

Does Decentralization Win Back Hearts and Minds? Empirical Analysis of the Effect of Fiscal Decentralization on Political Trust in China Based on City-level Statistics

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Abstract: Recent literature has continuously debated over how fiscal decentralization influences political trust. Two kinds of paths major are raised. One is the improvement of the relation between government and citizens directly, the other to influence governmental performance then change citizens' attitude. Using data derived from CGSS 2010 and detailed municipal fiscal data in 2007, this paper investigates the extent to which kinds of effect, direct or indirect affect political trust in China. Multilevel Ordinal Logistic Regression reveals that these two kinds of effect exist but in an adverse direction. Meanwhile, we use expenditure preference as mediator to present the mediating effect in the indirect path. The result shows although fiscal decentralization help to attract more confidence directly when local government has more autonomy, it also leads to expenditure preference for economic development and ignore public service, which does harm to political trust in China. Tension between unification and efficiency revealed in this paper is representative of core contradiction in China's governance.

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1. Introduction

Political trust from people in government is an important basement of legitimacy of a modern state (Hetherington, 1998; 2004; Hetherington and Husser, 2012; Rudolph & Evans, 2005; Chanley et.al, 2000; Misher & Rose, 2001; Inglehart, 1997;1999). Past decades in the developed democratic countries, political trust in government keeps declining (Levi & Stoker, 2000; Hetherington and Husser, 2012; Rudolph & Evans, 2005; Chanley, 2000; Misher & Rose, 2001;). Scholars in China asserted the declining of political trust in local governments in China (Li, 2004; Li, 2016; Liu & Feng, 2015; Zhong, 2014; Wang, 2005a; 2005b). As President XI said, *hearts and minds of people is the greatest politics*. Emerging governmental crisis of political trust among citizens also drives authoritarian states attach increasing importance on rebuilding political trust (Lovell, 2001; Anderson, 2010, Chu, 2013; Zhong, 2014; Wang, 2005a) .

Various institution design and policy innovations, like reduce corruption (Fisman and Gatti, 2002a; 2002b; Huther and Shah, 1998) or enhance political participation (Colino, 2008; Dahl and Tufte, 1973; Diamond and Tsalik, 1999) have been introduced to rebuild trust in political institution and systems. Fiscal decentralization, with its promises to improve the relation between the government and its citizenry and increase the efficiency of government service, is considered to be one of such reform policies (Diamond,1999,124-125; Ligthart & Oudheusden, 2015; Huther and Shah, 1998; Oates, 1972; 1999; Tiebout, 1956; Diaz-Serrano & Rodríguez-Pose, 2014; Tang & Huhe, 2014;

2016; Assche & Dierickx, 2007).

Does fiscal decentralization in China help to build political trust in political institutions and system? While a great deal of existing literature focus on fiscal decentralization in China (Wang, 2014; Yang, 2016; Zhou, 2006; Chien, 2010; Tsui, 2004; Chen, 2004), the actual effect of fiscal decentralization on political trust has not been adequately examined. Some recent studies focus on the association between fiscal decentralization and political trust (Ligthart & Oudheusden, 2015; Tang & Huhe, 2014; 2016; Liu & Feng, 2015; Gao & Meng, 2014). Some attaching importance to the impact that fiscal decentralization itself, asserting the it helps to improve the relations between the government and its citizenry (Frandsen, 2002; Tang & Huhe, 2014, 2016;). However, some argue that decentralization influences the performance of governments, which would affect people's political trust (Oates, 1972; Ligthart & Oudheusden, 2015; Assche & Dierickx, 2007; Gao & Meng, 2014). These theories base on the assumption that fiscal decentralization synchronizes with administrative and political decentralization. Nevertheless, asymmetric decentralization in China makes the effect of fiscal decentralization on political trust more complicated (Tao & Liu, 2007; Chien 2010; Tsui and Wang 2004).

This paper contributes to this growing literature by empirically investigating the extent to which fiscal decentralization may strengthen or prohibit political trust in local governments. We combine two approaches to overview the impact of fiscal decentralization on political trust in China. In order to distinct the direct and indirect effect, we employ expenditure preference on economic development and public service

of local governments as mediators (Fu, 2010; Fu & Zhang, 2007). With an asymmetric decentralization system (Chien, 2010) in China, the direct and indirect effect of fiscal decentralization might be different.

This paper discloses the association of fiscal decentralization influences political trust. First, it combined individual-level from China General Social Survey (2010) and city-level fiscal data. Based on quantitative analysis with multilevel ordinal logistic regression model, we find that both the direct and indirect effect of fiscal decentralization exist but in adverse direction. Local governments with more fiscal autonomy would attract more public support with its better capacity and information advantage in the direct effect.

Secondly, this paper uncovered the causal mechanism by using separate fiscal expenditure preference as mediating variables. As revealed in earlier literatures (Wang, 2005a;2005b; Meng, 2012; You & Zhang, 2015; Meng & Yang, 2012), economic development and public service are both major source of political trust in local governments. With symmetric decentralization in China, governments' fiscal preference goes contrary to people's evaluation (You, 2015; Meng, 2012; Meng & Yang, 2012). After decades of economic growth, citizens in China value the performance of public service more than economic progress. While in the asymmetric decentralization system, local government with more autonomy give more priority to development rather than public service (Fu, 2010; Fu & Zhang, 2007). The mismatch between local governments' preference and citizens' evaluation contribute to the indirect negative effect of fiscal decentralization.

This study contributes a structural view to explain the downturn of political trust to local governments in China, combining explanation of direct and indirect effect. By revealing the complicated mechanism underlying people's trust in government, our empirical analysis also sheds light to the contradiction in China's governance, the tension between efficiency and unification of governance. These two adverse impacts from fiscal decentralization system are the representation of the core contradiction of governance in China.

The remainder of this paper proceeds as follows. In the next section, we review the theories linked to decentralization and political trust in the literatures based on international experience and China. The empirical analysis of this paper is built on a dataset of combining CGSS2010 with fiscal statistic in 2007. Thus, in the third section, we introduce the data source, as well as variables and measurements for the regression analysis. We report empirical findings in section four and conclude with policy implications in the concluding section.

2. Literature Review

Derived from the tradition of institutionalism (Misher & Rose, 2001; Chanley et.al, 2000), a review of the extant literature shows that fiscal decentralization is considered to promote political trust. Although directly relevant literatures are sparse (Tang & Huhe, 2014; 2016; Liu & Feng, 2015; Ligthart & Oudheuden, 2015; Gao & Zhang, 2014), existing studies suggest two kinds of effect for the belief, the direct effect to improve the relation between the government and its citizens, and the indirect effect to

promote governance of the government.

For the direct effect, fiscal decentralization contributes to the improvement of the relation between government and its citizenry. Various potential mechanisms might exist there. Firstly, with more power devolution, it is believed that local government and officers are more visible to citizens, which improve public perceptions of governments (Dahl and Tufte, 1973; Frandsen, 2002). Moreover, decentralization can foster political participation (Campbell, 2003; de Mello, 2004; Escobar-Lemmon & Ross, 2014). The requirement of opening government affairs in China provides more accesses for citizens to participate in the policy process when the government has more autonomy in decision making. In particular, people are more motivated by local affairs making because it is more related to their interest (Dahl and Tufte, 1973; Assche & Dierickx, 2007).

Additionally, based on classical decentralization theory, local governments with more fiscal autonomy are supposed to satisfy people more effectively with a shorter distance of information (Oates, 1972; Chen 2004; Shah, Thompson, and Zou 2004) and stronger capacity (Tao & Liu, 2007; Chien, 2010; Gao, et al., 2014). The classical decentralization theory argued that decentralization shortens the informational distance between the providers and recipients of public service (Tiebout, 1956). Compared with high-level governments, local governments are more possible to get detailed information and satisfied their citizens more efficiently with better public service, which leads to higher political trust (Diaz-Serrano & Rodríguez-Pose, 2014). More fiscal autonomy enhances their capacity to fulfill the responsibility in a more effective

way.

For indirect effect, fiscal decentralization would influence political trust within two steps. First, fiscal decentralization leads to expenditure preference on development (Fu, 2010; Fu & Zhang, 2007). With different structures of revenue, various fiscal degree of decentralization result in various fiscal autonomy of local government. With more autonomy, governments would use their fiscal capacity in a way more aligned with their preference (Tao & Liu, 2007). The preference of governments is actually shaped by the asymmetric decentralization in the meanwhile.

The asymmetric decentralization system consists of economic decentralization to the local and political centralization under the party (Chien, 2010), distinct from the symmetric decentralization in liberal developed countries. Performance-based personnel appointment system and upward accountability contribute to the promotion tournament (Zhou, 2007; Li & Zhou, 2004). The central government keeps major personal administration and evaluates government officials' performance on their economic development mainly (Zhou, 2007; Tao & Liu, 2007; Chien, 2010). As the performance indicator vary in priority, local officials spare no effort to make evident economic growth, which is called *hard targets* (Saich, 2001). The representation of the effort is the growing investment in economic development. In the meanwhile, public service is more likely to be ignored and the its proportion would be compressed by the growth of developmental expenditure (Fu & Zhang, 2007; Fu, 2010; Jia et.al, 2014). In the consequence, with more fiscal autonomy, regional governments would spend more on developments rather than public service, which is so-called expenditure distortion

(Fu & Zhang, 2007; Fu, 2010; Jia et.al, 2014)

However, the proportions of different fiscal expenditure might have different impact on political trust (You & Zhang, 2015; Meng, 2012). Performance of economic development and public service are both major sources of political trust for local governments in China (Wang, 2005a; 2005b; Yang & Tang, 2010; You & Wang, 2014; Meng, 2012; You, 2015; Zhong, 2014). The role of economic development has a notable change since continued economic growth. Economic performance has been believed to be the major source of political trust or legitimacy for a long time before the critical citizens arise (Inglehart, 1997; Wang, 2005b;). In the post-material period, citizens are not only stratified with progress but appeal to better public service. Recent studies notice that the public good and service rise to be the most important basement of political trust in China. Constant investment in development seems to reinforce the dissatisfaction on public service and lead to a negative effect on political trust (Meng, 2012; Meng & Yang, 2012; You & Zhang, 2015). The mismatch between people's evaluation and government's preference leads to continued declining political trust in local governments in China. The inevitable result is that fiscal decentralization strengthens the expenditure distortion then debase citizens' political trust in local government.

Most empirical studies on the topic focus on a more aggregate level like cross-countries or cross-provinces samples (Liu & Feng, 2015; Tang & Huhe, 2014; 2016). As the major executor of developmental plan and provider of public service, municipal governments in China are neglected due to the limitation of data sources. In short, the

literature lacks a straightforward test of the relationship between decentralization and political trust based on the city-level samples. This study attempts to fill the gap in that we examine the effect of decentralization on political trust across cities.

3. Data and methodology

Models, variables and measurement

We used multilevel ordinal logistic regression with mediators to estimate the direct and indirect effect of fiscal decentralization with R software and packages ordinal. First of all, we would estimate the models to determine the direction fiscal decentralization would influence the political trust to local government(model1), while controlling for individual and city-level variables. Then we present the linear models for mediators (table2), which reveal the linear association between the degree of fiscal decentralization and the structure of fiscal expenditure. Then we separately estimated the model to determine the indirect effect of fiscal decentralization on the political trust via expenditure preference (model2,3&4).

For the dependent variable, political trust refers to one's faith or confidence in the motivation and capacities of political institutions and politicians to work in his/her interest (Easton, 1965; Levi and Stoker, 2000). Existing literatures use Likert Scale to capture political trust to different institution. In the questionnaire of CGSS2010, like other world-wide surveys, use Liker Five Scales, it asked the interviewees "For each one, please tell me how much trust do you have in them? Is it a great deal of trust, quite a lot of trust, not very much trust not very much trust, or none at all?". The answers

were coded as 1 to 5 ordinal factors. The higher scores indicate higher levels of trust. Since we focus on the city-level governments, we draw the answers of political trust in the local government. As the question designed symmetrically about political trust, we restrict the threshold for the model, which means it is assumed that the distance between 1 to 2 is the same as 4 to 5 while that of 2 to 3 is the same as 3 to 4. We admitted that the restriction of threshold would weaken the quality of regression mathematically, but it also accords more with the design of the questionnaire and enhance the validity (Christensen, 2011).

Key independent variables include the degree of fiscal decentralization, expenditure preference on development and public service. Degrees of fiscal decentralization of local government is complicated among existing literatures (Schneider,2003; Schroeder, et al.,2009; Chen, 2010). Theoretically, the concept is designed to measure the relationship between governments in different levels. As the units of this research are municipal governments, measurement in relevant cross-province or cross-countries studies capturing the local-central relation is not suitable for city government. The total revenue of local government mainly consists of net revenue and transfer payment from the central government in China (Chen, 2010; Jia et.al, 2014; Yang, 2016; Fu & Zhang, 2007; Fu, 2010). The share of transfer payment is in some extent the degree of dependency on the central government. Based on existing literatures, we choose fiscal autonomy to capture the degree of fiscal decentralization, which means the share of municipal net revenue over municipal total expenditure (Chen, 2010). As city-level governments with more fiscal autonomy, they are more likely to utilize fiscal capacity

more freely and in a way more aligned with their preference.

Expenditure preference is defined by the various distribution of fiscal capacity, which present as distinct proportions of expenditure in specific item (You, 2015; Fu, 2010). In this research, we conduct three concepts to measure the expenditure preference, which is developmental preference, public service preference and fiscal distortion.

Developmental preference means the share of expenditure on economic development, while public-service preference means proportion on public service of redistribution. According to functional federalism raised by Paul Peterson (2011), fiscal expenditure could be divided into developmental expenditure and redistributed expenditure. However, it is complicated in the existing literatures about the specific in China. As we focus on the economic development and public service, we choose the specific items based on the existing literatures and the concrete purpose published by the central government. Developmental expenditure includes expenditure on industrial and financial investment, community and infrastructure, scientific research and agriculture, while public service expenditure includes investment on medical treatment and public health, fundament education and social insurance.

Fiscal distortion is measured by dividing developmental expenditure by public-service expenditure, which reveals the extent that local government attaches more importance to economic than public service. Although local governments have the responsibilities both on economic development and public-service, the evaluation of government officials' performance focus more on the former. Discrepancy between

responsibility and promotion incentives shape the preference of local governments. With more autonomy in decision making, the distortion gets serious. In order to estimate the mediating effect, three linear regression models (mediator1 to 3) are constructed to show the association between the degree of fiscal decentralization and expenditure preference.

At the aggregate level, we control a set of relevant factors in our full models. The size of a city is believed to influence political support (Matsubayashi, 2007). We use the total population to measure that. It is also believed that the economic performance of the government is related to political trust and support (Anderson and Guillory, 1997; Becher and Donnelly, 2013; Newton, 2006). We therefore include the growth rate of gross domestic product (GDP) to control for the effect of economic performance.

Building upon previous studies of political trust, we include the following socio-economic variables at the individual level (Li, 2012; Yang & Tang, 2007; Yao, 2012; Tao et.al, 2011; Shi, 2001; Chu, 2013; Tang & Huhe, 2014; 2016; Wang, 2010; Wang, 2009): gender (0 for female, 1 for male), age (in years), political level(1 for member of China Communism Party) , education(1 to 6, from lower to higher), media use(the frequency of watching television), ethic(0 for the Han nationality, 1 for others) and income(annual household income, yuan). The descriptive result is showed in the Table1. Media in authoritarian countries like China is believed to be a tool for propaganda. The custom of media use shows how much the influence people get from the propaganda to frame the political trust, especially traditional media controlled by authority (Wang, 2009; 2010). People with higher income are more likely to be

unsatisfied with the government for they have a higher requirement for public service and political participation, which are close to the critical citizens to some extent (Yang & Tang, 2007). For the sake of brevity, a more detailed discussion of the effect of population variables at the individual level on political trust is omitted.

In order to use the ordinal regression model, most of the variables are standardized in operation, including the degree of fiscal decentralization, three kind of expenditure preference, growth of GDP, population, age, income. Standardization is essential for ordinal regression and does not change the effect or significance.

Data Source

For the empirical analysis, we combine two datasets together. The individual-level variables are derived from China General Society Survey 2010. This survey covered 85 cities in 31 provinces. Administered in the manner of face to face interviews, the survey was intended to collect the overall basic information about individual and family, including a set of questions on political attitude. In CGSS 2010, survey respondents were recruited through a multi-stage stratified sampling process. More than ten thousand samples were collected from stratified sampling. Refer to Table1 for the socio-demographic structure of the sample used in this study. As we focus on common city-level governments, direct-controlled municipalities like Beijing, Tianjin, Shanghai and Chongqing are not included in the dataset.

We then match the individual-level data with city-level fiscal statistics in the National Region-City-County Fiscal Statistical Information in 2007. It is the latest

document we can choose because the expenditure of specific items in every city is open but updated until 2007. As the structure of budgets and people's attitude stay stable for years, the statistics in 2007 are not perfect but still suitable for this study. Other city-level data like the size of the city and growth of GDP derives from statistical yearbook in 2007. Refer to Table2 for the general status of cities of the sample used in this study.

4. Analysis and Results

Before executing the models, we show the descriptive statistics of individual and city level variables to show the characteristics of the sample. Then we test the effect of individual-level variables (Model0). We proceed then to examine the total effect of fiscal decentralization without taking expenditure preference into account (model1). Next we present the linear regression for mediators to reveal the relation between the degree of fiscal decentralization and expenditure preference. Then we turn to our main analysis with different kinds of expenditure preference (model2, 3 & 4).

Table1 Descriptive statistics of Individual-level Variables

Variable Names	Frequency	Percentage
Political Trust	Full Trust	2172 25%
	Very Trust	3514 40%
	Moderate Trust	1582 18%
	Not very Trust	1104 13%
	Not Trust	425 5%
Gender	Female	4504 51%
	Male	4293 49%
Political Level	Member of CCP	1030 12%
	Not a Member of CCP	7767 88%
Education	not more than primary school	3441 39%
	Junior and senior high school	4312 49%

Media Use	Not less than college	1044	12%
	Watch TV every day	3631	41%
	Watch TV often	3462	39%
	Watch TV sometimes	1018	12%
	Watch TV seldom	530	6%
	Watch TV hardly	156	2%
Age	Not more than 20	213	2%
	21-30	1127	13%
	31-40	1842	21%
	41-50	2175	25%
	51-60	1693	19%
	61-70	1083	12%
Ethnic	Not less than 71	664	8%
	Han	8140	93%
	Other	657	7%
Income	Less than 10000	1552	18%
	10001-100000	6195	70%
	More than 100000	400	5%
Observation	8797		

As the missing value exists, after deleting incomplete samples, the empirical analysis only concerns a subsample, which includes 8797 respondents in the survey, covering 85 cities in 31 provinces in China. As is shown in Table1, people's trust in local governments is very high. 65% of the respondents show extraordinary trust in the local governments. Other individual-level variables show that the samples are typical.

According to Table2 the descriptive statistics of city-level variables, the degree of fiscal range from 13% to 85%, which means the fiscal autonomy have great individual difference. It is notable that fiscal distortion range from 62% to 154%, which reflect the individual difference among cities' expenditure preference.

Table2 Descriptive Statistics of City-level Variables

Variable names	Mean	St.Dev.	Min.	Max.
Degree of Fiscal Decentralization	0.47	0.2	0.13	0.85

Developmental Preference	0.22	0.05	0.14	0.35
Public Service Preference	0.38	0.07	0.18	0.57
Fiscal Distortion	0.62	0.23	0.29	1.54
Population	517.24	263.76	46.47	1112.3
GDP Growth%	14.82	2.83	6.3	30.53
Number of Cities	85			

We first run ordinal logistic regression to detect whether there is a relationship between decentralization and political trust. Table3 report coefficient and standard errors of determinants of political trust in both individual and city level. In model0 with only individual variables, most variables except education showed significant influence on political trust. When adding city level variables in to model1, degree of fiscal decentralization shows significantly positive association with political trust. Cities with more fiscal autonomy are likely to have higher political trust from their citizens.

Table3 Total Impact of Fiscal Decentralization

	Model0			Model1		
	Coef.	SE	Sig.	Coef.	SE	Sig.
Gender	0.18831	0.04006	***	0.14205	0.04015	***
Media Use	0.08958	0.02064	***	0.01761	0.02084	
Political Level	0.13659	0.0659	*	0.17077	0.06595	**
Ethnic	0.3128	0.09629	**	0.2865	0.09604	**
Age	0.20795	0.02255	***	0.18128	0.0226	***
Income	-0.06399	0.02003	**	-0.06288	0.01992	**
Education	0.03678	0.03679		-0.06442	0.03727	.
GDP Growth				0.13154	0.08046	
Population				-0.17377	0.08359	*
Fiscal Decentralization				1.84113	0.2547	***

Notes: Model: Multilevel Ordinal Logistic Regression; .p<0.01; *p<0.05; ** p<0.01; *** p<0.005

As is revealed in table4, cities with a higher degree of fiscal decentralization or fiscal autonomy showed stronger significantly preference on development and are more

likely to ignore public service. The fiscal distortions get even more serious as fiscal autonomy rises up. This model is simple but reveal the strong associations between the degree of fiscal decentralization with these three kinds of expenditure preference which supports the mediating effect exists.

Table4 Mediator: Expenditure Preference

Mediator:	Developmental Preference		Public Service Preference		Fiscal Distortion	
	Coef.	Sig.	Coef.	Sig.	Coef.	Sig.
(Intercept)	-3.380	***	0.184		-1.046	***
Degree of Fiscal Decentralization	1.395	***	-3.692	***	2.724	***
GDP per capita	0.070	*	-0.271	***	0.287	***
Fiscal Revenue	-0.328	***	-0.102	***	-0.032	**
Population	-0.265	***	0.066	***	-0.062	***
GDP(lg)	0.411	***	0.235	***	-0.04	

Notes: OLS; .p<0.01; *p<0.05; ** p<0.01; *** p<0.005

Table5 Direct and Indirect Impact of Fiscal Decentralization

	Model2		Model3		Model4	
	Coef.		Coef.		Coef.	
Gender	0.13879	***	0.126057	**	0.1311102	**
Media Use	0.01284		-0.009315		0.0002686	
Political Level	0.17118	**	0.181355	**	0.1753814	**
Ethnic	0.28378	**	0.28387	**	0.2792499	**
Age	0.1796	***	0.171864	***	0.1756162	***
Income	-0.06287	**	-0.058768	**	-	**
Education	-0.07068	.	-0.097779	**	0.0608416	
GDP Growth	0.16503	*	0.099953		0.0858937	
Population	-0.16793	*	-0.238517	***	0.1668035	*
Fiscal Dec.	1.95319	***	2.464964	***	0.1728626	
DevPref	-0.23269	**			2.2487834	***
PubPref			0.516897	***		

ExpDist - ***
0.4237245

Notes: Model: Multilevel Ordinal Logistic Regression; .p<0.01; *p<0.05; ** p<0.01; *** p<0.005

Table5 includes the result of model2 to 4, which reveal the influence of local governments' expenditure preference. Even with mediators in the models, the direct influence of fiscal decentralization stays stable and positive. The three kinds of expenditure preference, developmental preference, public preference and expenditure distortion all show statistically significant influence at 0.005 confidence level. As local governments invest more proportion in economic development, people in the city are more likely to distrust local governments. However, investment in public service would help to increase the public support (You, 2015; Meng, 2012). As fiscal distortion get more serious, people would trust less in local governments significantly. In the meanwhile, these three kind of expenditure preference are strongly influenced by fiscal decentralization, which prove the mediating effect existing. Combine table4 and table5, there exists an incomplete mediating effect. Fiscal decentralization would decrease political trust by increasing the preference on development, decreasing the preference on public service and strengthening expenditure distortion (Fu, 2010; Fu & Zhang, 2007). The fiscal decentralization not only has a direct effect on political trust but also attach an indirect impact through expenditure preference.

5. Conclusion and Discussion

Build on data combining a nationwide survey conducted in 2010 and fiscal statistics with specific items in 2007, this study investigated the relation between fiscal

decentralization and political trust in China. We employ multilevel ordinal logistic regression to reveal that, although the fiscal decentralization helps local governments have more autonomy and capacity to attract public support, it also contributes to shaping the expenditure preference, which decreases the political trust by distorting expenditure structure.

We sought to extend the current literatures by unpacking the mechanism from fiscal decentralization to political trust. The finding is distinct from existing empirical analysis on political trust in China with taking the expenditure structure as mediating factors into account.

The asymmetric decentralization keeps the administration and political power centralized in the central government (Chien, 2010), while local governments own varying degrees of autonomy (Tao & Liu, 2007). The centralized administrative power especially the personnel administration held by central government, local officers need impressive economic performance for promotion (Zhou, 2007; Li & Zhou, 2004). Local governments with more autonomy in fiscal budget making would focus more on economic development and ignore public service (Fu, 2010; Fu & Zhang, 2007). However, the citizen in China treasure public service more than economic investment. After decades of rapid economic development, people in China pay more attention to public service rather than economic growth, which support the critical citizen hypothesis raised by Inglehart (1997). As increasing developmental investment reduces the proportion of public service, the developmental preference of local governments leads to a counterproductive result in political trust.

Decentralization with its promise to promote political trust is considered to improve the relation between governments and citizen. However, the situation in China is more complex. By revealing the complicated mechanism underlying people's trust in government, our empirical analysis also sheds light on the contradiction in China's governance, the tension between efficiency and unification of governance (Zhou, 2011). These two adverse impacts from fiscal decentralization system are the representation of the contradiction. With more information, decentralization enables local governments to service people more effectively. However, local officers lack in incentive to attract public support but have an intense urge to get promoted (Chien, 2010). In result, the advantage of information helps a little. Autonomy and capacity brought by fiscal decentralization are utilized to meet performance check from the central government and get promoted. In the other word, incentive of promotion rather than political trust from people dominants behavior of local officers. The incentive of promotion is one of control ability of the central government, which help to maintain the unification of governance in China. However, the control affects the efficiency of governance produced by more efficient institutional design like fiscal decentralization system.

Chinese political leader president XI asserted that people's support is the greatest politics. To promote people's political trust in government, the check of officers' performance should include people's opinion or support. As the basement of legitimacy, political trust from people should be institutionalized as an evaluation standard. The institution of absorbing public evaluation and turn into promotive incentive, needs more

delicate and balanced design.

Limited by the statistical data, we use individual dataset in 2010 but city-level dataset in 2007. As we focus on the autonomy of municipal government, the relation between fiscal decentralization and trust in the central government is ignored. Future study should explore the relation and mechanism between fiscal decentralization and trust in the central government, which may be an approach to explain the gap of trust between central and local government (Li, 2016).

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