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**Changing Dynamics of Social Policy in the People's
Republic of China and the United States of America**

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Abstract

Social policy in China and the United States has been undergoing great transformation in recent decades, especially in the interaction between the central government and its subnational units. This article offers an account of the changing dynamics of social policy in both countries in light of the relationship between federalism and the welfare state. Given their federal political institutions, social policy in PRC and USA essentially concerns which government tiers are responsible for social provision. I argue that the fragmented nature of Chinese and American political institutions has led to two distinct social policy developments with their recent decentralization (or devolution) endeavors, with local governments in China gaining more autonomy while the federal government in America retains its prominent role in social provision. Different degrees of local government involvement also create various momentums in social policy that have profound implications for central coordination and local capacity in policy implementation.

Keywords: America, China, decentralization, federalism, social policy

Introduction

The American social model is commonly characterized as a ‘liberal’ welfare regime with a dual welfare system consisting of social security for the working population and means-tested programs for the poor (Esping-Andersen, 1990). While the conventional perspective treats the American welfare regime as an outlier for its pronounced skepticism about public responsibility for social provision and a marked preference for market participation and civic engagement, recent studies have begun to appreciate the growing importance of federal programs and the specific public-private mix in American social policy (Alber, 2011; Baldwin, 2011). Moreover, despite retrenchment in welfare, American social policy has experienced institutional expansion in other social programs. These changing policy directions in the American welfare regime merit particular attention in terms of the historical and institutional idiosyncrasies of its dual social provision.

Meanwhile, China has undergone great transformation since its economic reforms began in 1979. Initially designed as a socialist economy relying on the support of state-owned enterprises (*de facto* the government), China has successively restructured its welfare system toward a multi-pillar model with a wide coverage of different population groups, co-financed by the central and local governments, enterprises, and individuals (Wong, 1998; Chan et al., 2008). Despite enormous efforts, the government still needs to expand the safety net to meet the increasing welfare needs of its people resulting from the process of rapid modernization. Scholars have documented the societal pressures exerted by disgruntled laid-off workers or pensioners upset about the ignorance of their entitlements during the pension reforms or the privatization of their enterprises (Gallagher 2005; Lee 2007; Frazier 2010). The resultant mobilization of discontented welfare recipients has begun to pose a serious threat to a regime which is still eager to take any necessary precautionary measures to maintain social stability.

Given numerous studies of the two welfare systems, this article offers a comparative analytical framework to account for the dynamics of social policy in both countries. A promising way to achieve this end is to analyze the relationship between political institutions and social policy in the two cases. The rationale behind this approach is straightforward: Both PRC and the USA are large countries with conspicuous regional heterogeneity, an essential circumstance that raises the issue of crafting multi-level governance to accommodate diverse local affairs, and the matter for power separation between central and local governments. Particularly in recent social policy reforms of both countries, the role of local governments has increased in significance in the overall structures of welfare provision to address variegated local

social-economic circumstances, while central governments have provided tacit consent or embraced deliberate devolution. Features of central-local relations have an important bearing on the policymaking and implementation of social welfare.

Comparing Chinese and American welfare regimes may appear bold in view of the sheer variety their historical and institutional backgrounds demonstrate. Yet, a comparison in this regard is useful for making sense of recent Chinese and American social policy developments, for a major part of both reform stories involves endeavors that seek to reduce benefits or to restructure existing institutions in response to changing social and economic circumstances. Strategies involved in the reform processes were driven by the desire to avoid blame for unpopular benefit cuts or to claim credit for new social programs (Pierson, 1994, 2001). In countries with federal political systems, this often implies the imperative of a delicate balance among different government tiers in terms of political accountability for policy outcomes. Precisely in this respect this comparison can shed new light on the ways in which different institutional configurations shape the politics of social policy reforms.

To address these key issues, the following analysis will begin with a discussion of the general relationship between federal polity and social policy, followed by detailed analysis of the two country cases under examination. The final section summarizes the key findings and reflects on their implications for understanding the politics of social policy within federal political institutions.

Reforming Social Policy in Fragmented Polities

The theme of federalism and social policy has gained growing significance in comparative welfare state research (e.g. McEwen and Moreno, 2005; Obinger et al, 2005; Béland and Lecours, 2008). Academic attention to the territorial dimension of social policy developments corresponds with the widespread decentralization endeavors in recent decades that involve sub-national units in collective decision-making and policy implementation. The rise of regions in domestic politics pertains to the phenomenon of intensifying competition in the process of globalization that has put many countries and their subordinate regions under pressure to restructure existing social programs, since central governments of large countries are increasingly unable to satisfy the specific productive requirements of heterogeneous regions with different economic sectors (Streeck, 2000). Local governments are assuming more responsibilities in various domains not only out of the growing sub-national identities, but also in response to regional heterogeneity in economic and social developments. Over several decades, decentralization initiatives have swept over major Western welfare states as an attempt to downsize the financial and administrative engagements

of central government and to pluralize democratic participation.

The USA is one such example where federalism has long been an essential theme. Federal responsibility for social provision arose due to a patchwork of public social programs in the wake of the Great Depression, followed by periodic expansion that culminated during the 1960s. In recent decades, however, enthusiasm with devolution arose with the goal to reduce the federal predominance in redistributive programs (Stephens and Wikstrom, 2007; Conlan and Posner, 2008). The resultant reconfiguration of federal-state jurisdictions in social provision has shaped the subsequent development of American social policy. Meanwhile, unlike its Western counterpart, social policy reforms in PRC rely on an authoritarian rule relatively autonomous of societal pressures. In the absence of democratic accountability to its people, the government holds considerable sway over the direction of policymaking and implementation. In the transition to a market economy, however, the ruling Chinese Communist Party (CCP) has resorted to decentralization to empower local governments in their jurisdictions over local affairs in an attempt to stimulate cadres' motivation for local development including the provision of public goods and services to their residents (Whiting, 2001; Edin, 2003). While active local involvement contributes to the overall economic growth, decentralization has generated mixed consequences for social policy.

In spite of their different political systems, one common thread linking social policy in PRC and USA concerns the fragmented polities within which reforms proceed. For one thing, Chinese authoritarianism is known for its susceptibility to interwoven interest constellations among the horizontally competitive ministries and the vertically undutiful branches of different government tiers. Information asymmetry in policy implementation and a lack of democratic transparency further facilitate local non-compliance. Political systems of this kind offer fertile soil for continued bargaining that easily undermines coherent policy coordination (Lieberthal, 2004). For another, American democracy is based on the belief that the government is a necessary evil in need of a constant power check. Its constitutional design, with its system of checks and balances on the powers of different government branches, is almost a warranty for protracted policymaking processes. Ideological caution about strong government also tends to restrain the range of (federal) government activism especially in social policy activities (Stephens and Wikstrom, 2007). In short, the fragmented nature of both political systems renders ample room for contentious domestic politics.

Vast size and geographical diversity further breed the climate for sub-nationalization. Both PRC and USA empower local governments to better deal with the increasing variegation of regional affairs, and diverse configurations of

central-local relations shape the ways in which devolution proceeds in both countries.¹ In social policy, this is reflected in the extent of local involvement in policy implementation, administration and financial co-responsibilities. In a broad sense, PRC is characterized by political centralization but economic, fiscal and social decentralization within a fragmented authoritarian system, while American federalism features relatively centralized social policy within an otherwise decentralized political system interwoven with partisan politics and interest groups. Table 1 compares the characteristics of intergovernmental relations between PRC and USA.

With regard to executive and legislative powers, the central government in the Chinese authoritarian polity clearly owns more untrammelled authority to make policies and request cooperation of local governments in implementation than its American counterpart. Political centralization enables Chinese leaders to check the powers of their subordinate cadres. In social policy, this administrative advantage often leads central government to ‘pass the buck’ to local governments while claiming credit for grandiose policy reforms, irrespective of whether these concerns welfare expansion or retrenchment. Nevertheless, the specific politics of mandates poses an insurmountable governance challenge because not all local cadres are submissive to carry out central mandates. Social policy change in the PRC thus entails local policy variation or even non-compliance that discounts the reform efforts of the central government, for the latter’s ability to confine local deviation is constrained by economic and fiscal decentralization that underpins local autonomy. Consequently, the resultant sub-nationalization of social protection – the last thing conceivable in an authoritarian state – figures prominently in the PRC.

¹ In American federalism, state governments are constitutionally the key player in domestic politics while their subordinate government tiers play a lesser role. In the Chinese political system, by contrast, provincial, prefecture and even county governments have limited legislative power but they are important agents for policy implementation.

Table 1: Comparison of social policy dynamics between PRC and USA

	PRC	USA
Characteristics of political systems	Fragmented authoritarianism influenced by bureaucratic bargaining among different government tiers and branches	Fragmented democratic federalism influenced by partisan politics and interest groups
Division of competencies for social policy	<ul style="list-style-type: none"> ● Central government dictates policy frameworks but allows various degrees of local discretion ● Local governments must implement and finance policies 	<ul style="list-style-type: none"> ● Federal and state governments share competencies in policymaking and finances ● State governments are responsible for implementation
Reform directions	<ul style="list-style-type: none"> ● Welfare retrenchment & expansion ● Fiscal decentralization ● Administrative devolution 	<ul style="list-style-type: none"> ● Welfare retrenchment & (limited) expansion ● Fiscal realignment ● Administrative devolution
Implications	<ul style="list-style-type: none"> ● Social decentralization 	<ul style="list-style-type: none"> ● Social federalization with confined devolution
Major governance challenges	<ul style="list-style-type: none"> ● Local non-compliance ● Policy opaqueness (corruption or resource misallocation) 	<ul style="list-style-type: none"> ● Polarized partisan politics ● Public distrust toward the government

Source: Compiled by author

By contrast, although American federalism features explicit decentralized powers reserved for state governments, the federal government actually occupies a unique position for social policy. Despite the states' high autonomy vis-à-vis the federal government in the majority of policy realms, territorial competition dampened the states' enthusiasm for generous local social provision before the early 20th century (Chien and Gordan, 2008). Constitutional constraint of federal power in income support further contributed to a long period of inert social policy development in America. Interestingly, dormancy in public social provision opened a window of opportunity for federal encroachment in social policy, largely due to the states' inability to cope with nationwide social adversity in the Great Depression. Enactment of social policies since the New Deal has created a pre-empted policy space at the federal level that diminished the prospect of radical reform (Pierson, 1994, 1995). In a

federal polity of ‘checks and balances’, though, boundaries between federal and state governments are under constant redefinition, particularly in contesting issues such as poverty relief. Modern American social policy witnessed a continued tug of war between federal and state governments since its inception. A salient case is the social devolution triggered by President Reagan’s ‘new federalism’ that attempted to trim federal welfare responsibility and allowed the states discretion over the extent of policy design and implementation (Colan, 1998). Decades of social devolution have made a dent primarily in federal poverty relief programs – compounded by privatization attempts that led to hidden change – but could hardly demolish the welfare state edifice due to its popularity (Hacker, 2002; Béland and Waddan, 2012). Meanwhile, current circumstances of rising budget deficits and sluggish economic prospects equally render a second New Deal very difficult (Skocpol, 2012).

Given the predominant federal leverage, governance of social policy in America hinges on the sophisticated skills of the executive power (*de facto* the President) to canvass the legislative majority at the federal level for substantial social engineering, while state governments often play a subsidiary role in policy implementation or at times act as a vantage point for innovation should federal legislation reach an impasse. Institutional fragmentation in American federalism pertains primarily to the existence of multiple veto-points in the policymaking process that render coherent policy formation very difficult because it involves partisan politics and interest group mobilization. However, democratic accountability toward the electorate and the rule of law safeguard the implementation of federal policy at the state level unless otherwise stipulated. In other words, political struggle occurs in the interaction between legislative and executive powers but the extent of local non-compliance in implementation is virtually circumvented by law.

Impacts of various central-local relations on the politics of social policy are telling. The delegation by the Chinese central government of administrative, economic and social functions to sub-national governments has actually resulted in more local autonomy (and variety) in social provision than its American peer. The entrenched social decentralization in PRC raises the challenge of coordination in policy processes: in tandem with the rise of local autonomy comes the difficulty of effective supervision by the central government despite its supremacy in government personnel management and bureaucratic hierarchy. Local variation in transposition and cadre corruption are an endemic symptom of Chinese politics. In contrast, American democratic federalism safeguards local implementation of federal social policy mandates but it must face daunting partisan politics in policymaking or judicial processes. Times of permanent austerity and political polarization not only frustrate extensive social initiatives but also place the existing federal social programs on the

defensive. Experimentation at the state level turns out to become a potential arena of policy change when the political process at the federal level encounters gridlock.

Changing Dynamics of Social Policy in PRC

Social policy in PRC since the 1950s featured two distinctive worlds of unequal social citizenship. After its power seizure, the CCP established a socialist system in urban areas which would justify the superiority of its ideology. The emulation of the Soviet approach during the cold war has led to what Selden (1993) called ‘mobilized collectivism’ both in urban as well as in rural regions: class struggle, mass mobilization, collectivization of the economy, elimination of market mechanisms, and equal distribution. The emergence of state-owned enterprises (SOE or *danwei* system) and the gradual establishment of the people’s commune have molded the lives of the people. Underpinning the dual urban-rural social system was the prohibition of citizen mobility from rural to urban areas by a draconic household registration system (*hukou*), which made decisions about an individual’s entitlement to social benefits based on her/his birthplace or parents’ resident status (urban or rural) (Cheng and Selden 1994).

This urban-rural divide was a mixture of CCP’s land reforms during its struggle with the nationalist regime of the Republican era and emulation of the Soviet’s model in urban industrialization (Friedman et al., 1993; Selden, 1993). During its socialist era, PRC was a country with a unitary political system that concentrated most of the powers in central government. Major social benefits for urban and rural residents came from public provision (SOE and People’s Communes). Some local diversity already existed in the Maoist era, though, as the idea and practice of local self-reliance persisted despite the interruptions of several political movements (Saich, 2008; Heilmann and Perry, 2011). During the cold war when China remained insulated from the Western world, Chinese leaders encouraged regions with different natural endowments to develop their own economies for fear that geographic over-concentration of resources would create vulnerability to foreign military attacks. Each locality was also responsible for financing its urban SOE employment benefits or rural commune welfare. This historical contingency laid the institutional foundation of sub-nationalization of social citizenship well into the post-socialist era.

Economic and Social Decentralization within Political Centralization

As CCP launched economic reforms in 1979 amid the looming crisis of its socialist economy, recalibration of central-local relations appeared even more crucial to revive the national economy. Several periods of financial and administrative

decentralization during the 1980s and 1990s furnished local governments with considerable power to boost regional developments – an essential instance driving local cadres to enhance economic growth and increase fiscal revenues. Within an authoritarian state, local officials are beholden to their upper government superiors rather than to the people below. Local cadres' performances are evaluated upon a set of targets (*zhibiao*) assigned from above. Different pre-set targets have unequal weight: Broad party directives such as economic growth or birth control have high priority, and are monitored by quantitative measures. Here political accountability is bundled with rewards for success and punishment for failure in implementation. By contrast, some issues are low priority without concrete indicators to measure local performance, thereby with no serious consequences for local officials for non-compliance. With clear-cut targets and their direct consequences for cadres' personal careers, this cadre responsibility system successfully propels local officials to carry out missions in line with central directives (Edin, 2003, Landry, 2008).

Meanwhile, economic and fiscal decentralization since 1979 has granted local cadres great competence for devising (and major responsibility for financing) their development policies, including a wide array of social security programs to meet local welfare needs. Central government often plays the role of policy coordination and supervision, defining broad national policy frameworks and principles without specifying transposition details. This deliberate ambiguity has not only spurred uneven regional developments but also a variety of local experiments in economic and social affairs. Most importantly, tax reform of 1994 reallocated major tax revenues to central government treasury but left the burden of expenditures for infrastructures to local governments – with dire consequences especially for local state capacities of poor regions to finance social programs.

Given its power to hold sway over local cadres' career promotion, the ability of central government to check local deviation and to redress any incongruence between economic and social policies is limited. As the Chinese political system consists of vertical lines (*tiao*) and horizontal pieces (*kuai*), its fragmented nature renders policy coordination a demanding task. Continued bargaining, if not turf wars, among different government bureaucracies prevail (Lieberthal, 2004). Vast geographic size and regional diversity further nurture rich ingredients for factionalism and localism that result in a gap between central command and local transposition because of different sets of interest constellations. Supervision from above is constantly undermined by information asymmetry and regulatory loopholes that local cadres can take advantage of for evasion. Rent-seeking and corruption of local cadres are one notable regulatory deficit inherent in the Chinese political system (Whiting, 2001; Birney, 2014).

Three conceivable implications of the Chinese ‘authoritarian deficit’ for social policy emerge: First, local developmentalism is set in motion that generates territorial economic competition and regional social inequality (Chien and Gordan, 2008). As economic prosperity matters a lot for both fiscal revenues and personal careers, local cadres by nature will mobilize all possible resources to boost the economy within their territory while barring outsiders from sharing the cake. Social security for migrant workers is a case in point: In view of cheap labor provided by this population group that can help attract inward investment – receiving regions such as the coastal cities have strong incentives to take advantage of these laborers without necessarily offering them labor and social protection (Solinger, 1999). Recent initiatives of wealthy cities have remedied this shortcoming by including migrant workers in the urban social insurance programs for workers, though access to other welfare benefits that are available to local residents remain denied to these floating population groups.

Second, associated with the developmentalism is sub-nationalization of social security systems that frames subsequent policy developments. The socialist era has left behind a dual divide between urban employment-based insurance and rural village-based residual welfare. Financial responsibilities for social provision rested with local bearers (SOE and village, respectively), which implies regulatory fragmentation in institutional arrangements and regional inequality in social rights. One of the major tasks of post-socialist social policy reforms thus aimed to tackle this problem by upgrading financial pooling from counties to higher governmental echelons such as provinces or cities. However, integration efforts of the past decades have only registered limited success in this regard; and the majority of both urban and rural social programs remain largely locally financed.

Third, economic and fiscal decentralization has led to biased concentration of financial and administrative resources in targets with highest priority. Since clear consequences follow policy (non-)implementation, local cadres have strong incentives to transpose those targets with potential political rewards while disregarding those with less political exigencies. During the 1980s and 1990s, the lopsided emphasis on local economic growth as the major yardstick for cadre performances (GDP-ism) has led to low local expenditures for social provision, especially in fields that encompass huge local financial responsibility such as education and social security. Even though central government has revised its mandate in recent years to include more targets for social security, the issue of co-sharing the financial costs among different government tiers remains highly controversial today (Ngok, 2013). Regions at different development stages clearly have different fiscal capacities in support of new social programs.

As a result, social policy in the reform era is characterized by the concentration of

financial resources and policymaking powers within the central government, while financial responsibilities for, and administration of, social provision fall within local jurisdictions. Given growing uneven regional developments and the associated issue of unequal local fiscal capacities, welfare rights are largely localized, depending critically on local state capacities. Recent central initiatives have attempted to correct this imbalance by providing financial subsidies to laggard inland regions, though a nationwide fiscal equalization is still a far cry in view of the specific central-local relations. Unequal strengths of local states and intricate intergovernmental interactions within Chinese politics offer a rich repertoire for changing politics in social policy development.

Impacts of Social Decentralization in Fragmented Authoritarianism

PRC's social policy reforms proceed primarily within intergovernmental interaction. The fragmented nature of the Chinese political system implies inherent differences in the interest constellations of central and local governments that often lead to variegated policy results. In the post-socialist transition when welfare retrenchment appeared inevitable, central government's primary goal aimed to ensure overall institutional reforms in line with the SOE restructuring. As the only ruling party, upholding CCP's legitimacy is the utmost priority. Since local cadres were responsible for policy implementation and, above all, financing local social provision, central government was more likely to claim credit by announcing bold reforms or introducing new social security programs for marginalized populations. To avoid flawed policy design that could go wrong nationwide (and incur blame), central government ministries often authorized local governments to conduct pilot programs in search of appropriate policies. In this way, central government comfortably placed the burden on its subordinate government tiers without risking the failure of reform path breakdown.

As the primary agent for welfare delivery, local governments faced tricky concerns. While hitting targets from above was essential for their personal careers, local cadres had to consider economic and social circumstances within their jurisdictions, which were at times unfavorable for policy implementation. Officials in poor regions often encountered difficulties in securing sufficient funding for welfare retrenchment or social policy expansion. And benefit cutbacks might arouse beneficiaries' discontents that local officials could hardly ignore due to their potential threat to social stability. Establishing new social security programs equally involved heavy burdens for local finance. When confronted with financial shortage, selective implementation or even non-compliance with the mandates from central government appeared inevitable.

Meanwhile, officials in wealthy regions clearly stood in a superb position to fulfill central mandates in social policy. Steady local finance even allowed higher benefit provision or policy advancement – moves conducive to taking credit for political performances. Local governments here were actively embarking on progressive policy initiatives because they faced social consequences of economic reforms such as urban unemployment and poverty without policy precedents. Local pre-emptive policy experimentation constituted an important part of social policy learning and diffusion (Shi, 2012). Shanghai’s pilot program with Minimum Living Guarantee in 1993 was one notable example that led to nationwide urban application in 1999 and expansion to rural areas in 2006. New policy initiatives also served to expand local competencies where central regulation remained absent. This has been especially the case when key local interests were at stake. Social insurance programs for migrant workers are a case in point. Throughout the 1980s and 1990s, migrant workers received little support for labor protection or social security from the receiving regions. With successive loosening of the *hukou* system, coastal regions abolished internal migration restrictions for targeted groups such as talented and employable workers, followed by simplification of the rural-to-urban migration quota (Fan, 2008; Wang, 2010). While making pledges for the necessity of appropriate social provision, central leaders clearly refrained from issuing binding directives that would dictate to local cadres concrete policy details for rural-to-urban migrants.

Table 2: Central-local relations in Chinese Social Policy

	Policy retrenchment	Policy expansion
Central government	<ul style="list-style-type: none"> ● Announce bold retrenchment reforms ● Encourage local experimentation ● Shift burden to local gov'ts for painful reforms 	<ul style="list-style-type: none"> ● Introduce new nationwide social programs ● Encourage local experimentation ● Allow local variation in social programs
Local government	<ul style="list-style-type: none"> ● Non-compliance ● Generating local revenues to accomplish central goals ● Policy innovation by pilot experimentation 	<ul style="list-style-type: none"> ● Claim competencies in areas where central regulation is absent ● Policy innovation by pilot experimentation
Consequences	<ul style="list-style-type: none"> ● Local diversity in welfare institutions ● Unequal social rights ● Difficulties for central coordination 	<ul style="list-style-type: none"> ● Local diversity in welfare benefits ● Policy patchwork due to local variation

Source: Compiled by author

Ingrained local developmentalism and institutional diversity of local social programs have further reinforced the gravitation toward decentralized social provision, which in turn complicates central-local interaction in social politics especially when central coordination attempts are at loggerhead with the interest of local policy stakeholders. Given the existing constraints, responsible ministries of central government can only rely on central command (stick) and financial incentives (carrot) to solicit local compliance, though this can backfire in reality since local cadres wield considerable leverage in terms of financial responsibility and policy implementation. Recent social policy developments are converging to set up basic nationwide social programs that provide minimum existence benefits to all residents, while allowing various local topping-up supplementation based on the financial capacity of each region. Territorial politics is bound to impact the contours of social protection in PRC for a long time.

Changing Dynamics of Social Policy in USA

Compared with its fully-fledged European counterparts, the American welfare state emerged late and underdeveloped owing to its low unionization of wage workers,

weak national government, and the pervasive belief in superiority of markets and communities (Orloff, 1993; Skocpol, 1992). Even the terms ‘welfare’ or ‘social security’ refer to a much narrower spectrum of specific programs rather than a general public responsibility for social provision. For a long time, social welfare was largely a domain inaccessible to the federal government; and the notion that states and local governments, together with civic participation by charity and communities, should act as primary providers persisted well into the beginning of the 20th century (Jansson, 1988). In addition to mothers’ pensions, most of the social enactments concentrated on regulation under local and state jurisdictions.

The clear division between social insurance and social assistance reflects the poor law tradition rooted in American social policy that views the elderly, the disabled and children as deserving recipients while treating other poor people and immigrants as undeserving welfare dependents (Howard, 2007: 92-108). The prevalent Protestant work ethic justified the efforts of Roosevelt and Johnson to expand federal jurisdictions in new programs such as Social Security, Supplemental Security Insurance and Medicare. By the same token, though, social assistance for poor families and unemployment insurance are much more vulnerable to conservative attempts at welfare reforms that devolved these programs to state authority. Dual institutional arrangements inherent in the American safety net are perceptible whereby expenditures for core social insurance and income maintenance programs have stayed constant or have even expanded, while benefits for the most disadvantaged have shrunk considerably (Bitler and Hoynes, 2013).

As a latecomer in the welfare state family, American social policy has experienced an array of turf wars between the federal and state governments, with issues regarding which governmental tiers should possess specific powers for particular policy areas constantly in struggle. The fragmented American federalism is ridden with multiple veto points that offer rich ingredients for contentious social politics.

Social Policy Developments in American Federalism

The USA initiated the earliest experiment with a federal political system. In a tradition that resists a mighty central authority, checking and balancing government powers has always been a central concern. Even to date, the division of competencies between federal and state governments in policymaking and implementation remains a contested terrain. Historically, territorial competition has been a prevalent phenomenon by which sub-national governments enjoyed high autonomy in local affairs, though the resultant inter-state ‘race to the bottom’ precluded early burgeoning of social policy. The federal government had little say in local affairs

including social policy (Robertson, 1989; cf. Hacker and Pierson, 2002). These circumstances have amounted to laggard formation of national social policy and conspicuous variation across states in terms of different state and local social programs for a long time.

Federal involvement in social welfare affairs achieved vital progress with the New Deal of President Roosevelt in response to the massive unemployment and social wretchedness in the wake of the Great Depression during the 1930s. The Social Security Act of 1935 established federal pensions, unemployment insurance, and welfare assistance programs – a milestone in the installation of American welfare state. Institutional expansion continued well into the 1960s when President Johnson declared his vision of a Great Society and launched the War on Poverty. His grand social engineering led to the expansion of Social Security and welfare assistance, and most importantly, the introduction of Medicare and Medicaid that advanced yet more growth of federal jurisdictions in social policy. Except for the national system of social insurance, state-level politics has been focused on the implementation of social assistance programs such as the Aid to Families with Dependent Children (AFDC).

Since 1935, the federal government has ascended as a key figure driving nationwide social policy initiatives, mainly because of its unique position in initiating national legislation, fully-developed bureaucratic capacity for monitoring policy implementation, and the major financial responsibility it bears for program benefits. In established statutory social programs, state governments and their lower-level local governments must bear administrative responsibilities in accordance with federally prescribed legal requirements (Abbot, 2000: 240). Roosevelt's New Deal has established a bulwark for federal intervention in social policy. Places where state governments can possibly guard their own sovereignty – as has always been the case whenever federal legislation attempted to tread into new social policy areas – pertain to the policymaking process, or the constitutional disputes in the judicial arena. Partisan politics or bureaucratic conflicts between different governmental tiers come into play at this stage, which often leads to boundary relocation of federal-state relations.

Reversal against welfare expansion began in the 1980s during Reagan's presidency that ushered in a decade-long process of welfare rollbacks. With his tenet that government was the problem rather than solution, Reagan coined the term 'new federalism' that heralded the first round of social devolution to state governments in an attempt to achieve welfare retrenchment. Following preliminary initiatives of his predecessors, Reagan introduced restrictive block grants to consolidate existing grants and, most importantly, to give state governments greater discretion over their usage in various areas (Finegold et al., 2004). Retrenchment attempts of the Reagan

administration suffered a backlash when it failed to persuade the Congress to devolve entitlements of federal social programs such as Food Stamps and Medicaid, causing the American welfare state to remain essentially intact (Pierson, 1994). Indeed, in a time of economic growth, drastic welfare rollbacks proved unpopular among the electorate constituencies. Still, Reagan's reforms left an important legacy of welfare reforms allowing state governments to implement harsher welfare retrenchment that would have been unfeasible at the federal level.

Recalibration of intergovernmental relations continued during the 1990s, even under Bill Clinton's Democratic presidency. The Personal Responsibility and Work Opportunities Act (PRWORA) of 1996 during the Clinton era marked the peak of welfare reforms, not least because he campaigned to 'end welfare as we know it'. The PRWORA converted AFDC from an entitlement to the Temporary Assistance for Needy Families block grant (Gilbert, 2009; Béland and Waddan, 2012: 24-71). This institutional reform not only held welfare recipients more accountable by including work requirements and time limits on benefits, but mandated state governments to reduce welfare usage and allowed them a wide array of policy tools without seeking waivers from the federal government. The result, as several studies show, has been state-level policy in a restrictive and punitive direction, especially in conservative stronghold such as Southern states (Mettler, 2000; Soss et al., 2001). In this manner, Clinton's welfare reforms echoed the strategy of the Reagan era by setting the state level as an arena for cutting welfare benefits.

The neoliberal assault on the American social safety net maintained momentum in the new millennium, either by further devolution to state governments or by privatization of social programs – a trend that did not encounter earnest countermovement until Obama entered the White House in 2008.² His presidency renewed a thrust for welfare expansion but it also sparked fierce resistance from the conservative camp (Skocpol, 2012). Today, American social reforms rely more than ever on territorial politics to break the political impasse. Intense partisanship at both federal and state levels has hindered the adoption and implementation of policy at an unprecedented scale. The government shutdown in 2013 due to failure of the Congress to agree on a federal budget was only one notable example of partisan conflicts at the federal level. Behind this drama lay the controversy over the Patient Protection and Affordable Care Act (ACA) that Obama took pains to pass through the legislature. Even after its enactment in 2010, the following years saw a continued tug of war between Democrats and Republicans (*ibid.*; Doonan, 2013). Amid political

² Social policy reforms during the Bush presidency (2000-2008) adopted a different approach, i.e. privatization of social risk, to slash social security and welfare benefits. The analysis here sets aside this part due to its minor relevance for the theme under discussion. For detailed review, see Hacker (2002); Howard (2007).

polarization, intergovernmental interactions resurged as a crucial part of social politics, as state governments were required to achieve certain federal objectives in several policy areas such as the ACA (Dinan, 2014). Partisanship, too, has spilled over to intergovernmental relations with intricate outcomes for social policies.

One crucial battlefield for domestic partisan politics is the Supreme Court whose interpretation of federalism weighs heavily on intergovernmental relations. Its unique status in adjudication of constitutionality has led every president to nominate candidates for the Supreme Court who share his views whenever possible. Historical expansion of American social policy also owes much to favorable Court rulings. One notable example is the historical ruling in 1937 that upheld the constitutionality of the Social Security Act, thereby giving rise to national social policy. The federal judiciary has frequently invoked the Equal Protection Clause of the 14th Amendment to underpin decisions in favor of expansive federal jurisdictions.³ The most recent example was the Court's ruling in 2011 over the constitutionality of the ACA. The justices' decision eventually dashed the hope of 28 states to invalidate key provisions of ACA that they deemed a violation of state sovereignty. Much akin to its support of President Roosevelt's Social Security Act, the Supreme Court substantiated federal competence in constructing a more comprehensive social safety net.

Partisan strife over 'Obamacare' highlights America's fragmented federalism ridden with partisan conflicts. While devolution attempts since the Reagan presidency ushered in a new phase of granting state leverage in the existing social policy areas, healthcare reform by the Obama administration marked renewed efforts by the federal government – in light of the failed healthcare reform of President Clinton – to claim an important new domain. Recent progress in 'Obamacare' underscores the fact that the federal government can be and remains the major propeller in nationwide social policy, though it clearly borrows from the lessons of state experimentation such as Massachusetts (Doonan, 2013). It is noteworthy, however, that the ACA still relegates certain powers to the state in the area of implementation, such as healthcare exchanges. And, despite supportive judicial review of the Supreme Court for ACA in the case *National Federation of Independent Business vs. Sebelius*, the Court also stipulated that the federal government cannot coerce states into participating in ACA's Medicare expansion with the threat of withholding federal subsidies.⁴

Developments in American social policy raise several important implications: First, the American welfare state is more divided than ever. As federal social programs cater to the majority of the population, among them the working families with dependent children and the elderly, retrenchment efforts over the last few

³ I am indebted to Jane Mauldon for directing my attention to this point.

⁴ 'Supreme Court Uphold Health Care Law, 5-4, in Victory for Obama'. New York Times, June 28, 2012.

decades have failed to undermine the institutional essence of these programs. By contrast, cash benefits for the most precarious groups have suffered a backlash after the devolution empowered state governments in decision-making over the benefit level. TANF and Medicaid programs were particularly vulnerable to conservative attacks that truncated their budgets. Creeping privatization of social security during the Bush Presidency also left a mark for rising inequality in the social safety net (Hacker, 2002).

Second, a major part of retrenchment was realized by devolution to the states. Since the New Deal, the federal government has been bearing the majority of financial responsibility for social programs, with some of them co-shared with the states. This institutional design lends considerable leverage to the federal government in navigating the behaviors of its subordinate administration. In the neoliberal era, federal financial subsidies have become an effective means for welfare reforms. Reagan's presidency reshuffled the financial resources into block grants that confined the radius of state's policy choices in favor of benefit cutbacks for welfare recipients (Finegold et al., 2004). Clinton reinforced this development in his welfare reforms by granting discretion to state governments over the distribution of block grants.

Last but not least, state governments are a catalyst for policy experimentation and variation. In American social policy, state governments often play the subsidiary role in devising innovative social programs. The lack of pronounced fiscal equalization and a stable two-party political system diminish the prospect for state engagements in experiments that may involve inter-state redistribution (Pierson, 1995: 471). State experimentation often took place in response to financial incentives provided by the federal government, or when state initiatives could expect substantial windfalls in local politics. The use of waivers is a case in point. As the centerpiece of welfare reforms during the 1990s, the federal government has tactfully activated state experimentation with this tool. With a Democratic Congress standing in the way, Presidents Reagan and Bush, and even Clinton employed waivers to circumvent legislative blockage by allowing states to experiment with new policies that paved the way to national reforms (Béland and Waddan, 2012). Interestingly, waivers are the American equivalent of the local pilot projects that the central government of PRC has long set in motion.⁵

It is premature to conclude a clear sub-nationalization of American social policy, though, since recent developments actually manifest relative strengths of federal government in the existing social programs, regardless of whether it is about welfare retrenchment or expansion. The superb position of the federal government hinges on its constitutional power of reporting requirements, offering financial incentives, and

⁵ I'm indebted to Daniel Béland for indicating this point.

even imposing sanctions. Historical expansion of social programs in America gained most thrust from federal initiatives for nationalization of social policy. Federal control is particularly pronounced if competence is given to a federal agency with expertise and resources to oversee implementation at state level. Social Security and Medicare/Medicaid are notable examples. Rising importance of state governments during social devolution (or recent expansion) has largely evolved from intentional concessions by the federal government to achieve certain political ends. Strong federal capacity in supervision and democratic accountability also limit the scope of local deviation in implementation unless otherwise stipulated by law.

Impacts of Social Federalization and Devolution in Fragmented Federalism

These developments have in general contributed to *social federalization* rather than regionalization in American social policy since the federal government has pre-empted its subordinate states in institutionalized social programs. The imperative for coordinated nationwide policies to tackle complex social problems further corroborates the rationale for federal intervention. The argument here about federal predominance is certainly laid out in a relational sense, for some social programs are actually based in the states or jointly financed and administered. In other domains such as education and urban social infrastructures, state and local governments clearly enjoy high autonomy. However, the range of unilateral state actions for progressive policy experimentation is institutionally constrained by the statutory requirement to balance their budgets. Contrary to their Chinese colleagues, American local officials must observe constitutional regulation, which in turn constrains the degree of their deviation from federal social policy mandates, nor do they possess comparable fiscal and administrative capacities for local social activism. In a federal system that favors territorial competition, sustaining social policy at a notch above that of their neighbors would put the acting states at a competitive disadvantage (Chien and Gordan, 2008). Significant local social initiatives in America are usually feasible with the explicit (financial) support of the federal government. This is a crucial reason why bold social reforms often occur at the federal level while state governments generally rely on federal support or devolution to initiate local policy change.

Meanwhile, current developments related to social federalization also signal a tendency of the federal government to devolve certain powers to state governments, or at least allow them to probe new initiatives for learning policy lessons. While devolution aims to increase states' discretion so as to achieve retrenchment at the subnational level, state governments also stand in a favorable position if they have the necessary expertise and resources at their disposal. This is the case with healthcare when federal government intervention remains absent, thus giving state governments

autonomy to develop local pilot programs (Pierson, 1995). Just as social policy expansion since the New Deal has empowered federal competence and boosted its predominance within those established social programs, so has devolution stimulated growth in state government capacity. Indeed, the latter have been compelled to transform their administrative bodies into professionalized bureaucracies to deal with social welfare affairs (Finegold, 2005). Eventually, we are observing a concurrent trend of accretion in federal and state capacities in social policy that are not necessarily a trade-off.

The federal-state co-evolution points to the elusive nature of American federalism that renders both social federalization and devolution likely, depending crucially on the gestalt of partisanship and *zeitgeist*. Table 3 features federal-state relations in American social policy in terms of federal and states' roles in policy expansion or retrenchment. Within the fragmented federalism, social policymaking and implementation are interwoven in institutional interdependence – and competition – between federal and state governments largely compounded by partisan politics. Regardless of welfare retrenchment or expansion, the President has to craft a strategic allegiance in the Congress to win support for his bills; and he has to ward off possible challenges by state governments in judicial reviews should they feel potential infringement of federal initiatives in state jurisdictions. In addition, past experiences of social devolution indicate those circumstances under which the federal government deliberately shifted responsibility to the states to achieve social policy rollbacks. Requesting waivers has become the avenue by which state governments avail themselves of policy deviation. Especially partisan politics between federal and state governments is likely to take this exemption mechanism as a compromise. Meanwhile, deadlock over national policies resulting from partisan conflicts, along with mounting federal deficits, may be circumvented by delegating decision-making and implementation to the states. Recent social policy changes took place by this strategy, regardless of whether the direction was progressive or regressive. Much akin to the Wisconsin precedent that the welfare reform of President Clinton learned from, so has the healthcare reform of President Obama benefited from the experiences of the Massachusetts model (Doonan, 2013).

Table 3: Federal-state relations in American Social Policy

	Policy retrenchment	Policy expansion
Federal government	<ul style="list-style-type: none"> ● Devolution to states for welfare retrenchment ● Encourage local experimentation 	<ul style="list-style-type: none"> ● Introduce new nationwide social programs ● Encourage local experimentation
State and local governments	<ul style="list-style-type: none"> ● Benefit cuts at state level if permitted by law ● Policy innovation by pilot experimentation (with federal subsidies) 	<ul style="list-style-type: none"> ● Claim competencies in areas where central regulation is absent ● Policy innovation by pilot experimentation (with federal subsidies)
Consequences	<ul style="list-style-type: none"> ● Patchwork of social policy ● Devolution leads to welfare retrenchment at local level 	<ul style="list-style-type: none"> ● Difficulty in launching the second ‘New Deal’ ● Polarization of political struggle at federal (and state) level

Source: Compiled by author

Conclusion

An important part of social policy dynamics in PRC and USA lies in their changing central-local relations. To accommodate their vast territory and wide regional variation, both countries must come up with a reasonable division of competence among different government tiers for domestic affairs. This issue is even more vital in social policy where income redistribution and social risk pooling count most. With the boundary of intergovernmental relations shifting, so the contours of national/regional social policies are likely to evolve. The above comparative analysis points to a somewhat counterintuitive finding that social policy in the authoritarian PRC is drifting toward regionalization of social protection with limited central capacity for nationwide unification, while the very same policy terrain in the democratic USA is tilted toward federalization (if not centralization) of social protection with the confined prospect of comprehensive local social activism.

This contrast has its institutional foundations rooted in central-local government relations. In the case of social decentralization in PRC, despite its authoritarian political system, the administrative, financial, and partly policymaking jurisdictions over social policy rest with local governments. Although the central government holds considerable power over cadre promotion and overall policy direction, the fragmented

nature of Chinese authoritarianism is prone to undermine central authority due to its inability to control policy implementation details. The absence of democratic accountability further dashes the prospect of effective supervision by civil society. By contrast, social policy in the USA has been, and remains a federal responsibility since its inception, largely because it is the only government tier able to provide administrative support and financial subsidy for equal nationwide social provision. Nonetheless, devolution of the last decades has clearly boosted state governments as a more sophisticated provider of public goods – and an influential force in the policymaking processes. This indicates the potentials of federal-state cooperation (or conflict) to shape the contours of American social policy. Yet, given the inherent constitutional constraints imposed on the states, federal predominance in the established (and emerging) social programs is likely to persist for a long time.

Diverse configurations of central-local competence distribution have important implications for the politics of social policy. One aspect that matters most concerns the governance of policy change. As social decentralization takes hold in China, the central government has to make allowance for variation in local circumstances when making decisions over social policy change. Central-local bureaucratic bargaining and compromise is a common avenue of policymaking and –implementation. Different local state capacities also imply local activism of wealthy regions for policy innovation. Of crucial importance for central coordination is the intricate balance between encouraging active local engagement in social provision and containing conceivable local variation (and mismanagement) that could go beyond central control. Unlike the Chinese-style authoritarian rule, developments of American federalism since the 20th century have fostered federal powers in dictating social policymaking and implementation within established social programs. To facilitate policy change (expansion and retrenchment alike), however, the federal government must consider partisan politics at both federal and state levels during the policymaking processes owing to the multiple (legislative and jurisprudential) points inherent in the constitutional polity that opponents can use to sabotage any efforts of the executive power. Governance of social policy change in America eventually hinges on the President’s ability to secure political allies’ support (including state governments) for federal initiatives.

Different central-local allocation of responsibility for social provision has resulted in unequal social rights. As local governments in PRC have to bear the brunt of social provision, regional economic and social circumstances critically impinge on local state capacities in this regard, leading to a wide range of welfare inequality among different localities – in addition to the existing inequality among different occupational groups. In contrast, although signs of unequal social rights among the

regions are emerging, the American welfare state can maintain a relatively equal degree of social benefits thanks to the vital federal role in major social programs that have a decisive contribution to mitigating the woes of the uneven regional developments. The major drawback lies in the pervasive ideological conservatism and polarized partisan politics in times of austerity that limit the extent of federal intervention in social policy – and the prospect of comprehensive social provision in USA.

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