CHAPTER 5

The Rural Shareholding Cooperative and the Re-collectivisation of the Village

The introduction of the household responsibility system led to the downward devolution of land to peasant households, but it did not change the underlying property relation: Rural land remains collectively owned. Even more problematically, the obsolescence of the production team, which was the designated owner of rural land under collectivisation, meant that the exact holder of ownership rights has now been left unclear. This chapter shows how the ambiguity of collective ownership has allowed village elites, re-organised around the village Party branch and the villagers' committee, to extend their control over collectively owned village resources. This transfer of resources into elite hands was facilitated by the introduction of a new institution, the rural shareholding cooperative (*nongcun gufen hezuoshe* 农村股份合作社). Pushed forward by village leaders in the late 1980s with the support of local governments, the shareholding reform resulted in the re-collectivisation of the village and the renewal of redistributive power. The reform allowed elites to formalise their control over the management of land and the collective economy, enabling them to straddle networks of political power and networks of accumulation.

Compared with the study of villagers' committees, relatively little attention has focused on the rural shareholding cooperative, a grassroots institution with crucial implications on distributive relations in the village. The academic literature has usually analysed the shareholding system in the context of economic reform and the evolution of ownership.[1] These works focus on the operation of the shareholding system in reform-era industrial enterprises, with a specific focus on township-village enterprises. While this literature provides important insights into the clarification of property rights and its economic implications, it does not draw sufficient connection between how the shareholding regime as an economic institution interacts with grassroots structures of power. Additionally, industrial enterprises make up only a part of the rural economy and are built upon land managed by the rural shareholding cooperative. Studying the rural shareholding cooperative is thus imperative for gaining a comprehensive understanding of distributive relations in the reform-era village.

Rural shareholding reform has also been analysed in the literature on urbanisation. In these studies, shareholding arrangements are conceptualised as institutional innovations emerging from the bottom up to deal with increasingly pronounced conflicts over the distribution of land rents. They are seen as rural grassroots strategies of reconsolidation in the face of urban state encroachment. For example, Lanchih Po characterises the emergence of shareholding as a process of "self-

[1] A systematic study of rural shareholding reforms from this perspective can be found in Jean C. Oi and Andrew G. Walder, ed., *Property Rights and China's Economic Reforms* (Stanford, Calif.: Stanford University Press, 1999). Three articles in this edited volume are dedicated to the issue of rural shareholding reforms and their impact.

empowerment" by rural communities.[2] You-tien Hsing views the institution as the centrepiece of a village corporatism that she conceptualizes as the "peasants' response to the threat of [the] local state's land expropriation". The shareholding regime is seen in her framework of the corporatist village as "the way peasants develop strategies of accumulation and distribution when dealing with an extractive local state".[3]

As this chapter demonstrates, these perspectives correctly grasp the territorial rationale justifying the shareholding reform. However, by emphasising the state-village antithesis over the many tensions and contradictions that exist *within* the village, they overlook the salience of unequal power relations embedded in the rural regime and how these are reflected in the very ways these distributive institutions are designed. The question of who benefits from the particular configurations of existing distributive relations within the village is a crucial one. Rather than viewing the emergence of shareholding as a bottom-up strategy devised by a united peasantry against the urban local state, this chapter examines the institution as a top-down arrangement presided over by rural elites who are intent on retaining their control over key village resources and securing their redistributive power in the post-socialist economy.

Land Expropriation and Territorial Control

Rural elites did not establish territorial control over collectively owned land resources overnight. Rather, the extension of power was accomplished over the first decade of reform as they gradually took over the task of overseeing village properties and land

[2] Lanchih Po, "Redefining Rural Collectives in China: Land Conversion and the Emergence of Rural Shareholding Co-operatives," *Urban Studies* 45, no. 8 (2008): 1610.
[3] You-tien Hsing, *The Great Urban Transformation: Politics of Land and Property in China* (Oxford: Oxford University Press, 2010), 143.

contracts from production team leaders. Land expropriation, which resulted in massive land loss for villages, provided the opportunity for elites to strengthen their control over collective resources. It also provided the territorial justification for the centralisation of land under the rural shareholding cooperative. This section focuses on the first process and examines how expropriation facilitated the extension of elite power in the 1980s and early 1990s.

The nature of rural land expropriation

The first decade of reform was for villages a period of the great territorial shrinking, particularly for those located at the rural-urban fringe. As highlighted in Chapter 2, the 1980s was marked by the territorial expansionism of the Guangzhou government as urban districts were administratively carved out of the rural suburbs to create new land for rent extraction and capital accumulation. This process was accelerated in the final years of the 1980s as reform of the land management regime put in place an urban land leasehold market that created conveyance fees as a new source of revenue for local governments.

This expansionist drive fuelled successive takeovers of rural land by units of the state. Rural land is collectively owned, but this ownership right is highly limited. The village does not have the right to transfer the use rights of rural land in the market, nor does it have the right to change rural land to non-agricultural use. For rural land to be put to non-agricultural use, the process of expropriation (*zhengyong* 征用) must take place. Generally, expropriation occurs when state units apply for the use of state-owned land or collective-owned land for the purpose of state construction (*guojia jianshe* 国家建设). According to the 1988 Revised Land Administration Law, the state unit wishing to use land should submit an application to the land management bureau of the township government or higher-level governments, which holds the power to approve the expropriation. Once the expropriation is approved, the land is allocated to the land user and the original owner receives a sum of money as compensation for its loss of land.

The literature frequently portrays expropriation as an exploitative process, and indeed the distributive relationship the process entails is highly unequal. Unlike the expropriation of state-owned land, which does not involve a change in ownership, the expropriation of rural land entails more than a change of hands but a double loss of both ownership and use rights. Once expropriation is complete, ownership over the expropriated land is officially transferred from the village collective to the state. The village hence loses not only the use right, which is given over to the land use applicant, but also its ownership right. What is more, the village is only really compensated for its loss of use rights. The Land Administration Law determines that the state unit obtaining the use right is responsible for compensating the village collective, but the state, which is a clear beneficiary from the ownership transfer, does not have to pay. In fact, the state even derives further gains by charging an expropriation management fee (*zhengdi guanlifei* 征地管理费) for its administrative involvement in the process.

Additionally, the post-Mao land regime is designed in such a way that peasants are institutionally excluded from sharing in the new harvest that would be derived from the development of the land they used to own. According to Article 27 of the 1988 Law, the village collective is compensated based on the existing land use – that is, agricultural use – rather than the future non-agricultural land use. The compensation the village receives consists of three main components, namely land compensation fee (*tudi buchang fei* 土地补偿费), resettlement allowance (*anzhi buzhu fei* 安置补助费), as well as expropriated acreage fees for lost crops and buildings attached to the land that need to be demolished (*fuzhewu he qingmiao buchang fei* 附着物和青苗补偿费). It is set down in law that the land compensation fee must remain within three to six times of the average annual productivity of the land in the three years prior to expropriation, and that the resettlement allowance cannot exceed ten times the average annual productivity. The total sum for the two components must be kept within twenty times the average annual productivity of the land in the three years prior to expropriation (Article 29). Calculating compensation based on agricultural productivity and setting a fixed limit on the amount of compensation the village could receive essentially means that the village collective is excluded from sharing in the appreciation in value after the land has been expropriated for development.

The practice of rural land expropriation

While the unequal distributive relation was institutionalised in law, the actual practice of land expropriation showed that the village played a much more agential role. To characterise the village as the mere subject of aggressive urban encroachment would be inaccurate. Firstly, given their occupation of and control over scarce land resources, villages actually enjoyed no small degree of leverage in negotiating with expropriators. Secondly, villages' resistance to land expropriation - at least during the early years of reform - should not be overstated, as at the time villagers did view expropriation as desirable bargains.

To elaborate on the first point, villages derived bargaining power by virtue of their occupation of scarce land resources. This bargaining power is based in part on the system of negotiation-based expropriation (*xieyi zhengdi* 协议征地) put in place during the Mao era. The 1958 Regulation on Land Expropriation for State Construction stipulated that the arrangement for compensation was to be determined through direct negotiation between the two parties. This practice was carried forward and formalised in the 1982 Regulation of the same name. Any state unit that wished to acquire rural land for urban construction could approach the village and directly negotiate the terms of expropriation.

Entrepreneurial village leaders were able to bargain for favourable arrangements that allowed the collective to share in the profits derived from future increases in land value. In Shipai, for instance, instead of receiving their compensation in full as a one-off lump sum, the rural elites strategically requested that two floors of the ten-floor building to be developed by the land user be given to the village collective to operate. The village could then receive a continuous stream of monthly rental income and share in future increases in land value. In another expropriation arrangement, Shipai leaders asked the developer to hand over the constructed buildings to the village collective after the developer had enjoyed all the profits it could for a period of ten years.[4] Through such back-and-forth bargaining, villages were able to obtain sustainable arrangements that lent greater security to their economic future.

During the first two decades of reform, this negotiation-centred system allowed village collectives to exercise a considerable degree of autonomy in bargaining with interested land users. For centrally located villages, in particular, the demand and

[4] Zheng Mengxuan, ed. *Chengshihua zhong de Shipai Cun* (Beijing Shi: Shehui kexue wenxian chubanshe, 2006).

competition for their land only increased and intensified over time. This growing business thus created space for rural elites' assertion of territorial authority. Despite the language of collective ownership, it was really grassroots elites on the ground who exercised the rights of the owner. Rural land often changed hands from village collectives to state units, industrial capitalists and property developers without the informed consent of villagers, a situation that created huge incentives for corruption.

One of the reasons why grassroots elites were rarely questioned on their land sale decisions was that villagers themselves were enthusiastic about the prospect of expropriation. At the time, expropriation was seen as bringing both monetary and non-monetary benefits to those directly affected by it. First of all, despite the urban bias in compensation standards, land purchases by state units still gave villagers a large sum of money that far exceeded what they could possibly make from agricultural activities. With this money villagers could invest in areas that guarantee their long-term economic well-being, such as setting up small businesses or building taller houses on their housing plots to maximise rental income.

Adding to the attraction of monetary benefits was the granting of urban household registration status. During the 1980s, the policy of converting an agricultural *hukou* to a non-agricultural one (*nongzhuanfei* 农转非) was applicable only to the elite few with political connections and financial capital.[5] The Guangzhou government, however, opened a policy window for villagers facing expropriation. For villages with one to two *mu*s of farmland per villager, one villager could secure rural-to-urban

[5] Kam Wing Chan, "The Chinese *Hukou* System at 50," *Eurasian Geography and Economics* 50, no. 2 (2009): 197-221.

transfer of *hukou* status for every *mu* of farmland requisitioned.[6] Since the wages and social benefits of urban workers were far superior to those of peasants, many villagers joined the lottery to compete for the limited quota.[7] There were also measures requiring the state units undertaking expropriation to recruit some of the villagers from whom they have taken land (*zhaogong* 招工). For villagers at the time, gaining an urban *hukou* plus a job in the factory was a highly desirable leap in social status. Within the same village, production teams whose land was expropriated were for a time the envy of other production teams.

The scale of rural land expropriation

Throughout the 1980s and early 1990s, the relatively lax regulation over rural-urban land conversions and successive hikes in profits to be gained from development resulted in the large-scale conversion of agricultural land to non-agricultural uses. The three villages studied in this research were subjects of successive land requisitions.

As can be seen in Table 5.1, Shipai underwent the largest requisition in terms of total area of land between 1979 and 1992. A total of 2,258.2 *mu* of farmland was taken away from the village. Xiancun came second with the loss of 1,259.66 *mu* of farmland. For Liede, most expropriations took place prior to reform. Only about 100 *mu* of farmland was expropriated from the village between 1979 and 1992. Then in 1994, the construction of the Pearl River New City, the city's new Central Business District, led to the expropriation of all remaining agricultural land in the three villages. The

[6] For villages with two or more *mu*s of farmland per villager, one villager can transfer from agricultural to non-agricultural household status for every two *mu*s of farmland requisitioned. For villages with 0.5 to 1 *mu* of farmland per villager, one villager can transfer from agricultural to non-agricultural household status for every 0.5 *mu* of farmland requisitioned.

[7] Since the number of villagers hoping to convert their household registration nearly always exceeded the quota for conversion, villages must develop mechanisms to decide outcomes. Most rural households would nominate their women to join the lottery, as children born to mothers with urban *hukou* could also gain non-agricultural household status.

Pearl River CBD expropriation constituted the single largest act of expropriation in the history of all three villages. Liede saw its remaining 2,499 *mu* of land requisitioned, while Xiancun and Shipai both lost over 900 *mu* of land.

Period	Area of land expropriated (*mu*)		
	Liede	Xiancun	Shipai
1949-1958	850.0	14.0	-
1959-1978	216.87	-	432.0
1979-1992	101.49	1259.66	2258.2
Expropriation for Pearl River New City	2499	978.711	914.3

Table 5.1. Area of land expropriated from Liede, Xiancun and Shipai, 1949-1992. Sources: *LDCZ*, 25-26; *XCCZ,* 49; *SPCZ,* 16.

The profitability of ambiguity

Throughout these multiple expropriations, rural elites gradually took over the role as the *de facto* representative of collectively owned land. In this regard they took advantage of the ambiguity of the precise meaning of collective ownership, a direct legacy of de-collectivisation.

As the previous chapter has shown, the collectivisation of rural societies in the Mao era institutionalised the collective ownership of rural land. The Sixty Articles enshrined this principle of collective ownership, and specifically designated the production team as the legal owner of collective resources.

With the dismantlement of the production team under de-collectivisation, however, the subject holder of land ownership has been left unclear. On paper, the right of ownership was passed on to the farmers' collective (*nongmin jiti* 农民集体). According to the Land Administration Law of 1986, "the land owned by the farmers' collective is by law owned by the farmers' collective of the village, and managed and administered by the village collective economic organisation or the villagers' committee". In other words, while the farmers' collective holds the ownership right, the right of land management and administration is given over to the collective economic organisation (*jiti jingji zuzhi* 集体经济组织) and the villagers' committee.

The problem, however, is that there is no legal definition for the term farmers' collective. It is unclear which organisation or structure represents the farmers' collective, and hence the exact holder of ownership right is not specified. As one scholar points out, "by law the village collective economic organisation and the villagers' committee have only managerial and administrative rights, which does not necessarily imply that they can legally represent and exercise the ownership of the owner or reap the profits from ownership".[8]

It has been argued that the specification is deliberately left ambiguous by the central leadership to create leeway for flexible policy readjustment.[9] In any case, this lack of clearly delineated ownership rights has profited village power holders by opening up a space for their assertion. With every expropriation contract they negotiated and signed, village elites assumed greater control over the disposition of collectively owned land. Villagers knew little about these transactions, and few accounts were kept of how much land was sold for how much in compensation.[10] This gradual takeover of decision-making power by village leaders paved the way for the formal concentration of land resources under the rural shareholding cooperative.

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[8] Feng Xu, cited in Peter Ho, "Who Owns China's Land? Policies, Property Rights and Deliberate Institutional Ambiguity," *The China Quarterly* 166 (2001): 406-7.
[9] *Ibid.*, 394-421.
[10] Of the three villages studied, only Shipai village published detailed records of exactly how much the village received as compensation for every land expropriation since 1985. See *Shipai Jiezhi*, 51-53. The lack of accountability planted the seed for later conflicts between village leaders and ordinary peasants in the other two villages.

The Rise of the Rural Shareholding Cooperative

In 1985, shareholding received official endorsement from the central government as a legitimate form of enterprise organisation in the No. 1 Document of the Central Committee of the CCP. That same year, the State Council handpicked three areas in Zhejiang and Anhui provinces as trial zones for the introduction of rural shareholding. In Guangzhou, villages in Tianhe district were the pioneers in introducing the experimental schemes. In 1986, the township Party committee of Shahe set up a team to investigate the viability of shareholding. Under the leadership of the municipal Peasant Association, the district supported the township Party committee in its trial implementation of rural shareholding in two villages, Yangji and Dengfeng, in 1987.[11] There was strong resistance against such local experiments, with shareholding being dubbed a system that was "neither a donkey nor a horse" (*feilü feima* 非驴非马) for its ambiguous nature.[12]

Nonetheless, higher-level governments gave formal recognition to these local trials four years later. In May 1991, the Guangdong provincial government released the Temporary Regulations on Rural Shareholding Economic Association. Article 3 of the Regulations designates the rural shareholding economic association (*nongcun shequ hezuo jingji zuzhi* 农村社区合作经济组织) as the legitimate owner (*suoyouzhe* 所有者) of rural collective resources. By "rural shareholding economic association", the Regulations refer to the setting up of economic cooperatives (*jingji hezuoshe* 经济

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[11] Zheng Ben, "Jiaqiang lingdao chuangxin guanli" (Strengthen supervision and innovate with management), Tianhequ checun zhuanshi fudao xiaozu (Supervision Small Group of *checun gaizhi* in Tianhe District), September 1, 2005.

[12] For a property rights analysis of the shareholding system and its ambiguous nature see Eduard B. Vermeer, "Shareholding Cooperatives: A Property Rights Analysis," in *Property Rights and China's Economic Reforms*, ed. Jean C. Oi and Andrew G. Walder (Stanford, Calif.: Stanford University Press, 1999), 123-144.

合作社) at the level of the former production team, economic joint cooperatives (*jingji lianheshe* 经济联合社) at the level of the former production brigade, and economic joint associations (*jingji lianhe zongshe* 经济联合总社) at the level of the former commune.[13] The shareholding reform essentially entailed the re-collectivisation of the village.

By the time the provincial government gave its official approval, all 22 administrative villages and 196 natural villages in Tianhe district had already undergone the shareholding reform and established cooperatives at the grassroots level.[14] With the formal backing of the province, shareholding became widely adopted in other parts of the city. By 1994, a total of 489 villages in Guangzhou have accomplished the rural shareholding reform, accounting for 38 percent of all villages in the provincial capital.[15]

By this narrative, scholars are correct in casting rural shareholding as a "bottom-up" and "self-initiated" strategy.[16] It was, nonetheless, a bottom-up and self-initiated strategy championed and pushed forward *by the elites of the village, with enthusiastic support by the township*. The material interests and power relations behind the rural shareholding cooperative must thus be examined. Why were village elites so enthusiastic in pushing through the shareholding reform, and how did it affect the exercise of power? To answer these questions, the following sections draw upon the analytical framework based on Harold Demsetz's characterisation of property as a

[13] Guangdong Provincial People's Government, Temporary Regulations on Rural Shareholding Economic Association, Document No. 40, Article 2, 1990.
[14] Guangzhoushi difangzhi, "Nongcun jingji gufen hezuozhi gaige" (Reform of the rural shareholding cooperative system), July 2013, http://www.gzsdfz.org.cn/rsgz/kfqy/201307/t20130717_8213.htm (accessed September 1, 2014).
[15] *Ibid.*
[16] Hsing, *The Great Urban Transformation*, 142-143.

"bundle of rights". Demsetz disaggregates the notion of property as constitutive of the rights of control, income, and transfer.[17] Building on this conceptualisation, Oi and Walder develop a set of questions to guide the analysis of distributive regimes. These are directly quoted or paraphrased below:[18]

1. *Who exercises managerial control?* Who decides whether and how an asset shall be used in production? Who makes major decisions regarding investment and day-to-day operations?
2. *Who has a right to income flows?* Who can claim shares of the income from the assets? How clear are these claims and how stable is the exercise of such rights?
3. *Who has the right to assign ownership to other parties?* Who has the right to decide to transfer the above rights to other parties?
4. *How are the above rights specified and enforced?* Are there *ex ante* agreements that are respected in practice? Is the government a reliable and impartial enforcer of such rights? Do the rights rest on social arrangements such as kinship and personal networks?

By paying attention to the microallocation of resources, this chapter presents an in-depth analysis of the power relations underlying the rural shareholding cooperative and argues that the shareholding reform formalised the transfer and concentration of resources in the hands of the village leadership. It delves into an institutional analysis of the cooperative system and examines how the very design of the institution and the

[17] Harold Demsetz, cited in Jean C. Oi and Andrew G. Walder, "Property Rights in the Chinese Economy: Contours of the Process of Change," in *Property Rights and China's Economic Reforms*, ed. Jean C. Oi and Andrew G. Walder (Stanford, Calif.: Stanford University Press, 1999), 1-26.
[18] Oi and Walder, "Property Rights in the Chinese Economy," 5.

lack of regulatory rules placed great discretionary power in the hands of rural elites and allowed them to make key decisions over the distribution of land revenues.

Before that, I first demonstrate below how expropriation provided the territorial rationale for the establishment of rural shareholding cooperatives.

Expropriation and the issue of distribution

Although the structures of the rural shareholding cooperative directly replicate those of the People's Commune system examined in the previous chapter, one must not simply interpret it as a straightforward restoration of past practices. A situation may appear as holdovers "precisely because they employ a language and symbols adapted from previous orders", but it may well represent direct responses to initiatives and causes that are fairly novel.[19] The rural shareholding cooperative, though it replicates the old socialist structure, was reinvigorated in response to a new challenge: Rapid loss of village land resulting from successive requisitions, and the inevitable issue of the distribution of the new rent harvest.

For the village, this new rent harvest comes from two sources. Firstly, the village receives compensation from each expropriation. This is the "rent harvest" it derives by virtue of its collective ownership and use rights over rural land. According to the law, aside from the compensation for lost crops which should be given directly to peasant households, the rest of the compensation sum, including land compensation fee and resettlement allowance, is usually given by the expropriating unit to the village, who keeps it at the collective level for investment in the village economy.

[19] Michael Burawoy and Katherine 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.

The second source is rent derived from the development of remaining land in collective ownership. While expropriation takes away all agricultural land, it leaves what is known as reserved construction land for the village's collective economic development. This is the result of the local government's reserved land (*liuyongdi* 留用地) policy. The gist of the policy is that for every expropriation undertaken by the state, a certain proportion of land must be retained for the use of the village facing expropriation. It is stipulated that the local government should reserve 5 to 8 percent of the total area of land to be expropriated for the village collective for housing and economic development. If the requisition takes over all of the remaining farmland of the village, 8 to 10 percent of the land should be reserved for village use.[20]

For the state, the territorial compromise represents the balance between profit maximisation and effort minimisation. The need to reserve a proportion of land for the village means that it has less land from which to derive revenue. However, the policy at the same time provides an expedient means to deal with conflicts arising from the burdensome task of demolition and relocation. By allowing villagers to continue living in the village, the local state conveniently rids itself of the costly task of evicting peasants and providing resettlement housing.

For villages, the practice of reserved land adjusts state-peasant distributive relations in their favour. It represents a more equitable arrangement that allows the village to continue to share in the rise in land value. Unlike compensation, which is calculated based on the value of the former use of the land, the reserved land policy enables villagers to share in current and future rises in land value. Instead of receiving a one-

[20] Guangzhou Municipal Land Resources and Housing Administrative Bureau, "Jiaqiang liuyongdi guangli baohu nongmin quanyi" (Strengthen the management of reserved land and protect the rights of peasants), Ministry of Land and Resources of the People's Republic of China, December 27, 2013, http://www.mlr.gov.cn/tdsc/lltt/201312/t20131227_1298502.htm (accessed July 14, 2014).

off lump sum, villages can receive regular inflows by developing property on reserved land and renting them out.

That reserved construction land was given to the entire village, however, raised the inevitable issue of the distribution of the new harvest. It did not make practical sense to break up the land into parcels for small-scale developments. Similarly for compensation, it would be less productive to divide the sum up and give it out to individual households, than to invest the sum in the development of larger projects. Expropriation thus provided the territorial rationale for the concentration of resources at the village level. Because land is indivisible, some distributive mechanism must be introduced for the equitisation of the collective resource. It is in response to this new condition that the socialist redistributive system was revived and re-institutionalised to address current concerns.

Shareholding as Delineation of Rights

From an economic perspective, the shareholding system is the central mechanism through which collective revenue is divided between members of the village. Indivisible village assets such as land and property are quantified and converted into divisible shares.

These shares are allocated to members of the village on an individual basis (*zhegu daoren* 折股到人). In other words, villagers have the right to claim shares of the income from collectively held assets. The process of share allocation is in essence the process of assigning property rights. How many shares a villager holds determines the size of his or her claim on the collective harvest.

It needs to be made clear at the outset that the nature of this property right is highly limited. Villagers as shareholders only enjoy the right to receive annual dividends from their shares (*fenpei quan* 分配权). They are not allowed to sell (*maimai* 买卖) or mortgage (*diya* 抵押) their shares. They also lack the right to liquidate their shares or to withdraw from the shareholding regime (*chouzi tuigu* 抽资退股).

Four main types of shares are delineated in most villages. In the following, I take the rules governing the determination of shares in Shipai as an illustration. The first type of share is headcount share (*renkou gu*, also *rentou gu* 人口股, 人头股). Five headcount shares are allocated to each of those villagers who have held an agricultural *hukou* based in Shipai village between 1966 and 1994. The second is working age share (*gongling gu* 工龄股). One share is allocated to each villager of working age for each year that he or she has worked in units under the village collective economy while his or her household registration remained agricultural. The third is labour settlement share (*laodong anzhi gu* 劳动安置股). This share is designed to complement the second and to "settle" those villagers whose *hukou* had been converted to a non-agricultural one as a result of land expropriation. This share is also counted on a per-year basis: One share is given to each villager of working age for each year that he or she has held a non-agricultural household. In other words, the second and third types of shares have the combined effect of equalising the share of collective harvest between agricultural and non-agricultural households within the village. Finally, the fourth is welfare share (*fuli gu* 福利股). Six welfare shares are allocated to each individual family member of villagers who have a rural-turned-urban *hukou*. Unlike the first three types of share, welfare shares cannot be inherited.

The number of shares determines the size of each villager's claim on the collective harvest. This raises the question of who has the right to assign shares, and indeed who designs the above rules regarding how many shares a villager is allocated. Aside from the question of how *many* shares a villager is allocated, there is also the question of how *much* each share is worth. The size of each villager's share of the collective harvest, in real monetary terms, is dependent both on the number of shares he or she possesses, as well as how much each of those shares is worth. This raises the additional question of who exercises managerial control and who makes decisions about how revenue from collectively owned assets is spent. Answering these questions requires looking into the authority structure of the rural shareholding cooperative.

Shareholding as Re-collectivisation

The shareholding reform constitutes a re-institutionalisation of the basic building blocks of the socialist redistributive system. The rural shareholding cooperative has a three-tier structure that is directly replicated from the Maoist hierarchy of production brigades and teams. The two primary units are the economic cooperative (*jingjishe* 经济社) at the bottommost level and the joint economic cooperative (*jingji lianshe* 经济联社) at the level of the administrative village. The former is basically the production team of the socialist era and the latter the production brigade. Between the economic cooperative and the joint economic cooperative is the intermediary layer of the group cooperative (*pian lianshe* 片联社), also called the joint team (*liandui* 联队), which groups together and supervises several economic cooperatives. To make explicit the institutional continuity between the socialist and post-socialist structures, this dissertation will refer to the three tiers as the team cooperative, the joint team cooperative, and the village cooperative.

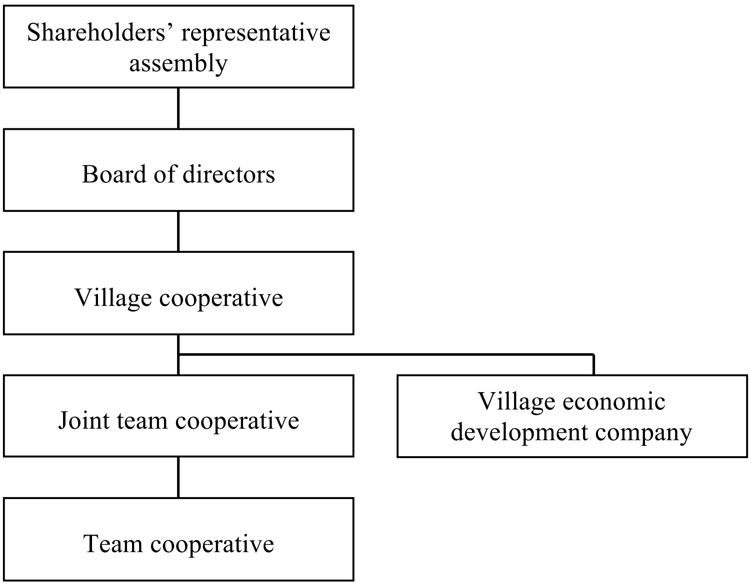

Fig 5.1. Structure of the shareholding system.

The centres of authority in the rural shareholding cooperative lie with two newly created units. These are the shareholders' representative assembly, known as the *sheyuan daibiao dahui* (社员代表大会) and later the *gudong daibiao dahui* (股东代表大会), as well as the board of directors, known as the *sheweihu* (社委会) and later the *dongshihui* (董事会).[21]

The shareholder's representative assembly is the supreme body (*zuigao quanli jigou* 最高权利机构) in the rural shareholding cooperative. It is akin to the villagers'

[21] These provisions refer to the Regulations on the Further Improvement of the Rural Shareholding Cooperative System, Document No. 15, adopted by the Tianhe District People's Government and Party Committee in 1994.

representative assembly established by the Organic Law in that representatives are supposedly elected by the villagers, in this case in the capacity of shareholders. The representative assembly considers work reports submitted by the board of directors and makes decisions on important matters such as major investment items and dividend distribution arrangements. It also holds the power to elect, on a "one person, one vote" basis, the members of the board of directors.

The board of directors is the decision-making and management body (*juece he guanli jigou* 决策和管理机构) of the cooperative. The board should be made up of at least nine members and should be headed by a chairman. The board should execute the decisions of the shareholders' representative committee and be accountable to it as well as to all shareholders. In a provision that clearly demonstrates the township's direct involvement in village affairs, all candidates for the board of directors must be reviewed and approved by the township Party committee and township people's government before being subject to the vote by the representative assembly. The chairman and the deputy chairmen are elected from among and by the directors of the board on a "one person, one vote" basis. The chairman is the legal representative (*fading daibiaoren* 法定代表人) of the entire rural shareholding cooperative.

It is the board of directors who proposes and reviews the distributive rules regarding the assignment of property rights and the allocation of village revenues. In other words, the board of directors decides both how many shares each villager is assigned, as well as how much each of those shares in worth. Problematically, there are no formal rules regulating either process. Higher-level governments can introduce guiding regulations, but even then it is up to the board of directors of each village to choose whether to implement them. The following sections examine the implications of this on the assignment of property rights, the allocation of village revenues, and the managerial control over collective assets.

Assignment of property rights

The rules governing how shares should be assigned within the village, as well as how resources should be divided in the three-tier shareholding system, are vague and uncertain. This ambiguity provides an opportunity for village elites to allocate resources as they see fit. Most resources, as a result, are concentrated at the level of the village cooperative under the direct supervision of the board of directors.

At the beginning, some villages adopted the policy of assigning collective shares. Collective shares (*jiti leijigu* 集体累积股), by definition, are shares owned collectively by the village. In Tianhe's first district-level document on rural shareholding reform, which came out in 1991 in the form of Document No. 18, all rural shareholding cooperatives were requested to assign collective shares, and collective shares were to account for at least 60 percent of all shares.[22] However, the property rights entailed in the concept of "collective shares" are highly ambiguous. It is unclear how villagers were actually to share in the dividend derived. In effect, collective shares probably served to buttress the power of the village cooperative, which was the designated "representative" of collective shares.[23] Collective shares were later abolished in the second district-level regulation introduced by Tianhe in 1994 (Document No. 15).

[22] Tianhe District People's Government and Party Committee, Opinions on Implementing and Enhancing the Rural Shareholding Cooperative System, Document No. 18, 1991.
[23] Fu Chen, "Shequxing nongcun gufen hezuozhi chanquan zhidu yanjiu" (An Analysis of Property Rights in the Community-Based Rural Shareholding System), *Gaige* 5 (May, 2001).

Even with the cancellation of collective shares, however, the board of directors still exercises enormous discretionary power over how much resources is kept at each level of the shareholding hierarchy. Unsurprisingly, most of the village's collective resources are concentrated at the level of the village cooperative. In Shipai, the board of directors placed all reserved land given to the village as compensation for land expropriation under the control of the village cooperative, except for land given directly to individual production teams for expropriation prior to de-collectivisation. Almost half of the monetary compensation the village received is also kept at the village level. Additionally, the village cooperative also controlled the assets of all village-level enterprises.[24]

The relative strength of each of the three administrative tiers can be gleaned from the comparative worth of assets under its control. In Shipai, for example, there are 27 team cooperatives under the village cooperative. These 27 team cooperatives belong to five different joint team cooperatives. As of 2002, the total worth of assets under the village cooperative was 220 million yuan, that of the five joint team cooperatives 33 million yuan, and that of the 27 team cooperatives 170 million yuan. In other words, the worth of the village cooperative's assets is greater than the combined worth of the five joint team cooperatives and the 27 team cooperatives.[25]

Allocation of revenues

The board of directors also decides how village revenues are spent and how much is allocated to each item. By doing so the board decides the size of villagers' share of

[24] Zheng, ed. *Chengshihua zhong de Shipai Cun*, 69.
[25] While each unit within the three tiers has its own separate finances, the joint team cooperative is actually largely dependent on its constituent team cooperatives for budgetary expenditure. Its board of leaders is also composed of representatives from each of its constituent teams.

the annual rent harvest. There are three main channels through which villagers share in collective revenues. The first is through the annual distribution of dividends (*gufen fenhong* 股份分红). In a description that highlights the corporatist and paternalistic nature of the rural shareholding cooperative, dividend distribution is commonly referred to as the distribution of livelihood funds to cooperative members (*fafang sheyuan shenghuofei* 发放社员生活费). The second is through entitlements to welfare provided by the village collective. The third is through enjoyment of public welfare projects undertaken by the village through fixed asset investment, such as the construction of new roads, the upgrading of the sewage system, the extension of cable networks, etc.

There are no formal rules governing how much of the collective revenues should be retained by the village and how much should be spent on dividend distribution or welfare items. The district-level document on rural shareholding recommends that 40 percent of the revenue after tax deductions should be allocated for dividend distribution.[26] However, like similar stipulations on rural shareholding, the provision merely acts as a guideline for reference and lacks legal force. The power to determine the village share vis-à-vis the peasant share of the collective harvest thus really lies in the hands of the board of directors. A survey of the statutes governing the rural shareholding system of the three villages shows that while in Shipai, clear specifications are made for the allocation of 50-80 percent of the revenues after necessary deductions for dividend distribution (Article 9 of 1988 Statues), no such rules are formally written down in the case of Liede and Xiancun.

[26] Tianhe District People's Government and Party Committee, Regulations on the Further Improvement of the Rural Shareholding Cooperative System, Document No. 15, Section 3, 1994.

The allocation of revenues also placed significant discretionary power in the hands of team cooperative leaders. This is because it is through the team cooperative that villagers receive their dividends. The proportion of collective revenues set aside by the village cooperative for dividend distribution is not given directly to villagers. Rather, it is distributed as a lump sum to individual team cooperatives based on the total number of shares each cooperative has. The team cooperative then adds in the proportion of its own revenue set aside for dividend distribution.[27] It is from dividing this sum total that the worth of one share is determined.[28] Just like the village cooperative, leaders of the team cooperative exercise considerable latitude in deciding how much of the team's revenue is allocated for dividend distribution and how much is retained by the team.

Contrary to accepted wisdom on the decline of the power of production team leaders in the reform era, therefore, the re-collectivisation of the village through the shareholding system and the re-centralisation of resources at the levels of the village and team cooperatives means that former production team leaders can maintain their positional advantages should they continue to serve as team cooperative leaders. They continue to exercise the power of making allocatory decisions with regard to the distribution of revenues vis-à-vis team members.

[27] Which team villagers belong to can have a direct impact on his or her income, because some teams may own more land and assets than others due to historical reasons. Teams that experienced expropriation prior to de-collectivisation in 1984, for example, would possess more land resources and compensation money which they could have invested in development.

[28] In formulaic terms, Villager A's annual dividend = Number of shares Villager A is allocated x [(Total sum of proportion of revenue the village collective set aside for distribution + Total sum of proportion of revenue Villager A's team cooperative set aside for distribution) / Total number of shares in Villager A's team cooperative].

Managerial control over collective assets

Managerial control over village assets is exercised by the Village Economic Development Company. The Village Economic Development Company is the village cooperative's appointed entity of operation (*jingying jigou* 经营机构). The company evolved from the Agricultural, Industrial and Commercial General Corporation (*nonggongshang zonggongsi* 农工商总公司), set up by villages in the early 1980s to bolster rural industrial development. The company is responsible for the management, operation and development of the collective economy.

The manager of the company is directly appointed by the board of directors and is supervised by the board under a manager responsibility system (*jingli zerenzhi* 经理责任制).[29] The board can exercise influence over the management of village collective assets, including land, through the manager. Village leaders have thus come to wield the power to selectively award contracts to commercial operators for the use of land. As villages moved from the development of secondary industries in the late 1970s and early 1980s to commercial real estate development in the late 1980s and early 1990s, rural shareholding cooperatives in turn transitioned from land contractors to aggressive land managers that partnered with private capital in the development of hotels and shopping arcades. Given that prime land was a scarce resource, this managerial power allowed ample opportunities for leaders' self-enrichment.

Some rural shareholding cooperatives also set up cooperative funds (*hezuo jijinhui* 合作基金会). The fund is the financing platform of the cooperative, and is responsible

[29] See, for example, Shipai Rural Shareholding Cooperative, Statutes on the Rural Shareholding Cooperative, 1995, Article 21.

for managing all financial accounts and assets owned by cooperatives and shareholders. Like the manager of the Economic Development Company, the manager of the cooperative fund is also appointed by the board of directors.

Shareholding and the Renewal of Redistributive Power

From the institutional design and operation of the rural shareholding cooperative it can be clearly seen that significant powers are concentrated in the board of directors. These directors exercise managerial control over the collective economy; decide whether and how village assets are used in production; make rules about who has the right to income flows and how property rights are assigned to villager-shareholders, and make allocative decisions regarding how the annual collective harvest is spent on different items. Holding and exercising property rights on behalf of the village, therefore, leaders of the rural shareholding cooperative "extract and redistribute profits legitimately and directly for the development of the community infrastructure".[30]

My observations thus lend support to Jean Oi's characterisation of the reform process as one that saw the replacement of redistributive socialism by a new form of redistributive corporatism, where the power of village government has grown along with the provision of collective welfare.[31] Paternalistic power was renewed, as by virtue of their centralised control over land-derived revenues, village leaders could undertake redistribution and provide for villagers' "livelihood funds" and welfare. The socialist legacy of an implicit social contract was sustained, in which cadre-redistributors supplied the goods in exchange for compliance and political support.

[30] Jean C. Oi, *Rural China takes off: Institutional foundations of economic reform* (Berkeley, Calif.: University of California Press, 1999), 79.
[31] *Ibid.*, 79.

This redistributive power was exercised in an institutional environment where regulatory rules were either uncertain and ambiguous, or outright non-existent. The weakness of internal checks and balances within the cooperative allowed village power holders to fuse and straddle multiple networks of power. In theory, the board of directors and the board chairman should be subject to re-election every three years. In practice, the same group of people usually hold these positions for extended periods of time. There is also the issue of balance of power within the village. Board members are elected by the shareholders' representative assembly, and the representative assembly is elected by villager-shareholders. Lineages that are numerically superior are thus usually over-represented in the representative assembly.

The phenomenon of major posts being held concurrently by the same group of village elites is common. In all three villages surveyed, the chairman of the rural shareholding cooperative is also at the same time the chairman of the villagers' committee. In Liede village, in particular, that same person is also the village Party secretary. The introduction of the shareholding system has in effect created an additional point through which elite power is exercised and deployed. Thus straddling positions of political and economic power, rural elites are able to take control over collective resources and put in place institutional arrangements that are conducive to the preservation of their power.

Few checks exist against arbitrary power. Some rural shareholding cooperatives, such as those under the jurisdiction of Tianhe district, set up a supervisory committee (*jianshihui* 监事会). The supervisory committee should consist of three to five persons that are not members of the board of directors. According to Document No. 15 (1994), these positions should be taken up by shareholders who enjoy a high degree of popular legitimacy among the villagers, or by experts that are not shareholders. The committee is responsible for supervising the board, the manager of the company and the fund, as well as other high-level personnel. It is accountable to the shareholders' representative assembly and all shareholders, and should act to prevent decisions that damage the interests of the village economy or those of shareholders.[32]

In reality, however, the powers of the supervisory committee are highly circumscribed. They are allowed to sit in at board meetings, but they do not have the right to make decisions. When they identify suspicious areas of operation, they can only request the board to explain their decisions and report such issues to upper-level bodies, usually township-level units. But as has been shown and will be further elaborated in the next chapter, the township itself plays a direct role in the selection of board members by virtue of its power to review and approve what it sees as appropriate candidates. The government can thus hardly be seen as a reliable or impartial adjudicator. Supervisory committees are weak regulatory agents, and many villages simply do not have supervisory committees.[33]

Summary

Installed in the late 1980s and consolidated in the early 1990s, the shareholding system re-collectivised the village just years after collective agriculture was disbanded. With no land to farm, villagers found themselves once again dependent on the very redistributive mechanisms that were supposedly rendered obsolete with de-collectivisation. Almost just as quickly as villagers were allotted individual plots to

[32] Tianhe District People's Government and Party Committee, Regulations on the Further Improvement of the Rural Shareholding Cooperative System, Document No. 15, Section 1, 1994.
[33] The provincial-level regulation does not mandate the setting up of supervisory committees.

farm under the household responsibility system, rapid urbanisation and large-scale expropriations took such individual means away from them. Admittedly, there were more economic opportunities available outside the village, but this narrative of diversification of rural life chances was true for only the elite few with the skills and connections to find non-agricultural employment. For the majority of villagers, the transition to the urban, market society has not reduced their reliance on the collective economy.

This creates room for the continued exercise of redistributive power. Responding to new circumstances, rural leaders actively adapted the socialist redistributive system of the Mao era and forged new institutional arrangements based on these organisational foundations to preserve their own position. Because rural leaders were directly involved in the institutionalisation of the rural shareholding cooperative, and the rules governing this grassroots organisation were either vague or non-existent, the very design of the cooperative reflected and created room for the concentration of power in elite hands. The absence of effective regulation also meant that little stood in the way of arbitrary deployment of power. As will be seen in the next chapter, the corporatisation of the village in the late 1990s aggravated these problematic aspects by further privatising rural governance.

CHAPTER 6

The Village Joint Stock Company and the Privatisation of Rural Governance

In April 1997, the villagers' committee of Shipai village was officially dismantled. At the same time, a new joint stock company taking the name of the Shipai Sanjun Enterprise Group was established. What happened in Shipai was then introduced to twelve other villages in Tianhe district. Between April and May of 1999, meetings were held in these villages during which villager-shareholders were asked to vote on whether or not to abolish the villagers' committee.[1] With overwhelming majorities in most villages, the same year saw the establishment of many such new joint stock companies at the same time that the rural administrative apparatus was gradually dissolved.

This consequential policy of *checun gaizhi* (撤村改制), or abolishing the village and reforming the system, was implemented under the banner of rural-urban integration toward establishing a uniform system of urban administration. From the perspective

[1] For detailed results of the votes, see *Tianhe Quzhi (1991-2000)*, 638-640.

of urbanisation, the policy can be seen as a government-sponsored campaign of urban advance that aims to de-ruralise all remaining pockets of rurality in the city. In this view, the reform merely entailed the replacement of rural units of governance with urban ones.

When the actual impact of the reform is assessed however, the *checun gaizhi* reform has far-reaching implications on rural governance. This chapter examines how this turn-of-the-century reform has really led to the corporatisation of the village and the formal integration of powers under the new private entity of the joint stock company. It illustrates how the company is built upon the institutional foundations of the rural shareholding cooperative but is even more powerful in that it incorporates under its aegis previously separated branches of power. If the formation of the rural shareholding cooperative in the late 1980s allows village elites to straddle multiple networks of power, then the village joint stock company of the late 1990s singularly represents a straddled institution in itself.

This chapter further argues that the creation of such a straddled entity jeopardises the implicit social contract at the heart of rural politics. The disintegration of checks and balances heightens propensity for corruption and makes it more likely for abuses of power to take place, in effect planting the seeds for rural resistance. The privatisation of rural governance has in essence institutionalised a self-destructive logic: by creating an institutional environment that applies little restraint on concentrated power, it enables 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.

To observe how the structural deficiencies of the village joint stock company are manifested in practice, the final section of this chapter introduces the three case studies and sets out the design for comparative analysis. It highlights the centrality of lineages as a corporate institution that patterns inequality in distributive relations.

The De-Ruralisation of Villages

The shareholding reform was pushed one step further in the late 1990s with the introduction of an encompassing institutional reform that sought to permanently dissolve the village as a unit of grassroots administration. The policy of *checun gaizhi* entailed a four-fold transition in terms of household registration, grassroots governance, land ownership and enterprise management.

The quadruple transition began with a compulsory change in household registration. All villagers with agricultural *hukou* living in built-up areas of the city were converted to residents with non-agricultural *hukou* in a process commonly known as *nongzhuanfei*. This policy turned all indigenous villagers of Guangzhou from peasants to urban dwellers. As will be shown, however, this shift in household registration entailed little more than an administrative change in status, as the full range of benefits available to urban residents has not been extended to these former peasants.

Next, the villagers' committee was dismantled and replaced by its urban counterpart, the residents' committee. This process is referred to as *cungaiju* (村改居). The original administrative functions of the villagers' committee, including neighbourhood management tasks like household registration and birth control, were to be taken over by the new residents' committee. The *cungaiju* transition coincided with the administrative incorporation of Liede and Xian villages into the urban hierarchy. From 1999 onwards, the two villages were taken out of the jurisdiction of Shahe township, a rural administrative unit, and placed respectively under the jurisdiction of Liede and Xiancun sub-districts (*jiedao* 街道).

Once the village becomes an urban unit and no longer exists in name, the basis on which the institution of collective land ownership is built is taken away. Riding on this opportunity, the urban government radically overhauled the collective ownership of rural land. All remaining land held in collective ownership by the village was converted into state-owned land. Although existing properties could continue to occupy the sites, ownership exercised by the farmers' collective was effectively dissolved. From now on, the village only exercises use rights over the land they formerly owned. Because there was no formal procedure of expropriation and because no demolition took place, no compensation was paid to the villages for this act of administrative conversion.

Lastly and most importantly, the *checun gaizhi* reform established a new entity in the form of the joint stock company (*gufenzhi qiye* 股份制企业). In Tianhe district, Shipai was selected to be the village for the trial implementation of the reform in 1997. Between 1999 and 2002, as can be seen from Table 6.1, eleven more such joint stock companies were established in Tianhe district either in the form of economic development limited companies (*jingji fazhan youxian gongsi* 经济发展有限公司) or as enterprise groups (*qiye jituan* 企业集团). The Xiancun Enterprise Group was founded in August 1999, while the Liede Economic Development Company Limited was founded in November 2002. Though bearing different titles, the internal structures of these joint stock companies share fundamental qualities that distinguish them from the usual business corporation.

Name of villagers' committee	Date of approved establishment of new company	Name of new company replacing the villagers' committee
Shipai	April 1997	Shipai Sanjun Enterprise Group
Shadong	April 1999	Shadong Youli Group
Tangxia	May 1999	Tangxia Economic Development Company Limited
Yinhe	May 1999	Yinhe Economic Development Company Limited
Linhe	May 1999	Linhe Yunyang Economic Development Company Limited
Dengfeng	May 1999	Dengfeng Industrial Group Company
Shidong	June 1999	Shidong Industrial Company Limited
Yangji	August 1999	Yangji Enterprise Group
Xiancun	August 1999	Xiancun Enterprise Group
Tangdong	September 1999	Tangdong Economic Development Company Limited
Chebei	September 1999	Chebei Economic Development Company Limited
Liede	November 2002	Liede Economic Development Company Limited

Table 6.1. New companies replacing villagers' committees in Tianhe district's villages. Source: *Tianhe Quzhi (1991-2000)*, 639-640.

The joint stock company was formed through the joint funding (*gongtong chuzi* 共同出资) of entities established under the shareholding reform of late 1980s and early 1990s, namely constituent units of the rural shareholding cooperative and the village economic development company. All assets formerly under the village cooperative, managed and operated by the economic development company, were transferred to the new joint stock company. In Xian village, for example, the village cooperative had fixed assets worth 380 million yuan and controlled 460 *mu* of reserved land. It also operated 13 enterprises including factories, hotels, markets and gas stations. These assets were transferred to the Xiancun Enterprise Group. The village economic development company was made a subsidiary (*zigongsi* 子公司) of the newly established enterprise group.[2]

Upon the transfer of assets, the village cooperative and the team cooperatives under the shareholding system became corporate shareholders (*faren gudong* 法人股东) of the joint stock company. In Shipai, the village cooperative remained the largest shareholder controlling 51 percent of shares, while the 27 team cooperatives controlled in combination 45 percent of shares.[3] As the tasks of asset management and business operation were handed over to the new company, the rural shareholding cooperative system retained only its distributive function. Dividends from collective revenues continued to be distributed to villagers through the three-tier shareholding structure. The cooperatives, as corporate shareholders, act as intermediaries between the newly established company and villager-shareholders.

Concentrated Powers: The Village Company as a Straddled Institution

This section examines the internal power structure of the new private entity to reveal its nature as a straddled institution. The term "straddling" is employed here in a twofold sense. The first refers to the concentration of multiple branches of power in one institution. The second refers to the ambiguous nature of the village company as interweaving both public and private functions. It is not a completely private entity in that it still takes up administrative and community functions such as management of public hygiene, welfare provision, and imposition of social sanctions. At the same

[2] Xiancun Rural Shareholding Cooperative, Statutes on the Rural Shareholding Cooperative, 1991.
[3] Zheng Mengxuan, ed. *Chengshihua zhong de Shipai Cun* (Beijing Shi: Shehui kexue wenxian chubanshe, 2006), 105-6.

time, it is not a completely public organisation in that it is managed as a business corporation and is bound only by the Company Law.

The village joint stock company builds on core elements of the rural shareholding cooperative but also bears fundamental differences in that it integrates previously separated arms of power. Figure 6.1 shows the structure of the joint stock company.

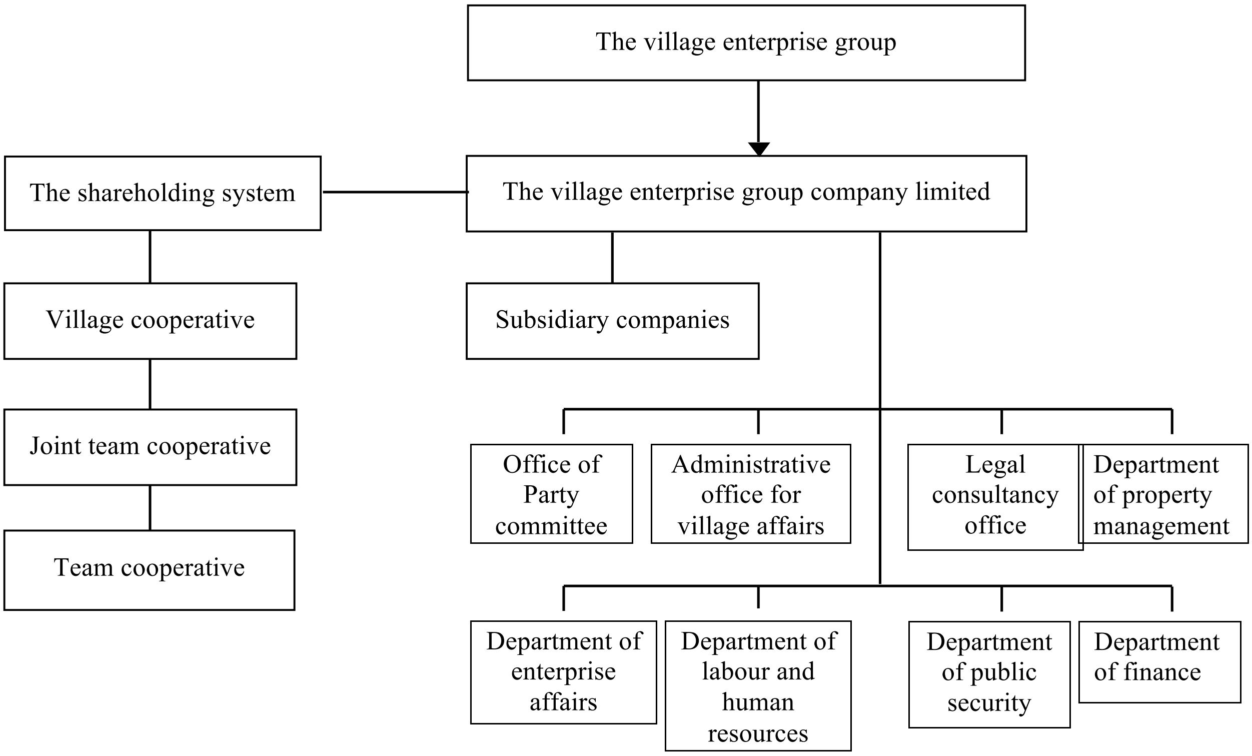

Figure 6.1. Organisational structure of the village joint stock company. Source: Zheng, ed. *Chengshihua zhong de Shipai Cun.*

Firstly, to examine the similarities, the top two governing bodies of the joint stock company remain to be the shareholders' representative assembly and the board of directors. As in the rural shareholding cooperative, the shareholders' representative assembly is the supreme body. The assembly of representatives is produced through grassroots elections by members of team cooperatives and other subsidiary units under the company. The board of directors, as before, is the decision-making and management body and reports to the representative assembly. Candidates for the board of directors must be reviewed and approved by the Party committee of the township or sub-district office. They are elected by shareholders' representatives, and a re-election should take place once every three years.

Just as the board of the rural shareholding cooperative appoints the manager of the Village Economic Development Company, the new board similarly appoints the general manager of the joint stock company. The general manager is in turn responsible for nominating and appointing the deputy manager, chief accountant and chief economist, subject to the approval of the board. Again demonstrating the total control of the board over the collective economy, the board also appoints the managers of all subsidiary companies and industries under the joint stock company.[4] The board of directors thus continues to exercise managerial control over collective assets including land.

What makes the joint stock company more powerful than the rural shareholding cooperative is that it internally incorporates two other arms of power that used to have separate existence.

The Party

The first is the setting up of a Party committee (*jituan dangwei* 集团党委) inside the company, replacing the village Party branch which existed separately. The Party committee of the joint stock company is to be the "core of political and economic leadership" (*zhengzhi jingji lingdao hexin* 政治经济领导核心), and works under the

[4] Zheng, ed. *Chengshihua zhong de Shipai Cun*, 101.

direct leadership (*zhijie lingdao* 直接领导) of the Party committee of the township or sub-district office.[5] Members of the Party committee can serve concurrently as members of the board of directors, and indeed that is usually the case.[6] The joint stock company thus institutionally formalises the practice of concurrent power holding by allowing the same board to be in charge of both.

The administrative office and the cultivation of dependence

The other arm of power is that of the administrative branch. The *checun gaizhi* reform is undertaken on the platform of the “formal separation of economic functions and administrative functions” (*jingji zhineng he xingxheng zhineng de fenli* 经济职能和行政职能的分离). The joint stock company was to be in charge of rural economic functions, while the local government at the sub-district level would take over administrative functions with the replacement of the villagers’ committee by the residents’ committee. In reality, however, this is far from the case. Administrative power previously held by the now defunct villagers’ committee has rather been transferred to the joint stock company.

This power is exercised through the administrative office (*xingzheng bangongshi* 行政办公室) for village affairs. The office for village affairs is the second most important unit within the group’s administrative hierarchy. The duties of the office include urban management, rural construction, registration of housing plots, birth control and family planning, education, spiritual civilisation construction, public hygiene, public security, village image maintenance, regulation of the rental housing

5 Xiancun Rural Shareholding Cooperative, Report on the *checun gaizhi* of Xiancun, 1999, Section 4, Article 3.
6 Zheng, ed. *Chengshihua zhong de Shipai Cun*, 101.

economy, village welfare, as well as the coordination of land expropriation.[7] The office is also responsible for handling letters and visits related to rural affairs and participates directly in grassroots stability maintenance.

On paper, as for a normal urban *shequ* (社区), these administrative tasks should be performed by the residents' committee and the sub-district office. Expenses for such tasks should be covered by the district government. As clearly specified in the municipal document on *checun gaizhi*, the government at the municipal and district level should allocate the budget for the administrative functions of the residents' committee and the salaries of its members.[8] In the case of these villages, however, it is the joint stock company that bears the responsibility for these tasks.

The *checun gaizhi* reform thus reinforced villagers' dependence on the new company. Villagers must look to this semi-public, semi-private institution for their social security, education and medical benefits. Villagers' *hukou* upgrade entails little more than a change in name because the welfare entitlements of urban residents have simply not been extended to these villagers.

The village company exhibits its non-private, community-oriented nature most evidently in its capacity to impose social sanctions upon villager-shareholders. In all three villages surveyed, the villagers' code of conduct (*xianggui minyue* 乡规民约) has been kept in place and continues to have a disciplinary effect. In an arrangement that clearly demonstrates the straddling of the public and private aspects of the company, these social sanctions are applied through the shareholding system.

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7 Xiancun Rural Shareholding Cooperative, Report on the *checun gaizhi* of Xiancun, 1999, Section 4, Article 4.
8 Guangzhou Urban Planning Bureau, Opinions on the Institutional Reform of Urban Villages, Document No. 17, 2002, Article 2, Section 4.

Offenders of the village code of conduct are punished by withdrawal from the annual scheme of dividend distribution. Those who violate rules regulating birth control, for example, are punished by exclusion from dividend distribution until the family has paid all the fines incurred. Each additional birth entails three years off the dividend distribution scheme.[9]

Despite the formal separation of power between social governance and economic management, therefore, the joint stock company actually takes over the administrative functions of the residents' committee and the sub-district office. Residents' committees are financially dependent on the joint stock company. Not only does the joint stock company provide the budget for its daily operations, it also pays the salaries of committee members. In some cases the company even supervises the election of residents' committee members, turning the urban grassroots governance unit into another point through which the power of the board of directors can be exercised.[10]

In sum, the joint stock company in effect combines in one entity the powers of the former village Party branch, the villagers' committee, the village economic development company, and the rural shareholding cooperative. Although the concurrently holding of key leadership positions in these separate institutions has been a prevalent phenomenon, the *checun gaizhi* reform basically institutionalised the concentration of power by subjecting these different arms of power under a singular board of directors in the new joint stock company. The board now formally bears three different titles (*sange paizi yitao renma* 三个牌子一套人马), namely as the

[9] Xiancun Rural Shareholding Cooperative, Report on the *checun gaizhi* of Xiancun, 1999, Section 4, Article 4.
[10] Lan Yuyun, "Guangzhou chengzhongcun checun gaizhi gean yanjiu" (Case study of *checun gaizhi* in Guangzhou's urban villages), *Sociology and Anthropology China*, Oct. 2006, http://www.sachina.edu.cn/Htmldata/article/2006/10/1251.html (accessed on February 6, 2013).

board of the joint stock company, the board of the rural shareholding cooperative, and the board of the economic development company. One election taking place every three years, therefore, determines the key group of nine directors that oversees all these branches of power. This board presides over the economic sphere by appointing the key managers of the collective economy, shares in political power by serving concurrently as members of the company's Party committee office, and continues to control village affairs through the administrative office, the shareholding cooperative, and the residents' committee which is financially dependent on the joint stock company.

Disintegration of Accountability Institutions

The concentration of such broad scopes of powers in a single private entity poses the crucial issue of accountability. Problematically, the integration of powers has been accompanied by the disintegration of institutions of accountability.

Abolition of grassroots input institutions

The *checun gaizhi* reform abolished the villagers' committee and along with it the villagers' assembly, the supreme body to which all important matters regarding common welfare are referred. In theory, all village members have the right to vote and thus the right to participate in rural decision-making. The villagers' assembly hence acts as a grassroots input institution where villagers can apprise the leaders of their concerns.[11] The villagers' committee chairman is held accountable by this

[11] On input institutions, see Andrew J. Nathan, "Authoritarian Resilience," *Journal of Democracy* 14, no. 1 (2003): 6-17.

bottom-up democratic institution. Despite its known failings, these checks and balances are nonetheless guaranteed by the Organic Law of the Villagers' Committee.

With the *checun gaizhi* reform, the villagers' assembly is disassembled along with the villagers' committee. Villagers' basic political rights have since been left hanging. Villagers-turned-residents have the right to participate in the elections for residents' committee members, but as demonstrated above, the residents' committee does not actually play a substantial role in the governance of the village-turned-*shequ*. It is financially dependent on the company and acts more like one of its administrative arms.

Private re-definition of political rights

Arguably, villagers' rights have been sustained in the new institution of the shareholders' representative assembly, elected by villager-shareholders through their respective cooperatives. However, the electorate for the shareholders' representative assembly is much more limited than that for the former villagers' representative assembly. Whereas eligibility in the villagers' assembly is defined simply by one's status as a village member, in the shareholders' representative assembly *economic* status determines who is an insider and who is an outsider.

Two types of shareholders are defined in the new joint stock company. Community shareholders (*shequ gudong* 社区股东) refer to villagers who are entitled to the full range of rights including the right to receive dividends, the right to vote on important decisions, the right to vote for representatives as well as the right to be nominated. This status applies only to villagers who have continued to farm or work in village-owned enterprises and are considered to have contributed toward rural production.

Society shareholders (*shehui gudong* 社会股东), on the other hand, refer to villagers who have "left" the village during the reform period to work in non-village-owned enterprises. These include, for example, peasants who were recruited to work in factories as their farmland was expropriated during the 1980s. Because they are considered to have made no contribution to the community's economic production (*meiyou chengdan shequ shengchan* 没有承担社区生产), society shareholders only have the right to receive dividends but not the right to vote or to be nominated for office.

This distinction essentially takes away the right of political participation from villagers based on their economic contribution. Political rights are privatised in the sense that private entities are setting the rules of political inclusion and exclusion and redefining political rights, as the newly established company is clearly not just a purely economic institution. This privatisation of political rights takes away the right to participate from substantial populations of villagers. As can be seen from Table 6.2, the situation is most pronounced in Xian village where almost 50 percent of villagers were classified as society shareholders, and were therefore deprived of their political rights of participation. As will be shown in later chapters, this institutionalised inequality was a key source of popular frustration and paved the way for mass mobilisation that would eventually bring about the implosion of the village.

It can also be observed from Table 6.2 that community shareholders in both Liede and Xiancun have the larger proportion of shares while society shareholders have less. In the case of Liede, society shareholders, which make up 9 percent of total shareholders, only have between them 0.65 percent of the total number of shares distributed. The same phenomenon can be observed in Xian village. The redefinition of political rights hence takes on an important distributive dimension as well, as the leaders take into their own hands the decision over who to include and who not to include in networks of privilege. The differential size of their respective claims on the collective harvest provides yet another source of conflicts between community and society shareholders.

Village	Community shareholders		Society shareholders	
	Number of persons	Number of shares	Number of persons	Number of shares
Shipai	6,013 (75.1%)	No information	1,994 (24.9%)	No information
Liede	4,144 (91%)	452,135 (99.35%)	410 (9%)	2,968 (0.65%)
Xiancun	2,495 (52.16%)	52,990 (62.72%)	2,288 (47.84%)	31,501 (37.84%)

Table 6.2. Distribution of community and society shareholders in Shipai, Liede, and Xiancun. Source: Statutes of Liede Rural Shareholding Cooperative (2005); Report on the *checun gaizhi* of Xiancun (1999).

The distinction between community shareholders and society shareholders is neither a provincial-level nor a municipal-level provision. It was arbitrarily introduced by Tianhe district and implemented in some of the villages under its jurisdiction. A survey of all the relevant documents reveals that there is no clear procedural rule laid down in any legal provisions on exactly how a villager is to be categorised as a community or society shareholder. Using the criterion of "having made no contribution to the community's economic production" to justify the divestment of political rights is highly arbitrary.

The bifurcation of the village population implies that the company leadership is accountable to a smaller population of voters. This creates perverse incentive that has direct implication on distributive relations within the village. Village leaders are driven to take particular care of community shareholders at the expense of the welfare of society shareholders. For example, it is found that welfare provision has become a means of buying political support and purchasing personal loyalty. According to a survey taken in 2008, half of the village joint stock companies in Tianhe district allocate between 11 percent and 49.25 percent of its annual dividends for welfare provision.[12] The majority of the money spent on welfare provision actually goes to community shareholders. Leaders who wish to be re-elected are compelled to provide better welfare for community shareholders in order to secure their electoral support. As one study finds, some villages spent less than 10 percent of what they allocated for welfare provision on dividend distribution. As it explains, "nobody wants to go against (*dezui* 得罪) those who receives welfare, for otherwise that person will lose in the next round of elections".[13] The discriminatory distribution of welfare has thus become a political instrument to preserve power.

The arbitrary divestment of political rights from certain groups of villages also implies that the village leadership faces less resistance in pushing through unpopular policies, and that it has an easier, less costly task of mobilising support and dissolving opposition. The power of the village company as the enforcer of social discipline and communal code of conduct creates enlarged space for such distribution of patronage. Interviews revealed that exceptions to rules are frequently made in exchange for political quiescence. "Small deeds of kindness" (*xiaoen xianhui* 小恩小惠) and "small benefits" (*xiao haochu* 小好处) are dished out by village leaders to keep villagers from stirring up trouble. Villagers cited examples such as being allotted additional area of housing plots after "making trouble". Exceptions are also made

[12] Tianhe District People's Congress, "yi kexue fazhan guan wei zhidao shenru tuijin wanshan noncun gufenzhi" (Use a scientific outlook to deepen the reform on rural shareholding), October 16, 2008, http://renda.thnet.gov.cn/rdxx/200810/t20081017_265328.htm (accessed on February 14, 2014).
[13] Zheng, "Jiaqiang lingdao chuangxin guanli."

with regard to birth control where punitive fees are waived in exchange for political support.[14]

Weakness of Top-Down Regulation

As bottom-up institutions of accountability were deliberately disintegrated, top-down regulatory institutions have remained undeveloped. The previous chapter has shown the weakness of the supervisory committee set up within the rural shareholding cooperative. External checks, in terms of legislation and supervision by upper-level governments, are also crucially amiss or ineffective.

Absence of legal regulation

As a private corporation, the joint stock company is subject only to the Company Law of the People's Republic of China. The Company Law, however, regulates the board of directors *only in their capacity as private market actors*. The various capacities of the board as the manager of rural affairs, as representative of rural collective interests and as welfare provider, for example, are not under the scope of the regulation of the Company Law. The actual role of board directors as public actors is dimmed by their privatised role. Those village elites who have successfully transitioned from villagers' committee members to board directors have thus been given more room to act and push forward policies as they see fit as they operate under the *de facto* protection of a private entity.

[14] Interviews in Xiancun, September 2013.

Lack of incentive for upper-level supervision

Supervision by upper-level governments, meanwhile, is ineffective. Firstly, the viability of village companies allows upper-level governments to offload governance responsibilities. In their study of the rural shareholding reform in Daqiuzhuang, a village near the city of Tianjin, Nan Lin and Chih-Jou Jay Chen demonstrate how the shareholding system has become a means through which local elites appropriated control of collective assets from the public sector and placed it in their own hands. According to Lin and Chen, "those in control of the corporations are gradually taking away the power (control of resources) from the local government and, at the same time, keeping it from the workers".[15] Their account notes how, given this transfer of control away from the state, "the local government seems either unable or unwilling to wrest power from the corporate elite leadership".[16]

This inability or unwillingness, however, is not necessarily due to weakness. Rather, the transfer of control into private hands is actually politically and economically advantageous to the local government. The concept of "discharge" can be drawn upon in analysing this modality of exercising power. "Discharge", as conceptualised by Max Weber, is a historically common form of governance in which power holders avoid the costs of administration by delegating tasks to intermediaries.[17] This practice of indirect government is economically beneficial to the state; and state power is not weakened as the agents are still acting by power delegated by the state. From an economic perspective, the discharge of governance functions to the village company

[15] Nan Lin and Chih-Jou Jay Chen, "Local Elites as Officials and Owners: Shareholding and Property Rights in Daqiuzhuang," in *Property Rights and China's Economic Reforms*, ed. Jean C. Oi and Andrew G. Walder, (Stanford, Calif.: Stanford University Press, 1999), 145-170.
[16] *Ibid.*
[17] See Béatrice Hibou, "From Privatising the Economy to Privatising the State," in *Privatizing the State* (New York: Columbia University Press, 2004), 19.

has clear material advantages for the local government as it saves costs and manpower. The fact that the company pays for rural management means that urban governments need not allocate budget for these expenditures.

Other than cost saving, giving village companies free rein to be run as profit-maximising private entities also enriches local state coffers through both formal and informal channels. Formally, village companies contribute significantly toward the budgetary income of local governments through taxation. Table 6.3 shows the contribution of village economies to the annual revenues of the district government. As can be seen, the amount in taxes collected has doubled over the period from 1996 to 2004. Since a large proportion of the village company's revenue comes from land contracting and the joint development of rural land with real estate capitalists, local governments are able to claim a direct share of such lucrative rent harvest through taxes.

Unit: 10,000 yuan

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Taxes	14245	14216	15512	18831	22435	23713	26922	39512	30025
Other contribution to government bureaus	-	186	-	343	517	387	202	250	123

Table 6.3. Contribution of Tianhe's village economies to local government revenues. Source: Zheng, "Jiaqiang lingdao chuangxin guanli."

Local governments, particularly townships which directly supervise the appointment of village company directors, also extract benefits through indirect means. Lynette Ong notes how the very weakness of corporate governance at the village level facilitates township governments' ability to extract and mobilise resources from rural financial organisations.[18] Although her focus is on local informal financial organisations,[19] the lesson applies equally to the village joint stock company. Like these financial organisations, joint stock companies have become a means to supplement the *xiaojinku* (小金库), or informal coffers, of township governments. Township officials' control over the appointment of the board of directors means that they often have a direct say in village resource allocation, and in that regard they share the same interest as village leaders in keeping accountability institutions weak.

Privatisation and the Redistributive Social Contract

To summarise the discussion thus far, this chapter and the previous one have demonstrated how the privatisation of rural governance was progressively institutionalised through two reforms, the first in the late 1980s and early 1990s and the second in the late 1990s and early 2000s. In the first reform, the introduction of the rural shareholding cooperative re-installed the socialist redistributive system in the management of the collective economy. This re-collectivisation of the village allowed former redistributors (both production brigade and team leaders) to preserve their power and positional advantages. By re-centralising resources under the village cooperative and the team cooperatives, the shareholding reform also renewed the redistributive social contract as leaders legitimately extracted the new rent harvest derived from collectively owned land and redistributed it for re-investment, dividend distribution and public goods provision.

[18] Lynette Ong, "The Political Economy of Township Government Debt, Township Enterprises and Rural Financial Institutions in China," *The China Quarterly* 186 (2006): 377-400.
[19] By these Ong refers to rural cooperative foundations (*nongcun hezuo jijinhui* 农村合作基金会) and rural credit cooperatives (*nongcun xinyong hezuoshe* 农村信用合作社).

The second reform, *checun gaizhi*, has produced two important consequences. Firstly, it results in the concentration of power in a newly created institution that is neither a private entity nor a public organisation. It has led to the situation of *qiye ban shehui* (企业办社会), or the management of the society by an enterprise. Secondly, it leads to the dismantlement of formerly existing institutions of accountability, most notably that of the villagers' assembly. The newly installed shareholders' representative assembly is defined by arbitrary rules that systematically exclude certain village populations from political participation. The disintegration of checks and balances within and the near absence of constraints without dilute responsibility and heighten propensity for elusive management.

These two dynamics constitute the internal contradiction in the privatisation of rural governance. By creating an enabling environment for the exercise of unrestrained power, the *checun gaizhi* reform builds in a contradictory logic that jeopardises the redistributive social contract, that core element which has formed the basis of legitimacy of elite-peasant relations in rural institutions. Without institutional constraints, it is up to village elites in power to be self-restrained in the face of opportunities for self-aggrandisement – opportunities that present themselves with increasing frequency, as rural land becomes commodities that are more and more sought after by urban governments and property developers.

Embeddedness and the Centrality of Social Institutions

The village joint stock company does not operate in a vacuum, however. It is rather an institution that is deeply embedded in local socio-cultural networks of power. As discussed in the Introduction, the acceptance of the rural transformation perspective requires that emerging arrangements be treated as hybrid institutions that are historically rooted and locally embedded. Given the centrality of social institutions in rural politics, it is imperative to examine the operation of the village joint stock company not as some detached formal institution, but as a grassroots institution grounded in dynamic networks of local, parochial interests. It is not sufficient to simply point out that there are theoretical deficiencies in the structure of the institution, without seeing how it interacts with local power structures in the villages where it is implemented.

Nan Lin in particular highlights the need to examine how formal institutions are embedded in lineage and kin-based institutions. His study of Daqiuzhuang reveals how power and authority patterns in lineage structures are directly reflected in the inequality of opportunity and reward structures in rural industrial enterprises.[20] While Nan Lin points to the importance of social institutions in explaining local variations on the ground, his thesis does not go a step further in specifying how these social institutions actually interact with formal structures of power to produce different outcomes. In the remaining part of this chapter I present the different patterns of power arrangement between lineage groups in Shipai, Liede and Xiancun. This provides the comparative context to examine the divergent trajectories of the three villages.

All three villages have multiple surname groups with two to three that are dominant. Nonetheless, despite the similar distribution of power between surname groups, three very different patterns of power arrangement have emerged. In Shipai, the practice of

[20] In the Daqiuzhuang case, the Yu family led a local elite network that dominated all economic organisations in the village. Lin thus emphasises how indigenous networks serve as “the basis from which [political and economic] forces flex their power”. Nan Lin, “Local Market Socialism: Local Corporatism in Action in Rural China,” *Theory and Society* 24, no.3 (1995): 310-311.

power sharing between the three dominant lineages took root and began to gain a degree of institutionalisation as the three lineages took turns in occupying the top position in the village. Liede and Xiancun, on the other hand, saw the gradual monopolisation of power by particular groups of elites. In Liede, it was the Li surname group that began to monopolise power, developing a pattern of authority that could be characterised as rule by a single lineage. The highest degree of power concentration can be found in Xiancun, where one single family gained domination over village politics.

It is worthy to note that in all three villages, the *checun gaizhi* brought about the same noticeable impact on rural authority in that it provided a political opening that allowed dominant elites to concentrate power. These lineage-based socio-political groups have become powerful interlocutors in contemporary rural politics, and used kinship to legitimised their managerial power over the village kin.

Shipai: Rule by dominant lineages

There are three dominant surname groups in Shipai, the Chis (37.5 percent of village population), the Dongs (23.5 percent) and the Pans (14.6 percent). These three groups have traditionally dominated leadership positions in the village. From 1951 until the present, approximately 80 percent of those who took up leadership positions were members of one of the three lineage groups.[21] Over the years the lineages developed a semi-institutionalised mechanism of power sharing, where leaders of the three dominant groups took turns in taking up the top positions in the village. At any one time that the top positions were held by one surname group, the deputy positions such

[21] Zheng, ed. *Chengshihua zhong de Shipai Cun*, 36.

as deputy Party secretary, deputy brigade leader, deputy mayor and deputy villagers' committee chairman would be held by members of the other two surname groups.

Between 1954 and 1964, a leader from the Chi lineage was village Party secretary. After a decade in power, the position was handed over to the Dongs. Dong Zhiwei became Party secretary in 1964 and remained in power until 1988. During the twenty-four years he was in power, he had leaders surnamed Chi, Pan and other surnames as deputy Party secretaries and production brigade leaders. Between 1984 and 1986, for example, Dong Zhiwei was supported by three deputy Party secretaries of whom two were surnamed Chi and one was surnamed Pan. The latter acted concurrently as the township mayor, and he had under him three vice-mayors of whom two were surnamed Chi and one was surnamed Dong.

Dong Zhiwei handed the village Party secretary position to Chi Debian in 1988, who held the position for a decade until 1998. The position was then passed to Pan Shujuan, who was in power for six years. In 2004, Pan Shujuan passed the position onto a member of the Dong lineage, who in the 2010s passed it on to a member of the Chi lineage. Between 1954 and 2014, therefore, the village Party branch has seen five smooth transitions of power between the three lineages over a period of sixty years (Chis → Dongs → Chis → Pans → Dongs → Chis). Of course, this mechanism of power rotation has not been written down in law but exists rather as an implicit understanding between the lineage elites. Nonetheless, power sharing can be seen as gaining a measure of institutional regularity in the village as a result of iterated practice. It remains to be seen whether this arrangement will gain customary force.

Even in the apparently successful case of Shipai, however, the *checun gaizhi* reform and the privatisation of rural governance has led to the phenomenon of concentrated power. Prior to the establishment of the Shipai Sanjun Enterprise Group, the positions of village Party secretary and villagers' committee chairman were consistently held by two different persons. From 1998 onwards, however, beginning with the first chairman of the board of directors, it became common practice for the chairman to concurrently hold the position of the Party secretary of the company. The first Shipai leader to thus hold dual power is Pan Shujuan. Pan was the villagers' committee chairman and the deputy village Party secretary of Shipai since 1988. He successfully expanded his power in 1998 as Shipai went through the *checun gaizhi* reform. His two successors have since kept the practice of concurrent power holding.

Liede: Rule by a single lineage

Liede, like Shipai, has three dominant surname groups, the Lis (45 percent of village population), the Liangs (14 percent) and the Lins (6 percent). The difference in numerical strength between the three groups, however, is steeper than that in Shipai as the Lis make up almost half of the village population. The Lis have gradually expanded their power from the 1970s onwards. In the early years of the People's Republic, the positions of Party secretary and deputy Party secretary were consistently held by the Liangs and the Lins. The two lineage groups also occupied positions of administrative power as mayor and deputy mayor of the township people's government. The Lis began to take over certain leadership positions during the collectivisation movement, and served as Party secretaries and brigade leaders.

The ascendance of the Li lineage can be clearly associated with one particular individual, Li Fangrong, who was the supreme leader of Liede for over twenty years. Li Fangrong first took up power in the year 1976 when he was made deputy Party secretary under his predecessor, Li Tang. He kept this position until 1980, when he became deputy Party secretary of one of the production teams. Between 1980 and 1981, he was for about half a year the leader of the Liede brigade. He rose quickly to power after de-collectivisation. In 1986, Li was made the deputy Party secretary of the village supervising agriculture, promotion, public security and housing construction. One year later, with the introduction of grassroots election for the villagers' committee, Li Fangrong became the first chairman of the villagers' committee. In 1989, he further claimed the top post in the Party system by taking over the position of village Party secretary. He presided over these dual systems of power until his resignation in 2013. During his reign of almost twenty-five years, he has seen his job titles changed from villagers' committee chairman and village Party secretary to chairman and Party secretary of the Liede Economic Development Company. Compared with the leaders of Shipai and Xiancun, Li Fangrong concurrently held the two top positions for the longest period of time, from 1989 to 2013.

The rise of Li Fangrong to power was accompanied by the gradual expansion of power of the Lis relative to all other lineage groups. In 1989, when Chairman Li first took over both positions, there were five members in the village Party branch of which two were surnamed Li and three of other surnames, including the Liangs and the Lins. By 2002, the year the village administrative apparatus was replaced by the new joint stock company, four of five positions in the Party branch have been taken over by the Lis.

The Lis' collective hold on power was also exercised through the supposedly democratic institution of the shareholders' representative assembly. As noted above, the shareholders' representative assembly was generated by grassroots elections through the system of village small groups and team cooperatives. The election for the first shareholders' representative assembly in 2002 produced results that clearly reflected the collective dominance of the Li lineage group. Of the 61 shareholders' representatives of the company, 39 were from the Li family, 9 from the Liangs and 4 from the Lins. All other surname groups had less than two shareholders' representatives.[22]

Surname	Percentage of shareholders' representatives in 2002 administration (%)	Percentage of village population (%)
Li	63.9	45
Liang	14.8	14
Lin	6.6	6
Others	14.7	35
Total	100	100

Table 6.4. Percentage of shareholders' representatives by surname in comparison to percentage of village population by surname in Liede. Source: *LDCZ*, 231.

Table 6.4 shows the distribution of shareholders' representatives by surname group. As can be seen, although the Lis make up about 45 percent of total village population, members of the lineage occupied almost 64 percent of positions in the shareholders' representative assembly. In stark contrast, the smaller surname groups, which in combination make up 35 percent of the village population, took up only 14.7 percent of the positions. The Liangs, who make up 14 percent of village population, took up a fair 14 percent of the positions, while the Lins, who make up 6 percent of village population, in a similar manner took up 6.6 percent of the positions. The Lis,

[22] See the list of names of shareholders in *LDCZ*, 231.

therefore, were clearly over-represented in the decision-making body at the expense of the smaller surname groups.

Because the board of directors of the company is to be nominated and elected by the shareholders' representative assembly, it is not difficult to imagine that members of the Li lineage group similarly dominated positions at the board. Aside from one member of the Liangs, who was appointed by Chairman Li to serve as his right hand man in the capacity of deputy chairman, all board directors in the 2003 administration were surnamed Li. The Lis also headed most of the departments within the company including urban construction, property management, public security, finance, and civil affairs. The lineage group in effect controlled all major decision-making positions within Liede village.

Xiancun: Rule by a single family

Unlike Liede, where one lineage branch gradually gained ascendency, and Shipai, where the dominant lineages established over time a semi-institutionalised form of power sharing, in Xiancun power became concentrated in the hands of one extended family. Over a period of thirty years, one core group of about 12 people built up a family empire as its members established monopolistic control over village resources. Despite repeated protests from the marginalised peasantry, the family was shielded from above by supporters at the township level.

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.[23] The Xians have historically dominated the management of rural affairs. From 1951 until 1980, five of the nine administrative heads and five of the eleven Party leaders in the village were surnamed Xian. One of the most powerful persons during the socialist era was Xian Wensi. He participated in the Land Reform movement in 1951 when he was only twenty years old. He became Party secretary of the township in 1955, and three years later was made deputy Party secretary of Shahe People's Commune. Throughout the 1960s and 1970s he acted intermittently as Party secretary of Xian village and took up various administrative positions at the Guangzhou suburb government.

The head of the family empire, Lu Suigeng, married Xian Wensi's daughter. This, according to villagers, explained his rapid rise to power under the direct nurturing of his powerful father-in-law. Lu Suigeng took up his first leadership position as camp leader of the local militia (*minbing* 民兵) in 1974, a position he held until 1979. He ascended to the top of the village hierarchy in 1980 when he was made Party secretary. During his first two decades in power, he mainly worked with the older generation of elites who have led the village during the socialist era. For example, Yao Daming, who was deputy Party secretary and villager's committee chairman from 1991 to 1997, was former village Party secretary in the 1960s along with Lu's father-in-law Xian Wensi. Xian Chuanchang, who was a member of the village Party branch and deputy chairman of the villagers' committee from 1991 to 1999, was the former leader (*daduizhang* 大队长) of Xiancun brigade in the 1970s.[24]

[23] According to the village gazette, the Xians is slightly bigger in terms of population size but no concrete figures are provided. *XCCZ*, 59.
[24] *XCCZ*, 156-157, 188-190.

It was in the late 1990s that Lu Suigeng gradually transferred power to members of his own extended family by selectively recruiting them into the sphere of authority. As in the other two villages, the *checun gaizhi* reform and the corporatisation of the village constituted the important moment of change. With the establishment of the Xiancun Enterprise Group in 1999, Lu Suigeng seized the institutional opening to formalise his family's control over the company's administrative apparatus. First of all, Lu himself took over the position of the chairman of the board of the company while staying on as Party secretary, and held both positions concurrently from 1999. Then he began to staff the Party branch and the board of the company with his relatives. A sketch of the web of familial relations in Figure 6.2 shows how members of the extended family took up all major decision-making roles.

Lu Suigeng's two right-hand men are Lu Youxing and Xian Zhangming, the first being his nephew and the second being his in-law. The two men concurrently held the positions of deputy Party secretary and deputy chairman of the village company. Two other nephews of Lu and another of his in-laws sat on the board of the company and were members of the Party branch. This small circle of elites took control of all leadership positions within the joint stock company. As will be shown in the next chapter, the monopolisation of power by the family led to highly unequal distributive outcomes and explosive bottom-up discontent.

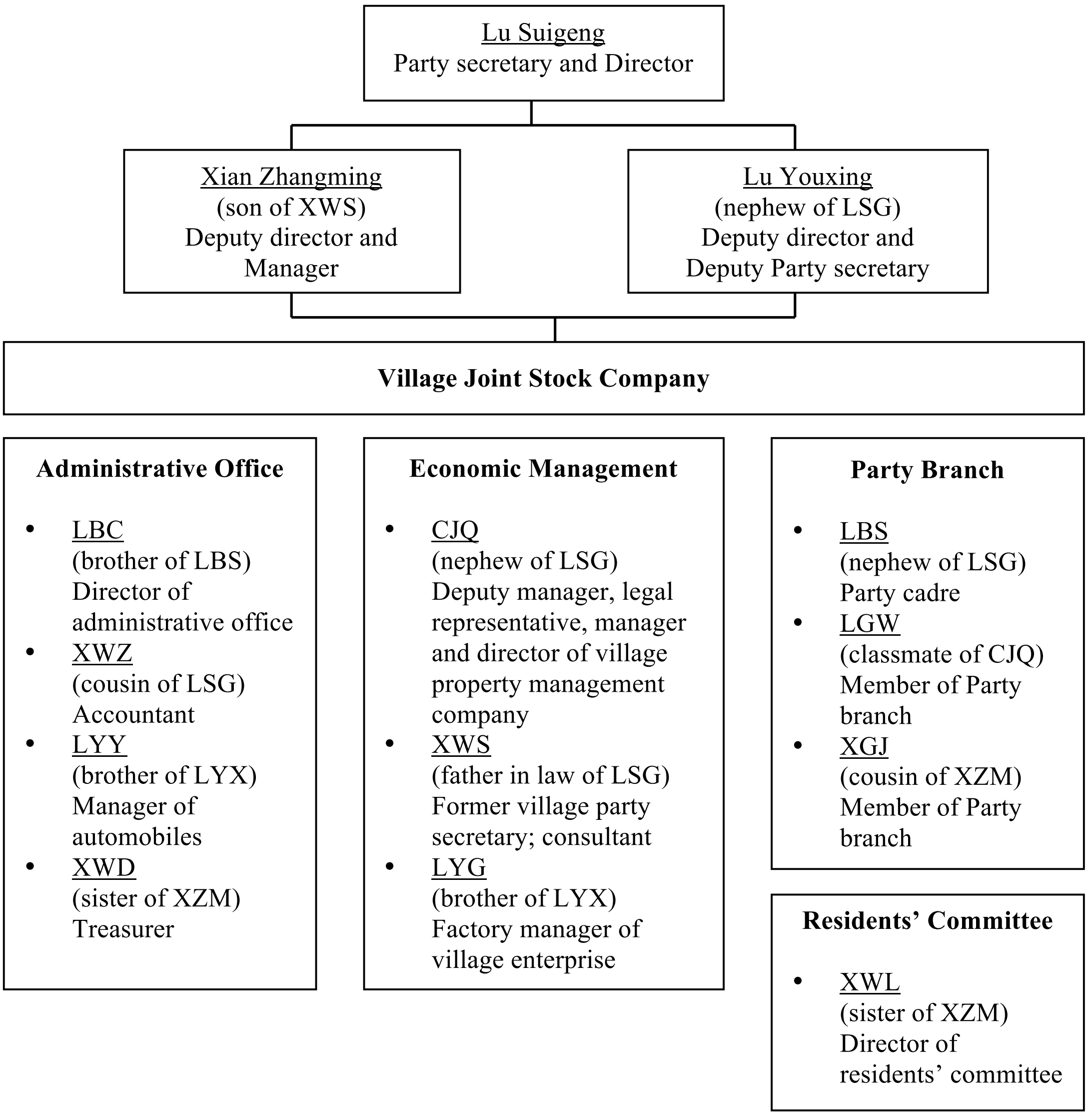

Figure 6.2. Family network of power in Xiancun. Source: Provided by villagers, consolidated by newspaper reports.

Summary

The three cases above clearly illustrate how the creation of the joint stock company has the immediate effect of further strengthening the power of rural elites, whether in Shipai where lineage elites have established an implicit agreement of power sharing, or in Xiancun where Lu Suigeng was building up his family empire. In all three villages the issue of concentration of power at the expense of non-elite groups was evidently exacerbated by the *checun gaizhi* reform. The control over collective assets was gradually transferred and placed in the hands of socio-political groups, who increasingly shape distributive relations by virtue of their political positions to cater to the interests of their lineage or family. We may thus be observing in contemporary rural politics what some has characterised as the "societalisation" of the state, where the main political questions centre around the concerns of "family heads" on how to increase the wealth of the family and to satisfy its members.[25] Jean-Louis Rocca argues that in China "capital has become social (controlled by socio-political groups) even before the question of private ownership has been really posed".[26]

The evidence presented in the second part of this chapter thus lends strong support to Nan Lin's argument that social institutions are central to the analysis of grassroots configurations of power. It is important to point out that social institutions are crucial variables not so much because inter-lineage balance of power has a deterministic effect on power configurations, or because certain kinds of lineage structure are more conducive to equitable distribution. All three villages studied above are multiple-surname village with two to three dominant lineages, but the actors concerned have acted in ways that produce very different configurations of power. As will be shown in the next chapter, these different configurations have contributed to the evolution of divergent trajectories with dramatically different outcomes for the peasant community in the three villages.

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[25] Jean-Louis Rocca, "Is China becoming an Ordinary State?" in *Privatizing the State*, ed. Béatrice Hibou (New York: Columbia University Press), 181.
[26] *Ibid*., 182.

CHAPTER 7

Divergent Paths

A Comparison of Three Villages

The last chapter has shown how the *checun gaizhi* reform has produced a straddled institution that concentrates previously separate branches of power and ambiguously interweaves the public and the private at the same time that it weakened institutions of accountability. The replacement of the villagers' assembly by its less inclusive version of the shareholders' representative assembly and the palpable lack of effective top-down regulation meant that formal constraints on elite power are close to non-existent. The ultimate flaw with the present form of the corporatised village 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: providing for villagers' basic livelihood, improving communal welfare, and managing collective assets in ways that lend towards the maximisation of the common interests of the village community. Indeed our examination of the institutional origin and consolidation of the joint stock company shows us that the privatisation of the village was not implemented with the objective of enhancing rural governance – it was pushed forward to accelerate de-ruralisation and further urbanisation.

On the ground the effect has been the bolstering of the power of the landed elites. This chapter carries forward the analysis of the different configurations of socio-political power in the three villages and examines how these contribute to the divergent evolution of trajectories. It shows that in Shipai, the power sharing arrangement between lineage elites creates informal mechanisms of accountability that help to mitigate the problems arising from unchecked power while maintaining a relatively robust social contract. The opportunity to amass immense private gains through land development also did not present itself in Shipai the way it did in both Liede and Xiancun. In the latter villages, the designated location of the Pearl River CBD in their immediate vicinity drastically increased the value of their land. The alignment of interests between the township government, the rural elites and property developers resulted in the formation of land rents coalitions that jointly exploited rural land at the expense of villagers. In Liede, the leadership's past activation of lineage networks for electoral support obligated it to demonstrate its commitment to the community through handsome distribution of land-derived revenues. Despite illicit deals that minimised the villagers' share of the harvest, the leadership still ensured that villagers felt continued improvement in their quality of life. In a way, the social institution supplemented accountability mechanisms which were lacking in the joint stock company structure. In Xiancun, by contrast, the rise of the single family has been built on the systematic exclusion of former leaders and significant proportions of villagers. Here the political implications of the privatisation of rural governance are manifested at their worst: the absence of constraints on power enabled rampant corruption and left villagers at the mercy of grassroots elites who appropriated the rent harvest for private gains while operating under the protection of patrons in the government.

This section begins with the case of Shipai and moves on to a discussion of the land rents coalitions that have emerged in Liede and Xiancun. It then compares the two villages to demonstrate how activated lineage networks helped to ensure partial fulfilment of the redistributive social contract in one village but not the other. Through a comparison of the three cases it becomes evident that where the corporatised village appears to function effectively it is because informal institutions help supply the dismantled checks and balances. Where these are absent, the probability that leaders would exploit the structural deficiencies of the system for self-aggrandisement at the expense of the peasantry is heightened, especially when lucrative opportunities present themselves.

Shipai: Robust Redistributive Contract

Social institutions such as lineages have been found to strengthen the incentives of grassroots leaders in fulfilling their community obligations. Lily Tsai observes how they subject officials to unofficial rules and norms that help to enhance public goods provision.[1] As shown in the previous chapter, structural distributions of power between surname groups do not determine authority patterns. The historical narrative is important because it traces how three different patterns of power relations have evolved in three villages with similar structural characteristics.

[1] Lily L. Tsai, "The Struggle for Village Public Goods Provision," in *Grassroots Political Reform in Contemporary China*, ed. Elizabeth J. Perry and Merle Goldman (Cambridge, Mass.: Harvard University Press, 2007), 117-148.

In Shipai, these informal institutions of accountability take effect both within the elites and between the leaders and the peasantry. This is due in a large part to the institutionalisation of an arrangement of elite power sharing that has begun to gain customary force after six decades in operation. The three dominant lineage groups were able to achieve an implicitly agreed mechanism of rotation that allows each of the three surname groups to take turns at leading the village. This arrangement not only facilitates cohesiveness within the elites by ensuring co-prosperity, but also enhances elite-mass relations in that the leaders of each lineage can assure their family members that their interests are being safeguarded and watched over. This paternalism and kin-based corporatism is crucial to the popular legitimacy of the village leaders, and the image of family stewardship is indeed one that leaders actively cultivate.

Tropes of paternalistic benevolence are sustained by redistributive practices carried out through the village joint stock company, the Shipai Sanjun Enterprise Group. The functioning of the Enterprise Group is emblematic of what Jean Oi refers to as redistributive corporatism, in which rural elites legitimately extract and redistribute profits derived from collectively owned assets and in the process reaffirms their paternalistic control.[2] In Shipai, the Enterprise Group and its subsidiary companies manage collective assets and make allocative decisions on the use of profits. Redistributive corporatism in Shipai is sustained both by the annual distribution of handsome dividends to villagers, as well as generous spending on village welfare and community projects. Both processes work towards the cultivation of dependence and loyalty, reinforcing the implicit rural contract that exchanges public goods provision for political quiescence.

[2] Jean C. Oi, *Rural China Takes Off* (Berkeley, Calif.: University of California Press, 1999), 79-80.

Redistributive policies

The distribution of the collective harvest rests on the profitability of the rent-based economy. The Shipai Sanjun Enterprise Group manages three hotels as well as a series of commercial developments specialising in computer and information technology. This brings in lucrative rental income for the village.

Unit: 10,000 yuan

		1998	2000	2002
Income	Total income	20,517	20,465	21,421
	Revenue	6,697	6,387	6,632
Expenditure	Livelihood fund (dividend distribution)	4,595	4,117	5,549
	Welfare fund	1,228	945	1,392
	Spending on village public works projects	379	626	406

Table 7.1. Income and expenditure of Shipai village collective. Source: Zheng, ed. *Chengshihua zhong de Shipai Cun*, 69.

As can be seen from Table 7.1, the village leadership consistently allocates approximately 20 percent of its annual income, or 60 to 70 percent of its annual revenues, on dividend distribution. Approximately 5 percent of total annual income is spent on the provision of public welfare, and another 2-3 percent on village public works projects. To take the year 2000 as an example, the village collected 204,650,000 yuan in annual income. Of this, 41,170,000 yuan was spent on dividend distribution, 9,450,000 yuan was used for welfare provision, and 6,260,000 yuan for public works projects. Total village revenue that year was 63,870,000 yuan. In other words, approximately 65 percent of annual village revenue was spent on dividend distribution, while 25 percent was spent on the two welfare expenditure items.

Dividend distribution

The distribution of annual dividends makes up a key component of the redistributive social contract between the leaders and the villagers. Distribution of dividends is an enactment of every villager's rightful claim on the collective harvest, derived from property held in common by the village corporate community. Profitability is not only a demonstration of the managerial capacity of the village leaders, but also a reaffirmation of their careful stewardship of communal assets.

	1997	1998	1999	2000	2001	2002
Total sum of dividend distributed (10,000 yuan)	4,250	4,595	4,768	4,117	4,289	5,549
Average worth of each share (yuan)	243	262	272	235	245	317
Average amount received per rural household (yuan)	14,800	15,400	16,000	13,700	14,700	18,500

Table 7.2. Dividend distribution in Shipai village. Source: Zheng, ed. *Chengshihua zhong de Shipai Cun*, 141.

As can be seen from Table 7.2, the total amount the village spent on dividend distribution has increased from 42.5 million yuan in 1997 to 55.49 million in 2002. During the same period, the average amount received by each household from dividend distribution has increased from 14,800 yuan to 18,500 yuan. It should be noted that the sum for dividend distribution temporarily decreased during 2000 and 2001. That this did not have any destabilising effect on the village may point to the legitimacy of this distributive arrangement.

Public goods provision

The paternalism of the village is most visibly shown in its spending on village welfare including education, healthcare and rural construction. Table 7.3 shows that between

1997 and 2002, the village company invested almost 70 million yuan on public goods provision. A detailed breakdown of the sum spent on each of these items is displayed.

Unit: 10,000 yuan

	1997	1998	1999	2000	2001	2002	Total amount spent per item
Rural construction	283	408	461	146	172	224	1694
Healthcare, birth control, public hygiene	380	447	527	445	308	459	2566
Elderly welfare	55	77	76	29	16	10	263
Administrative fees	30	45	49	35	134	104	397
Education	116	101	69	49	77	159	571
Cultural and sports activities	29	40	58	39	37	60	263
Public security	74	82	144	114	223	370	1007
Total spending on public goods provision per year	967	1240	1384	944	973	1392	6908

Table 7.3. Welfare expenditure by Shipai Sanjun Enterprise Group, 1997-2002. Source: Zheng, ed. *Chengshihua zhong de Shipai Cun*, 96.

The three largest expenditures are healthcare, public hygiene and birth control (25.66 million), infrastructural construction (16.94 million), and public security maintenance (10.07 million). In total, Sanjun Enterprise Group spent 9 to 14 million yuan annually on village public welfare. According to one study, the community's public hygiene is taken care of by a team of 40 workers hired by the enterprise, while the community's security is also taken care of by a team of 100 security guards employed by the enterprise. The expenses on the latter item alone cost the enterprise over two million yuan per year.[3] Although the primary school in the village that used to provide education for villager's children has been taken over by the district education bureau

[3] Lan Yuyun, "Dui gaizhi gongsi ban shehui de sikao" (Reflections on the management of society by village companies), *Shehui* 240, no. 2 (2005): 78-92.

in 1997, the Enterprise Group continues to bear fiscal responsibility for its operation. Over 10 million yuan was spent on the school between 2003 to 2006.[4]

Welfare spending underscores the central role of the village company in guaranteeing the well being of villagers and secures the role of the leaders as benevolent redistributors and stewards of collective assets. The substantial amount of cost involved in rural public goods provision also means that there is strong top-down support for the continued effectiveness of the joint stock company. It allows upper-level governments to discharge functions of grassroots governance to local elites and saves them from the undesirable task of allocating budget for grassroots expenditures.

Additionally, the village economy also makes significant contribution to local government coffers. In terms of collective enterprises, those operated by Shipai accounted for two-thirds of the total output of village-level and township-level enterprises combined.[5]

Equitable distribution

In Shipai, the redistributive social contract is consolidated by active efforts at reducing distributive inequality within the village. Fairness of distribution satisfies villagers' perception of their legitimate claim on collective resources and buttresses the normative legitimacy of the social contract. Mitigation of inequality also helps to prevent bottom-up discontent from building up to the point of threatening the durability of the institution.

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[4] *Ibid.*

[5] *Shipai Jiezhi*, 49.

Inequalities within the village arise from three main sources, namely employment, size of inherited housing plots, and revenue generating capacity of team cooperatives. Members of the board of directors and high-level managers at the village company enjoy lucrative salaries that can be three to five times those of leaders of team cooperatives. There is also a big gap between those who are employed and those who are not. While villagers hired by the company can supplement their dividends and rental income with income with work, many others can only rely on their share of the collective harvest to maintain basic livelihood.

This leads directly to the second source of income inequality, the size and location of one's housing plots. Housing plots are usually inherited, and as villagers increasingly rely on renting houses to migrant workers as their main source of income, size and location become a primary differentiating factor for household fortune. One survey of 538 households in Shipai village reveals a huge gap between the size of housing plots owned by different households. While land-rich households enjoy use rights over some 230 square meters of land, other families only have 4 square meters for use. The size of housing plots directly affects household income. The most land-rich household in Shipai is able to derive income from 660 square meters of rentable space, while some others only have 20 square meters from which to extract rent. It is estimated that approximately 15 percent of peasant households in the village can earn over 10,000 yuan per month from rent, with some reaching 20,000 to 30,000 yuan. At the same time, however, 10 percent of peasant households have no rental income at all.[6] These villagers are completely dependent on dividend distribution from the village and from their respective team.

[6] Zheng, ed. *Chengshihua zhong de Shipai Cun*, 156-7. A variety of factor may have caused the economic situation of the latter group. Family size and composition is one factor. Housing plots are only apportioned to male members of the family. Disputes between brothers sometimes result in the lack of a share in inherited land for some brothers.

However, the revenue generating capacity of team cooperatives also differs. This results in part from historical reasons, as different cooperatives may be more or less endowed with land resources. Real estate and property development in the reform era has served to further magnify differences in locational value between land parcels owned by different teams. Team cooperatives with more land resources under their feet, or possessing land with greater locational advantage, are better able to extract a larger rent harvest. In the year 2001, for example, the average amount of dividend distributed to villagers in Shipai village was 236 yuan per share. The wealthiest team cooperative in Shipai gave out dividends worth as much as 455 yuan per share, while the lowest-earning team cooperative only gave out dividends worth 120 yuan per share.[7] This gap has not diminished with growth in the village economy. In 2004, the highest-value share was worth 960 yuan, while the lowest-value share was worth only 300 yuan.[8] Which team a village household belongs to is thus a determinant factor of its life changes in the post-socialist era.

To mitigate distributive inequality, Shipai leaders engage in conscientious acts of redistribution. This is primarily achieved through introducing more equitable distributive mechanisms for the division of the rent harvest. The village company set up an affiliated company to develop all unused reserved land belonging to the village and different team cooperatives. Each team cooperative receives an equal share of the revenue of this company. By pooling land resources and pursuing collective development, redistribution is achieved by allowing less well-endowed teams to enjoy the rent derived from the land resources of wealthier teams. It is reported that the lowest-earning team cooperative in Shipai has reaped substantial benefits from this

[7] In one team cooperative in Shipai, 80 percent of the sum total that was given out as dividend comes from the revenue of the team cooperative, while that from the village collective accounts for only 10-20 percent. *Ibid.*, 70.
[8] *Ibid.*, 157.

arrangement. Revenue from the company accounted for 30 percent of the team's total revenue in 2001, increasing to 61 percent in 2003. Over the same period, the difference in the total amount of dividend distributed to team members between this lowest-earning team and the highest-earning team has narrowed by 33 percent from 3.95 times to 2.66 times.[9] By engaging in such redistributive efforts, village leaders help lend normative legitimacy to existing distributive arrangements and reduce potential conflicts arising from perceptions of unfairness.

Analysis

All in all, the elites of Shipai have been able to institutionalise a brand of redistributive corporatism through the joint stock company that derives its legitimacy from profitable remuneration based on land rents, paternalistic welfare provision, and equitable redistribution. The introduction of the village joint stock company did lead to the concentration of powers, as shown in the previous chapter, but the issue did not manifest itself in ways that undermine the redistributive social contract. This is because the customary mechanism of power sharing between the three dominant lineages provides informal institutions of accountability that help to mitigate the absence of formal checks and balances. In terms of preserving durability, power sharing helps to reduce tension within the elites. It also works towards maintaining inter-lineage solidarity in the multiple-surname village and helps consolidate the village as a "community of mutual interests".[10]

By virtue of their control over collective assets, the village elites were able to legitimately extract and redistribute revenues and become deeply involved in the

[9] *Ibid.,* 168.
[10] Gregory A. Ruf, *Cadres and Kin: Making a Socialist Village in West China, 1921-1991* (Stanford, Calif.: Stanford University Press, 1998), 159.

provision of public goods from infrastructural development to rural healthcare. This redistributive power facilitates the self-styling of elites as benevolent rulers. Grassroots leaders represent themselves as champions of common interests, which also allows them to claim a larger share of the collective rent harvest by virtue of their entrepreneurialism and stewardship of collectively owned assets.

The apparent success of Shipai, however, is built upon the systematic exclusion of minority surname groups and village outsiders. Thirteen percent of the village population do not belong to the three dominant surname groups nor to the two other large surname groups (the Chens and the Xians). This group of villagers enjoy the benefits provided by the village company but are not well represented in village decision-making processes due to their numerical weakness. There are also residents of the village that are not indigenous villagers. This second group is completely excluded from participation due to their status as non-indigenous outsiders. At the moment, however, both minority groups do not constitute any organised challenge to the dominance of the established village families.

Land Rents Coalitions in Liede and Xiancun

One important difference between Shipai and the villages of Liede and Xiancun lies in the emergence of opportunity for lucrative self-enrichment. In Shipai, the opportunity to amass immense private gains through land development simply did not present itself the way they did in both Liede and Xiancun. Leaders of the latter two villages were much more exposed to opportunities to engage in illicit land deals.

The methodology of historical institutionalism compels researchers to go back and look for turning points that caused divergent developments. In this case, two such turning points may be identified. The first can be found in the year 1987, when Shipai was taken out of the jurisdiction of Shahe township and placed under the urban sub-district of Shipai. Meanwhile, Liede and Xiancun remained under the rule of Shahe township until 1999. As will be shown below, this historically contingent factor turns out to be a crucial point of divergence as the corrupt behaviour of Shahe township officials was directly constitutive of highly unequal distributive relations in Liede and Xiancun.

The second turning point which had even greater consequences is the planning of the Pearl River New City. The location of the new financial district set up a steep rent gradient for land in its vicinity. The very centre of the CBD was planned to be situated right at the borders of Liede and Xiancun, creating much higher locational value for land in the two villages compared to Shipai, which was situated two blocks east of the new central axis. Increase in the rent harvest to be gained increased the propensity for corruption, as real estate developers fought over one another to curry favour with government officials and village leaders in order to secure land development contracts. This gave rise to what I refer to as land rents coalitions in the two villages.

The following section examines the formation and operation of these coalitions in Liede and Xiancun and analyses their impact on rural distributive outcomes.

Land rents coalitions

Land rents coalitions refer to the triangular relationship of interest transfers between the local government, village leaders, and property developers based on the joint exploitation of rural land. The centralisation of land resources under the rural shareholding system and the subsequent corporatisation of the village provide just the optimal conditions for the rise of these coalitions as accountability institutions are weakened, placing enormous decision-making power in the hands of village leaders.

In brief, the local government plays the role of linking up property developers with village leaders for the joint development of rural land. Village leaders supply rural land resources to developers at below-market prices while maintaining a quiescent population below. In return for the connections and concessions, property developers repay government officials and village leaders with monetary gifts as they win the highly sought-after right to develop the last remaining pieces of prime land in the city.

The local government participates in the process as the key intermediary and decision maker. Because all projects of rural land expropriation and development require approval from the township government, township leaders have the power to make or break contracts. They can discriminatorily grant contracts to favoured developers and extract both political loyalty and economic benefits in the process. The township government thus acts as the "master of local go-betweens" which private developers and village leaders must go through in order to make deals happen.[11] This intermediary role allows for the exercise of arbitrary power and makes for an effective way for officials to distribute patronage and recruit clients. Large projects often go to those development companies with close connections to local governments.

The local government also controls the size of the rent harvest by determining the Floor Area Ratio (FAR). The FAR is a measurement of the ratio of a building's gross floor area to the size of the plot on which the building is built. The higher the FAR,

[11] Béatrice Hibou, "From Privatising the Economy to Privatising the State," in *Privatizing the State* (New York: Columbia University Press, 2004), 17.

the taller the building. The FAR therefore determines how much rentable space can be built upon a land parcel. From the perspective of urban planning, the FAR must be subject to control as adjacent neighbourhoods of high floor area ratios, especially at city centres, would result in high population density and crowdedness. From the perspective of property developers, however, higher FAR means higher profits. A higher limit would allow them to make maximum use of the land whose use rights they purchased. One means of making rural land development a more lucrative venture for all parties involved is thus for the local government to artificially enlarge the rent harvest by setting the FAR higher. The significance of this administrative decision on the size of the rent harvest creates additional room for rent seeking.[12]

For property developers, securing contracts is primarily a matter of cultivating *guanxi* with the local government. "Introductions" by local governments help property developers purchase the use rights of rural land cheaply and obtain exceedingly favourable terms from village leaders. It is also a matter of getting through to village leaders and pleasing them by ensuring that they are richly rewarded for their concessions. The business of redevelopment has thus spawned an informal industry where intermediaries gain lucrative referral fees for linking up developers with government officials and village elites. For non-local developers, such as Hong Kong-based companies, getting through to local leaders through such intermediaries is a must.[13]

[12] Inter-district competition means that most district officials would like to secure the most profitable deals to attract private developers. With regard to urban village redevelopment, this has led to the situation where the FAR for the redeveloped neighbourhood has been set higher than surrounding areas, creating new pockets of high-density, high-value commercial and residential areas in the city while the demand for such upscale developments is still growing slowly. See Hsing, *The Great Urban Transformation*.

[13] *Nanfang Dushibao*, "Fuli, Hesheng, Xinhongjimen weilie jiucheng gaizao" (R&Fs, Hopsons and Sun Hung Kais target redevelopment projects), April 12, 2010, http://gcontent.oeeee.com/c/fa/cfa5301358b9fcbe/Blog/d83/55ec2e.html (accessed August 9, 2013).

Village leaders and developers usually cooperate under the banner of "joint development" (*hezuo kaifa* 合作开发) of village land. Joint development means that the developer is nominally granted the title of land user of village land. This process is known as *jiaming* (加名), that is, adding the developer's name to that of the village economic development company as co-user of land. According to one estimate, for such administrative additions of name the developer is required to pay only approximately one-fourth of the price than if it was to obtain the land through open auctions.[14] Thus having its name added as a legitimate user alongside the village, the developer can then develop the land for the village and put up office buildings, hotels, and residential apartments. In return, the developer receives an agreed share of the constructed floor area of the completed property from which it can derive continuous rental revenues.

This model of joint development defies national stipulations on the attainment of rural land use rights. Firstly, revisions to the Land Administration Law in 1998 determined that any unit or individual needing land for construction must make a formal application for the use of state-owned land.[15] This officially positions the local government as the sole agent of rural-urban land conversion and puts an end to the negotiation-centred mechanism of rural land expropriation described in Chapter 5. Rural land must go through state-led expropriation before it can be developed for

[14] *Jingji Guancha*, "Chidao de chengfa" (Delayed Punishment), August 9, 2014, http://www.eeo.com.cn/2014/0809/264767.shtml (accessed August 14, 2014).

[15] The 1998 revisions effectively put an end to the mechanism of expropriation through negotiation and replaced it with a mechanism of expropriation through public notice (*gonggao zhengdi* 公告征地). Prospective land users no longer negotiate the terms of expropriation directly with village collectives. Rather, the prospective land user must submit a land use request to the expropriation office under the local government. The office, upon approving the request from the land user, is responsible for notifying the relevant village collective of the expropriation decision and undertaking the land ownership conversion. The expropriated land then goes through the local government to commercial users through the process of conveyance, and to state units through the process of allocation. In other words, the new mechanism effectively cancelled the direct negotiations between interested land users and village collectives. Both parties must go through the local state in order to accomplish the desired transaction. The local government has thus become the only channel through which rural land can reach the primary land market.

commercial purposes. “Joint development” is thus an informal arrangement that goes outside state regulation.

Secondly, the Regulation of Granting State-owned Land Use Right by Tender, Auction and Quotation (No. 11 decree) issued by the Ministry of Land and Resources in 2002 requires all land for business purposes, including commerce, tourism, entertainment and commodity housing, to be publicly transferred through tender, auction or quotation. The Ministry banned negotiated conveyance for commercial development in all cities by August 31, 2004. Again, the model of joint development clearly goes against this national-level policy. Even if auctions do take place for the commercial development for rural land, village leaders can often tailor-make eligibility criteria to fit the corporate profile of favoured developers.

Land rents coalitions thus represent cooperative rent extraction arrangements between grassroots government officials, village elites and property developers that operate informally outside the formal land market. These illicit deals led to highly unequal distributive outcomes in the villages as the right to use and develop collectively owned land was sold off cheaply to developers, almost always without the knowledge and consent of villagers. The presentation of such lucrative self-enrichment opportunities thus manifests the deficiency of the village joint stock company which allows no constraints on elite power. The weakness of top-down supervision is also displayed in full as the interests of upper-level governments are aligned with those of the elites in the joint exploitation of the rural land harvest.

The following section presents empirical data on how this triangular coalition of land-based interests became institutionalised in the two villages of Liede and Xiancun.

Local government as master of go-betweens

Shahe township and Tianhe district played a highly involved role in the land rents coalitions of Liede and Xiancun. Shahe has been under the supervision of Secretary Cao since 1985, who during his decade-long reign built up an extensive network of cronies penetrating the Party, the villages, the private sector and the police that villagers described as the Shahe clique (*bang* 帮). Cao presided over Shahe during the township's rapid urbanisation and industrialisation in the 1980s and was in power when the plan to make Tianhe the new business and financial district was put forward.[16] In 1990, he was made the Mayor of Shahe township while serving concurrently as township Party secretary. He oversaw the successive land acquisitions from Liede and Xian villages when the municipal government made the area the centre of the new Pearl River CBD. In 1996, Cao was promoted one level up and became the Deputy Mayor of Tianhe district. Two years later, he became the Party secretary of Tianhe district. Upon his promotion to the district level, Cao installed a long-term supporter to take up his position as Mayor of Shahe.[17] The supporter's sister was appointed Chairman of the board of the Township Economic Development Company, which managed land and other assets owned by the township government. Through these clients, Cao continued to exercise enormous influence over the political and economic affairs in his base of power. Cao remained a powerful figure and key decision maker in his home base even upon his further promotion to Deputy Mayor of Guangzhou city in 2007.

[16] Indeed, Cao's rise to power was inextricably tied to the rise of Shahe township and Tianhe district in the reform era. Cao began his political career in the Guangzhou suburbs in the mid-1970s, taking up various administrative positions at a rural commune. He was promoted to work in the suburb government office in 1981, and made his career leap in 1985 when he was made the Party secretary of Shahe Subcounty Administrative Office. The year 1985 was also the year Tianhe district was carved out of the Guangzhou suburbs and established as an urban district.

[17] It was alleged that Cao paid this supporter 30 million yuan to recruit him as his aide.

Under Secretary Cao's leadership, the township and district governments played a central role in the development of rural construction land in Liede and Xiancun. As the plan for the new CBD came out in the early 1990s, the territorial battle between real estate giants for land in the two villages intensified. The local government exercised enormous power in deciding which developers "fulfilled the qualifications" to develop the relevant land parcels, and made the necessary "introductions" to link up developers with village leaders. Developers then repaid the favour by offering gifts. One report estimates that the amount of gifts Cao personally received over the years was worth tens of millions of yuan.[18] Aside from tangible monetary benefits, Cao also received political credits for engineering the rapid transformation of old, decrepit villages into new, modern neighbourhoods, as his fast-track advancement up the bureaucratic ladder amply demonstrates.

A survey of their corporate profiles shows close connections between developers and the township and district governments. The prime example is Tianjian Real Estate Development Company, a company founded in 1995. The name Tianjian really stands for Tianhequ Jianwei, or the Tianhe district committee for rural-urban construction. The former state-owned enterprise became a subsidiary of KWG Property in 2003 through a series of asset transfers.[19] KWG Property now controls six parcels of the land covering 600,000 square meters in the business district, the most prominent developments being the KWG International Finance Place, the W Hotel built on Xiancun's reserved land, and a luxury residential development built on Liede's

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[18] *Xinhua*, "Guangzhou yuanfu shizhang Cao Jianliao yu shiyi ming nvxing guanxi bu zhengdang" (Immoralities of Guangzhou's former vice mayor exposed), August 23, 2014, http://news.xinhuanet.com/legal/2014-08/23/c_126907622.htm (accessed September 4, 2014).

[19] *Dichan Zhongguo*, "Jietian jianfang chanhuo duo di kuai ge jingtai fufa ji Zhujiang Xincheng" (RWG Property obtained land through Tianjian Real Estate Development Company in Pearl River New City development), March 20, 2014, http://house.china.com.cn/newhouse/Company/view/720219.htm (accessed September 13, 2014).

reserved land. The district-affiliated company played a key role in helping the real estate group secure its territorial dominance in the Pearl River CBD.

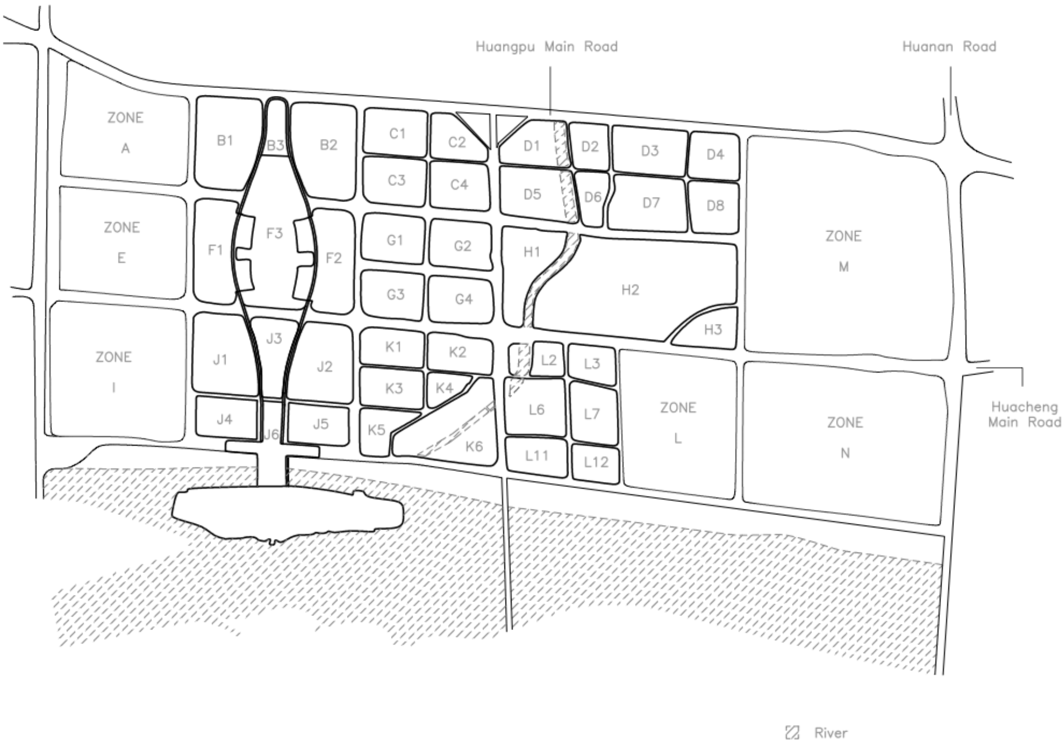

Figure 7.1. Map of the Pearl River New City with numbered land parcels.[20]

Two other local developers with direct links to the government are Jiayu Real Estate Development Company and Nanya Real Estate Development Company. Both specialise in the development of residential and commodity housing. The first has close ties with the Municipal Land Resources and Housing Administrative Bureau, while the latter is a construction company that made the leap into real estate development in the late 1990s with the support of several state-owned enterprises linked to the steel industry.[21] It is alleged that Secretary Cao was directly involved in

[20] The author would like to thank Francesca Au for her help with this figure.
[21] *Jingji Guancha*, “Chidao de chengfa.”

nurturing the rise of the latter because the relative of Nanya's group chairman previously helped Cao in his career advancement.[22]

As can be seen from Tables 7.4 and 7.5, all three developers are involved in the development of Liede and Xiancun's reserved land. Notably, Jiayu Real Estate Development Company has a total of eight joint development projects in the two villages while Nanya Real Estate Development Company has seven.

Code of land parcel	Land users	Land use
D3-2	LDEDC and Gold Tak	Commercial (The Mall)
F1-4	LDEDC and Gold Tak	Commercial (Land Plaza)
F1-5	LDEDC and Gold Tak	Commercial (Land Plaza)
F2-3	LDEDC and Gold Tak	Commercial (Land Plaza)
F2-4	LDEDC and Gold Tak	Commercial (Land Plaza)
G3-2	LDEDC, Tianjian, Jiayu and Fangyuan	Residential
G3-3	LDEDC and Gold Tak	Residential (Jumeirah apartments)
G3-4	LDEDC and Tianyun	Residential
G4-1	LDEDC, Nanya and Kuide	Residential
G4-2	LDEDC, Nanya and Kuide	Residential
J2-2	LDEDC and Gold Tak	N/A
K1-1	LDEDC and Jiayu	Commodity housing
K1-2	LDEDC and Jiayu	Commodity housing
K1-3	LDEDC and Jiayu	Commodity housing
K2-1	LDEDC and Nanya	Commodity housing
K2-2	LDEDC and Huahan	Commodity housing
K2-3	LDEDC and Nanya	Commodity housing

Table 7.4. List of select joint development projects between Liede Economic Development Company (LDEDC) and developers. Source: Compiled from various news articles.

[22] *Jingji Guancha*, "Chidao de chengfa."

Code of land parcel	Land users	Land use	Area of land (square meters)
B2-5	XCEDC	Public green space	5872.00
B2-6	XCEDC	Commercial	7440.00
B2-9	XCEDC	Commercial	8363.00
D5-1	XCEDC and Jiayu	Residential	4387.00
D5-2	XCEDC and Jiayu	Residential	4876.00
D5-4	XCEDC and Fangzhou	Residential	10025.00
F1-1	XCEDC and Qiaojian	Commercial	17580.00
F2-2a	XCEDC and Jiayu	Commercial	12885.00
F2-2b	XCEDC and Poly	Commodity housing	12882.00
G1-1a	XCEDC and Tianjian	Commodity housing	16388.00
G1-1b	XCEDC and Poly	Commodity housing	22449.00
G2-1	XCEDC	Commercial	13417.63
G2-2	XCEDC, Nanya and Zhonghai	Residential	10216.61
G2-3	XCEDC and Nanya	Residential	10347.00
G2-4	XCEDC, Nanya and Zhonghai	Residential	12057.00
Total area			169185.24

Table 7.5. List of select joint development projects between Xiancun Economic Development Company (XCEDC) and developers. Source: Document issued by Housing Administrative Bureau to Xiancun villagers in 2013 (Document No. 121), provided to author by villagers.

Another developer that features prominently in the case of Liede is Gold Tak Land Holdings Limited. Founded in 1995 as the Gold Sun Enterprise Group, Gold Tak is a Guangzhou-based developer and operator of commercial real estate. Cooperation between Gold Tak and Liede began as early as the mid-1990s, when the village lost all 2,499 *mu* of its remaining farmland as a result of the CBD-led expropriation and shrank down to an area of just over 800 *mu* of land. All the factories and warehouses built during the 1980s and early 1990s fell within the boundaries of expropriated land

and had to be torn down. The loss of these apparatuses of rent extraction resulted in significant declines in village revenues.[23]

Through introduction by the township government, the leaders of Liede were put in touch with the newly established Gold Tak, and the two cooperated to build what became the Mall, a giant home furnishing shopping outlet, on Liede's reserved construction land. The completion of the first phase brought in rental revenues worth 8.8 million yuan alone in 2001. By 2004, the shopping complex was already contributing 30 million yuan annually to the collective economy. The village gazetteer waxed lyrical over Gold Tak's "sincere and cooperative attitude" and its "dedicated promotion and entrepreneurship" in operating the mall.[24] Building on this success, the village leadership signed another development contract with the company in the 2000s, handing over 17,526 square meters of land for the construction of the commercial Gold Tak Centre.[25] By 2007, cooperation between the two sides has progressed to such fruitful extents that the developer has successfully secured the right of land use for a total of seven of Liede's prime land parcels. On these Gold Tak developed its flagship project, the GT Land Plaza, a large-scale neighbourhood project spanning 920,000 square meters that includes eight office towers, a high-end shopping mall, five-star luxury hotels as well as serviced apartments. Located at the very centre of the Pearl River New City, the development of the Land Plaza placed Gold Tak in a leading position ahead of fellow competitors in the local commercial real estate market. In March 2014, Gold Tak reached a high-profile management agreement with the prestigious Jumeirah Group, best known for the Burj Al Arab

[23] *LDCZ*, 253. Indeed, the options available to the village at the time were limited. It could, as it did in the 1980s, invest compensation funds into the development of secondary industries by purchasing the use rights of cheap rural land in outlying districts. By the mid-1990s, however, the provincial capital was already witnessing an oversupply of factories as labour-intensive industries were moving away to further reaches of the Pearl River Delta, or even deeper inland, in search of cheaper land and labour.
[24] *LDCZ*, 256.
[25] *LDCZ*, 256-7.

Jumeirah hotel in Dubai. The global hotel company is set to operate luxury serviced residences as well as the Jumeirah Guangzhou Hotel, all of which are situated within the GT Land Plaza.[26]

All of this was possible for Gold Tak because it successfully curried favour with the township government in the 1990s and worked with the Shahe Township Economic Development Company to develop reserved land parcels owned by the township.

Joint development of rural land

Between village leaders and developers, the mutual transfer of interests can be found in the details of the contracts. The terms of agreements were designed to be highly skewed towards developers with the expectation that village leaders would receive a cut of the profits as a reward.

In Liede, the village leadership gave highly favourable terms to Gold Tak. Beginning with the Mall, which was owned by the village, it was agreed between the two sides that the village should rent out the property to Gold Tak at about 30 yuan per square meter per month. Gold Tak then rented out the stores to business tenants at about 100 to 200 yuan per square meter per month. It was estimated that between 2000 and 2008, Gold Tak made approximately 1 billion yuan from the operation.[27]

In the GT Land Plaza development, the two sides agreed on a 70:30 division of the ownership of completed project, with 70 percent of the total constructed area going to

[26] "Jumeirah Group to extend presence in Guangzhou, China," Jumeirah Group press release, March 17, 2014, http://www.jumeirah.com/en/jumeirah-group/press-centre/press-releases/press-releases-for-2014/jumeirah-group-to-extend-presence-in-guangzhou-china/ (accessed July 18, 2014).
[27] *Fenghuang*, "Gaode zhidi qianshe Xiancun jiti tanfu" (GT Land Holdings involved in Xiancun's corruption case), March 27, 2014, http://www.nyms110.com/news/bencandy.php?fid=122&id=8806 (accessed September 4, 2014).

the developer and 30 percent going to the village. In reality, however, the village gave up its share of floor area from six of the seven land parcels and handed full ownership control over to Gold Tak for all the property built on those six parcels. In return, the village gained full ownership over the property built on the remaining parcel, the Spring Plaza. It is specified in the agreement, however, that the village economic development company should rent the entire Spring Plaza to Gold Tak at a rate of 30 million yuan per year.[28] This translates to the extremely low price of approximately 30 yuan per square meter per month. The Spring Plaza houses luxury labels and high-end shops whose rent for one store alone may go up to several million yuan a year. With the village leadership's deliberate transfer of interest, Gold Tak is thus set to pocket extremely handsome profits from these operations.[29]

Similar arrangements can be found between the Xiancun leadership and developers. In 2006, the village leadership signed a contract with Jiayu in which it was specified that 70 percent of the revenues of the commercial project would go to the village. In November 2007, however, these terms were changed without the knowledge of the villagers. 48 percent of the shares were sold to Jiayu at the price of 60 million yuan. Since the land parcel stretches across some 68,000 square meters, Jiayu basically purchased the land use right at the low price of 882 yuan per square meter, a fraction of the market price for commercial-use land. Villagers complained that their leaders have sold their golden land (*huangjin tudi* 黃金土地) at what is colloquially referred to as *baicaijia* (白菜价), or a rate "as cheap as cabbage". After the sale, Jiayu claimed

[28] *Jingji Guancha*, "Chidao de chengfa."
[29] The local developer has already used its amassed land to expand its business empire. Between 2005 and 2007, the chairman of the company has mortgaged several pieces of land it obtained from Liede to local banks for loans. In 2009 the company planned to raise US$1 billion in a Hong Kong initial public offering, but the plan fell through because of the financial crisis. Even then, because of its gradual expansion of territorial control in Guangzhou through cooperative developments with Liede, Gold Tak is estimated to possess about one million square meter of constructed area in the city. *Shidai Zhoubao*, "Gaode chuang guan baihuoye" (GT Land Holdings ventures into department store development), April 12, 2012, http://www.time-weekly.com/story/2012-04-12/123469.html (accessed July 18, 2014).

78 percent ownership over the developed property while the village retained only 22 percent. This skewed ratio also applied in another of Xiancun's joint development item with Qiaojian Real Estate Development Company.[30] Transfers of interests also took place in the village's joint development project with Nanya. 40 percent of the land use rights was sold to the developer at 47.2 million yuan, which translates to the low price of 730 yuan per square meter.

Aside from selling land use rights at below-market prices, villagers also accused the leadership of renting out village-owned property cheaply to business tenants. It was estimated that of the 470,000 square meters of rentable space owned by the village, 350,000 square meters were rented out at below-market prices. Many of the stores were rented out at a low price of 15-18 yuan per square meter, when the average market price was estimated to be at least 400-1,000 yuan per square meter.[31]

In return for these massive favours, property developers flushed village leaders with all sorts of benefits (*haochu* 好处) and gift money. According to a Xinhua report, developers had the habit of treating village leaders to meals at expensive restaurants during important festivals.[32] In Liede, one developer gave out luxurious condominiums to every member of the village leadership as gifts.[33]

Clear evidence has emerged from Xiancun to show just how substantial these amounts can be. According to court proceedings, a total of six developers and property management companies were involved in the bribery of the village

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[30] *Jinrongji*, "Gaode zhidi Zhujiang xincheng 'Yinxing Diwang' yangcheng shi" (GT Land Holdings: Pearl River New City's 'invisible realty king'), December 24, 2008, http://house.jrj.com.cn/2008/12/2410543156932.shtml (accessed July 18, 2014).
[31] Accusation letter provided by villagers.
[32] *Xinhua*, "Shizhang cunguan kaifashang hemou zhizao fubai tiesanjiao" (Mayor, village leaders and developers in corruption triangle), August 17, 2014 http://news.xinhuanet.com/legal/2014-08/17/c_1112107436.htm (accessed September 2, 2014).
[33] *Xinhua*, "Guangzhou yuanfu shizhang Cao Jianliao yu shiyi ming nvxing guanxi bu zhengdang."

leadership, including Jiayu Real Estate Development Company, Nanya Real Estate Development Company, a hotel developer and three property management companies.[34] The former vice Party secretary and deputy director of the Xiancun company, Lu Youxing, was accused of taking over 1.7 million yuan in bribes between 2006 and 2013 from the Jiayu Group, in addition to 80,000 Hong Kong dollars in cash and shopping coupons worth 7,000 yuan. Xian Zhangming, the manager and deputy director of the village company, received about 230,000 yuan, 130,000 Hong Kong dollars, and 7,000-yuan worth of shopping coupons in bribes. Lu Youxing was separately accused of receiving bribes on 16 instances directly from the chairman of one of the property management companies between 2006 and 2013, with a total value of 826,000 yuan.[35] All in all, individual members of the village leadership have each taken bribes worth between 110,000 and 1,830,000 yuan.[36]

These transfers of interests take on a crucially political dimension as well. Developers played an instrumental role in helping village leaders maintain their power by providing money to leaders to run their election campaigns. According to proceedings in the ongoing court case, developers supplied Chairman Lu of Xian village with several hundred thousand yuan prior to the shareholders' representative assembly election. Lu distributed the amount to other leaders who used it to treat shareholders who are eligible to vote to dinner and gifts in order to secure their electoral support. It was alleged that Lu granted several rental contracts to those developers by way of returning the favour.[37]

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[34] *Yangcheng Wanbao*, "Xiancun tanfu qinyoutuan shoushen" (Xiancun's corrupt family stands trial), July 22, 2014, http://news.ycwb.com/2014-07/22/content_7264990.htm (accessed July 29, 2014).
[35] *Ibid*.
[36] *Ibid*.
[37] *Xinhua*, "Shizhang cunguan kaifashang hemou zhizao fubai tiesanjiao."

Analysis

The coalitions of land rents described above operated at the expense of the villagers' share of the rent harvest. Selling land use rights at below-market prices meant that part of the potential collective revenue derived from such sales was taken away from villagers and divided between the local government, the developer and village leaders. That villagers were often not aware that such deals took place meant that even the collective revenue the village *did* receive from rural land development was probably subject to misuse and mismanagement.

Comparing Liede and Xiancun with Shipai, it could be argued that Shipai evolved along a different trajectory because the propensity for corruption and cadre malfeasance was simply lower due to historically contingent factors, most prominently the designated location of the Pearl River CBD. The opportunity to engage in illicit land deals for self-aggrandisement did not present itself to leaders of Shipai, whereas in Liede and Xiancun eager real estate developers in allegiance with an avaricious township maximised the propensity for corrupt behaviour. Of course our analysis here is limited by the counterfactual that, given the same opportunity, whether the elites of Shipai would not have developed the same illicit relations. But if it does it would only further lend support to the deeply problematic aspects of the privatisation of rural governance, which places no formal constraints on elite power to the point that even established social norms and informal institutions of accountability as strong as those in Shipai prove incapable of holding leaders in check.

A Comparison of the Two Villages

Given that the leaders of Liede and Xiancun were both enthusiastic participants in rural land rents coalitions, why and how did the paths of the two villages further diverge to producing such different outcomes? To recap, Liede developed a system of rule by a single lineage, while in Xiancun a single family featuring a core circuit of twelve leaders monopolised power. The role of social institutions is key in explaining the differences. Although both Li Fangrong of Liede and Lu Suigeng of Xiancun came to dominate rural decision making, the two leaders rose to power through rather different paths.

Liede: Activated kinship networks in single-lineage rule

In Liede, the village leadership's reliance on political support derived from lineage institutions obligates the elite to fulfil its part of the social contract. Li Fangrong first came to power as a deputy Party secretary in 1976 and was made Party secretary in 1989. But from 1988 onwards he also became chairman of the villagers' committee and was later subject to grassroots elections. Before the villagers' committee was dismantled in Liede in 2002, therefore, Li Fangrong has already gone through several popular elections and was successfully re-elected term after term.

In these campaigns, Li Fangrong actively mobilised kinship loyalty among the Lis to secure support. Kinship-based solidarity is by no means a given reality but is actively manufactured. Although they share a common surname, the Lis of Liede in fact belong to two different lineages, each tracing back to its own group of ancestors who had migrated to Guangzhou from a different province. The two groups settled at opposite banks of the tributary that separated Liede into East Village and West

Village; they worshipped at their own ancestral halls and conducted their own rites and activities.

In 1994, the leadership mobilised the two lineage branches to join together and raise funds for the construction of a joint ancestral hall (*hezuci* 合族祠). The grounds for doing so, according to village records, was that such a joint ancestral hall had once existed. It was built back in 1800 in the Qing dynasty, but was torn down during the Cultural Revolution in March 1974.[38] The reconstruction of this joint ancestral hall in the 1990s was motivated by far more than commemorative reason, however. The rebuilt hall spanned an imposing 760 square meters and occupied a central position in the village's geography. The hall was more than triple the size of the Liang lineage hall, and more than double the size of the Lin lineage hall, which belong to the second and third largest surname groups in the village. The reconstruction was thus a manifest display of lineage strength and a visible show of kin-based solidarity. For the Lis themselves, the reconstructed hall provides a communal space not just for frequent gatherings but also for the ritualistic performance of collective commemoration. Weddings and festivals were celebrated at this new ancestral hall. The creation of the shared space thus strengthened the bond between the two Li lineages, and helped consolidate the supremacy of the Lis within the village. For the village elites, a unified lineage helped consolidate their political dominance as it supplied just the grassroots support they needed to remain in office.

Activated social norms thus obliged the leaders of Liede to show their commitment to the collective good of the village family. By supplementing it with moral and normative constraints on power, they also helped mitigate the lack of accountability in

[38] See list of village ancestral halls in *LDCZ*, 324.

the village joint stock company. Although the leaders also engaged in illicit land deals, as their counterparts in Xiancun did, it appears that they nonetheless ensured villagers saw continuous improvement in their livelihood and welfare.

The leadership sponsored village-wide activities and community festivals, which have the important function of binding the entire village together. The key cultural tradition is the dragon boat festival. Situated by the Pearl River, Liede has historically been an active participant in the annual event. The village leadership has invested hundreds of thousands of yuan to purchase three new dragon boats.[39] Its active sponsorship of these communal activities buttressed its moral standing as the benevolent patron of the village community and enhanced its socio-political resources.

Xiancun: Breakdown of social contract in family monopoly

In Xiancun, in contrast, Lu Suigeng came to secure the position of village Party secretary in 1980 with the political backing of his father-in-law, an active figure in the township Party committee of Shahe. As village Party secretary, Lu Suigeng has ruled for decades without being subject to any grassroots election. What kept him in power has consistently been top-down support; his power was not supplemented by popular legitimacy.

In fact, in the process of its rise to power the Lu Suigeng family excluded and marginalised many former elites. Leaders active in the socialist era were discharged from duty if they opposed the family and its decisions. This included many former production team leaders, who still commanded the loyalty of their team members, as

[39] *Nanfang Ribao*, "Gucun laoren pan longzhou wenhua houji youren" (Hope for the preservation of dragon boat culture), June 2, 2014, http://news.xinhuanet.com/local/2014-06/02/c_1110952886.htm, (accessed September 4, 2014).

well as other prominent figures revered by the villagers. Therefore, the kinship networks in this village were already weakened by the time the village joint stock company came onto the scene. These marginalised elites played a key role in uniting villagers to rise up in opposition against the family. Instead of complementing the village joint stock company power structure and supplementing it where it was weak, the informal networks of power mobilised in opposition to it.

Corporatisation exacerbated existing relations by further concentrating powers in the hands of the Lu family. As the previous chapter has shown, prior to the dismantlement of the villagers' committee with the *checun gaizhi* reform, members that were not part of the core family circuit occupied key positions in the democratic grassroots organisation. With the abolition of this alternative system of power in 1999, Lu Suigeng seized the opportunity to consolidate his family empire.

To prevent bottom-up resistance to its power, the leadership struck out against village-wide activities. Whereas in Liede the leadership actively sponsored communal events such as the dragon boat festival, participation in the traditional festival has been banned in Xian village for eleven years. In the village gazetteer, the decision to withdraw from the popular boat race is attributed to the reclamation of all of Xiancun's river tributaries in 2003 as a result of the Pearl River CBD construction. Because there was no longer any place to row and store dragon boats, it says, the leadership decided to give them away to two neighbouring villages.[40] According to villagers, however, the festival was really banned because of the leadership's growing concern for any types of mass gathering. It was not just the dragon boat race, but the leadership regarded all village-wide gatherings with suspicion for fear of collective

[40] *XCCZ*, 312-313.

mobilisation. This suppressive stance deepened feelings of antagonism between the villagers and the leadership.

Villagers in Xiancun were also not taken care of economically. Reported growth in the collective economy has not translated into concrete benefits for the villagers. According to figures released by the village company, Xiancun had collective fixed assets worth 237 million yuan in 1995. By 2009, this figure has reached 580 million yuan. This means that the worth of village fixed assets has increased by almost 1.5 times in the past fifteen years. Nonetheless, the dividends villagers received from the village company have not increased accordingly. Over the decade, the worth of each individual share has remained the same at 300 yuan.[41] This means that even villagers with forty shares – a comparatively high number of shares – only receive about 12,000 yuan annually in dividends. For those without a job and without a house from which to derive rental revenue, a monthly income of 1,000 yuan is hardly sufficient to cover the rising costs of living. When asked why villagers mobilised in Xiancun but not in Liede, one villager remarked, "Both leaderships are corrupt. But at least over there, the leaders take a big bite and leave some for the peasants. Here they take everything; they even bother to break the bowl. They do not even let us have the sauce that remains."[42]

The *checun gaizhi* reform also led to the exclusion of half of the village population from political participation by classifying them as society shareholders. As shown in the previous chapter, 48 percent of Xiancun villagers were dubiously labelled society shareholders, compared to just 9 percent in Liede. This basically meant that the

[41] "Guangzhou Xiancun chaiqian weihe xianru jiangju" (Why the redevelopment of Xiancun stalls), August 24, 2010, http://focus.news.163.com/10/0824/16/6ES8B4JJ00011SM9.html (accessed August 4, 2014).
[42] Informal conversation over lunch in Xiancun, September 2013.

village leadership has absolved itself of the responsibility to represent the interests and concerns of half of the village peasantry.

Rather than being activated in ways that morally bind the leaders in power and keep excessive power in check, as they did in Shipai and Liede, kinship ties and social norms worked rather to unite the aggrieved peasantry in Xiancun. The Lu Suigeng family was seen as enriching themselves at the expense of the collective good. In interviews with villagers this sense of betrayal of the big family (*da jiating* 大家庭) was clearly articulated. One villager surnamed Xian remarked, "Xian Zhangming [the deputy Party secretary and vice-chairman] and I are from the same lineage; we see each other at every wedding and funeral. But just because we are from the same lineage doesn't mean that we cannot question him on his right or wrong doings. Lineage is lineage; brothers are brothers. The villagers have given their trust to him and allowed him to manage the affairs of the big family, but now he has cultivated corruption. Is it not right that something should be done?" "Our fight is not about power struggles between lineages. We are united in our dissatisfaction with this group of leaders."[43]

Summary

This chapter has shown how the institutionalisation of the village joint stock company has brought about different outcomes in the three villages due to the divergent patterns of rule that have evolved in the three villages. In all three villages, the corporatisation of the village has led to the further concentration of power in elite hands, which accentuated existing imbalances of power. The lack of accountability

[43] Interview, September 25, 2013.

mechanisms and the ambiguity in the framework allowed the existing elites to tighten their grip on the reins of power.

In Shipai and Liede, social networks supplied the informal institutions of accountability that helped to mitigate the structural deficiencies of the village joint stock company, which would otherwise rely on village leaders to exercise self-restraint in face of opportunities for self-enrichment. This was more effective in Shipai, where the lineages continued their informal power sharing arrangement in the running of the village joint stock company. We begin to see the limits of these informal institutions in Liede, where the elites aligned themselves with township officials and property developers and took advantage of the abundant opportunities presented to them to take windfall profits from land rent extraction. Nonetheless, pre-existing kinship networks created moral obligations that held the leaders back and ensured that they provided for the collective good of the village. These supplemental checks and balances ensured that the village joint stock company continued to be a viable institution in that village.

By contrast, in Xiancun, the privatisation of rural governance that destroyed grassroots democratic institutions further exacerbated the habits of exploitation and abuse of power which were already in place. The already weakened kinship networks could not act as a check on the ruling family's abuse of power, and all of the flaws identified in the structure of the village joint stock company manifested themselves in allowing the family to act with complete impunity. The family's actions eventually led to a complete breakdown of trust and united the "big family" against the corrupt leadership.

CHAPTER 8

The Contentious Politics of *Chaiqian*

Liede and Xiancun Compared

In 2002, the Guangzhou municipal government announced the hugely ambitious plan of redeveloping the city's 138 villages within a decade. In 2009, nine months before the provincial capital was set to host the Asian Games, the government further fast-tracked the redevelopment of nine centrally located villages prior to the opening of the mega sports event. Two of these were Liede and Xiancun. Located at the heart of the Pearl River New City, it came as no surprise that the villages would be handpicked for wholesale demolition and redevelopment. To the government, it was a matter of city image and urban aesthetics that the new financial heart of the city should be cleared of unsightly concentrations of cramped low-rises packed with peasants and migrant workers.

To the land rents coalitions that have been highly active in the two villages, redevelopment presented an exceptional opportunity for furthering rent extraction and capital accumulation. The tearing down of the low-rises villagers have so enthusiastically built on their housing plots in the 1980s and 1990s would free up land for lucrative commercial projects. By resettling evicted peasants in high-density residential high-rises, more land could be set aside for commercial development from which rent could be captured.

To peasants, on the other hand, redevelopment oftentimes represented the compulsory trading away of their housing plots and rental apartments for a paltry sum of compensation and an uncertain prospect of increased dividend distribution. Redevelopment has thus been a highly contentious issue in villages all over China as peasants feel that they are being forced off the land on which their livelihood depends.

In Liede and Xiancun, weathering the challenge of redevelopment has produced drastically different outcomes. As highlighted in the previous chapter, the different outcomes were caused in large part by the different ways lineage networks operated in the newly corporatised villages. In Liede, the authority of the leadership was consolidated and the paternalistic role of the leadership was re-affirmed. Its stronger lineage networks continued to act as checks and balances on elite power and provided a legitimising cover despite the lack of transparency and accountability inherent in the system. Across the road in Xiancun, by contrast, redevelopment provided the platform for the staging of a mass mobilisation campaign. The chapter traces how the cracks identified in the previous chapter widened into chasms that brought the leadership down.

Redevelopment as Distribution of Capitalised Rent Gap

Redevelopment constitutes a forced change in the rural distributive regime that centres on land rents. As discussed in Chapter 2, redevelopment is about the capitalisation of land rent that is unrealised under the present land use regime. In the two villages, the land targeted for redevelopment were the housing plots which villagers have populated with rental apartments, their apparatus of rent extraction. Under this land use regime, the ground rent captured went directly into the pockets of individual rural households as rental income. By tearing these down and putting up new office buildings, shopping streets and high-end residential complexes, the potential ground rent level can be increased. The enhanced ground rent, however, does not go to individual rural households alone. Rather, by virtue of their capital investment and participation, the village company, the local government and private property developers all claim a share in this enhanced ground rent.[1]

Among these parties, the most probable losers are the villagers. It must be noted first of all that peasants' role in the process of redevelopment is passive and limited, despite the Guangzhou government's belated implementation of a two-phase consultation process in 2010, which on paper allows villagers a greater participatory role in decision making.[2] According to the new regulation, in the first phase of consultation, a support rate of 90 percent among affected rural households must be obtained before the redevelopment project could begin. In the second phase, two-thirds of all rural households must have signed the compensation and resettlement

[1] In more technical terms, land in a village facing wholesale redevelopment is usually divided into two types. Firstly, some land is set aside for the construction of resettlement housing (*huiqian fujian dikuai* 回迁复建地块). This is the area villagers will move back to once the redevelopment process is completed. Secondly, there is also land set aside for new high-value development such as office buildings, hotels, shopping malls and luxury apartments. The development of this second type of land, referred to as land for capital accruement (*rongzi dikuai* 融资地块), is expected to generate revenues that would cover the cost for the construction of resettlement housing and other village properties on the first type of land. In some villages, the land for capital accruement is auctioned openly taking into account the cost for resettlement housing and village property construction. For example, in the redevelopment of Liede where the cost was approximately 3.86 billion yuan, the starting price of the auction for commercial land parcels was set at 3.9 billion yuan. A joint real estate group won the bid at 4.6 billion, and the amount was handed over to the village to develop resettlement housing and hotel property. In other villages, the price for commercial land parcels was privately negotiated between interested developers and village leaders.

[2] *Nanfang Ribao*, "Weipofang zhan Guangzhou banbi jiangshan" (Dilapidated housing makes up half of Guangzhou's landscape), January 16, 2013, http://gz.house.sina.com.cn/news/2013-01-16/10091867720.shtml (accessed July 3, 2014).

agreement (*chaiqian buchang xieyi* 拆迁补偿协议) before demolition works were allowed to commence. This consultation process, however, is usually ignored in practice.

Without a guaranteed channel to participate in the process, villagers often face a difficult cost-benefit analysis concerning redevelopment. On the one hand, redevelopment may bring about increases in revenue for the village company, which could translate into more lucrative dividend distribution for individual households. Redevelopment may also bring about enhanced rental income for villagers, as the rent they could charge for new residential apartments in an upgraded neighbourhood would invariably be higher. On the other hand, however, the actual realisation of these desirable outcomes is contingent on the village elite behaving in a fair manner as loyal representatives fighting on behalf of villagers' interests, vis-à-vis extractive local governments and profit-maximising developers.

Additionally, even the promise of potential gains is by no means sure. For one thing, the old rent harvest captured through rental apartments – which peasants often built with borrowed money that they have yet to fully repay – is immediately forgone once demolition takes place. The primary source from which the majority of peasants' monthly income derived is thus forfeited with certainty. By contrast, the prospect of redevelopment being completed on time, or at all, is uncertain. Projects left unfinished (*lanwei* 烂尾) by developers are not uncommon in China. To villagers, therefore, redevelopment is a highly risky endeavour with immediate loss and unpredictable return.

In summary, redevelopment enlarges the rent harvest by realising the potential ground rent level and capitalising the rent gap, but it also introduces new claimants to the new rent harvest. The size of the cake has grown significantly larger, but there are now more players sharing the cake, each driven to maximise their own share. The crux of contention thus falls on how this captured profit is distributed between parties of interest – a crucial test of whether the village joint stock company enables local actors to achieve a just distribution of the harvest and keep the social contract intact.

Liede: Power Brokerage and Mobilisation of Consent

The negotiation of distributive outcomes among stakeholders highlights the role of rural elites as power brokers. Brokers can be conceptualised as actors whose structural position between two or more parties allows them to play an influential role in mediating relations and facilitating transactions. Applied in the context of urban village redevelopment, effective power brokerage entails the ability of rural elites to bring about collaborative outcome in the process of compensation negotiation as well as demolition and resettlement. Successful outcomes rely on the ability of grassroots leaders to facilitate the exchange process and mediate between the local government, property developers, and the village community.

What we see in Liede is a striking example of how power brokerage can be achieved. In fact Liede was the only village in Guangzhou thus far to have completed its mission of accomplishing redevelopment. The elites negotiated on the villagers' behalf with their consent. Although no formal accountability mechanisms were in place for the villagers to supervise directly over the negotiations, the trust created through carefully cultivated loyalty networks meant that the results were generally accepted despite the procedural flaw. The elites also acted in accordance with the villagers' expectations of them under the social contract, by looking for ways to distribute the increased rent harvest amongst a large group of villagers. In return, the leaders were able to take advantage of activated loyalty networks to ensure compliance with the settlement once that was agreed with the real estate developers, thereby fulfilling their end of the bargain.

Mobilisation of loyalty networks

In redevelopment, the mobilisation of consent focuses on the signing of compensation and resettlement agreements by all individual households. This usually involves a protracted process of back-and-forth bargaining and negotiation between interested parties. In Liede, this potentially time-consuming task was accomplished within the short period of three months, from the announcement of the consultation draft to achieving an overall signing rate of 98.6 percent. The ability of the rural elites to tap effectively into two community resources made this possible.

The first is the social institution of lineage, whose activation and cultivation by the leaders have already been discussed in the previous chapter. The second community resource the leadership tapped into was the socialist loyalty networks of team cooperatives. A team of fourteen leaders, all of whom were former production team leaders, supported Chairman Li in his work. According to interviewees, the fourteen leaders played an indispensable role in the process of redevelopment as "bridges of communication". They were the key instruments performing the task of mass mobilisation. Each team leader was responsible for doing the psychological work of persuasion amongst his or her team members, to approach each household and enumerate the advantages and potential economic gains to be reaped from redevelopment. The appointment of these leaders was directly supervised by Chairman Li and lacked democratic procedure. Some of these leaders stayed in positions of power past the age of retirement, and many were allegedly rewarded with more shares in the collective economy.[3] Nonetheless, these leaders enjoyed considerable moral authority within the village population. Many had established long-standing relationships of trust and reciprocity with their team members.[4] The successful recruitment of these former team leaders thus bolstered the effectiveness of the grassroots leadership in mobilising the resident population to support the redevelopment decision.

Strengthened sense of community

As a result of these extensive and intensive infrastructural networks of mobilisation, the process of eviction proceeded smoothly in Liede. There were, nonetheless, four holdout households that refused to move out. Where the softer strategies of persuasion through community resources fail, rural elites resorted to harsher means in the name of defending the collective interest of the village. In November 2007, the four holdouts were brought to court by the Liede Economic Development Company, on the grounds that their behaviour harmed the interests of the collective and caused economic loss to the village community as a whole. The company won the case and the four households were compulsorily evicted. The four households appealed to the Intermediate People's Court, but the original decision was upheld.

[3] Fieldwork, September 2013.
[4] *Ibid.*

By showing its muscle against these disenfranchised villagers, the leadership won praise from other villagers and further consolidated itself as the legitimate and trustworthy representative of collective interest. Interestingly, interviews with villagers showed clear support for the company's legal action, and the holdout villagers were generally regarded by other villagers as behaving selfishly to maximise their own interests at the expense of that of the village's. This corporate sense of a common community of interests was thus reified as a result of the redevelopment experience.

Consolidated leadership

The effective brokerage of the rural elites led to the successful completion of demolition in January 2009. By September 2010, the construction of resettlement housing was complete and residents moved into these new high-rises built on the original site of the village. Lineage halls and ancestral temples were relocated in the new residential community by the bank of the Pearl River. Meanwhile, the construction of office buildings and hotels proceeded according to schedule in neighbouring land parcels. The efficiency of Liede's redevelopment is widely cited as an example of success in both official and unofficial discourses.

The position of the leaders was strengthened during the process of redevelopment. Chairman Li was successfully re-elected twice in the 2008 and 2011 elections. He was seen by villagers as the only figure with the muscle and authority to master and stabilise the village (*wending daju* 稳定大局) and push the project forward.[5] By the time he submitted his resignation in 2013, Chairman Li had served nine consecutive

[5] *Ibid.*.

terms as a village cadre and acted as the *yibashou* (一把手) of Liede for almost two decades.

Figure 8.1. The view of Pearl River from a villager’s new apartment.
Source: Taken by author September 24, 2013.

Figure 8.2. The new office building of Liede Economic Development Company.
Source: Taken by author September 24, 2013.

Distribution of the rent harvest

Liede village cited significant improvement in dividend distribution after redevelopment. According to official figures, average profits distributed from shareholding have increased to over 30,000 yuan per person per year. This figure corroborates well with data collected during fieldwork. According to my interviews, annual distribution of dividends from collective property amounted to just over 10,000 yuan per person prior to the year 2000 and increased to about 15,000 yuan in the mid-2000s.[6] After redevelopment, the sum has increased to around 22,000 yuan per person per year. Collective profits are expected to increase further as the village signed a deal with Hopewell, a developer from Hong Kong, to build a five-star luxury hotel by the bank of the Pearl River. It is anticipated that when put into operation, the hotel would bring an additional annual revenue of 120 million yuan to the village.[7] It is estimated that each villager could receive 50,000 yuan from his or her share in collective profits alone. These economic benefits consolidate the village company's role as the guarantor of collective prosperity.

Nonetheless, there are those who find themselves at the losing end in the sharing of benefits from redevelopment. For example, one interviewee used to own a seven-storey apartment in the village, of which three storeys were illegally constructed. He was only compensated for the four storeys he legally owned. Although rent per square meter has increased significantly after redevelopment, his rental income has remained the same as before. The frustrating aspect for him is that some members of the village were able to secure property rights certificate for illegally constructed floor area due

[6] These figures obtained from interviews are updated to the second half of 2013.
[7] *Nanfang Ribao*, "Touzi shijiuyi Liedecun jian wuxingjiudian" (Liede invests 1.9 billion yuan to build five-star hotel), May 20, 2011, http://news.sina.com.cn/c/2011-05-20/084822498793.shtml (accessed March 7, 2014).

to *guanxi* networks with relevant officials. This differential treatment has exacerbated the feeling of unfairness experienced by those without such preferential access.

Strengthened social institutions

Informal institutions and social networks have been strengthened during the process of redevelopment as they were deployed as a key instrument to mobilise the population. In fact, redevelopment presented numerous occasions during which informal institutions were accorded a prominent ceremonial role. For example, villagers gathered to perform ceremonial rites to move the spirit tablets of ancestors to a temporary location before the ancestral halls were diassembled for reconstruction at a new site. Villagers performed rituals to pray for the smooth completion of the redevelopment project, and offered worship when they moved back into the refurbished neighbourhood.[8]

The village invested significantly in the renovation of ancestral halls. The size of the halls continues to represent the relative strength of each surname group. The Li ancestral hall currently occupies 1,300 square meters of land, while the others occupy about 450 square meters each. In the Li's ancestral hall, a memorial tablet prominently displays the names of family members who have donated and contributed toward the reconstruction of the hall. Each surname group has thus far kept traditions

[8] *Nanfang Ribao*, "Citang chaichu Liede cunmin jizu gaobie" (Liede villagers conduct rites to commemorate demolished ancestral hall), October 9, 2007, http://news.dayoo.com/guangzhou/news/2007-10/09/content_3085542.htm (accessed June 15, 2014).

alive and continued to host important ceremonies, from weddings to New Year's celebrations, at their own ancestral halls.[9]

Village-wide activities have the important function of binding the entire village together, strengthening the elites' moral authority. As highlighted in the previous chapter, one key cultural tradition in Liede is the dragon boat festival. There have been worries that the move into high-rise apartments would reduce the number of villagers taking part in the festival.[10] There is thus strong incentive for the village leadership, from the perspective of consolidating collective identity, to invest in the manufacturing and strengthening of community networks through encouraging participation in these activities. After redevelopment, a dragon boat model was placed in front of the village school to remind the younger generation of this tradition. The sponsorship of these community festivals by the village leadership serves as an important integrative device of grassroots governance in this new transitional neighbourhood.[11]

Xiancun: Implosion and Unravelling of the Village

In Xiancun, the flaws of the village joint stock company came home to roost. Without a strong lineage network to counterbalance the deficiencies, power was concentrated at the hands of a small group of elites who were intent on self-enrichment at the expense of the peasant community. The power that the village joint stock company gave them to dispose of collective property and undertake redistributive policies for

[9] For a narrative account of the continuity of such traditions, see *Xinkuaibao*, "Nianwei jinzai yican Liede citing fan" (New year's eve meal at the Liede ancestral hall), February 4, 2014, http://www.ycwb.com/ePaper/xkb/html/2014-02/04/content_360828.htm (accessed June 15, 2014).
[10] *Nanfang Ribao*, "Gucun laoren pan longzhou wenhua houji youren" (Hope for the preservation of dragon boat culture), June 2, 2014, http://news.xinhuanet.com/local/2014-06/02/c_1110952886.htm, (accessed June 15, 2014).
[11] For research on lineage activities in urban villages, see Sun Qingzhong, "Village Urbanism and Patriarchal Clan Life of Urban Villager," *Contemporary China History Studies* (May 2003); Gao Chong, "Dynamics of South China lineage in urbanization: the case of Village of Nanching," *Journal of Zheijiang University* (May 2005).

the welfare of villagers were used to pursue selfish ends. The complete breakdown of trust culminating from decades of mutual suspicion and infighting came to full manifestation with the launching of compulsory redevelopment in Xiancun.

The commencement of *chaiqian* there marked the beginning of a protracted period of violent struggle in the village. Between 2010 and 2013, villagers experienced the forceful demolition of collective property as well as their homes, numerous arrests and detentions of protest leaders, beatings by thugs that were allegedly hired hands of the village leaders and the developer, as well as constant acts of intimidation and discreet coercion. The lack of accountability mechanisms in the institution led villagers to pursue more and more radical methods of resistance, eventually leading to mass mobilisation and the downfall of the family monopoly.

At the beginning in 2009, things appeared relatively calm. The immediate task before the leadership was to persuade villagers to sign the compensation and resettlement agreement and to vacate their buildings.[12] To increase incentive, villagers who signed within a month would receive as a reward 10,000 yuan plus three months' worth of temporary resettlement fee.[13] The signing began in April 2010, and the psychological battle for hearts and minds could be seen from the numerous bright red banners draped from buildings and the posters put up around the village. Some appeal to material benefits, "Make your move quickly; Get demolition done quickly. Start reconstruction soon; Enjoy benefits soon." Others appeal to moral sentiments,

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[12] For the proposed compensation and resettlement arrangements, each village household was to be compensated according to the principle of *chaiyi buyi* (拆一补一) , that is each square meter demolished would be compensated for per square meter in the new apartments. During the construction period when villagers must finding housing elsewhere, each household would be given a temporary resettlement fee (*linqianfei* 临迁费) of 25 yuan per square meter per month, calculated according to the size of the property for which villagers could produce legal proof of ownership. For storefront spaces rented out to small businesses and vendors for commercial purposes, villager-owners would receive a monthly compensation fee of 60 yuan per square meter.

[13] *Guangzhou Ribao*, "Xiancun yuenei qianyue chaiqian jiang yi wan" (In Xiancun, signing within a month gets you 10,000 yuan), April 2, 2010, http://news.dayoo.com/guangzhou/201004/02/73437_12404096.htm (accessed March 18, 2014).

"Refusal to move out wins reprehension from your elders. Shirking responsibility makes you everyone's target."

Because of longstanding distrust of the leadership, the signing process became a platform for the collective expression of disobedience. Rural households explicitly refused to sign the agreement. According to villagers interviewed, only about the owners of one hundred out of 1,917 buildings signed the agreement within the first weeks.[14] After four months of fruitless persuasion, the leadership turned to more drastic measures. The resort to violence and coercion by village leaders disintegrated any remaining trust in these supposed guardians of collective fortunes and led to a drastic deterioration in relations.

Violence and disintegration

The villagers of Xiancun unanimously named the August 13 incident of 2010 as the turning point in their collective struggle. In the early hours of August 13, thousands of police and armed security forces were deployed to forcefully tear down the village's agricultural products wholesale market despite massive protests from villagers. According to the official press, an agreement has been reached months before the demolition took place between the district government and the village company that the wholesale market would be torn down for the construction of an expressway for the Pearl River CBD. The district land bureau also claimed that the compensation for the collective property has already been given over to the village company. However, villagers involved said that they had not been informed of the agreement, nor had they

[14] Some villagers who owned more than one buildings signed the demolition agreement for one but kept the other and continued to live in the village, as the leadership demanded the immediate turning over of property rights certificate once the signing was completed.

been told of any arrangement regarding how the compensation would be disposed of by the village company.

Knowing of the imminent demolition, villagers occupied the wholesale market and staged a sit-in protest in August. The evening before the violent clash, teams of riot police and special security forces stationed outside the wholesale market. The official account of what happened next diverged significantly from that of the villagers. According to villagers, the security forces waited quietly outside and did not take any action until about midnight. Then, in the early hours of the morning, the riot police began to charge towards the market but were twice dispelled by villagers who threw rocks and objects to prevent the police's advance. Deploying tear gas, the police physically dispelled protestors as several bulldozers made their ways towards the market and began to strike it down. Villagers interviewed recalled witnessing various acts of police violence, including beating and rock throwing. One interviewee recalled how a policeman used a brick to hit the head of a villager standing close to her, and chased after her when she started screaming that the police was "killing people".[15] Over eighty people was arrested or detained by the police that night, including a 78-year-old man who was detained for three months for assault and disturbance of public order.[16] That the demolition and arrests took place between midnight and dawn when the rest of the city was asleep convinced villagers that this was a cleverly premeditated move coordinated by the government, the village leaders and the police forces.

The government's version of the event, faithfully reported by the local media in the days following the episode, was completely different. The entire operation was

[15] Interview, October 2013.
[16] Interview, September 13, 2013 .

framed as a demolition that abides by the law (*yifa chaiqian* 依法拆迁). According to these reports, "the majority of villagers supported the government's legal act of demolition".[17] It was a minority of two hundred villagers that caused disturbances to the demolition, "adopting overtly radical means such as throwing bricks, sticks and torches of fire at the demolition workers".[18] Throughout villagers' violent attacks, demolition workers "kept maximum restraint, repeatedly calmed the protestors down and insisted on enforcing the law in a civilised way".[19] According to this account, the police forces and riot units were not involved in the demolition and were only called in when the violent clashes arose. This official version of the event appeared not only in local mouthpieces such as the *Guangzhou Daily* but was also faithfully reproduced in the relatively critical, hard-hitting newspaper *New Express*, demonstrating the extent of media control and the hyper-sensitivity of the issue.[20]

After the confrontation, the district government quickly published a notice announcing that the Tianhe district Party committee and district government have already launched an investigation into the charges raised by the villagers, under the supervision of the district discipline inspection committee. The inspection team "did not find any disciplinary violations with regard to the management of rural finance, the distribution of dividends, or the conduct of the rural leadership; and did not find any behaviour that contravened the statues of the village company". The inspection

[17] *Guangzhou Ribao*, "Xiancun liangci chaichu jun yifa yi gui" (Demolitions in Xiancun took place according to law), August 23, 2010, http://news.dayoo.com/guangzhou/201008/21/73437_13654536.htm (accessed March 14, 2014).
[18] *Ibid*.
[19] *Ibid*.
[20] For the New Express account see *Xinkuaibao*, "Xiancun shaoshu cunmin baoli zuchai" (A minority of Xiancun villagers staged violent protest against demolition), August 14, 2010, http://news.ycwb.com/2010-08/14/content_2608764.htm (accessed June 18, 2014). It was in national news magazines such as *Liaowang Dongfang Zhoukan* and *Century Weekly* that more critical reports emerged weeks later. These reports gave voice to the protestors and directly questioned the credibility of the village leadership as well as the local government's inaction in investigating local malfeasance. See *Liaowang Dongfang*, "Guangzhou chaiqian puguang" (Exposing the truth behind Xiancun's demolition), August 24, 2010, http://news.sina.com.cn/c/sd/2010-08-24/112020963814_2.shtml (accessed June 18, 2014).

report should "put to rest all queries from the people and clarify all circulating rumours".[21]

Covert means of suppression

After the violent clashes, which drew even the attention of the international media prior to the opening of the Asian Games and produced much negative reportage to the embarrassment of the local government,[22] authorities switched to less overt means of coercion and intimidation. Many of these tactics were not explicitly violent, but aimed at causing enough disruption to daily life as to make moving out an increasingly desirable option.

Over half a year of media silence after the August 13 episode, Xiancun made its re-appearance in three major local newspapers in April 2011, exactly one year after the beginning of the signing period. Citing Lu Youxing, one of Lu Suigeng's right-hand men, newspapers reported the official commencement of demolition in Xian village. The public was told that in the past year, the village company had employed "all sorts of effective means" to move the redevelopment project forward. 1,141 out of 1,421 households, or 80.29 percent, had signed the compensation and resettlement agreements. This meant that the legal requirement for compulsory demolition has been reached, and that "upon consulting the opinion of the majority, the village company and the shareholders' representative assembly have approved of the

[21] *Xinxishi*, "Xiancun xilu weijian chaihou jian youzuo lv hua" (Illegal buildings in Xiancun to be taken down for green public space), August 21, 2010, http://news.sina.com.cn/c/2010-08-21/045917998243s.shtml (accessed June 20, 2014).

[22] James Pomfret, "South China demolition sparks clashes," *Reuters*, August 13, 2010, http://www.reuters.com/article/2010/08/14/us-china-guangzhou-protest-idUSTRE67D0CN20100814 (accessed June 18, 2014).

demolition of Xian village".[23] Three unnamed private companies, "rigorously chosen" by the leadership, would enter the village and undertake demolition works.

Villagers vigorously contested the figures put forward by their leaders. A protest leader interviewed said that upon reading the news, he and others immediately organised a signature campaign to prove that the leadership's figures were fabricated. Collecting one signature per building for the 1,917 buildings in the village, they received well over 1,000 signatures against demolition.[24] The petition was submitted to the district, municipal and provincial governments, but no reply was received. In May 2011, the village organised the first petition visit to Beijing. Three representatives were sent up and they visited various bureaus and departments including the Ministry of Public Security, but returned without concrete outcomes. "We were already very 'well treated' in that they did not send people from Guangdong province to wait for us and repatriate us," an interviewee said.[25]

In December 2011, the village leadership further pushed the project forward by sealing the deal with Poly Real Estate Company as the partner property developer for Xiancun's redevelopment.[26] With the stationing of work teams in the village and the

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[23] *Guangzhou Ribao*, "Guo ba cheng cunmin yi qianyue" (Over 80 percent of villagers have signed agreements), April 1, 2011, http://gz.gov.cn:82/publicfiles/business/htmlfiles/gzgov/s4176/201104/780509.html (accessed June 20, 2014).

[24] The 1,917 buildings included collective property such as ancestral halls and temples, hence the signing rate for individual buildings owned by villagers should be even higher. Interview, September 2013. In December 2011, Lu Youxing suggested that over 1,300 buildings had been signed over for demolition. See *Huaxia Shibao*, "Xiancun chaiqian ju zhong ju Baoli dichan xian Guangzhou jiucheng gaizao nitan" (Poly Group mired in Xiancun's redevelopment), July 13, 2012, http://www.chinatimes.cc:8200/hxsb/special/dichan/120713/1207131936-123074.html (accessed July 18, 2014).

[25] Interview, September 2013.

[26] According to information released by the village company to the press, the leadership openly invited applications from December 1 to 8 of 2011. A total of four applications were received, but three of the applicants did not fulfil criteria set out by the village company. The shareholders' representative assembly held a vote on December 9 and the 57 shareholders' representatives, save for one absentee, unanimously gave their support to Poly Group. To complete the agreement, Poly must deposit 1 billion yuan to the village company's account in five days as a guarantee. Given that the entire process involving the transfer of hundreds of millions of dollars took less than ten days, it is very likely that the agreement has been made between the two parties in advance through behind-the-door negotiations, especially given the fact that the village company has worked closely with Poly before for the development of Xiancun's reserved land (refer back to Chapter 7). The voting process was likely

beginning of demolition, all remaining households in the village that had not signed the compensation and resettlement agreement became holdouts. In the mind of these villagers, they were rather made out to be “nail households” (*bei dingzihu* 被钉子户).

Figure 8.3. The view of a main street in Xiancun in mid-2011. A convenience store remained open. Source: Taken by author August 31, 2011.

The two years of 2011 and 2012 saw numerous tactics being used against such villagers. These include disruption to daily life, economic sanction and physical isolation, targeted intimidation of protest leaders and ordinary villagers, as well as informational shutdown. The widespread use of coercive tactics caused deep resentment towards the village leadership and the real estate company.

nothing more than a show to give the decision democratic legitimacy. For further details see *Guangdian Dichan*, “Baoli shi yi tou Xiancun” (Poly Group invests 1 billion in Xiancun), December 13, 2011, http://www.gdhytv.com/2011/1213/25090.html (accessed July 18, 2014).

Disruption to daily life

Daily life in the village was made incredibly difficult through both deliberate destruction and negligence. The primary school, kindergarten and childcare facilities belonging to the village were shut down, forcing parents to hunt for schools elsewhere which usually require the payment of hefty fees.

Rubble from torn-down houses was left unattended to, blocking main roads and on occasions cutting certain households from access to the village. This was a direct result of the leadership's strategy of dealing with each household individually. According to its problematic approach dressed up in the professional strategy of "sign agreement, move out, arrange demolition" (*qianyihu qianyihu chaiyihu* 签一户迁一户拆一户), evacuated buildings were demolished immediately even if neighbouring houses were still occupied. This posed grave safety hazards to remaining residents in the neighbourhood. It was not uncommon for remaining residents to find their own houses damaged by demolition works next door. Deserted houses and unattended rubble caused significant deterioration in hygiene. Abandoned furniture and broken windows were scattered around every corner of the neighbourhood. Villagers also reported the cutting off of electricity and water supplies.

To villagers, this was a conscious strategy employed by the leadership to force them to sign the agreement. They believed that they were put in a deliberate dilemma: made to choose between dealing with increasingly difficult living circumstances where their personal safety was under threat, and complying with the terms of offer which they found unfair and highly inadequate.

Economic sanction and physical isolation

Another tactic employed was the shutting down of the operation of the village by cutting off the means by which remaining villagers made their living. Villagers interviewed referred to this as the imposition of "economic sanction" (*jingji zhicai* 经济制裁). The obvious way to do so was to evict the tenants, on whose rental income most villagers rely for their monthly cash inflow. The eviction of tenants began as early as mid-2010 when the street office posted notices around the village demanding their speedy evacuation. Outsiders entering the village were stopped by security guards warning them not to rent property from the villagers. Interviewees recalled how officials would arrive at their door and take down the details and workplace of the tenants in the name of migrant population registration. This information, according to interviewees, was subsequently used to track down the tenants by their workplace. Migrant workers also became targets of intimidation and received pressure from their employers. If they registered their temporary household address as Xian village, they would experience difficulty in processing their temporary residence permit.[27] Migrant workers are required to apply for temporary residence permit in order to be eligible for social security insurance while working in Guangzhou. These tactics of intimidation caused many tenants to move out and deprived some villagers of their rental income.

The situation deteriorated significantly in early 2012 when authorities began building a wall enclosure to isolate Xiancun from its surrounding. In the name of safety and security, the village, which was previously accessible on all sides from major roads, was sealed up by makeshift panels and later concrete walls. Entry into the village was

[27] Fieldwork, June and September 2013.

possible only with proof of resident identity provided by the village company, through gates tightly monitored by security guards. One interviewee compared this treatment to being placed in a concentration camp, and joked that the security system in Xian village was more powerful than that in technology parks.

The wall enclosure effectively isolated the village from its physical surrounding. Many stores that were still open in 2010 closed down and small businesses moved away. The exterior of the wall enclosure served as a space for all sorts of advertisement and government-sponsored posters. As the entire project became increasingly controversial, however, bright and colourful posters were put up on the wall enclosure marketing how redevelopment would transform the village into a modern home for the villagers and breathe “new life” into the community. A giant photo of smiling schoolchildren was placed next to a slogan describing how the carefully planned development would provide new schools and childcare facilities for the children. In another a photo of a grandfather and his violin-playing grandson told of how the move from rural low-rises to residential apartments with lifts (*dianti yangfang* 电梯洋房) would allow them a “face-giving” lifestyle (*youtou youmian* 有头有面). These images that passer-bys would see stood in stark contrast to the crumbling neighbourhood lying behind the enclosure.

Figure 8.4. Xiancun enclosed by walls. The new office buildings of the Pearl River CBD can be visibly seen in the background. Source: Take by author September 13, 2013.

Figure 8.5. Xiancun during demolition. New residential developments lie just blocks away from the ruins. Source: Taken by author September 25, 2013.

Figure 8.6. Banners in Xiancun calling on villagers to support redevelopment and not be misled by persons with ulterior motives. Source: Taken by author September 13, 2013.

Targeted intimidation of villagers

But the most damaging and disturbing aspect of the entire demolition process was the physical and psychological intimidation of villagers. During fieldwork, many villagers recounted with anger and trepidation the repressive acts they encountered during the early 2010s.[28] Although not every single story could be validated, these oral accounts provide an important glimpse into the coercive tactics and unrestrained behaviour the villagers charge the leadership with.[29]

Villagers reported that many arrests were made during the period 2010 to 2012 to force villagers to sign the eviction agreement. Four villagers were arrested on the charge of disturbing public order and were detained for fifteen days. Family members were brought in and were asked to sign the agreement in order to secure their relative's release. Upon the relatives' refusal, it was said that the charges were

[28] Most of the stories below were collected during fieldwork in October 2013.
[29] For an investigate report that details oral accounts of similar nature to those presented here, see "Baoli chaiqian xia de Xiancun" (The violent demolition of Xiancun), *Ubeat* 104, January 30, 2012, http://ubeat.com.cuhk.edu.hk/?p=2797 (accessed Aug 3, 2014).

escalated to criminal charges. The son of one the villagers, Mr Hai, and the wife of another, Mr Guang, were scared into signing the agreement. The police, however, did not release the villagers and they were imprisoned for a year.

One protest leader, Mr Jun, was arrested in December 2011 on the charge of prostitution. This case was subsequently reported in the news. Mr Jun, a middle-aged man with a wife and a son who was then nine years old, was one of the most outspoken and influential activist in the village, extremely well-versed in the language of the law and fully knowledgeable about the details of the collective struggle. He revealed how, several weeks before his arrest, the former head of the Tianhe district government approached him and warned him during a two-hour conversation not to cause further trouble in the village. Nine days later he was "invited to have a meal" by the criminal police chief during which he was given further warning not to stir up the villagers. He was arrested four days later on the charge of prostitution and the police took his whole family, including his wife and his son, away. He said that he was arrested because "they knew that [he] had the power to influence the villagers".[30] Mr Jun was later served a 13-month prison sentence for engaging in prostitution, a charge he denied and his fellow villagers called ridiculous.

According to Mr Jun, Lu Suigeng had two key allies in the police and public security forces, namely the criminal police chief and the deputy director of the district public security bureau. Villagers referred to them as Lu's personal "thugs" (*dashou* 打手) who took direct orders from Lu on whom to target and whom to arrest. Villagers also reported the use of violence and physical intimidation by "triad members", and they specifically accused the developer of hiring them. They showed photographs taken of

[30] Interview, September 13, 2013.

villagers after they had allegedly been beaten by these hired hands. These charges were denied by an interviewee who worked for Poly Group.[31]

Many other personal accounts were recorded during fieldwork. One middle-aged woman told of how she lived in constant fear (*huangkong* 惶恐) because of the infiltration of the village by "big, tattooed men" and the deliberate acts of damage being done to her house. Upon her refusal to move out, demolition workers tore down the door and window and set fire to her belongings. She alleged that these men entered her home and broke up her belongings, and that things were stolen from her. They also cut off the supply of water and electricity. She said that these tactics were used to "force her to have no other road to go" except to submit to eviction.

Another woman spoke of how she was constantly followed by men allegedly employed by village leaders and the developer. Villagers only dared to go out in groups. On days when security was particularly intense, the lane on which her house was located was guarded on both sides by six men. She was followed from the moment she left the house by men with walkie-talkies, often until she got on the bus. Once they even followed her on to the bus and sat beside her to track down where she was going. She sent her son away from the village and told him to live outside for fear that these people would harm him.

A middle-aged man surnamed Lu wept when he recounted how his elderly mother was intimidated by security goons. He said that his building was surrounded by almost sixty men for a period of four days. These men had sticks in their hands and they guarded the building from eight in the morning to six in the evening. Whenever

[31] Interview, September 29, 2013.

he or his mother tried to leave the house during the day, these men would stamp their sticks on the ground to intimidate them. He said that on the first day he called the police in the morning, but they did not arrive until four o'clock in the afternoon. Even then, the police was unable to stop this and the men kept coming back for the next few days.

To summarise these accounts using the words of one interviewee, "they identified the one weakness of each family and exploited that weakness". The application of such targeted intimidation subjected villagers to persistent psychological stress and proved highly effective in eliciting consent. Throughout 2011 and 2012, hundreds of those who chose to stay behind and fight were frightened or coerced into signing the eviction agreement as they found it increasingly difficult to put up with the pressure.

Informational shutdown

While all these were going on within the village, society has remained profoundly silent. It was largely oblivious of what was going on, as news reports on Xian village were heavily censored. Few reports on the village appeared in the news after the August 13, 2010 demolition; when they did appear it was the official account that these reports portrayed. Villagers interviewed said they had approached the media many times. When journalists knew that it was about Xiancun, however, they would not pursue the case, citing that "the interests involved were too powerful".[32] The more

[32] Interview, September 29, 2013.

critical press had entered the village to conduct interviews, but the reports produced were rarely allowed to go on print or on air.[33]

Journalists interviewed told of strict bans and a general atmosphere of information suppression. "Not many reporters dare to broach the subject of village redevelopment," one journalist who reported on the demolition of Yangji, another Guangzhou village handpicked for redevelopment, suggested. In her reporting of Yangji, she faced pressure on numerous instances on what could and could not be published. Such pressure was applied directly through her superior, the head of the department, who instructed her not to follow up on certain leads, or took the form of bans (*jinling* 禁令) issued by the publicity bureau at the provincial level which passed down orders demanding the retraction (*zhaohui* 召回) of specific articles written by specific authors.[34] Journalists also received prior notifications from the government on what not to report. For example, if a court case concerning holdout households was to take place the next day, reporters would receive specific instruction through their agencies asking them not to report on the case. Villagers facing demolition were thus kept in an unusually repressive environment of informational isolation.[35]

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[33] One journalist from *Southern Metropolis Daily* even brought a crew and filmed an interview at a villager's home. The villager said the journalist explicitly said that the content had to be "civilised" (*wenming* 文明) and "not radical" (*bu pianji* 不偏激). The villager was later told by the journalist that the show was set to be broadcasted but approval was retracted at the last minute. Mainland media from outside of Guangdong province appeared to have had greater freedom to report on the case. A television station from Changsha, Hunan province once came to the village to film a video, and later informed villagers that some of the less sensitive footage was successfully broadcasted in Hunan.

[34] Interview, September 29, 2013.

[35] The media's silence on the Xiancun case could be compared with the active reporting of another case of violent demolition happening in Guangzhou at the same time, for which the researcher also conducted extensive interviews. The destruction of the historic neighbourhood of Enninglu in Liwan district attracted constant media attention and the press played a crucial role in forcing the government to shelve its redevelopment plan. Several newspapers took the lead in formulating a discourse centring on the notion of historical preservation and cultural memory and successfully mobilised a pro-preservation public to counter the government's development-first agenda. The vocal outspokenness of the media with regard to violent demolition in Enninglu stood in stark contrast to their timid silence over Xiancun. Journalists whom the researcher interviewed said that the news frame of historical preservation was a politically much "safer" and economically more marketable approach to the reporting of demolition. Indeed, some newspapers had reported on the demolition of Xian village through this cultural

Demise of the family empire

On August 20, 2013, three years and one week after the August 13 incident which marked the beginning of violent confrontations, the Guangzhou discipline inspection committee announced the launching of investigation into the conduct and behaviour of the Xiancun leadership on the suspected charge of serious violation of economic discipline (*yanzhong jingji weiji* 严重经济违纪).

The head of the family empire, Lu Suigeng, had by then escaped overseas. A total of seven of the twelve core leaders were successfully brought before court. The first trial took place in July 2014, and was well attended by Xiancun villagers and the media. From the court proceedings it became evident that the village leaders had appropriated large amounts of the collective land harvest for self-aggrandisement. Each member has received bribes worth between 110,000 yuan and 1,830,000 yuan from various real estate developers and property managers. Over the course of twelve years the family additionally embezzled public property amounting to 7.24 million yuan under the dubious guise of spiritual civilisation awards.[36]

The prosecution led to the rapid unravelling of a powerful nexus that spanned across multiple bureaus and administrative levels, going all the way up to the former mayor of the city. It began with Cao Jianliao, the Shahe township official who was directly

framework of vanishing villages and lineage architecture. See, for example, *Nanfang Zhoukan*, "Mengli shuixiang" (Dreamy watertowns), May 25, 2012, http://www.nfyk.com/sy/ShowArticle.asp?ArticleID=4009 (accessed Sep 27, 2013). But such frameworks do not come close at all to representing the crucial issues at hand in the Xiancun case.

[36] The award is supposedly granted to individual members of the society who have made outstanding contribution towards the city's spiritual civilisation construction. As it turned out, in the case of Xiancun this ambiguously defined prize provided the convenient channel through which private individuals made illicit claims on collective property. According to court proceedings, the allocation of collective revenue for the distribution of spiritual civilisation awards began in Xiancun in 1998. During the early years, the village cadres each pocketed about 30,000 yuan per year. From 2009 onwards, the gift money increased to over 100,000 yuan per person. The amount was adjusted, according to one village leader, to "increase cadre incentive" in pushing forward village redevelopment prior to the Asian Games. See *Guangdong Ribao*, "Zuiniu jiazu jiti tanwu qibai wan" (Toughest family collective embezzled 7 million yuan), July 22, 2, 2014, http://big5.cntv.cn/gate/big5/news.cntv.cn/2014/07/22/ARTI1405999003655348.shtml (accessed August 4, 2014).

involved in the development of the reserved construction land of Liede and Xiancun. By the time he was suspended for investigation, Cao has already climbed his way up the bureaucratic ladder to the position of deputy mayor of Guangzhou. The disciplinary committee charged him for taking bribes worth 70 million yuan and for being involved in illicit deals worth 200 million yuan.[37]

The former mayor, Wan Qinliang, followed his deputy's fall from grace when he was dismissed in June 2014 for serious violations to discipline. Wan was the mayor and Party secretary of Guangzhou from 2010 to 2011; he also sat on the Standing Committee of Guangdong Province.[38] Just days after Wan was taken away for the graft probe, the director and Party secretary of the Guangzhou Municipal Land Resources and Housing Administrative Bureau, Li Junfu, was placed under inspection. Li was at the same time the director and Party secretary of Guangzhou's Land Development Centre, the key organisation involved in land expropriation, as well as the city's welfare housing office.[39] A number of other officials including a former land bureau chief were suspended from duty, while the heads of several real estate companies were placed under investigation.

Obstacles to Change

While the purge of these top officials demonstrated the political power behind these land rents coalitions, cases of cadre corruption emerging from around the city proved the extent of the problems associated with the privatisation of rural governance. In

[37] *Jingji Guancha*, "Guangzhou yuanfu shizhao Cao Jianliao tanfu shean jine jin san yi" (Former mayor Cao Jianliao in 300-million yuan graft probe), August 22, 2014, http://www.eeo.com.cn/2014/0822/265367.shtml (accessed September 1, 2014).
[38] Chris Buckley, "China's Anticorruption Campaign Unseats a Powerful Party Chief in Guangzhou," *New York Times*, June 27, 2014, http://www.nytimes.com/2014/06/28/world/asia/chinas-anticorruption-campaign-moves-to-a-powerful-party-seat.html (accessed July 30, 2014).
[39] *South China Morning Post*, "She Wan Qingliang an Guangzhou Guotuju juzhang bei dai zou diaocha" (Guangzhou Land Bureau chief Wan Qingliang under investigation), July 7, 2014.

Baiyun, another district carved out of Guangzhou's rural hinterland with large stocks of rural land, twenty-nine village leaders from three villages were convicted in August 2014 for taking bribes worth 12 million yuan. As in Liede and Xiancun, these leaders pocketed substantial amounts of bribes by providing favourable terms to developers in behind-the-door deals.[40] Earlier in 2013, the Party secretary, director, and deputy director of Chebei Economic Development Company, the joint stock company of Chebei village in eastern Tianhe, were convicted of taking kickbacks totalling 15 million yuan.[41] In 2012, the director and Party secretary of the joint stock company in Shadong village, also in Tianhe district, was suspended for graft probe.[42] All of these rural elites were able to amass vast personal fortunes through engaging in illicit land deals. Most of these cases have taken place at the rural-urban fringe where the abundance of undeveloped land resources provided ample opportunities for joint exploitation by land rents coalitions.

While these arrests were reported in triumphal tones that were celebratory of the success of anti-corruption campaigns, the crucial question remains whether any of these purges will bring about meaningful institutional change. The exposure of one case of rural corruption after another does not attest to the determination of the Party-state's anti-corruption efforts, but rather reveals its lack of determination in tackling problematic institutions. It also points directly to the futility of disciplining corrupt and power-abusing individuals without reforming the very institutions that breed, even encourage, such corruption and abuses of power in the first place.

[40] *Nanfang Dushibao*, "Dizhen zhongzaiqu cunguan he chengguan" (Epicentres of anti-corruption campaign: Village cadres and urban management bureaus), August 19, 2014, http://epaper.nandu.com/epaper/A/html/2014-08/19/content_3298416.htm?div=-1 (accessed August 21, 2014).
[41] *Xinxishi*, "Cunguan tanwu shouhui 1537wan" (Village leaders charged with 15.37-million-yuan corruption), February 26, 2013, http://news.dayoo.com/lz/201302/26/75446_29207974.htm (accessed August 18, 2014).
[42] *Nanfang Dushibao*, "Tianhe shading cunguan she shouhui bei shuanggui" (Leaders of Tianhe's Shadong village suspended for investigation), February 7, 2013, http://gcontent.oeeee.com/a/3f/a3fb4fbf9a6f9cf0/Blog/577/19b131.html?t=1360231952 (accessed September 1, 2014).

The details of the corrupt behaviour of leaders in Xiancun shows just how vulnerable the corporatised village is to individuals willing to sacrifice the collective good of the village community for self-enrichment. The number of similar cases emerging shows just how many such individuals the institution helps create. It is ironic that an institution which was revived in order to redistribute the harvest among villagers in the face of arbitrary land expropriation by urban governments may itself become an enabler of an even more unjust distribution of the harvest, namely the exploitation of the peasant masses by the land rents coalitions rapidly forming across China. As the history of the three villages attests, the contradictions and conflicts of interest created by the institution can, and often do, manifest themselves in ways that are destructive of the social contract, thereby leading to increased mass activism and dissent. While in Shipai social organisations helped supply informal institutions of accountability that mitigate the problem of unrestrained power, as China continues its march toward urban triumphalism and more and more land is expropriated for commercial development, it is far more likely that villages previously in a peaceful state like Shipai will be challenged and led to the self-destructive patterns of Xiancun.

CHAPTER 9

Concluding Reflections

Privatisation and Precarious Rural Outcomes

This thesis has focused on the evolution of rural distributive institutions and investigated how core elements of the state socialist redistributive economy imposed upon rural society in the Maoist era have been sustained and reproduced in the reform era. The rural shareholding cooperative and the village joint stock company that incorporated and superseded it inherited some of the distinct legacies of redistributive socialism. It was not just that the system of People's Communes, production brigades and production teams provided the foundational building blocks of the reform-era institutions. The reinvigoration of these corporate units also produced the institutional basis for the continued deployment of redistributive power and the reproduction of paternalistic relations that generate expectations of the fulfilment of an implicit social contract. These are not merely ideological holdovers or remnants of a collective mentality, however, as it was the urban state's aggressive incursion into the rural hinterland that created the territorial condition for the re-centralisation of land resources, and along with it the peasants' renewed dependency on the cooperative and the company. For peasant communities located at the epicentre of industrialisation and urbanisation, it was land transferred to individual households under the household responsibility system that supposedly liberated peasants from the collective system; it was land taken away from villagers as a result of successive expropriations that recreated their heavy reliance on a system that was supposedly rendered obsolete.

But the new institutions consisted of some deeply problematic aspects, particularly with the push for the abolition of the administrative village with the *checun gaizhi* reform. An enquiry into the formal structures of power of the village joint stock company reveals it to be a confused, straddled institution that is neither urban nor rural, neither public nor private. As such it operates beyond the laws that regulate public administrative units, and provides no effective accountability checks. By creating an environment that makes abuses of power almost too convenient, the institution heightens propensity for local malfeasance and contradictorily undermines the legitimating principles of redistribution and paternalism. The absence of an alternative formal basis of legitimacy substituting for the abolished villagers' assembly means that the corporatised village is highly vulnerable to internal conflicts and tensions.

The result of the privatisation of rural governance is thus that rural outcomes have become uncertain. Through an in-depth study of three villages, I have shown how the fortunes of peasants in three neighbouring rural communities that used to belong to the same People's Commune have diverged significantly from one another. In two of these villages the lack of formal accountability mechanisms have caused rural communities to fall back on informal institutions of accountability supplied by lineage networks and kin-based solidarity. But in so doing the power of these socio-political groups has expanded and the internal inequalities within these indigenous corporate institutions have been reified, with the result of reinforcing the marginalisation of non-dominant groups. At its best a unified elite contributes to effective governance in an age of urban encroachment, but at its worst self-serving leaders monopolise power at the expense of the village community. In both scenarios local governments seem to have profited: in the former they can conveniently discharge and offload their governing responsibilities; in the latter their ability to extract from rural land is enhanced through the forging of informal land rents alliances with co-opted rural elites.

Some scholars have presented a bifurcated picture of China's rural future. It is predicted that villages in coastal areas would prosper economically as rural institutions reinvent and remake themselves to adapt to changing market conditions, while those in the hinterland would suffer from stagnation and institutional involution, forcing farmers to retreat to traditional modes of governance and rely on kinship ties for basic subsistence.[1] But such a dichotomous picture does not come close to capturing the highly variegated landscape of post-socialist rural China. As our three case studies have shown, even within the same geographical locale there is great variation. Additionally, distributive outcomes are not only uneven across villages; they are also uneven within villages.

Geography may aptly predict the wealth of collective economies, but collective wealth does not necessarily translate into equitable distribution and well being of

[1] Zhou Xueguang, "Rethinking Corporatist Bases of Stratification in Rural China," in *Creating Wealth and Poverty in Postsocialist China*, ed. Deborah S. Davis and Wang Feng (Stanford, Calif.: Stanford University Press, 2009), 97-111.

individual households. The presence of strong lineage networks may supply social norms and moral obligations that lend towards co-prosperity within the village, but powerful socio-political actors may also exploit their positions as interlocutors to monopolise resources and transfer assets into their own hands. The co-existence of multiple surname groups in a village may create power-sharing arrangements that generate legitimacy and preserve rural stability, but it may also lead to mutually destructive factional infighting that paralyses village government.[2]

The substantial variation shows that rural outcomes rest on contingent and circumstantial factors: powerful individuals that distinctly shape patterns of authority, historical interactions between dominant lineages, accidents of modern urban planning, interferences from upper-level officials. This uncertainty and lack of predictability, of course, can be said of all historical outcomes in general, but specifically in our case it points to how the privatisation of rural governance and the erosion of grassroots accountability have left the determination of peasants' life chances to factors that are largely contingent. The lack of institutional safeguards makes peasants vulnerable targets of corruptible leaders. The absence of the state in rural welfare provision and the paucity of alternative opportunities further exacerbate that vulnerability by reproducing peasants' dependency on redistributive institutions.

As such rural lives in the reform era remain precarious: Villages located right next to each other with similar characteristics could and did evolve along drastically different paths. Although the immediate causes leading to these divergences can be traced out, the identified causes are more circumstantial than structural. The fulfilment of the

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[2] For an example of such a village see Zhou Xueguang, *ibid*.

redistributive social contract in the reform-era village thus falls on an assemblage of uncertain factors, with worrying implications on rural governance.

Non-linear Urbanisation and its Discontent

Even for villages that appear to be reaping the benefits of privatisation and urbanisation, latent tensions and contradictions remain.

Standing in the modern residential neighbourhood of post-redevelopment Liede with its cluster of 40-storey high-rises and neatly planned green spaces, few would realise the urban *shequ*'s rural past. It is a strange, hybrid community that combines multiple temporalities and spatialities, one where foreigners working at the nearby CBD share the same living space as peasants who no longer farm. Visiting the homes of several villagers in these high-rises, it is not difficult to imagine why redevelopment is experienced as a positive change for some. One of the apartments I visited looks out to the south, with a full view of the Pearl River and the city's newest landmark, the iconic, foreign-designed Guangzhou Television Tower. The glistening office buildings and hotels representing Liede's latest commercial ventures lie just at the bank of the river. The villager's living room is equipped with all kinds of modern luxuries, from a flat-screen TV and an expensive-looking set of hi-fi players to a collection of antique Chinese vases. With her husband and daughter away at work, the lady has turned her river-view balcony into an herbal garden, drying orange peels and flowers in the open air just the way she used to as a farmer.

But in this condensed, vertical village there are latent tensions and grievances that are symptomatic of unresolved distributive injustices and failures of integration. Redevelopment has exacerbated household income inequality. On the one hand, some villagers are reaping substantial benefits. One middle-aged security guard used to own a three-storey low-rise in the village. By renting out two floors and saving one for his own use, he used to earn 700 yuan per month from rental income. With redevelopment he exchanged his combined floor space for three apartments in the new neighbourhood, from which he now makes 8,000 yuan per month. In addition to rental income, he also receives annual dividend distribution as well as monthly salary from the village company for his job as a security guard. Others shared with me similar improvements in livelihood. One middle-aged woman who used to earn less than 2,000 yuan from rent now makes over 10,000 yuan per month. Another woman saw her rental income increase from 3,000 yuan to 7,000 yuan per month.[3]

On the other hand, however, redevelopment has worsened the life of those who were already marginalised in the rural distributive regime. There are the society shareholders, who despite the move into the modern-looking neighbourhood, remain excluded from shareholding arrangements. There are also those who are excluded due to the need to divide up family assets in the process of redevelopment, where factors such as seniority and gender significantly affect one's share in family fortune.[4] Unable to share in the collective harvest and without a house from which to derive rental income, these villagers' lives have been adversely affected by redevelopment. Faced with the rising prices of commodities in the new neighbourhood, as well as increases in management fees, they have actually seen an overall deterioration in their

[3] Statistics obtained from fieldwork, September 2014.
[4] In Liede, land-based share is calculated based on the size of the land plot in a villager's possession. In 2013, for example, each land-based share in Liede was worth approximately 3,300 yuan. One interviewee who owns 17 square meters of land plot, for example, has 17 shares and received 56,000 yuan that year. Another interviewee owns as many as 110 square meters and received over 360,000 yuan. Unlike head-based share, however, land-based share is inherited from family. In families with both sons and daughters, parents usually give land-based shares, the more valuable asset, to sons rather than to daughters when dividing up the family's assets. Daughters are usually given only the house, which converts to floor space. On the gendered nature of land expropriation see Sally Sargeson and Song Yu, "Land Expropriation and the Gender Politics of Citizenship in the Urban Frontier," *The China Journal* 64 (Jul., 2010): 19-45.

living standard.[5] This group of peasants have become a peculiar urban underclass, one that live in luxurious high-rises but are struggling to make a living.

The reproduction of inequality is a result of, and reinforces, the villagers' dependency on the village joint stock company. The company is a closed system both without and within: closed not only to those outside, who are excluded from sharing in revenue derived from rural land, but also to those inside, whose lack of alternative opportunities in an urban-biased employment system has resulted in their continued dependence on a semi-privatised entity that offers no genuine political participation and no meaningful mechanisms of accountability.

In the middle of the neighbourhood is the imposing new office building of the Liede Economic Development Company. Its centrality is perhaps a spatial symbol reminding peasants of their continued reliance on the company and its leaders. Only about three in ten Liede residents have received high school education or above. Aside from the lack of skills, villagers often encounter stigmatisation when looking for work. One interviewee said that urban villagers are generally seen as unreliable because companies expect them to quit and change jobs quickly when they encounter difficulty. They are viewed by potential employers as rich peasants who do not really need a job but have nothing better to do. Because of the lack of alternative opportunities, villagers continue to rely on the company for livelihood funds and job opportunities. For example, Liede set up its own property management company which employs many local residents for positions such as security guards and clerks.

[5] A recent article by Lynette Ong also notes this phenomenon. Lynette Ong, "State-Led Urbanization in China: Skyscrapers, Land Revenue and 'Concentrated Villages'," *China Quarterly* 217 (2014): 162-179.

The continued reliance on the village company shows the limits of rural-urban integration. Since villagers continue to go back to the village for public goods provision, they have a low sense of attachment to the urban community and its grassroots units of governance. In a sense, therefore, the village remains segregated from its urban surrounding by invisible walls. Although they share the same residential neighbourhood as other urban residents, these villagers form a community of their own.

Their resistance to absorption and incorporation into the urban found recent expression in a controversy surrounding the primary school in redeveloped Liede. In the 1990s, the village built a primary school using collective funds. Prior to redevelopment, approximately half of the students attending this village-run school were children of local households. During redevelopment, the municipal government took over the property rights of the rebuilt school and incorporated it into the city's public school system. The rebuilt school was designated to become a foreign language school to cater to the upper middle class and foreign residents moving into the CBD area. This decision incited vigorous protests from the village community. They are concerned that once taken over by the education bureau, the school would no longer serve the villagers. The adoption of a foreign language teaching system would make standards of admissions too high for children of uneducated peasants.

The resilience of these territorially-based interest communities in redeveloped neighbourhoods shows the Chinese urban landscape as one that is highly parcelised and fragmented. This imagery harks back to Aihwa Ong's discussion of the spatial technology of zoning and its production of a variegated sovereignty in China's national geography.[6] These physically "disappeared" villages constitute distinct localisms that are deeply embedded in parochial kin-based networks, and manifest themselves when the urban state encroaches upon their defined interests. The existence of these localisms points to the increasingly blurred boundaries between the urban and the rural.[7] Luigi Tomba's characterisation of the urban as the product of "a repackaging of fragmented realities" and as recombinant local assemblages thus aptly encapsulates the new urban reality.[8] If the move from socialism to market economy cannot be seen as a linear, teleological process, neither is urbanisation a straightforward process of linear transition. The very fragmented and differentiated nature of the contemporary urban landscape means that it will be a site of continuous conflicts, where competing logics of entitlements and claims contend with one another.

Rural Resistance and Authoritarian Resilience

The fragmented nature of urbanisation is manifested on the ground with real consequences as concrete struggles that are oftentimes violent. Around China, villages are being forced to undergo compulsory urbanisation and are being converted into urban neighbourhoods *en masse*. Under the shiny banner of urbanisation, villagers' committees are dismantled and replaced by powerful shareholding companies that concentrate control over collective assets in the hands of corruptible elites.

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[6] Aihwa Ong, "The Chinese Axis: Zoning Technologies and Variegated Sovereignty," *Journal of East Asian Studies* 4 (2004): 69-96.
[7] Luigi Tomba, "Finding China's Urban: The Changing Function of a Governing Institution," manuscript prepared for *Governing China*, edited by Vivienne Shue and Patricia Thornton, forthcoming.
[8] *Ibid*.

One of the largest-scale projects of this sort is taking place in Zhucheng city, Shandong province, where the municipal government announced plans in 2010 to abolish all 1,249 administrative villages. Over two hundred urban neighbourhoods are to be constructed in their place, each housing 1,500 households, to accommodate the 700,000 peasants-turned-urban residents.[9] This project is expected to clear out 80,000 *mu* of land for commercial development.[10] In Taiyuan, Shanxi province, the conversion of 51 villages into companies is paving the way for the wholesale demolition of all villages by 2020 and their redevelopment into modern neighbourhoods.[11] In Tianjin's Wuqing district, 25 villages are being abolished to empty out 50,000 *mu* of land, with 30,000 villagers being forcibly converted into shareholders in the process.[12] In Shanghai's Xuhui district, all twenty villages in the district's only remaining township were turned into shareholding companies in 2009, making shareholders out of 35,000 villagers.[13] Even in remote parts of China such as Urumqi, the *checun gaizhi* reform has similarly corporatised villages and turned former cadres into company directors.[14]

That most of these conversions are taking place with the aim of making rural land available for urban development means that the same incentives that drove the leaders of Liede and Xiancun to recklessly pursue private gains in the property market are

[9] *Xinjingbao*, "Duo shengshi qiangxing checun huanqu jianshe yongdi yi kuoda tudi caizheng" (Cities pushing through the *checun* policy to sustain land-derived revenues), November 2, 2010, http://gb.cri.cn/27824/2010/11/02/2225s3040790.htm (accessed September 20, 2014).

[10] As compensation, all village households will receive a standard package of one 80-square-meter residential apartment and one 15-square-meter storehouse. The unfair exchange has already generated vigorous resistance from the villagers of Zhucheng, with many adopting the strategy of holdout. *Ibid*.

[11] *Taiyuan Wanbao*, "Taiyuan xiaodianqu wushiyi ge chengzhongcun jiang checun jianji quanbu chengli gongsi" (51 village companies set up in Taiyuan's Xiaodian district), March 20, 2014, http://shanxi.sina.com.cn/news/report/2014-03-20/082553624.html (accessed September 20, 2014).

[12] Li Handong, "Wo liaojie de Dongpuwa jiedao checun jianji" (The *checun gaizhi* of Dongpuwa), March 23, 2013, http://www.tjwq.gov.cn/zhengxie/system/2012/03/23/010236475.shtml (accessed September 20, 2014).

[13] *Jiefang Ribao*, "Checun gaizhi, nandian ruhe po" (How to solve the problems of *checun gaizhi*), February 6, 2012, http://www.shjcw.gov.cn/node2/b/u1a26290.html (accessed September 20, 2014).

[14] *Zhongguo Qingnianbao*, "Shengchandui haishi gongsi? Checun jianji cunmin lin shengcun fangshi tiaozhan" (Challenges of *checun* policy to rural livelihoods), April 13, 2006, http://finance.people.com.cn/GB/1045/4296022.html (accessed September 20, 2014).

likely to be equally active in these cases. We may thus expect to see a dramatic increase in the number of rural protests as the triumphal march of urbanisation pushes more peasants off their land and leaves them reliant on village companies that are not supervised by any meaningful institutions of accountability. As stated in the Introduction, it is for good reason that rural land seizures have risen to become one of the most conflict-generating issues in contemporary China.

What are the implications of this on political stability? The theoretical literature has pointed to how local governments are acting to defuse the rising tide of rural protests. One perspective suggests that the introduction of participatory institutions on the ground has helped contain grievances, defuse discontent, and keep popular frustration from evolving into stability-threatening mass disturbances. These include conflict resolution mechanisms such as the letters and visits appeal system, which opens up a channel for citizens to submit their complaints through letters and to represent their grievances to upper-level state authorities in person. According to Andrew Nathan, these input institutions give people a sense of efficacy by creating the perception that they have the capacity to exert influence on the political system.[15]

My fieldwork and interaction with protestors in Guangzhou, however, show that input institutions may actually be counterproductive. The lack of efficacy in addressing grievances and pressing claims through the system has become an additional source of popular frustration itself, and is driving more and more aggrieved claimants onto the streets. Rather than enhancing the capacity of the state to govern effectively as proponents of authoritarian durability suggest, input institutions may well be serving

[15] Andrew Nathan, "Authoritarian Resilience," *Journal of Democracy* 14, no. 1 (2003): 6-17.

the contrary purpose of radicalising action by exacerbating feelings of despair and violation.

The literature has also pointed to how local governments are increasingly turning to the strategy of buying stability (*huaqian mai ping'an* 花钱买平安) to quell resistance. Ching Kwan Lee and Yonghong Zhang note how "dishing out cash payments or other material benefits in exchange for compliance has become a patterned and routinised response to popular unrest".[16] Authoritarianism at the local level is sustained by the turning of the grassroots state into a marketplace, "where gamesmanship between officials and citizens determines the price tag of stability".[17] While the framework of protest bargaining aptly points to the general commodification of stability maintenance, it cannot account for why, for example, Xiancun villagers held out for years in an extremely oppressive environment despite offers of material concessions. For these aggrieved peasants holding out was not a strategy for extracting larger sums of monetary compensation, it was a determined act to challenge the unrestrained exercise of power. There are thus clear limits to the strategy of purchasing stability in managing rural resistance.

Failing to channel discontent away or to pay their way out, local governments have often resorted to brute force, as they did in Xiancun. In the now internationally known case of Wukan, thousands of police and riot units were deployed in 2011 against villagers protesting against illegal land sales by the rural leadership. The confrontation led to the death of a protest leader in police custody. In 2005, paramilitary and riot police opened fire at protesting villagers in Dongzhou, Shanwei

[16] 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): 1475-1508
[17] *Ibid*.

and caused at least ten deaths in one of the largest known uses of force against citizens since the Tiananmen tragedy. Suppressive tactics such as these are politically costly, as they directly undermine popular legitimacy.

Does the rise in rural resistance then amount to any sort of challenge that may threaten the legitimacy of Communist Party rule in reform China? Indeed, one of the enduring puzzles in the study of Chinese politics is the apparent longevity of the Communist Party-state. The case of China presents a "compelling challenge to the scholarly imagination in the post-totalitarian era" as there exists no historical precedents for a successful, self-induced institutional transformation of a Leninist system.[18] The remarkable staying power of the Party-state merits special attention particularly when compared with the experience of Communist regimes in Europe.

Despite the upsurge in numbers, rural protests have not produced a destabilising effect. This may be due, first of all, to the relatively localised and fragmented nature of peasant struggles. As Ching Kwan Lee and You-tien Hsing note, whereas transnational organisations, networks, ideas and resources play important roles in civic activism such as religious, cultural and environmental movements, they are conspicuously absent in geographically based forms of activism.[19] Rural protests tend to be cellularised and territorially scattered, as claims and interests are constituted and defined only locally. Although they occur with increasing frequency, they remain geographically confined and are unlikely to generate large-scale stability-threatening movements, with cases like Wukan being exceptions rather than the rule.

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[18] 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), 360.

[19] Ching Kwan Lee and You-tien Hsing, "Social activism in China: Agency and Possibility," in *Reclaiming Chinese Society: The New Social Activism*, ed. You-tien Hsing and Ching Kwan Lee (London and New York: Routledge, 2010), 1-14.

Nonetheless, my research also reveals the formation of new solidarities that are connecting neighbourhoods and villages facing demolition, at least on a citywide scale. These alliances of the disenfranchised are indeed weak, but they do point to emergent networks of information sharing and tactical diffusion that tie together both urban and rural communities. These networks cut across territorially based acts of claims making and are maintained not only by the modern infrastructure of the Internet, but also by traditional kinship ties that bind lineage groups. These villages that now appear geographically separated used to be rural settlements that share boundaries with one another, and descendants of the same lineage have settled in different administrative villages. These solidary links as "distant cousins" – as these villagers call one another – may be forging new communities of activism as peasants also reach out to other civic activists by framing their struggles in the language of the law.

Perhaps a more poignant reflection on the implications of rural resistance on authoritarian resilience, therefore, is the Party-state's reinvention of the strategy of protest management. Even as local governments struggle with handling the surge in mass incidents, the central government has become increasingly tolerant and accommodating of protests that specifically target corrupt local officials.[20] The framing of protest management has shifted to one that places blame on local officials for failing to resolve the root causes of social tensions. This is encapsulated in the pre-emptive frame that local governments "should nip the bud of problems at the grassroots level and reduce the contradictions that could give rise to mass

[20] Wang Feng and Su Yang, "Communist Resilience," in *Socialism Vanquished, Socialism Challenged: Eastern Europe and China, 1989-2009*, ed. Nina Bandelj and Dorothy J. Solinger (New York: Oxford University Press, 2012), Chapter 10.

incidents".[21] Such discourse shifts responsibility in the face of growing discontent and attributes blame to local negligence and mismanagement, a strategy that speaks to the broader insight that has emerged from the political science literature that by stepping in to discipline local malfeasance, the central government has succeeded in maintaining, even reinforcing, its morally upright image. The central government's authority is exercised through periodic interventions, governing at a distance but selectively manifesting itself by intervening to admonish and punish.[22]

This is clearly seen in the case of Xiancun, where the discipline commission stepped in to take out corrupt officials in one concerted campaign. Indeed, such campaign-style crackdowns widely employed in post-socialist China do not just represent a Maoist legacy, but are emblematic of the intermittent interventions that characterise an indirect form of government. The effectiveness of this governing strategy can also be seen in Xiancun. The fall from grace of the Shahe township official, the former mayor of Guangzhou and the former head of Guangzhou's land bureau were widely seen by villagers as the direct product of President Xi Jinping's anti-corruption campaign. In their view, their years-long protests have finally reached an opportune moment and coincided with the central government's campaign. The intervention has thus bolstered the effectiveness of the central leadership in the mind of villagers, at the same time that popular anger was vented and dissipated through the high-profile prosecutions. Despite its seeming effectiveness, this strategy of legitimacy generation is based on extremely fragile foundations. There is no constitutional basis for such occasional crackdowns on locales, nor do these crackdowns build towards any institutionalisation of legal norms. The campaigns, rather, are *ad hoc* in nature and

[21] *Ibid*.
[22] On indirect government through periodic interventions see Béatrice Hibou, "From Privatising the Economy to Privatising the State: an Analysis of the Continual Formation of the State," in *Privatizing the State*, ed. Béatrice Hibou (New York: Columbia University Press, 2004), 1-46.

lack institutional guarantees, and are above all subject to the whims of the current leadership.[23] Back in Xiancun, the government has parachuted in two new leaders to handle rural affairs, and revived meetings with old cadres who had previously been sidelined by the Lu family.[24] Without meaningful institutional change, however, it is hard to predict how the village will reorganise itself and deal with the many tensions and conflicts that still remain.

The positive image of the Party-state is also maintained through cultivating the image of a paternalistic redistributor. This dissertation has discussed how stability and solidarity at the village level has been maintained by the active self-styling of rural leaders as champions of community interests and by the adoption of redistributive policies. This same social contract can be said to lie at the heart of the Communist Party-state's rule as well. The literature on authoritarian adaptations has studied how the social contract serves as the balance between political stability and partial economic reform in post-socialist China.[25] This social contract ties political quiescence to the Party-state's capacity to deliver welfare-oriented policies. It constitutes a gradual shift of the basis of legitimacy from one of staggering growth in Gross Domestic Products to that of improved governance and public welfare provision (*minsheng gongcheng* 民生工程).

It is important to note that while the central leadership bolsters its reputation through the espousal of such policies, it does not actually provide the budget for these tasks. There is a disconnect between the process of formulating and pronouncing policies,

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[23] Wang and Su, "Communist Resilience."
[24] *Yangcheng Wanbao*, "Xiancun tanfuqinyoutuan zuo shoushen."
[25] See, for example, Martin Dimitrov, "Understanding Communist Collapse and Resilience," in *Why Communism Did Not Collapse: Understanding Authoritarian Regime Resilience in Asia and Europe*, ed. Martin Dimitrov (New York: Cambridge University Press, 2013), 3-39; Cheng Xiaonong, "Breaking the Social Contract," in *Dilemmas of reform in Jiang Zemin's China*, ed. Andrew J. Nathan, Zhaohui Hong, and Steven Smith (Boulder, Colo.: Lynne Rienner Publishers, 1999), 107-125.

which takes place at the central level, and the process of allocating the budget for the implementation of these policies. Invariably, the latter task falls on cash-strapped local governments who shoulder the fiscal burden for these welfare programs. Ironically, the need to fund these programs heightens local governments' reliance on precisely those revenue sources that exacerbate land-related conflicts. As outlined in Chapter 2, land-derived revenues make up a significant part of both budgetary and off-budgetary income for local governments. Welfare programs like low-cost housing and social security services are basically funded by the urban state's expropriation of farmland and its expansionist incursion into rural areas – those very processes that are rupturing village communities and driving peasants off their land and onto the streets. The need to fulfil the social contract, which really buttresses the Party-state's image as a benevolent redistributor, is therefore creating incentives that lead to processes that may well undermine the legitimacy of local governments as they are driven, in turn, to enhance its extraction from society.

In shoring up its own legitimacy and assuring its own preponderance, therefore, the Communist Party-state has compromised the interests of the most marginalised groups in the society, even converting their discontent into a way of buttressing its own upright image. Perhaps the ultimate champion of the privatisation of governance is not so much those village cadres and local officials, whose venal pursuit of private gains is nonetheless contingent upon the state's occasional intervention, but the authoritarian regime itself, which has thus far prevented any concrete challenge to its legitimacy despite the magnitude of injustices perpetrated and grievances suffered at the local level. The many suicide protests, street demonstrations and tenacious holdouts can only touch the Party leadership insofar as these are actually attributed to the deeply problematic aspects of authoritarian rule, and not simply blamed on local misdeeds. Until then, the Communist Party of China will likely maintain its power as an anomaly: as an intellectual puzzle for scholars, but also as an authoritarian regime that continues in its perpetuation of distributive injustices.

Appendix

Table of Contents for Shipai Village Gazetteer

Bibliography

DOCUMENTARY MATERIALS

Chinese Newspapers and News Journals

Fenghuang

Huaxia Shibao

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Nanfang Ribao

Shidai Zhoubao

Taiyuan Wanbao

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