CITIES *and* STABILITY

Urbanization, Redistribution, & Regime Survival in China

JEREMY L. WALLACE

Cities and Stability

Cities and Stability

Urbanization, Redistribution, and Regime Survival in China

JEREMY L. WALLACE

OXFORD
UNIVERSITY PRESS

OXFORD
UNIVERSITY PRESS

Oxford University Press is a department of the University of Oxford.
It furthers the University's objective of excellence in research, scholarship,
and education by publishing worldwide.

Oxford New York
Auckland Cape Town Dar es Salaam Hong Kong Karachi
Kuala Lumpur Madrid Melbourne Mexico City Nairobi
New Delhi Shanghai Taipei Toronto

With offices in
Argentina Austria Brazil Chile Czech Republic France Greece
Guatemala Hungary Italy Japan Poland Portugal Singapore
South Korea Switzerland Thailand Turkey Ukraine Vietnam

Oxford is a registered trademark of Oxford University Press
in the UK and certain other countries.

Published in the United States of America by
Oxford University Press
198 Madison Avenue, New York, NY 10016

© Oxford University Press 2014

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, without the prior permission in writing of Oxford University Press, or as expressly permitted by law, by license, or under terms agreed with the appropriate reproduction rights organization. Inquiries concerning reproduction outside the scope of the above should be sent to the Rights Department, Oxford University Press, at the address above.

You must not circulate this work in any other form
and you must impose this same condition on any acquirer.

Library of Congress Cataloging-in-Publication Data
Wallace, Jeremy L.
Cities and stability : urbanization, redistribution, & regime survival in China / Jeremy L. Wallace.
pages cm
Includes bibliographical references.
ISBN 978–0–19–937898–2 (hardback : alk. paper)—ISBN 978–0–19–937899–9 (pbk. : alk. paper)
1. Cities and towns—China. 2. Urbanization—China. 3. Rural-urban migration—Government policy—China. 4. Recording and registration—Government policy—China. I. Title.
HT147.C48W355 2014
307.760951—dc23
2013049366

9 8 7 6 5 4 3 2 1
Printed in the United States of America
on acid-free paper

“人聚于乡而治，聚于城而乱。”
顾炎武 的著作《日知录·人聚》

When the masses dwell in villages, order prevails; when the masses flock to the cities, disorder ensues.
—Gu Yanwu (1613–1682), *Record of Daily Study*

The larger the area which a constant number of inhabitants occupy, the more difficult it is to revolt; because it is impossible to take concerted action quickly or in secret, and it is always easy for the Government to get wind of plans and to cut communications: but the closer together a numerous people draws, the less can the Government usurp from the Sovereign [i.e., the people]; chiefs deliberate as securely in their chambers as the Prince does in his council, and the crowd assembles as quickly in public squares as troops do in their barracks. In this respect great distances are therefore to a tyrannical Government's advantage. With the help of the support groups [*points d'appui*] which it sets up, its force increases with distance, like that of levers. By contrast, the people's force acts only when concentrated, it evaporates and is lost as it spreads, like the effect of gunpowder scattered on the ground and which ignites only grain by grain.
—Rousseau, Social Contract*, book, 3, chapter 8*

CONTENTS

List of Illustrations ix
Acknowledgments xi

CHAPTER 1. Introduction 1
- JASMINE REVOLUTIONS, FAILED AND SUCCESSFUL 1
- THREE PUZZLES 2
- UNDERSTANDING CITIES, SPENDING, AND SURVIVAL 4
- RESEARCH DESIGN 7
- STRUCTURE OF THE BOOK 11

CHAPTER 2. Urban Bias: A Faustian Bargain 15
- LARGE CITIES ARE DANGEROUS FOR NONDEMOCRATIC REGIMES 17
- REGIME RESPONSES AND THE FAUSTIAN BARGAIN 30
- WHY MAKE A DEAL WITH THE DEVIL? 35

CHAPTER 3. Cities, Redistribution, and Regime Survival 43
- HYPOTHESES 43
- ON VARIOUS VARIABLES 45
- METHODS AND DATA 58
- ANALYSIS 60
- CONCLUSION 69

CHAPTER 4. China’s Loophole to the Faustian Bargain of Urban Bias 71
- ORIGINS OF THE *HUKOU* SYSTEM 74
- MAO’S CCP IN POWER, 1949 79
- REFORMS 95
- *HUKOU* EXPERIMENTS 105
- CONCLUSION 156

CHAPTER 5. The Fiscal Shift: Migration, Instability, and Redistribution 122
- CHINA’S FISCAL SHIFT 123
- SUB-NATIONAL ANALYSIS 143
- CONCLUSION 156

CHAPTER 6. Return to Sender: *Hukou*, Stimulus, and the Great Recession 159
- CHINA COMING INTO THE CRISIS 161
- CRISIS HITS CHINA 164
- ECONOMIC CRISIS SPARKS INSTABILITY 168
- COMPLICATIONS 181
- CONCLUSION 185

CHAPTER 7. Under Pressure: Urban Bias and External Forces 187
- THREATS AND URBAN-RURAL REDISTRIBUTION IN NONDEMOCRACIES 190
- DATA 193
- ANALYSIS 196
- DISCUSSION 201
- CONCLUSION 204

CHAPTER 8. Conclusion 206
- CHINA AS APPROPRIATE CASE STUDY 209
- TWITTER AS A CITY 212
- LOOKING FORWARD 214

Bibliography 221
Index 243

LIST OF ILLUSTRATIONS

Tables

3.1 Urban Concentration Harms Regime Survival 62
3.2 Large Cities are Dangerous for Regimes 63
3.3 Urban Concentration Linked to Collective Action 65
3.4 Urban Bias is Positively Correlated with Urban Concentration 67
3.5 Urban Bias and Concentration Have Opposite Effects on Hazard 68
4.1 Provincial Objectives from Experiment List Preamble 111
4.2 Hukou Reform Comparison across All Areas 112
4.3 Pre- and Post-Treatment Effects in Outlying Areas and Provincial Capitals 114
4.4 Differential Effects in Capitals and Outlying Areas 115
4.5 Nighttime Lights in Outlying and Central Areas 116
5.1 Higher Nearby City Unemployment Yields Larger Transfers 155
5.2 Nearby Instability Hypothesis Support Only Comes with the Fiscal Shift 157
7.1 Country List 195
7.2 Summary Statistics for Analyses of Urban Bias and External Pressure 197
7.3 Urban Bias Levels Correspond with Oil Price Shocks 198
7.4 Changes in Oil Prices Predict Changes in Urban Bias 199
7.5 Changes in Nearby Civil Wars Linked to Changes in Urban Bias 200
7.6 Placebo—Urban Bias Changes Not Caused by Subsequent Civil Wars 201

Figures

4.1 Map of Provinces with Hukou Reform Data 110
5.1 Central Share of Government Revenue 127
5.2 Provinces of the Develop the West Campaign 129
5.3 Illustrating the Fiscal Shift: Transfers per Capita (in yuan) in 1999 and 2004 by % Urban 138
6.1 Exports and Rail Freight Collapse during the Great Recession 165
6.2 Export and Industrial Employment Losses on China's Coast and Borders 167
6.3 Location of Fiscal Stimulus in China 179

Box

5.1 Migrant School Closures 144

ACKNOWLEDGMENTS

Many individuals and institutions have helped me along the way of writing this book. I wish to thank them all and apologize those not named below.

This book began during my time as a PhD student at Stanford University and was supported there through grants and fellowships from Stanford's Asia-Pacific Research Center and Department of Political Science. During my first quarter at Stanford, Alberto Diaz-Cayeros helped open my eyes to the utility of following the money in politics. Jean Oi, my dissertation chair, gave me helpful comments on innumerable drafts, pushed me toward this doable and exciting project and away from others that had neither characteristic, and introduced me to field work in China. Her judgments consistently pointed me in the right direction. Jim Fearon and David Laitin made me think more deeply about my claims, both their details and broader implications. Discussions with each of them have improved the work immensely. Beatriz Magaloni served on my committee and spurred me to think more carefully about the connections between the pieces of the argument. I would also like to thank Josh Cohen, Steph Haggard, Allen Hicken, Pierre Landry, Isabela Mares, Michael McFaul, Jonathan Rodden, Scott Rozelle, Andrew Walder, and Jeremy Weinstein for helpful suggestions along the way.

I was lucky to be part of an excellent cohort of graduate students, many of whom waited patiently over the years commenting as course papers became a prospectus that evolved into chapters and so on. In particular, I want to thank Claire Adida, Sarah Anderson, Yuen Yuen Ang, Dan Butler, Matthew Carnes, Martin Dimitrov, Jesse Driscoll, Desha Girod, Nahomi Ichino, Kimuli Kasara, Alex Kuo, Charlotte Lee, Matt Levendusky, Neil Malhotra, Yotam Margalit, Kay Shimizu, and Jessica Weeks.

My field work was productive in large part due to the assistance of friends and colleagues from the United States and China. My research assistants helped me compile data, understand regional accents, and improve my understanding

of China greatly. The community of graduate students in Beijing was helpful in staying connected to political science and in making connections in China. Greg Distelhorst, Chad Futrell, Jihyeon Jeong, Andrew MacDonald, and Rachel Stern were responsible for a great part of my many great times in China.

My colleagues at the Ohio State University have helped the work develop as a dissertation about regime survival and cities became increasingly relevant as China along with the rest of the world endured the Great Recession of the late 2000s and the protests in Tunis and Cairo leading to the Arab Spring in 2011. In particular, I would like to thank Tony Mughan, Marcus Kurtz, Sarah Brooks, Irfan Nooruddin, Philipp Rehm, Sara Watson, Michael Neblo, William Minozzi, and Eric MacGilvray for their comments, questions, and advice. Both Ohio State's Mershon Center and Institute for Population Research (which is supported by the National Institutes of Health under award R24HD058484) supported my work, intellectually and financially. Sean Escoffery, Joshua Wu, Xiaoyu Pu, and Ethan Rodriguez-Torrent all provided excellent research assistance.

I have finished the book while serving as a Fellow at the MacMillan Center for International and Area Studies and the Council on East Asian Studies at Yale University. I have benefitted from the thoughtful comments from colleagues at Yale and at other universities where I had the privilege of presenting pieces of the book. Special thanks to Tariq Thachil, Susan Hyde, Jason Lyall, Ellie Powell, Stathis Kalyvas, James Scott, Susan Shirk, Lei Guang, Barry Naughton, Thomas Pepinsky, Dali Yang, Melanie Manion, Lisa Blaydes, Victor Shih, and Eddy Malesky.

The editors at OUP have made every step of this process transparent and smooth. In particular, David McBride at OUP expressed interest in the contents of this book years before the manuscript arrived at his desk and provided excellent comments once it finally did.

Finally, I would like to thank Jessica Weiss, whose presence beside me on this path made the work and the years indescribably better. It is to her that I dedicate this book.

CHAPTER 1

Introduction

Jasmine Revolutions, Failed and Successful

Perceptions of the durability of nondemocratic regimes took a severe hit in 2011 with the ousting of long-time dictators in Tunisia and Egypt. Ben Ali of Tunisia was pressed out of office following protests in the streets of Tunis, the capital. A lack of economic opportunities and increasing food prices were the timber upon which an isolated incident exploded into a conflagration that brought down the regime. The spark was the self-immolation of a young unemployed university graduate, Mohamed Bouazizi, in Sidi Bouzid, a small city in the interior of the country, after local officials and police punished him for selling vegetables on the street without a permit.[1] This sacrificial act ignited demonstrations in that city that were violently put down by security officers of the regime. Ben Ali replaced the regional governor and promised massive spending to employ university graduates.[2] Despite these concessions, the protests became more deadly, and by 12 January they spread to Tunis. Ben Ali fled the country for Saudi Arabia on 14 January.[3] The Jasmine Revolution had begun.[4]

The downfall of the Mubarak regime in Egypt followed quickly thereafter. Massive demonstrations on 25 January 2011 took over numerous politically significant locales, most prominently Tahrir square in central Cairo. Inspired by the Tunisians' success, citizens frustrated with high levels of unemployment, unfair elections, crumbling infrastructure, corruption, state violence, and an aging dictator angling to replace himself with his son Gamal—who epitomized

[1] "Q&A: Tunisia Crisis" 2011.

[2] Voice of America 2011.

[3] Al Jazeera 2011.

[4] The name "Jasmine Revolution" comes in the tradition of naming revolutions for colors and flowers: Carnation Revolution (Portugal, 1974), Rose Revolution (Georgia, 2003), Orange Revolution (Ukraine, 2004), Tulip Revolution (Kyrgyzstan, 2005), Green Revolution (Iran, 2009), with the Jasmine flower having some political resonance in Tunisia (Frangeul 2011).

the regime's corruption—marched *en masse* and took over the central square.[5] The army refused to open fire on the crowds, which remained in Tahrir until Mubarak stepped down on 11 February.[6]

The contrast with the situation in Beijing and other Chinese cities could not have been greater. There were no massive protests expressing outrage at the rule of the Chinese Communist Party (CCP) in Beijing or in other major metropolises. Activists did attempt to use the demonstrations in North Africa to call attention to problems of governance and freedom in China, but only by using much safer methods. Concerned with being identified by the regime as "against the Party," the suggestion was made that those so moved should "stroll (*sanbu*)" through plazas in thirteen different Chinese cities on Sundays.[7] Notably, Tiananmen Square was not the chosen location for Beijing, despite—or perhaps because of—its status as the center of the last protest movement that seriously threatened the regime in 1989.[8] The regime quickly detained some activists, put into place Internet controls that reduced the ability of "netizens" to search for terms related to "strolling" and "Sunday," and curtailed the activities of reporters.[9] Within a few weeks, restrictions were lifted.

What differentiated China from Tunisia or Egypt? Why has the CCP regime endured while other seemingly durable regimes collapsed? Scholars have pointed to a number of different factors that affect regime survival—including the identity of the leader or the presence of a legislature or other political institution. Yet less attention has been paid to the influence of geography. The distribution of resources and population throughout a country has powerful effects on the survival of nondemocratic regimes.

Three Puzzles

Three puzzles lie at the heart of this book: the longevity of CCP rule, China's relative lack of slums, and China's recent moves away from "urban bias." Resolving these puzzles improves our understandings of the Chinese regime and its political economy as well as of authoritarian regimes.

In many ways, the oustings of Ben Ali and Mubarak follow a classic model of the origins of political difficulty in nondemocracies. The danger that large cities, especially capitals, pose to regimes is an old story.[10] Cities bring together masses of people, improve communication links among them, and increase the ability of private grievances to accumulate and circulate. Cities are particularly prone to disruptions via barricades, transforming key nodes in the transportation network into strongholds for resistors. Governments have reshaped the geography of their capitals in response. The wide boulevards of L'Enfant's Washington, DC, Haussmann's Paris, or modern Beijing allow the military to bring its capacity for violence to bear in ways that would be impossible with the narrow twisting alleyways of the old city, negating some of the advantages cities provide to the conventionally weak side in asymmetric warfare. In addition to this practical advantage, the long open lines also symbolically reflect the power of the center.[11] Despite these innovations, the regimes of Egypt's Sadat, Sudan's Nimeiri, Kenya's Moi, Nigeria's Gowon, and Liberia's Tolbert all faced pressures during the 1970s from urban residents due to food price escalation, and arguably all save the Moi regime fell to massive protests and elite splits brought on by such protests.[12] In the winter of 2011, China, too, faced high food prices, yet a Jasmine-style revolution failed to materialize. The Chinese regime has endured not only this recent wave of regime turnovers but also outlived its European Communist brethren when they all fell from 1989 to 1991 and persisted through protests numbering in the tens of thousands every year.[13] What accounts for the CCP's durability?

---

[5] Masoud 2011; Lynch 2012.

[6] Lynch 2012, 92.

[7] 博讯新闻 2011; Human Rights in China 2011.

[8] Beijing's location for strolling was the Wangfujing commercial/retail area, which then US Ambassador Jon Huntsman "happened" to be visiting at the appointed hour on Sunday, 20 February (Page 2011).

[9] Dickson 2011.

Across the developing world, cities are filled with migrants hoping to grab a piece of the modern life afforded to some in the capital. The urban poor, migrant and non-migrant alike, are often shunted off into slums full of like-minded compatriots hoping to strike it rich or at least improve their lot in the big city. China has avoided the growth of such slums, especially in its largest cities. To be sure, desperately poor workers live in the megacities of China. They construct the skyscrapers and the roads, keep them clean, and cook and deliver the city's food. But many of these poor migrants are "housed"—an overly generous word given the minimal accommodations often provided—at their work sites and kept on a short leash. The giant improvised communities found at the heart of other cities in developing countries are not to be found in China.[14] Despite massive urbanization, industrialization, and economic growth, why are Chinese cities not plagued by the slums present in most of the developing world?

---

[10] Zipf 1941, 1949; Hobsbawm 1973; Tilly 1978. It should be noted that demonstrations did not begin in Tunis but in a smaller interior city. The large protests in the capital, however, were instrumental in the regime's downfall.

[11] Mumford 1961; Scott 1998.

[12] Bates 1981. Tolbert was killed in a coup in 1980 following the 1979 Rice Riots. Gowon was ousted while out of the country following student and labor demonstrations in 1975. Sadat was killed in 1981 after the 1977 Bread Riots and general political unpopularity. Nimeiri was ousted in 1971 by a Communist coup (before coming back to power later that same year).

[13] In 2005, officials stated that 87,000 mass incidents had occurred in China. Subsequent unofficial estimates range from 180,000 to 230,000 for 2009 and 2010 (Göbel and Ong 2012, 22).

[14] Solinger 1999b; Miller 2012, 19.

Keeping urban residents fed well enough with cheap bread, rice, porridge, or noodles to alleviate their hunger and anger is the basic politics of authoritarian regimes and has been so for centuries. Juvenal believed the Roman masses were sated by the state's provision of "bread and circuses."[15] In the main, only those in cities are able to partake of the state's generosity in this way. Rural residents are not only left to fend for themselves but also are often the very source of funds that pay for the state's largesse to city dwellers. These policies reflect an urban bias in policy making—buying off urbanites with proceeds from rural taxes. Such bias is endemic to the developing world.[16] Yet here, too, China is anomalous. Since the turn of the millennium, the regime has reduced urban bias and directed more resources to those who remain in the countryside. Why has China shifted away from urban bias?

Understanding Cities, Spending, and Survival

The argument of this book links autocratic regime survival with urbanization and redistribution, both within China and cross-nationally. Three motivating puzzles—the CCP's longevity, China's relative lack of slums, and China's move away from urban bias—that at first appear to be unconnected can be tied together. What links these factors is geography. People's locations and proximity to each other matter politically.[17] China's relative lack of slums arises from policies that prevent people from moving to them. Political decisions can keep people in one place rather than another. Similarly, different political decisions can lead people to move elsewhere. Taxing the products of one place and spending the proceeds in another encourages migration from the former to the latter. The political importance of the location of citizens within a territory is less appreciated. Without other sizable cities to offset its weight, the street politics of a single large city can come to dominate a country's politics in ways that yield short-lived regimes. A large population, particularly in the vicinity of the center of power or industry, can mobilize or threaten to do so at a moment's notice. These mobilizations or threats create the opportunity for political crises to bring down a regime with little warning. The policies of redistribution and urbanization intimately shape cities, and the shape of cities can transform the politics of urban and regime instability.

---

[15] Juvenal 1999. Green's translation prefers "the Games" to circuses.

[16] Lipton 1977; Bates 1981.

[17] Geographers refer to "Tobler's First Law of Geography" to make this point: "Everything is related to everything else, but near things are more related than distant things" (Tobler 1970).

Rulers of poor countries realize that economic development is critical to improve the lives of their people and to sustain their reign. In most poor countries, development is equated with industrialization. Prior to industrialization, agriculture dominates the economy. Regimes have little choice but to extract from agriculture to finance the factories that fuel the growth of an industrial sector. From there, concerns about protests often dictate keeping workers fed as cheaply as possible. Such bias makes sense in the short run. For leaders who are humble and prescient enough to see that the short run is all that they can afford to plan for, urban bias makes for compelling politics. However, such urban favoritism is self-undermining for regimes. Urban bias does not just feed the city dwellers by taxing farmers. It also encourages farmers to become city-dwellers, exacerbating the potential for, and scale of, urban unrest should events go south.

Urban residents enjoy an advantage in collective action due to their proximity to each other and the seat of government. Because urbanites pose a more immediate threat to regime stability, self-serving regimes tend to adopt redistributive policies that favor city residents to reduce grievances and the likelihood of destabilizing protests in these key locales.[18] Such policies aim to maintain regime stability by taking from those who are relatively weak—rural farmers—and transferring resources to those who are relatively strong—urban dwellers.

I argue that urban bias induces urban concentration, a second-order effect that in the long-term undermines its intended purpose of aiding regime stability. By taxing the countryside and dispersing the proceeds to urban residents, governments induce farmers to leave agriculture and move to cities where they can enjoy the benefits of urban-biased policies. Farmers respond to incentives and are not fixed in the periphery—they can vote with their feet and exit the countryside. In the long run, urban favoritism is self-defeating because it induces rural migration to urban centers, increases the burden on city resources, and magnifies the threat of urban collective action, thereby undermining its original rationale of pacifying cities by reducing urban grievances.

Taxing the countryside and spreading the spoils in cities is not neutral with respect to urbanization. The policy of urban bias is meant to stabilize cities. This may be accomplished in the short term, but over time cities will grow, particularly the largest cities as they will be targeted with benefits and so make the most attractive destination for migrants. Although urbanization promotes development, the long-run effect of urban concentration is to undermine the survival of authoritarian regimes.

---

[18] Bates 1981; Ades and Glaeser 1995.

Nondemocratic regimes mitigate the threat of urban collective action not only with subsidies but also through coercion. In addition to policing, regimes curb the growth of their largest cities to maintain an ability to rule over them. Rare but powerful, migration restrictions aim to control the size and demographic makeup of critical urban areas, whether through internal passports such as the Chinese *hukou* and Soviet *propiska* systems or aggressive slum clearance policies.[19]

The Chinese regime has managed its urbanization to reduce the chances of threats emanating from cities. Despite a long history of rural peasant revolution in China and the CCP's own rural origins, the Chinese regime feared urban instability more than similar activity in the countryside and engaged in urban bias, tilting policy toward cities to reduce urban grievances. Even from the earliest days of its rule, the CCP feared waves of rural migrants overwhelming favored cities and endeavored to keep farmers in the countryside. Pro-growth market reforms allowed farmers to relocate and operate China's factories, yet the regime continued to fear the consequences of free movement, employing fiscal as well as migration policies to shape China's urban landscape.

Early in its tenure, the CCP enacted a series of policies to restrict free migration around the country and to keep farmers at home in the countryside. The household registration (*hukou*) system emerged from the regime's concerns that massive numbers of farmers would attempt to escape agricultural taxes and join the protected urban proletariat. With migration restrictions in place, the Chinese regime was able to extract revenue from farmers by forcing them to sell their grain to the state at low prices. Due to limits on freedom of movement, farmers were unable to escape the yoke of these taxes by moving to the city. By forcing farmers to stay in villages, the regime has restrained the growth of urban slums. Under the planned economy, state bureaucrats allocated not only goods and services, but people as well. As the plan has been eclipsed by market reforms following the political rise of Deng Xiaoping, these migration restrictions have been chipped away by migrants and markets.

With market reforms, the Chinese economy grew but the state's total control of population movement crumbled. China's migration policies created a second-class status for migrants and pushed them to relocate on a temporary rather than permanent basis. While the overall economy continued to flourish, inequality skyrocketed, and the regime continued to fear unchecked urbanization. Old controls on migration were replaced with economic incentives. Rather than using the coercive power of the state to keep farmers in the hinterland, the regime adjusted economic and social policies to make remaining in the countryside more attractive economically. For example, in education, rural schools became free while urban schools remained off limits for children of migrants. Many of the make-shift schools for migrants in larger cities were shuttered. In both practical and theoretical terms, these shifts directed resources to the countryside, a move away from urban bias.

---

[19] F.-L. Wang 2005.

After 50 years of policy favoritism toward cities and migration restrictions that kept farmers in the countryside, China has shifted away from urban bias and has begun subsidizing rather than taxing agriculture. This "populist" shift has been portrayed by the government as an effort to combat inequality and to assist those who have not benefited from China's recent economic growth. However, this policy change has an important geographic component, influenced by concerns about rapid and concentrated urbanization. Wen Tiejun, a prominent scholar affiliated with the CCP, has remarked that the promotion of rural subsidies and the delay of land privatization are a response to the government's fear of "Latin Americanization" (*la mei hua*), that is, the emergence of highly unequal megacities with their attendant slums, crime, and social instability.[20]

This new perspective on the politics of urban bias and autocratic stability addresses a number of key questions in the study of comparative politics, comparative political economy, and Chinese politics. Why do some autocracies last for decades and others disappear within their first years of existence? Do economic, demographic, and geographic structures affect authoritarian resilience? Why did the CCP, despite coming to power in large part due to the support of the peasants, turn its back on those same peasants less than a decade after taking power? Do regimes bias policy toward urban areas for stability reasons? Within China, do the origins of the *hukou* system—which effectively constrained migration within the country—line up with concerns over urbanization and redistribution? Is there evidence of regimes with long time horizons moving away from urban bias?

Research Design

To answer these questions, I use data from cross-national and Chinese sources. In so doing, I reassess the politics of urban-rural redistribution in nondemocratic states and show that urban-biased policies represent a Faustian bargain for authoritarian regimes. Subsidizing cities with farmer-paid taxes pacifies the urban population in the short run, but it amplifies the risk of instability in the long run by inflating the size of the largest and most politically salient cities.

The first task is to establish the argument's plausibility using cross-national data on authoritarian survival and urban bias. As the CCP regime endures, analyzing China alone would preclude confirming the argument's claims about collapse. Regimes with large cities that dominate the urban landscape fail faster than do their counterparts with less concentrated city systems. Urban bias reduces urban grievances but also induces greater concentration of the population in favored cities, solidifying regimes in the short run but undercutting them over time.

---

[20] T. Wen 2006.

Having established that the life-cycle patterns of regimes are consistent with the argument, I delve into a careful single-country study of the CCP-led People's Republic of China to examine the argument's mechanisms. Connecting the general claims to the densely multilayered complexities of actual governance requires confronting a nation-state in more depth. Observing the effects of such changes in one case is more telling than contrasting different policies in different places yielding different outcomes.[21] This book traces the policy and political history of the CCP regime at both national and sub-national levels to inquire into the claims of the theory that cannot be adequately addressed at the cross-national level. National level narratives are paired with sub-national statistical analyses; plumbing variation over time and across Chinese localities shows how the regime managed urbanization for political ends through its *hukou* system and redistributive policy. Such analyses also serve to ground the theory in a place to ensure that the cross-national findings point to causal factors and not inconsequential correlations arising out of the noise of the thousands of data points.

Building on the insights gleaned from the particular politics of China, I then return to the cross-national arena to investigate if other regimes operate in ways similar to the CCP. If urban bias is a Faustian Bargain, then under what circumstances are regimes willing to make a deal with the devil? The Chinese regime tilted policies to the benefit of city dwellers but has gradually shifted away as its time horizons lengthened and its coffers filled. Using evidence of external economic and political pressures facing such regimes, I show that in times of crisis, regimes do revert to urban bias as a form of political triage. When times are tough, regimes support cities.

The research design moves between broad cross-national analyses and the specific details of the Chinese case, attempting to improve general theory using Chinese data rather than merely finding general arguments inadequate to account for the complex landscape of Chinese politics.

As China was the source of the anomalies that led to the development of the general argument about urban concentration, investigating China's policies and the politics behind them is a natural choice. It is a long-lived regime. Its economic development, redistributive, and urbanization policies have changed over time. Given China's large size, it is also possible to use internal variation to assess different policies and their effects. Finally, China is an important case to consider as it is both the world's most populous country and second largest economy as well as a regime that others learn from or mimic. Although the general argument focuses on threats to regime survival, understanding the politics of a regime that has successfully managed these threats is as important as analyzing those that have failed. Examining only regimes that fail when considering threats to regimes is akin to studying the emergence of civil wars and only looking at locations with civil wars rather than comparing those cases with other cases where civil wars were avoided.

---

[21] The analogous situation in large-N research is the preference for fixed-effects models over between-effects models in work assessing policies that act over time.

The CCP is one of the world's longest lasting authoritarian regimes. Many have put forward arguments for why it has endured.[22] I argue that the regime's longevity is partly due to its management of urbanization. The CCP, despite its rhetorical emphasis on supporting the peasantry, has been extremely urban-biased in its policy making. As populations flowed into cities, inducing urbanization and concentration, the regime—rather than reap the consequences of the Faustian bargain—instituted migration restrictions as a loophole to avoid these consequences. These restrictions became shackles that prevented economic development during the reform era, and with their relaxation came China's characteristic spread out urbanization. Later, as the regime's revenues and prospects soared, it moved away from urban bias to spread development around the country and the countryside.

The language of the general argument is one of a generic regime that is attempting to respond to real and perceived threats with policy tools at its disposal and in its choice set. This is not wrong but is obviously not specific. When moving to the examination of a particular regime, more needs to be said about its nature.

The nature of the Chinese regime is in the eye of the beholder. An ideological and revolutionary party at its founding has transformed itself into a technocratic machine focused on stability. I argue that the CCP regime made a distinctive switch in its core practices during the transition from the Maoist planned era to the post-Mao Reform Era. In the former, ideological motivations were primary, while economic development dominated the latter, along with strong central attempts to depoliticize the regime's governance. At the local level, the policies and politics of China reflect a reproduction of central dictates buttressed by personal accumulation strategies through graft or other means. In particular, the central regime, pursuing its own survival, puts forward local policies to be implemented by local officials who individually have little capacity to affect the regime's survival probabilities. Yet rather than see this limited ability as a license to steal, most local leaders interpret central dictates in ways as best they can, when such actions can be taken without undermining their own personal income streams. For instance, regarding the major issue of protecting social stability and harmony, there is little that the party secretary or county head of Zouping County in Shandong province—or any county leader—can do to alter the probability of the regime collapsing. But local leaders act to attack those measurable evils that can be categorized as social instability—crime, complaints, and the like. They do so since the central regime leadership in Beijing has been effective in instituting a system that rewards promotions on the basis of adaptation of central dictates and local triumphs.

---

[22] Heilmann and Perry 2011. Among others: Yang 2001, 2004b; Shue 2002; Perry 2002, 2008; Gallagher 2005; Cai and Treisman 2006; C. K. Lee 2007.

This view builds on two prominent arguments for the regime's political success. Those arguments respectively place, first, its adaptive governance strategies and, second, its flexibility in pairing at the fore a central leadership primarily concerned with legitimation and a local leadership principally concerned with wealth accumulation.[23] The country's size and socioeconomic diversity make it a laboratory. Issues will inevitably arise, and, rather than imposing stark centrally defined policies, the regime is nimble and willing to allow policies to be adapted to local circumstances. The regime often even goes further and tests potential policies in different locations before rolling them out nationwide. One can see the *hukou* system along these lines. While associated with historical examples in China, the migration restrictions of the *hukou* system are fundamentally a response to the unintended consequences of other economic policies. Proponents of this line of thinking argue that the adaptability and empiricism of the regime have allowed it to thrive. Yet the impetus for local experimentation is not always to the good of the regime. As many argue, more venal concerns often enter. The center willingly allows local party-states autonomy to pursue economically productive and personally enriching policies as long as they exist within and not in opposition to broad central dictates.

Policies regarding migration and urbanization exemplify the consistencies and conflicts between central and local interests. As further explored in chapter 4, in the late 1990s, an experimental *hukou* reform took place at the local level with some surprising results. The goal of the reform was to relax restrictions, yet in areas under provincial capitals, population growth slowed down rather than sped up. That is, in contrast to basic principal-agent model assumptions where better monitoring will lead to outcomes more closely in line with the principal's desires, in those more observed areas, the opposite occurred. Only in outlying areas did the policy have the expected effect. Provincial elites may promote economic growth but limit urban in-migration to provincial capitals to decrease the risk of social instability in their home base of operations. In prominent areas, everything is more observable, making instability in these cores more dangerous. Economic activities, on the other hand, count equally wherever in a territory they take place. Judged on both growth and stability concurrently, local leaders are more willing to stimulate growth and risk instability out of sight in peripheral areas. The differential political importance of large cities and their peripheries operates both at the national and sub-national level.

---

[23] C. K. Lee 2007; Perry 2008; Heilmann and Perry 2011.

Structure of the Book

The book addresses questions about the stability of autocratic regimes, the political logic of urban bias, and China's management of urbanization. It is organized into three sections. The first section (chapters 2 and 3) presents the argument and examines it cross-nationally. To elucidate the mechanisms at work in the cross-national data, the second section of the book (chapters 4, 5, and 6) delves into an analysis of China based on quantitative and qualitative data collected during 16 months of field work. The final section (chapters 7 and 8) returns to a broad comparative perspective to address questions and assess implications from the Chinese case.

The second chapter develops the argument. I build on the insights of modern political economy on authoritarian regime survival and redistributive politics, adding a critical element to their analyses: geography. Classic works of political science disagree in their assessments of the location and nature of political danger to regimes in the developing world. Dispersed rural populations may be easier to rule but without urbanization and industrialization, development will not take place. What are the political and economic pressures that regimes face along the urban–rural axis? What is the danger in having a large capital city for a nondemocratic regime?

The third chapter examines the survival patterns of authoritarian regimes after World War II, showing how cities are dangerous. Simple attempts to buy off urbanites temporarily sustain but ultimately undermine regimes. Urban concentration and collective action are connected; where largest cities are more dominant one sees more instances of collective action. Data from 435 nondemocratic regimes in over one hundred countries confirm the *danger of concentration hypothesis*, the *induced concentration hypothesis*, and the *Faustian bargain hypothesis*. Regimes with high levels of urban concentration last on average only two-thirds as long as do regimes characterized by low levels of urban concentration. Urban bias induces more people to take up residence in the nation's largest city, confirming results from economics using different data. Finally, inducing urban concentration—the second-order effect of urban bias—dominates its countervailing direct effect of placating potential protestors when analyzed together, confirming the Faustian bargain hypothesis. Dominant cities can be stabilized by urban bias today but can grow to be overwhelming and undermine regime survival if not held in check. These findings are robust across numerous specifications, the inclusion of control variables, and for subsets of the data.

Chapters 4, 5, and 6 turn to China. The chapters present multilevel analyses, examining both national and local policy and political decisions. Building on and indebted to established literatures, I trace national level changes to account for the political factors behind the origins of China's *hukou* system, the regime's shift away from urban bias, and its response to the Great Recession. In addition, I use sub-national variation to test the implications of the argument at lower levels, since provincial leaders are incentivized, particularly by the promotion system, to reproduce national level priorities in their own domains.

The fourth chapter demonstrates that the Chinese government's policies toward rural areas are critically shaped by their implications for the shape of urbanization. The narrative focuses on the political turns that led to the development of China's *hukou* system as well as its use as a method of restricting internal migration. These internal barriers allowed the regime to escape the Faustian bargain of urban bias. Urban workers were subsidized using funds raised from the countryside, while farmers were forced to toil in their fields without the freedom to move to cities. The relaxation of the *hukou* system during the reform era illustrates the government's continuing concern about the politically destabilizing consequences of urban concentration and unchecked migration. Although the government has promoted urbanization, its policies have favored the growth of small and medium cities and restricted movement to China's first-tier cities. This pattern is also apparent at the sub-provincial level. Using new data on local experiments in the late 1990s, I show that the relaxation of *hukou* policies across ten pilot provinces led to faster population growth in peripheral areas yet had no or even negative effects in politically sensitive provincial capitals.

Since the central government's fiscal resources stabilized in the late 1990s, the Chinese regime has reduced its redistributive policy's previous urban favoritism by directing resources to the rural interior. In the fifth chapter, I describe the center's fiscal shift away from urban bias—the replacing of fees and taxes on agriculture with subsidies for farmers. Analyses of sub-national budgets and fiscal transfers show that the CCP has used fiscal policy to maintain stability and manage urbanization. Since the national level campaign to "Develop the West" began in the 1990s, the Chinese government has pursued regional development policies, assisting areas that had not benefited from the reforms. How have the center's concerns about urbanization affected local officials? How are central directives implemented by lower levels of government? Combining cross-sectional time series data on social stability, geography, budgets, and migration for the vast majority of China's nearly 3,000 county level units, I show that the location of a county—that is its proximity to relatively unstable urban areas—affects the amount of transfers that it receives from higher levels. In particular, *ceteris paribus*, counties near unstable cities receive more transfers than those where potential migrants are likely to move to stable cities. This finding corroborates the answers received in interviews, confirming that local officials are able to use the fear of migration to unstable cities as a way to argue for increased transfers from higher levels. This represents an attempt to reduce the incentives of farmers to locate to those unstable areas by improving the situation in their home counties.

The sixth chapter examines China's experience of, and response to, the Great Recession of the late 2000s. The Chinese economy and regime sailed through the swells with little apparent damage. Why did the downturn not generate the political instability that many predicted? I argue that China's success in weathering the storm was partly due to its long-term strategy of managed urbanization and migration along with an economic stimulus. These factors combined to structure, disperse, and reduce discontent generated by the Great Recession. Although the broad strokes of China's response to the crisis—a massive fiscal stimulus plan in November 2008 and massive loans to businesses—are well-established, the geographic distribution of the stimulus funds has received far less attention. The fiscal and financial stimulus packages were directed to different locales. Whereas one might expect the government to have directed all funds to coastal provinces that bore the brunt of the economic downturn, the government instead sent much of its fiscal stimulus investment to interior provinces. Why? I argue that the regime, fearing instability and unrest among newly unemployed migrant workers along the coast, sought to encourage employment in the interior. Along with continued collective ownership of land in the countryside and the *hukou* system, the fiscal stimulus facilitated stability by providing channels for those negatively affected by the crisis to return to the countryside and smaller cities in the interior, dispersing discontent. While the fiscal stimulus continued the regime's pro-rural, pro-interior development policy, at the height of the crisis, the regime also vastly expanded loans to urban industries in contrast to its general move away from urban bias. I support this argument with investment and local government bond statistics, together with personal interviews with Chinese government officials and academic advisors.

Is China's response to a potential crisis atypical? The final section of the book returns to the cross-national level of analysis account for variation in urban bias across nondemocracies. I argue that urban bias has short-term benefits but also long-term costs. At a moment of crisis when short-term incentives dominated more distant concerns, the Chinese regime did open the floodgates to urban loans in support of urban employment. Do other regimes retreat to urban bias in tough times? The seventh chapter addresses this question. I exploit external events that affect regimes' revenues and political stability to examine changes in redistributive policy. Negative economic and political shocks lead to redistributive policies that are more urban-biased, akin to political triage as governments attempt to maintain a baseline of support. For importers, global oil price increases represent a drain on resources; similarly, civil wars erupting in neighboring countries can affect political stability at home and shorten time horizons. Consistent with the general argument, when pressures mount, nondemocratic regimes direct resources to those with the greatest capacity to act collectively against the regime, namely urban residents, and increase urban bias.

The book concludes with discussion of China's political and economic future. The CCP is in the midst of shifting its bases of support away from the poor to the rich elite, transforming itself from a left-wing nondemocratic regime to a right-wing dictatorship right in front of our—and its citizens'—eyes. How will the regime change now that most of its population is urban? Do the political advantages of urban concentration for potential revolutionaries remain in an era when technology has made information dissemination instantaneous and in ways that shrink geographic distances?