

## **Survival Strategies of Township Governments in Rural China: From Predatory Taxation to Land Trade**

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*Based on my fieldwork in rural China in 2004–05, where I conducted semistructured interviews with 108 local cadres and villagers, this article explores the survival strategies of township governments as the most recent tax reforms (i.e., the tax-for-fee reform and the abolition of the agricultural tax) have been implemented since 2000. It argues that township governments have taken adaptive strategies to maintain over-quota personnel even under pressure to reduce it. It finds that the strategies have changed from predatory taxation in the 1990s to land trade in the last decade, while the implementation of the rural tax reforms has brought fiscal crises in agricultural villages. Local officials have a limited incentive to respond to collective resistance on taxation but do not have the same incentive on land disputes.*

Regressive taxation has emerged in rural China over the past several decades, and it was exacerbated during the 1990s. Research on the agricultural tax and other sources of financial burdens in the countryside indicates that the tax rates of richer industrialized villages were lower than those of poorer agricultural villages, especially in the 1990s.<sup>1</sup> Over the past several decades,

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<sup>1</sup> For example, Xiande Li, ‘Rethinking the peasant burden: evidence from a Chinese village’, *Journal of Peasant Studies* 30(3&4), (2003), pp. 45–74; Justin Yifu Lin, Ran Tao, and Mingxing Liu, ‘Rural taxation and local governance reform in China’s economic transition: origins, policy

Chinese villagers in agricultural areas were forced to pay a variety of taxes and fees, leading many to complain—and some to protest—that local exactions took up an increasing proportion of their incomes.<sup>2</sup> Concerned that these protests would become a source of political instability, the central government initiated the tax-for-fee (*feigaishui*, 费改税) reform in 2000 and the gradual abolition of the agricultural tax since 2002.<sup>3</sup> This tax reform created a new problem: local fiscal starvation.<sup>4</sup> In areas that had relied on the agricultural tax, local officials found themselves with inadequate revenues to provide public goods and services.

These developments raise the following two questions: (1) why local governments implemented the rural tax reforms even though they could easily expect the reforms to undermine their fiscal capacity; and (2) how they have responded to the problems that have emerged as consequences of the reforms. Rural governance deteriorated in agricultural areas in

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responses and remaining challenges', Stanford Center for International Development, Working Paper No. 317, (2007).

<sup>2</sup> For example, Thomas P. Bernstein and Xiaobo Lü, *Taxation without Representation in Contemporary Rural China* (New York: Cambridge University Press, 2003); Kevin J. O'Brien and Lianjiang Li, *Rightful Resistance in Rural China* (New York: Cambridge University Press, 2006).

<sup>3</sup> For example, Linda Chelan Li, 'Working for the peasants? Strategic interactions and unintended consequences in Chinese rural tax reform', *The China Journal* 57, (2007), pp. 89–106; Jean C. Oi, 'Old problems for new leaders: institutional disjunctions in rural China', in Yun-han Chu, Chih-cheng Lo, and Ramon H. Myers, eds, *The New Chinese Leadership: Challenges and Opportunities after the 16<sup>th</sup> Party Congress* (Cambridge: Cambridge University Press, 2004), pp. 141–155; Ray Yep, 'Can "tax-for-fee" reform reduce rural tension in China? The process, progress and limitations', *The China Quarterly* 177, (2004), pp. 42–70.

<sup>4</sup> For example, An Chen, 'The failure of organizational control: changing Party power in the Chinese countryside', *Politics and Society* 35(1), (2007), pp. 145–179; John James Kennedy, 'From the tax-for-fee reform to the abolition of agricultural taxes: the impact on township governments in north-west China', *The China Quarterly* 189, (2006), pp. 43–59; Jean C. Oi and Shukai Zhao, 'Fiscal crisis in China's townships: causes and consequences', in Elizabeth J. Perry and Merle Goldman, eds, *Grassroots Political Reform in Contemporary China* (Cambridge: Harvard University Press, 2007), pp. 75–96; Jing Vivian Zhan, 'Strategy for fiscal survival? Analysis of local extra-budgetary finance in China', *Journal of Contemporary China* 22(80), (2013), pp. 185–203; Zhao Shukai, *Xianzhen Zhili yu Zhengfu Zhiduhua [Township Governance and the Institutionalization of Governments]* (Beijing: Shangwu Yinshuguan, 2010).

the 1990s and its improvement was an urgent task when the central government started a series of rural tax reforms in 2000. Overall, however, these reforms over the last decade have had negative effects on the provision of public goods in agricultural areas, and have led to a host of governance problems in many localities with income levels that are average or below average compared with the rest of the country.<sup>5</sup> In agricultural areas, the central government has urged local governments to institute the reforms without providing sufficient financial resources or considering initial economic conditions; and to make matters worse, it has then blamed inadequate governance on local governments, further undermining the popular legitimacy and administrative capacity of those governments.<sup>6</sup>

The analysis below explores the influence of the tax-for-fee reform and the abolition of the agricultural tax on the local governments that have suffered most from the rural tax reform: township governments.<sup>7</sup> Although the tax reforms have reduced financial burdens of rural residents, the Chinese Communist Party (CCP) has still faced serious problems in establishing taxation that is able to finance grassroots governments such as townships. As a response to fiscal

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<sup>5</sup> For example, Mingxing Liu, Juan Wang, Ran Tao, and Rachel Murphy, ‘The political economy of earmarked transfers in a state-designated poor county in western China: central policies and local responses’, *The China Quarterly* 200, (2009), pp. 973–994; Ran Tao, Mingxing Liu, Fubing Su, and Xi Lu, ‘Grain procurement, tax instrument and peasant burdens during China’s rural transition’, *Journal of Contemporary China* 20(71), (2011), pp. 659–677; Christine Wong, ‘Rebuilding government for the 21st century: can China incrementally reform the public sector?’ *The China Quarterly* 200, (2009), pp. 929–952; Jing Vivian Zhan, ‘Undermining state capacity: vertical and horizontal diffusions of fiscal power in China’, *Asian Politics and Policy* 1(3), (2009), pp. 390–408.

<sup>6</sup> For example, Bernstein and Lü, *Taxation without Representation*; O’Brien and Li, *Rightful Resistance*. Of course, there is economic disparity within rural areas, for which various factors may account. See, for example, Jiang Xu, ‘“Rich brothers” and “poor cousins”: the political economy of post-reform rural disparity in a Chinese township’, *Journal of Contemporary China* 13(41), (2004), pp. 801–817.

<sup>7</sup> *Xiang* (乡) is translated as “township” and *zhen* (镇) is translated as “town.” In this article, I follow this rule to note a specific township or town. When indicating *xiang* or *zhen* as a general administrative level, I use “township.”

starvation due to the tax reforms, township governments have attempted to keep the same number of township personnel and to maintain over-quota staff despite reduced budgets, relying on creative and deceptive ways to provide salaries for its personnel. In this article, I discuss how township governments have adapted to the new conditions that tax reform brought to them.

### **The Interviews and Methodology**

To prove my argument generally and rigorously would go far beyond the evidence I can muster in this article. Instead I draw from evidence based largely on fieldwork in rural China conducted in 2004–05. Interviews with 108 individuals—local cadres and villagers in the seven provinces of Guangdong (December 2004), Guizhou (April 2005), Hebei (January 2005), Hubei (December 2004), Hunan (March 2005), Jiangxi (April 2005), and Zhejiang (December 2004) during 2004 and 2005—are a crucial part of the data I use in this article for ascertaining the motivations behind local cadres' and villagers' behavior.<sup>8</sup> The interviews are not representative, and I will reference other studies and reports when discussing the information I obtained from the interviews.

Table 1 shows the structure of the interview pool. Semistructured interviews were conducted with both local cadres (county, township, and village) and villagers. Among the seven provinces where I conducted interviews, a majority of interviewees are from Hebei, Hunan, and Jiangxi, where I stayed longer than the other provinces. All interview questions were open-ended: respondents answered questions in as many or as few words as they deemed necessary. They focused on: (1) conditions of local finance, including sources of revenue and the breakdown of expenditures; (2) decision-making processes of local governance; and (3)

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<sup>8</sup> The list of interviewees and the interview questions are available from the author upon request.

execution of village elections. I also gathered basic geographic and demographic information on each locality. During the course of the interviews, I met with local cadres first and then moved to villagers, so that I could confirm with villagers the information local cadres provided.

[Table 1 around here]

My interviews provided me with a nonrepresentative sample based on the snowball sampling method—which means that I was introduced to the respondents rather than employing a random sample. With this method, the sample is suggestive and provides rich details and analysis of how township cadres have responded and adapted to the rural tax reforms. Interviews were arranged through my friends and the local cadres that I had known, and the seven provinces were chosen because these friends and cadres were able to arrange interviews for me. Most of the interviewees were eager to share their experiences with me, though several apparently told me what they had been instructed by higher authorities to tell me. In most of the interviews it was not possible to tape-record responses, and I translated and transcribed answers in every instance as soon as possible after the interviews.

The semistructured interviews were supplemented with what Thomas Gold calls “guerrilla interviewing”—that is, informal conversations with local cadres in a dining room of the local government, chatting with villagers in informal settings, etc.<sup>9</sup> Although guerrilla interviewing is not systematic, it is a good way to authenticate what is happening on the ground.<sup>10</sup> For example, a town official spoke of informal and quasi-illegal ways of financing his local government when I chatted with him eating lunch, but he referred only to formal ways of

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<sup>9</sup> Thomas B. Gold, ‘Guerrilla interviewing among the getihu’, in Perry Link, Richard Madsen, and Paul G. Pickowitz, eds, *Unofficial China: Popular Culture and Thought in the People’s Republic* (Boulder: Westview Press, 1989), pp. 175–192.

<sup>10</sup> See Daniel Kelliher, *Peasant Power in China: The Era of Rural Reform, 1979–1989* (New Haven: Yale University Press, 1992).

financing when I formally interviewed him in his office. Informants used for guerrilla interviewing only are not included in the 108 interviewees. However, when an informant with whom I formally interviewed provided me more reliable information during guerrilla interviewing than during systematic interviewing, I replaced the information from their systematic interview with the information from the guerrilla interview. For example, in the above-mentioned case of a town official, I used the information about quasi-illegal financing he gave me when eating lunch, instead of the information about formal ways of financing he gave me during the formal interview in his office.

### **Rural Tax Reforms in China since 2000**

Concerned with the rise of resentment over exactions in rural areas, the CCP leadership took a direct measure in its fiscal policy: an attempt to eliminate the sources of people's resentment—that is, financial burdens imposed on villagers—through a series of rural tax reforms implemented since 2000. The central government first ordered local governments to integrate all *legitimate* fees (nontax exactions) that had been assessed for various reasons into a revamped single agricultural tax. The central government also ruled that local governments should consolidate all the agriculture-related state taxes into the integrated agricultural tax. As part of these reforms, the central government placed a ceiling on the maximum agricultural tax rate that each local government could collect at 8.4 per cent.<sup>11</sup> The central government then

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<sup>11</sup> Li Jiange and Han Jun, 'Jiejue wo guo xin jieduan "sannong" wenti de silu' ['A framework to solve the Chinese "agriculture, countryside, and farmers" problem in the new stage'], *Neibu Canyue [Inside Reference]* 695, (2004), pp. 2–16.

required that each local government reduce the integrated agricultural tax by one percentage point per year, so that by 2008 the agricultural tax would be phased out completely.<sup>12</sup>

The rural tax reforms since 2000 have had a surprisingly significant impact in alleviating the financial burdens placed on villagers. In March 2005, Chinese Premier Wen Jiabao, in his report to the National People's Congress, referenced 2006 as a deadline for eliminating the agricultural tax, moving up the planned deadline of 2008 by two years.<sup>13</sup> Though a statement by a CCP leader should be viewed with caution, reports by other Chinese officials also suggest the full implementation of the reforms and reduced burdens.<sup>14</sup> Among China's 31 provinces, 28 had already abolished the agricultural tax completely by July 2005, and the other three (Hebei, Shandong, and Yunnan) had stated their intention to do the same by 2006.<sup>15</sup> And local officials like those in Shaanxi Province, who gradually pared their per capita agricultural tax of 109 yuan to zero by 2005, made similar claims.<sup>16</sup>

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<sup>12</sup> Although the central government ordered the reduction of the integrated agricultural tax rate by one percentage point per year, in reality a number of provinces, mostly in central China, reduced their tax rate by three percentage points. Thus, the agricultural tax was phased out completely in many places by 2006.

<sup>13</sup> Huang Weirong, 'Pochan xiangzhen mianlin de zhuyao wenti ji duice chutan' ['A preliminary reflection on the main issues that bankrupt townships are facing and their measures'], *Xiangzhen Luntan [Township Forum]*, (11 November 2005), available at: <http://www.chinaelections.org/NewsInfo.asp?NewsID=41414> (accessed 20 September 2009); Yu Liedong, 'Quanmian quxiao nongye shui dui cunji zuzhi jianshe ji duice: dui Jiangxi Sheng 31 ge cun de diaocha' ['The impact of the complete abolition of the agricultural tax on construction of village-level organizations and their measures: a study of 31 villages in Jiangxi Province'], *Xiangzhen Luntan [Township Forum]*, (11 November 2005), available at: <http://www.chinaelections.org/NewsInfo.asp?NewsID=41754> (accessed 20 September 2009).

<sup>14</sup> Because comprehensive data at the national level of actual implementation of the rural tax reforms and reduced burdens is unavailable, I rely on official reports to examine Wen Jiabao's statement.

<sup>15</sup> Li Deqiang and Lei Xiaojun, 'Nongye shui quxiao hou nongcun xin wenti de duice sikao' ['A reflection on measures of the new issues arising after the abolition of the agricultural tax'], *Xiangzhen Luntan [Township Forum]*, (23 October 2005), available at: <http://www.chinaelections.org/NewsInfo.asp?NewsID=40505> (accessed 20 September 2009).

<sup>16</sup> *Ibid.*

My field interviews with villagers also confirmed that the agricultural tax was indeed to be abolished and financial burdens were significantly reduced. In the five inland provinces (Guizhou, Hebei, Hubei, Hunan, and Jiangxi) where I conducted interviews, 33 of 37 interviewees (89 per cent) said that the agricultural tax had become easier to tolerate since 2002. It is true that the amount villagers claim they have been paying is usually higher than the amount that the local government officially announces. For example, Mr. Wu, an ordinary villager in Hubei Province, still paid 100 yuan per mu in 2004 and would be likely to pay some smaller amount of the agricultural tax in 2005, while the provincial government declared that it had completed the abolition of the agricultural tax in that year. However, he paid a much smaller amount of the agricultural tax in 2004 than in 2002 when he had paid 230 yuan per mu, and he expected that the agricultural tax would further decrease in 2005. In short, even though there was a disparity between villagers' and local governments' accounts of the overall reduced amount, there was always agreement over the general trend. The financial burdens imposed on villagers fell in many areas and disappeared altogether in some others.

My interviews also indicate that due to the reduction of the financial burdens for the first time in recent memory, villagers have little to say about their dissatisfaction with local cadres who taxed heavily (though cadres have become the object of the villagers' ire for numerous other reasons discussed throughout this article). This is a very different situation from that of the late 1990s, when the majority of the rural protests involved taxes and fees. Supporting these on-the-ground observations, a study of the Institute of Rural Development at the Chinese Academy of Social Sciences (CASS) found that only 1.9 per cent of the news stories on rural issues between August 2003 and June 2004 concerned taxation.<sup>17</sup>

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<sup>17</sup> *Nanfang Zhoumo* [*Southern Weekend*], (3 September 2004).

Both my interviews and the CASS survey suggest that the overwhelming majority of rural protests have been over land since the turn of the century, an issue I discuss in detail later in this article. For example, in J Prefecture of Hubei Province there was a steep drop in the number of complaints related to taxation sent to the prefectural government from the countryside but a significant increase in the number of complaints regarding land disputes. In 2003, 88 per cent of the complaints were related to local cadres' handling of land, rather than taxes. Villagers complained about low compensation when local governments expropriated their land for building an industrial zone or a freeway. They also complained that local governments then sold the confiscated land to developers at a much higher price, so that local cadres could cover the funding shortage arising from reduced tax revenues.

In sum, although villagers have complained and protested that local cadres are abusing their power over land issues, the recent tax reforms reduced the financial burdens of villagers, and the disputes about these burdens decreased drastically. The reason this result is so striking is that previous attempts at tax reform in the 1990s failed to have such a remarkable effect. For example, in 1991 the ratio of township and village fees to the previous year's per capita income reached eight per cent even though its level set by national laws and regulations was five per cent.<sup>18</sup> In short, the villagers' financial burden *increased* throughout the 1990s but *decreased* after the 2000 tax reform. While it is indeed good news that rural tax reform has reduced the financial burdens imposed on villagers, all is not well in the Chinese countryside. As is common in the post-Mao era, solving one dilemma created others. In this case, the newly emergent problems are: (1) fiscal crises confronting local governments; and (2) the substitution of land sale revenue for agricultural taxes and fees by local governments.

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<sup>18</sup> Bernstein and Lü, *Taxation without Representation*, ch. 3.

## **Local Fiscal Crises**

Local governments, especially at the township levels, have faced fiscal crises and been subsidized by higher authorities in the fiscal system. Township governments are reliant on the county government for the transfer of funds, and are more vulnerable to popular complaints than any other level of local government when they collect various fees and/or fail to provide public goods. They suffer through a vicious circle that includes the accumulation of debt and the buying of taxes and concludes with the misappropriation of funds. In the following section, I explore these issues caused by the township fiscal crises focusing on the two townships where I conducted field research: Fire Mountain Town in Hebei Province and Long Port Town in Jiangxi Province.<sup>19</sup>

### **Fire Mountain Town**

In a sense, the fiscal crises of township governments have been a consequence of the success of the rural tax reforms. Because the tax reforms deprived township governments of revenue sources based on the agriculture-related taxes and the township fees, there are many township governments that do not have sufficient funds to pay officials' salaries and administrative costs. For example, Oi and Zhao find that among the twenty townships they studied, eight did not have sufficient funds to pay officials' salaries and five were able to pay but not on time.<sup>20</sup>

Needless to say, those township governments that have such difficulties will not spend their budget on providing public goods. Consider an example from Fire Mountain Town in

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<sup>19</sup> To keep the anonymity of my interviewees, I use fictitious names to describe the localities where I conducted interviews.

<sup>20</sup> Oi and Zhao, 'Fiscal crisis', p. 83.

Hebei Province. The town's Party Secretary said that the total revenue for 2003 barely covered the expenditures of officials' salaries and administrative costs. In 2003, the town government still had revenues of 900,000 yuan from the agricultural tax, which accounted for 50 per cent of the town's revenue (the other 50 per cent was from the corporate tax). In 2004, the town had difficulty paying officials' salaries on time because the agricultural tax was reduced significantly. The Party Secretary said that he would expect more difficulty in paying officials' salaries and covering administrative costs in 2005 when the agricultural tax would be completely abolished across Hebei Province. The town's total expenditure was 1.8 million yuan—1.2 million yuan was spent for officials' wages (*gongzi*, 工资) and 600,000 yuan was for other administrative costs (*bangongfei*, 办公费). Thus, the Party Secretary said: "Everything is spent for operating costs (*chifang caizheng*, 吃饭财政) of the government. There is no room to spend on public goods or services (*gonggong jianshe*, 公共建设, or *gonggong shiwu*, 公共事务)."

According to the Party Secretary, the biggest challenge for the town government was reducing the number of officials.<sup>21</sup> The town government employed 110 regular officials (not including leading cadres), decreased by 32 from the previous year. The superior county government required the town government to employ no more than 60 regular officials, which means that the personnel "target" given by the county government to this town was 60 and that the county government financed the employment of only 60 regular officials. Thus, the town government faced big pressure to decrease the number of regular officials. However, the Party Secretary said: "The recruitment of township officials is based on connections, so reducing officials is not a straightforward task." The county government subsidies for the township

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<sup>21</sup> I refer here to the issue of reducing *kuaikuai* (块块) (township) cadres, not *tiaotiao* (条条) (county) cadres. I do not have data on the personnel of *tiaotiao* cadres.

treasury are based on the target number of regular officials. Thus, if the number of regular officials exceeds the target, the financial burden for excess officials will directly impact the township treasury. In other words, regular officials suffer from the pressures of dismissal while leading cadres suffer from the pressures of finance; and, overall, regular officials suffer more than leading cadres, as leading cadres still have jobs, although the tax reforms made their jobs more difficult.

After losing revenue sources from the rural tax reforms, the Fire Mountain Town government attempted to cover the shortfall in fiscal revenue by collecting fees from villagers. Although the collection of fees became illegal with the tax-for-fee reform, township governments can still collect some fees if the fees are levied for a *specific* purpose and *solely* on those concerned with the purpose. The education fee (*wenjiaofei*, 文教费) is a typical example. Two villagers in Fire Mountain Town told me the following interesting story. In 2003, the town government collected 300 yuan per *student* from the households that have elementary or middle school students in the name of the compulsory education fee. However, it wrote “50 yuan” on the receipts that the town government gave to the villagers when they paid the fee. This phenomenon suggests that of the amount collected, one-sixth went to the county treasury to be redistributed to the compulsory education budget, while the remaining five-sixths was used to cover the shortfall in fiscal revenue and pay officials’ salaries and administrative costs of the town government. This fee itself is legal because it is not levied on all the villagers but *solely* on the households that have elementary or middle school students. However, its operation is illegal because the town government in reality levies the fee to cover its administrative costs, instead of using it for the specified purpose of compulsory education. In the case of Fire Mountain Town, however, this illegal operation did not cause any protest (neither uprisings nor petitions) because,

as both villagers said, “the fees levied now are much lower than the fees levied in the late 1990s,” although they both raised this incident when I interviewed them as the most dissatisfying thing about the town government.

In addition to writing false receipts for collected fees, another means to cover the shortfall in fiscal revenue is turning in a false report about villagers’ income to the county government. One of the informant villagers in Fire Mountain Town told me another interesting story: “The town government is submitting a false report about villagers’ revenue to raise wages and bonuses of officials.” A township with a larger economy tends to receive a larger personnel target for the government’s official employment. The county government only subsidizes the payment of wages for township officials within the target number. Thus, the township government has a strong incentive to exaggerate villagers’ income in the report to the county government. The problem is that this will not work once every township turns in an exaggerated report. At the same time, under the condition that funds of the county government for this subsidy are limited, the township government will be punished if it does not exaggerate villagers’ income while the other townships exaggerate it. As a result, no township government benefits from the false reporting though none can stop turning in a false report, and the county government fails to have accurate information about each township government’s fiscal condition.

### Long Port Town

One of the clearest trends to emerge from the rural tax reform has been the township governments’ growing debt. The township governments’ debt problem is not a totally new phenomenon, but the reforms have made it more pressing in recent years. One of the major

causes of township debt is a shortfall in tax revenue.<sup>22</sup> In the 1990s, a growing number of villagers went to cities to work in higher-paying factories, construction sites, or service industries. Outbound migration made it increasingly difficult to collect taxes and fees from villagers, and led remaining villagers to argue, as I heard from two villagers in Fire Mountain Town, that “it is unfair that only I have to pay taxes” when others were earning comparatively higher salaries elsewhere. Moreover, as township officials in both Hebei and Jiangxi complained during my field research, the reform exacerbated the problem because villagers could further justify their refusal to pay on the grounds that the taxes were to be abolished in the near future.

Though a significant number of villagers failed to pay taxes, township governments still had an incentive to cover, or at least to artfully disguise, revenue shortfalls. While the CCP government has decentralized economic decisionmaking by empowering local officials, at each vertical inter-governmental relationship a superior government keeps authority and resources to sanction a lower government under a personnel management system for leading cadres called the cadre responsibility system (CRS: *gangwei zeren zhi*, 岗位责任制).<sup>23</sup> Pierre Landry says: “A large number of agents are monitored by a multiplicity of principals who each have *some* authority to grant rewards (promotions) or inflict punishments (dismissal or demotion)” (italics in original).<sup>24</sup> Of course, like other political systems in China, the actual operation of the cadre evaluation system may be different from what the formal rules say. However, based on his

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<sup>22</sup> For the most comprehensive analysis of the township debt issue, see Lynette Ong, ‘The political economy of township government debt, township enterprises and rural financial institutions in China’, *The China Quarterly* 186, (2006), pp. 377–400.

<sup>23</sup> For example, Maria Edin, ‘State capacity and local agent control in China: CCP cadre management from a township perspective’, *The China Quarterly* 173, (2003), pp. 35–52; Susan H. Whiting, ‘The cadre evaluation system at the grassroots: the paradox of Party rule’, in Barry J. Naughton and Dali L. Yang, eds, *Holding China Together: Diversity and National Integration in the Post-Deng Era* (New York: Cambridge University Press, 2004), pp. 101–119.

<sup>24</sup> Pierre F. Landry, *Decentralized Authoritarianism in China: The Communist Party’s Control of Local Elites in the Post-Mao Era* (New York: Cambridge University Press, 2008), p. 117.

survey of county officials in Jiangsu Province, Landry finds: “Local officials believe that formal rules matter...[and] the cohesion among respondents speaks to the capacity of the Party to instill and maintain formal norms.”<sup>25</sup> Therefore, township officials have a political incentive to borrow money to compensate for fiscal revenue shortfalls and they often do so in creative and quasi-legal ways such as the next topic of discussion: tax buying (*mai shui*, 买税).

What is tax buying? It is probably better exemplified than defined. Here is an example from Long Port Town. When I was staying in the town, one of the town officials gave me the Town Chief’s report to the Town People’s Congress. According to the report, the town had revenue from industrial commercial taxes of 3.3 million yuan in 2004. However, I found that there were no major corporation activities that could substantiate an industrial commercial tax of 3.3 million yuan. When eating lunch together, one of the officials told me that tax buying financed more than 1.2 million yuan of the reported industrial commercial tax revenue.<sup>26</sup> The officials of Long Port Town used their personal connections to locate corporations in another township that agreed to pay their industrial commercial taxes in Long Port Town.<sup>27</sup> These corporations enjoyed a 30 per cent discount because of their willingness to pay elsewhere. It cost 400,000 yuan upfront for the government of Long Port Town to pay this amount as a kickback to the other township. However, the government of Long Port Town eventually earned revenue of more than one million yuan through this mutually beneficial exchange. And while

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<sup>25</sup> *Ibid.*, p. 150.

<sup>26</sup> I do not have information about how the remaining 2.1 million yuan was financed.

<sup>27</sup> Many of the corporations that paid their industrial and commercial tax in Long Port were located in townships close to Nanchang, the provincial capital of Jiangxi.

officials know that such an act is technically illegal, the official said that it was worth the risk because losing revenue would be tantamount to losing his job.<sup>28</sup>

To use this strategy, the officials of Long Port Town needed personal connections not only with the corporations but also with the officials of the township where the corporations are actually doing business. Obviously, this act causes the township government where the corporations are based to lose revenue. Hence, officials need a very close relationship with the officials of the township government that loses the revenue. If the relationship is close enough, township officials will put personal relations ahead of legal commitments. Moreover, officials in “host” localities may receive rebates personally—which cost 400,000 yuan in the case of Long Port Town in 2004—and the host township governments may count these rebates as additional revenue in extrabudgetary funds. Thus, the host township’s officials are not necessarily losers in tax buying.

In addition to tax buying, Long Port Town government appropriated subsidies to cover fiscal shortages. When the government decided to construct a new office building in 2004, it sent a funding request to the county government for a 900,000-yuan subsidy to level nearby farmland. In reality, the leveling project cost 300,000 yuan, but the funding request was awarded despite the obviously inflated estimate, enabling the town to get a new office building as well as some discretionary funds on the side. This case becomes more intriguing when factoring in the county government’s complicity in the process. The county regulation on vertical transfers includes a loophole that states that a subsidy for leveling land should be 3,000 yuan per mu, a

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<sup>28</sup> According to the informant, a new regulation would be applied in 2005. Under the regulation at that time, a business could pay its owed taxes anywhere as long as a receipt indicated payment. However, under the new regulation, “the tax receipt must indicate which township’s tax bureau has received the tax, so there will be no way to collect taxes located in a different township. Thus, one cannot buy taxes anymore.”

figure that is about 2,000 yuan per mu above the actual cost. Hence, a tacit understanding existed that the town government could use the overage to cover its officials' salaries and administrative costs when it received a subsidy.

### **The Land Sales Issue**

In order to cope with the aggravated funding shortage, local governments have increasingly used the practice of selling village land to developers for huge sums, for which villagers can get very little compensation. You-tien Hsing says: "Land has moved to the center of local politics...[and] commodified in the cities and the countryside" as the national policy objective has shifted to emphasizing urbanization.<sup>29</sup> In other words, local governments have substituted land sale revenue for agricultural taxes and fees after 2000. Although the conversion of rural land to nonagricultural use has been widespread in coastal provinces since the mid-1980s, the rural tax reforms implemented since 2000 have extended the local governments' land sales issue to interior provinces.<sup>30</sup>

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<sup>29</sup> You-tien Hsing, *The Great Urban Transformation: Politics of Land and Property in China* (Oxford: Oxford University Press, 2010), pp. 5–6. For an analysis of villagers losing land by land trade, see Sally Sargeson, 'Villains, victims and aspiring proprietors: framing "land-losing villagers" in China's strategies of accumulation', *Journal of Contemporary China* 21(77), (2012), pp. 757–777. For an analysis of the local politics of corruption over land in urban areas, see Jiangnan Zhu, 'The shadow of the skyscrapers: real estate corruption in China', *Journal of Contemporary China* 21(74), (2012), pp. 243–260. For an analysis of homeowners' reactions to the corrupt behavior of local governments and developers in urban areas, see Ngai-ming Yip and Yihong Jiang, 'Homeowners united: the attempt to create lateral networks of homeowners' associations in urban China', *Journal of Contemporary China* 20(72), (2012), pp. 735–750.

<sup>30</sup> Samuel P. S. Ho and George C. S. Lin, 'Converting land to nonagricultural use in China's coastal provinces: evidence from Jiangsu', *Modern China* 30(1), (2004), pp. 81–112. For an analysis of the most recent trend of contentious politics over the land sales issue, see Ray Yep, 'Containing land grabs: a misguided response to rural conflicts over land', *Journal of Contemporary China* 22(80), (2013), pp. 273–291.

As a result, according to Keliang Zhu and Roy Prosterman, land-related problems are the number one cause for rural grievances and unrest in China, which reported 17,900 incidents of farmers' protests (in which 385,000 villagers participated) in the first nine months of 2006.<sup>31</sup> Among these land-related problems, approximately 80 per cent of these incidents were related to illegal land takings. Moreover, according to a survey of 1,962 villagers conducted in 17 provinces in 2005, "incidents of land takings" increased by more than 15 times since 1995.<sup>32</sup>

My field research in J Prefecture of Hubei Province supports this finding. The following is a list of the issues petitioned by villagers to the prefectural government in 2003: (1) local cadres' legal but inappropriate use of power over land (65 per cent); (2) local cadres' illegal use of power over land (15 per cent); (3) local cadres' corrupt attitudes (12 per cent); (4) conflicts among villagers over land (8 per cent). Overall, 88 per cent of the complaints were related to land, most of which accused local cadres of mishandling land issues. Interestingly, unlike the finding of Zhu and Prosterman, most of the petitions over land in this data did not accuse local cadres of illegal acts but complained about their legal but inappropriate handling of land disputes between local cadres and villagers.<sup>33</sup>

One reason it is difficult for villagers to claim that local cadres' land expropriation is illegal is the ambiguous nature of property rights in rural areas. Article Eight of China's Land Management Law (*Tudi Guanli Fa*, 土地管理法) stipulates that land in rural areas is owned by "collectives" (*jiti*, 集体), and the Chinese government has deliberately kept the term "collective"

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<sup>31</sup> Keliang Zhu and Roy Prosterman, 'Securing land rights for Chinese farmers: a leap forward for stability and growth', Cato Institute Center for Global Liberty and Prosperity, Development Policy Analysis, (15 October 2007), available at: <http://ssrn.com/abstract=1066812> (accessed 27 June 2010).

<sup>32</sup> *Ibid.*, p. 5.

<sup>33</sup> *Ibid.*

ambiguous in articulating land rights.<sup>34</sup> Land ownership depends on who the collectives are. Local cadres interpret this stipulation to mean that village cadres are the collectives, while villagers interpret it to mean that they are the collectives themselves. Under the current scheme, compensation is not paid directly to villagers but to a collective, which means that village governmental organizations have the authority to receive compensation and decide the amount to be distributed to villagers. In a survey of 1,962 villagers in 17 provinces, approximately two-thirds of the respondents indicated their dissatisfaction with this process.<sup>35</sup> In sum, due to ambiguously legislated property rights, villagers cannot rely on the laws to justify their demands to protect their land from local cadres' expropriation.

Conflicts among villagers over land are a new type of petitioned complaints, which increased since the tax-for-fee reform started in 2000. Unlike the 1990s, farming has become more profitable because villagers' financial burdens have been reduced since the rural tax reforms were implemented. Thus, more rural residents are willing to go back to their home village from cities where they have worked for higher wages. When they go back to their home village, they often find that the land originally allocated to them has been allocated to another villager who has stayed in the village. Conflicts may then emerge between the villager who was originally allocated the land and the villager who is currently cultivating it.

Although it is not easy to obtain reliable comprehensive data on local governments' illegal or quasi-legal land sales, Woo Yeal Paik has compiled statistical data regarding illegally-handled land.<sup>36</sup> Table 2 shows the official data on the expropriators, occupiers, and traders of

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<sup>34</sup> Peter Ho, 'Who owns China's land? Policies, property rights and deliberate institutional ambiguity', *The China Quarterly* 166, (2001), pp. 394–421.

<sup>35</sup> Zhu and Prosterman, 'Securing land rights', p. 6.

<sup>36</sup> Woo Yeal Paik, 'Political participation, clientelism, and state-society relations', Ph.D. Dissertation, University of California, Los Angeles, (2009), p. 211. For his other analysis on the

illegally taken land in 2002.<sup>37</sup> According to the official record, in this year approximately 14,500 ha of land was illegally occupied, almost 100 ha was illegally expropriated, and almost 1,400 ha was illegally traded.<sup>38</sup> Lower-level local governments (county, township, and village) were engaged in more than 90 per cent of the illegal land expropriation though they occupied only one-fourth of the illegally-taken land. By contrast, enterprises occupied approximately 40 per cent of the illegally-taken land though they were rarely engaged in land expropriation. Moreover, enterprises were involved in almost half of the illegal land trades while lower-level local governments were involved in more than one-third of the illegal land trades.<sup>39</sup> Thus, one can speculate that in a typical process of illegal land trade, a lower-level government would sell the land that it expropriated to an enterprise. Moreover, higher-level governments (province and prefecture) were never involved in illegal expropriation but occupied approximately ten per cent of illegally-handled land. Thus, one can speculate that illegally-expropriated land would be traded not only to enterprises but also to higher-level local governments. Overall, the observations based on Table 2 are consistent with the widespread belief of the practice of township governments selling land to developers for huge sums to cover their fiscal deficits.

[Table 2 around here]

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politics of land development in suburban China, see Wooyeal Paik and Kihyun Lee, 'I want to be exploited!: the politics of xiaochanquanfang land development in suburban China', *Journal of Contemporary China* 21(74), (2012), pp. 261–279.

<sup>37</sup> Paik compiles the data from *Guotu Ziyuan Nianjian 2003 (National Land Resource Yearbook 2003)*. In the data, county governments include district (*qu*, 区) governments, and township governments include street (*jiedao*, 街道) governments.

<sup>38</sup> Because this is official data, one can easily imagine that the actual land area illegally used would be even larger.

<sup>39</sup> The data might double-count land trades between local governments, enterprises, and nonenterprise individuals.

### **From Predation Crises to Fiscal Crises**

The shortage of local government funds is not a new issue in the twenty-first century. Deep indebtedness plagued township governments long before the phase-out of the agricultural tax and was especially aggravated by the 1994 tax-sharing system (*fenshuizhi*, 分税制). What is new in this century is that township governments have stopped transferring their fiscal shortages to villagers in the forms of various fees. As a result, rural financial burdens imposed on villagers have been significantly reduced while township fiscal shortages have been aggravated in agricultural areas as a result of the rural tax reforms since 2000. Thus, township governments attempt to balance their budgets by stealing from above by appropriating subsidies, rather than stealing from below by levying heavy miscellaneous fees on villagers. In short, the rural tax reforms have replaced township predation crises with township fiscal crises.

To what extent has collective resistance influenced the consequences of the rural tax reforms that began a decade ago and that culminated in the outright abolition of the agricultural tax and other fees? Yongshun Cai argues that collective resistance in an authoritarian regime may help ordinary people to defend their interests and lead to policies more favorable for them under certain conditions.<sup>40</sup> The outcome of the rural tax reforms suggests that collective resistance over levies may satisfy the conditions for resistance to lead to favorable results for villagers. I argue that the tax-for-fee reform clarified the misconduct of township officials. Hence, officials have been afraid of their misconduct being made public (through petitions, for example) and refrained from levying illegal fees. In other words, the clarification of misconduct by the tax-for-fee reform made the implementation of subsequent policies more favorable for villagers.

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<sup>40</sup> Yongshun Cai, *Collective Resistance in China: Why Popular Protests Succeed or Fail* (Stanford: Stanford University Press, 2010).

As a result of the reforms, fiscal revenues of township governments were reduced and they had to rely increasingly on subsidies from higher authorities. Earmarked subsidies were misappropriated due to the institutional incentives of the performance evaluation system of township officials—specifically their promotion and bonuses based on the balanced budget. Although township governments may have a fiscal deficit, township officials have a strong incentive to disguise an unbalanced budget.

Before recent reforms, when it was impossible to reach the goal of a balanced budget legitimately, township governments in agricultural areas had four choices: (1) increase the financial burdens on villagers; (2) juggle amounts and sources of revenue; (3) stop paying officials' or teachers' salaries; and (4) borrow through personal connections from another township government, or from a superior government (such as a county, prefectural, or provincial government). In the 1990s, before the tax-for-fee reform was instituted, a township government would use some combination of the four but relied most heavily on the first. Thus, it often exaggerated the amount of revenue from agriculture-related taxes and legally permitted fees and levies, and then increased *illegal* fees to meet the exaggerated figure. To cover any remaining shortfall, the government would use creative bookkeeping and trim officials' or teachers' salaries.

With the implementation of the tax-for-fee reform, township governments can no longer rely upon taxes and fees to balance the budget, because villagers can easily recognize illegal fees if their local government levies miscellaneous fees, and because they have become more cognizant of the central government's reform policies. Under the new regulations in the tax-for-fee reform that stipulate that fees should be integrated into a single agricultural tax, local governments cannot increase miscellaneous fees—either legal or illegal—to compensate for

revenue shortfalls. In contrast, in the 1990s when many tax reforms attempting to reduce financial burdens imposed on villagers ended in failure, township governments *could* levy legal fees. Thus, they collected miscellaneous fees for superficially legal reasons even though many of the fees were in reality not used for those legally designed purposes. Moreover, as a result of the popularization of television sets in rural areas, villagers are increasingly aware that the central government has implemented the rural tax reforms. The state media has actively reported the central leadership's intention for reform and its apparent concern with the interests of villagers and rural issues. By appearing to side with the ordinary people against predatory agents of local governments, the central government has managed to rechannel the blame for bad governance onto township officials—thereby strengthening its own authority by sacrificing the township government's authority.<sup>41</sup> Because township officials are not popularly elected but appointed by the superior government in China's authoritarian regime, they have few venues through which to articulate their grievances against the central leadership or higher authorities when they are harmed by national policies.

Moreover, villagers have become more willing to use legal mechanisms such as petitions to superior governments if township governments violate the rules and policies implemented by the central government.<sup>42</sup> As a result of institutional reforms of political participation in the 1990s, villagers have more institutionalized means to communicate with township governments

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<sup>41</sup> As a result, according to surveys, villagers and local officials have very different views on their village's socioeconomic conditions, and villagers see local officials as unfairly advantaged. For example, Jie Chen, 'Sociopolitical attitudes of the masses and leaders in the Chinese village: attitude congruence and constraint', *Journal of Contemporary China* 14(44), (2005), pp. 445–464; M. Kent Jennings and Kuang-Hui Chen, 'Perceptions of injustice in the Chinese countryside', *Journal of Contemporary China* 17(55), (2008), pp. 319–337.

<sup>42</sup> Kevin J. O'Brien and Lianjiang Li, 'The politics of lodging complaints in rural China', *The China Quarterly* 143, (1995), pp. 756–783.

and express their demands to the state.<sup>43</sup> Engaging in mass demonstrations or public protests, villagers have become adept at using laws, rules, and institutional mechanisms that the central government created and/or legitimated to express dissatisfaction with township governments.<sup>44</sup> Thus, villagers may petition to higher authorities if their township government levies a miscellaneous fee. Before the tax-for-fee reform, it was difficult for villagers to prove which fees were illegal and hence they often gave up using the petition system. Now that township governments know that villagers *can* more easily prove that fees are illegal, they may give up levying miscellaneous fees to fill the revenue gap, afraid of *potential* petitions. Therefore, as a result of the rural tax reforms implemented since 2000, a growing number of township governments have suspended payment of officials' and teachers' salaries in order to cover their fiscal deficits. And when a township government receives a subsidy, it uses the subsidy to pay officials' salaries rather than fund projects.

My argument here implies that the change in behavior of township governments is because of clearer identification of misconduct at the grassroots level. In the past, the amount of revenues collected played a large role in the promotion of leading cadres. Since the tax-for-fee reform was implemented, this criterion has been downgraded. More importantly, township governments have behaved strategically by not levying miscellaneous fees as a response to the clearer identification of exaction misconduct. In this strategic calculation, township officials are as afraid of *potential* petitions as they are fearful of actual petitions of any kind because reported petitions to higher authorities have a negative influence on their promotion. Thus, they comply with the reduction of rural financial burdens through the tax-for-fee reform and the outright

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<sup>43</sup> Lianjiang Li and Kevin J. O'Brien, 'Villagers and popular resistance in contemporary China', *Modern China* 22(1), (1996), pp. 28–61.

<sup>44</sup> O'Brien and Li, *Rightful Resistance*.

abolition of the agricultural tax. Would the same deterrent effect work to solve land disputes? I would answer negatively.

I have argued that in the rural exaction issue, interventions by higher levels have demarcated the legal feasibility of levies and charges, and the infringement of villagers' rights or violations of national laws is thus more clear-cut. By contrast, laws and regulations regarding land are so complicated that it is difficult for villagers to prove the inappropriateness of local cadres' behavior in land disputes. My position is consistent with Cai's argument that the key for success in collective resistance is "to seek favorable intervention from higher authorities" because "those local officials who are worried about citizens' reporting on their misconduct may be more responsive to the citizens' grievances and even make concessions to silence them."<sup>45</sup> I do not argue that the land right issue is exceptionally complicated but argue that rural tax reform has significantly simplified laws and regulations regarding rural exaction. In general, individual rights and entitlements in any single policy area are complicated as they are legislated and implemented in the bureaucratic maze of laws, regulations, arrangements, and practices at both central and local levels.<sup>46</sup>

Despite the complication of rights and entitlements stipulated in laws and regulations, land-related disputes have been rising over the last few years while local governments have adopted predatory strategies on rural land. Many of the land disputes are clear-cut violations of national laws as compensation is well below legal stipulation, eviction and confiscation occur without compensation, and excessive violence is deployed by local cadres or thugs employed by them. However, unlike the rural exaction issue, clear identification of misconduct over land

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<sup>45</sup> Cai, *Collective Resistance*, pp. 8–10.

<sup>46</sup> Kevin J. O'Brien and Lianjiang Li, 'Selective policy implementation in rural China', *Comparative Politics* 31(2), (1999), pp. 167–186.

disputes does not help local officials become more responsive to the people's grievances and make concessions.

Hsing argues that township officials are more willing to work with villagers in richer areas while they are more predatory in poorer areas.<sup>47</sup> Villagers benefit from land deals when farmland is converted to urban uses in industrialized villages and “former peasants continue to live in the residential parts of the village.”<sup>48</sup> Villagers even take initiatives to advance land deals and “carve out a space of autonomy in the increasingly urban-centered metropolitan governance.”<sup>49</sup> Township officials know that they can earn large profits from expropriating land and leasing it to outside developers, and they do not want to lose such benefits by inducing collective resistance from villagers. As long as compensation and compromise are possible without hurting their material and monetary interests, township officials have a strong incentive to consider villagers' interests and allow them to “maximize land use by building up on their own reserved housing land.”<sup>50</sup>

By contrast, villagers in poor areas often lose their land when township officials are interested in selling land to outside developers. Hsing says that “between 1980 and 2003, somewhere between 50 and 66 million Chinese peasants lost all or part of their farmland and houses” and hence “land grabs and forced evictions have become the primary cause of peasants' protests since 2000.”<sup>51</sup> In contrast to land deals in industrialized villages, villagers tend to lose their houses when township officials confiscate their land in agricultural villages. Villagers are relocated and lose their local ties with the community. Thus, relocation “triggers physical, social,

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<sup>47</sup> Hsing, *The Great Urban Transformation*, chs. 5–7.

<sup>48</sup> *Ibid.*, p. 123.

<sup>49</sup> *Ibid.*, p. 124.

<sup>50</sup> *Ibid.*, p. 141.

<sup>51</sup> *Ibid.*, p. 182.

and discursive processes,” which cause villagers to “lose land, livelihood, networks of social support, and collective identities.”<sup>52</sup> This is different from the cases in industrialized villages where villagers or village leaders take initiatives to trade land by pooling “land parcels into larger industrial estates” or by creatively pooling funds for further development to increase the commercial value of their land.<sup>53</sup> In sum, in land disputes, it is not laws or regulations but financial interests shared by villagers and local officials that might give local officials an incentive to support or compromise with villagers’ interests and to defend villagers’ legitimate rights.

## **Conclusion**

In this article, I have explored the survival strategies of township governments to adapt to the new conditions posed by the rural tax reforms. Since 2000, township governments in agricultural areas have seen their revenues shrink, and have watched as the central government has done too little to address their funding shortages. The tax reforms have pressed township governments in agricultural areas to reduce their personnel, but these governments have resisted the pressure by various creative means. In order to maintain the over-quota staff despite the aggravated funding shortage, township governments have misappropriated earmarked funds and sold village land to developers for huge sums, for which villagers themselves have gotten very little, and which has now become the biggest source of rural protest.

Joel Migdal once pointed out that in many countries (especially in developing countries), local governments implement policies introduced by the central government in a manner

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<sup>52</sup> *Ibid.*, pp. 184–185.

<sup>53</sup> *Ibid.*, p. 133.

drastically different from what is envisioned.<sup>54</sup> China is no exception. The divergence between the central government's demands and local governments' discretion has become further apparent in the post-Mao era.<sup>55</sup> In China's central-local relationship, the details of the policy implementation are generated at the central level. However, the personnel system such as the CRS gives local officials an incentive to deceive higher authorities to hide local problems, in order to avoid demotion or other unfavorable treatment in personnel management. Moreover, the conditions for performance contracts under the CRS signed between local governments and higher authorities often include targets for policy outcomes higher than is feasible for local conditions, because officials of the lower government are at an inferior position to higher authorities.<sup>56</sup> Therefore, the contracts give local officials strong incentives to cheat higher authorities.

My analysis in this article suggests that collective resistance may have a significant but limited impact on the responsiveness of township governments. In the authoritarian regime, the lack of government's responsiveness is a default setting, as Cai suggests that "citizens' legitimate or legal rights have been ignored by state agencies or businesses in the fast changing socioeconomic context."<sup>57</sup> However, officials may be responsive to popular preferences under some conditions. For example, at the village level—a small rural community where people know each other in person and interact with each other in a daily basis—cadres can be held

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<sup>54</sup> Joel S. Migdal, *Strong Societies and Weak States: State-Society Relations and State Capacities in the Third World* (Princeton: Princeton University Press, 1988).

<sup>55</sup> For example, Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy* (Cambridge: Harvard University Press, 2006).

<sup>56</sup> For example, Jing Vivian Zhan, 'Decentralizing China: analysis of central strategies in China's fiscal reforms', *Journal of Contemporary China* 18(60), (2009), pp. 445–462.

<sup>57</sup> Cai, *Collective Resistance*, p. 21. For discussion of how the CCP has maintained legitimacy by limited but effective political reforms, see Gunter Schubert, 'One-party rule and the question of legitimacy in contemporary China: preliminary thoughts on setting up a new research agenda', *Journal of Contemporary China* 17(54), (2008), pp. 191–204.

accountable if the village has what Lily Tsai calls the “encompassing and embedding solidary groups” in whose activities cadres participate.<sup>58</sup> At the township level (or above), where ordinary people do not interact with local officials in a daily basis, the key for successful collective resistance is to seek support from state actors such as local officials, because “those local officials who are worried about citizens’ reporting on their misconduct may be more responsive to the citizens’ grievances and even make concessions to silence them.”<sup>59</sup>

In the case of the rural tax reforms, clearer identification of misconduct brought by the tax-for-fee reform made township officials afraid of potential petitions, and gave them an incentive to implement the subsequent pro-villager reforms that ended with the abolition of the agricultural tax. A similar deterrent mechanism works on land disputes in industrialized villages. Township’s leading cadres are keenly aware that they can benefit immensely from expropriating land and leasing it to developers.<sup>60</sup> At the same time, they do not want to have this benefit tarnished by collective resistance. With this cost-benefit calculation, officials are willing to compromise with popular preferences, and villagers can earn a significant amount of compensation while keeping their houses when selling farmland. This deterrent mechanism does not work on land disputes in agricultural villages. Township cadres benefit from expropriating and selling land to cover the fiscal shortage. However, unlike in industrialized villages, villagers have a strong incentive to keep farmland in agricultural villages because they do not have any industry other than agriculture. Township cadres are not willing to compromise with villagers because a large amount of compensation may cancel out the low value of land in nonindustrialized areas. Moreover, higher authorities are not sympathetic to land-losing

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<sup>58</sup> Lily L. Tsai, *Accountability without Democracy: Solidary Groups and Public Goods Provision in Rural China* (New York: Cambridge University Press, 2007).

<sup>59</sup> Cai, *Collective Resistance*, p. 10.

<sup>60</sup> Hsing, *The Great Urban Transformation*, ch. 6.

villagers because confiscation of land is legitimized under the national policy of urbanization. In sum, clear identification of misconduct is not enough to make (potential) collective resistance lead to favorable policy for ordinary people. Popular demands must be consistent with a national policy for the state to respond to their demands. Otherwise, people will be unable to find support from state actors, which is essential to pursue legitimate rights and interests, especially in the authoritarian regime.

**Table 1.** Composition of the informant pool

	Local Cadres				Villagers	<i>Total</i>
	Prefecture	County	Township	Village		
Guangdong	–	–	–	1	2	3
Guizhou	–	–	1	–	7	8
Hebei	–	1	8	7	17	33
Hubei	3	1	–	1	2	7
Hunan	–	1	5	17	3	26
Jiangxi	–	–	6	6	13	25
Zhejiang	–	1	–	2	3	6
<i>Total</i>	3	4	20	34	47	108

**Table 2.** Illegal Land Expropriation and Occupation in 2002 (ha)

	Land Occupation	Land Expropriation	Land Trade
Province	1,232.72 (8.49%)	–	0.28 (0.02%)
Prefecture	384.77 (2.65%)	–	12.98 (0.93%)
County	1,032.34 (7.11%)	48.04 (49.55%)	35.87 (2.57%)
Township	484.96 (3.34%)	10.72 (11.06%)	96.57 (6.92%)
Village	2,038.55 (14.04%)	29.99 (30.93%)	316.93 (22.71%)
Government Total	5,173.34 (35.63%)	88.75 (91.54%)	462.62 (33.15%)
Enterprise	5,757.03 (39.65%)	4.44 (4.58%)	611.39 (43.81%)
Individual	3,590.70 (24.73%)	3.76 (3.88%)	321.53 (23.04%)
Total	14,521.07 (100%)	96.95 (100%)	1,395.55 (100%)

*Source:* Woo Yeal Paik, ‘Political participation, clientelism, and state-society relations’, Ph.D. Dissertation, University of California, Los Angeles, (2009), p. 212.