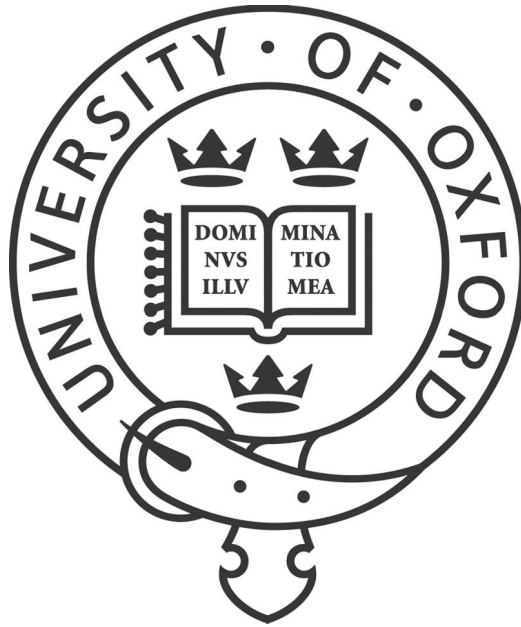


**LAND, DISTRIBUTIVE POLITICS AND RURAL GOVERNANCE
IN REFORM CHINA**



KAN CHING YEUNG, ST ANTONY'S COLLEGE

SUBMISSION FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

DEPARTMENT OF POLITICS AND INTERNATIONAL RELATIONS

UNIVERSITY OF OXFORD

TRINITY 2014

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ABSTRACT

This thesis is concerned with distributive politics arising from land development and territorial changes in reform China. It adopts a historical institutionalist approach in examining the evolution of rural institutions, with a specific focus on the rural shareholding cooperative and the village joint stock company. It argues that despite the move towards the market in the reform era, core elements of the state socialist redistributive economy imposed upon rural society in the Maoist era have been sustained and reproduced in the two reform-era institutions. The re-collectivisation of the village through the shareholding reform has provided the institutional foundations for the continued deployment of redistributive power and the reproduction of paternalistic relations that generate expectations of the fulfilment of an implicit social contract.

This thesis argues that while the reforms have helped to hold the village together in the midst of drastic territorial change, the very operation of the institutions may be generating endogenous pressures for change as they heighten propensity of power abuse and produce unequal distributive outcomes. These internal contradictions were exacerbated by the *hecun gaizhi* reform, which abolished grassroots organisations of self-governance and created semi-private entities, which by their straddled nature were not subjected to any effective mechanisms of checks and balances. This privatisation of rural governance has profound implications on rural outcomes. By comparing and contrasting the divergent trajectories undertaken by three villages that shared similar characteristics, this thesis sheds light on some of the deeply problematic aspects of rural governance in contemporary China.

Table of Contents

Abstract.....	iii
Table of Contents	v
List of Tables	vii
List of Figures.....	viii
Acknowledgement.....	ix
1. Introduction: The Chinese Village in the Age of Urban Triumphalism.....	1
Research Focus: Land Distributive Politics in Reform China	4
Analytical Strategy: An Institutional Approach.....	12
Theoretical Literature: Debating Post-socialist China	17
Key Arguments	31
Dissertation Outline	37
2. China's New Land Politics: A Background to Rural Transformation	39
New Activism of Local Governments	40
Defining the New Land Harvest	44
Creation of Monopoly Rent in the Urban Land Market	48
Government's Reliance on the Land Harvest	52
Entrepreneurial Turn in Urban Governance	59
Territorial Expansionism	64
The Case of Guangzhou.....	70
Summary	78
3. Research Design	80
Choice of Research Site	81
Selection of Cases	84
Sources of Data and Collection.....	88
Limitations of Research and Data.....	102
Note on Referencing	103
4. Redistributive Socialism in Rural China: Origin, Consolidation, and the Challenges of Reform.....	104
Land Reform and the Remaking of Territorial Order	106
Collectivisation and the Redistributive System	117
Market Reform and Challenges to Redistributive Socialism.....	125
De-collectivisation and the New Rural Economy.....	132
Discussion	139
5. The Rural Shareholding Cooperative and the Re-collectivisation of the Village.....	141
Land Expropriation and Territorial Control.....	143
The Rise of the Rural Shareholding Cooperative	152
Shareholding as Delineation of Rights	157
Shareholding as Re-collectivisation	159
Shareholding and the Renewal of Redistributive Power	167
Summary	169

6. The Village Joint Stock Company and the Privatisation of Rural Governance	171
The De-Ruralisation of Villages	173
Concentrated Powers: The Village Company as a Straddled Institution	176
Disintegration of Accountability Institutions	182
Weakness of Top-Down Regulation	187
Privatisation and the Redistributive Social Contract	190
Embeddedness and the Centrality of Social Institutions	191
Summary	201
7. Divergent Paths: A Comparison of Three Villages	203
Shipai: Robust Redistributive Contract	205
Land Rents Coalitions in Liede and Xiancun	214
A Comparison of the Two Villages	231
Summary	236
8. The Contentious Politics of <i>Chaiqian</i>: Liede and Xiancun Compared	238
Redevelopment as Distribution of Capitalised Rent Gap	239
Liede: Power Brokerage and Mobilisation of Consent	242
Xiancun: Implosion and Unravelling of the Village	249
Obstacles to Change	267
9. Concluding Reflections	270
Privatisation and Precarious Rural Outcomes	270
Non-linear Urbanisation and its Discontent	274
Rural Resistance and Authoritarian Resilience	278
Appendix	288
Bibliography	290

Tables

Table 4.1	Ownership of land by class labels in Shipai village prior to Land Reform
Table 4.2	Distribution of classes by number of village households in Liede and Xiancun
Table 4.3	Area of land confiscated by class or type of land in Shipai village
Table 4.4	Ownership of land by class labels in Shipai village after Land Reform
Table 4.5	The growth in output and revenue from village enterprises in Liede, 1980-1990
Table 4.6	Economic indicators of Shahe township, 1985-1994
Table 5.1	Area of land expropriated from Liede, Xiancun and Shipai, 1949-1992
Table 6.1	New companies replacing villagers' committees in Tianhe district's villages
Table 6.2	Distribution of community and society shareholders in Shipai, Liede, and Xiancun
Table 6.3	Contribution of Tianhe's village economies to local government revenues
Table 6.4	Percentage of shareholders' representatives by surname in comparison to percentage of village population by surname in Liede
Table 7.1	Income and expenditure of Shipai village collective
Table 7.2	Dividend distribution in Shipai village
Table 7.3	Welfare expenditure by Shipai Sanjun Enterprise Group, 1997-2002
Table 7.4	List of select joint development projects between Liede Economic Development Company (LDEDC) and developers
Table 7.5	List of select joint development projects between Xiancun Economic Development Company (XCEDC) and developers

Figures

Figure 2.1	Government advertisement visualizing new Tianhe district CBD
Figure 3.1	Map of Guangzhou with location of Tianhe district highlighted
Figure 3.2	Map of Tianhe district with location of villages highlighted
Figure 3.3	Shipai Village
Figure 3.4	Xian Village
Figure 3.5	Liede Village
Figure 5.1	Structure of the shareholding system
Figure 6.1	Organisational structure of the village joint stock company
Figure 6.2	Family network of power in Xiancun
Figure 7.1	Map of the Pearl River New City with numbered land parcels
Figure 8.1	The view of Pearl River from a villager's new apartment
Figure 8.2	New office building of Liede Economic Development Company
Figure 8.3.	The view of a main street in Xiancun in mid-2011
Figure 8.4	Xiancun enclosed by walls
Figure 8.5	Xiancun during demolition
Figure 8.6	Banners in Xiancun calling on villagers to support redevelopment

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CHAPTER 1

Introduction

The Chinese Village in the Age of Urban Triumphalism

The landscape of Chinese cities has undergone tremendous transformation in past three decades. From a visual-spatial order that reflected the ambition of maximum industrialisation and the promotion of collective consciousness, the new Chinese city saw the rise of towering skyscrapers, new central business districts and giant shopping complexes that stand testimony to the post-socialist regime's embrace of a market economy. Seen as the engine propelling national, regional and local economic growth and therefore deserving of greater power and more resources, cities took on primary roles as nodes of economic organisation and centres of consumption in the reform era. As symbols of cosmopolitanism and civilisation, the city has re-emerged as the triumphant form in the national geographical imaginary. Fresh injection of capital into city building and relaxed migration rules has brought about rapid urbanisation and the expansive growth of Chinese cities.

Accompanying this narrative of the urban triumphant, however, is the rapid loss of farmland in the countryside and dramatic increase in instances of land seizures and compulsory evictions. Between 1985 and 1988, an average of 208,000 hectares of cultivated land were lost per year to rural and urban construction.¹ The first six years of the 1990s saw the further disappearance of 4.85 million hectares of cultivated land, most noticeably in East and Central China.² The process of deterritorialisation has often been a conflict-ridden and violent one as peasants are forcefully dispossessed of their farmland and uprooted from rural communities.

The expansion of the urban for furthering capital accumulation and the resulting retreat of the rural thus make up the key territorial processes in China's post-socialist transformation. This research is concerned with how these twin processes have reconfigured state-peasant relations and reshaped rural politics. It closely follows the development of three villages situated in what used to be the rural suburbs of Guangzhou, the provincial capital of Guangdong. Today, the three villages are located at the pulsing heart of one of China's three largest central business districts, the Pearl River New City. In a matter of decades, the landscape of these three villages has transformed from cultivated fields to commercial high-rises that are emblematic of urban modernity. How has the village, as a historical institution emerging from Maoist collectivisation, adapted to these drastic changes? How has it managed to survive, and what are the institutional forces that continue to hold it together?

This thesis is primarily concerned with distributive politics arising from land development and territorial changes. It adopts a historical institutionalist approach in

¹ George C. S. Lin and Samuel P. S. Ho, "The State, Land System and Land Development Processes in Contemporary China," *Annals of the Association of American Geographers* 95, no. 2 (2005): 424.

² George C. S. Lin and Samuel P. S. Ho, "China's Land Resources and Land-use Change: Insights from the 1996 Land Survey," *Land Use Policy* 20 (2003): 98.

examining the evolution of rural distributive institutions. It argues that despite the move towards the market in the reform era, the distributive regime inherited from the redistributive economy under state socialism continues to be the dominant mechanism through which collective resources are managed and organised. The continued salience of redistributive power is closely tied to land and territorial politics. It is precisely the loss of farmland resulting from urban expansionism that has created the conditions for the emergence of land-owning rural collectives in the reform era, and the recentralisation of resources in the hands of these collectives under the institutional framework of collective ownership. The rise of these collectives constituted the reproduction of core elements of redistributive socialism, including the renewal of rural elite power. This thesis argues that while these mechanisms have helped to hold the village together in the midst of drastic territorial change, the very operation of the collectives may be generating endogenous pressures for change as it heightens propensity of power abuse and produces unequal distributive outcomes.

By studying three villages, this research also attempts to explain the evolution of divergent trajectories from state socialism. The three villages chosen are historical neighbours and share similar political, socioeconomic and territorial characteristics. Nonetheless, the establishment of land-owning rural collectives in the three villages has resulted in drastically different outcomes that became more and more distinct in the 2000s. Answering the question of why such divergent paths manifested will shed light on some of the deeply problematic aspects of rural governance in contemporary China.

Research Focus: Land and Distributive Politics in Reform China

Land, and the struggle over the yield of the land, lies at the very heart of rural politics.

A survey of current scholarship

The great territorial transformation of reform China has spawned a burgeoning literature on urbanisation and land-related politics. This collection of scholarship comes from a wide range of disciplines, from political science, economics, sociology and anthropology to geography, urban studies and legal studies. The topic of land-related disputes, in particular, has gained greater academic attention in recent years as the seizures of land grew to become “the most conflict-generating issue in rural China”.³ According to a 2009 report, 40 percent of the cases received by the National Petition Office between 2003 and 2006 were related to forced demolition.⁴ The Chinese Academy of Social Sciences estimated that conflicts over land accounted for approximately 65 percent of the 187,000 mass incidents that took place across the country in 2010.⁵ Aside from the sheer number of cases, land-related conflicts were also amongst the most violent. In 2005, paramilitary and riot police opened fire at protesting villagers in Dongzhou, Shanwei, and caused at least ten deaths in one of the largest known uses of force against citizens since the Tiananmen tragedy. According to official statistics, supervisory departments handled 11 forced demolition cases that resulted in fatalities in the year 2011 alone.⁶ Some of these were caused by ruthless demolition tactics, while others were suicides committed by those who were driven to

³ Cai Yongshun, *Collective Resistance in China: Why Popular Protests Succeed or Fail* (Stanford: Stanford University Press, 2010), 53.

⁴ Tang Yue, “Law brings reduction in forced demolition,” *China Daily*, October 14, 2013.

⁵ Tim Hanstad, “Anchoring Land Rights in China,” *Wall Street Journal*, October 14, 2011.

⁶ “China handles 1,480 forced demolition cases,” *China Daily*, March 2, 2012.

despair. At least 41 cases of self-immolations resulting from forced evictions were known to have taken place between 2009 and 2011.⁷

Scholars working from a contentious politics framework have been keen observers of the rising tide of rural resistance. Focusing on rural land, Xiaolin Guo notes the “exploitative nature of land expropriation” and illustrates how “the feeling of being deprived of a livelihood and welfare” serves as a key driving force behind rural resistance.⁸ Attention has also been directed to the phenomenon of holdouts, also known as “nail-house defenders”: households who refuse to vacate their property even after demolition has been ordered. Scholars note how these peasants are able to use the newly promulgated Property Law as a legal weapon for negotiating with the state.⁹ Using these weapons, peasants are empowered to engage in what Ching Kwan Lee and Yonghong Zhang call “protest bargaining”, where the disenfranchised affords “a certain degree of political leverage and relatively expansive opportunities to obtain material concessions and symbolic rewards from the state”.¹⁰ Despite individual instances of “success”, as one must consider whether extracting a higher level of compensation at the cost of foregone rights can be defined as such, scholars concede that peasant protests make little impact on outcomes and are often violently quelled. Yongshun Cai observes how suppression is the common mode of response to peasant protests as the cost of concessions is considered too high for local governments.¹¹

⁷ Amnesty International, “Standing their Ground,” October 11, 2012.

⁸ Xiaolin Guo, “Land Expropriation and Rural Conflicts in China,” *The China Quarterly* 166 (2001): 422-439.

⁹ For example, Matthew Erie notes how “the protection of property rights has emerged in reform China as not just a criterion of the middle class, but also as a lightning rod of class consciousness among the urban poor”. See Erie, “Property Rights, Legal Consciousness, and New Media in China: The Hard Case of the ‘Toughest Nail-House in History’,” *China Information* 26, no. 1 (2012): 37.

¹⁰ Ching Kwan Lee and Yong Hong Zhang, “The Power of Instability: Unraveling the Microfoundations of Bargained Authoritarianism in China,” *American Journal of Sociology* 118, no. 6 (May, 2013): 1503-4.

¹¹ Cai, *Collective Resistance in China*.

While this literature affords generous insights into the dynamics of grassroots mobilisation within an authoritarian context, its focus on contentious processes often fails to bring out the structural issues that cause such protests in the first place. Most of these accounts are based on the legal starting point that certain rights, be it land rights or property rights, have been violated. The analytical narrative then turns to the phenomenon of resistance. In trying to explain the forces animating land-related rural protests, scholars often point to the ambiguity of rights. Peter Ho, for example, points out how land rights are left deliberately ambiguous because the central government need to strike “the right balance between ideology and the socio-economic reality” as it grapples with the dilemma of “how far privatisation [of land rights] can proceed before corrupting the Marx-Leninist principles of state and collective land ownership”.¹² To Ho, this vagueness of rights is the root cause of escalating land disputes in rural areas. Accordingly, his prescription follows that “to secure villagers’ rights, it is critical that the central leadership takes the lead in clarifying the legal boundaries of collective ownership”.¹³ As will be shown, property rights in reforming socialist countries are indeed fuzzy, vague, and ambiguous.¹⁴ The clarification and predictable enforcement of rights is a crucial step towards protecting individual interests.

Nonetheless, the legal perspective alone cannot answer the question of why and how this ambiguity of rights has led to widespread protests. Doing so requires looking deeper into the structures that define distributive relations in Chinese villages. It is the contention of the researcher that *legal disputes and struggles arising from land rights*

¹² Peter Ho, “Who Owns China’s Land? Policies, Property Rights and Deliberate Institutional Ambiguity,” *China Quarterly* 166 (2001): 420.

¹³ *Ibid.*, 421.

¹⁴ See, for example: Katherine Verdery, “Fuzzy Property: Rights, Power, and Identity in Transylvania’s Decollectivisation,” in *Uncertain Transitions: Ethnographies of Change in the Postsocialist World*, ed. Michael Burawoy and Katherine Verdery (Lanham: Rowman & Littlefield Publishers, 1999), 53-82.

and property rights really point to the deeper structural issue of institutionalised distributive inequality and must be understood as such. When one peels back the language of the law which villagers so eloquently employ in their protests, it is the problem of distributive inequality and the abuse of distributive power by local elites that underpin villagers' collective sense of violation and frustration. While land-related protests take the manifest forms of rights disputes and protest bargaining, therefore, one must look into the mechanisms of distribution and the underlying power structures that sustain them in order to address the heart of the problem.

A statement of research agenda

By distributive relations this thesis refers specifically to the division of what I call the new land harvest. Land has been and remained one of the key resources held in collective ownership by the village collective. The struggle over the produce of the land is a constant feature of rural politics. Jean Oi's important study on the political economy of the village government seizes precisely on this notion. Her book opens with the statement that, "Communist revolutions eradicate traditional power structures, but they do not alter the basic issue of peasant politics: how the harvest shall be divided."¹⁵ To Oi, state-peasant relations are essentially about the distribution of the agricultural surplus. In the Mao era, the central government and local cadres quickly stepped in to fill the place of pre-communist landlords and became the new claimants of rural surpluses. Peasant politics under collectivisation was characterised by a clientelistic system in which actors at all levels strategically maximised their own share of the harvest within the constraints they operated under.

¹⁵ Jean C. Oi, *State and Peasant in Contemporary China: The Political Economy of Village Government* (Oxford: University of California Press, 1989), 1.

It is taking inspiration from Oi's concept that this research defines the division of the new land harvest as the key relation to understanding rural politics. Despite the rapid conversion of farmland to non-agricultural uses and the territorial uprooting of numerous rural communities, the distribution of the harvest remains a crucial issue as *land rents replaces crop yield as the new produce to be divided*. While the detailed definition of land rents will be given in later chapters, it is sufficient to note here that land-related revenues now account for a substantial portion of local governments' budgetary and off-budgetary income. Similarly for villages, grassroots revenue is now heavily reliant on rent derived from land used for construction purposes as agricultural activities make up a diminishing part of many rural economies. Given the importance of land-derived revenue, the struggle over this new harvest has arguably been just as intense and violent as before, as the rising tide of rural resistance shows. Basic livelihoods remain at stake, particularly in cases where villagers are entirely dispossessed of their land in return for a sum of money they hardly find adequate.

Two sets of distributive relations are examined. The first is distribution between the state and the village, with private property capital emerging as a powerful new claimant. The second is distribution within the village, between rural elites and different groups of villagers defined by their economic status and lineage identity. These two sets of distributive relations are closely interconnected, with rural elites being the key interlocutor and negotiator of distributive relations on both sides.

The analysis of these two strands of distributive politics is grounded in the evolution of institutions. Specifically, this thesis focuses on the institution of the land-based rural shareholding cooperative and its subsequent privatised form, the village joint stock company. Both institutions bear the direct legacies of the redistributive

economy installed under state socialism, as the organisational units of the latter provides the institutional foundations of the former. The legacies are more than structural, however. The shareholding cooperative and the joint stock company also inherit core elements of redistributive socialism, namely the reproduction of redistributive power and the cultivation of paternalistic relations of dependency.

The study of these institutions is important because the rural shareholding cooperative and the village joint stock company are not only central features of the lives of hundreds of millions of Chinese peasants in the reform era, they are also in control of rural land and therefore play a distinctly crucial role in shaping territorial politics in contemporary China. The rural shareholding cooperative has been characterised as “the primary agent of resource allocation in China’s rural industrialisation process after economic reform”.¹⁶ Rural shareholding cooperatives manage collectively-owned land, oversee and operate land transfers, and make distributive decisions regarding the allocation of derived profits. Township and village enterprises, which have proliferated extensively in the reform era, have mostly been built on rural land, hence on land contracted out by these shareholding cooperatives. An informed discussion of rural industrialisation thus cannot be carried out without relating it to the operation of these land-owning corporations.

Into the 1990s and 2000s, these corporations have further entered into large-scale real estate ventures with some of the most powerful property developers in Hong Kong and mainland China. They participate directly in the remaking of the metropolitan landscape of major cities and in doing so blur the very boundaries between the urban and the rural. As our case studies show, one of the most luxurious and financially

¹⁶ Cited in Lanchih Po, “Redefining Rural Collectives in China: Land Conversion and the Emergence of Rural Shareholding Co-operatives,” *Urban Studies* 45 (2008): 1603-1623.

developed areas in Guangzhou today, the Pearl River Central Business District (CBD), is built on rural land through joint development between commercial real estate developers and village joint stock companies.

Aside from shaping the processes of industrialisation and urbanisation, rural shareholding cooperatives and joint stock companies also exercise centralised control over land-derived revenues and make rules about how they should be divided among villagers. They thus play a crucial role in determining peasants' economic well-being and life chances, particularly in villages where all cultivated land has been lost to expropriation.

In view of their importance, the operation of the rural shareholding cooperative and the joint stock company is significantly understudied.¹⁷ Although there have been excellent studies of rural property rights regimes, with the edited volume by Jean Oi and Andrew Walder representing the most systematic of such efforts,¹⁸ these works have invariably focused on the reassignment of property rights in rural industrial enterprises. While important, rural industrial enterprises make up only one part of the village economy, and their very operation is subject to the management and regulation of the rural shareholding cooperative. The studies of property rights restructuring in rural enterprises also draw mainly from the political economy paradigm. As will be shown, the shareholding cooperative and the joint stock company are village-level institutions that govern and regulate multiple areas of rural life with profound implications on grassroots governance. Examining their full impact thus entails

¹⁷ But see Lanchih Po, *ibid.*; Luigi Tomba, forthcoming; Jean C. Oi, *Rural China Takes Off: Institutional Foundations of Economic Reform* (Berkeley, Calif.: University of California Press, 1999); Gregory Ruf, *Cadres and Kin: Making a Socialist Village in West China, 1921-1991* (Stanford, Calif.: Stanford University Press, 1998).

¹⁸ Jean C. Oi and Andrew G. Walder, ed., *Property Rights and China's Economic Reforms* (Stanford, Calif.: Stanford University Press, 1999).

assessing them along at least five dimensions, as a historical, political, economic, social and territorial institution.

Two lines of enquiry drive this institutional analysis. Firstly, the rural shareholding cooperative evolves directly from the socialist redistributive institution put in place during collectivisation in the Mao era. Later, the rural shareholding cooperative itself became the institutional basis for the total corporatisation of the village. These three regimes all share core elements of redistributive socialism, and despite the magnitude of intervening change, namely the move from state socialism to a market economy, these core elements have remained resilient. How has this institution adaptively evolved, and in what ways has it been transformed?

Secondly, how and why has this process of adaptive institutional change produced such drastically different outcomes in three villages that share such similar characteristics? Building on the common model derived from the first research question, the second part of the thesis studies how the institution has taken root in the three villages and evolved along different trajectories that ultimately led to very different outcomes.

The remaining part of this chapter is divided into four sections. The following section discusses the analytical approach that respectively guides the framing of the two research questions. I then review the theoretical literature to identify the key debates this research engages with, before outlining the main arguments it puts forward. The final sections provides an overview of the dissertation.

Analytical Strategy: An Institutional Approach

This thesis adopts a historical institutionalist approach in examining the evolution of rural distributive institutions. Institutions, following Wolfgang Streeck and Kathleen Thelen, can be defined as “building-blocks of social order” that “represent socially sanctioned, that is, collectively enforced expectations with respect to the behaviour of specific categories of actors or to the performance of certain activities.”¹⁹ Institutions govern behaviour by distinguishing between “appropriate and inappropriate, ‘right’ and ‘wrong’, ‘possible’ and ‘impossible’ actions”, thereby “organising behaviour into predictable and reliable patterns”.²⁰ The task for the historical institutionalist is to explain both an institution’s continuity and change, with an analytical emphasis on “how institutions emerge from and are embedded in concrete temporal processes”.²¹

Institutional reproduction through active mobilisation

One model frequently employed by historical institutionalists in explaining institutional development is what can be characterised as the “punctuated equilibrium” model. In this view of institutional development, long periods of stability are punctuated by abrupt, exogenous shocks that open up a short period of relative structural indeterminism, where critical decisions of key actors choose paths that fix the institution down for another period of stability.²² This approach focuses analytical effort on explaining the persistence of particular institutional patterns on the one hand,

¹⁹ Wolfgang Streeck and Kathleen Thelen, “Introduction: Institutional Change in Advanced Political Economies,” in *Beyond Continuity: Institutional Change in Advanced Political Economies*, ed. Wolfgang Streeck and Kathleen Thelen (Oxford: Oxford University Press, 2005), 9.

²⁰ *Ibid.*

²¹ Kathleen Thelen, “Historical Institutionalism in Comparative Politics,” *Annual Review of Political Science* 2 (1999): 369. In the article Thelen distinguishes between three varieties of institutionalism, namely rational choice institutionalism, historical institutionalism, and sociological institutionalism.

²² This characterisation draws from James Mahoney and Kathleen Thelen, “A Theory of Gradual Institutional Change,” in *Explaining Institutional Change: Ambiguity, Agency, and Power*, ed. James Mahoney and Kathleen Thelen (Cambridge: Cambridge University Press, 2010), 7.

and critical moments of change on the other. Long periods of stability are characterised by institutional reproduction through “path-dependent”, self-reinforcing processes, until these are interrupted by “critical junctures” where agency plays a key role in shaping outcomes.²³

One problem with this view of abrupt institutional reconfigurations induced by exogenous factors is that it cannot adequately capture endogenous sources of change. Institutions do not just emerge, break down and get replaced, they also evolve and adapt to new conditions without radical disruptions.²⁴ An evolutionary model that pays attention to incremental processes is thus far more capable of capturing internal nuances, and offers a more dynamic view of institutional resilience.

In this view, path dependency alone is not sufficient in explaining durability. Institutions are not merely “frozen residues of critical junctures”; *they survive because of ongoing efforts to bring arrangements inherited from the past into sync with current contexts*.²⁵ As Thelen observes, “institutional survival often involves active political renegotiation and heavy doses of institutional adaptation”.²⁶ There is “nothing automatic, self-perpetuating, or self-reinforcing about institutional arrangements”; durability is an outcome not simply of increasing returns to power, but

²³ The concept of path dependency seeks to explain how once a country or an actor has started down a track, it is likely to continue as doing so offers increasing returns. Increasing returns processes are self-reinforcing or positive feedback processes. To cite Paul Pierson, “In an increasing returns process, the probability of further steps along the same path increases with each move down that path. This is because the relative benefits of the current activity compared with other possible options increase over time. To put it a different way, the costs of exit – of switching to some previously plausible alternative – rise.” See Paul Pierson, “Increasing Returns, Path Dependence, and the Study of Politics,” *American Political Science Review* 94, no. 2 (2000): 252. Moments leading up to change are conceived of as “critical junctures”, defined as “brief phases of institutional flux” during which “wilful actors shape outcomes in a more voluntaristic fashion than normal circumstances permit”. See Giovanni Cappocia and R. Daniel Kelemen, “The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism,” *World Politics* 59 (April 2007): 341-369.

²⁴ Mahoney and Thelen, “A Theory of Gradual Institutional Change,” 1.

²⁵ Kathleen Thelen, *How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States, and Japan* (Cambridge: Cambridge University Press, 2004).

²⁶ *Ibid.*

of continuous effort by political actors at the mobilisation of resources.²⁷ Agency plays a central role at all times, even during periods of apparent stasis and stability.

Understanding institutional resilience thus requires looking into both the mechanisms of *reproduction* that sustained the institution, as well as the mechanisms behind the institution's gradual *transformation* over time.²⁸ Doing so would avoid the "conservative bias" that tends to explain what is new as just another version of the old.²⁹ As Michael Burawoy and Katherine Verdery similarly cautions in their work on post-socialist transitions, what appear as "restorations" of familiar patterns should not be interpreted simply as remnants of the past or as the persistence of old habits, they may be direct responses to new initiatives and environments.³⁰

This evolutionary perspective of institutional reproduction through adaptation is the analytical approach used in answering the first research question posed in this dissertation. It argues that the apparent durability of core elements of redistributive socialism cannot be seen simply as the product of holdover of old habit or processes of self-perpetuating path-dependent processes, but rather that they were actively reproduced by political actors in order to maintain their privileged position in face of new challenges created by territorial changes. In doing so, the political elites consolidated their own power as old interests re-organised around the renewed institution.

²⁷ Mahoney and Thelen, "A Theory of Gradual Institutional Change," 8.

²⁸ Thelen, *How Institutions Evolve*.

²⁹ Streeck and Thelen, "Introduction," 3.

³⁰ Burawoy and Verdery, "Introduction," in *Uncertain Transitions: Ethnographies of Change in the Postsocialist World*, ed. Michael Burawoy and Katherine Verdery (Lanham: Rowman & Littlefield Publishers, 1999), 1-18.

Institutions as contested settlements

Adopting the perspective above requires treating institutions as dynamic arrangements that are open to contests. If institutional reproduction is closely tied to active agency and the continuous creation and nurturing of support, then institutions really represent “relatively durable though still contested settlements” that are vulnerable to shifts.³¹

Indeed, *institutions are fraught with tensions because they have distributional consequences*: “Any given set of rules or expectations – formal or informal – that patterns action will have unequal implications for resource allocation, and clearly many formal institutions are specifically intended to distribute resources to particular kinds of actors and not to others”.³² Institutions designed to benefit certain actors and not others thus reproduce patterns of stratification and inequality, and in doing so may plant the endogenous seeds for change.

Challenges of existing arrangements may come from within the elites, as distribution accumulating advantages for a select few triggers divisions among institutional power holders. Challenges may also rise up from below, where those disadvantaged by the current arrangements unite in their discontent over what they see as unfair distribution.³³ For example, David Stark and Victor Nee note how officials in state socialism were limited by the resistance of subordinate groups. They cite the case of Poland where the Solidarity movement constituted “the organised expression of

³¹ Mahoney and Thelen, “A Theory of Gradual Institutional Change,” 8.

³² *Ibid.*

³³ As Mahoney and Thelen postulate, “change can occur if institutions disadvantage subordinate groups to the point that they organise and come to identify with one another, thereby increasing their power and capacity to break prevailing institutional arrangements”. *Ibid.*, 9-10.

transformative strivings from below”.³⁴ A divided elite and a united subordinate group both challenge institutional durability.

The strength of these challenges and their likelihood of bringing about change must be measured against entrenched forces interested in keeping current arrangements in place. Institutions in authoritarian regimes, even without a coherent leadership or facing a mobilised mass, may still be kept in place by upper level governments who have a vested interest in the continued functioning of the institution. The interest may be economic, in that upper level governments derive material benefits and advantages from the current arrangement. The upper level government may also be politically motivated in that the functioning of prevailing institutions serves specific governance goals. In either case, upper level governments can use both administrative and coercive means at their disposal to ensure the continued preponderance of the institution.

Viewing institutions as contested settlements open to disputes and shifts provides an analytical angle for comparing and contrasting divergent outcomes, and helps answer the second research question posed above: how and why three villages with such similar characteristics have evolved along such different paths. Tracing their evolution in the reform era, I point to how different patterns of sociopolitical authority have emerged in each of the three villages, leading to the institutionalisation of distributive arrangements that are contested to various degrees by actors in each village.

³⁴ David Stark and Victor Nee, “Toward an Institutional Analysis of State Socialism,” *Working Paper* No. 115 (The Helen Kellogg Institute for International Studies, December 1988), 13. They also note how opposition can be expressed through less formal networks of social organisations that involved reciprocity and exchange that constituted a “second economy” outside of central planning.

Theoretical Literature: Debating Post-socialist China

Having laid out the research agenda and analytical strategy, this section turns attention to the theoretical literature and highlights the key debates that this dissertation engages with. The literature reviewed here focuses primarily on the scholarship espousing from the paradigm of political economy. Political economists examine the allocation of resources, the delineation and assignment of property rights, state-market relations and seek to draw out their political implications. This thesis shares the paradigm's focus on distributive relations as the crucial lens for the analysis of rural politics.

This section consists of two parts. The first part draws upon the comparative literature on post-Communist transitions to identify the key components of the state socialist redistributive economy introduced under Maoist China. These core elements provided the institutional basis for the rural shareholding cooperative of the reform era. The second part introduces the theoretical debate on the nature of the Chinese economy's move out of state socialism. The market transition school predicts a teleological, path-dependent progression towards a full-fledged market economy, while the transformation school argues that new institutional configurations have emerged that may well evolve into durable regimes. The section highlights the key arguments and demonstrates why the latter perspective offers more accurate insights into China's rural transformation.

Redistribution under state socialism

From the 1980s to the 1990s, political economists studying rural China have been preoccupied with the search for a definitive characterisation of the political and

economic changes that have swept over the Chinese countryside since de-collectivisation. These scholars proceeded from the common ground that the Maoist era witnessed the imposition upon rural society of what could be characterised as a state socialist redistributive economy. This conceptualisation draws from the rich comparative literature on post-Communist countries. The following analysis draws upon these works and identifies four definitive features of redistributive socialism.

Redistribution lies at the heart of the socialist economy. Michael Burawoy and Katherine Verdery characterise socialism as “a system organised around state-controlled redistribution”.³⁵ In redistributive economies, goods and resources are collected and distributed through centralised decision-making.³⁶ While some degree of redistribution takes place in most types of economies, the state socialist redistributive economy constitutes a distinct type in that redistribution makes up “the integrative principle” of the economy.³⁷ Earnings generated from state-owned resources do not go directly to those who produce the goods, such as farmers and workers, but to those in bureaucratic positions, who, by virtue of their administrative ranks, make allocative decisions and redistribute goods to the producers. For example, in China’s agricultural cooperatives and communes, it was the brigade and team leaders who controlled how the means and quotas of production were allocated between members. These leaders collected all the produce and made decisions on how earnings were redistributed to individual households.

One fundamental feature of redistributive socialism is thus *the preponderance of vertical, hierarchical relations*. In his study of post-Communist transitions, Janos

³⁵ Burawoy and Verdery, “Introduction,” 4.

³⁶ Cited in Victor Nee, “A Theory of Market Transition: From Redistribution to Markets in State Socialism,” *American Sociological Review* (1989): 663.

³⁷ *Ibid.*

Kornai delineates “bureaucratic coordination” as an ideal type of coordination in an economic system as opposed to “market coordination”. In bureaucratic coordination, a vertical relationship exists between the coordinator of activities and the coordinated individuals. The relationship is “lasting and institutionalised” in that it is “mutually acknowledged both ‘above’ and ‘below’”, by the coordinating superiors and those in the subordinate position.³⁸ This stands in contrast to market coordination, where horizontal relationships between the buyer and the seller posit an equal relationship between the two participants from the legal point of view.³⁹ In redistributive economies, the bureaucracy plays an active role in the allocation of resources and the redistribution of income, and control is exerted through a multilevel hierarchy.

Given these hierarchical relationships, *the redistributive economy has clear distributional consequences in that it perpetuates the political power of redistributors.*

For Ivan Szelenyi, redistributive socialism creates a class of redistributors who are defined by their position in the administrative hierarchy. As redistribution takes place on the basis of one’s position in the politically defined bureaucratic system, a higher rank in the system equals a greater share in collective goods and resources. Based on his study of Eastern European cases, Szelenyi notes that “the state socialist redistributive mechanism appropriates surplus directly from the immediate producer and creates and structures social inequalities through the process of its reallocation”.⁴⁰ Since those who monopolise redistributive power tend to “favour ‘their own kind’” when they allocate scarce resources, profound inequalities can be found in the socialist economy.⁴¹ Because all redistributors share the common interest of

³⁸ Janos Kornai, “The Hungarian Reform Process: Visions, Hopes, and Reality,” *Journal of Economic Literature* 24 (December 1986): 1690.

³⁹ *Ibid.*, 1687-1737.

⁴⁰ Nee, “A Theory of Market Transition,” 665.

⁴¹ Cited in *ibid.*, 666.

preserving the system from which they derive benefits, they make discriminatory distributive decisions that reinforce the power of fellow redistributors and thus constitute a class of their own.

Finally, *the legitimacy of redistributive socialism rests strongly on paternalism and the fulfilment of an implicit social contract*. In socialism, the Party-state secures its paternalistic superiority over society by claiming the exclusive power to collect the total social product and to make it available to its subjects. Its rule is justified and legitimised by the very claim that “the Benevolent Father Party” would “take care of everyone’s needs”.⁴² Redistribution thus constitutes the basic social contract between the socialist regime and its people. Linda Cook defines the Soviet social contract as one in which the regime exchanges the comprehensive provision of social and economic security for political compliance and quiescence.⁴³ In his study of Chinese factories Andrew Walder also points to the practice and ideology of paternalism in the enterprise community as promoting a “stable pattern of tacit acceptance and active cooperation” and as crucially productive of workers’ consent.⁴⁴

One key factor leading to the distinct functioning of socialism in contrast to capitalism, therefore, lies in the fact that “socialism’s inner drive was to accumulate not profits, like capitalist ones, but distributable resources”.⁴⁵ The aim was not to maximise revenues, but “to increase dependency of those within”.⁴⁶ Because the effective functioning of redistributive institutions generates basic legitimacy for socialism, the socialist state has the incessant drive to accumulate means of production. The need to

⁴² Katherine Verdery, *What Was Socialism, and What Comes Next?* (Princeton: Princeton University Press, 2003).

⁴³ Linda Cook, “Brezhnev’s ‘Social Contract’ and Gorbachev’s Reforms,” *Soviet Studies* 44, no. (1992): 37-56.

⁴⁴ Andrew G. Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986), 249.

⁴⁵ Verdery, *What Was Socialism, and What Comes Next?*

⁴⁶ *Ibid.*

fulfil its part of the tacit contract drives the socialist state's relentlessly "productionist" orientation and its need to control all means of production under a centralised system.⁴⁷

The model of the state socialist redistributive economy has been applied in analysing collectivisation in Maoist China. In comparison with small Communist states such as Hungary, and even the Soviet Union, China is distinct in that the degree of decentralisation of planning proceeded to a far greater extent. Walder notes how in socialist China, each level of government had its own production plans, balances of materials, and revenue bases. Unlike the case of Hungary, where it makes theoretical sense to model the state as "a single centralised machine for revenue collection", in China sub-national units such as its 48,000 communes individually constituted redistributive economies on a scale comparable to that of Hungary.⁴⁸ China was, as Walder aptly points out, "not so much a centrally planned redistributive economy as it was a coordinated hierarchy of well over a thousand of such economies", each collecting its own revenues and redistributing resources.⁴⁹ In focusing my level of analysis at the township and village level, therefore, I position my study as examining one of these redistributive economies at the grassroots level.

The effect of market reform on redistributive economies

The gradual liberalisation of the Chinese economy in the reform era raises the important question of how the introduction of the market would influence the

⁴⁷ *Ibid.* To cite Verdery at further length, "most valuable of all to the socialist bureaucracy was to get its hands not just on resources but on resources that generated other usable resources, resources that were themselves further productive. Socialist regimes wanted not just eggs but the goose that lays them. Thus if capitalism's inner logic rests on accumulating surplus value, the inner logic of socialism was to accumulate means of production."

⁴⁸ Andrew G. Walder, "The State as an Ensemble of Economic Actors: Some Inferences from China's Trajectory of Change," in *Transforming Post-Communist Political Economies*, ed. Joan M. Nelson, Charles Tilly, and Lee Walker (Washington D.C.: National Academy Press, 1997), 423-452.

⁴⁹ *Ibid.*

redistributive economy. Kornai defines reform as the change in a socialist economic system in which market coordination increasingly replaces bureaucratic coordination. Since redistributive economies are organised around vertical relationships, the literature seeks to understand how the rise of horizontal, transactive relations would affect the established hierarchical order.

In China, market-oriented changes were most visibly introduced in the realm of agriculture with the introduction of the household responsibility system. As Chapter 4 details, the household responsibility system leased land to individual households on a contract basis and allowed peasants to retain residual income over grains produced in excess of state procurement quotas. Under this system, “the farm household has control over the land it uses and can choose what to produce and how to market its products as is the case in a market economy”.⁵⁰ The infusion of market elements thus kindled a debate on the effect of reform on the socialist institutions of redistribution. Two theoretical perspectives have emerged as major contenders, namely the market transition theory and what can be characterised as the rural transformation school.

In brief, the contending perspectives disagree on two points. Firstly, the two diverge on the resilience of redistributive power. The former argues that reform entails the weakening of redistributive power as the introduction of market mechanisms reduces the effect of advantages afforded by bureaucratic position. The latter argues in contrast that redistributive power would remain salient as resources and connections accumulated under the socialist regime would equip redistributors well to seize on newly opened market opportunities and reap disproportionate gains, and allow them to use such gains to defend their advantaged positions. Secondly, the two perspectives

⁵⁰ Cited in Nee, “A Theory of Market Transition,” 663-4.

draw different implications from reform-era changes. The former sees the current hybrid economy as a transitory phase and the product of “partial reform”, while the latter argues that what has emerged may become durable institutions.

Market transition theory: Partial reform towards full-fledged market economy

The market transition theory is most notably championed by Victor Nee. Nee conceptualises the reform process as a transitory phase in which the rural economy moved from one of centralised command and bureaucratic coordination toward one of decentralisation and market coordination. The model predicts that as more distribution takes place through market-like exchanges rather than administrative allocation, power in the system would gradually transfer to a class of newly rising economic elites.⁵¹ This class will be made up of direct producers, as the increase in horizontal transactive relations will give them more power over the terms of exchange for their goods and services. At the same time, the power of cadre-redistributors would diminish as they lose their positional advantage in vertical chains of command. The gradual strengthening of market elements would render the old political elites’ function of reducing transaction cost irrelevant.

The model thus anticipates an overall “transfer of power favouring direct producers over redistributors”.⁵² Producers would further be incentivised by their newly gained ability to retain a greater share of the surplus, and would hence likely grow more powerful. Once market reform is set in place, therefore, greater profits and

⁵¹ The model further predicts that the market would create new mechanisms of stratification. Initially, there would be a decline in inequality as redistributors’ former privileges no longer produced advantages and as direct producers’ share of the surplus increased. Nee draws upon findings in Eastern European transitions and proposes that “the shift to markets is likely to result in a reduction of social inequality structured by redistributive processes”. As market-oriented reforms deepened, the marketplace would take over as the key stratification mechanism in post-socialist societies. Szelenyi and Manchin (1987), cited in Victor Nee, “Social Inequalities in Reforming State Socialism: Between Redistribution and Markets in China,” *American Sociological Review* (1991): 267.

⁵² Nee, “A Theory of Market Transition,” 666.

opportunities will spur on the displacement of the old elite by the new, with redistributors attempting to stall reform or to limit reform to partial measures.⁵³

Nee's model does not predict uniform outcomes across all sectors and regions as the market marches on. The degree to which distributive power is shifted to the market depends on the extent of reform in particular sectors and regions.⁵⁴ Greater continuity can be expected in terms of distributive patterns where the level of marketisation is lower.

Neither does Nee postulate an immediate, complete transition. He poses the theoretical possibility of the condition of "partial reform", where "the absence of well-defined and legally protected private property rights" contributes to a situation where "emergent market institutions remain bounded by political institutions of the state and by social networks linking the state to social and economic institutions".⁵⁵ Under partial reform, "the institutional foundations of a market economy are only partially in place and the state-run redistributive economy remains the dominant integrative mechanism of the economy".⁵⁶ In such an economy, not only do former elites retain their power to distribute goods and resources, but "market action may reinforce, or even amplify, redistributive power".⁵⁷ Using their positional advantage in the bureaucratic system, old elites control access to market institutions and monopolise profit from newly opened market opportunities. As a result, producers must continue to go through cadre-redistributors to secure resources and gain access to the market. This creates the condition for the continued thriving of clientelistic politics.

⁵³ *Ibid.*, 678.

⁵⁴ As Nee notes, "in sectors and regions of the socialist economy where allocation and distribution continue to be based upon central decision, there will be little or no change in the processes determining stratification". Nee, "A Theory of Market Transition," 667.

⁵⁵ Nee, "Social Inequalities in Reforming State Socialism," 268.

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*

Importantly, the above condition is seen as impermanent and merely transitory. The market transition theory predicts an inexorable progress towards a full-fledged market economy. This is a teleological view that sees societies emerging from socialism as moving decidedly towards the end-state of a capitalist market economy. For Nee, the state of partial reform is just what its name suggests – partial; and hence when reform reaches its full completion market mechanisms would entirely replace redistributive structures. He thus postulates a full transition from state socialism to market economy.

The transformation perspective: New, durable institutional regimes

While the market transition theory rightly draws attention to the need to analyse the socioeconomic consequences of rural China's transition to the market, the implications it draws regarding the necessary decline of redistributive mechanisms may not be correct. Decentralisation is not necessarily synonymous with the dismantlement of a command redistribution system. As Nan Lin argues, "there is no compelling reason to rule out the possibility that a command system at the micro-level cannot follow from decentralisation at the macro-level".⁵⁸

This is the theoretical possibility explored in Jean Oi's study of rural industrialisation and her theory of local state corporatism. According to Oi, fiscal restructuring in the reform era meant that property rights have been transferred to local control. This downward devolution has set up an institutional arrangement that incentivised local elites to pursue rapid industrialisation by enabling them to benefit disproportionately from economic development. Far from losing out in the new game of accumulation, former redistributors stand to reap rich rewards by fashioning a corporatist system that

⁵⁸ Nan Lin, "Local Market Socialism: Local Corporatism in Action in Rural China," *Theory and Society* 24, no. 3 (1995): 304.

encouraged private sector growth at the same time that it maintained their hold on political power.⁵⁹

One key idea Oi proposes is the replacement of redistributive socialism with a new form of what she calls “redistributive corporatism”.⁶⁰ Holding and exercising property rights on behalf of the village, leaders of these newly formed corporatist institutions legitimately extract and redistribute profits for the development of rural economies. From this perspective, decentralisation has not dismantled local redistributive and command structures, nor has it led to the declining power of cadre-redistributors. Rather, once the trend of marketisation appeared irreversible, these former elites quickly adapted and tapped into past and current social networks to reproduce their privileged status.

In contrast to Nee, Oi does not see these hybrid arrangements as a mere transitory phase, but argues that corporatist arrangements may well constitute *transformative* changes into durable institutional regimes. By this conceptualisation Oi joins with other scholars who similarly contend that there is nothing inevitable in the progression of post-socialist societies towards a singular end-state. As Szelenyi and Kostello point out in their critique of Nee’s market transition theory, a teleological view “precludes making discoveries about possibly new social phenomena and reduces all such variation onto a single scale with socialism at one end and capitalism at the other”.⁶¹ Nan Lin similarly argues that a deterministic view limits one’s perspective as it places theoretical focus on “the valued end-state rather than forces that operate in the present and the immediate future in the shaping of both the ongoing and emerging

⁵⁹ See Oi, *Rural China Takes Off*, especially chapter 4.

⁶⁰ *Ibid.*

⁶¹ Cited in Ray Yep, *Manager Empowerment in China: Political Implications of Rural Industrialization in the Reform Era* (London: Routledge, 2003), 14.

institutions”.⁶² Analytical energies become devoted to measuring shortcomings of the current system in comparison to the full-fledged market economy, rather than to exploring alternative and viable socioeconomic systems that may be emerging in the reform process.

Adopting a historical institutionalist approach that looks at incremental, evolutionary change, the findings of this thesis supports the transformation perspective. A non-teleological view opens up the theoretical plausibility that reform may set in motion processes that forge new hybrid institutions that have the potential to become both durable and sustainable.⁶³ Such a perspective brings attention to the diversity and variety of institutional arrangements that have emerged in post-socialist societies, and highlights the need to examine the historical and social contexts in explaining local variations.

The embeddedness of redistributive institutions in sociocultural networks

Once we take on the perspective of rural transformation and allows for the emergence of new hybrid institutions that are historically rooted and locally embedded, a purely economic paradigm no longer suffices. As Nan Lin points out, both the models of market transition and local state corporatism offer a macro-economic perspective to changes in the institutional bases of stratification and distribution in the reform era. Nonetheless, the economic perspective alone is unable to explain variation on the ground. Different types of rural collective economies have emerged in different regions of China, and a diversity of local economic institutions can also be found even in the same region. Why have command and market institutions produced different

⁶² Lin, “Local market socialism,” 305.

⁶³ See Yep, *Manager Empowerment in China*, chapter 1.

institutional “mixes” at different locales? Neither theory is equipped with the analytical tools to explain empirical variations at the local level.⁶⁴

This theoretical gap is addressed in Nan Lin’s thesis of local market socialism. For Lin, the reform of state socialism should be analysed through a three-dimensional model consisting of the political axis, the economic axis and the social axis. The political axis refers to the political-ideological experience of the recent past, i.e. the centrality of bureaucratic coordination under state socialism. The economic axis refers to the changing nature of the economic system, i.e. the emergence of market coordination under reform. Both axes are captured in Nee and Oi’s models, but on their own, political and economic mechanisms cannot capture empirical variation. Lin argues that it is the third dimension, the social axis, that makes up the most important of the three components in analysing post-socialist transformation.

By the social axis Lin refers to sociocultural roots in the locality. In China, specifically, these roots extend from the local, kin-based network that “pervades and superimposes over a synchronised institution of economy, polity, and society”.⁶⁵ To Lin, it is social networks based on extended familial relations that give stability and persistence to local command structures. He argues that “the incorporation mixture of command and market coordinations is *dictated by* indigenous institutions”.⁶⁶ It is on the basis of social networks that “the two other forces flex their power”.⁶⁷ Hence empirical variations between rural economies can best be explained by the different power and authority patterns embedded in indigenous kin structures.

⁶⁴ See Lin, “Local market socialism.”

⁶⁵ *Ibid.*, 310.

⁶⁶ *Ibid.*, 309-310. Emphasis added.

⁶⁷ *Ibid.*, 311.

Lin's thesis of local market socialism is built on the central premise of "the dominance of family-kin structure in Chinese society throughout its history".⁶⁸ This accordance of theoretical centrality to the informal institutions of kinship and lineage is shared by a rich, interdisciplinary body of literature which directs attention to the revival of traditional networks in late-socialist societies.⁶⁹ Conventional wisdom suggests that during the Mao era, traditional social institutions were disintegrated and replaced by socialist structures such as communes and production brigades. This literature, in contrast, highlights continuity over disruption and points out how collective institutions were indeed organised around and superimposed onto existing descent groups, hence keeping lineage-based identities alive.⁷⁰ In the reform era, lineage has remained a key corporate institution definitive of rural collective identity.⁷¹

This literature highlights the need to treat redistributive institutions emerging from state socialism as institutions that are *embedded* in social networks. As an institution, lineages have distributional consequences. Lineages are hierarchical structures characterised by unequal power relations. Firstly, within the same lineage there are dominant branches and families as well as less influential ones, a situation Rubie

⁶⁸ *Ibid.*, 338.

⁶⁹ Gretchen Helmke and Steven Levitsky define informal institutions as "socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels". They are to be contrasted with formal institutions, which are "rules and procedures that are created, communicated, and enforced through channels widely accepted as official". Helmke and Levitsky, "Informal Institutions and Comparative Politics: A Research Agenda," *Perspectives on Politics* 2, no. 4 (Dec., 2004): 727. Lineage, by this definition, can be defined as an informal institution. For a detailed discussion of the concept of informal institutions in the study of Chinese society, one may consult Biliang Hu, *Informal Institutions and Rural Development in China* (London and New York: Routledge, 2007), especially chapter 2.

⁷⁰ The dismantlement of communes and the emerging gap in public services delivery have rekindled kinship connections in the reform era. For example, Lily L. Tsai found that in line with theories of social capital, which highlight the importance of horizontal ties of trust and reciprocity in facilitating participation and enhancing governance, the presence of dense community networks works to improve rural public goods provision. For villagers, active participation in village-wide ancestral rituals increases their support for community projects. See Tsai, "The Struggle for Village Public Goods Provision: Informal Institutions of Accountability in Rural China," in *Grassroots Political Reform in Contemporary China*, ed. Elizabeth J. Perry and Merle Goldman (Cambridge, Mass.: Harvard University Press, 2007), 117-148.

⁷¹ In-depth studies of single villages have found that lineage continues to structure identity politics in the reform-era village. See, for example, Anita Chan, Richard Madsen and Jonathan Unger, *Chen Village: Revolution to Globalization*, 3rd ed. (Berkeley: University of California Press, 2009).

Watson neatly captures by the phrase “inequality among brothers”.⁷² Secondly, within a multiple-surname village, power may be unequally distributed between different surname groups. The co-existence of multiple lineages can lead to heightened descent group consciousness and sharpen inter-group competition for collective resources and political rivalry.⁷³ Thirdly, lineages maintain clear boundaries between outsiders and insiders based on territorial residence. Local villagers with established historical roots may have preferential access to village resources compared to non-local residents in the village.⁷⁴ Analytical attention must be directed to how distributive relations within and between local lineage groups interact with formal distributive structures.

A summary of key questions and hypotheses

Based on the above literature review and the analytical strategy of historical institutionalism, a series of questions and hypotheses can be identified:

1. How has reform affected the definitive features of redistributive socialism?
Are the core elements of the socialist institution preserved and reproduced in the reform era? If so in what ways are these the consequences of active mobilisation of resources by actors who are interested in maintaining pre-existing patterns?
2. Has the power of redistributors remained resilient in the reform era, or has it declined? If it has remained resilient, how has bureaucratic power been

⁷² Rubie S. Watson, *Inequality among Brothers: Class and Kinship in South China* (Cambridge: Cambridge University Press, 1985).

⁷³ For example, Liu Liangqun and Rachel Murphy document how some smaller descent groups had been forced out of their residential village by larger descent groups, resulting in a distinct type of rural-rural migration, see Liu and Murphy, “Lineage Identities, Land Conflicts and Rural Migration in Late Socialist China,” *Journal of Peasant Studies* 33, no. 4 (Oct., 2006): 612-645.

⁷⁴ Lin, “Local market socialism,” 301-354.

remodelled, reconverted, and transformed? How has the basis of legitimacy changed? Does the implicit redistributive social contract still have effect?

3. Do social institutions and the configurations of power embedded in these corporate institutions explain rural distributive outcomes? If so, how do they explain empirical variation on the ground?
4. Finally, do emerging institutional arrangements represent a transitory phase, or do they lend towards becoming durable institutional forms? What are the implications of either outcome on rural governance?

This research approaches these questions through the qualitative case study of three villages located in Tianhe district, Guangzhou city. The three villages are Shipai, Liede and Xiancun. Fieldwork is conducted between 2011 and 2013. The research design is detailed in Chapter 3.

Key Arguments

Based on these case studies, this thesis puts forward the following key arguments:

Renewal of redistributive power

Rural elites were able to maintain their redistributive power in the reform era. In the three villages studied, rural elites successfully achieved the renewal and reversion of bureaucratic power as economic power based on the centralised extraction and redistribution of land rents. Rather than acting to stall or limit changes, cadres enthusiastically spurred on the processes of rural industrialisation and urbanisation. Their continued power was buttressed by their active efforts at reviving the socialist

redistributive regime in its reinvented form of the rural shareholding cooperative. The consequential shareholding reform resulted in the basic re-collectivisation of the village, and secured rural elites' positions as the manager and redistributor of rural resources.

The rural shareholding cooperative was not just a holdover of past practices and a remnant of the socialist mentality, however, but was re-institutionalised as an active response to the new challenge of rapid loss of rural land. Expropriation provided an opportunity for elites extend control over village resources by exploiting the ambiguity in collective land ownership rights. Assuming the role of the *de facto* representative of rural land, village elites have successfully re-inserted themselves as the interlocutor between villagers, state officials and commercial developers, while at the same time capitalising on the asymmetry of information between these actors for self-enrichment.

Thus centralising control over revenues derived from land, rural elites used these resources to consolidate their legitimacy as paternalistic redistributors that would take care of villagers' need and oversee continuous improvement in their lives. Holding the power to make allocative decisions over the collective rent harvest, investments were made in rural infrastructural construction and other welfare-oriented projects of public goods provision. Villagers' dependency and utilitarian attachment was underwritten by the annual distribution of dividends by the shareholding cooperative, which makes up a crucial part of villagers' income as a result of landlessness and oftentimes unemployment. Needless to say, the size of these shares was defined and delineated by the rural elites. Through these exchanges, the socialist legacy of an implicit social contract was sustained, in which cadre-redistributors supplied the goods in exchange

for compliance and political support. Village leaders now derive legitimacy and authority as Party cadre, grassroots political representative, economic manager, and benevolent provider of public goods for the village family. They effectively fuse and straddle multiple networks of interweaving power.

Privatisation of rural governance

However, in enabling this, rural institutions may contain a contradictory logic: by creating an institutional environment that applies little restraint on concentrated power, they enable abusers to take advantage of the system and act in ways that undermine the social contract, the very basis of legitimacy of the socialist redistributive institution.

This contradiction was exacerbated by an institutional reform that corporatised the village in the late 1990s and early 2000s. The transformation of the rural shareholding cooperative into the village joint stock company facilitated what amounted to the transfer of village resources into private hands. If the rural shareholding cooperative allowed rural elites to straddle different networks of power, then the joint stock company represents a straddled institution itself as it singularly integrates Party, administrative, economic and social functions. Problematically, as the reform further concentrated power, it at the same time disintegrated grassroots institutions of accountability by abolishing the villagers' committee and the villagers' assembly. Because of its confused public-private nature, the village company and its board of directors are only subjected to the regulation of China's Company Law. What the institutional reform achieved – under the banner of rural-urban integration – was in effect the privatisation of rural governance. Villagers' political rights were stripped

away and replaced by quasi-economic rights that were defined ambiguously according to standards set by those in power.

The privatisation of rural governance with the weakening of accountability created expanded room for local malfeasance, particularly with regard to the management of rural land. Ample opportunities of self-aggrandisement presented themselves as township officials and property developers eagerly sought out village leaders for illicit deals with the offer of lucrative kickbacks. In two of the three villages, evidence gathered through interviews and news reports shows that power holders siphoned off land-derived revenues for self-enrichment. The villagers' share of the collective rent harvest was reduced as a large proportion of it is channelled upwards for the seeking of favour with power holders at the street (township), district (county) or even municipal (prefecture) level. The backing of these patrons further buttressed the power of rural elites, sustaining drastic patterns of inequality within the village.

Throughout these changes, villagers' dependency on the rural institution has not reduced. Rather, partial urbanisation – status conversion without meaningful change – meant that rural-turned-urban residents must continue to rely on the company for welfare and livelihood support. The ultimate flaw with the privatisation of rural governance is thus that it leaves a bundle of unregulated powers in the hands of elites, and counts on them to continue to fulfil their obligations toward villagers as prescribed by the implicit social contract, all the while as opportunities of self-enrichment present themselves in an abundant manner.

The centrality of social institutions

What accounted for the divergent outcomes in the three villages was the evolution of different structures of social relations based on lineage and family. Where the corporatised village appears to function effectively it was because informal institutions helped supply the grassroots checks and balances that privatisation dismantled.

In all three villages surveyed, powerful surname groups dominated all positions of power and exercised decisive influence over village affairs. All three villages shared a similar structure of multiple lineages with two to three dominant surname groups. Nonetheless, the actual configurations of power differ dramatically as a result of divergent evolution, from power-sharing between dominant lineage groups, to monopolisation of power by one lineage group, to concentration of power in the hands of one single family. In the first case, the power sharing arrangement between lineage elites creates informal mechanisms of accountability that help to mitigate the problems arising from unchecked power and maintain a relatively robust social contract. By contrast, in the third case, the absence of constraints on power enabled rampant corruption and left villagers at the mercy of elites who appropriated the rent harvest for private gains while operating under the protection of patrons in the government.

The significance of the variation, however, lies not so much in what kind of lineage structure is more conducive to equitable distribution. Rather, it is the very contingency of the factors leading to such variations in three very similar villages that is the chief point of contention. The fact that outcomes are allowed to vary to such an

extent proves that under the existing institutional arrangement, the determination of rural life chances and villagers' well being is left up to circumstantial factors: the availability of opportunities for self-aggrandisement, the corruptibility of a certain leader, the particular configuration of lineage relations. The uncertainty of outcomes points to the weakness of the present rural institutions in safeguarding villagers' welfare. In worst case scenarios, villagers are left with little to defend themselves against an extractive elite except to take to the streets and stage confrontational protests.

Contingency of rural outcomes and implications on authoritarian resilience

The deeply problematic aspects of the privatisation of the village are manifesting themselves around China as everywhere reforms are undertaken to replace rural units of governance with urban ones and convert villagers to urban shareholders. Despite its flaws and vulnerability to power abuse, the village joint stock company is gaining the qualities of a durable institutional form, in spite of growing discontent with unequitable outcomes. The primary source of institutional stability comes from top-down support for its continued functioning. This is because the village company allows the local government to transfer and discharge its governing responsibilities to a rural institution that lacks tight regulation. The near-absence of formal accountability checks means that upper level governments can freely work with their clients of choice to maximise the extraction of rents from village land, while the rural elites help to maintain a quiescent population below through a repertoire of economic, social and coercive tactics.

The likely prospect that would accompany the privatisation of rural governance is continued increases in rural protests. In Xiancun, one of the three case studies, protests from disaffected villagers resulted in the toppling of the family empire from power. But despite their regularity of occurrence and occasional successes, rural protests are unlikely to pose a concrete challenge to the legitimacy of the Party-state. As the concluding section shows, rural protests are limited by their territorial scope and fragmented nature. But of even greater importance is how the Party-state is using instances of local malfeasance to bolster its own legitimacy, as it periodically steps in to take out corrupt officials. By localising blame and shifting responsibility, the authoritarian regime conveniently directs attention to local misdeeds rather than the illiberal aspects of authoritarian rule. Aside from exercising power through intermittent interventions, the central government further claims paternalistic authority by switching its basis of legitimacy to welfare-oriented policies and increased social spending. As the burdens for these projects are transferred downwards, local governments are driven to exploit those very fiscal sources that are causing widespread misery as a result of exploitative land expropriations. Through these contradictory prerogatives, it is the Party-state that emerges as the ultimate Benevolent Father Party.

Dissertation Outline

Following this introduction, Chapter 2 lays out the broad national context of China's new land politics which forms the crucial background against which rural transformation has taken place. Chapter 3 sets out the research design and details the process of fieldwork, research site selection, and data collection.

The rest of the dissertation is divided into two parts. The first part, Chapters 4 to 6, studies how the socialist redistributive institution has emerged in Chinese villages as the central system for organising rural society in the Mao era, and how this institution has been reproduced and transformed throughout the reform era. Chapter 5 examines the re-installation of collectivist arrangements in the form of the rural shareholding cooperative in the late 1980s and early 1990s, and employs a property rights analysis framework to investigate how this revived institution is staged at the centre of reform-era distributive politics. Chapter 6 looks at how the dismantlement of the villagers' committee in the late 1990s and early 2000s turned the rural shareholding cooperative into a straddled institution that integrates Party, administrative, economic and social power. The village joint stock company suffers from a distinct lack of institutional checks and balances and creates an enabling environment for power abuse.

The second part, Chapters 7 to 8, demonstrates how the problems identified in the privatisation of rural governance manifest themselves in the three case studies. Data collected through fieldwork and interviews, consolidated by news reports, reveals how the three villages have evolved in ways that culminated in highly divergent outcomes.

Chapter 9 concludes the dissertation by reflecting on the implications the findings have on rural governance, rural-urban relations, and authoritarian resilience.

CHAPTER 2

China's New Land Politics

A Background to Rural Transformation

It is impossible to understand the territorial transformation of rural China without enquiring into the institutional basis of urban expansionism in the reform era. This chapter outlines the broad national context in which local struggles over the new land harvest is played out. Focusing on the realm of land management, it examines the institutional forces that underpin the particular configurations of distributive relations in China's new land politics.

The enhanced powers of the local government as a result of the downward transfer of administrative authority set the scene for the emergence of a new distributive regime in reform-era territorial politics. The local government's central role in this new regime was enhanced by two institutional changes. The land administration reform in the late 1980s created an urban land leasehold market and opened up an entirely new revenue stream for local governments in the form of a land-based monopoly rent. The restructuring of central-local fiscal relations in the 1994 tax reform drastically

heightened the government's reliance on this new land harvest. Driven by the new revenue imperative, local governments actively joined hands with private capital and pursued entrepreneurial strategies in making and selling the city. To maximise the extraction of land rents, local governments capitalised on central policies aimed at bolstering territorial management to justify their expansionist incursion into the rural hinterland. This chapter examines how these processes have unfolded in Guangzhou to provide the contextual background for understanding the territorial changes that were so central to the transformation of the three villages.

New Activism of Local Governments

The decentralisation of administrative and fiscal authority since reform constituted local governments as independent actors whose interests and agendas increasingly diverged from those of the centre. As a greater share of economic activities took place outside of central planning, the downward transfer of power was accompanied by increased activism of local governments, growth and increased functional specialisation of the local bureaucratic apparatus, and extension in the range of activities falling under local jurisdiction.

In relation to urbanisation and development, the enhancement of the two powers set the scene for the new activism of local governments and established them firmly at the centre of rural-urban politics in the reform era. Greater planning power implies that local governments are given greater control to oversee infrastructural construction and the territorial development of the city. Greater fiscal power further facilitates their ability to do so by equipping them with new sources of capital.

Greater planning power

Under Mao, city planning followed the strict *diktat* of economic and industrial planning. Urban planning and construction bureaus had little power and resources at their disposal. Major decisions were made at the highest level, with municipal officials having little opportunity to participate since local initiatives were seen as irrelevant. By making urban planning a part of central planning, local needs were frequently subordinated to overall national interests.¹ Urban planning was a highly bureaucratic and technical exercise worked out between experts and the political elite.²

Since reform, the city mayor has been put in charge of planning, constructing, and managing urban infrastructure.³ Local governments were equipped with greater power to oversee and regulate the development process, achieved by the City Planning Act of 1989, which requires all land development projects to come under the scrutiny of local planning authorities and the government.⁴

Sub-municipal governments also saw their autonomy enhanced. Between 1992 and 1993, district governments were made responsible for the preparation of detailed

¹ Yichun Xie and Frank J. Costa, "Urban Planning in Socialist China: Theory and Practice," *Cities* 10, no. 2 (1993): 103-114.

² Nicolas Douay, "Shanghai: Urban Planning Styles in Evolution. Emergence of a 'harmonious urbanisation'?" *China Perspectives*, no. 4 (2008): 16-25.

³ Kam Wing Chan, "Urbanization and Urban Infrastructure Services in the PRC," in *Financing Local Government in the People's Republic of China*, ed. Christine Wong (Oxford and New York: Oxford University Press, 1997), 104.

⁴ The Act introduced a "one report and two permits" system. The prospective user first submits a proposal to the Economic Planning Commission, which is responsible for issuing a project permit upon assessing the necessity and financial viability of the project. With the project permit, the prospective user applies for a land parcel with the Land Administration Bureau of the city. The Bureau determines the site and size of the land where the project can be carried out as well as the price to be paid for the granting of land use right. It issues the Site Selection Recommendation Report. The potential user must then obtain a Land Use Planning Permit from the City Planning Bureau, and subsequently the Building Construction Permit, whose purpose is to ensure that the project to be developed will comply with the approved planning and design details. See Mee Kam Ng and Jiang Xu, "Development Control in Post-Reform China: The case of Liuhua Lake Park, Guangzhou," *Cities* 17, no. 6 (2000): 409-418.

development control plans (*kongzhixing xiangxi guihua* 控制性详细规划), which control land use and development intensity, as well as the granting of planning permissions.⁵ The ability to draw legally binding development plans strengthened local governments' territorial authority. Many leaders inflated population and economic growth projections in their plans in order to legitimise urban expansion in rural hinterland and the incorporation of collective land into planned urban areas.⁶

Local governments were also free to internationalise the planning process. China had remained largely closed to foreign advisers since the departure of Soviet experts in the late 1950s. Since reform, the employment of overseas planners has been welcomed in recognition of "the need for planning 'international' spaces".⁷ The bringing in of foreign experts and the import of foreign planning ideas became an effective instrument through which local governments could legitimise their spatial planning and territorial ambition.⁸

Independent fiscal powers

Emphasising production over livelihood, urban construction was not a development priority under Mao. Local authorities were given little power to raise funds for urban development, and were dependent on the urban maintenance and construction fund

⁵ Anthony G.O. Yeh and Fulong Wu, "The Transformation of the Urban Planning System in China from a Centrally-planned to Transitional Economy," *Progress in Planning* 51, no. 3 (1999): 167-252. See also Fulong Wu, "The Global and Local Dimensions of Place-making: Remaking Shanghai as a World City," *Urban Studies* 37, no. 8 (2000): 1359-1377.

⁶ You-tien Hsing, *The Great Urban Transformation: Politics of Land and Property in China* (Oxford: Oxford University Press, 2010), 98.

⁷ Competitive bidding was introduced as early as the 1980s for infrastructural projects financed by the World Bank. The highly centralised system of planning thus gradually gave way to "an extraordinary new situation in which increasingly small units of territorial authority negotiate directly with multinational corporations over the production and reproduction of urban space." See Piper Gaubatz, "Globalization and the development of new central business districts in Beijing, Shanghai and Guangzhou," in *Restructuring the Chinese City: Changing Society, Economy and Space*, ed. Laurence J.C. Ma and Fulong Wu (London: Routledge: 2005), 102.

⁸ You-tien Hsing, "Accumulating Land and Money," in *Privatizing China: socialism from afar*, ed. Li Zhang and Aihwa Ong (Ithaca: Cornell University Press, 2008), 63-64.

and small budgetary allocations from the central government, along with *ad hoc* levies and fees on enterprises and users. Only some 12 billion yuan was invested in total in urban infrastructure in the three decades before reform.⁹

Reform injected fresh capital into the task of city building. Local governments were empowered financially to raise revenues and more sources had opened up. Firstly, a new construction levy was introduced in 1979 and applied to 150 cities in 1984.¹⁰ Local governments were able to apply all sorts of new levies and fees on urban land, such as land development fee and urban infrastructure connection fee, as well as on the use of urban infrastructure.¹¹

Secondly, the influx of foreign investment enhanced the local state's economic power. The entrance of global capital in post-Mao China began with the introduction of the Law on Joint Ventures in 1979 and subsequently the Provisions for the Encouragement of Foreign Investment in 1986. Foreign direct investment (FDI) inflow has since grown at a phenomenal rate, increasing almost tenfold between 1989 and 1994 from US\$3,393 million to US\$33,800 million.¹² By 1992, China was receiving almost one fourth of total FDI inflows into developing economies, approximately a third of which was concentrated in the real estate sector.¹³

Thirdly, local governments were given permission to set up local financing platforms. These are limited-liability companies financed by local government asset pools, backed primarily by land. Since local governments were not allowed to borrow

⁹ Chan, "Urbanization and Urban Infrastructure Services," 102.

¹⁰ The construction levy consisted of 5 percent of the industrial and commercial profits of domestic enterprises. This levy became the urban maintenance and construction tax in 1985 and was given the new title urban and rural maintenance and construction tax in the 1994 tax reform.

¹¹ Chan, "Urbanization and Urban Infrastructure Services," 106-7.

¹² Harry G. Broadman and Xiaolun Sun, "The Distribution of Foreign Direct Investment in China," *The World Economy* 20, no. 3 (1997): 339-361.

¹³ *Ibid.*

directly from banks, these companies act as “intermediaries by securing bank loans and funnelling the money to local governments”.¹⁴ International trust and investment corporations (ITICs) were established in the late 1970s emulating the first and largest scale of such vehicles, the China International Trust and Investment Corporation. Granted foreign exchange certificates by the People’s Bank of China – and hence able to borrow directly from foreign banks – these corporations serve as important fund-raising arms for major provinces and cities. Their proliferation allowed local governments to vastly expand investment in the city and to finance many expensive signature projects that were to become the new urban landmarks.

Together, the enhanced planning and fiscal powers of local governments equipped them as powerful players with their own set of interest-driven goals in the new urban politics. The next three sections examine how the creation of monopoly rent in the urban land market and re-adjustment in central-local fiscal relations strengthened urban expansionism as local governments sought to maximise the extraction of land rents. Before delving into these institutional changes, the following section first defines the new land harvest which constitutes the subject of distributive struggles between numerous actors in the reform era.

Defining the New Land Harvest

This research defines the new land harvest as the revenue derived from the ownership, use and administration of land. Accordingly, there are three major categories of land

¹⁴ An exception to this is the introduction of a pilot debt scheme by the central government in 2011 that allows Shanghai, Shenzhen and the provinces of Guangdong and Zhejiang to issue bonds. 22.9 billion yuan worth of bonds were issued at the end of 2011. See Jeff Bao, “Beijing boosts local government bond quota by 25 percent,” *Hong Kong Economic Journal*, March 6, 2012.

harvest, namely revenue derived from land ownership, revenue derived from land use, and revenue related to the administrative management of land.

The right of ownership (*suoyouquan* 所有权) and the right of use (*shiyongquan* 使用权) are conceptually distinct. Ownership in its full-fledged sense entails not only the right to use the property and the right to profit from the use of the property, but also the right to transfer and dispose of the property and profit from the transfer. A landowner can be the direct user of the land, in which case the revenue received derives from both ownership and use. The landowner can also sell the land or lease out the land to a user for a fixed period of time. The revenue the landowner gains from such a transfer is revenue derived specifically from land ownership.

This revenue can be conceptualised as a form of rent. According to David Harvey's theory of rent, rent arises when social actors realise an enhanced stream of income by virtue of their control over certain tradable items or resources.¹⁵ The item or resource can be directly or indirectly tradable. Direct rent is derived when the item is directly traded upon, resulting in a change in ownership. For example, the landowner gains direct land rent when he or she sells the piece of land to another party. Indirect rent arises when the owner's control over the resource enables him or her to extract rents from those desiring to use it. In other words, it is the use rights of the resource from which rent is derived. The landowner, for instance, gains indirect land rent when he or she charges a rental fee from the land user for the use of his or her land for a specific period of time.

¹⁵ David Harvey, "The Art of Rent: Globalization, Monopoly and the Commodification of Culture," *Socialist Register* 38 (2002): 94.

Both direct and indirect rents increase with the desirability of the resource as well as the exclusivity of the owner's control over the resource. The ability of the owner to extract rent is highest when he or she has monopolistic control over a highly desirable resource that has singular, inimitable qualities. Such a situation gives rise to what can be referred to as "monopoly rent", which owners realise "by virtue of their exclusive control over some directly or indirectly tradable item which is in some crucial respects unique and non-replicable".¹⁶ In terms of land, the owner can derive monopoly rent if he or she exercises monopolistic control over centrally located prime land whose locational advantage cannot be easily replicated. Property developers and commercial operators would willingly pay the monopoly price to obtain the use rights of such land given expectations for the revenue that could be gained from its use and development.

This brings us to the second category of the land harvest, revenue derived from land use. Users of land can derive revenue from the commodity or service produced through the use of land. Having paid the price to obtain land use rights from the owner, for instance, a luxury hotel chain can develop a five-star hotel at the heart of the new financial district from whose operation it derives revenue. A property developer can build shopping complexes, office buildings and high-end residential apartments to gain rental income.

The final category is revenue related to the administrative management of land. This refers to land-related taxes and fees collected by the government and its various

¹⁶ *Ibid.*

departmental branches. In reform China, there are four main types of such revenue.¹⁷ The first source is direct land taxes including the arable land occupancy tax, title tax, urban land use tax and the land value-added tax (*tudi zengzhi shui* 土地增值税). The second source is indirect land taxes and charges that are incurred by industries that profit from the use and development of land, the prominent example being the real estate and construction industries. Taxes levied by the government on these industries include business tax, urban maintenance and construction tax, and stamp duty. The third source is departmental fees levied by the land and resources department including fees accompanied with the reclamation of arable land (*gengdi kaiken fei* 耕地开垦费), user charges for newly added construction land in cities and towns (*xinzeng jianshe yongdi youchang shiyong fei* 新增建设用地有偿使用费), as well as various management, registration, mortgage, and demolition fees. Finally, there is also a host of taxes and fees levied by other related departments including those charged by agriculture, real estate, urban construction, transportation, and forestry departments.

The reform of the land management system in the late 1980s brought important changes to all three categories of the land harvest above. Most significantly, an entirely new stream of revenue derived from the ownership of urban land was created by administrative action. By making land use rights tradable, the state was allowed to profit from its constitutional ownership of urban land. The emergence of an urban leasehold market revolutionised how land came to be valued and managed in the post-Mao city.

¹⁷ Zhou Feizhou, "Creating Wealth: Land Seizure, Local Government and Farmers," in *Creating Wealth and Poverty in Postsocialist China*, ed. Deborah S. Davis and Wang Feng (Stanford, Calif.: Stanford University Press, 2009), 115. The following description of the four types of revenues draws primarily from Zhou's work.

Creation of Monopoly Rent in the Urban Land Market

The Chinese land management system, a product of socialist planning inherited from the Mao era, is constituted by two types of land ownership. Urban land is owned by the state, while rural land is held in collective ownership by the farmers' collective (*nongmin jiti* 农民集体). It was the urban land regime that was the focus of reform in the 1980s. The crux of the reform can be conceptualised as the creation of monopoly rent in the urban land market.

The Maoist land regime was structured based on the principle of central planning and made distributive decisions based on administrative command. It practised a system of free land use rights (*tudi wuchang shiyong* 土地无偿使用), in which there was no charge and no time limit imposed on the use of land. Urban land was assigned to land users through the process of administrative allocation. As the *de facto* representative of state ownership, local governments at the municipal and county level were given the power to allocate the rights to use urban land to state units and urban collective units. As there was no charge accompanied with land usage, the issue of incentive could not be adequately addressed. Land use inefficiency was thus a prevalent problem in the socialist land regime.

What the 1980s reform did was to partially re-organise the socialist land regime by a different ideology. It infused the distributive regime inherited from the socialist era with market elements by introducing a market track to the urban land regime. While the ownership right over urban land remained firmly in the hands of the state, and this right cannot be sold or transferred, the right to *use* urban land was liberated from the rigidity of administrative allocation and made available for market circulation. In

other words, the state could now derive revenue by virtue of its ownership over urban land by selling the use rights of urban land to market actors. This revenue was an entirely new stream of income that was created administratively. In the pre-reform system, it did not make sense to ask land users to pay a fee to the state for the use of state-owned land, as all land users were state units whose expenses were sponsored by the state itself. Levying any fee on land use “would simply take money out of one packet [*sic*] of the state and put it into another”.¹⁸ The commoditisation of land use rights in the reform era meant that the state could now profit from its ownership. A previously non-existent source of revenue generation was opened up where commercial land users must pay in order to obtain a leasehold right to develop local land. A nascent market for the transfer and trade of urban land use rights was thus born.

The transition from a free land use system to a paid land use system (*tudi youchang shiyong* 土地有偿使用) began experimentally in the late 1980s. The decision to introduce a paid land use track to the existing system was first announced in 1988 in the amended version of the 1986 Land Management Law, while the transactability of land use right was formalised in a Temporary Regulation issued by the State Council in 1990. The Temporary Regulation did not force local governments to adopt a paid land use system however, but allowed localities the autonomy of deciding between the plan track and the market track.¹⁹ Select state units could still acquire land through

¹⁸ George C. S. Lin and Samuel P. S. Ho, “The State, Land System and Land Development Processes in Contemporary China,” *Annals of the Association of American Geographers* 95, no. 2 (2005): 418.

¹⁹ The Temporary Regulation did not force local governments to adopt a paid land use system however, but allowed localities the autonomy of decision-making. It was only in the Revised Land Administration Law issued in 1999 that paid land use right transfer was made compulsory. The Revised Law specified that besides four types of construction land that could be allocated for free, all users of state-owned land must go through the paid land use system (see Article 54).

allocation and enjoy free usage, but the majority of prospective land users must now purchase a land leasehold in the market.

There are two routes by which social actors can buy the right to use urban land. They can obtain it through conveyance (*churang* 出让) in the primary land market, where the local government as urban landowner sells use rights to buyers (individuals or firms). They can also purchase it through circulation (*liuzhuan* 流转) in the secondary land market, where users who have obtained use rights through conveyance can transfer (*zhuanrang* 转让), lease (*chuzu* 出租), or mortgage (*diya* 抵押) such rights to other users. Since circulation in the secondary land market is limited only to land use rights obtained through conveyance, the supply of land use rights in the two-tier market is fundamentally controlled by the local government at the level of the primary land market. The urban land regime under reform can thus be characterised as a situation of monopoly where the local government as owner enjoys exclusive control over the supply of use rights of all urban land under its jurisdiction.

The monopoly rent that the state derives from its exclusive ownership is known formally as land conveyance fee (*tudi churang jin* 土地出让金). The land conveyance fee is essentially a rental fee paid by the land user to the state for the use of land for a specified period in time. The government currently grants leasehold contracts of 70 years for residential use, 50 years for industrial use, and 40 years for commercial use. The size of the monopoly rent, or the sum of conveyance fee, is determined either through direct negotiation (*xieyi* 协议) or through the more competitive mechanisms of public tender (*zhaobiao* 招标) and auction (*paimai* 拍卖).

It is the local government, as agent of the Chinese state at the sub-national level, that is the largest beneficiary of monopoly rent. Although urban land is owned by the state, it is really state actors at the local level, acting in the capacity of the *de facto* proprietor and manager of urban land, that benefit the most from the revenue derived from ownership. According to central stipulations, revenue derived from the sale of land use rights was to be divided between the central government and the local government on a 40:60 basis after the deduction of necessary costs involved in developing the land. In reality, because such necessary costs are difficult to estimate and monitor, little of the derived revenue was actually given up to the central government.²⁰

The ability to extract monopoly rent gives enormous economic, political and territorial clout to the local government. Economically, the reward is highest when the land parcel is centrally located, for which commercial land users are willing to pay a high premium. Politically, the municipal government's exclusive authority to lease land in the primary market bolsters its bargaining power especially given the predominance of negotiated transaction. By granting leasehold contracts discriminatorily, it can recruit supporters willing to implement its urban grand design and reward political allies selectively. This same power to make allocative decision also strengthens the territorial power of the local government in controlling land use and development patterns.

The above advantages hugely incentivised local governments to become active players in the land conveyance market. The next section demonstrates how adjustment

²⁰ *Caijing*, "Tudi jiemi" (Unlocking the Secret of Land), February 20, 2006, <http://magazine.caijing.com.cn/2006-02-20/110065052.html> (accessed July 2, 2012).

in central-local distributive relations further increased local governments' reliance on the extraction of monopoly rent for their own financial survival.

Government's Reliance on the Land Harvest

Important changes in central-local fiscal relations took place in 1994 as the central government introduced the Tax Sharing System (*fenshuizhi* 分税制) to redress imbalances in central-local fiscal relations resulting from decentralisation in the 1980s.

The 1994 tax reform

There are three categories of government budget in China, namely budgetary, extra-budget, and off-budget revenues. Budgetary revenue refers to the tax revenues and profit remittances from state-owned enterprises (SOEs). Extra-budget revenue refers to retained earnings of SOEs, government departmental revenues derived from SOEs, as well as various fees such as fines and user charges for government-provided services. Off-budget revenue refers to "funds that are extracted from various local sources by local governments and then spent on local public projects or used for government current expenses that are not otherwise covered in formal budgets at any level".²¹ These local sources include public contributions made by individuals and enterprises, donations by overseas Chinese made to their hometowns, profits from township-village enterprises (TVEs), fees and fines defined and managed by local

²¹ Fan Gang, "Market-oriented Economic Reform and the Growth of Off-budget Local Public Finance," in *Taxation in Modern China*, ed. Donald J.S. Brean (New York and London: Routledge, 1998), 209-228.

governments and not regulated by central or provincial governments, as well as revenue from land leasehold sales.²²

Prior to reform, government revenues relied heavily on profit remittances from SOEs, the first type of budget. On the eve of reform, profit remittances from SOEs accounted for half of all government revenues.²³ To heighten incentives, a fiscal revenue-sharing system was introduced in 1980 and formalised in 1988 which granted local governments residual property rights over SOEs within their jurisdiction. Local governments were allowed to retain extra-budgetary revenues upon remitting the requisite amount of “central fixed revenue” to the centre, while exercising complete authority over the determination of taxes or fees in the categories of extra budget.

Such devolution of economic authority has led some scholars, most notably Gabriella Montinola et al., to propose the emergence of “*de facto* federalism” and “federalism, Chinese style” in China.²⁴ Indeed, by the late 1980s, there were signs of growing local assertiveness. Central orders to curtail expansion of local credits, investment and construction were largely ignored, while rampant tax evasion, the erection of trade barriers, and the arbitrary granting of tax reduction and exemption privileges to firms led to speculation of the rise of “feudal princeling economies”.²⁵ While Beijing

²² *Ibid.*

²³ Christine Wong, “Fiscal Dualism in China: Gradualist Reform and the Growth of Off-budget Finance,” in *Taxation in Modern China*, ed. Donald J.S. Brean (New York and London: Routledge, 1998), 187-208.

²⁴ Montinola et al. further cite the failure of Li Peng’s recentralisation attempt, Deng’s southern tour and the ensuing official declaration to build a socialist market economy, as well as the implementation of foreign-exchange reform and tax reform in 1994 as evidence that decentralisation has proceeded in ways that are “difficult to undo”. Local governments, with “substantial independent sources of revenue, authority, and political support”, have morphed into “new, rival power centres”, giving reforms an “institutionalised degree of durability” that makes retrenchment “more costly, if not impossible”. See Gabriella Montinola, Barry R. Weingast, and Yingyi Qian, “Federalism, Chinese Style: The Political Basis for Economic Success in China,” *World Politics* 48, no. 1 (1995): 50-81.

²⁵ Richard Baum and Alexei Shevchenko, “The ‘State of the State’,” in *The Paradox of China’s Post-Mao Reforms*, ed. Merle Goldman and Roderick MacFarquhar (Cambridge and London: Harvard University Press, 1999), 335. See also Jae Ho Chung, “Reappraising Central-Local Relations in Deng’s China: Decentralization, dilemmas of control, and diluted effects of reform,” in *Remaking the Chinese State: Strategies, Society and Security*, ed. Chien-min Chao and Bruce J. Dickson (London and New York: Routledge, 2001), 55.

suffered successive deficits through 1981-1993, local governments reaped seven-year surpluses during the same period.²⁶

It was in this context that the central government pushed forward a series of fiscal policies to re-establish its position. Designed for Beijing's assertion, the 1994 reform significantly reduced local shares of state revenues. The enactment of the uniform tax law imposed a flat rate of 17 percent of value-added tax (VAT) on manufactured goods and set enterprise profit tax at 33 percent for all domestic enterprises, with revenues being apportioned between the centre and localities at a fixed ratio of 3:1 for VAT and a 60:40 basis for profit tax.²⁷ The industrial-commercial tax was furthermore reclassified to render product circulation tax a shared revenue, allowing Beijing "to take a big bite out of the most voluminous single tax category".²⁸ These retrenchment efforts continued well into the 2000s.²⁹

The radical downsizing of local revenues made provinces heavily dependent on central transfers to finance expenditures. Such transfers, problematically, have been highly inadequate.³⁰ The financial condition of sub-provincial governments was

²⁶ Chung, "Reappraising Central-Local Relations in Deng's China," 56.

²⁷ Baum and Shevchenko, "The 'State of the State'," 338.

²⁸ Chung, "Reappraising Central-Local Relations in Deng's China," 56.

²⁹ Beijing raised its own share of stamp tax revenues from securities transactions from 88 percent in late 1990s to 98 percent in 2002 while making personal income tax and corporate income tax shared taxes in 2001, with the central government claiming 50 percent of the revenue in 2002 and 60 percent in 2003. See Dali Yang, "Economic Transformation and its Political Discontents in China: Authoritarianism, Unequal Growth, and the Dilemma of Political Development," *Annual Review of Political Science* 9 (2006): 147-8. Beijing also unilaterally reassigned responsibility to local authorities for paying VAT rebates on exports in 2004. *Ibid.*, 147.

³⁰ The system of transfers nevertheless remains underdeveloped, leaving local governments, especially those in poorer regions, unable to adequately perform even the most basic functions such as provision of free medical care and epidemic prevention programs. As Christine Wong pointedly criticises, "by leaving so many costly but important responsibilities at the local level and providing no support to their financing, the national government essentially abrogated its social responsibility to the poor regions". See Christine Wong, "Can the Retreat from Equality be Reversed? An Assessment of Redistributive Fiscal Policies from Deng Xiaoping to Wen Jiabo," in *Paying for Progress in China: Public Finance, Human Welfare and Changing Patterns of Inequality*, ed. Vivienne Shue and Christine Wong (London and New York: Routledge, 2007), 21.

particularly dire as cash-strapped provincial governments transferred expenditure responsibilities downwards while holding onto a greater share of fiscal revenues.³¹

The paucity of transfers led directly to the rapid growth of off-budget financing over the 1990s. Since off-budget revenue can be wholly retained, local governments have high incentive to raise and collect off-budget funds by whatever means at their disposal.³²

Although the legitimacy of off-budget finances is highly controversial, their appropriation and use are nonetheless implicitly approved by higher-level governments with the recognition that budgetary revenues are inadequate for lower-level governments to finance their many responsibilities.³³ There is no official estimation of the size of off-budget revenue, but according to surveys conducted in cities in south China, budgetary, extrabudgetary and off-budget revenues each accounts for one-third of total expenditures of local governments. Public projects from infrastructure investment to environmental protection are found to be financed by off-budget funds.

³¹ Ran Tao and Dali Yang, "The Revenue Imperative and the Role of Local Government in China's Transition and Growth", paper prepared for presentation at conference on China's Reforms, University of Chicago, July 2008.

³² Local governments can use their power to exempt enterprises from taxes and shift enterprises from the taxed sector to the untaxed sector, creating more after-tax profits on which they can impose fees and levies and thereby enlarging off-budget resources at the expense of the formal budget. That off-budget financing is not subject to any formal mechanism of regulation also makes it prone to abuse. Firstly, there is no higher supervision or democratic input with regard to how off-budget funds are used. They have shown to be prone to abuse by local governments, who spend excessively on lavish public buildings and other image projects such as large-scale infrastructure and development zones. Secondly, local governments are also tempted to overtax and impose various irregular fees and levies. The regions where governments are most desperate for off-budget resources are also regions where local taxpayers have less personal income, creating a vicious dynamics that has erupted into numerous instances of social unrest. See Christine Wong, "Fiscal Dualism in China," 187-208.

³³ *Ibid.*, 187-208.

The growth in land-derived revenues

Within the off-budget category, land conveyance fee has become the single most important source of revenue for many local governments. Since the first paid transfer of land use rights took place in Shenzhen in 1987, revenue from the sale of urban land use rights has increased dramatically. The real estate boom in the early 1990s pushed revenue from land leasehold sale to generating an accumulated total of 50 billion yuan by the end of 1992 and 123 billion yuan in 1993.³⁴

Adding fuel to local activism was the central government's decision to reassign all revenues derived from land ownership to local governments. Prior to the 1994 fiscal reform, revenue obtained from the sale of land use rights, as mentioned above, is divided between the central government and the local government on a 40:60 basis. From 1994 onwards, however, local governments could wholly retain land conveyance fees. The abolition of the sharing arrangement meant that the monopoly rent – however much local governments were able to extract – was granted in its entirety to local governments. Given the squeeze on the formal budget, this change basically gave free rein to local governments to exploit their *de facto* ownership rights over urban land for off-budget financing.

The neoliberalisation of the housing market in the late 1990s, spearheaded by then Premier Zhu Rongji, constituted another driver of growth. Seen as the best means to stimulate domestic consumption, extensive privatisation of housing was pursued as a direct response to the 1997 Asian financial crisis. In July 1998, the State Council released a circular announcing that newly hired employees would no longer receive

³⁴ Chan, "Urbanization and Urban Infrastructure," 108.

housing assignments from their *danwei* and that welfare housing (*fulifang* 福利房) would only be supplied to a limited group of low-income households. The move signalled the state's intention to further dismantle the socialist system of welfare housing and fully capitalise urban housing stock.³⁵ The housing function of the *danwei* was to be taken over by the market. This change has been described as the “neoliberal moment” in China's housing marketisation which led to the creation of a full-scale real estate market economy.³⁶ By 1999, the percentage of homeowners in urban areas has risen to 59 percent. By 2001, an estimated 80 percent of all public housing has been sold to the people.³⁷

Although housing reform aimed at privatisation and commercialisation has been gradually underway since the 1980s, this policy added fuel to the growing market of private commercial housing (*shangpinfang* 商品房) for China's upper class and the growing middle class population. Catering to a new sense of status and class-based lifestyle, the real estate business thrived in the development of luxurious condominiums and gated communities for the newly rich.³⁸ Since the late 1990s, construction and real estate grew to become “the pillars of local state finance, accounting for 50 percent or more of budgetary income in many localities and jurisdictions”.³⁹ The booming housing real estate economy further drove up the revenue to be derived from land lease sales. In the year of 2001 alone, the sale of land

³⁵ Deborah S. Davis, “Urban Chinese Homeowners as Citizen-Consumers,” in *The Ambivalent Consumer*, ed. Sheldon Garon and Patricia Maclachan (Ithaca, N.Y.: Cornell University Press, 2006), 281-299.

³⁶ Choon-Piew Pow, “Neoliberalism and the Aestheticization of New Middle-Class Landscapes,” *Antipode* 41, no. 2 (Mar. 2009): 371-390.

³⁷ James Lee and Y. P. Zhu, “Neoliberalism, Urban Governance and Housing Reform in China,” *Pacific Review* 19, no. 1 (2006): 42.

³⁸ Pow, “Neoliberalism and the Aestheticization of New Middle-Class Landscapes.”

³⁹ Ching Kwan Lee, “Rights Activism in China,” *Contexts* 7, no. 3 (2008): 14-19.

use rights generated 49.2 billion yuan. Five years later, the amount further increased to 767.7 billion yuan.⁴⁰

An active land conveyance market also brings increased budgetary revenue to local governments by enlarging the third category of land harvest, namely land-related taxes and fees. Although these taxes and surcharges fall within the formal budget and cannot be wholly retained by local governments, the very lack of transparency involved in the process of extraction makes them prone to abuse. The levy of these taxes and fees involves complex procedures and is difficult to monitor. This ambiguity creates significant incentive for various government departments, even those not directly related to land requisition and urban development, to profit from land lease sales.

Revenue from land use rights transfers and land-derived taxes and fees respectively make up key pillars of local government's off-budgetary and budgetary incomes. According to one survey, the former constitutes over 60 percent of local government's off-budgetary income while the latter constitutes as much as 40 percent of budgetary income.⁴¹ Over the course of the 1990s, this skewed reliance on land-derived revenues as the "second budget" (*di'er caizheng* 第二财政) was further aggravated by the rapid deterioration of state-owned enterprises as a main driver of growth.

To summarise the discussion thus far, the land reform created a monopoly rent in the form of land conveyance fee which symbolises the state's constitutional ownership and exclusive control over urban land. The tax reform of 1994 granted this monopoly rent in its entirety to local governments at the same time that it recentralised other

⁴⁰ Tao and Yang, "The Revenue Imperative and the Role of Local Government in China's Transition and Growth."

⁴¹ *Caijing*, "Tudi jiemi" (Unlocking the Secrets of Land).

voluminous fiscal categories. The resulting fiscal gap thus bolstered local governments' imperative to maximise the extraction of monopoly rent in order to maintain fiscal viability.

The institutional changes outlined above have important political, economic and territorial consequences that directly impact the behaviour of states. These changes can be summarised in terms of two parallel processes. The first is the rise of urban entrepreneurialism in governance. The entrepreneurial ideology is a method of governance that is primarily concerned with the creation of an urban environment that is conducive to business investment and consumption in order to facilitate the extraction of land rent. The second is the rise of territorial expansionism. The reliance on the new land harvest impels state to push its boundary outwards in order to enlarge the territory from which it could derive rent. This results in incessant incursions into rural areas, the territorial dynamic that underlies the transformation of the villages studied in this research.

Entrepreneurial Turn in Urban Governance

The reliance on land and property value increases to sustain city-building efforts is not something that has evolved overnight, but a gradual process of change that has been accompanied by changes in norms and values. Over the years, these changes have culminated in a visible discursive and strategic shift in the way cities are managed and governed. The reform era saw the rise of what can be referred to as a new urban entrepreneurialism in Chinese cities. This is a development that parallels

observations in western cities.⁴² In its Chinese manifestation, the entrepreneurial strategy in urban governance is succinctly captured in the new discourse of *chengshi jingying* (城市经营), best translated as the entrepreneurial operation and management of the city. Though it was officially put forward as the key development strategy of twenty-first century Chinese cities at the 2001 meeting of the China Association of Mayors, the discourse of *chengshi jingying* really encapsulates a new orientation in thinking and a set of strategies that have been formulated and put into practice by urban managers from the 1990s.

The adoption of entrepreneurialism signals a new dominance of pro-growth economic considerations in political thinking. The perception of the hypermobility of capital and an increasingly competitive global economy instils an “edgy insecurity” in local governments, compelling them to make the creation of conditions that facilitate capital accumulation, encourage private sector growth and bring in new investment their key objective in operating the city.⁴³ Although one must be particularly careful in avoiding overstating the dominance of economic considerations in China given the continued involvement of the state in the production of space,⁴⁴ the increased pressure

⁴² In Western cities, concerning which the notion of urban entrepreneurialism was first conceptualised, a shift in the regime of production has resulted in a reorientation of urban government that transformed the way cities were managed and run. Towards the 1970s, the Fordist-Keynesian model characterised by large-scale, long-term fixed capital investment in mass production began to show signs of unsustainability due to systemic rigidities. At the same time, technological advancement in transportation and communication and the consequent breaking down of spatial barriers allowed the production process to be dispersed geographically to take better advantage of cheap labour and resources around the world, supplanting the Fordist system of production with what David Harvey calls a “regime of flexible accumulation”. This transition is characterised by the internationalisation of economic activity, heightened geographical mobility of production and investment, and the rise of transnational financial corporations. See David Harvey, *The Condition of Postmodernity* (Cambridge and Oxford: Blackwell, 1990).

⁴³ Phil Hubbard and Tim Hall, “The Entrepreneurial City and the ‘New Urban Politics,’” in *The Entrepreneurial City: Geographies of Politics, Regime and Representation*, ed. Phil Hubbard and Tim Hall (Chichester: John Wiley & Sons, 1998), 5.

⁴⁴ In contrast to the impersonal, haphazard operation of private capital that has, according to Sharon Zukin, produced a landscape lacking coherent values in North American cities, urban entrepreneurialism in China is essentially a state project. See Fulong Wu, “The (Post-)socialist Entrepreneurial City as a State Project: Shanghai’s Reglobalisation in Question” *Urban Studies* 40, no. 9 (2003): 1673-1698. The Chinese state has never completely relinquished its power to intervene in the production of space. At a 2011 seminar presentation Sebastian Heilmann pointed to the resilience of a distinct “planning ambition” and “technocratic optimism” amongst the Chinese elite in face of market forces. Patricia Thornton similarly notes “the authoritarian Party-state’s [...] persistent attempts to subordinate the contradictions between market and place to the needs of the centre.” Even the grandiose spaces

to generate revenue has indeed led local governments to put new emphasis on

“attracting business and investment” (*zhaoshang yinzi* 招商引资).

At its heart, *chengshi jingying* embraces the notion of the city as the prime site of capital accumulation based on land. One of its main strategies is *yidi jiancheng* (以地建城), using land to build the city through raising land and property values.⁴⁵

Entrepreneurial strategies are deployed to make and sell the city in the bid to increase the monopoly rent that local governments can extract from state-owned land.

Emphasis is placed on the engineering of urban spectacles to construct the image of a cosmopolitan, international city that invites business, consumption, and tourism.⁴⁶

Chengshi jingying as the modus operandi of urban governance thus crystallises the broader transition in political discourse from industrialism to a new urbanism, which

of high-end consumption “embed transnational cosmopolitan consumerism within a nationalist and pro-Party agenda shaped by central elites”. See Patricia Thornton, “From Liberating Production to Unleashing Consumption: Mapping landscapes of power in Beijing,” *Political Geography* 29 (2010): 303. Aihwa Ong observes that the “hyperbuildings” found in Chinese major metropolises have one essential difference compared with those found in Western cities, in that they not only showcase the power of transnational capital but more importantly stage the sovereign power of the Chinese state. The visible hand of the state and the saliency of its political and ideological objectives thus complicate the solely growth-focused approach espoused by the western growth machine and urban regime models. See Aihwa Ong, “Hyperbuilding: Spectacle, Speculation, and the Hyperspace of Sovereignty,” in *Worlding Cities: Asian Experiments and the Art of Being Global*, ed. Ananya Roy and Aihwa Ong (Oxford: Blackwell, 2011), 205-226.

⁴⁵ There are two further strategies central to *chengshi jingying*. The first is the introduction of market mechanisms in the operation of urban assets such as water, electricity and heat supply, and public facilities from mass transit systems to wastewater treatment plants, as well as the introduction of user charges. This strategy is referred to as “using the city to sustain the city” (*yicheng yangcheng* 以城养城). Chengtou corporations, or urban construction investment groups, are set up to mobilise financing, carry out construction, and oversee the operation of infrastructure assets. The second dimension is the commodification of all types of public space to generate revenue. This strategy involves the management of the urban environment as an asset (*huanjing jingying* 环境经营). For example, the right to advertise on public infrastructure such as lampposts along main roads and around squares and the right to name major bridges and highways (*guanming quan* 冠名权) are auctioned off. The third dimension, and the most relevant aspect to this research, is the land-centred approach of *yidi jiancheng*.

⁴⁶ For example, Anne-Marie Broudehoux has described the making and selling of post-Mao Beijing through the perspective of urban image construction, which she conceptualises as having both rhetorical and physical aspects. The rhetoric of the attractive city guides and shapes development, leading to the emergence of spectacular spaces in the multifarious forms of flagships and prestige developments. See Anne-Marie Broudehoux, *The Making and Selling of Post-Mao Beijing* (New York: Routledge, 2004). Piper Gaubatz notes the rise of the Great International City as the new ideal city, one characterised by the development of distinct functional areas, new infrastructural and communication networks, and high-rise, elevated structures in the form of skyscrapers, expressways and bridges. See Gaubatz, “Globalization and the development of new central business districts in Beijing, Shanghai and Guangzhou,” 98-121.

celebrates urban modernity as the hegemonic ideology and “embraces a regime of accumulation and legitimation founded on land rents”.⁴⁷

The turn to entrepreneurialism also takes on an important political dimension in reform China. Existing literature has pointed to the incentive structure embedded in the cadre evaluation and promotion system that causes local officials to focus their energy on delivering visible achievements (*zhengji* 政绩) such as growth statistics and urban megaprojects.⁴⁸ The achievement of economic development has replaced ideology as the new criterion of loyalty and conformity, initiating a novel cycle of compliance succession.⁴⁹ This incentive mechanism has been strengthened in response to mounting pressure on revenue mobilisation created by the 1994 tax reform, in order to bolster lower-level governments’ revenue-generation capacity. The implementation of the cadre evaluation system has been extended from the county level up to the prefectural level in the 2000s.⁵⁰ With growing dependence on land revenue, the ability to pursue growth based on the prolific extraction of land rents becomes an increasingly relevant measurement of the governing capacity of local leaders.⁵¹ As neatly put by You-tien Hsing, “while local states build the city, the city builds the local state”.⁵²

⁴⁷ Hsing, *The Great Urban Transformation*, 114.

⁴⁸ At the provincial level, one study presents empirical evidence from tracking the career paths of over 250 provincial leaders in 28 provincial units that the likelihood of promotion increases with economic performance. See Hongbin Li and Li-An Zhou, “Political Turnover and Economic Performance: The Incentive Role of Personnel Control in China,” *Journal of Public Economics* 89, no. 9-10 (Sep. 2005): 1743-1762. At the sub-provincial level, Maria Edin observes that in view of the high variability in promotional considerations, economic achievement appears to be the “best capital asset” for local cadres to cultivate in fulfilling other targets set by higher levels and in avoiding monitoring. See Maria Edin, “Why do Chinese local cadres promote growth? Institutional incentives and constraints of local cadres,” *Forum for Development Studies* 1 (1998): 97-127.

⁴⁹ Chung, “Reappraising Central-Local Relations in Deng’s China,” 46-75.

⁵⁰ Tao and Yang, “The Revenue Imperative and the Role of Local Government in China’s Transition and Growth.”

⁵¹ Granted, recent changes have been made by the central government to adjust officials’ incentive structure through the introduction of the concept of Development Priority Zones (*zhuti gongneng qu* 主体功能区). The concept was introduced in the Eleventh Five Year Plan referencing the metropolitan planning practices of Germany and Japan, with the aim of developing a more differentiated approach toward spatial control. Based on the capacity and the current and potential level of development, areas are grouped into four kinds of zones at the

The entrepreneurial turn in urban governance has thus brought about close cooperative relationships between the political and business communities and intensified public-private partnerships. The reform era has seen the formation of “informal local urban regimes” and “socialist pro-growth coalitions” in coastal cities, where local bureaucracies, enterprises and foreign capital join hands to capitalise on gains from urban land and property development.⁵³

Another dimension of urban entrepreneurialism is what can be referred to as the privatisation of the urban state. Privatisation of the state implies the increasing devolution of functions previously performed by the state to private intermediaries. The discharge of responsibilities, far from undermining state power or signalling state withdrawal, represents a new method of governing that allows the state to multiply the points through which its power is deployed and manifested.⁵⁴ In the realm of urban development, the privatisation of the urban state can be observed from the rising number of semi-private organisations set up by public bureaucracies to manage land, coordinate development, and organise evictions and demolitions. These companies constitute new combinations of the public and the private as many were set up directly under the government and its various branches. As the example of Guangzhou shows, these semi-private institutions have taken over many public functions related to urban planning and land expropriation.

national and provincial levels. Each zone is charged with different development priorities and levels of development intensity. Officials are evaluated according to different criteria for different zones. For example, in controlled development zones (*xianzhi kaifa quyu* 限制开发区域), the emphasis of achievement assessment is placed on the ability to protect agricultural products and ecological elements such as air and water quality, while economic targets such as the level of urbanisation, investment, and fiscal revenue are not assessed at all or made less important. The author would like to thank Sebastian Heilmann for bring this to her attention and for directing her to the relevant Chinese-language literature.

⁵² Hsing, *The Great Urban Transformation*, 212.

⁵³ See Jieming Zhu, “Local growth coalition: The context and implications of China’s gradualist urban land reforms,” *International Journal of Urban and Regional Research* 23, no. 3 (1999): 534-548; and Tingwei Zhang, “Urban Development and a Socialist Pro-growth Coalition in Shanghai,” *Urban Affairs Review* 37, no. 4 (Mar., 2002): 475-499.

⁵⁴ Béatrice Hibou, “From Privatising the Economy to Privatising the State,” in *Privatising the State*, ed. Béatrice Hibou (New York: Columbia University Press, 2004), 1-46.

Territorial Expansionism

While the entrepreneurial turn encapsulates the discursive and strategic shift in governance ideology, the expansionist logic of the urban state captures the manifest processes of territorial change observed in the reform era. The establishment of the Ministry of Land Management in 1986, the first “clearly designated state institution for the task of urban management” founded since 1949, greatly enhanced the territorial authority of the state.⁵⁵ The branches of the Ministry at the provincial, municipal, district and county levels were granted the powers to coordinate the allocation and use of state-owned land.

The urban expansionist drive into rural areas has been enabled by several policy changes. Under Mao, local governments only exercised administrative authority over the urban areas of prefectures and counties. Their power over rural resources was circumscribed. Since the 1980s, the territorial authority of cities has been greatly bolstered in ways that directly facilitated their expansion of spatial influence in surrounding rural areas. The following sections highlight three of these newly gained powers.

Expansion through administrative conversion

The first is territorial expansion through administrative conversion. This was brought about by two policies of territorial restructuring, namely the system of city administering county (*shi guan xian* 市管县), i.e. the placement of suburban counties under the administrative control of a neighbouring large city above the prefecture

⁵⁵ You-tien Hsing, “Global capital and local land in China’s urban real estate development,” in *Globalization and the Chinese City*, ed. Fulong Wu (London: Routledge, 2006), 173.

level, and the annexation of counties (*chexian shequ* 撤县设区), i.e. the administrative conversion of surrounding county-level units (rural counties and county-level cities) into urban districts.

In principle, the twin policies enable large cities to better coordinate regional rural-urban development under the rubric of “rural-urban integration” (*chengxiang yitihua* 城乡一体化). From this perspective, the annexation policy facilitates the urbanisation of surrounding agricultural populations by granting rural residents urban household status as well as access to urban privileges. The annexed county also benefits from an administrative status upgrade as it moves one level up to become a city-administered district with prefectural-level status.

These perks, however, come at a price for the county as the central city takes over its power to make decisions regarding development. Once the county becomes a district, it loses administrative autonomy and becomes subordinate to the municipal government and its prerogatives. In practice, therefore, the policy essentially gives urban governments enhanced power to exploit rural resources and channel revenue back to the metropolis. A common example is the acquisition of suburban land for commercial development. By “swallowing up” peripheral counties, the core metropolis conveniently expands its territorial size and sphere of influence. The ability to coordinate and plan regional development projects such as transportation networks further consolidates the territorial dominance of the core city in a regional context. The policies thus give license to large cities to achieve “instant urbanisation” through administrative conversion.⁵⁶ The system has thus been dubbed “city extorting

⁵⁶ Chiew Ping Yew, “Pseudo-Urbanization? Competitive government behaviour and urban sprawl in China,” *Journal of Contemporary China* 21, no. 74 (2012): 281-298.

county”, “city squeezing county”, “city blocking county”, “city living off county”, and “city suppressing county”.⁵⁷

Expansion through land expropriation

Expansion is also achieved through the direct expropriation of rural land.

Expropriation refers to the legal process by which the state obtains rural land from the farmers’ collective by paying the latter an expropriation fee.⁵⁸ Having gone through formal state expropriation, the land use rights of the piece of land can then be sold to commercial users at a conveyance price. Expropriation thus provides a convenient means for the state to obtain monopoly rent. As urbanisation proceeded at breakneck pace in the reform era, most villages in China have experienced land expropriation of different scales. The exploitative nature of rural land expropriation and the unequal state-peasant distributive relations the process entails will be examined in detail in Chapter 5.

This section focuses on how land expropriation is directly associated with the privatisation of the urban state. Many land acquisitions took place through semi-private organisations, and the entire process of expropriation has taken on an increasingly private nature. The practice of land banking in farmland expropriation, undertaken by land development centres (*tudi kaifa zhongxin* 土地开发中心), is an apt illustration. Land development centres, unlike explicitly profit-oriented development companies, are non-profit public sector units (*shiye danwei* 事业单位) set up under state bureaus to perform government functions. In their operation,

⁵⁷ Laurence J. C. Ma, “Urban administrative restructuring, changing scale relations and local economic development in China,” *Political Geography* 24 (2005): 477-497.

⁵⁸ The expropriation fee should consist of land compensation fee, resettlement allowance for the displaced peasants, and compensation fees for the lost crops.

however, land development centres are run and managed in ways that directly contribute to the local state's logic of revenue maximisation through land expropriation.

Land development centres are by nature land banks or land reserves (*tudi chubei* 土地储备), set up by local governments in the 1990s to centralise the management of local land and consolidate land supplies. They were created out of Beijing's concern for the dire economic circumstances of state-owned enterprises. Faced with intensified competition resulting from the proliferation of township-village enterprises, foreign-invested enterprises and private firms, many government-owned enterprises were faltering in performance, even collapsing, in the 1990s. The practice of land reserve was introduced for local authorities to purchase land formerly allocated to these SOEs in the move to push forward the restructuring of the state sector. Using bank credit or budgetary allocation, land banks run and managed by the local government were established to take over land parcels allocated to bankrupt SOEs and incorporate them into government land reserves.

Most local regulations target three main types of land for incorporation in to land reserve. The first type is land administratively allocated to socialist *danweis* and SOEs. The second type is land in state ownership that is unutilised (*xianzhi* 闲置) or underutilised (*dixiao liyong* 低效利用). The third type is land expropriated by the local government from rural collectives. This refers to both rural construction land and rural agricultural land that is collectively owned.

Although the land reserve system was clearly pushed forward by the central government to facilitate the acquisition of the first type of land, in practice this was

not the main target of local governments. Rather, local governments focused on expanding their reserves of collectively owned rural land, which they could obtain cheaply and conveniently. The central government's policy has thus been artfully appropriated by local officials, who pursued the aggressive expropriation of rural land in the name of consolidating land supplies and expanding land reserves. It has been estimated that only 20 to 25 percent of the total area of land in reserve consists of land reacquired from administrative allocation, while the rest is made up of newly expropriated rural land.⁵⁹

Land banking serves the important function of helping local governments maximise monopoly rent by allowing them to strategise on the most lucrative supply arrangements. That is, by controlling when and how much land is offered to commercial users for competitive bidding in the market, local governments can create scarcity and engineer higher prices for leasehold contracts. Scarcity is created when premium land is withheld from the market to speculate on future values. This is a strategy that mainland cities has borrowed from the neighbouring government of Hong Kong, which has the requisite power to control the sales of public domain land for the extraction of the highest monopoly prices.⁶⁰ The introduction of land banking mechanisms in mainland cities has basically allowed local governments to do the same. Their monopolistic control over land supply thus enables local governments to obtain higher conveyance fees through the creation of scarcity.

⁵⁹ *Caijing*, "Tudi jiemi" (Unlocking the Secrets of Land).

⁶⁰ Harvey, "The Art of Rent," 93-110.

Expansion through redevelopment

Territorial expansion is also achieved within the city through the demolition and redevelopment of old neighbourhoods and urban villages (*chengzhongcun* 城中村), rural pockets that are surrounded by urbanised area. As a state policy, redevelopment of urban areas is not new.⁶¹ In the early years of reform, the main objective of redevelopment, undertaken by local governments and *danweis* under the banner of *weigai*, i.e. the reconstruction of dilapidated buildings that were considered unsafe (*weipofang gaizao* 危破房改造), or *penghu qingli* (棚户清理), i.e. shanty clearance, was to improve the housing condition and upgrade public infrastructure.

Redevelopment during this initial period was inefficient and suffered from a lack of funding. Finances for reconstruction were borne solely by the state, and the private sector seldom played a part.⁶²

As rules on the participation of private capital were loosened in the 1990s, the nature of redevelopment underwent a radical change. The re-entry of property capital turned the enterprise of redevelopment into an arena of competition for land resources where real estate giants battled with one other to vie for greater territorial dominance. The limited amount of prime land in the city centre open for bidding further intensified the competition. Precious parcels of land in inner city areas were compared to “the last piece of cake” up for division among real estate giants.

Redevelopment is basically about the capitalisation of the land rent that is unrealised under the present land use regime. This unrealised rent can be conceptualised as the

⁶¹ Renewal projects were carried out under Mao to upgrade the most deteriorated residential areas, although such efforts were terminated during the Cultural Revolution.

⁶² Shenjing He and Fulong Wu, “Property-Led Redevelopment in Post-Reform China: A Case Study of Xintiandi Redevelopment Project in Shanghai,” *Journal of Urban Affairs* 27, no. 1 (2005): 1-23.

rent gap, “the disparity between the potential ground rent level and the actual ground rent capitalised under the present land use”.⁶³ By tearing down the old and dilapidated buildings that were occupying the land, putting up new structures such as commercial developments, and selling or renting out the new structures, the enhanced ground rent can be realised. Redevelopment is thus an act of capitalising the potential rent harvest. As will be shown in later chapters, this enlarged rent harvest constitutes a new object of distributive struggle between local governments, real estate capital, village leaders, and the peasant masses.

The Case of Guangzhou

The institutional changes and territorial processes outlined above can be clearly observed in the case of Guangzhou. By examining how they took effect in the provincial capital, this final section provides the background for contextualising the transformation of the three villages in the reform era.

Within the Pearl River Delta, Guangzhou has traditionally enjoyed undisputed prominence as the city with the most vibrant mercantile history. Known as Canton, the city was the starting point of an urban nexus of commerce and trade that concentrated along the Grand Canal and the inland water system. Together with the trade cities and urban cultural centres of Suzhou, Nanjing, Hangzhou and Yangzhou, Guangzhou was a core member of “a cross-regional and far-reaching network, connecting the southern and southeastern Asian sea routes with the inland river-and-canal based system of the Qing Empire on the continent”.⁶⁴ It was the first port in

⁶³ Neil Smith, *The New Urban Frontier* (London: Routledge, 1996), 65. For example, a piece of land currently used as a factory site could potentially have its ground rent level raised if it is used alternatively as a commercial office building. Redevelopment usually takes place when the rent gap becomes sufficiently wide.

⁶⁴ Meng Yue, *Shanghai and the Edge of Empires* (Minneapolis: University of Minnesota Press, 2006).

China reached by the Europeans in the early 16th century and the only port opened when the Chinese coast was closed off to trade in 1757 (*yikou tongshang* 一口通商). Home to the Hong merchants' headquarters, the East India Companies and the Thirteen Foreign Factories, Guangzhou was designated one of five treaty ports in the Treaty of Nanjing signed at the conclusion of the 1842 Opium War.

As China moved towards reform and opening in the late 1970s, Guangzhou became one of the fourteen open coastal cities in 1984 and was set to regain its dominance as the regional hub.⁶⁵ The rapid rise of new cities within the Pearl River Delta, however, posed a daunting challenge to the provincial capital's ambition. Guangzhou was overshadowed not only by Shenzhen, which was made a Special Economic Zone in 1979, but also by smaller counties and cities such as Dongguan, which had witnessed spectacular growth as a result of the flourishing of township-village enterprises induced by investment from Hong Kong. The reform era thus saw aggressive effort undertaken by the Guangzhou government in the bid to reposition the ancient regional hub as the centre of south China.

Territorial expansion through administrative conversion

The clearest manifestation of Guangzhou's ambition can be seen in its rapid outward expansion. The policy of annexing county-level units is the key instrument through which the provincial capital realises its expansionist project. As early as the 1980s, the municipal government has already begun extending its reach into the surrounding countryside by creating the three new districts of Tianhe, Baiyun and Huangpu out of the suburbs (*jiaoqu* 郊区) lying north of the city area (*chengqu* 城区). It is in 1985

⁶⁵ The 14 open coastal cities are Beihai, Dalian, Fuzhou, Guangzhou, Lianyungang, Nantong, Ningbo, Qingdao, Qinghuangdao, Shanghai, Tianjin, Wenzhou, Yantai, and Zhanjiang.

that Tianhe, the district of focus in this research, was carved out of the rural hinterland and turned into one of Guangzhou's urban district. In 1998, the municipal government floated the idea of gradually annexing the four county-level cities on its periphery and incorporating them into the metropolis. These four county-level cities in combination occupy approximately 6,000 square kilometres of land, which is four times the size of Guangzhou city at the time. Sparsely populated and endowed with abundant land resources, they presented a prime prize to be claimed by the municipal government.

In 2000, the provincial government received official approval from the State Council for the administrative conversion of two of these county-level cities, Panyu and Huadu. The annexation added almost 1,000 square kilometres of land to Guangzhou in the north and over 1,300 square kilometres to the south. It extended the metropolis's territorial reach along a north-south axis, and most significantly gave open sea access to Guangzhou through the port of Nansha at the southern tip. Rapid urbanisation and development followed annexation, with real estate prices increasing by almost tenfold in areas of Panyu that are closely linked to the city centre by newly constructed railway lines.⁶⁶

The expansionism of the municipal government was not without its critics, however. Some saw the annexation as an expedient means by which polluting industries could be relocated from the city core to the outlying periphery. There were also complaints over the differential progress of integration, as epitomised by the saying "Panyu's land becomes Guangzhou's land, Guangzhou's welfare remains Guangzhou's

⁶⁶ He Shan, "Bingqu shisi nian Panyu loujia fan shibei" (District incorporation led to tenfold prices increase within 14 years), *Soufang*, February 28, 2014, http://news.gz.soufun.com/2014-02-28/12194153_all.html (accessed March 1, 2014).

welfare”.⁶⁷ While the land market has been quickly incorporated, the integration of social welfare and school systems has proceeded at a much slower pace.

The annexation of the other two county-level cities, Conghua and Zengcheng, was announced in February 2014. This administrative act further extends the reach of the municipal government by placing an additional 3,500 square kilometres of urban land under its direct control.⁶⁸ Prior to annexation, Guangzhou has approximately 3,800 square kilometres of urban land available for development. The act of rezoning almost doubles the amount of land resources the municipal government can exploit. The annexation of Conghua and Zengcheng brings the total area of Guangzhou to over 7,400 square kilometres and its population to almost 13 million.

Urban entrepreneurialism in Guangzhou

Accompanying expansionist territorial processes is the drive to upgrade and modernise the metropolitan landscape. The centrepiece of the government’s entrepreneurial program was the creation of a new Central Business District, the Pearl River New City (*Zhujiang Xincheng* 珠江新城). Also known as the Zhujiang New Town, the development was designated as the provincial capital’s core financial district on par with Beijing’s Chaoyang and Shanghai’s Pudong. Together, the three developments make up the only three national-level CBDs recognised and approved by the State Council.

The Pearl River New City is located in Tianhe district. In 1993, the municipal government hired an American architectural firm to create a master plan for the

⁶⁷ *Ibid.*

⁶⁸ Mimi Lau, “Guangzhou floats plan to double urban area,” *South China Morning Post*, February 15, 2014.

financial district. Borrowing from the development model of New York's Manhattan, plans were made to include a public green area similar to New York's Central Park. A new central axis, complementing the old commercial axis in the city's historic Yuexiu district, was to form the backbone avenue along which office buildings and high-value residential developments were to be constructed. At the southern end of the axis where the axis intersects with the banks of the Pearl River, a cultural cluster was planned which would feature a series of new landmarks including the Guangzhou Opera House, designed by prestigious architect Zaha Hadid, the Guangzhou Library, the Guangdong Museum, and the Second Youth Palace. The ultimate highlight of the CBD would be Guangzhou's very own Twin Towers, two skyscrapers flanking the central axis on each side which would be the tallest buildings in the city. According to the planner's conception, the glamorous development would seal the provincial capital's leading role in the Pearl River Delta region and help it gain the status of a globally recognised centre of international trade and finance.

By the very act of designating Tianhe district as the new centre of Guangzhou, the government has created exceptional locational value for land in the district. By choosing where to locate the central axis and the core financial area, the planners also created a rent gradient for land in the vicinity of the new development. In 1992, the municipal government entered into expropriation negotiations with seven villages whose land fell within the area planned for the new CBD.⁶⁹ Three of these are the village studied in this dissertation. After the CBD-led expropriation, all three villages lost all remaining agricultural land and no longer had any land to farm.

⁶⁹ These seven villages include Xiancun, Yangji, Liede, Shipai, Nonglin, Siyou and Shidong villages.



Figure 2.1. Government advertisement visualising the landscape of the new CBD at Tianhe district. The new central axis is clearly visible. The description on the top left reads “Tianhe helps you to realise your dreams and make success!”

Over the course of the 1990s and 2000s, the commercial development of the expropriated land resulted in the rapid urbanisation of these villages’ surrounding. In 2009, the municipal government further announced plans to demolish and redevelop these very villages themselves. Clearing out these rural pockets would not only improve urban aesthetics, but create new slates of land for the capitalisation of land rents. The government’s ambition was to completely demolish and redevelop all villages within the metropolitan centre in ten years. It was envisioned that by 2020, the city would be rid of all its unsightly rural-urban hybrids. The launching of redevelopment in two of the three villages studied created a new round of distributive struggles in the 2010s that ultimately led to the consolidation and successful redevelopment of one and the breakdown of the other.

Expropriation and the Privatisation of the Urban State

Active throughout the above urbanisation projects were two semi-private institutions set up under the local government that played a highly involved role in planning the landscape, coordinating its implementation, and participating directly in land expropriation processes.

The first is the Municipal Urban Construction and Development Company (*chengshi jianshe kaifa zonggongsi* 城市建设开发总公司), set up in the early 1980s under the Housing Construction Office of the People's Government as a state-owned enterprise. This Company later merged with Yuexiu Enterprises, one of the largest property developers in Guangdong, and became a listed company in Hong Kong in 2002. Intriguingly, this development company evolved from the Housing Construction Office, an institution established by the municipal government in 1978 to deal with the provision of housing for low-income households. An institutional revamp in 1983 turned this welfare-oriented organisation into the city's first comprehensive real estate development enterprise (*fangdichan zonghe kaifa qiye* 房地产综合开发企业). This company of semi-public nature was then delegated urban planning and development tasks by the Guangzhou government.

One of these included the planning and implementation of the development of Tianhe district in the 1980s. The Company was the single mastermind behind the territorial transformation of the then-rural district, newly carved out of Guangzhou's suburbs in 1985. In 1984, the municipal government approved the district planning of Tianhe and appointed the newly reorganised Company as the sole developer. The Company has since played a direct role in expropriating land from villages to carry out its grand

urbanisation project. Between 1985 and 1987, for example, the Company requisitioned 394.8 *mu* of land from Shipai village.⁷⁰ The Company also worked with local development companies set up under district-level bureaus. For example, the Tianhe District Urban Construction and Development Company expropriated 65 *mu* of land from Shipai in 1985, and another 56 *mu* of land in 1992.⁷¹

The revenues of the Company derived from urban development were used to fund welfare functions performed by the state. According to the company's corporate profile, it supplied welfare housing to the Municipal Poverty Relief Office (*jiekunban* 解困办) in the late 1980s under the instruction of the government. The Poverty Relief Office was set up in 1986 to help households with less than 2 square meters of living space per person, and is the predecessor of the current Welfare Housing Office (*zhufang baozhang bangongshi* 住房保障办公室). Merging both private and public functions, therefore, the Company serves as an early example of the devolution of government functions to semi-private entities.

The second institution is the land bank, whose stated and actual functions have been examined above. Guangzhou set up its own land bank as early as 1992, although Shanghai's Land Development Centre, established in 1996, is commonly referred to in the mainland press as the country's first. Bearing the name Guangzhou Municipal Land Development Centre, the land bank was set up in January 1992 as a sub-bureau level public institution affiliated with the Guangzhou Municipal Land Resources and Housing Administrative Bureau. It also carries the nameplate of Land Expropriation Office, which points clearly to the nature of land banks as institutions whose primary

⁷⁰ *SPCZ*, 16.

⁷¹ *Ibid.*

function really lies in the requisition of rural land. The Land Development Centre cum Expropriation Office is responsible not only for making urban plans for expropriation, but is also directly involved in technical aspects of the procedure including the setting of compensation standards and the execution of eviction and demolition. It is the Land Development Centre that played the key role in expropriating land from the villages for the development of the Pearl River CBD, as well as supervising their subsequent demolition and redevelopment in the 2010s.

Summary

This chapter has examined the institutional bases of the formation of new distributive relations in reform-era land politics. The downward transfer of administrative powers, revolutionary changes in China's land management regime which saw the creation of a new monopoly rent, as well as the recentralisation of fiscal authority that heightened the importance of off-budget financing all incentivised the local government to fend for its own fiscal viability through the maximisation of rent extraction. The adoption of a land-centred model of growth and urban financing was accompanied by a distinct shift in discourse that became articulated as a coherent strategy of governance at the turn of the century. The gain in currency in the language of *chengzhi jingying* neatly encapsulates the reform city's embrace of an entrepreneurial mode of urban governance.

These changes have made a manifest mark on the landscape, where the effects of urban expansionism can be clearly seen. Local governments' extractive capacity in the rural hinterland was enhanced by two central policy measures, that of administrative conversions of rural units and land expropriation. Local government

further benefited as a result of the land banking policy introduced by the central government to tackle specific concerns for faltering state-owned enterprises. This institutional opening was capitalised upon by local governments, who adapted the mechanism for territorial consolidation to serve their own interests. Their active agency in shaping distributive outcomes at the local level demonstrates that power is not just conferred by existing institutional structures, but actively fought for and realised in practice.

This chapter has outlined the institutional bases and key territorial processes in China's new land politics. While the impact of these forces can be observed across the nation, the final section of this chapter has shown how they have reconfigured the landscape of Guangzhou and set in motion the city's expansionist developments. It is in this vibrant context of great territorial and urban transformation that this study of Chinese villages is situated.

CHAPTER 3

Research Design

This thesis investigates why and how, from an institutional perspective, villages have reconstituted themselves in the context of drastic economic and territorial change. I have thus chosen as my research area the district in Guangzhou that has encountered the greatest territorial and urban transformation since the beginning of reform. This district is Tianhe. Particularly, I examined three villages in Tianhe district that are located at the very epicentre of change, namely Liede, Xiancun and Shipai. These three villages are situated at the southwestern corner of Tianhe. All three fell into the zone planned for Guangzhou's new central business district, the Pearl River New City, and lost all their farmland to state-led expropriation in the mid-1990s. From then onwards, the villages must rely on the new land harvest derived from the development and renting of property built on rural construction land to sustain village revenues. This provides the perfect setting for examining how the villages re-organised and re-collectivised themselves in face of the new environment.

The first section of this chapter introduces the choice of research site. The second section sets the villages in a most-similar case design, and provides a brief profile for

each of the three villages. The third section details the fieldwork and data collection processes, while the final section points to the limitations of this research project.

Choice of Research Site

From a territorial perspective, Tianhe district is located at what can be characterised as the rural-urban fringe.¹ Whereas Yuexiu, Liwan and part of Haizhu districts constitute the historic heart of the metropolis, Tianhe in the first decade of reform is situated at the interface zone between the rural and the urban.

Tianhe district is a direct product of the urban-biased territorial policy that has allowed the Guangzhou government to pursue its expansionist project in the reform era. Tianhe was established as an urban administrative district (*qu* 区) in 1985 by cutting a slice out of the rural countryside that lay on the eastern frontiers of the metropolitan core. At that time, this huge swathe of land measured 102.5 square kilometres and housed a rural population of just over 200,000. By 2012, the rapid urbanisation of this once peripheral rural area has brought the residential population up sevenfold to 1,450,000. This figure has not yet included the hundreds of thousands of migrant workers who have found temporary accommodation in this rapidly developing district.

¹ You-tien Hsing, *The Great Urban Transformation: Politics of Land and Property in China* (Oxford: Oxford University Press, 2010).

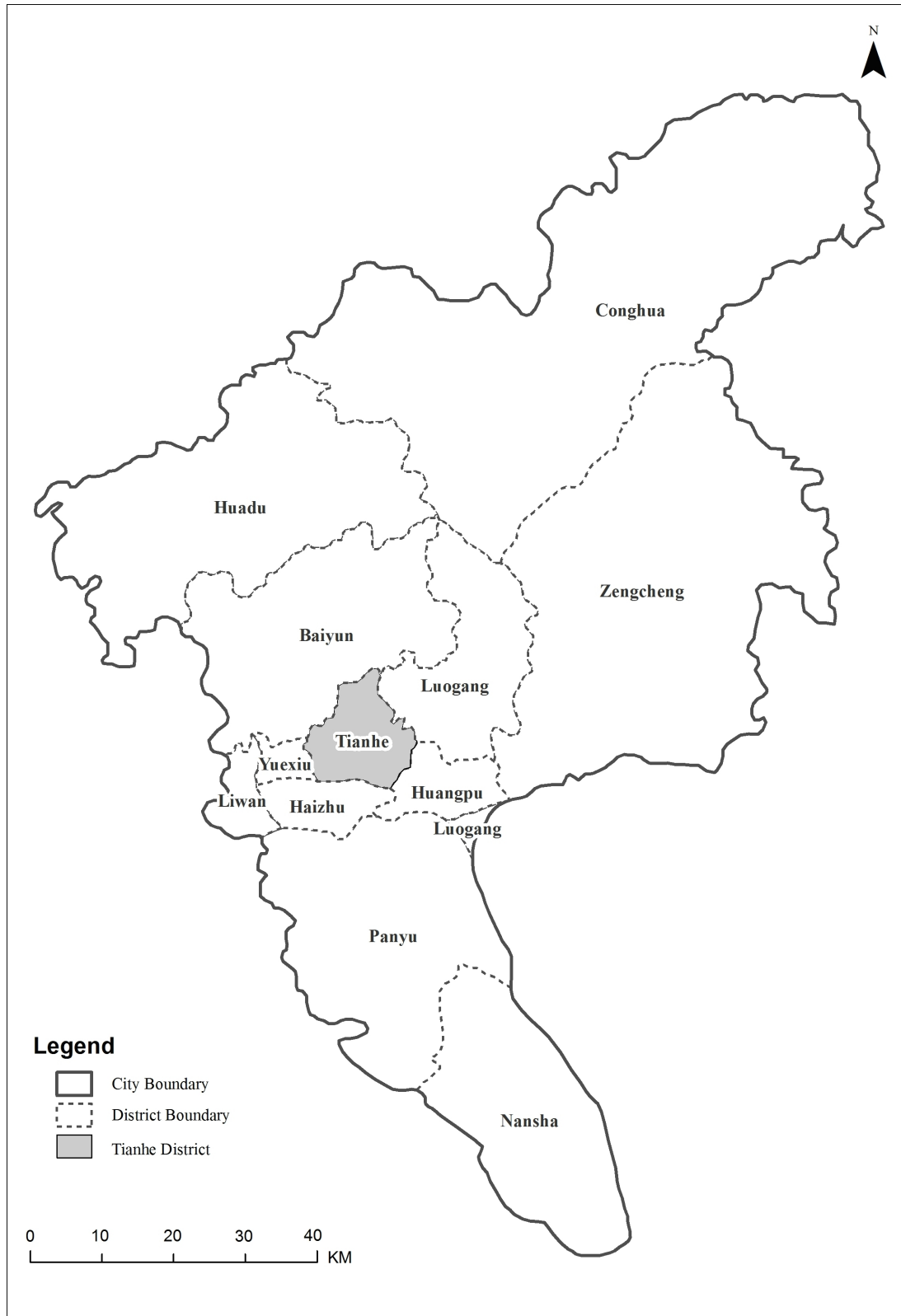


Figure 3.1. Map of Guangzhou with location of Tianhe district highlighted.

But its pace of urbanisation dims in comparison to the scale of growth of the district economy. In 1985, Tianhe's district GDP was around 180 million yuan. By 2013, that figure has increased to 239.5 billion yuan. The district is home to over 300 business headquarters, two-thirds of the city's financial organisations, and one-third of the city's legal firms. Its economic performance in terms of GDP, total social fixed asset investment, per capita income and per capita expenditure tops all districts in Guangzhou.²

It is the phenomenal growth the district has seen in the past thirty years that makes it an ideal field site for an investigation into the effect of urbanisation and land-centred development on rural villages. In less than three decades, the landscape of Tianhe's villages has undergone the dramatic change from rice paddies, fishponds and pig farms, to shabbily built concrete rental apartments housing blue-collar migrant workers, to commercial high-rises and luxurious residential compounds catering to the local and foreign business elite.

As of 2014, Tianhe district ruled over 21 urban sub-districts (*xingzheng jie* 行政街, or *jiedao* 街道). When it was established in 1985, the district consisted of two rural townships (*zhen* 镇) and four urban sub-districts. The two rural townships, Shahe and Dongpu, occupied most of the land in the district. Dongpu lay on the eastern side of the district, further away from the old city, whereas Shahe was situated right at the urban-rural frontier. All three villages chosen for in-depth study in this dissertation were for a period under the jurisdiction of Shahe township.

² Tianhe qu difangzhi bianzuan weiyuanhui bangongshi, *Tianhe Nianjian 2013* (Tianhe District Annals 2013)(Guangdong: Guangdong renmin chubanshe, 2013).

Selection of Cases

This study adopts a qualitative case study approach based on the analysis of three case studies. The qualitative method is chosen because it allows for a refined and focused approach, which is eminently suitable for examining the nuanced evolution of institutions in specific empirical contexts. Because the focus is on institutions, with the observation of the experiences of the villages treated as manifestations of the strengths and weaknesses of the institutions, the lessons drawn from the empirical study are by no means limited to the three case studies alone.

The qualitative case study approach is also chosen over a variable-oriented approach, which usually begins with the identification of key variables and the collection of data centring on those variables. But as a scholar studying rural China's transition from socialism to market economy suggests, "the complexity and indeterminacy of the transformation process" warrant an approach that is more flexible and adjustable.³ Particularly in our case where the comparative tracing of evolutionary paths forms a crucial part of the analysis, such an approach would be more equipped at capturing the dynamics of change.

Three villages are chosen as case studies because they share similar characteristics but evolved along paths that produced very different institutional outcomes. As their divergent trajectories will be illustrated in the rest of the chapters, this section focuses on their similarities.

³ Ray Yep, *Manager Empowerment in China: Political Implications of Rural Industrialization in the Reform Era* (London: Routledge, 2003), 23.

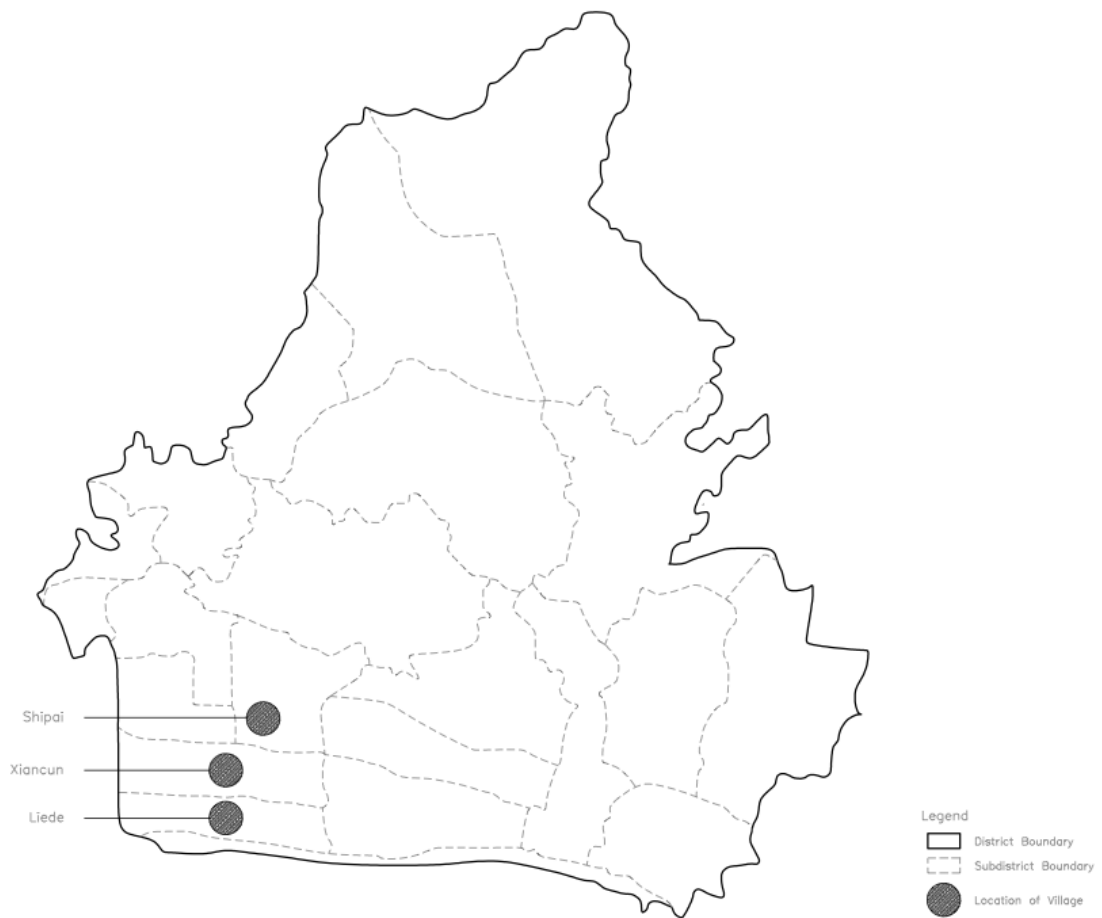


Figure 3.2. Map of Tianhe district with location of villages highlighted.

From a territorial perspective, the three villages were historic neighbours that shared administrative boundaries with one another. Shipai is located in the north, Xiancun to the southwest of Shipai, and Liede further south of Xiancun by the bank of the Pearl River.

Given their geographical proximity, the three villages shared similar administrative histories. In the Qing dynasty under Emperor Kangxi, all three villages were under the leadership of the same grassroots administrative unit of Shipai. With the establishment of the People's Republic, all three villages were administrative townships (*xiang* 乡) under the jurisdiction of Shipai district. Under collectivisation, the three villages became organised as production brigades under the Shahe People's

Commune. The dismantlement of the People's Commune in 1984 placed the three villages under the newly established Shahe Subcounty Administrative Office, which later became the Shahe Township People's Government. In terms of organisational structure, all three villages undertook the rural shareholding reform in 1991 and set up rural shareholding cooperatives. The three villages also became village joint stock companies one after another with Shipai in 1997, Xiancun in 1999 and Liede in 2002.

Economically, all three villages had vast tracts of cultivated fields in their possession and had historically specialised in crop and vegetable farming. In the reform era, all three villages saw great gains in agricultural productivity with the introduction of the household responsibility system, but very soon secondary and tertiary industries replaced agriculture as the main source of village revenue. The rapid industrialisation and urbanisation of Tianhe district and Shahe township led to successive requisitions of land from the three villages, and all became increasingly reliant on the contracting of land to industrial enterprises and commercial developers for rental income. They are what is colloquially referred to as urban villages or *chengzhongcun* (城中村), rural pockets that are encircled by urbanised areas. All three villages have strong land-based collective economies that are centred on the prolific extraction of rents.

Socially, all three villages are multiple-surname villages featuring two to three dominant surname groups. There are three dominant surname groups in Shipai, the Chis, the Dongs and the Pans. The Chis is the largest lineage numerically, accounting for 37.5 percent of the village population. The Dongs and the Pans make up 23.5 percent and 14.6 percent of the village population respectively. Together, the three

lineages make up 75.6 percent of the village population.⁴ All three groups have settlement history of 600 to 700 years dating back to the Southern Song and Yuan dynasties.⁵

There are two dominant lineage groups in Xian village, the Xians and the Lus. Both surname groups each have approximately 2,000 villagers, making up respectively 40 percent of total village population.⁶ The Xians trace their genealogy to two different ancestral branches, while the Lus are descendants of the same group of ancestors.⁷

The Liangs make up the third largest surname group in Xian village, although they are far smaller in size compared to the two dominant lineages. As of 2007, there are only about 100 Liangs in Xian village, making up just about 2 percent of village population.⁸ All other surnames make up less than 2 percent of village population.

Liede has three dominant surname groups, the Lis, the Liangs and the Lins. The Lis are the most numerically superior with its members accounting for 45 percent of total village population, although their ancestors came from two different lineage

⁴ There are two other medium-sized surname groups in Shipai, the Chens (6.1 percent) and the Xians (5.2 percent), but historically they were separate natural villages that were only administratively incorporated into Shipai in the socialist era. The Chens congregated in the natural hamlet of Xinqing, whereas the Xians moved into the area now known as East Shipai as a result of the expropriation of their land in 1965. The remaining 13.5 percent of the village population is made up of 95 other surnames groups. See *SPCZ*.

⁵ Of the three dominant lineages, the Dongs were the earliest settlers of Shipai. Migrants surnamed Dong is known to have settled in the Guangdong area as early as the Han dynasty. The Dongs of Shipai settled in the village in the Southern Song dynasty and boasts of a settlement history of 730 years spanning 28 generations. The Chis moved to Shipai about one hundred years later in the Yuan dynasty. According to narratives passed down through the generations, the Chis found favour with the Dongs and one of their men married a woman from the Dong lineage. The two surname groups thus lived next to one another. The Pans came to the Shipai area around the same time as the Dongs and settled to the west of the village. The three surname groups have thus been historic neighbours for over 600 years. See *SPCZ*.

⁶ According to the village gazette, the Xians is slightly bigger in terms of population size but no concrete figures are provided. See *XCCZ*, 59.

⁷ Half of the Xians belong to a branch that settled in Xian village around the end of the Yuan dynasty. According to the village gazette, an ancestor of this branch married a woman from Liede village, settled north of Liede and bought 25 *mu* of land there. By 2007, this branch has reproduced through 26 generations. The other half of the Xians belong to a branch that moved in slightly later during the Ming dynasty. Some of the ancestors of this branch migrated to what is now known as East Shipai. By 2005, this branch has reproduced through 23 generations. The ancestors of the Lus moved to Xian village during the Ming dynasty, and by 2007 have reproduced through 24 generations. See *XCCZ*.

⁸ *XCCZ*, 72.

branches.⁹ The Liangs and the Lins are the second and third largest surname groups accounting for 14 percent and 6 percent of the village population respectively. The remaining 35 percent of the population is made up of smaller surname groups, all of which accounting for less than 3 percent of total village population.

Sources of Data and Collection

Research for this thesis was undertaken from 2011 to 2014. The research process can be divided into two periods. During initial fieldwork, I visited eight villages and one urban neighbourhood in Guangzhou and Shenzhen that were planned for demolition and redevelopment. The objective was to understand the politics and dynamics of *chaiqian* (拆迁) and the grassroots protests that have emerged. Initial contact was established with some villagers and protest activists. During this period I also conducted a series of interviews with urban planners, architects, and mainland academics with the aim of gaining an elite perspective into the process of land expropriation and urban redevelopment.

The interaction with disaffected villagers and holdout households brought my attention to the centrality of distributive politics in explaining rural resistance. I redefined my research focus to an examination of the structure and dynamics of distributive relations in rural regimes. Refocused research was undertaken from 2013 to 2014, during which more in-depth field study and interviews were conducted.

Documentary and policy research into the evolution of rural distributive institutions

⁹ Historically, villagers were spatially distributed by the two banks of a tributary of the Pearl River that flowed through Liede, effectively dividing the village into what were referred to by villagers as the East Village and the West Village. One group of the Lis, known as the Lis of East Village, traced their genealogy back to the Northern Song dynasty. Their ancestors migrated south during the Song dynasty from today's Xi'an. The other group of the Lis, known as the Lis of West Village, also traced their genealogy back to the Song dynasty, but they originated from Xinhui county in Guangdong province. According to genealogical records, these ancestors moved to Guangzhou to escape catastrophes and settled at Liede. See *LDCZ*.

was carried out and archival research into the respective histories of the three villages was conducted.

Data for this research comes from five main sources: local gazetteers, field visits and participant observation, interviews, online materials, and other documentary materials. I discuss each in the following.

Local gazetteers

Local gazetteers serve as a primary source of empirical information and are particularly useful in providing historical information. Contemporary local gazetteers can be divided into two main categories. The first type refers to gazetteers compiled at or above the county-level. These include provincial gazetteers (*shengzhi* 省志), city gazetteers (*shizhi* 市志), county gazetteers (*xianzhi* 县志) and district gazetteers (*quzhi* 区志). These gazetteers are directly supervised and funded by local governments with the support of gazetteer offices. They are also regulated by the Ordinance on Gazetteer Work, promulgated in 2006 by the State Council, which “emphasises the importance of protecting state secrets and of political supervision over gazetteer work”.¹⁰

The second type refers to gazetteers compiled at the township or grassroots level. These include township gazetteers (*zhenzhi* 镇志), sub-district gazetteers (*jiedaozhi* 街道志) and village gazetteers (*cunzhi* 村志). Unlike the state-led compilation effort represented by the first type, there are no official guidelines or regulations concerning grassroots gazetteers. There are no designated budgets for compilation work and

¹⁰ Kristen E. Looney, “Village Gazetteers: A New Source in the China Field,” *The China Journal* 60 (2008): 136-137.

funding come mostly from local sources. Despite the relatively low level of political control, compilation work must gain the support of local governments. Most local gazetteer committees and offices require the compilation of grassroots gazetteers to be subject to the same supervisory processes, which include review and approval by gazetteer offices.¹¹

Both types of gazetteers are consulted in this research, with my main sources being the district gazetteers of Tianhe and the village gazetteers of Shipai, Liede and Xiancun. I also secured access to one *jiedao* gazetteer published by Shipai sub-district, and consulted the gazetteers of eight other villages in Tianhe district. The compilation of local gazetteers in Tianhe represents a state-led and exceptionally well-coordinated effort that is not matched even by other districts in Guangzhou. The gazetteers are thus consulted with the perspective that they represent heavily supervised efforts.

The village gazetteers of Tianhe are all bounded and printed in the same way and have almost identical tables of content, reflecting the systematic editorial guidelines they follow. Villagers' committees, or the village joint stock companies which took over their functions, are responsible for the editorial work. Township governments and district governments are highly involved in the compilation process. All drafts must be reviewed and approved by the district gazetteer office. Records of the compilation process and the acknowledgements reveal a process of multiple consultations and revisions. In Shipai, the entire compilation process took three years and involved at least seven drafts, citing help and comments from the municipal and

¹¹ Xue Zhaohui and Haihui Zhang, "Writing City History at the Grassroots Level: *jiedaozhi* and their research value," *Frontiers of History in China* 6, no. 4 (Dec., 2011): 588-606.

district gazetteer offices.¹² Published in 2003, the *Shipai Cunzhi* served as the sample guiding compilation work in other Tianhe villages. A table of contents of the gazetteer is attached in Appendix A. *Liede Cunzhi* and *Xiancun Cunzhi* are published in 2005 and 2008 respectively, with the latter being the 17th village gazetteer published in Tianhe.

Village gazetteers are treated and analysed in this research as narratives produced by the current leaders of the village in celebration of their achievements with the aim of demonstrating contribution, gaining legitimacy and consolidating power. This perspective calls for the exercise of discretion in material selection, but also considers why certain information is included or excluded, and why certain events are portrayed in certain ways. With this view in mind, village gazetteers are consulted for four main types of data. Firstly, they provide basic information for each of the villages studied, including size, population demographics, and lineage composition.

Secondly, they provide an important guide to the administrative history of the villages and help identify the key leaders. All three gazetteers have detailed records of the names of all key figures involved in administrative governance and Party leadership dating back to the establishment of the People's Republic, if not earlier. This offers important insights into the changes and inter-lineage dynamics in village leadership.

Thirdly, the gazetteers provide rich quantitative data. This includes important data on the timing and size of land expropriations. Under the section on Natural Geography, gazetteers provide a record of when and how much land was requisitioned from the village by which state unit, albeit with varying degrees of details. In some records the

¹² *SPCZ*, 248-249.

exact sums of compensation for each expropriation are also noted. These provide important empirical data that would otherwise be simply impossible to collect. Indeed, the fact that such information is published at all reveals how much ordinary villagers in each village (are allowed to) know about the size and use of village land. It is worthy to note here that it was the publication of the gazetteer in 2008 that made Xiancun villagers aware of the 460 *mu* of reserved land the village owned. This discovery provided the starting point for a series of inquiries that paved the way for collective mobilisation.

Aside from information on land resources, gazetteers also provide quantitative data on the village economy. This allows the researcher to track and follow the changing composition of the rural economy. They also provide important details on how each village allocates its annual revenues on different expenditure items. The section on yearly records (*dashiji* 大事记) also provides an account of how much money is invested in rural construction and public projects, such as improvement works on water and electricity supply and the building of elderly centres and schools. Nonetheless, these economic statistics must be treated with caution as with other data on the Chinese economy, particularly given the fact that these gazetteers are put together by village leaders who are eager to demonstrate their managerial ability and mark their contribution to the village economy.

Finally, the village gazetteers provide rich empirical data on village history. Chapter 4 of this dissertation draws on this information to reconstruct what happened during the Land Reform and the collectivisation era. There are, of course, clear limitations in doing so as gazetteers are written by elites currently in power. Individuals with ties to the current leadership can be expected to have their contributions highlighted, while

others who played an important role may be ignored or written out of history. Of the three village gazetteers this problem poses the greatest issue in Xiancun, where one core family circuit of twelve leaders came to dominate village politics. In the section on key contemporary figures (*dangdai renwu lu* 当代人物录), the achievements of this group of elites are singularly celebrated to the exclusion of other villagers who also held important positions.¹³ In Liede, the supremacy of the Lis may also mean that the role of the lineage may be prioritised above that of other surname groups.

With these cautions in mind I exercise discretion in selecting which materials to use, and exclude information that evidently emphasises the contribution of particular figures. I treat economic indicators with caution and try to compare them with information obtained through fieldwork and interviews. Despite these limitations, the narrative frameworks and angles in these gazetteers themselves offer a glimpse into power relations within the villages.

Other than village gazetteers I also consulted the two district gazetteers of Tianhe, one covering the period from 1840 to 1990 and another from 1991 to 2000. The period from 2001 to 2013 are covered by district annals (*nianjian* 年鉴). These district-level documents have all been made available online through the information database of Guangdong province, accessible through the website of the Tianhe district gazetteer office.¹⁴

¹³ XCCZ, 406-410.

¹⁴ Website of Tianhe district gazetteer office, <http://thq.gd-info.gov.cn/shtml/thq/zjk/index.shtml>.

Field visits and participant observation

Field visits gave me firsthand experience of life in the village. The three villages each capture the village at three different moments: In Shipai, I experienced life in the urban village where small businesses and rental economies thrive. Although considerations have been raised for redeveloping Shipai, the village has thus far escaped wholesale demolition. In Xiancun, I experienced the condition of a village undergoing demolition. The period from 2010 to 2014 saw Xiancun's rapid decay into a hazardous environment filled with rubble and half-destroyed buildings. I was not only able to observe the progress of redevelopment works, but more importantly to witness firsthand the lives of holdout households and the many threats demolition posed to their livelihood. This provided important data for the chapter on implosion of the village. In Liede, I experienced the condition of a village that has undergone redevelopment. Liede today is a modern residential neighbourhood without a single trace of rurality, with 40-storey-high apartments by the bank of the Pearl River. I was invited to villagers' homes, to share in their meals and know their family members, which allowed me tremendous insight into the kind of lives these rural-turned-urban families lead as well as their most pressing concerns.



Figure 3.3. Shipai Village. Source: Taken by author August 31, 2011.



Figure 3.4. Xian Village. Source: Taken by author September 25, 2013.



Figure 3.5. Liede Village. Source: Taken by author September 24, 2013.

Three years of my postgraduate study were spent in Hong Kong, my home city, which I used as a base for field trips to Guangzhou. Some of these trips were as short as a day trip for the purpose of conducting pre-arranged interviews, while others were two-week trips for the purpose of collecting field data. I have, however, never lived in any of the three villages. Given the locational advantage of my home I was able to make repeated visits to these neighbourhoods. Observations, impressions and reflections were recorded in field journals which I carried with me in each trip. During these visits I had the opportunity to join residents in their collective activities. Apart from informal gatherings such as meals, I had the opportunity to participate in villagers' meetings where they discussed village politics and protest strategies, to accompany villagers to attend a court hearing, and to join villagers in their visits to other villages and neighbourhoods facing demolition.

Through these activities I secured access to a cross-neighbourhood network of villagers and urban residents who faced demolition or who harbour deep resentment towards their village leadership. This inter-village network was informal and loosely

organised in structure, held together primarily by a core group of more vocal activists who acted as information nodes and points of contact. The core circuit of the group I came to know was made up mainly of middle-aged villagers, both male and female. They were mostly technology-savvy and outspoken, and had influence within their immediate circle of activism. They were each fighting their own battles at their home villages located in different parts of Guangzhou, including the central districts of Tianhe and Yuexiu and the further outlying districts of Panyu and Huadu.

The network was mobilised whenever there were collective action and court cases needing support. These would be posted online on Weibo and spread through word of mouth. The core group of activists would harness their own networks and rally villagers in their immediate circle to go and support the village raising the call for help. Gaining access to this network has allowed me to come in touch with villagers from many different parts of Guangzhou city. Some came to give support the villagers, while others came, in their own words, to observe and learn. Still others came to publicise their own grievances and to call for help, distributing information leaflets with details of the injustices in their villages. Sometimes it was a matter of showing up to “give face” (*gei mianzi* 给面子), with the anticipation that the support would one day be returned. Knowing of my presence and research, some of these villagers approached me and provided me with information on allegedly illegal land sales and corrupt cadre behaviour taking place in their villages. There was the general expectation from these villagers that by being present and concerned, I would be able to offer help in some ways.

Gaining access to this network also put me in touch with other concerned local activists. These include local human rights lawyers as well as other grassroots

activists. Observing these groups in action affords important insights into the emergent configurations of a nascent action network made up of disaffected villagers and concerned citizens, as well as the protest repertoires and mobilisation strategies they employ. Their successes and failures also demonstrate to me the potentials and limitations of bottom-up resistance.

The issue of sensitivity was a central one in the case of Xiancun. The village was cordoned off from its surroundings for an extended period of time during which it was physically isolated and informationally cut off from society. The police and security forces heavily guarded entrance to the village. After my initial visit in 2011 I only re-entered Xiancun several times in 2013 to conduct interviews and meet with villagers, when the wall enclosure was breached and security became more relaxed. I was never stopped during these visits nor were my activities interrupted. Nonetheless, a later interview with a member of staff of the property developer stationed at the village revealed that I was actually under watch. This demonstrates the continuing sensitivity surrounding the redevelopment of the village.

Interviews

Interviews serve as a major source of data for the empirical chapters. I conducted both field interviews and elite interviews.

Field interviews were mainly conducted with villagers and other grassroots activists. Contacts were obtained through a snowball referral method. They were initially acquired through field visits and later through introduction by established contacts. Altogether I conducted 42 such interviews. Some of these interviewees became acquaintances which allowed me to continue my correspondences with them to

receive updates and ask follow-up questions regarding latest developments. Aside from villagers, I also interviewed a few migrant workers and tenants living or working in the villages. These interviews gave me additional insights into how redevelopment was perceived and experienced by the city's floating population.

In interacting with interviewees I introduced myself as a university student from Hong Kong. I felt that my self-introduction as a Hong Kong student gave me an identity that was both familiar and foreign. Hong Kong was considered part of the larger Guangdong in the regional cultural landscape. In Guangzhou, my ability to speak Cantonese, the local dialect, helped me interact with interviewees in a language they felt most comfortable with. At the same time, the fact that I am from the Special Administrative Region afforded me a degree of critical distance and gave me room to ask more pointed and challenging questions.

Most of the interviewees were willing to share their names and did not seem concerned about confidentiality. This is because many were eager to seek help from outsiders and make their voices heard. Some have had the experience of dealing with the media and being interviewed by journalists. I have been mistaken as a reporter even though I introduced myself as a student. At the beginning I did feel their expectation of help, that I could help publicise their grievances and champion their causes. However that pressure faded as I made more visits and socialised with them in a less formal way.

The format of these interviews was semi-structured. I prepared for them by bringing a list of specific questions, but during the course of conversation new topics and issues of significance would emerge which I would subsequently pursue. I did not ask to

record the interviews with every interviewee. During instances when I judged it appropriate to ask, I had both succeeded and received outright rejection. The majority of interviews were not recorded, although I successfully sought the permission to record a few one-to-one interviews as well as some group discussions and meetings. Where interviews were not recorded, I took handwritten notes in a notebook. After these interviews I would note down my impressions and revise and edit my notes as soon as possible.

Aside from field interviews, I also conducted elite interviews. These were carried out with six main groups of elites: local officials, urban planners or architects, policy researchers or advisers, activists, journalists, and representatives of property developers. Altogether 42 of such interviews were conducted. Contacts for such interviews were secured in two ways, by self-introduction through email, or by referral through an established contact. In these interviews I introduced myself as a postgraduate student reading politics at my home university. Most of these interviews took place face to face in Guangzhou and Hong Kong, while a few were conducted over Skype.

Online materials

By online materials I refer primarily to information provided by villagers and activists made available on Weibo and other online platforms. Because the printed media remains under heavy censorship and sensitive information is rarely published, information provided by concerned households and activists became an important source of data. I used my own Sina Weibo account to keep track of news and updates from a network of villagers and activists who frequently used online platforms to keep

other villagers, activists and journalists informed of what is happening in their neighbourhoods. They used Weibo to sound “calls for help” and to plead for “urgent circulation” to bring attention to their cases. I closely follow the news and updates from about ten such accounts. Some of these accounts belong to people I know in person. These online networks provide an important infrastructure for real-life mobilisation.

Documentary materials

Aside from local gazetteers I consulted three main types of documentary materials: newspapers and news magazines, policy documents, and government reports.

Newspapers and news magazines articles are accessed through online news portals. I mainly obtained information from local, Guangzhou-based newspapers including *Southern Metropolis News*, *Guangzhou Ribao*, *Nanfang Ribao*, *Yangcheng Wanbao* and *New Express*. Other newspapers and news magazines are also consulted where relevant information can be identified through online keyword searches. The traditional media remains subject to tight control despite the relatively liberal atmosphere of the press in southern China. My interviews with four journalists reporting on village demolition and redevelopment gave me insights into the degree of censorship the printed media was subject to. Chapter 8 will discuss this issue.

For policy documents and government reports, I consulted relevant materials at the national, provincial, municipal and district levels of government. A full list of these can be found in the Bibliography.

Limitations of Research and Data

This section identifies three main limitations of this research. The first is related to research design, and the second and third to the collection of data.

With regard to research design, a key weakness is the small number of cases covered in this study. By focusing on only three cases that are very similar to begin with, this research does not cover the broad spectrum of the many different categories of villages that could be found in China. However, the expressed purpose of this choice was precisely to show the contingency in rural outcomes, which is a direct result of the privatisation of rural governance and the weakening of accountability institutions, that even the paths of three highly similar cases could diverge significantly as a result of circumstantial factors. It is also the contention of the researcher that valuable insights have emerged from the in-depth analysis of single or a small number of case studies. This is eminently the case in the field of rural China studies.¹⁵

A limitation with regard to data collection is sampling bias. Because I was only able to secure access to certain groups of villagers, and in Xiancun most of these are activists or holdouts with clear grievances against the leadership, the perspectives and insights derived may be partial and incomplete. I did not have the chance to interview the village elites, and was thus unable to show their side of the story. I was only able

¹⁵ See, for example, Anita Chan, Richard Madsen, and Jonathan Unger, *Chen Village: Revolution to Globalization*, 3rd ed. (Berkeley: University of California Press, 2009); Gregory A. Ruf, *Cadres and Kin: Making a Socialist Village in West China, 1921-1991* (Stanford, Calif.: Stanford University Press, 1998); Nan Lin, and Chih-Jou Jay Chen, "Local Elites as Officials and Owners: Shareholding and Property Rights in Daqiuizhuang," in *Property Rights and China's Economic Reforms*, edited by Jean C. Oi and Andrew G. Walder, 145-170 (Stanford, Calif.: Stanford University Press, 1999); Lily Tsai, "Solidary Groups, Informal Accountability, and Local Public Goods Provision in Rural China," *American Political Science Review* 1, no. 2 (May, 2007): 355-372; Zhou Yi, *Hua Xi Village: Post-Collectivism in a Transitional Economy* (Zhongguo diyicun: Huaxicun zhuanxing jingji zhong de houjiti zhuyi)(Hong Kong: Oxford University Press, 2006).

to balance and temper villagers' view of these elites with perspectives gained from newspaper articles and village gazetteers.

This also leads to the second issue in data collection, namely the reliability of data obtained. Villagers in Xiancun have made multiple allegations against their leaders, particularly with regard to illegal land sales and private appropriations of the rural harvest. They also shared highly personal accounts of the coercive tactics they endured during *chaiqian*. It was difficult to verify the latter accounts, but with the former I was immensely helped by the series of unfolding events that eventually led to the prosecution of the family leaders in the summer of 2014. Crucial information also emerged on the land deals leaders of both Xiancun and Liede engaged in, as a result of the fall from grace of several municipal and township level officials around the same time. I was thus able to consolidate data obtained from interviews and corroborate this with information released by newspapers reporting on court proceedings.

Note on Referencing

Village gazetteers are referred to in the footnotes as *SPCZ* for Shipai village gazetteer, *LDCZ* for Liede village gazetteer, and *XCCZ* for Xiancun village gazetteer. Interviews are marked by a brief description of the interviewee and the date of the interview. Information obtained from informal conversations and field observations are marked as such, with the period of time of fieldwork specified.

CHAPTER 4

Redistributive Socialism in Rural China

Origin, Consolidation, and the Challenges of Reform

The redistributive structures introduced in the Chinese countryside under collectivisation provided the organisational foundations for the rural shareholding cooperative of the reform era. Hence while this research is primarily concerned with the re-organisation of distributive relations based on the new rent harvest, an examination of the historical institution upon which changes have occurred is imperative for contextualising post-Mao transformations. Such an examination is particularly useful for identifying the institutional legacies that constitute the post-socialist rural cooperative as a “layered” institution. From the perspective of historical institutionalists, the effect of path dependency means that institutions are never really completely dissolved or scrapped when structural conditions change; they are rather

continuously remade over the time. Institutions thus have a “layered” quality as new institutional forms add to, rather than replace, pre-existing institutional structures.¹

From the pre-revolutionary era up until the first decade of reform, the Chinese village has seen dramatic and far-reaching changes in political, economic, social and territorial aspects. By covering this broad historical period, this chapter does not intend to present an exhaustive narrative but rather to highlight some of the key continuities and discontinuities that are central to our subsequent study of reform-era distributive institutions. It thus focuses on three key moments, namely the origin of the socialist redistributive economy, its consolidation under collectivisation, as well as the challenges it faced with the inception of market reform.

In tracing its origin, this chapter shows that the socialist redistributive system was itself layered upon an existing institutional order of lineage-based grassroots governance. The Land Reform challenged the power of lineages as entrenched landholding corporations by seizing ancestral estates and redistributing them to peasants, but the way production teams were organised under collectivisation reveals how socialist institutions did not entirely eradicate pre-existing patterns. The section on consolidation analyses the structure of the socialist redistributive system. It focuses specifically on the centralisation of land as a socialist property and how that imposes upon rural society a new distributive order based on administrative rank.

Market reform beginning in the late 1970s posed a challenge to the viability of redistributive socialism as the household became the new locus of economic production, and as diversification in income-generating activities reduced peasants’

¹ For a fuller discussion of the concept of layering see Wolfgang Streeck and Kathleen Thelen, “Introduction: Institutional Change in Advanced Political Economies,” in *Beyond Continuity: Institutional Change in Advanced Political Economies*, ed. Wolfgang Streeck and Kathleen Thelen (Oxford: Oxford University Press, 2005), 3-39.

dependence on the collective. De-collectivisation further led to the formal dismantlement of the commune and its replacement with the new administrative units of the township and the village. At the same time, however, administrative and fiscal restructuring imposed upon these grassroots units of governance new prerogatives and incentives that would allow former cadre-redistributors to continue to play an active role in the new village economy.

Land Reform and the Remaking of Territorial Order

The Land Reform played a pivotal role in paving the way for the centralisation of resources under the socialist redistributive economy in that it wrested control of land away from the indigenous landholding corporations of lineages. A historical analysis of the origin of the collective system must thus begin with this crucial moment. This section first examines the close ties between land and social power in rural south China. By drawing on historical material recorded in the village gazetteers of Liede, Xiacun and Shipai, as well as other archival sources, it then analyses how the revolutionary Land Reform remade the territorial order.

Land and lineage power in rural south China

In south China, lineages have traditionally been powerful holders of land. The flourishing of the lineage institution as a landholding corporation is closely related to the growth of commercial agriculture along the Pearl River. The extensive reclamation of land that began in the Song dynasty and intensified during the Ming and the Qing led to the growth of new population centres surrounding the river system

which specialised in the exports of goods from fruits and pottery to cloth and silk.² It was during this historical period of thriving trade and commerce that the lineage emerged as a social and cultural organisation whose corporate identity was centred on the common property of land. The land made the lineage in the sense that it was through the organisation and management of this common property that lineage was consolidated as a corporate territorial entity. As Rubie Watson points out, “the corporate estates of Chinese lineages are not [...] built into the natural fabric of the society; they must be defended and nurtured by each generation”.³ The accumulation of landed property thus took place alongside other socio-cultural processes of lineage building such as the creation of genealogical records, the construction of ancestral halls and the continuous performance of kin-based rituals.⁴

The maintenance of large corporate holdings of land, in particular, built up the power of landlord families within dominant lineages. Despite the language of community and solidarity, inequalities characterised all lineage organisations and effectively divided rural society into the distinct classes of “landlord-merchants” and “smallholder-tenants”.⁵ Indeed, it could be argued that lineage was mobilised as the trope through which elite power was legitimised and maintained. As Fu Yiling notes, “the landlord class governed the peasants not simply through a totalitarian regime or bureaucratic apparatus, but by adopting a more hidden method, that is, the employment of the influence of the village and the lineage (*xiangzu* 乡族), the remnant of the clan system, to stabilise the intensification of social class contradiction

² David Faure and Helen Siu, “Introduction,” in *Down to earth: The Territorial Bond in South China*, ed. David Faure and Helen F. Siu (Stanford, Calif.: Stanford University Press, 1995), 1-20.

³ Rubie S. Watson, *Inequality Among Brothers: Class and Kinship in South China* (Cambridge: Cambridge University Press, 1985), 172.

⁴ For one such account of lineage building activities see Liu Zhiwei, “Lineage on the Sands: The case of Shawan,” in *Down to earth: The Territorial Bond in South China*, ed. David Faure and Helen F. Siu (Stanford, Calif.: Stanford University Press, 1995), 21-43.

⁵ Watson, *Inequality Among Brothers*, 172.

and conflict in order to achieve the actual results of ruling the peasants”.⁶ From this perspective, the discourse of lineage was deployed to paper over internal stratification and domination by powerful locals.

This was the situation in pre-revolutionary Guangdong. According to one estimate, there was approximately 42 million *mu* of agricultural land in Guangdong province in the first half of the 20th century. Thirty-five percent of this land was classified as communal land (*gongtian* 公田).⁷ Within the communal land category, land controlled by lineage organisations (*zutian* 族田) made up 90 percent of the total. These figures are exceptionally high when compared with those of other regions of China. In the Yangtze River Delta area, for example, only about 15 percent of agricultural land was communal land, of which approximately 45 percent was land belonging to lineages.⁸ In other words, whereas lineage organisations in Guangdong controlled about 31.5 percent of agricultural land, their counterparts in the Yangtze controlled only about 6.75 percent.

The territorial dominance of lineages was particularly strong in the Pearl River Delta, where they were estimated to control approximately half of the agricultural land on the eve of the Communist Revolution.⁹ Within Guangzhou prefecture, communal land controlled by lineage organisations accounted for 50-80 percent of land, whereas other types of communal land, such as land occupied by temples (*miaotian* 庙田), schools (*xuetian* 学田) and other charitable organisations, accounted for another 1-5

⁶ Cited in Faure and Siu, “Introduction,” in *Down to earth*, 6.

⁷ Fu Jiancheng, “Ershi shiji shangbanqi Zhongguo nongcun zutian wenti ji Zhonggong zhengce fenxi” (The Problem of Ancestral Land in Rural China in the Early 20th Century and an Analysis of the Chinese Communist Party’s Policy), *Journal of Xianyang Teacher’s College* 15, no. 4 (2000).

⁸ Bian Wu, “Gongshe zhi mi: nongye jitihua de zairenshi” (The Mystery of the Commune: Revisiting the Collectivisation of Agriculture), *Twenty-First Century* 48 (August, 1998), 22-33.

⁹ Fu, “Ershi shiji shangbanqi Zhongguo nongcun zutian wenti ji Zhonggong zhengce fenxi.”

percent.¹⁰ Wealthy families claimed ownership to vast tracts of land inherited from ancestors, known as *taigongtian* (太公田), and acted as local bosses vis-à-vis their poorer kinsmen.

Historically, ancestral land was farmed by members of the lineage group. Villagers ploughing the land paid rent (*dizu* 地租) for the use of common estates, which contributed towards the lineage communal funds (*gongchang jijin* 公尝基金). These funds were controlled and managed by the most influential families within the lineages, a power referred to as *guangongchang* (管公尝). The communal funds were used to support welfare and governance functions performed by the lineage organisations. Weapons used by village patrols (*laogengdui* 老更队), for example, were purchased using money from the lineage funds.¹¹ In multiple-surname villages, like the three studied in this research, lineage funds also contributed to the maintenance of grassroots self-governing institutions such as the *zhonglitang* (中立堂), literally “hall of neutrality”, a pre-revolutionary quasi-government organisation. The hall was run by village elites and was responsible for the management of rural public affairs and dispute resolution. In Shipai village, for example, lineages contributed towards the budget of the *zhonglitang* in accordance to the relative population size of each lineage.¹² The funds were spent on the organisation of festivals and celebrations, the construction of communal facilities, as well as the maintenance of security and public order.

¹⁰ Bian, “Gongshe zhi mi: nongye jitihua de zairenshi,” 22-33.

¹¹ SPCZ, 107.

¹² According to village records, the Chis contributed 40 percent, the Dongs 30 percent, the Pans 20 percent, and the Xians 10 percent. SPCZ, 107.

It was through the control of ancestral landed estates that lineage elites built up their power. In fact, one of the distinct characteristics of land ownership structure in the Guangzhou suburbs was that those who would be classified as “landlords” in the Land Reform did not actually own much land in comparison to landlords in other parts of China.¹³ Rather, their influence was primarily exerted through their control of ancestral land. By controlling the harvest and the disposition of revenues derived from lineage estates, landlords, who made up about 6 percent of the rural population, had under their control approximately 67.17 percent of land in Guangzhou’s suburban area.¹⁴ The confiscation of ancestral land in the early 1950s thus directly took away the territorial basis of power of lineage elites.

Land Reform and its impact

In the late 1940s, the Central Committee of the Chinese Communist Party kick-started one of the most far-reaching reforms in twentieth-century China by calling for a nationwide mass redistribution of land that would return land to the tiller (*gengzhe youqitian* 耕者有其田). In a 1946 Directive on the Land Question, the Party leadership launched what became the Land Reform in directing local leaders to confiscate land from those assigned the class labels of “landlords” (*dizhu* 地主) and “rich peasants” (*funong* 富农). The land seized from these “exploiters” was to be reallocated to the “exploited” classes of “poor peasants” (*pinnong* 贫农) and “hired

¹³ Another distinct characteristic was that rich peasants made up a relatively small proportion of the rural population there and controlled less land in comparison to their counterparts in other regions. At the same time, capitalists and petty landlords (*xiaotudi chuzuzhe* 小土地出租者) made up a comparatively larger proportion of the rural population and controlled more land. During the Land Reform, therefore, the latter groups were often bigger targets of the land-poor classes than were rich peasants. In fact, policies espoused by the revolutionary committee made explicit provisions for the protection of the economy of rich peasants (*funong jingji* 富农经济) and demanded that their personal property, including land, should not be seized. Only the land they rented out should be confiscated. See *Zhonggong Guangzhou shiwei dangshi yanjiushi*, “Guangzhou tudi gaige yundong zongshu” (An overview of the Land Reform in Guangzhou), January 21, 2011, <http://www.zggzds.gov.cn/dsyjztyt/49.jhtml> (accessed on April 5, 2014).

¹⁴ *Ibid.*

labourers” (*gunong* 雇农), who had lived under the oppression of the prosperous farmers. The forced imposition of antagonistic class typologies ruptured rural communities and found the basis for a new social and territorial order that was to supplant the pre-revolutionary hierarchies based on kinship and grassroots religion.

Closely following the establishment of the People’s Republic in 1949, the revolutionary Land Reform came to Shahe in the final months of 1950. At the time, the three villages were all administrative townships (*xiang* 乡) under the jurisdiction of Shipai district, which governed a total of six townships. The three townships of Shipai, Liede and Xiancun were selected to participate in the first phase of Land Reform from December 1950 to January 1951, while the other three, including Yangji, Siyou and Shidong were to join the second phase from January to March 1951.¹⁵ The campaign was headed by Lai Zhuyan, then Party secretary of Shipai district (who was later made deputy mayor of Guangzhou city in the 1990s). A leading group for Land Reform was established under the district in December 1950, and work teams (*tugai gongzuodui* 土改工作队) were sent out by the group to individual towns to carry out the work of land registration, mass mobilisation, organisation of struggle sessions and land confiscation, and finally the reallocation of land and other resources.¹⁶

In all three villages, dominant lineages maintained large corporate holdings of land prior to the Land Reform. In Shipai village, 42.5 percent of land was held in communal ownership by the dominant lineage groups as ancestral *taigongtian*. In Xiancun, 1,893 *mu* of land in the village was ancestral land controlled by lineages.¹⁷

¹⁵ LDCZ, 214.

¹⁶ SPCZ, 208.

¹⁷ XCCZ, 174.

In Liede, 700 *mu* of the village's 3,400 *mu* of land was classified as ancestral land.¹⁸

These lineage estates, unsurprisingly, became the primary targets of confiscation.

Landlords were the second biggest targets of the reformers. In Shipai, landlords, who made up less than 4 percent of village population, controlled almost a quarter of village land. Meanwhile, poor peasants and hired labourers, who made up over 60 percent of village population, shared between them only 7.1 percent of land. Table 4.1 details ownership of land by class labels in Shipai prior to the Land Reform.

Although no such detailed records can be found for the other two villages, gathered information points to similar regimes of land distribution. In Xiancun, the landlord class controlled as much land as the poor peasants and hired labourers classes combined. The nine landlord households, which made up just 1.6 percent of village population, owned over 100 *mu* of land. The 353 households of poor peasants and hired labourers, which made up over 60 percent of village population, also shared 100 *mu* of land between them.¹⁹ Table 4.2 shows the distribution of village population by class labels in the two villages.

¹⁸ *LDCZ*, 214.

¹⁹ *XCCZ*, 174.

	Number of households	Percentage of village population (%)	Area of land (mu)	Percentage of village land (%)
Landlords	18	3.7	1151.53	24.3
Rich peasants	15	2.9	252.73	5.3
Middle Peasants	160	23.8	518.08	10.9
Poor peasants	450	55.6	328.54	6.9
Hired labourers	100	5.5	8.6	0.2
Entrepreneurs and agricultural capitalists	17	3.6	153.42	3.2
Petty landlords	58	4.9	319.51	6.7
Ancestral land	-	-	2017.71	42.5
Total	818	100	4750.13	100

Table 4.1. Ownership of land by class labels in Shipai village prior to Land Reform. Source: *SPCZ*, 208.

	Liede		Xiancun	
	Number of households	Percentage of village households (%)	Number of households	Percentage of village households (%)
Landlords	27	5.3	9	1.6
Rich peasants	17	3.4	20	3.6
Middle peasants	104	20.6	102	18.3
Poor peasants	124	24.6	326	58.5
Hired labourers	47	9.3	27	4.8
Others	186	36.8	73	13.1
Total	505	100	557	100

Table 4.2. Distribution of classes by number of village households in Liede and Xiancun. Source: *LDCZ*, 216; *XCCZ*, 174.

In some areas of rural China, the process of property redistribution took place relatively peacefully as a “quiet revolution”.²⁰ Powerholders of the former era surrendered their land and lineage temples under the supervision of new local activists. In many other villages, however, land seizures took place amidst violent episodes of

²⁰ See for example the account of the Land Reform in Raoyang county in North China in Edward Friedman et al., *Chinese Village, Socialist State* (New Haven: Yale University Press, 1991), 80-110.

struggle sessions against “class enemies”, beatings, and public executions, resulting in the deaths of numberless landlords and leaders of the ancien régime.²¹

There were no records of widespread brutality in the three villages, but in Shipai one public execution of an escaped criminal element (*e’ba fenzi* 恶霸分子) did take place.²² Over twenty struggle sessions took place in Shipai. A confiscation team of 1,500 villagers was responsible for taking over seized property from the wealthy classes. The team followed the leadership of the Peasant Association (*nongmin xiehui* 农民协会), revamped in October 1950 to produce new leaders to represent the land-poor classes.²³ Altogether, a total of 3,546.82 *mu* of land was confiscated from landlords, rich peasants and other capitalists, of which 2,009.61 *mu* was taken from the stock of ancestral land (see Table 4.3). The mass reallocation of land was performed according to the productivity of farmland of different quality and the number of persons per household. On average, each Shipai villager was allocated 1.27 *mu* of farmland. Landlords and rich peasants saw their combined stock of land reduced from approximately 1400 *mu* to 300 *mu*, while that of poor peasants and hired labourers increased from about 340 *mu* to 2,700 *mu* (see Table 4.4). In addition to land, some 1,148 pieces of farming equipment, 8 heads of livestock, 47 houses and 31,958 catties of food crops were redistributed to the land-poor classes.²⁴

²¹ See for example the account of the Land Reform in Meishan county, Baimapu township in Sichuan in Gregory A. Ruf, *Cadres and Kin: Making a Socialist Village in West China, 1921-1991* (Stanford, Calif.: Stanford University Press, 1998), 62-89.

²² SPCZ, 211.

²³ SPCZ, 104. On the role of the Peasant Association see Vivienne Shue, *Peasant China in Transition: the Dynamics of Development Toward Socialism, 1949-1956* (Berkeley: University of California Press, 1980), Chapter 2.

²⁴ SPCZ, 210.

Class	Area of confiscated land (<i>mu</i>)
Landlords	1124.77
Rich peasants	55.83
Agricultural and industrial capitalists	128.2
Petty landlords	102.54
Ancestral land	2009.61
Others	125.82
Total	3546.82

Table 4.3. Area of land confiscated by class or type of land in Shipai village. Source: *SPCZ*, 209.

Class	Number of households	Population	Area of land (<i>mu</i>)	Average area of land per person (<i>mu</i>)
Landlords	14	93	105.74	1.13
Rich peasants	15	101	211.47	2.07
Middle Peasants	160	836	1117.07	1.33
Poor peasants	450	1956	2498.13	1.27
Hired labourers	100	193	224.56	1.17
Entrepreneurs	14	110	40.34	0.36
Agricultural capitalists	3	19	19.19	1.01
Petty landlords	58	173	277.47	1.60
River residents	4	17	26.44	1.55
Others	124	260	267.27	1.02
Total	942	3758	4787.68	1.27

Table 4.4. Ownership of land by class labels in Shipai village after Land Reform. Source: *SPCZ*, 210.

In Liede, the Peasant Association also played an active role in leading the struggle.

Under the guidance of the work teams, peasants took over the association, which was then under the control of landlords and the old elites, and staffed it with representatives from the classes of hired labourers, poor peasants and middle peasants. The Peasant Association organised struggle sessions against landlords and subjected two of them to limited terms of imprisonment. It also oversaw the land reallocation process which gave an average of 1.42 *mu* of land to each villager with agricultural

household registration (*hukou* 户口). Another 600-700 *mu* of land was also distributed to poor peasants in neighbouring villages, who used to work as hired hands for Liede's landlords.²⁵

Lineage institutions suffered a severe blow with the loss of traditional estates. In all three villages, ancestral land was taken over by confiscation teams and redistributed to the land-poor classes. This significantly reduced the political, economic and social influence of dominant families as their supremacy was so deeply anchored in their long-established control over lineage land. The Land Reform thus saw the replacement of the old elites by new activists who were previously considered lesser members of the village. Helen F. Siu notes how in the attempt to break the power of the lineage-based elites, the Communist Party made the deliberate effort to recruit grassroots cadres from "the people of mixed surnames".²⁶ In the three villages, however, many of the new leaders were still drawn from the dominant surname groups although they came from the land-poor classes. In Shipai, the positions of Party secretary and township mayors (*xiangzhang* 乡长) went to the Chis and the Pans, two of the three largest surnames. In Xiancun, similarly, the dominant Xians held both of the top positions. In Liede, a member of a minor lineage was township mayor for two years immediately after the Land Reform, but the position quickly went back to the dominant lineages of the Lis, the Liangs and the Lins. That being said, there was an evident transfer of power to a new class. Poor peasants who participated enthusiastically in the Land Reform effort became the new players of

²⁵ *LDCZ*, 214-216.

²⁶ Helen F. Siu, "Subverting Lineage Power: Local Bosses and Territorial Control in the 1940s," in *Down to earth: the Territorial Bond in South China*, ed. David Faure and Helen F. Siu (Stanford, Calif.: Stanford University Press, 1995), 188-208.

power and were given positions as Party secretaries, mayors, People's Representatives and chairpersons of Peasant Associations.²⁷

Despite its excesses, the Land Reform temporarily made peasants legal owners of the land under their feet. Between 1950 and 1951, almost all rural households received land use certificates (*tudi shiyongzheng* 土地使用证) from the People's Governments for their allocated land. As stipulated in Article 30 of the Land Reform Law, rural households as owners held the right to freely transfer and lease the land they possessed. An approximation of private ownership of rural land on a household basis thus characterised the earliest years of the People's Republic. Nonetheless, this decentralisation of unprecedented extent did not last half a decade. Ownership rights were gradually taken over by the new elites in the mid 1950s. What the Land Reform really achieved, therefore, was not so much the institutionalisation of peasant ownership, but rather that it successfully used the mobilised energy of the peasants to challenge traditional networks of power. By wresting territorial control away from the lineage elites, the Land Reform paved the way for the radical collectivisation of the village under the direct authorisation of the new Communist Party-state.

Collectivisation and the Redistributive System

Just years after the Land Reform, a series of mutual aid and cooperative experiments were implemented that ultimately culminated in the total collectivisation of rural life under the People's Commune. Through these grassroots programs, which began with mutual aid teams and later agricultural cooperatives, the groundwork was laid for the consolidation of socialist redistributive structures. Peasants were at first asked to

²⁷ On the installation of new leaders after the Land Reform see, for example, *SPCZ*, 104 and *XCCZ*, 407.

surrender the use rights of their land with the introduction of the Agricultural Producer Cooperatives (APCs), while the subsequent organisation of APCs into Advanced Cooperatives (*gaoji hezuoshe* 高级合作社) demanded the resumption of ownership rights as well.²⁸ The first part of this section examines these efforts, while the second part focuses on the institutional features of collectivisation.

The centralisation of land rights

As Vivienne Shue points out, mutual aid teams (*nongye huzhuzu* 农业互助组) were propagandised by the central government in recognition of the new challenges emerging from the Land Reform, which left poor peasant households “with more than they had owned before, but less directly available for their use”.²⁹ In Guangzhou, the pooling of land and resources between rural households began upon the conclusion of the Land Reform. Between 1952 and 1954, Xiancun saw the formation of eight agricultural mutual aid teams, each grouping together six to seven households. In Liede, approximately 20 percent of the village population, mostly from the poor peasant class, joined one of the village’s ten mutual aid teams. After the Central Committee released the Decision to develop APCs in December 1953, many of these mutual aid teams merged together to form cooperatives.³⁰ Xian village’s first APC was established in July 1954, joining 29 households and pooling together 138.78 *mu* of land.³¹ As more and more villagers were recruited to join these cooperatives,

²⁸ George Lin, *Developing China* (London: Routledge, 2009), 149.

²⁹ Shue, *Peasant China in Transition*, Chapter 2.

³⁰ As Vivienne Shue points out, “the whirlwind cooperativisation movement accomplished [in 1955 and 1956] was but the culmination of years of change in the rural economic environment and of shifting political struggles in the villages”. *Ibid.*, Chapter 7.

³¹ XCCZ, 175.

numbers increased rapidly in less than two years. By the beginning of 1956, there were 9 APCs in Xiancun, 17 in Liede, and 15 in Shipai.³²

Although their formation was often portrayed as voluntary, bottom-up initiatives, there were in fact numerous instances of resistance against the cooperativisation movement.³³ Records showed that in Shipai, petitions to leave the cooperatives were put forward by some members in 1957, who later withdrew their claims upon receiving “ideological education” (*sixiang jiaoyu* 思想教育).³⁴ In Liede, some landlords attempted to take back their confiscated property and were sentenced to imprisonment as a high-profile gesture to rein in spreading concerns about the negative aspects of collectivisation.³⁵

The ownership rights of rural land were gradually collectivised with the formation of Advanced Cooperatives in 1956. As APCs were organised into Advanced Cooperatives, rural households were compelled to relinquish their land rights to the cooperatives. In Liede, the two Advanced Cooperatives took control over 3,167.915 *mu* of land, obtained from the 526 rural households (out of a village total of 557) that joined the cooperatives.³⁶

The socialist redistributive system

The nationwide collectivisation movement culminated in the radical re-organisation of Chinese society under the new administrative hierarchy of People’s Communes (*renmin gongshe* 人民公社), production brigades (*shengchan dadui* 生产大队) and

³² XCCZ, 176; LDCZ, 220; SPCZ, 211.

³³ Bian, “Gongshe zhi mi: nongye jitihua de zairenshi,” 22-33.

³⁴ SPCZ.

³⁵ LDCZ, 221.

³⁶ LDCZ, 220.

production teams (*shengchan dui* 生产队). The Shahe People's Commune was formally established on August 29, 1958. The three villages studied in this research were all organised as production brigades under Shahe People's Commune.³⁷ Specifically, the Commune administered six management districts (*guanli qu* 管理区).³⁸ Xiancun and Liede were administered by Yangji district, while Shipai was administered by Shipai district. Former Advanced Cooperatives of each village were merged to form production brigades, which were subdivided into production teams.

This thesis borrows the perspective of Katherine Verdery of treating *socialist property as a cultural system and organisation of power* in analysing collectivisation in rural China.³⁹ Verdery sees property “as simultaneously a cultural system, an organisation of power, and sets of social relations, all coming together in social processes”.⁴⁰ In socialist societies, property was more an administrative issue than a legal issue; it was “governed by administrative measures rather than by legal procedures aimed at creating regularity and certainty”.⁴¹ Actors in socialist societies are defined by their relation to property, and are positioned along an administrative hierarchy by their property status. The three key actors are the state, the cooperative, and the household or the individual. They are distinguished from other possible actors, such as lineages in traditional societies and corporations in modern societies, by their right to own resources. In other words, socialist actors are “made real actors by being made

³⁷ The Shipai production brigade was for a period placed under the Shipai People's Commune between March 1961 and August 1962.

³⁸ The six management districts were Shahe, Tonghe, Shipai, Baiyun, Longdong, and Yangji.

³⁹ Katherine Verdery, *The Vanishing Hectare: Property and Value in Postsocialist Transylvania* (Ithaca: Cornell University Press, 2003).

⁴⁰ *Ibid.*, 48.

⁴¹ *Ibid.*, 48.

subjects of property”.⁴² By virtue of their categorising power, therefore, property builds up a cultural system and conditions relations in socialist societies.

In China, the administrative hierarchy delineated the People’s Commune, the production brigade, and the production team as the sub-societal units between the state and the peasant household. Resources were centralised under each of these units within a multilevel bureaucracy. Land, the key resource of concern here, was similarly placed under centralised control. In legal terms, the ownership of rural land was granted to the production brigade and team. According to the Draft Regulations Governing the Work of the People’s Communes, commonly known as the Sixty Articles, all land falling under the jurisdiction of the production brigade, except those owned by the teams, was legally owned by the brigade (Article 17). The amended draft of 1962 further specified that all land falling under the jurisdiction of the production team was legally owned by the team, and that this land could not be sold or leased (Article 21).⁴³

As the basic representative unit of collective land ownership, the production team was staged at the centre of the new socialist redistributive regime, “where collective cadres provided central direction in allocating land, labour, and farm implements, distributing income to households”.⁴⁴ Team leaders, as the *de facto* manager and coordinator of collective resources, exercised redistributive power within their little kingdoms by virtue of their control over the allocation of resources and tasks among team members.

⁴² *Ibid.*, 49.

⁴³ The collective ownership exercised by the production team was actually highly limited in nature, however. As some scholars pointed out, “a collective could possess, use, and benefit from the ownership of land, but it did not have the right to dispose of the land”. See Samuel P.S. Ho and George C.S. Lin, “Converting Land to Nonagricultural Use in China’s Coastal Provinces,” *Modern China* 30, no. 1 (2004): 417.

⁴⁴ Victor Nee, “A Theory of Market Transition: From Redistribution to Markets in State Socialism,” *American Sociological Review* 54, no. 5 (1989): 663.

Since position in the hierarchy determines one's political and economic power, cadres at each unit play the dual role of principal to those cadres belonging to units beneath and agent to those cadres of belonging to units above in the bureaucratic hierarchy.⁴⁵

The scope of the team leader's power was contingent, therefore, upon the decisions of cadres at the brigade and commune levels. In terms of land, for example, the production brigade held the authority to adjust and redraw territorial boundaries between teams, in effect transferring land resources from one team to another.⁴⁶

The peasant household, though it constituted one of the property subjects under socialism, did not in fact held substantial ownership in Maoist China. Despite the language of collective ownership, the land rights of peasants was subsumed under that of the production team. As a member of the collective, a peasant household's land rights were limited to tilling collectively owned agricultural land, and using the small "private" plot (*ziliudi* 自留地) it received for housing or sideline activities. In Liede, for example, approximately 5 percent of land was reserved for villagers' private use.⁴⁷

The ownership rights of these reserved plots, however, also belonged to the production team. Article 21 of the Sixty Articles specified that housing plots are owned by the production team and cannot be sold or leased. A Notice released in 1963 further reiterated that team members only have use rights, but not ownership rights, over their housing plots.⁴⁸ As producers situated at the bottommost level of the state socialist redistributive economy, therefore, peasants were entirely subject to the

⁴⁵ Jean C. Oi, *State and Peasant in Contemporary China: The Political Economy of Village Government* (Oxford: University of California Press, 1989).

⁴⁶ Ruf, *Cadres and Kin*, 209, note 10.

⁴⁷ LDCZ, 221.

⁴⁸ A note should be added, however, that peasants did retain ownership over the house they built on top of the housing plot. The law defined the house as the private property of its owner. Article 45 of the Sixty Articles stated that "The house of a team member shall be permanently owned by the team member. Team members have the right to sell and lease their house". Following the principle that "the transfer of land follows the transfer of property" (*di sui fang zhuan* 地随房转), the law basically permitted the transfer of the use rights of housing plot when the property built above was sold or leased. See "Notice of Supplementary Regulations Regarding the Problem of Members' Homesteads" (Guanyu dui sheyuan zhajidi wenti zuo yixie buchong guiding de tongzhi).

redistributive decisions of cadre-redistributors and must rely on the cultivation of clientelistic ties to curry favour with those in power.⁴⁹

Social relations under collectivism

As the reorganisation of rural societies centring on socialist property brought with it new sets of social relations, it also subsumed traditional relations based on kinship ties. It is accepted wisdom that social institutions such as lineages and temple organisations were banished by the Communists during the socialist era. This could perhaps be most visibly observed in the destruction of ancestral halls and village temples. After the Communist takeover, these architectural forms were seen as symbols of the oppressive old society and were either destroyed or given new, public uses as a way of reclaiming or reoccupying the spaces. In Xian village, two ancestral halls and one temple were destroyed during the Great Leap Forward in 1958 to provide materials for construction. The Xian lineage hall was converted in to a public hospital for the use of the People's Commune in 1963, and it was later destroyed in 1972 during the Cultural Revolution. Similarly in Liede, the ancestral hall of the Lis, one of the most prominent pieces of architecture in the village that showcased the supremacy of the lineage, was banished as a "Four Olds" and razed to the ground in 1974.⁵⁰ The campaign to dismantle traditional institutions even led to the destruction of dragon boats. In Shipai, each of the three dominant lineages of the Chis, the Dongs and the Pans had their own dragon boat. They were sold off by the People's

⁴⁹ For such peasant strategies, see Oi, *State and Peasant in Contemporary China*.

⁵⁰ LDCZ, 13.

Commune in 1975, and it was not until the reform era that the lineages began to make new ones.⁵¹

Despite these physical acts of destruction, however, social identities based on blood ties and kinship were never completely dissolved. The installation of the socialist hierarchy did not totally eradicate pre-revolutionary institutional forms; the socialist system was rather added onto or layered upon these pre-existing institutions. One example comes from the delineation of territorial boundaries in the socialist era. The boundaries of the production teams actually approximated those of the former *baojia* (保甲) units of pre-revolutionary times.⁵² The constitution of socialist administrative boundaries was thus closely related to the pre-revolutionary mapping of territorial units.

Indeed, it was drawing from these pre-existing networks that local cadres exercised their influence under collectivism. As Vivienne Shue points out, the Communist Party-state was immensely successful in creating a new type of local leadership that gave its allegiance and loyalty to the state at the same time that it remained embedded in the local setting. Recruiting from among local villagers meant that people “with real knowledge of local history and conditions” were brought into the forming administrative apparatus.⁵³ As Ray Yep concurs, the effectiveness of this new local leadership lay precisely in the fact that it “acted within a moral order moulded by local customs and values and yet remained under the command of the state

⁵¹ SPCZ, 188.

⁵² Ruf, *Cadres and Kin*, 108.

⁵³ Shue, *Peasant China in Transition*, 6.

organisation”.⁵⁴ That traditional identities had remained relevant, only subdued, under socialism also explained their rapid resurgence in post-reform rural China.

Market Reform and Challenges to Redistributive Socialism

The socialist redistributive system centred on the production team characterised the Chinese village from the 1960s up until the late 1970s. The introduction of market-oriented reforms then began to change the shape of rural politics. Abandoning the ideological extremism and violent excesses of the Cultural Revolution, the rise to power of Deng Xiaoping marked the triumph of the reformist ideology with its emphasis on growth and the liberation of productive forces.

Reforms challenged redistributive socialism and the power of redistributors as peasants’ dependence on the socialist institution was reduced. In the agricultural realm, the introduction of the household responsibility system posed an official challenge to the redistributive system as it made the household the new locus of production activities. The centrality of the socialist distributive regime was also eroded by the growing diversity of income-generating opportunities available to peasants outside of the village. The growth in non-farm opportunities meant that peasants were becoming more financially independent.

The household as the locus of production

The Chinese village in the 1980s was a laboratory of experiment and change. In agriculture, the drive to modernise and increase output efficiency was branded by the introduction of the household responsibility system (*jiating lianchan chengbao*

⁵⁴ Ray Yep, *Manager Empowerment in China: Political Implications of Rural Industrialization in the Reform Era* (London: Routledge, 2003), 46.

zerenzhi 家庭联产承包责任制). The crux of the new policy was to raise incentive and spur production by granting peasants residual income over their agricultural produce. The format of the system adopted in Guangzhou was that of *baochan daohu* (包产到户), or contracting production to individual households.⁵⁵ Peasant households were allocated responsibility for tilling allocated plots of land. They were allowed to keep the profit they earned from selling crops that were produced in excess of state grain procurement quotas.

Though often recognised as the product of Deng's innovation, the adoption of the household responsibility system in 1981 merely formalised what had already been taking place as a result of grassroots entrepreneurialism in various regions of rural China.⁵⁶ In 1977, for example, one production team in Xiancun was already practising such a system, and the experiment received official recognition from the Party secretary of the suburban district of Guangzhou as well as the deputy chairman of the city's revolution committee.⁵⁷ Similar efforts took place in other villages of Guangzhou.⁵⁸ Altogether there were about fifty production teams practising *baochan daohu* in Guangzhou as of 1979, and the number further increased to 198 teams in 1980.⁵⁹

⁵⁵ Jonathan Unger draws a careful distinction between the systems of *baochan daohu* and *dabaogan*. See Jonathan Unger, *The Transformation of Rural China* (Armonk, N.Y.: M.E. Sharpe, 2002), 95-118. For an extensive discussion of *baochan daohu* see Kate Xiao Zhou, *China's Long March to Freedom: Grassroots Modernization* (New Brunswick, N.J.: Transaction Publishers, 2009), Chapter 1. Zhou sees *baochan daohu* as one of Chinese farmers' "spontaneous and leaderless" movements.

⁵⁶ For a summary of grassroots practices of apportioning land to individual rural households, see Hok Bun Ku, *Moral Politics in a South Chinese Village: Responsibility, Reciprocity, and Resistance* (Lanham, Md.: Rowman & Littlefield, 2003), 90.

⁵⁷ XCCZ, 18.

⁵⁸ In Yangji, a village lying just west of Xiancun, rural leaders introduced the system in two production teams in 1978.

⁵⁹ *Guangzhou shi difangzhi*, "Nongcun baochan daohu de xingqi" (The rise of *baochan daohu* in villages), April 25, 2012, http://www.gzsdfz.org.cn/rsgz/kfxy/201204/t20120425_4901.htm (accessed May 29, 2014).

The household responsibility system brought along the downward devolution of rural land (*tudi xiafang* 土地下放). Production teams, which formerly exercised ownership control over means of production including land and other resources, now had to divide possessions held in common among team members. Land was to be contracted to peasant households in the form of individual responsibility plots (*zerentian* 责任田).⁶⁰

The assigned plot formed the territorial basis of the new contractual relationship between the peasant household and the state. The rise of the household as the new locus of economic activities weakened the relevance of the socialist redistributive system in regulating the rural economy. In Jonathan Unger's description, the production team as the lowest level of formal rural organisation "collapsed as a locus of activity" in the early 1980s as land and other means of production were distributed downwards.⁶¹ Teams "no longer count[ed] as part of the political equation in villages", and team leaders' functions of supervision and representation of the village population were no longer relevant.⁶²

The restructuring of incentives under the household responsibility system had the immediate effect of improving agricultural productivity. Between 1979 and 1984, national grain production saw increases of almost 5 percent on a yearly basis, while

⁶⁰ The basis of distribution was the number of mouths (*kou* 口) each household had to feed and the amount of labour it could supply. The process of dividing the commons was performed by team leaders, and was often one charged with accusations of cadre despotism and favouritism. Theoretically, the allotment of land was achieved through two distributive mechanisms. In some production teams, fixed and equal per capita state procurement quotas were assigned to each household. Household representatives then drew lots for land parcels classified based on production capacity. In this arrangement, different households might be allotted land of differential size, but the burden of production based on per capita procurement quota would be the same. In other teams, household members drew lots for equal-sized land, but procurement quotas differed from family to family based on the total area and quality of plots each received. Practically, in either case, the allotment procedure had inevitably been a conflict-ridden one characterised by manipulation. The most desirable land plots usually went to households who had close ties with those in power. See Ruf, *Cadres and Kin*, 83, 126-8.

⁶¹ Unger, *The Transformation of Rural China*, 201.

⁶² *Ibid.*

the gross value of agricultural output increased in real terms at an average annual rate of 7.6 percent.⁶³ In Guangzhou, the value created by each labour unit increased by half from 1,064 yuan in 1978 to 1,564 yuan in 1984.⁶⁴ Similar gains could be identified in the three villages studied. In Liede, for example, the vegetable produced on average per *mu* of farmland rose from 115,000 catties in 1981 to 184,000 catties in 1985. In monetary terms, total agricultural output increased from under 400,000 yuan in 1980 to over 2,500,000 yuan in 1984.⁶⁵ In Xiancun, household contracting in pig farming (*jiating yangzhu* 家庭养猪) brought significant growth in productivity. Brigade leaders took the lead in rearing pigs on a household basis in 1981; and peasants' incentives were maximised under the contracting arrangement.⁶⁶ In the early 1980s, half of the village's annual revenues came from pig farming.⁶⁷

A note must be added, however, that such dramatic increases in productivity were only short-term. Studies found that nationwide, grain output only increased by 0.9 percent annually from 1985 to 1994.⁶⁸ The slackening rate of growth has been attributed to the discouraging effect of insecure tenure.⁶⁹ To mitigate the issue, the

⁶³ Figures cited in Loren Brandt, Jikun Huang, Guo Li and Scott Rozelle, "Land Rights in Rural China: Facts, Fictions and Issues," *The China Journal* 47 (2002), 67.

⁶⁴ *Guangzhou shi difangzhi*, "Nongcun baochan daohu de xingqi."

⁶⁵ *LDCZ*, 241-2.

⁶⁶ To promote household pig farming, the brigade gave each team subsidies for the construction of pig farms. A total of 516 sheds were built, and over 560 out of the village's 606 households took up pig farming in the 1980s. *XCCZ*, 419-420.

⁶⁷ *XCCZ*, 419-420.

⁶⁸ Figure cited in Loren Brandt, Jikun Huang, Guo Li and Scott Rozelle, "Land Rights in Rural China," 68.

⁶⁹ Tenure insecurity arose because villagers were uncertain about how long they could use and cultivate their contracted plot. The uncertainty originated from the length of the tenure, as well as the need to periodically reallocate land due to changes in village demographics. The addition of new members to a family, for instance, would require the assignment of additional shares of per capita land resource. Similar needs to readjust land holdings arose from marriages, rural-urban household conversions, and deaths. As a result, periodic readjustments of land were carried out by village leaders. According to stipulations, village-wide land readjustment was to take place every five years. The prospect of losing one's land in the next round of redistribution prevented farming household from conserving land and investing in ways that would boost agricultural productivity in the long run. Farmers might have the tendency to overexploit the soil to maximise short-term returns.

On the problem of tenure insecurity and land reallocation, see Loren Brandt, Jikun Huang, Guo Li and Scott Rozelle, "Land Rights in Rural China"; James Kai-Sing Kung, "Common Property Rights and Land Reallocations in Rural China: Evidence from a Village Survey," *World Development* 28, no. 4 (2000): 701-719; Hui Wang, Juer Tong, Fubing Su, Guoxue Wei, and Ran Tao, "To Reallocate or not," *Land Use Policy* 28 (2011): 805-814; John

central government has since intervened and extended land use contracts to fifteen years, and later to thirty years.⁷⁰ While the effect of these extensions were debatable,⁷¹ the necessity of land readjustment provided a point through which grassroots leaders could periodically intervene in the remaking of the territorial order.

Diversification of rural opportunities

The household was further liberated from the redistributive economy due to the diversification of economic opportunities. The increase in agricultural productivity freed up surplus labour and allowed peasants to engage in all sorts of income-generating activities outside of farming. The growth in village-wide economies brought new opportunities to peasants as an expanding diversity of choices became available. Some were recruited to work in village-run enterprises, while others ran small businesses on their allocated plots. Food stalls, hair salons and convenience shops were opened in the villages, serving not only the indigenous population but also the increasingly large number of migrant workers who were pouring into Guangzhou. Others rented stores in village wet markets and set up counters selling meat, vegetables and other consumable goods. Still others purchased trucks, vans and motorcycles and started small-scale transportation services. Those elite few with the necessary connections successfully moved up the social ladder and became rural entrepreneurs and managers of enterprises.

The late 1970s also saw the beginning of overseas migration in the three villages. In Shipai about two hundred villagers left for Hong Kong in the late 1970s, and another

James Kennedy, Scott Rozelle and Yaojiang Shi, "Elected leaders and collective land: Farmers' evaluation of village leaders' performance in rural China," *Journal of Chinese Political Science* 9, no. 1 (2004): 1-22.

⁷⁰ In Guangzhou, the local government adjusted the five-year land tenures granted in 1981 to fifteen years in 1984.

⁷¹ A study finds that procedural fairness in the election of grassroots leaders is correlated to perceived fairness of land reallocation. See John James Kennedy, Scott Rozelle and Yaojiang Shi, "Elected leaders and collective land".

one hundred departed during the 1980s. Several dozens left for Taiwan, the United States and Canada.⁷² In Xiancun, about one hundred villagers made their way to Hong Kong illegally in the 1970s and settled in the British colony.⁷³ The increase in out-migration demonstrated that villagers were no longer bound to their soil, at least for those with the means to leave.⁷⁴

A new source of revenue also emerged which would come to make up a significant source of villagers' monthly income. This is the new land harvest derived from renting property built on private housing plots. Peasant households were allotted housing plots for their private use. In the socialist era, these plots were used by villagers to build small houses for their own accommodation. Beginning in the late 1970s, a hugely lucrative opportunity appeared with the relaxation of control over rural-urban migration, which created a vast population of newly mobile migrants.⁷⁵ These urban entrants or "temporary residents" generated a huge demand for low-cost accommodation beyond the amount of formal housing the state could provide. Villagers capitalised on this demand by building multi-storey houses on their private plots, selling and renting out flats to migrant workers. This transformation of rural households' main economic activity has been described as a change in occupation from "farm cultivation" (*zhongtian* 种田) to "house cultivation" (*zhongfang* 种房). For these peasants, whose lack of non-agricultural skills often deprive them of job

⁷² Zheng Mengxuan, ed, *Chengshihua zhong de Shipai Cun* (Beijing Shi: Shehui kexue wenxian chubanshe, 2006), 30-31.

⁷³ XCCZ, 82.

⁷⁴ These out-migrants were to contribute significantly to the growth of the village economy throughout the 1980s and 1990s. They donated money for the construction of ancestral halls and dragon boats, provided business connections for the building of factories and real estate projects, and acted as a constant supplier of the many luxury consumable goods that the colonial city imported.

⁷⁵ With reform and opening up, restriction for population movement was gradually relaxed as the state saw the benefits to be reaped in the massive inflow of cheap labour in sustaining urban development. Migration into urban centres as "temporary residents" was made legal nationwide in 1985, setting into motion nationwide flows of population of historic proportion. Many rural-urban migrants came from villages far away from metropolitan centres, or from rural areas in inland provinces, eager to escape poverty in the countryside. Other inter-city migrants came from second or third-tier cities in search of better employment, pouring into major cities along the coast where the prospects for advancement were most abundant.

opportunities in the urban economy, income from “house cultivation” has replaced crop yield as a new harvest derived from land.

The rise of rural rental economies had a visible impact on village morphology. As rent came to make up a significant part of their income, villagers sought to maximise the space from which rent could be derived. They made illegal additions to their apartments and engaged in successive waves of illegal construction rush (*weifa qiangjian* 违法抢建), circumventing limits in plot size, height and construction floor space set down by the state. They appropriated space horizontally by building houses close to one another, resulting in extremely high building density that gave buildings in these centrally located villages their nicknames of “kissing buildings” (*jiewen lou* 接吻楼) and “handshake buildings” (*woshou lou* 握手楼). They also extended the height of buildings above legal limits.

Throughout the 1980s, therefore, all three villages studied in this research bore fewer and fewer traces of rurality. In Xiancun alone, a total of 24.5 million yuan were invested by villagers in the construction of houses during the 1980s, resulting in the addition of over 91,000 square meters of built up area in the village.⁷⁶ Competition between rural households to expand their own building space, along with a general disregard for public areas and green spaces, resulted in congested living environments with uncoordinated land use. In another decade, as later chapters will show, the image of the urban village as “dirty, chaotic and poor” (*zang luan cha* 脏乱差) would feed into official discourses of blight and criminality that provided the rationale for the total demolition of these villages.

⁷⁶ XCCZ, 382.

De-collectivisation and the New Rural Economy

While the rise of the household under the *baochan daohu* system and the diversification of opportunities gradually upstaged the centrality of the production team in villagers' life and freed them from the dictates of team leaders, de-collectivisation formally pronounced the official dismantlement of the socialist redistributive system. It would be a gross simplification, however, to draw the conclusion that cadre-redistributors had accordingly lost their power as a result of the breaking up of the collective.⁷⁷ De-collectivisation has reinstated townships and villages as new grassroots administrative units replacing the former corporatist institutions of the commune and production brigade. These administrative units became the new power bases surrounding which old interests congealed. Transferring their arena of power to these new sites, former commune, brigade and team leaders played a highly involved role in fostering the growth of the village economy. The introduction of the fiscal contracting system, in particular, turned both townships and villages into active players in the entrepreneurial development of local industries. These undertakings set the stage for the re-collectivisation of the village under the rural shareholding cooperative in the late 1980s.

Administrative and fiscal restructuring

De-collectivisation was characterised by the separation of powers. One key project of the reform state was to achieve the formal separation of the Party from the government (*dangzheng fenkai* 党政分开). Whereas the commune integrated ideological, administrative and economic roles, the replacement of each by the

⁷⁷ See Oi, *State and Peasant in Contemporary China*, Chapter 9.

separate institutions of the Party committee and the people's government meant that each was given different mandates. Party committees were to be responsible for ideological and Party affairs, while the government was to concentrate their efforts on governance and the promotion of local economic development.⁷⁸

Township level

In January 1984, the Shahe People's Commune was officially disbanded. The Commune was replaced by the township Party Committee and the Shahe Subcounty Administrative Office (*qugongsuo* 区公所), which later became the Shahe Township People's Government (*zhenzhengfu* 镇政府). With the establishment of Tianhe as a district in 1985, Shahe was placed under the jurisdiction of Tianhe.

Administrative restructuring was accompanied by readjustment in fiscal relations. The system of fiscal contracts (*caizheng baogan* 财政包干) was introduced in the 1980s, which fixed the division of revenues and clarified the rights to revenue flows. Agreements were set up between different levels of the bureaucracy, allowing each level of sub-national government to retain a specified proportion of revenues it collected beyond the targeted amount.⁷⁹ Additionally, revenues from private industry could be locally retained.⁸⁰ Fiscal contracting thus built in incentives for local governments to encourage the development of industries within their jurisdiction to expand their revenue base. As the literature on township-village enterprises notes, this new fiscal incentive accounted for the activism of township governments in the fostering of these enterprises in the reform era.

⁷⁸ Yep, *Manager Empowerment in China*, 32-33.

⁷⁹ Andrew G. Walder, "The State as an Ensemble of Economic Actors: Some Inferences from China's Trajectory of Change," in *Transforming Post-Communist Political Economies*, ed. Joan M. Nelson, Charles Tilly, and Lee Walker (Washington D.C.: National Academy Press, 1997), 423-452.

⁸⁰ *Ibid.*

Village level

According to the principle of “one brigade, one *xiang*” (*yidui yixiang* 一队一乡), Shipai, Liede, and Xiancun production brigades were turned into administrative *xiang* under the jurisdiction of Shahe, a status they kept until 1987 when they became administrative villages (*xingzheng cun* 行政村).

In administrative villages, the separation of the Party from the government was achieved by the introduction of the Organic Law of the Villagers’ Committee in 1987, which established autonomous mass organisations outside of the state apparatus through which villagers were to manage their own affairs. The promulgation of the Law created an additional centre of power in the form of the villagers’ committee, headed by the villagers’ committee chairman. The chairman is to work under the leadership of the village Party branch, the traditional locus of power in the village, headed by the village Party branch secretary. The Party branch secretary is appointed by higher-level Party committees and acts as an agent of the Communist Party at the grassroots level, while the villagers’ committee chairman is responsible for the management of village affairs and welfare undertakings.⁸¹ The Organic Law also vests power in the villagers’ assembly, an institution for grassroots participation made up of all villagers at or above the age of 18. The villagers’ committee should direct all important matters, such as those concerning the use of village funds and the

⁸¹ In practice, it is not uncommon for the two posts to be concurrently held by the same person, resulting in the prevalent issue of power being concentrated in one pair of hands (*yibashou* 一把手). See Zhenglin Guo and Thomas Bernstein, “The Impact of Elections on the Village Structure of Power: The Relations Between Village Committees and Village Party Branches,” *Journal of Contemporary China* 13, no. 39 (2004): 257-275.

undertaking of collective projects, for the collective decision of the villagers' assembly.⁸²

Fiscally, de-collectivisation posed new challenges for these former production brigades because they retained many fiscal responsibilities but were without independent budgetary status. The administrative village is not a formal level of government and is not considered a fiscal unit of the state. This implies that the village falls outside of the state's budgetary allocation and is responsible for generating its own sources of income. The village's lack of independent fiscal powers, however, stands in stark contrast to its significant expenditure responsibilities. These include salary payments to grassroots cadres, the provision of social welfare, village reconstruction, expenditures on rural education and healthcare, among others.⁸³ As Christine Wong points out, that the reform-era village is responsible for this vast array of functions is a legacy of the collective economy. The former production brigade must therefore find new ways to finance these expenditures. Whether a village can undertake improvement works to upgrade its environment or pay for the building of new communal facilities rests entirely on the size of village revenues. Villages are thus driven by strong fiscal imperative to develop the rural economy.

⁸² For villages with a larger population, the villagers' representative assembly should be formed by electing one representative for every five to fifteen households. Operating by the same principle as the villagers' assembly, the villagers' committee should convene meetings with the villagers' representative assembly when matters involving the interests of villagers arise. See Articles 17 to 21 of the Organic Law of the Villagers' Committees.

⁸³ Christine Wong, "Overview of Issues in Local Public Finance in the PRC," in *Financing Local Government in the People's Republic of China*, ed. Christine Wong (Oxford and New York: Oxford University Press, 1997), 27-60.

The growth of rural economies

The effect of the above changes can be clearly observed in Shahe township and the three villages.

The reform era saw the phenomenal development of labour-intensive manufacturing industries in all three villages. Like many villages of south China, familial connections provided a key source of initial capital investment. A significant proportion of the small and medium sized investment that helped launch rural industrialisation came from Hong Kong. Foreign direct investment from the neighbouring city usually took the form of Three Supplies and One Compensation (*sanlai yibu* 三来一补), an arrangement in which foreign investors provide materials, parts and samples for processing and assembly while local firms use goods to pay for foreign capital. Investment usually focused on labour-intensive industries, exploiting cheap land and labour and making use of kinship ties to bypass bureaucratic red tape and generate quick returns.

In 1979, Liede signed a contract with a Hong Kong wool company which became the first of many such *sanlai yibu* arrangements in Shahe. In the 1980s, the village also established three village enterprises (*cunban qiye* 村办企业) as joint ventures with Taiwanese firms, specialising in the manufacturing of paper products, shoes and soft drinks.⁸⁴ These investments brought phenomenal growth to the village economy. Between 1980 and 1990, total industrial output increased almost tenfold from around 440,000 yuan to 4,100,000 yuan and village revenues grew to more than ten times its pre-reform size (Table 4.5).

⁸⁴ LDCZ, 251.

Year	Total output of enterprises (yuan)	Revenue (yuan)
1980	440,315	296,129
1981	440,914	298,274
1982	904,248	674,697
1983	1,197,693	777,013
1984	1,470,369	1,090,386
1985	1,589,220	1,263,517
1986	1,932,000	1,546,560
1987	2,811,854	2,392,670
1988	3,719,861	3,287,183
1989	3,988,180	3,300,273
1990	4,129,737	3,622,465

Table 4.5. The growth in output and revenue from village enterprises in Liede, 1980-1990. Source: *LDCZ*, 253.

Similar developments can be observed in Xiancun and Shipai. Xiancun operated factories specialising in electroplating, car repair, embroidery, spring manufacturing and soft drinks production.⁸⁵ Shipai had village enterprises focusing on the manufacturing of a wide diversity of products including locks, boxes, soap, tofu, rice noodles and clothes.⁸⁶ To maintain agricultural production as the village quickly industrialised, the practice of outsourcing agricultural activities to outlying villages (*yidi nongye* 易地农业) became popular in these centrally located villages.

Colloquially referred to as the strategy of “borrowing chickens to lay eggs” (*jieji xiadan* 借鸡下蛋), the practice involved the purchasing of use rights of rural land from villages in outlying districts and moving agricultural production to those villages.

The rapid growth of village economies formed an integral part of Shahe township’s development. The reform era saw the rapid industrialisation and urbanisation of Shahe. Although it was a rural township, the fact that Shahe was situated in an urban

⁸⁵ *XCCZ*, 257.

⁸⁶ *SPCZ*, 137-8.

area governed by the urban administrative unit of Tianhe meant that much more resources and opportunities for development were made available. These benefits were confirmed through a high-level policy in 1988, when the Guangdong provincial government officially approved the granting of a special industrial satellite township (*zhongdian gongye weixing zhen* 重点工业卫星镇) status to Shahe. This satellite status as part of the Pearl River Economic Development Zone turned the township into a huge beneficiary of many central and provincial preferential policies. By 1990, there were over 200 enterprises in Shahe of which 17 belonged to the township. If official figures can be taken as indicative, in just five years Shahe's industrial output has grown almost thirty times from 4.13 million yuan in 1985 to 117 million yuan in 1990. By 1994, the figure has reached 548 million yuan (Table 4.6). The township was awarded the title "Two Billion Yuan Township of Guangzhou Municipality" for its economic performance that year.⁸⁷

	1985	1990	1994
Industrial output value (10,000 yuan)	413.30	11,713.10	54,812
Agricultural output value (10,000 yuan)	3,811.08	5,532.29	5,926
Gross rural economic income (10,000 yuan)	12,732	25,460	219,800

Table 4.6. Economic indicators of Shahe township, 1985-1994. Source: *Tianhe Quzhi (1991-2000)*.

As the next chapter shows, the process of rural industrialisation was inextricably tied to territorial processes. The very prosperity of township and village economies as described above was built on the institution of collectively owned land, and created the condition for the concentration of ownership rights by rural elites.

⁸⁷ *Tianhe Quzhi (1991-2000)*, 162.

Discussion

The reform era is often conceptualised as a radical break from state socialism. But such a perspective would limit the search for the broader and deeper patterns of institutional continuities and legacies.

First of all, it was not at all clear that the power of former cadre-redistributors has necessarily declined. The creation of new grassroots administrative units in the form of townships and villages provided an arena for elites to transfer power derived from former corporatist institutions while taking on new powers and prerogatives. As a result, village elites took on new roles as the aggressive manager of the new rural economy.

Secondly, an important legacy of the Maoist era was perhaps its creation of an implicit contractual relationship between peasants and their leaders. The close relationship cultivated under collectivisation when members of socialist institutions were to work together for the common good cultivated a sharp collective consciousness within the peasantry. As Ray Yep points out, “decades of experiencing a collective economy [...] had probably instilled in the local populace a unique perception of its legitimate claim on collective resources”, leading them to demand a “fair share” of collective assets.⁸⁸ This unique perception would manifest itself in the reform era as villagers make their distributive claims on the collective harvest.

Finally, although market reform is generally seen to have reduced peasants’ dependence on the collective and cadre-redistributors, “the degree to which this was true depended on how important the resources controlled by the cadres were for the

⁸⁸ Yep, *Manager Empowerment in China*, 51.

peasants who still lived in the villages”.⁸⁹ As will be demonstrated in detail in the next chapter, that key socialist property of land has remained in elite control, and for peasants in urbanising villages the new rent harvest derived from collectively owned land has become a crucial means of livelihood. Peasants’ dependency on the corporate village has therefore not been reduced – providing a continued space for the exercise of redistributive power.

⁸⁹ Oi, *Rural China Takes Off*, 77.