Placating Credible Rebels: Chinese Transfer Payments to Religious and Non-Religious Minorities

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Officially, the Chinese government carries out an “affirmative action empire” program toward all minorities in China. This paper first provides historical evidence that the CCP regime in fact made a distinction between religious minorities and non-religious minorities due to a mix of its own ideological outlook and past events. Strikingly, even when the threat perception of religious minorities stemmed as much from state stereotypes of these groups as from these groups’ actual capacity to resist collectively, the state has structured its minority policies and fiscal transfer programs to address these perceived threats. We show clear evidence that Chinese fiscal transfers to the counties between 1994 and 2000 targeted religious minorities, while non-religious minorities did not receive any additional funding, all else being equal.

Extremely preliminary version. Please do not cite or circulate. All comments and suggestions are appreciated.

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From a strictly theoretical perspective, the seemingly generous Chinese policies toward ethnic minorities make little sense. First and foremost, China is governed by an authoritarian regime whose leaders are not chosen in popular elections, but are instead selected by a narrow group of political elite (Shirk 1993). As such, unlike leaders in democracies, they have no need to directly earn the support of the majority in order to remain in power, much less the non-elite minority. Furthermore, even if the threat of a successful uprising motivates dictators to redistribute resources to the disaffected group (Acemoglu and Robinson 2006), ethnic minorities in China make up less than 8% of the population—less than 6% if one subtracts highly assimilated Manchus and Zhuang. Furthermore, Table 1 reveals that no single minority group constituted greater than 1.5% of the population according to the 1990 census. As such, unless the state finds itself in an extremely weak position—as was the case from the collapse of the Qing to 1949-- the central government has a nearly absolute chance of crushing any uprising or rebellion staged by any minority group. Even the much weakened Kuomintang (KMT) managed to crush all but one rebellion in 1940s, the Yili Uprising (Bovingdon 2004). Indeed, the post-1949 record confirms the state’s ability to suppress any sign of uprisings. Given the overwhelming might of the CCP military force, were some ethnic minorities able to credibly demonstrate their threat of staging uprisings in the face of near-certain failure? If so, how did the CCP state respond to such perceived threats?

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2 A common finding in research on authoritarianism is that they are often overthrown by members of the elite rather than by a popular uprising. There are very few cases of a true uprising. See Bueno de Mesquita, Bruce, Alastair Smith, Randolph M. Silvers, and James D. Morrow. 2003. *The logic of political survival*. Cambridge, Mass.: MIT Press. Svobid, 2005. A theory of leadership dynamics in authoritarian regimes. Urbana, IL: University of Illinois, Urbana.
Through historical evidence, we first show that over time, the Chinese Communist Party (CCP) leadership updated its threat perception of various minority groups, informed by these groups’ capacity to organize collective action in the face of the increasingly powerful state. After the series of minority uprisings in the late 50s and after witnessing the speed with which different minorities recovered their social structures after the Cultural Revolution, the CCP came to see some minority groups—namely the religious minorities—as much more threatening to general stability than other minorities. This perception was further reinforced by the CCP’s own ideological outlook, which saw organized religions as potential competitors to communist ideology. This paper offers evidence that in the reform era Chinese fiscal transfers systematically targeted religious minorities and neglected non-religious minorities despite official rhetoric that all groups were treated equally. This empirical finding provides strong evidence that the CCP regime selectively directed funds toward where it perceived the greatest threat—for both cooptation and suppression. Thus, although CCP minority policies were to a great extent inspired by the “affirmative action empire” model of the USSR, they nonetheless underwent dynamic evolution throughout the history of the PRC (Martin 2001). ³ Although contemporary Chinese minority policies inherited the language and overall framework of the Soviet-inspired policies of the 50s, in reality they operate very differently than their forbearers.

³ According to Martin, Soviet affirmative action policies included the granting of regional autonomy, the promotion of ethnic cadres to senior positions, and the protection of indigenous languages and cultures. They were designed to placate the surprising eruption of nationalist sentiment in various regions after the collapse of the Czarist regime. See Martin, Terry. 2001. The affirmative action empire: nations and nationalism in the Soviet Union, 1923-1939, The Wilder House series in politics, history, and culture. Ithaca: Cornell University Press.
Table 1: Characteristics of the Ten Most Populous Official Minority Groups in 1990

<table>
<thead>
<tr>
<th>Minority Group</th>
<th>Share of 1990 Population</th>
<th>Number of Counties with at least 5% Population from the Minority</th>
<th>Religious</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhuang</td>
<td>1.50%</td>
<td>77</td>
<td>No</td>
</tr>
<tr>
<td>Manchu</td>
<td>0.80%</td>
<td>101</td>
<td>No</td>
</tr>
<tr>
<td>Hui</td>
<td>0.70%</td>
<td>104</td>
<td>Yes</td>
</tr>
<tr>
<td>Miao</td>
<td>0.60%</td>
<td>111</td>
<td>No</td>
</tr>
<tr>
<td>Uygur</td>
<td>0.60%</td>
<td>63</td>
<td>Yes</td>
</tr>
<tr>
<td>Yi</td>
<td>0.50%</td>
<td>108</td>
<td>No</td>
</tr>
<tr>
<td>Tujiia</td>
<td>0.40%</td>
<td>38</td>
<td>No</td>
</tr>
<tr>
<td>Mongol</td>
<td>0.40%</td>
<td>86</td>
<td>Yes</td>
</tr>
<tr>
<td>Tibetan</td>
<td>0.40%</td>
<td>150</td>
<td>Yes</td>
</tr>
<tr>
<td>Buyi</td>
<td>0.20%</td>
<td>30</td>
<td>No</td>
</tr>
</tbody>
</table>

CCP Updating of the Threats Posed by Various Minorities

Since the Yan’an period (1935-1945), CCP policies toward ethnic minorities have been driven by the party’s assessment of its strategic strength and its perception of the stability threat posed by various minorities. In the early days of the PRC, the regime, confronted by the duals threat of a possible US invasion from Korea and dogged resistance from remnant KMT forces, took the instability threat of the Southwest minorities just as seriously as that posed by the religious minorities in the Northwest. To minimize the stability threat posed by all minorities, the CCP constructed an extensive

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5 The total number of counties in 1990 was roughly 2300.
policy framework modeled after Soviet policies of autonomy and cooptation. However, the CCP’s increasing confidence in its ability to secure China’s border and to suppress rebellions gave rise to a period of repression beginning in the late 50s. The series of uprisings in the late 1950s first alerted the CCP to the possibility that ethnic minorities possessed disparate capacities to stage rebellions. Although they were all governed by the same “feudal forces,” some groups, most noticeably groups which were believers of major world religions, exhibited much greater capacity for organized resistance. Whereas the traditional socio-political structures of the southwest minorities collapsed relatively quickly in the 50s and 60s and retained little ability to organize collectively by the beginning of the reform, Buddhist and Muslim religious minorities sprang back into life with great vigor after the Cultural Revolution, which made religiously oriented ethnic minorities (ROEMs) a focus of CCP nationality policies in the reform era.

Upon taking power in 1949, the new regime in Beijing confronted numerous instability threats. In Inner Mongolia, tens of thousands of political bandits (zhengzhigufei), hardened bandits (guanfei), and local bandits (tufei) roamed the province, and a further 14,400 were “cleared out” between 1950 and 1953 (Party History Research Center of CCP Neimenggu Committee 2001). In Xinjiang, there were dozens of large-scale armed uprisings in the late 40s and early 50s, even though Deng Liqun—the party’s emissary to Xinjiang--, Zhang Zhizhong—the commander of the KMT garrison--, and Saiffudin—the leader of the East Turkestan Republic-- had orchestrated the relatively peaceful surrender of both remnant KMT troops and troops of East Turkestan Republic (or Three Districts Revolutionary Area in official Chinese historiography) in northern Xinjiang (Chen and Liu 2006; Dillon 2004; Dreyer 1976: 91). In Guangxi Province,
hundreds of bandit groups and remnant KMT units hid in mountainous areas, and the pacification campaigns in the early 50s cleared out some 460,000 bandits (Party History Research Center of CCP Neimenggu Committee 2001: 7). Sizable minority bandit forces supplied by the KMT and the US also roamed the countryside of Hunan, Yunnan, Guizhou, and Sichuan in the early 50s and required several “bandit suppression” (jiaofei) campaigns before relative order was restored in the mid 50s (Party History Research Center of CCP Neimenggu Committee 2001). CCP control over the Liangshan Yi area in Sichuan was not achieved until 1955 (Shang 2000). Finally, the CCP struggled to control Tibet throughout the 50s, culminating to the 1959 revolt centering in Lhasa and the Kham region (Mackerras 1994: 152).

As veteran guerilla fighters, CCP leaders saw the potential of prolonged guerilla warfare raging across China at a time when the regime also faced grave security threats from Taiwan and Korea. As a result, the CCP leadership made minority policies one of the top priorities for the new regime. Among the first documents drafted by the new regime in 1949, the Chinese People Political Consultative Conference Common Framework—a proto-constitution which made various pledges to non-party populations about their rights—contained several provisions pledging ethnic equality, autonomous governance, and religious and linguistic freedom to minority groups (Chinese People Political Consultative Conference 2006). This was followed quickly by the formation of the Central Nationalities Commission (CNC) to ensure the implementation of these pledges and to guard against rapidly rising Han chauvinism within the party (Li 2000). The CNC immediately set upon creating a set of guidelines for forming and administering ethnic autonomous areas, which culminated to the promulgation of the
Outline of Implementing Autonomy for Ethnic Regions in the PRC in 1952 (Central Administrative Council 2006). The Nationalities Commission further undertook to form a Central Nationalities Institute to train minority cadres, which gradually developed into a network of nationalities colleges in areas with heavy minority concentration (Dreyer 1976: 113).

The pledges made in the Common Framework were not empty promises— at least in the early and mid-50s. Zhou Enlai and Mao both exhorted cadres working in the Northwest and the Southwest to respect the autonomy, language, and customs of minorities. In a June 1950 Central Administrative Council Meeting, Zhou Enlai urged local communist leaders to refrain from confiscating land and property from Muslim and Tibetan religious leaders because “if we are not careful, we can still make mistakes, giving rise to instability (luanzi)” (Zhou 2001). Mao contributed to the trumpeting of ethnic equality by penning an essay entitled “A Critique of Han Chauvinism”(Pipan Dahan Zhuyi) which urged party cadres to refrain from any form of chauvinism or risk “some very serious problems” (Mao 2006c).

Senior CCP leaders were also conscious of the danger of violent suppression leading to more resentment and resistance. Thus, the party sought to prevent the realization of this spiraling dynamic through a policy of leniency and cooptation toward minority elite—even those who had recently been rebels--, coupled with violent suppression if it became absolutely necessary. This seemingly tolerant policy also aimed at gaining legitimacy in the eyes of potentially friendly or neutral minority populations. As Zhou Enlai put it at a 1956 meeting for senior cadres analyzing the causes of the Ganzi and Liangshan uprisings:
We must negotiate with them (minority elite) repeatedly and allow them to travel back and forth freely. Even if negotiations fail and they want to fight some more, we do not seek to kill them. In this way, I think negotiations can succeed. Relevant state organs must conscientiously carry out negotiations. If the first try fails, we can do it again. If they are spoiled for a fight, we will defend ourselves. We are not oppressors and only want to stop rebellions. As long as rebel elements stop staging uprisings, we will treat them with leniency and not kill a single one of them....if they still want to start something (naoshi), they will not have the sympathy of the people, which will reduce our losses (Zhou 2006).

In spontaneous remarks to the drafting committee of the PRC Constitution in 1954, Mao revealed himself to be completely exasperated by the influence of the minority elite (shangceng renshi), but he took their presence no less seriously than Zhou did: “their belief in their Dalai and tribal leaders (tusi) is certainly much stronger than their belief in us. So you can’t touch them (the elite). Fine! We will do things according to the wishes of the vast majority of the masses! What else can we do!” (Mao 2006d).

This policy of leniency and cooptation applied equally to the elite in religious and non-religious minorities. For example, after the uprisings in Ganzi—a Tibetan area-- and Liangshan—a Yi area--, the Central Committee issued a directive forbidding execution and torture of rebel leaders, as long as they repented. The directive also ordered that repentant rebel leaders be reinstated to their former positions, if they had obtained them prior to the uprisings (Mao and Li 2006). In Yunnan, a common policy was enacted to garner the support of both tribal and religious leaders. Essentially, if they were considered “targets for united front work (tongzhan gongzuo duixiang),” the local party would re-educated them and give them a paid position in the local government-- usually in a consultative body--, and their properties would be protected from confiscation (Yunnan Party Committee 2001). Similar policies were enacted toward the elite in Ningxia, whether they were religious leaders or local notables (Ningxia Party Committee 2001). However, the existence of these policies did not imply that they were followed everywhere. In Chuxiong Yi Autonomous Prefecture in Yunnan, for example, a
campaign against counter-revolutionaries in 1951 and 1952 led to the executions of some 7000 individuals (Mueggler 2001: 163).

Beneath these relatively generous policies, however, lay the CCP’s calculus of stability, which constantly weighted the benefits of violent suppression against leniency and cooptation. When the party felt confident about its own rule and military might in the late 50s, it began to demand minority areas to converge with the rest of China in complying with communist policies, including the elimination of the traditional elite and the institution of communes. The turning point of CCP minority policy was the 1957 Anti-Rightist Movement, the first political movement that did not exempt minority populations. Zhou Enlai articulated the party’s demand for policy convergence at the August 1958 Qingdao conference on nationalities affairs: “what lies before us is a socialist industrialized country, and no nationality can be the exception” (Zhou 1980). Zhou then demanded a much firmer stance on eliminating the economic resources of the traditional elite. To test the mettle of minority cadres who had risen in the ranks, they were to lead the charge in this movement aimed at eliminating remnant feudal forces and their “local nationalist” colleagues (Dreyer 1976: 151). The Great Leap Forward further pushed for policy convergence between Han and minority areas. Quite a few autonomous prefectures and counties were abolished or combined, although they were reinstated in 1962 (Central Committee 2000). In addition, nobilities and clerics who previously had received pay for participating in local consultative bodies were made to participate in labor as a part of the Great Leap drive to increase production (Chen 2006). Beyond land confiscation, agricultural and herding cooperatives and even communes were also set up in minority areas, which greatly upset the traditional economic and

Not surprisingly, the push for policy convergence in minority areas triggered a series of uprisings in 1958 and 1959. Large-scale armed resistance flared up in Xinjiang, Gansu, and Tibet, and in all of these cases, both the PLA and Han residents in the region were called upon to help with the suppression (Dreyer 1976; Gladney 1991: 136; Mackerras 1994; Party History Research Center of CCP Neimenggu Committee 2001). With their authorities secured, the CCP leadership expected resistance and even embraced it. Li Weihan, speaking at a June 1958 conference on reducing the authorities and influence of Muslim clerics, made clear the necessity of violent confrontations: “Will we have instability? We cannot guarantee that there won’t be any. We need to be mentally prepared….Ultimately, when we reform old things, forces representing old things will resist, which causes instability” (Li 2001). On the eve of the Tibetan uprising in 1959, Mao, ever prescient of the future, wrote in a note to the Central Committee that:

After a few years, for example three or four years, five or six, or even seven or eight years, we will need a decisive battle to thoroughly solve the problem. Originally, the rulers in Tibet had very weak forces, but they now have a 10,000-strong armed force with relative strong will, which constitutes a serious opponent. But that is not so bad. It may even be a good thing because this allows us to solve the problem through warfare (Mao 2006a).

Consistent with what we know of Mao’s thinking in general, the armed option was never far from his mind. Within two months of Mao’s note, Tibetans from the Kham (Xikang) region in eastern Tibet launched an uprising in Lhasa and also in their home region around Changdu involving some 50,000 rebel fighters (Fravel 2005). In fact, most members of the Changdu Area Revolutionary Committee--set up as an official

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6 Interview 11/20/05. This interview concerned the Gansu case, where Han men in the area were called out to help with suppressing the Hui uprising.
consultative body composed of the local elite—joined the uprising (State Council 2000). With over-whelming force, the PLA quickly won decisive victory in the Lhasa area, although fighting in the Changdu region persisted until US withdrawal of support in the 1970s (Central Committee 2001; Party History Research Center of CCP Neimenggu Committee 2001). In Xinjiang, Anti-Rightist and Great Leap policies triggered a series of clashes, which ultimately culminated to the exodus of some 56,000 Kazakh and Uyghurs—including some local officials and minority PLA officers-- from the Yili and Altai regions of Xinjiang to the Soviet Union (Dillon 2004: 57).

After this series of incidents, the party began to take a special interest in the linkage between religion and nationalities. This stands in sharp contrast to the view in the early 50s, which saw religion as another trait that some minorities possessed. This special focus on religious minorities is not surprising, given that the uprisings of the late 50s concentrated in areas inhabited mainly by religious minorities. At the 1962 Work Conference on Minorities, one of the speakers pointed out that “the question of religion is one that concerns the broad masses. In many minorities, there is an intimate link between religious and nationalities problems, so we must insist on a long-term policy of religious freedom and deal with minority religious problems according to the every day needs and opinions of the masses’ religious life, allowing the restoration of the masses’ religious life to normality”(Central Committee 2000). However, before more thoughts could be put into the implications of uprisings staged by religious minorities, the political elite became embroiled in an unprecedented political event, the Cultural Revolution.

The Cultural Revolution saw the rise of assimilative policies that sought to eliminate unique ethnic features of minorities in favor of class distinctions. As the
prevalent slogan of the time suggests, “only class, no nationalities” (Mackerras 1994: 152). Although Cultural Revolution radicalism permeated every aspect of Chinese society, some minority groups nonetheless found the capacity to resist. More important, despite merciless attempts to eliminate minority identities and values during the Cultural Revolution, some minority groups, most noticeably the religious minorities, recovered with great vigor once Cultural Revolution totalitarianism was lifted in the late 1970s. This series of events further focused the CCP’s attention on religious minorities by the beginning of reform.

The Cultural Revolution unleashed familiar destruction upon the nationalities policy apparatus. Senior leaders of the bureaucracy, as well as senior minority cadres, including Ulanfu, Li Weihan, Wang Feng, Burhan, Yang Jingren, Ma Yuhuai, and Imonov, were purged early on as stooges of Liu Shaoqi, although Xinjiang Chairman Saiffudin miraculously survived and was merely demoted to vice-chairmanship of Xinjiang (Dreyer 1976: 216-219). The purges of 1967-68 further removed from the ranks many lower level minority officials in minority areas. In particular, the purges in Inner Mongolia, the supposed home base of the Ulanfu “anti-party clique” were particularly brutal. Some 790,000 members of the Ulanfu “anti-party clique” or suspected members of the separatist “New Inner Mongolian People's Party” were arrested, criticized, or struggled against, resulting in almost 23,000 deaths (MacFarquhar and Schoenhals 2006: 258). In Xinjiang, over 90% of the 100,000 or so minority cadres were purged (Bovingdon 2004: 32). In other words, within months of the Cultural Revolution’s beginning, the elite defenders of minority policies and in some cases the minorities themselves were purged. Ironically, although the Cultural Revolution called for the
elimination of ethnicity—and many Red Guards were indeed minority youths—the
targets of struggle in minority areas were mainly minority cadres since they were
suspected of being disloyal, a classic excuse to discriminate. Thus, beyond the “New
Inner Mongolian People’s Party,” the radicals also uncovered various other plots
involving supposedly treasonous minority cadres (Central Organization Department
2000).

Assimilative policies saw their most brutal manifestations at the local level, where
both Han and minority radicals sought to further destroy traditional elite and eliminate
traditional values and cultures. During the early stages of the Cultural Revolution, Red
Guards who took the train at no costs began to travel around the country, bringing with
them the radicalism of the big cities. In Tibet, some 1300 Red Guards, fortified with
local Han and Tibetan recruits, rampaged through the Potala Palace destroying religious
artifacts and defacing murals until Zhou Enlai issued a direct order to halt it (Dreyer 1976:
217). In a post-CR survey, it was found that in 25 major cities, 754 of 822 places of
worship were damaged during the CR (Chen 2006).

Beyond eliminating traditional places of worship, Red Guards also forced
members of minorities to abandon or even violate some of their most deeply held beliefs.
Among the Lolo’s in Yunnan, even the last vestiges of traditional rituals, which had been
allowed to survive up to that point, were abandoned due to the intense ideological
atmosphere (Mueggler 2001). Muslims across China were forced to raise pigs, and in the
case of political struggle sessions in Shadian, Yunnan, Muslims were forced to eat pork

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7 Interviewees informed us that Mongol cadres were systematically targeted in Inner Mongolia, although
Mongol Red Guards themselves took an active part in purging Ulanfu’s followers. Interview: 1/6/07.

Undoubtedly, radical assimilative policies prompted many minorities, especially religious minorities, to fight back, but the chaotic battles waged by Red Guard units against each other and the frequent mobilization of the army to suppress Red Guards across China drowned out the brutal suppression of minority uprisings. More blood was spilled on suppressing minorities than in any period since the early 50s, but bloodshed was the norm. In the late 60s, large scale uprisings and clashes were reported in Gansu, Xinjiang, and Tibet, all of which ended in brutal crackdowns (Dillon 2004; Dreyer 1976; Gladney 1991). In Xinjiang, Uyghur nationalists formed the East Turkestan People’s Revolutionary Party, which recruited 300 members and formed some 78 cells in 12 counties before a crackdown in 1969 forced them underground (Dillon 2004: 57).

The last, great ethnic blood-bath of the Cultural Revolution took place in Shadian Township in Yunnan, where historical animosity between the Han and the Hui ran deep and where Muslims had been forced to eat pork in 1968. In 1974, the local authorities in Shadian rejected a Muslim request to reopen a mosque, even though this was being done elsewhere in China as the political atmosphere gradually relaxed in the wake of Lin Biao’s purge. Muslim petitioners then went to Kunming to appeal to the provincial authorities, but also met with a negative response. Upon their return, Muslims in Shadian and surrounding areas formed an Islamic militia to defend themselves against a Han militia in the area (Gladney 1991: 140). A series of clashes ensued between the Hui

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8 Of the four Muslim villages the author visited in two different provinces, all of them reported having to raise pigs during the Cultural Revolution. Interviews: 11/18/05; 1/9/07, 1/13/07.
militia and the Han militia and Han authorities in subsequent months, and even personal intervention by the ailing Premier Zhou Enlai could not stop the escalation of violence in the area. Finally, on July 5th, 1975, the Central Committee issued an order—drafted by Deng and signed by Mao—to suppress all Muslim resistance in the area (MacFarquhar and Schoenhals 2006: 388). Within days, massive PLA forces, including tanks and artillery, descended on the township, although the Muslims in Shadian were also reinforced by Muslims from surrounding areas. The final clash, which took place over a week in late July, resulted in the deaths of some 1600 Muslims, nearly half of whom came from surrounding areas. The entire township was razed to the ground and had to be completely rebuilt after 1978 (Gladney 1991: 140).

The Shadian Incident, as well as other clashes between religious minorities and the CCP during the Cultural Revolution, likely had a substantial if not profound impact on the thinking of the reform-era leadership as it pondered about the course of minority policies in the post-Mao period. The bloodiness of the incident forced the leadership to weigh the political costs of massive military crackdowns against the costs of cooptation policies. Although events during the reform-era far from suggest that suppression was no longer on the menu, the reluctance to rely only on violence, an attitude which had been prevalent in the 50s, returned to the mainstream in the reform-era.

Furthermore, as the ideological atmosphere gradually relaxed in the late 70s, the religious minorities revived communal and religious life extremely quickly, whereas most non-religious minorities’ had far less capacity to do so. In response, the CCP focused much of its attention toward religious minorities, although nominally, preferential policies still applied to all minorities. The revival of traditional practices
among religious minorities was rapid and in some cases astonishing. In Kashgar, for example, only two out of the original 100 or so mosques were opened for worship on the eve of the reform, but by 1981, over 2/3 of them were restored (Bovingdon 2004: 33). By 1990, the Kashgar area had almost 10,000 mosques, four times the number of elementary and middle schools combined (Duan and Peng 2002). By 1983, Dru Gladney witnessed a strong revival of Islamic fundamentalism in an area of Ningxia with a high concentration of Muslims, although the revival of Islamic beliefs seemed much slower in predominantly Han urban areas (Gladney 1991). In Tibet, the 64 places of worship and 1300 clerics active in 1982 grew to 1350 places of worship and 42000 clerics by 1990 (Wu 2001). In 1980, when two exiled Tibetan delegations were allowed to visit Tibet, they were welcomed by large crowds, revealing the depth of feelings that Tibetans still felt toward the Dalai Lama (Carlson 2003). At the same time, ethnographic accounts of the Southwest non-religious minorities seem to suggest that traditional values, social structure, and even rituals were only pale shadows of their former selves in the reform period (Kaup 2003; Mueggler 2001; Sturgeon 2005).

Upon returning to power, the post-Mao leadership in Beijing, especially Party Secretary General Hu Yaobang, immediately set upon the task of reviving the minority policy apparatus that had been virtually eliminated during the Cultural Revolution. In doing so, elite attention also clearly shifted toward religious minorities, although the revived minority bureaucracy still oversaw all minority groups. The Nationalities Commission was revived immediately in 1978, placed under the tutelage of the State Council. Assimilative policies of the Cultural Revolution were rejected and criticized wholesale in a series of party conferences from 1978 to the early 80s.
Organization Department 2000; Ulanfu 2000). Minority cadres who had been cultivated before the CR were also rehabilitated and promoted to important positions. Ismail Amat and Tomur Dawamat in Xinjiang, Ulanfu in Inner Mongolia, the Panchen Lama in Tibet, and Yang Jingren and Ma Xin in Ningxia were all rehabilitated to high level local or central positions. This was followed by the rehabilitation of minority cadres at the local level. Hu Yaobang further took high profile trips to Tibet and Xinjiang, after which he commanded central agencies to design a series of preferential policies toward these regions (Central Committee 2006). At the same time, Hu Yaobang also began negotiations with the exiled Dalai Lama in an attempt to bring him back to China (Carlson 2003).

With an increasing focus on religious minorities, many, though not all, “patriotic” clerics of Islam and Tibetan Buddhism were rehabilitated. In Tibet, 802 “patriotic” clerics were rehabilitated, and some 260 million RMB in funds were allocated toward temple restoration (Wu 2001). State funds were also made available to restore and rebuild mosques around China (Gladney 1991: 163; Mackerras 1994). In the city, in order to help pay for the more expensive kosher meats, the state also provided a “lifestyle bonus” to Muslim workers (Gladney 1991: 219). Finally, in the implementation of state birth control policy, minorities in general can bear one more child than Han Chinese in a similar situation, and in some cases, they can bear two more children than the Han (Xinhua News Agency 2001).

CCP focus on religious minorities was far from an entirely peaceful affair. As hope began to fade on Hu Yaobang’s rapprochement of the Tibetans in the late 80s, the CCP state increasingly resorted to violent means to deal with signs of minority unrests.
After the violent suppression of Tibetan monks in Lhasa in 1989 and the Tiananmen Square Massacre, the regime showed little hesitation to use overwhelming force to preserve stability. When rioters tried to storm the Baren Township government seat in Xinjiang’s Akto County, the authorities immediately labeled this a “counter-revolutionary armed rebellion” (fangeming wuzhuang baoluan) and sent in a massive force composed of the People’s Armed Police, militia units from the Xinjiang Production and Construction Corp (XPCC), and the People’s Liberation Army (PLA) (Dillon 2004: 63). As Tomur Dawamat, the Chairman of the Xinjiang Autonomous Region, proudly proclaimed at a plenum of the Xinjiang Party Committee soon after the Baren uprising, “the counter-revolutionary armed rebellion was thoroughly pacified in a matter of a few hours, which fully affirms that all the nationalities in Xinjiang are resolute in protecting the unity of the motherland” (Dawamat 2005b). According to another official source, once massive reinforcements of XPCC and PLA units arrived, rioters indeed dispersed relatively quickly after between 15 and 60 of them were killed (Dillon 2004: 63). In that period, the CCP also showed no leniency toward “splittists” who advocated their cause peacefully. The authorities arrested a group of “splittists” in Inner Mongolia in 1991 even though by all accounts it was merely a study group (Mackerras 1994).

The repressive atmosphere created in the late 80s never fully dissipated, and in some places, such as Xinjiang, it became the norm as the confrontation between increasingly militant separatists and the authorities intensified. Elsewhere, especially in Hui and even Tibetan regions, subsidies and cooptation continued to be the main tactics for maintaining stability. Today, although tension runs high in Hui dominated area in the northwest, the party mainly relies on cooptation policies to maintain stability. In Gansu-
Ningxia Muslim corridor, for example, the largest government agencies in heavily Muslim counties, including the police, water works, and construction bureaus, are all controlled by Hui Muslims, who use these departments to provide patronage jobs to friends and relatives.9 Presumably, this is done to create a Hui stakeholder class in the local community. For leadership posts, however, the party continues to require that at least 40% of the county standing committee be Han Chinese, and there are many fewer Hui’s at the prefecture and provincial level.10 Even in areas where the presence of Hui is much lower (20-30% Hui), similar patronage arrangements exist. The county and township governments consciously employ Hui’s from all of the heavily Hui villages. As a Hui county cadre explained, “when there are sudden incidents (tufa shijian), we are expected to go back to our village to conduct persuasion work.”11 The informant himself was sent back to his home village for over one year in the aftermath of the Yangxin Incident, an incident in Shandong which triggered massive Muslim protests all over China.12 In exchange for government employment, these Muslims are ultimately tasked with dissuading their neighbors from participating in hostile collective action. All over China, local governments at all but the township level have minority affairs bureaus and/or religious affairs bureaus, often employing minority cadres. These bureaus, under the purview of the State Nationalities Commission and the State Religious Affairs Bureau, serve both as lobbying organs for minorities and as means for the state to monitor the activities of minorities.13

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10 Ibid.
11 Interview: 1/9/2007
12 Ibid.
Beyond patronage employment, the state also expends considerable funds maintaining a “patriotic” religious presence through various religious associations, especially the Tibetan Buddhist Association and the Chinese Islam Association. This policy began in the 50s when the party launched a “buy-out policy” (shumai zhengce) toward minority elites (Mao 2006b). Today, this policy mainly applies to senior “patriotic” clerics of Tibetan Buddhism and Islam, who are seen as keys to influencing the thinking of believers (Jiang 2005). Beyond cultivating a group of loyal high clerics, members of the religious associations are also expected to make “patriotic” interpretations of various religious texts. In the early 2000s, the State Religious Affairs Bureau directed a group of Muslim clerics to form the Chinese Islam Religious Affairs Guidance Committee “…to give authoritative interpretations of Islamic texts and laws in order to refute the evil teachings of the nationalist splittists and religious extremists” (Jiang 2005). These interpretations were then compiled into texts, which provided the curricula for special “thought education” classes for Muslim clerics (Jiang 2005). Some of these classes lavishly included trips to coastal regions to witness the prosperity created by the reform (Xiao 2002). At the local level, prize money was given to “model” mosques and “model” ahongs for expounding patriotism and for showing support for socialist modernization, while young ahongs could compete in sermon writing competitions (Jiang 2005).

The state also has a substantial fiscal transfer program to minority areas to help with economic development. These programs subsidize budgetary expenses in

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14 According to the article, perhaps only clerics in Xinjiang were required to attend these classes. In interviews outside of Xinjiang, local clerics were not required to attend state-sponsored classes, but higher level clerics at the city and provincial level were required to obtain degrees in state-sponsored religious schools. Interview: 1/10/2007.
autonomous regions as well as special expenses such as subsidies for factories producing goods necessary for ethnic customs and subsidies for minority handicrafts (Ministry of Finance and State Nationalities Commission 2006). Even in the early 80s, subsidies to minority areas totaled 5 billion RMB, or 5% of total expenditure in that period (Wong 2003). Between 2000 and 2005, these subsidies added up to 38.9 billion RMB, but the Ministry of Finance greatly increased earmarked minority spending in 2006 to 20 billion RMB per annum (Xinhua News Agency). Beyond budgetary subsidies, billions are also allocated annually to help with major construction projects in minority areas, in particular Xinjiang and Tibet. The massive “Developing the West” campaign injected some 270 billion RMB in budgetary allocation and a whopping 600 billion RMB in bank loans to western China between 2000 and 2003 (Research Team of the CASS Western Development Research Center 2003; Shih 2004). As the evidence presented below reveals, the disparate elements of minority policies, both peaceful and repressive, combined to channel enormous resources toward areas with high concentrations of religious minorities.

CCP Assessment of the Potency of Minority Religiosity

Are religiously oriented ethnic minorities (ROEMs) really more threatening to the CCP than non-religious minorities or the Han population? Answering this question is nearly impossible for the following reasons. Although some ROEMs indeed launched uprisings, rebellions, or staged massive protests against the CCP regime, it remains unclear whether the frequency of “collective incident” (quntixing shijian) is higher in
areas dominated by ROEMs than in Han dominated areas or in other minority areas. It also remains unclear whether the severity of such incidents was greater for ROEM initiated actions. For example, in recent years, there were well-documented cases of bombings by both minority separatists and by disaffected Han Chinese. Although testing this claim is possible, we would need comprehensive cross-sectional and time series data on uprisings and protests of various sorts to accomplish this analysis. Needless to say, such data remain inaccessible to outside investigators.

It becomes even more difficult to argue that some fundamental characteristics of the ROEMs themselves make them more prone to organizing collective action. The difficulty with this kind of argument stems from the constructed nature of many of these ROEMs. The Hui Muslim minority, for example, was cobbled together by a group of Chinese anthropologists in the 50s because they felt that they could not classify Muslims as regular Han Chinese, even if they mostly spoke Chinese dialects (Gladney 1991: 70). As a result, their identity likely had as much to do with CCP classification of them as a group as their religion. Because ROEMs emerged as a major threat in the party’s consciousness after the reform (discussed previously), the cycles of condescending paternalism followed by repression toward these groups may have—in themselves—produced a greater likelihood of collective resistance from these groups, which fed the next cycle of repression. This was what happened to the Yunnan Hui in the 19th century, where Han stereotype of the Hui led to genocidal policies, which ultimately led to a large uprising when the Hui defended themselves against Han massacres (Atwill 2003).

15 “Collective incidents” (quntixing shijian) is an officially designated law enforcement term indicating both peaceful protests and violent acts involving more than 15 people. Although we have information on the total number of such incidents (87,000 in 2005) and incomplete statistics of such incidents in some localities, complete statistics on the regional distribution of such incidents remain state secrets.
Given these considerations, it becomes difficult to argue that primordial characteristics of ROEMs led to a greater tendency to stage rebellions, which gave rise to Chinese minority policies focusing on ROEMs. What is clear, however, is that the CCP showed every sign of believing that religiously oriented ethnic minorities had some special characteristics that allowed them to threaten general stability more so than other minority groups and the average Han population. Strikingly, even when the threat perception of ROEMs stemmed as much from state stereotypes of these groups’ as from these groups’ actual capacity to resist collectively, the state has structured its minority policies and fiscal transfer programs to address these perceived threats.

Beginning in the Great Leap period, the party began to carefully consider the source of religion’s potency in organizing collective action outside of party channels, and their alarm grew with the rapid recovery of religious minorities after the reform. Even though the CCP has evolved beyond a totalitarian regime in the reform-era, a main goal of the regime remains a monopoly on the organization of collective action. Religion’s capacity to do so—sometimes in a violent manner—continues to be a great source of worry for the party. Scholars and officials in the regime highlight several traits among ROEMs that heightened their capacity to organize collective action. These characteristics include a belief system that was all-encompassing and thus was incompatible with Communist ideology, the persistence of a single or a network of religious leaders who could gather resources and organize hostile collective action in their religious communities, trans-regional or even transnational religious networks that allowed these groups to coordinate multi-regional collective action, and finally the combination of the above which encouraged some members of ROEMs to advocate independence from
While some of these beliefs are corroborated by western researchers, others stemmed from aspects of CCP ideology.

First and foremost, the CCP finds the all-encompassing nature of major religions troubling because it is a regime founded on an all-encompassing ideology. Since the early 50s, the party has emphasized tirelessly that religion was “a spiritual tool that the exploiting classes used to oppress, enslave, and rule over the laboring people” (e.g. Dawamat 2005b: 302). Nonetheless, the party also recognized the longevity of religion, even in a socialist society (Ulanfu and Liu 2001). More important, the party recognized religion’s ability to deeply affect people’s value system, which could create a common cause among believers and give rise to a great capacity for organizing collective action. As a cadre in the Qinghai United Front Department puts it: “through the worship of one god and the recitation of one holy text and the adherence of one set of commandments, religious masses deepen their feelings for each other and realize a unity in the community, which creates considerable force of coherence.” (Gu and Hou 2003). Since the Communist Party itself is an organization based on a set of ideology, the regime sees its relationship with major religions as one between competitors. As Mao put it after the Tibetan uprising, “do you really want to believe in Buddha forever? I do not support believing in Buddha forever, but you want to believe, so what can I do? There is nothing I can do!”(Mao 2006b). Mao was of course putting on an act of false modesty since he did quite a bit toward eradicating Tibetan Buddhism in subsequent years, but the power of religion was one that even Mao acknowledged.

The party is also greatly troubled by authority figures and organizations that exerted more influence on the population than the party itself. As discussed previously,
the uprisings of the late 50s focused the party’s attention on religious authorities and their ability to incite popular uprisings among minorities. In order to undermine clergies’ authorities, the CCP sought to cut off their sources of income on the one hand and co-opt them through employment in official organizations on the other hand. The Great Leap saw the elimination of tithe even among Tibetan Buddhist monks and Muslim ahongs and imams (Li 2001). In the reform era, however, as people across China became prosperous, increasing funding was made available to religious leaders through contributions. The government responded with a registration system which required all places of worship and clerics to register with the religious affairs bureau or the minority affairs bureau (United Front Department and State Council Religious Affairs Bureau 2006). 16 Furthermore, all places of worship had to be governed by a temple or mosque management committee rather than by the clerics themselves.17 This was supplemented by periodical crackdowns against unregulated religious venues, such as the one in Xinjiang in 1996.

Despite these measures, it is clear that unregulated mosques and temples proliferated rapidly. According to a survey done by the Qinghai United Front Department on the Golmud Area in Qinghai, only two of the twenty five religious venues had been approved by the government (Gu and Hou 2003). The clerics’ ability to raise extraordinary amount of funds in the reform era has put them beyond the reach of the state in many places. United Front cadres in Tibet report that Sela Temple in the northern suburbs of Lhasa—by no means the most important temple—saw its gross income grew from 72,000 yuan in 1980 to over 4.5 million yuan in 1999 (Wu 2001).

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16 Interviews 11/23/05, 1/10/07
17 Interviews: 11/25/05, 7/22/06, 1/9/07.
The influence of religious authorities can be seen in a number of “mass incidents” mobilized by clerics. For example, the series of protests in Lhasa between 1987 and 1989 were all mobilized by clerics sympathetic to the Dalai Lama (Mackerras 1994). Similarly, Muslim clerics played a large role in mobilizing the “Sexual Customs” protests in 1989 and 1993 protests triggered by yet another publication that humiliated the Islamic faith. In Linxia Prefecture, the heartland of Hui Muslims, Muslim clerics wanted to stage a region-wide protest in 1993, but the Linxia authorities managed to persuade them to hold separate protests in their hometowns instead of a joint demonstration in Linxia City (Ding and Ma 1996). In the end, some 300,000 local Muslims staged seven simultaneous demonstrations in six county seats and in Linxia City itself (Ding and Ma 1996). The influence of ahongs over followers, however, was at times direct against other ahongs in intense rivalries over followers and resources.\(^\text{18}\) Cadres in Muslim areas often reported that sectarian rivalries over followers and resources constituted some of the biggest headaches for the local government (Ding and Ma 1996).\(^\text{19}\) These rivalries are potentially dangerous since historically, state intervention to stop societal rivalries often ignited rebellions (Perry 1984). The government has exacerbated this rivalry-- perhaps intentionally-- through provided limited funding for mosque restoration over which various mosques must compete.\(^\text{20}\) All of these events have prompted CCP leaders, including former party secretary general Jiang Zemin, to proclaim that “nationalities and religions are grave matters” (Dawamat 2005a).

Beyond protests, the Chinese state was of course most concerned with violent collective action, especially by “…separatists who incite religious fanaticism in the name

\(^{18}\) Ibid.

\(^{19}\) Interviews: 11/3/05, 7/22/06, 1/6/07.

\(^{20}\) Interview: 7/21/06.
of religion” (Dawamat 2005b). According to a publicly available Ministry of Public Security source, East Turkestan separatist forces were responsible for some 200 violent incidents in the 90s leading to 162 deaths and 440 casualties (Duan and Peng 2002). For a sparsely populated area such as Xinjiang, the catalogue of violence was indeed impressive. Finally, the authorities in Beijing are deeply troubled by the transnational nature of many religious networks, many of which also coincide with calls for independence from the People’s Republic of China. A sample of writings by cadres in the army, the Ministry of State Security, and the People’s Armed Police suggests that they all view hostile international forces as the masterminds encouraging and supporting separatist tendencies in Xinjiang and Tibet (Luo 2001; Ren 2002; Sun and Luo 2002). According to border security experts in the Ministry of Public Security, “currently, ‘East Turkestan’ separatist terrorist activities in Xinjiang are basically planned abroad and carried out in the country” (Duan and Peng 2002). In the case of Tibet, the party authorities also view the “Dalai Group” (Dalai Jituan), which is based abroad, as the main culprit of separatist activities in Tibet (United Front Department and State Council Religious Affairs Bureau 2006).

Given CCP beliefs in the substantial stability threat posed by religious minorities, it is no surprise that it deploys a mixed strategy of cooptation and suppression, both of which consume considerable resources. If cooptation is the main tactic, additional funds are needed to hire more government employees for the ethnic patronage network and for religious propaganda work. If the main tactic is suppression, the maintenance of large security forces as well as arms and an informant network would all require substantial sums. The account below provides systematic evidence from China’s fiscal transfer
program that the regime systematically channels resources to areas populated by religious minorities, but not to regions populated by non-religious minorities.

**Religious Minorities and Chinese Fiscal Transfers to the County Level**

In order to test whether and to what extent the CCP regime believed in the threat ROEMs posed to general stability, we examine whether the CCP “put money where its mouth was,” so to speak. Since money is a scarce resource in a state that seeks to constrain inflation—and China clearly sought to avoid inflation (Shih forthcoming)—systematic allocation of fiscal transfers to areas populated with ROEMs constituted a credible signal of CCP belief in the threat posed by ROEMs in the reform era. In order to test this, we match county-level fiscal transfer data from 1994 to 2000 with county-level ethnic composition data from the 1990 census. A host of control variables are further included to test alternative hypotheses, and we use both OLS with robust standard errors and with provincial fixed effects to test for robustness in the findings. The results are quite clear: both central and provincial governments systematically allocated more transfer payments to areas with higher concentration of religiously oriented ethnic minorities. The same did not hold true for areas populated with non-religious minorities, which did not receive any more money than other areas with similar geographical and economic conditions.

In the bourgeoning literature on fiscal transfers in China, scholars identify regional equality (Wong 2000; Wong and West 1997), poverty alleviation (Wong 2000), grassroots stability (Shih and Zhang 2007), and affirmative action for minorities (Wang 2005; Wong 2003) as reasons for the central government to remit billions in transfer
payments to provincial and grassroots governments each year. This work adds to the discussion by showing that the Chinese government did not see uniformity in the stability threat posed by different minorities. Although their impression of minority groups was informed as much by a constructed narrative about the special characteristics of various minorities as actual events, the analysis below shows that the regime indeed “put money where its mouth” was in transferring more funds to areas inhabited by religious minorities.

Data and Method

The data used in this paper come from two primary sources. First, fiscal transfer data come from the Ministry of Finance publication *Statistical Material for Prefectures, Cities, and Counties Nationwide (Quanguo Dishixian Caizheng Tongji Ziliao)* (Budgetary Division of the Ministry of Finance 1994; Budgetary Division of the Ministry of Finance 2001). This dataset covers county-level finance for every county-level administrative unit, including counties, county-level cities, and urban districts from 1994 to 2000. This data contain information on local income, expenditure, received subsidies in various categories, fiscal dependents, local population, and industrial and agricultural output. Since this paper mainly concerns transfer payments to counties, urban districts are excluded from the analysis.  

Second, the main independent variable—county level ethnic composition—was calculated on the basis of the 1990 Census, which was published by the China Data Center at the University of Michigan (China Data Center 2005). Using ethnicity data from the official census is highly problematic in some respects, the chief of which is the

21 For a discussion of how urban districts differ from rural counties in the fiscal system, please see Ahmad, Ehtisham. 1998. the reform of the fiscal transfer system. In *Taxation in Modern China*, edited by D. Brean. London: Routledge.
at times substantial departure between official ethnic designations and subjective ethnic identities (Dreyer 1976; Harrell 1990). Nonetheless, we would argue that using official ethnic designations in this case is defendable. First and foremost, this paper mainly concerns the state’s perception of various ethnic groups, rather than the true beliefs and identities of the ethnic groups. Second, as discussed below, this work only requires a rough division of China’s ethnic minorities into religiously oriented and non-religiously oriented groups, and thus does not require high accuracy in dividing ethnic groups. For example, although it can be disputed whether the Dongxiang minority based in Linxia Prefecture should be grouped separately from the Hui (Gladney 1991: 34), this paper skirts the question by grouping them together as religiously oriented ethnic minorities.

Data on nationally designated poverty counties and county distance from provincial capitals and Beijing were further appended (State Council Poverty Relief Leading Group 2003).

Because the main independent variable is fixed at a single point in time while there is panel data set for both the dependent variable and for many of the control variables, one is forced to average the panel over the period for which data are available, which is this case is 1994 to 2000. This is common practice in both economics and political science (e.g. Acemoglu, Johnson, and Robinson 2000; Banerjee and Iyer 2005). For variables for which panel data are available, their average figures between 1994 and 2000 are calculated. In the case of economic variables measured in monetary unit, they are further deflated by 1980 constant price. Thus, the dependent variable—per capita earmarked fiscal transfers (EFT)—is the average of per capita EFT between 1994 and 2000 measured in 1980 constant RMB.

22 We would like to thank Pierre Landry at Yale University for generously providing the distance data.
We use earmarked transfer as the main dependent variable because it represented the type of transfer over which the central and provincial governments had the most discretion. The other main type of subsidies, fixed subsidies (original system subsidies after 1994), was distributed on the basis of past subsidies level. According to a State Council document, original system subsidies was created to ensure that subnational governments still received the same amounts of subsidies as they had before the 1994 tax reform (State Council 2003). Thus, fixed subsidies were not very sensitive to changing conditions at the local level. Meanwhile, the central and provincial governments responded to changes at the grassroots level with dozens of earmarked transfers (Heilongjiang Fiscal Science Research Center and Heilongjiang Fiscal Studies Association 2002; Ministry of Finance 2001). These transfers were designated for a variety of purposes, including construction, SOE restructuring, geological exploration, technological development, village production, agricultural uses, administrative costs, social security, public security, building legal institutions, environmental protection, and of course minority work (Ministry of Finance 2001). Because of the flexibility of these transfers, earmarked subsidies constituted a powerful tool for higher tiers of governments to “put out fires” at the grassroots levels. As one can see on Figure 1, per capita earmarked transfers were much higher in peripheral areas populated by ethnic minorities.

For the main independent variable—ethnic composition--, we measure it using three variables. First, MIN measures officially designated minority population as a share of total county population as numerated in the 1990 census. Second, ROEM measures the share of total county population belonging to minority group(s) which the CCP considered to be heavily influenced by an officially recognized religious tradition: Islam,
Buddhism, Daoism, Catholicism, and Protestantism (State Administration of Religious Affairs 2006). These minority groups include Hui, Uyghur, Kazakh, Dongxiang, Kyrgyz, Salar, Tajik, Uzbek, Bonan, Tartar, Mongol, and Tibetans. The Miao present a minor problem since officials in some localities recognize it as primarily Christian, but the central government portrays the Miao belief systems as dominated by syncretic paganism (Chen 2003). Finally, NROEM measures county minority populations that do not belong to the ROEMs outlined above, or simply the share of ROEMs subtracted from the share of total minority population. If the discussion above holds any water, one would expect the share of religiously oriented ethnic minorities to have a much greater positive impact on fiscal transfers than the presence of non-religious groups, all else being equal.

A host of control variables are also included to test how minority composition stands up to alternative explanations. First and foremost, earmarked fiscal transfers may have served equalization purposes such that poorer counties received more transfers. This hypothesis is measured by county level GDP per capita (GDPCAP). Again, since this variable is measured in monetary units, it is deflated by 1980 constant price. Similarly, central fiscal transfer may have targeted agrarian counties since they tended to be poorer. This is measured by the average ratio of agricultural output to total output (ECONSTR) between 1994 and 2000. Finally, in 1986, the State Council first designated a group of 592 counties as “nationally-designated poverty counties” (guojia pinkunxian), which were eligible for extra fiscal transfer payments. This list was revised again in 1994 (SC Leading Group of Poverty Alleviation and Development 2003). Even though the designation of these counties was likely a highly political process, a dummy variable
recording these counties (NDP) was included to see whether designated poverty counties received more money.

Beyond equalization transfers, the state could also have targeted transfers to areas where there was the most welfare need for central transfers. The proxies used for welfare need come from the age data in the 1990 census. Two variables measuring the share of population below the age of 14 (AGE14) and above the age of 60 (AGE60) were calculated as proxies for welfare need. Furthermore, the central government may have transferred more funds to areas that ran consistent deficits since local deficits were not allowed (Shih and Zhang 2007). In order to test for the deficit effect, a variable measuring local fiscal shortfall (FISSHORT) is included.23 Elsewhere, we also explore the increased ability of bloated local governments to blackmail the central and provincial government for fiscal transfer (Shih, Zhang, and Liu 2006). Thus, we also add the number of fiscal dependents per capita (FISDEP) as an independent variable.

Finally, two distance variables—distance from provincial capital (DISTPROV) and distance to Beijing (DISTBJ)—are added as controls to account for two underlying processes. First, peripheral counties, both peripheral in the country and peripheral in the province, were likely to be poorer counties which had greater need for fiscal transfer. Second, as Carlson (2003) argues, Beijing’s policies toward border regions were driven to a large extent by its concern over sovereign control of these areas, which may have prompted the central government to transfer more funds to border areas to maintain sovereignty. In the case of DISTPROV, the distance is normalized (divided) by the distance between the provincial capital and the county seat furthest from the provincial capital.

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23 FISSHORT, the difference between county collection and county fiscal expenditure, is calculated as local collection-local expenditure/local collection. The average of these figures between 1994 and 2000 in a given county is further calculated.
capital. This takes into account the varying sizes of the provinces. For DISTBJ, it is
normalized (divided) by the distance between the county seat furthest away from Beijing
and Beijing. This creates a scale that does not overly bias in favor of far-flung provinces
like Xinjiang.

As seen on Table 3, the mean per capita EFT to Chinese counties in 1980 yuan
was 13.22 yuan. This means that for a county with a million residents, which is not
unusual, it on average received 13.22 million in 1980 yuan in transfer per year between
1994 and 2000. Given substantial inflation since 1980, this figure in reality translates to
several-fold more in nominal yuan. It is interesting to note that there is considerable
variation in this variable as some counties received net negative fiscal transfers, meaning
that they had to give more to the central government than they received in return. In
contrast, some counties received over 200 yuan per capita on average between the years
1994 and 2000. A few Tibetan counties with sparse population (much less than one
million) received this figure.

According to Table 3, minorities made up some 20% of the total population in the
average county in 1990. How does that reconcile with the fact that minority made up less
than 10% of total population in that period. As Table 1 and Figure 2 reveals, minority
population was spread out in numerous, sparsely populated counties. Densely populated
counties, which accounts for much of the total population, are mainly Han-dominated.
Thus, it is not surprising that on average, counties had substantial minority population.
According to our classification of ROEMs and NROEMs by their affiliation with
officially recognized religions, the two groups split almost evening with each group on
making up roughly 10% of the average county. Of course, as Figure 2 and 3 reveal,
religious minorities populated different areas than the non-religious groups. While religious groups predominated in the northwest and in Inner Mongolia, non-religious groups primarily populated the southwest and the northeast.

Figure 1, 2, 3 Around Here

On the control variables, the average county ran an average deficit of 10% between 1994 and 2000. Since the GDP per capita figures are logged, it is difficult to interpret the mean figure. However, it remains clear that there was substantial variation between 1994 and 2000, even if enumerated in 1980 constant yuan. The mean of the ECONSTR variable suggests that 56% of the output by the average county was accounted for by agricultural activities. The mean of the FISDEP variable seems small at 0.03, but one has to remember that it is calculated on a per capita basis. This mean suggests that in the average county, every 33.3 residents had to support a person on local government payroll, including current officials, retirees, and retired officers of the military. At the most extreme case, every 2.5 resident had to support a fiscal dependent, but given a standard deviation of 0.2, this was a highly unusual case.

The mean of the NDP dummy, 0.23, simply suggests that 23% of the counties in the sample were classified as nationally-designated poverty counties. Given the normalization of the distance variable, their means do not suggest anything in particularly except the relatively smaller mean of the DISTBJ variable suggests that more counties are clustered around eastern China, which Figures 2 and 3 also show. Finally, the means of the age variables show that in 1990 the average county had 25% of its population below the age of 14 and 10% of the population above the age of 60. This reflects a
relatively youthful age structure, although due to the birth control policy, this structure likely has shifted in recent years.

Table 3: Summary Statistics of the Dependent and Independent Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>OBS</th>
<th>Mean</th>
<th>Std.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earmarked Fiscal Transfers (1980 Yuan)*</td>
<td>2359</td>
<td>13.22</td>
<td>15.69</td>
<td>-4.85</td>
<td>287.36</td>
</tr>
<tr>
<td>Share of Minority Population (MIN)^</td>
<td>1993</td>
<td>0.20</td>
<td>0.32</td>
<td>0</td>
<td>1.00</td>
</tr>
<tr>
<td>Share of Religiously oriented ethnic minorities (ROEM)^</td>
<td>1993</td>
<td>0.10</td>
<td>0.26</td>
<td>0</td>
<td>1.00</td>
</tr>
<tr>
<td>Share of Non-Religious Ethnic Minorities (NROEM)^</td>
<td>1993</td>
<td>0.09</td>
<td>0.22</td>
<td>0</td>
<td>0.99</td>
</tr>
<tr>
<td>Fiscal Shortfall (FISSHORT)*</td>
<td>2400</td>
<td>-0.10</td>
<td>0.53</td>
<td>-9.13</td>
<td>1.81</td>
</tr>
<tr>
<td>GDP per capita (GDPCAP—100s of 1980 Yuan)*</td>
<td>2360</td>
<td>9.59</td>
<td>9.23</td>
<td>0.81</td>
<td>148.55</td>
</tr>
<tr>
<td>Agricultural Output as a Share of Total (ECONSTR)*</td>
<td>2214</td>
<td>0.56</td>
<td>0.19</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Government Payroll per capita (FISDEP) *</td>
<td>2400</td>
<td>0.03</td>
<td>0.02</td>
<td>0.00</td>
<td>0.39</td>
</tr>
<tr>
<td>Nationally Designated Poverty Counties (NDP)</td>
<td>2400</td>
<td>0.23</td>
<td>0.42</td>
<td>0</td>
<td>1.00</td>
</tr>
<tr>
<td>Distance to Provincial Capital (DISTPROV)</td>
<td>1629</td>
<td>0.43</td>
<td>0.24</td>
<td>0.01</td>
<td>1.00</td>
</tr>
<tr>
<td>Distance to Beijing (DISTBJ)</td>
<td>1629</td>
<td>0.34</td>
<td>0.20</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Share of Population Below 14 (AGE14)^</td>
<td>1606</td>
<td>0.25</td>
<td>0.05</td>
<td>0.13</td>
<td>0.40</td>
</tr>
<tr>
<td>Share of Population Above 60 (AGE60)^</td>
<td>1606</td>
<td>0.10</td>
<td>0.02</td>
<td>0.04</td>
<td>0.19</td>
</tr>
</tbody>
</table>

The empirical approach used here follows a grid-lock fashion to test for robustness of the minority variables. First, linear regressions with robust standard errors are used to test the effect of MIN, ROEM, and NROEM on EFT. Second, provincial dummies are added to all three specifications. The fixed effects are added for two reasons. First, fixed effects control for all regionally specific characteristics that may have been omitted in the original specification. Second, fixed effects control for central tendency to transfer funds to particular provinces for historical, policy, or political reasons. Thus, the coefficients in the fixed effect models can be interpreted as the factors that drive provincial governments to distribute funds to counties within the province. In this manner, without fixed effects, the coefficients of the minority variables can be

[^24]: * denotes the variable is derived from averaging 1994 to 2000 figures. ^ denotes that the data underlying the variable come from the 1990 census.
interpreted as the extent to which minority populations drove fiscal transfers in the entire system as a whole, while with fixed effects, the coefficients of the ethnic variables can be interpreted as how they drove the average province to allocate to the average county.

**Findings**

Table 4 presents the robust standard error results. The coefficients of MIN, ROEM, and NROEM reveal a very clear picture. It is clear that most of the impact MIN has on EFT stems from the presence of ROEMs in a county, since NROEM exerts no systematic effect on the dependent variable. Since MIN, ROEM and NROEM are enumerated as a proportion and are constrained to be below 1, the coefficient must be divided by 100 before interpretation. Nonetheless, the impact of ROEM is quite substantial. For example, a standard deviation increase in religiously oriented ethnic population (22%) is expected to increase per capita earmarked transfers by 2.25 yuan. Again, in a county with 1 million residents, this is expected to increase fiscal transfer by 2.25 million yuan, a substantial sum in 1980 constant yuan. One has to bear in mind that this is the impact of ROEM when many economic, geographical, and political variables have already been controlled. One can easily argue that the share of religious minority in fact drives the effect of some of the control variables, for example the NDP status dummy. That is, if the State Council took religious minority populations into consideration when they designated NDPs, the NDP variable likely absorbs some of the effect of ROEMs. Equally impressive is the non-significance of the non-religious ethnic group variable. Despite ample official rhetoric promising all minorities additional state resources, the state in reality did not give non-religious minorities any more resources than Han
counties with similar geographical and economic conditions. This paper argues that the main reason why the government did not deliver more fiscal resources to areas populated by non-religious groups was because it did not consider these groups a threat to general stability.

In terms of the effects of the control variables, the findings generally suggest that transfer payments generally did not serve the purposes of regional equalization or of fulfilling welfare needs. GDPCAP does not exert any systematic influence on transfer payments. Agricultural output as a share of the total (ECONSTR) also does not exert any systematic influence. While NDP status brings 3 yuan per capita in additional funding, which is quite substantial, the assignment of NDP designation was a highly political process that involved a complex lobbying process.\textsuperscript{25} Even official policies called for assigning NDP status to counties that were sites of important events in the CCP’s history (SC Leading Group of Poverty Alleviation and Development 2003).

Somewhat surprisingly, the Communist regime in fact transferred funds away from counties with objective welfare needs. Both AGE14 and AGE60 exert a negative impact on earmarked fiscal transfers. Moreover, the negative effects are not trivial. For example, a one standard deviation increase in the share of population above 60 brought about roughly 2 yuan per capita decrease in transfers. Again, in a county with 1 million residents, this translates to a 2 million RMB decrease in 1980 yuan, a rather substantial sum. While this finding does not necessarily suggest an active policy to transfer money

\textsuperscript{25} For example, Secretary General Hu Yaobang gave several counties poverty status in the midst of his inspection trips to those counties in the 80s. See Li, Shengping. 2005. \textit{Materials for a Chronological Record of Hu Yaobang Life (Preliminary Draft Edition)}. Hong Kong: Time International Publishing.
away from needy counties, it at the very least indicates that the transfer system as a whole cared little about objective welfare needs at the county level.

Beyond redistributive and welfare needs, the fiscal system seemed to distribute funds to deficit counties, although the effect is not large. The effect of government payroll (FISDEP) has an enormous effect. Again, if FISDEP increases by one standard deviation (0.02), a county would receive roughly 6.4 yuan in additional transfers per capita, or an additional 6.4 million in 1980 yuan in a county with 1 million residents. The basic logic here is that those on government payroll had greater capacity to act collectively against the government and thus their presence constituted a credible signal of objective fiscal needs from the perspective of the central government (Shih, Zhang, and Liu 2006). Finally, while there seems to be a systematic tendency to allocate more funds to peripheral counties in a province, there is little indication that more funds are allocated to far-flung counties. The effect of distance is unclear since it is likely co-linear with some of the other variables. From this set of regressions, a clear logic where the political need to preserve stability was placed in a much more privileged position than redistributive or welfare needs emerges.
Table 4: Regression of Earmarked Fiscal Transfers Per Capita on Minority, Religious Minority and Non-Religious Minority with Robust Standard Errors\textsuperscript{26}

<table>
<thead>
<tr>
<th>Variable</th>
<th>Minorities</th>
<th>Religious</th>
<th>Non-Religious</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Minority Population (MIN)</td>
<td>10.85**</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Share of Religiously oriented ethnic minorities (ROEM)</td>
<td>--</td>
<td>12.05**</td>
<td>--</td>
</tr>
<tr>
<td>Share of Non-Religious Ethnic Groups (NROEM)</td>
<td>--</td>
<td>--</td>
<td>2.56</td>
</tr>
<tr>
<td>Fiscal Shortfall (FISSHORT)</td>
<td>-1.82*</td>
<td>-1.54*</td>
<td>-2.49**</td>
</tr>
<tr>
<td>GDP per capita (GDPCAP—100s of 1980 Yuan)</td>
<td>0.049</td>
<td>-0.02</td>
<td>0.05</td>
</tr>
<tr>
<td>Agricultural Output as a Share of Total(ECONSTR)</td>
<td>-4.74**</td>
<td>-3.90**</td>
<td>-5.2**</td>
</tr>
<tr>
<td>Government Payroll per capita (FISDEP)</td>
<td>319.07**</td>
<td>312.80**</td>
<td>359.24**</td>
</tr>
<tr>
<td>Nationally Designated Poverty Counties (NDP)</td>
<td>2.81**</td>
<td>4.04**</td>
<td>3.04**</td>
</tr>
<tr>
<td>Distance to Provincial Capital (DISTPROV)</td>
<td>3.52*</td>
<td>4.23**</td>
<td>4.18**</td>
</tr>
<tr>
<td>Distance to Beijing (DISTBJ)</td>
<td>-5.24**</td>
<td>-2.12</td>
<td>1.7</td>
</tr>
<tr>
<td>Share of Population Below 14 (AGE14)</td>
<td>-40.72**</td>
<td>-46.72**</td>
<td>-36.00**</td>
</tr>
<tr>
<td>Share of Population Above 60 (AGE60)</td>
<td>-88.58**</td>
<td>-81.03**</td>
<td>-110.9**</td>
</tr>
</tbody>
</table>

N=1443  F-stat=42.23  F-stats=41.27  F-stats=42.23

In order to check for robustness of the findings and to examine the workings of the transfer system at the provincial level, Table 5 reports the same regressions with provincial fixed effects, which control for provincial characteristics, including long-standing central policies toward individual provinces. The main results are essentially the same, except the coefficient of the religious minority variable is substantially stronger. A one standard deviation increase in ROEM population (22%) yields on average 4.55 yuan in additional transfers. Again, in a county with a million residents, this translates to 4.55 million 1980 yuan in additional transfers per year. This finding suggests that the average province was willing to transfer even more funds to counties populated with religious minorities than the fiscal system as a whole. Why was this the case? Since maintaining stability was often the key criterion with which higher level party authorities

\textsuperscript{26} * denotes p<=0.05; ** denotes p<=0.01
evaluated an official, local officials were under enormous pressure to maintain stability (Edin 2003; Whiting 2004). If a major uprising occurred in a county or—even worse—in several counties, the provincial leadership would have to bear a large share of the responsibility along side the county leadership. Thus, the provincial government was willing to allocate more funds to prevent grassroots instability.

With the inclusion of fixed effects, there are some minor changes. For example, GDPCAP becomes negative and significant, suggesting a slightly progressive fiscal distribution system at the provincial level. The effect is nonetheless small. If GDP per capita in a county is suddenly reduced by 100 yuan, it would only receive 0.07 yuan more in fiscal transfers from the average province. Even a one standard deviation decrease in GDP per capita—927 yuan—would only result in 0.65 yuan per capita increase in fiscal transfers. ECONSTR ceases to be significant with the inclusion of fixed effects, suggesting that provinces tended to have relatively fixed industrial structure over time. NDP continues to exert a substantial effect as the previous set of models. Likewise, FISSHORT exerts a similar effect on fiscal transfers, suggesting that provincial and central transfers targeted fiscal deficits in similar ways. FISDEP also exerts the same, enormous impact on EFT with fixed effects.

Welfare needs, as measured by AGE14 and AGE60 have similarly negative effects on transfers, although the impact is less than in the robust standard error models. This suggests that the average province was less prone to allocate funds away from counties with objective welfare needs than the fiscal system as a whole. This finding, however, is hardly comforting. Finally, the coefficient of DISTPROV again suggests that provinces had a tendency to allocate funds to peripheral counties within a province. The
non-significance of the DISTBJ variable in this case once again suggests that transfer payments are no more likely to reach border counties in western China than counties around Beijing, all else being equal.

Table 5: Regression of Earmarked Fiscal Transfers Per Capita on Minority, Religious Minority, and Non-Religious Minority with Provincial Fixed Effects

<table>
<thead>
<tr>
<th>Variable</th>
<th>Minorities</th>
<th>Religious</th>
<th>Non-Religious</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Minority Population (MIN)</td>
<td>13.20**</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Share of Religiously oriented ethnic minorities (ROEM)</td>
<td>--</td>
<td>20.72**</td>
<td>--</td>
</tr>
<tr>
<td>Share of Non-Religious Ethnic Groups (NROEM)</td>
<td>--</td>
<td>--</td>
<td>3.03</td>
</tr>
<tr>
<td>Fiscal Shortfall (FISSHORT)</td>
<td>-2.02**</td>
<td>-1.79*</td>
<td>-2.81**</td>
</tr>
<tr>
<td>GDP per capita (GDPCAP—100s of 1980 Yuan)</td>
<td>-0.07*</td>
<td>-0.10**</td>
<td>-0.09**</td>
</tr>
<tr>
<td>Agricultural Output as a Share of Total (ECONSTR)</td>
<td>-1.8</td>
<td>-1.65</td>
<td>-1.95</td>
</tr>
<tr>
<td>Government Payroll per capita (FISDEP)</td>
<td>317.53**</td>
<td>311.74**</td>
<td>334.23**</td>
</tr>
<tr>
<td>Nationally Designated Poverty Counties (NDP)</td>
<td>2.53**</td>
<td>3.36**</td>
<td>3.01**</td>
</tr>
<tr>
<td>Distance to Provincial Capital (DISTPROV)</td>
<td>2.03*</td>
<td>2.01*</td>
<td>3.30**</td>
</tr>
<tr>
<td>Distance to Beijing (DISTBJ)</td>
<td>-8.7</td>
<td>-7.4</td>
<td>0.77</td>
</tr>
<tr>
<td>Share of Population Above 60 (AGE60)</td>
<td>-55.32**</td>
<td>-57.03**</td>
<td>-78.93**</td>
</tr>
</tbody>
</table>

N=1443 F-stat=66.93 N=1443 F-stats=72.39 N=1443 F-stats=63.85

In sum, the findings presented in Table 4 and Table 5 strongly suggest that the CCP took the threat posed by religious minorities seriously and demonstrated this belief by allocating more funds toward counties populated by religious minorities.

Reflection

Officially, the Chinese minority policies bestow largess to all minority groups equally in accordance to the Soviet “affirmative action empire” model, which seeks to

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27 * denotes p<=0.05; ** denotes p<=0.01
ensure stability through providing equality. In reality, because of its own views about religion as a contender with Communist ideology and historical “lessons,” the party took the stability threat posed by religious minorities much more seriously than that posed by non-religious minorities. This was despite the fact that some of these minorities were constructed by the regime in the first place and that many of their members were no longer very religious (Gladney 1991). Field observations in three counties with substantial Hui presence and an examination of official documents reveal that CCP strategy in lessening the stability threat of religious minorities naturally followed its beliefs about why religious minorities posed a greater threat. In our statistical analysis, we show that central and provincial transfer payments were given to areas with high population of religious minorities to enable the local governments to pursue the powerful combination of cooption, assimilation, and repression, an optimizing strategy which sought to both blunt the short-term stability threat and to gradually dilute religious identities in the long-run.

Is this the entirety of the story, however? The fact remains that the CCP regime has overwhelming force superiority that can crush any sign of rebelliousness with relative ease. Even if some groups show a tendency of acting collectively despite overwhelming odds, why should the CCP worry so much about a few monks chanting slogans in Lhasa or a few bombs exploding in Urumqi. After all, the media is heavily censored, and the police do not have to observe any constitutional constraints in trying to capture “splittists.” As experience in the reform period shows, within hours or at most days of unleashing the military or the armed police on the rebels, the CCP time and again obtained absolute military victory. Extremely repressive policies against minorities can
be carried out with scarcely a murmur from the vast majority of the domestic population. Why put so much emphasis on cooptation? Why not just repress? Perhaps the CCP’s real fear is not the restive minorities per se, but the military and the armed police the regime would have to rely on to suppress restive minorities. If armed forces learn over time that the civilian leadership always depends on them to stay in power, the armed forces may decide that the civilian leadership is in fact redundant. It is no accident that among the “three treasures” (三大法宝) in the party’s arsenal, two of them—united fronts work and party organization— are in fact civilian tools, while only one of the three—armed struggle—clearly refers to the armed forces.
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Figure 1: Distribution of Per Capita Earmarked Transfers Across Chinese Counties (1994-2000 average)\textsuperscript{28}

\textsuperscript{28} Data come from the 1990 census and reflect the per capita earmarked transfer (1980 yuan) at the county level, averaged between 1994 and 2000. The shading is done by quintiles.
Figure 2: Distribution of Minority Population Across Chinese Counties²⁹

Data come from the 1990 census and reflect the share of minority population at the county level. The shading is done by quintiles.

²⁹
Figure 3: Distribution of Religiously Oriented Minorities Across Chinese Counties\textsuperscript{30}

Data come from the 1990 census and reflect the share of religious minority population at the county level. The shading is done by quintiles.