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# Development “Planning” in Present-Day China—System, Process, and Mechanism: Dialogues among Western and Chinese Scholars, VI

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Heilmann and Melton’s article here should lay to rest any simple notion that Chinese planning has died with China’s transition from a planned to a market economy and from socialism to capitalism. Their article demonstrates the elaborate planning that goes on today, detailing first the system and process of planning and then offering preliminary observations on how planning actually works as an economic mechanism. They distinguish between the old planning and the new—the former they call “imperative planning” and the latter, “coordinative planning.”

Hu Angang, as a university professor and policy researcher who has participated directly in the Chinese planning process for the past 15 years, adds his perspective, experience, and empirical information to the case made by Heilmann and Melton. He, like Heilmann and Melton, makes clear the difference between planning as a substitute for the market and planning for and on the basis of the market. He gives further details about the planning process, especially the extra-bureaucratic consultative dimensions in today’s planning, as well as some observations and arguments about its actual results and performance.

The question hereafter, as Barry Naughton’s comment on both Heilmann and Melton and Hu Angang makes clear, is not whether planning still exists,

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but just what kind of planning one is talking about. Naughton calls on a distinction Wu Jinglian (who, like Hu Angang, has participated in the planning process) had drawn between resource-allocating planning and planning that attempts to achieve “a particular operational result” through “a set of policies.” In Wu’s view, the former runs directly counter to market economy, while the latter is quite compatible with it. It is the former that Wu objects to most vehemently. Implicitly, Naughton suggests that planning in that old sense is largely gone. As for planning in the new sense, one might indeed wonder, with Naughton, in what sense it is planning or even if it should be called planning at all. How exactly, for example, might it be different from the kinds of Keynesian actions taken in capitalist economies? Naughton brings the issue sharply into focus; we do indeed need further clarification of just what planning means.

If one looks to the evolution in the Chinese terms for planning, we can see that the words have changed first from *jihua* 计划 and *zhilingxing jihua* 指令性计划 or “commandist planning” to *zhidaoxing jihua* 指导性计划 or “guidance planning,” and, more recently, to abandoning the old term *jihua* completely in favor of *guihua* 规划, now the commonly used term for what the new National Development and Reform Commission (国家发展和改革委员会), which replaced the old National Planning Commission (国家计划委员会), undertakes. One searches online in vain, however, for any systematic statement of just how *jihua* and *guihua* are different. The planning “transition,” as perhaps all three authors would agree, is a work in progress, almost like “groping for stones while crossing the river” 摸着石头过河.

The Chinese term *guihua* carries a connotation of something more comprehensive and longer term than *jihua*, thereby highlighting that aspect of contemporary planning, a difference that the more generalized English term “planning” cannot quite capture (though “planning” in a term like “urban planning” comes close). From such a perspective, one might even go so far as to suggest that *guihua* is what the central government does, while *jihua* is more like what local governments do. Heilmann and Melton, on the other hand, highlight especially the difference between “imperative” and “coordinative” planning, taking their cue presumably from the Chinese terms “commandist planning” and “guidance planning,” which had been the main emphasis in the initial phase of change. But, as Naughton asks, just how much and what kind of government intervention in the market takes place that goes beyond target-setting, forecasting, and macroeconomic fine-tuning?

Further, Naughton raises the question: just how important or effective has the new planning been once the core of the old planning—that is, allocation of resources by administrative fiat rather than market mechanisms—is given up? Hu Angang argues that there has been a significant shift in emphasis in

recent years from “economic targets” 经济指标 to service-type planning in the categories of education and technology, resources and environmental control, and people’s livelihood, and, moreover, that central targets and local performance are coming more and more into alignment in a quantitatively measurable sense. If Hu’s arguments are valid, those changes would suggest considerable success.

Heilmann and Melton, however, suggest that the government has been able to get more done in GDP advancement and revenue expansion than in environmental control, and least of all in redistributive social equity programs, whatever the declared intent. And Naughton points to examples of problems in data accuracy (perhaps even of deceptive manipulation), as well as in lack of clarity as to who actually are responsible and what actually is done, raising thereby further doubts about “planning’s” role and effectiveness. One might recall here the Chinese adage: “the higher authorities have policies, but the localities have their countermeasures” 上有政策, 下有对策.

Together the three pieces assembled here open up major questions for further research. One might suggest that there can be no simple answer or distinction between the old and the new planning. While it seems clear that there has been greater consultation outside bureaucratic entities than before, as Heilmann and Melton and Hu Angang demonstrate, but, with regard to the questions raised by Naughton, much more research is clearly needed.

We should perhaps not be too quick to reject the argument that planning figures importantly in the Chinese economy both as a system and as an economic mechanism. It seems premature to declare that the state’s role in allocating resources is dead, or ought to be. One needs only think of the very tight central planning and control over land for urban development, which arguably has proven to be the single most important resource for local government revenues and perhaps even for Chinese development as a whole (Huang, 2011). The Center of course also tightly controls financial institutions and strategic industries like energy and transport, not to speak of state-owned firms that still account for perhaps as much as one half of non-agricultural GDP (see, e.g., Huang, 2012), in addition to large central appropriations and projects (e.g., Three Gorges Dam and “Develop the West”). The fact is that the Chinese economy is still very much a mixed market and planned economy. Planning, even in the older sense of the state’s allocation of resources, has perhaps not been outgrown by the private and market economies to quite the extent one might think.

In addition, one has to question if there has really been a simple shift in actual operation from a control-oriented government to a service-oriented

government, in the manner suggested by Hu Angang. There are built-in forces evident in the targeted responsibility system 目标责任制 for cadre evaluation that favor GDP advancement and revenue expansion as opposed to environmental control or social equity programs, as Heilmann and Melton and others have pointed out. Control of cadres by linking promotion to planned targets, and tugs and divergences between the central and local governments, as Heilmann and Melton and others suggest, might be seen as two keys to understanding the mechanisms that govern the actual operation of planning. These are questions discussed also in four earlier special issues published in this journal ("Dialogues among Western and Chinese Scholars," 2009, 2010, 2011, 2012).

Going forward, we need more focused inquiries into the operational realities of specific and different areas of planning in the economy, like land appropriation, financial institutions, particular industries, including those considered strategic by Chinese authorities, as well as infrastructure and education and social welfare, areas barely touched on in these three articles. We need those for a firmer grip on how things really work.

There is also the bigger question raised by Naughton near the end of his comment. How successful have the Chinese leaders been in their declared intention to achieve better balance—for example, between investment and consumption? And, we might add, between GDP advancement and social equity, economic development as opposed to environmental control and people's livelihood? And, perhaps the biggest question that underlies the above discussions: can state interventions in the market really produce positive economic results, or just "distortions?" Naughton tends to one answer, and Heilmann and Melton and especially Hu Angang another. For Naughton (as for Wu Jinglian), the question is very much: what can the state do without hampering the allocative efficiency of the market? For Heilmann and Melton and Hu, the question is perhaps closer to: what can the state do to temper and balance the excesses of the market? Considering this fundamental difference in orientation, we have had a remarkably productive and rich discussion. My own inclination is to ask: where have the state and the market worked well together? And where have they not? How and why? Readers will hopefully find this special issue stimulating for future research.

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