agriculture and between city and the countryside. The "invisible wall" created by the Maoist regime to separate city and countryside for ideological and strategic reasons has been torn down spontaneously by Chinese peasants.

Conclusion and Discussion

In recent years one of the most fervent issues for theoretical debates among social scientists has been the functioning of territorial states in the new sophisticated nexus of local-global interaction. As the trends toward globalization of the

world economy and fragmentation of the state system continue, important questions have been raised concerning the adequacy of nation-state as an analytical framework and the sustainability of embedded statism that has dominated studies of social sciences over the past century (Taylor, 1996). The intellectual movement from a state-centric bias to a non-state-centric paradigm has found its way to influence contemporary China studies. While the reassessment of the nature of the Chinese socialist state has attracted growing scholarly attention from Sinologists, the links between reforms of the political economy and restructuring of the production space at the national and regional levels remain poorly understood.

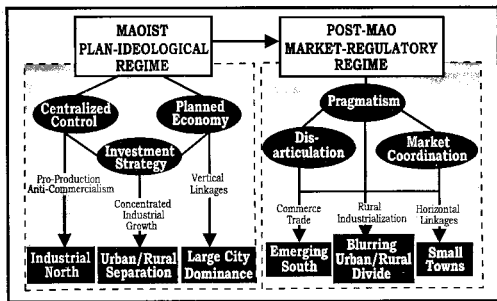


Figure 8 A model for spatial transformation in socialist China

This study compares different developmental strategies adopted by the Maoist and post-Mao regimes and assesses their geographical consequences at a macro level. In the Maoist era, China's national development was manipulated by a radical regime that was committed to the promotion of the Communist ideology and reliant upon a centrally planned economy. This plan-ideological regime chose to focus on the rapid expansion of industrial production capacity as a means to maintain social stability and national security. The geographic consequence had been an uneven economic landscape despite the official rhetoric of egalitarianism and equalized development. Industrial production was highly concentrated in the north and northeast where major energy and mineral resources were found. The settlement system was dominated by a few large cities that served as centers of manufacturing production and key nodes for transmitting centrally made political decisions. Cities and the countryside were arbitrarily separated to ensure a sufficient supply of food grain and minimize the cost of supporting urban expansion.

With a recognition of the dysfunctionality and deficiencies of the Maoist regime, the post-Mao government adopted a pragmatic approach that allows for decentralized decision making and tolerates the operation of market forces in a socialist economy. The geographic outcome of the state's tacit laissez faire approach has been a new space economy characterized by the rapid expansion of production space in the south, the phenomenal growth of numerous small towns, and the blurring of urban-rural division in the rapidly urbanizing countryside. The spatial disparity between regions of the north and the south, large cities and small towns, and cities and the countryside, which the Maoist regime was unable to overcome, has been significantly altered by indigenous forces emanating from the grassroots of the national economy. Figure 8 highlights the key elements of the two processes of political and spatial restructuring as identified in this study and sketches the logical linkages between the two processes. As acknowledged in the outset, the transition from the Maoist to post-Mao regime has occurred in an evolutionary rather than revolutionary manner. There were also considerable historical fluctuations within both classified phases. The model presented here, therefore, only represents a simplified conceptual framework for

understanding the sophisticated interrelationships between the changing functioning of the socialist state on the one hand and restructuring of the Chinese space economy on the other.

Judged in both the political and financial perspectives, the process of spatial restructuring in China since the reforms has been essentially a result of state disarticulation rather than increased state intervention. The spontaneous expansion of production space in South China, small towns, and the vast countryside has been facilitated by the relaxation of state control over local developmental affairs. Previous studies, which tended to see the recent growth of regional economies in eastern and southern China as a result of shifting emphasis of state capital investment from the interior to the coast, may have overlooked the changing composition of financing in which central budget allocation has actually contributed little to regional development since the reforms. The trend toward decentralized decision-making and localized financing as revealed in this study has raised important theoretical questions concerning the nature of the Chinese socialist state. The conventional wisdom of socialist development, which conceives a uniform and powerful socialist state capable of manipulating local political and economic affairs, may need fundamental re-evaluation in light of the growing complexity of the operating mechanism, particularly the changing role played by the central state, local initiatives, and global market forces. We need to know, for instance, if it is necessary to deconstruct the general concept of the socialist state and make distinction between the central state and local state, and between nation state and region state. We also need to know if it is necessary and useful to differentiate the power of the state to formulate policies from the genuine ability of the state to implement such policies. The complex mechanism of interaction between the central state, local initiative and global forces and its geographic consequences will be a highly significant topic that deserves further investigations.

Traditionally, transformation of the Chinese space economy was understood as a process of redistribution of economic activity and population between the coastal, inland and border zones. This study suggests an alternative that sees China's spatial transformation as a reorganization of spatial relationships between North and South China, between large cities and small towns, and

between cities and the countryside. The persistent developmental gap between the eastern coast and the western interior has been a natural result of different physical environments and can hardly illustrate the cause-effect relationship between state intervention and spatial restructuring. It is the shining emphasis of growth between the north and the south that provides the key to solving the mystery of an uneven space economy created by the Maoist regime despite the socialist rhetoric of equity and a converging national developmental landscape in post-Mao era when the state seemingly opts for efficiency and polarization. The restructured settlement system and changing rural-urban relations are another two essential elements that have significant implications for understanding the logical linkages between the functioning of the socialist state and the process of spatial transformation. While the artificial urban-rural separation and the sharp contrast between protected large cities and repressed small towns in the Maoist era could be attributed to the articulation of a peculiar plan-ideological regime, the genuine development of numerous small towns and rapid urbanization of the countryside have been driven primarily by local initiative without increased financial input of the central state. If the current trend of localization continues for an extended period of time, a new dimension of bottom-up development or "urbanization from below" may well develop to complement the orthodox dimension of city-based urbanization and eventually lead to a distinct pattern of dual-track development and urbanization (Ma and Lin, 1993; Ma and Fan, 1994).

To some extent, the Chinese experience of spatial restructuring since the reforms has shown interesting resemblance to the process of post-Fordist flexible specialization that has already taken place in North America and western Europe (Harvey, 1989; Massey, 1984; Scott, 1988, 1992). Both cases are facilitated by state disarticulation, growing marketization, and shifting emphasis from public welfare provision to privatization and industrial rationalization. They have both demonstrated a rapid expansion of new production space outside the traditional manufacturing heartland and are characterized by the growth of small-scale, self-motivated, and flexible economic activities. What makes the Chinese case distinct from the western experience is probably the dual track nature of its operating mechanism, in which plan

and market or state and non-state sectors coexist. The chief agent of industrial/spatial restructuring in the Chinese context has been mainly the low-tech and labour intensive sector whereas the leading edge of flexible specialization in the West has been high-tech industries and producer services. Moreover, the driving forces in the Chinese case appear to have emanated primarily from the countryside. This is in contrast with the American situation in which spatial restructuring has involved the relocation of firms from the metropolitan cores to selected suburban areas. It may be premature and even irrational to make hasty analogy between the processes of spatial restructuring in two different types of political economy. It seems reasonable to argue, however, that the logic of spatial restructuring, particularly the operating mechanism of interaction between central state, local initiative and global forces, may contain certain regularity and commonality that deserve further investigation. In the current age of globalized interdependent development, many issues of spatial restructuring in China are no longer isolated from the western capitalist world and can not be properly understood without making necessary connections with what has been taking place outside the country.

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