

**Li County under Reform:  
Policy Implementation and Impact in  
Central China, 1978 – 2013**

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Submitted for the degree of Doctor of Philosophy

The Institute of Commonwealth Studies

School of Advanced Study

University of London

2015

## **DECLARATION**

I declare that the work in this thesis hereby submitted to the University of London for the degree of Doctor of Philosophy is based on my own work carried out at the Institute of Commonwealth Studies, School of Advanced Study, University of London and in field research in Li County.

No part of this thesis has been previously submitted by me for a degree at this or any other University, and that all material contained therein has been duly acknowledged.

Signature: JING XU

Date:

*Dedicated to  
Mum, Dad and Sam*

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## **Abstract**

This thesis analyses the implementation and impact of a succession of reform policies in a reasonably typical county in central China between 1978 and 2013. Three phases in the recent history of Li County – a fairly representative microcosm – are examined. These phases emerged as China witnessed transitions across three generations of the central leadership. This study pays special attention to certain key reforms: the allocation of lands to households, the development of Township and Village Enterprises, and self-governance for villagers in the 1980s; the decentralisation of fiscal authority, and the tax sharing system in the 1990s; and the reforms of taxes and fees, reforms beneficial to agriculture, and other supporting reforms from 2000 to 2013. By assessing the implementation of these policies in one predominantly agrarian county in central China – in which 81.5% of the population was rural in 2010 - the thesis attempts to present a vivid picture of what has been happening in China, and to explain why China became what it is now. It also seeks to contribute to an understanding of the diverse political and social impacts of the reforms.

The methodology which the current study employs is mainly qualitative. The findings in the thesis are based in part on secondary sources, but it mainly relies on two types of primary sources, which were examined during several phases of fieldwork between 2011 and 2013. First, documentary materials archived by many government departments at different levels within the county were consulted. Second, oral evidence was collected through recorded interviews with local party cadres and peasants in 53 villages in thirty townships within the county. The

quantitative data set out in the thesis is drawn either from official statistics or from personal testimonies. The two sets of evidence complement each other, enable cross checking, and lend credibility to this analysis. They help us to understand conflicts that arose amid reform between different groups, and between traditional customs and modern values – and the strategies that have been adopted by a diversity of actors to ease those conflicts and to stabilise society. They also yield insights into the economic, social and environmental impediments which confronted the reform process, and into both the hardships and opportunities which ordinary people encountered.

## ACKNOWLEDGEMENTS

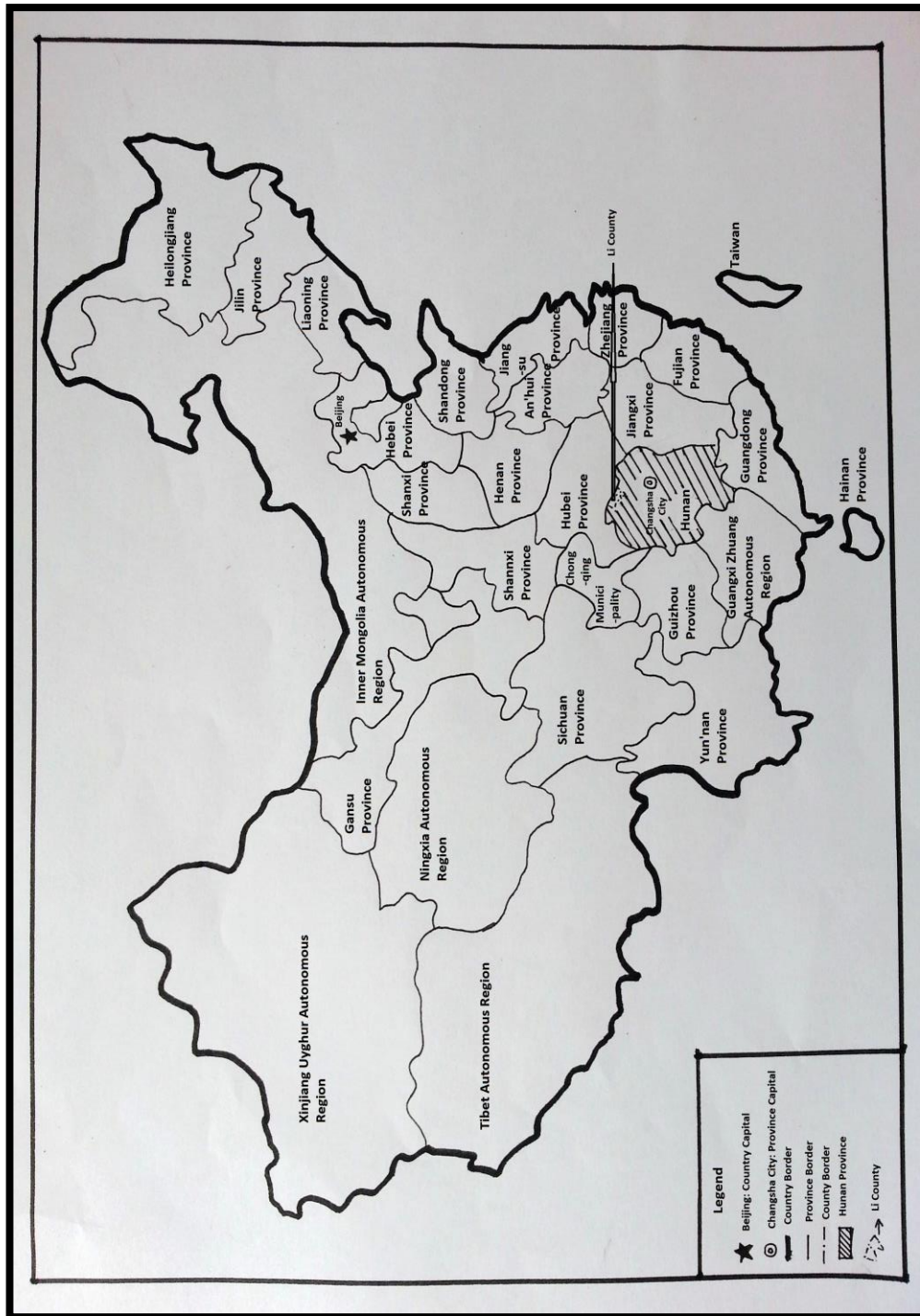
Writing a PhD thesis is a long battle between procrastination and self-discipline, a constant battle between self-denials and inspirations. No one can win this battle without contribution from other people. I thereby would like to thank those who have helped me to turn this thesis into a reality when it seems very distant.

First of all, I would like to thank Professor James Manor for firstly leading me into the complexities of social science and then steering me on the right course when I seemed to be diverted. As an experienced social scientist specialising in south-eastern Asia, not only are his professional suggestions and opinions always inspiring, his patience and calmness in dealing with work pressure present me with an admirable intellectual quality.

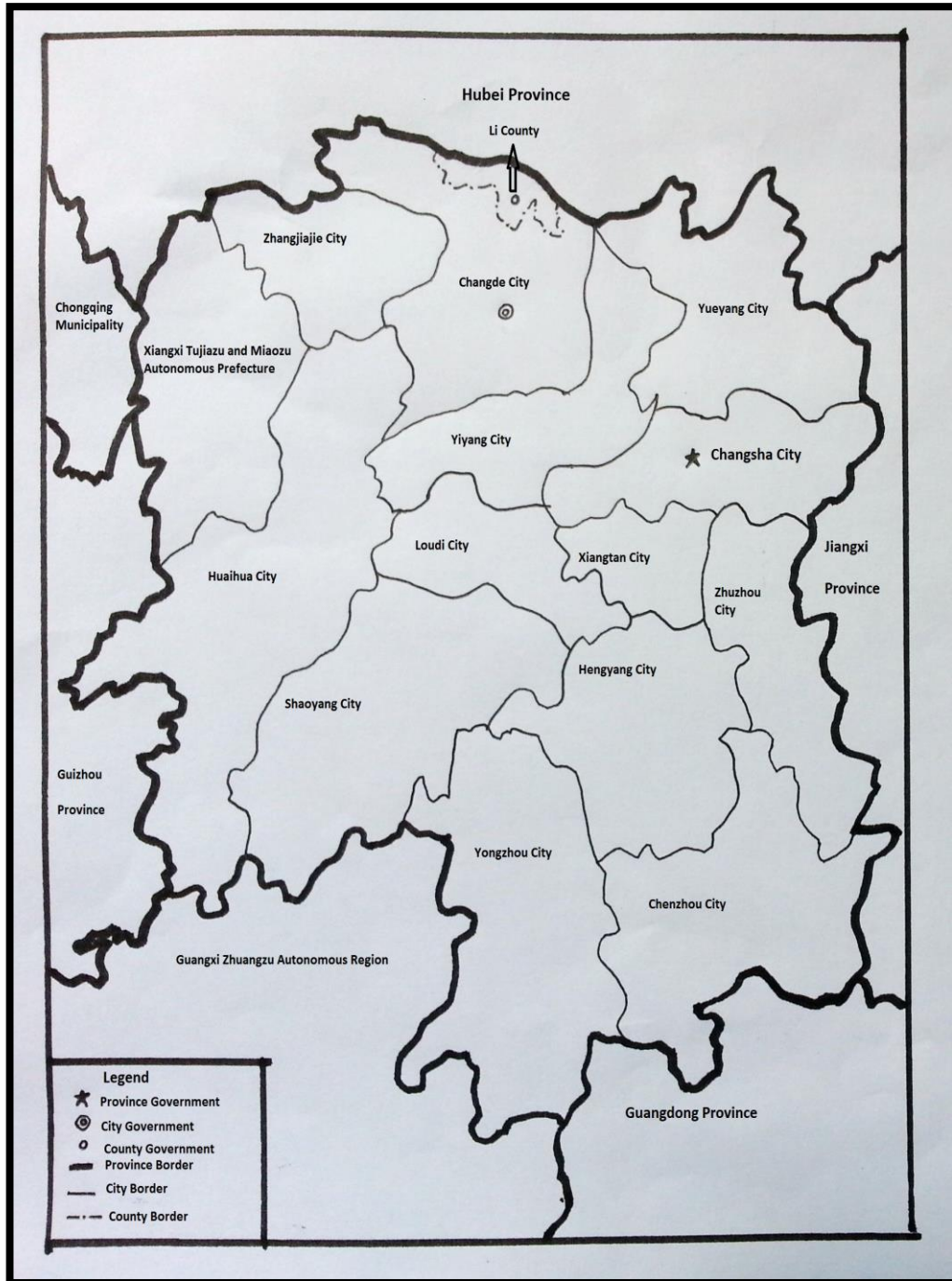
Second, as a novice of sociological field research, I would like to thank the Li County group of the Rural Social-economic Survey Team, with special thanks to Mr. M, the team leader; Mr. Fang, the deputy team leader; and Ms Z, the investigator. They taught me much about field research and real experiences of talking to peasants. Mr. Xia, the driver of the group also offered me help when I needed to go to remote rural villages.

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Map 1: Li County in China



Map 2: Li County in Hunan





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## ABBREVIATIONS

AHP	Agreements between member households and the production teams
ASP	Agreements between the smaller teams and the production teams
CBE	Commune and brigade enterprise
CCP	Chinese Communist Party
CGSICC	Cotton Ginning Seed Industry of Changde City
DAOB	Distributing on an agreed-output basis ( <i>lianchan jichou</i> )
IOU	I Owe You
PAF	Public Accumulation Funds
PRC	People's Republic of China
PWF	Public Welfare Funds
RSEST	Rural Socio-Economic Survey Team
TPSECCCP	Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party
TVE	Township and Village Enterprises

## Notes on Measures and Currency

1 li = 500 meters or 0.31 mile

1 mu = 1/15 hectare or 1/6 acre

1 yuan = US\$0.67-0.36 from 1981 to 1984

US\$0.35-0.17 from 1985 to 1993

US\$0.12 from 1994 to 2005

US\$0.12-0.15 from 2006 to 2013

## Chapter One: Introduction

### *1.1 The Research Question*

Between 1979 and 2013, government policies changed markedly in China and its economy underwent fundamental changes. Economic growth soared and proved remarkably sustainable throughout that period. Many state controls over the economy were relaxed or removed, vast numbers of people were lifted out of poverty, many individuals prospered so that a new middle class emerged. But economic inequality also increased markedly, and enormous numbers of peasants were enticed or forced off the land to seek work in urban centres. As a result, China in 2013 was very different from its former self in 1979.

And yet, despite the magnitude of these changes, two things which occurred in numerous other Communist systems in that period did not happen in China. Sometimes what does not happen is as important as what does, and both of these non-occurrences were immensely important. They cry out for analysis. This thesis provides a response.

First, despite mounting inequalities, and massive social dislocation – and what one social scientist has called “social change in fast forward”<sup>1</sup> -- the social order at the local level did not break down. Social relations within local communities did not degenerate into serious conflict or chaos. Chinese society was able to absorb monumental changes and (at times) acute stresses. Inequalities have seldom produced crass injustices, exploitation or severe internecine violence. The social order has proved resilient. It has bent without breaking.

Second, the political order has not been undone by these changes – by rising inequalities, by the emergence of a middle class, by social change and

---

<sup>1</sup> This phrase comes from Anne Booth of the School of Oriental and African Studies, in a seminar during the mid-1990s. She was referring to Indonesia, but her words can be applied to China as well.

tensions, or by unrest. Collective protests have become very widespread over the last two decades. But even though China has a long history of revolts from below, and even though some other Communist systems have given way to multi-party pluralism, these protests have neither overturned the prevailing order or led to the abandonment of the one-party system. The Chinese Communist Party has diluted or discarded many of the core principles upon which it operated before 1979. But despite this – or in some cases, because of this – it has retained its position as the dominant political force.

Nor have the great changes that have occurred loosened the tight interpenetration of the party and the state. It remains appropriate to speak, as social scientists often do, of the ‘party-state’. The roles played by cadres at lower levels in the system and by the party-state have changed, but the authority of the latter has not been seriously eroded. Indeed, in some ways, it has been strengthened – despite or in some cases because of changes in the sources of its claims to legitimacy. The party-state controls less than it did in earlier years, but retains its overall control of events. The sources of its authority have also changed, but its authority has remained largely intact. Like the social order, the political order has proved resilient not because it is unchanging, but because it has adjusted to -- and introduced -- changes.

This thesis seeks to enrich our understanding of China’s recent history by examining, in great detail, evidence from a fairly typical county in central China during three successive phases. These phases emerged as China witnessed transitions across three generations of the central leadership. Chapter two focuses on the period between 1979 and 1989, in which the peasants were released from unified labour after allocating the land to the peasants and became the main force to stimulate the first generation of rural industry – Township and Village Enterprises. Chapter three examines the period between 1990 and 1999 when the financial burdens on the shoulders of the peasants had become unmanageable and thus not only caused the deteriorated relationship between the local authority and the peasants, but also unintentionally led to the emergence of

migrant workers. Chapter four deals with the period between 2000 and 2013 which is welcomed by the peasants as the central governments released several policies benefited the rural society in order to relieve the burdens on the peasants and ease the tension between the local authority and the peasants in the 1990s.

By proceeding in this way, the thesis seeks to answer two principal research questions. How has the social order proved so resilient? And how has the political order proved so resilient? By addressing these two questions, the thesis seeks to deepen our understanding of the evolution of state-society relations in China during a period of extraordinary change.

Several subordinate research questions emerge from the two principal questions noted just above. Each of the three core chapters explains what changes occurred, how they were introduced, what they implied for different groups of citizens, and citizens' responses to them. At the end of each of the three core chapters, answers are provided to the following subordinate questions, which follow on from the principal questions.

1. Did changes in government policy and/or the economy in that period create:
  - a. stronger social bonds among citizens, or
  - b. stresses within society or
  - c. conflict between social groups, or other forms of unrest/disorder within society?
2. Did changes in government policy and/or the economy in that period weaken or strengthen:
  - a. the roles played by lower-level Communist Party cadres and government institutions,
  - b. cadres' interactions and relationships with citizens,
  - c. the influence of cadres and the party-state, and

- d. the authority and legitimacy of cadres and of the party-state?
3. At any point in that period did it appear that (a) the social order, or (b) the influence/authority of cadres and the party-state might be at risk of breakdown? If either answer is in the affirmative, details of the problem will be provided along with information on any steps (coercive or accommodative) that were taken to reduce the risk of breakdown -- and their impact.

As we shall see, the picture changes as we move through the three broad phases analysed in the three core chapters of this thesis. Therefore, the answers to the questions set out above also change over time.

In certain periods, changes in government policy and the economy produced stresses and even conflicts within society. In every instance, however, these proved to be manageable – either through amelioration and the renegotiation (or mere acceptance) of new realities, or through threat or actual use of coercion. In other periods, changes in government policy and in the economy were (for the most part) welcomed by many social groups -- because they made immediate gains from them or at least saw the possibility of future gains. When that occurred, tensions within society became less acute. Once a picture emerges of the changing dynamics across the three periods covered in the core chapters below, our understanding of the resilience of the social order should be enhanced.

In certain periods, changes in government policy and the economy produced tensions between lower-level party cadres and citizens. They sometimes imposed new, difficult tasks upon cadres which threatened their congenial relations with citizens. At times, cadres were required to threaten or to use coercion in their dealings with citizens, and that naturally made citizens antagonistic towards both the cadres and the party-state. In every instance, however, these tensions eventually proved to be manageable -- sometimes because government policies changed to ease antagonisms, and sometimes because cadres and citizens found informal ways to negotiate understandings. Once a picture emerges of the changing dynamics across

the three periods covered in the core chapters below, our understanding of the resilience of the political order should be enhanced as well.

By examining these changing dynamics over time – first within society, and then between social groups on the one hand and cadres and the party-state on the other, this thesis seeks to enhance our understanding of the evolution of state-society relations in China during these years of extraordinary change. Its relevance will be commented on at the end of each chapter.

### ***1.2 Literature Review – The Authoritarian Resilience of China***

The resilient authoritarian regime in China has been puzzling many social scientists for the past two and a half decades. After 1989, many China specialists and democratic theorists expected this regime to fall to democratization’s “third wave” (Linz, 2000; Nathan, 2003). However, this most populous Communist country has not only survived its Tiananmen Square Incident in 1989, but the dominant Communist party also led the country through a period of remarkable economic success which has brought about tremendous changes in economic and social structures since then. These phenomena challenged the traditional view that market-oriented economic reform and development cannot be realised in a rigid Leninist-style Communist country (Shirk, 1993) and draw abundant attention from scholars. Over the past twenty-odd years, more and more experts joined a debate around the questions of how the regime has maintained its rule since 1979, and how likely it is to overcome the challenges that it faces today in order to maintain its upward resilience in the foreseeable future. (Shambaugh, 2000, 2008; Nathan, 2003, 2006, 2013; Pei, 2012, 2014).

Generally speaking, there are two dominant perspectives on the CCP’s capacity to maintain its political monopoly – authoritarian collapse/decay vs. authoritarian resilience. However, the debates between these two perspectives are not static. As China is still in transition, changes happen from time to time. The debate between these two competing perspectives

thus has never been completely resolved, although one might be more dominant than the other at different times. Opinions from scholars in the two schools are reflections of what has been happening in China and sometimes their theories evolve over time.

### ***1.2.1 The Traditional View of Communist Regimes' Collapse***

Just after the collapse of the former Soviet Union and the Eastern Europe, the survival and the transition of Communist regimes became one of the key topics in the comparative politics (Jowitt, 1992; Scalapino, 1992; Linz and Stepan, 1996). One widespread view in traditional western studies of Communism is that Leninist-style politics are relatively rigid systems and cannot adapt to the market economy and the complicated social environment that attends it. Such systems rely on coercion to deal with discontent, to such a degree that the citizens cannot tolerate it and the systems were bound to collapse (Jowitt, 1992; Shirk, 1993; Fukuyama, 2002). This argument makes sense for the people who are familiar with the history of East Germany and the Soviet Union. The Stasi and the KGB's role in the East German dictatorship and the Soviet Union, and later their collapse, reminded us of Communist regimes' tragic fate (Dimitrov, 2012).

The mainstream arguments on China's Communist regime in the late 1980s and the early 1990s followed the above-mentioned traditional theory and applied it to predictions about China, arguing that China would follow in the footsteps of other Communist regimes in Eastern Europe and the former Soviet Union. The regime in China would - gradually be eroded by economic development and would ultimately change from a Leninist-style political structure to a modern western democratic structure (Walder, 1991, 1995; Shambaugh, 1996; Winckler, 1999; Chang, 2001; Pei 2006). This argument is basically an application of an existing western theory to the China case and holds that the Communist regime is fragile due to "weak legitimacy, overreliance on coercion, overcentralisation of decision making, and the predominance of personal power over institutional norms". (Nathan, 2003)



### ***1.2.2 Authoritarian Resilience***

However, what has been happening in China in the 1990s and early 2000s did not conform to the expectations of these scholars. Political/institutional adjustments and changes in economic policy have enabled China to reconsolidate – by achieving massive economic progress and lifting millions out of poverty (Nathan, 1998, 2003). The political and social order proved relatively stable and economic development proved sustainable -- in a striking contrast to the predictions. Against this background, many scholars began to rethink their arguments and asked why the realities diverged so much from their theories? This led to more emphasis on empirical analyses of the CCP and the regime. The concepts of authoritarian resilience and the party-state's adaptations attracted more attention.

Andrew Nathan is the leading figure in this school. With the focus on political institutions, his paper “Authoritarian Resilience” summed up the causes of regime resilience in China “in the concept of institutionalization” (Nathan, 2003). This school attributes the resilience of the party-state to its capacity to adapt via institutionalisation (Li, 2012), and scholars fleshed out this argument by deploying their specialised knowledge to provide the concepts of institutionalisation and adaptation with detailed content. In brief, the following argument are used to explain the regime's resilience,

#### ① Ideological adaptation

The easing of controls over society and the development of market reforms since 1978, has persuaded many scholars that ideology based on Marxism has become obsolete in contemporary China, and that the Chinese people are indifferent to it (Misra, 1998; Bakken, 2000, 2002). However, after studying the evolution of ideology and rhetoric from Jiang Zemin's era to Hu Jintao's era, other scholars have concluded that the CCP's ideology is not as rigid as they thought before, but has been updating its content and functions in tune with the times (Dickson, 2003; Holbig, 2009; Dimitrov,

2012; Zeng, 2015). For example, Dickson and Zeng argued that Jiang's "Three Represents" justified the regime's rule by expanding the mass base of the CCP. In the Hu Jintao era, ideological rhetoric has focused more on harmony, balance and human-orientation -- in response to increasing social conflicts and unbalanced regional development. Holbig argued that the idea of "building a harmonious society" in Hu's era emphasizes the social justice. He and Zeng both think Hu's "Scientific Outlook of Development" justified CCP rule and give guidance to sustainable development of the society (Holbig, 2009; Zeng, 2015).

Dimitrov also found that the rhetorical commitment to building a "well-off society" and Hu's enactment of policies -- to "provide health insurance, pensions, unemployment benefits, and low-income housing" -- reveal "the importance the regime attaches to maintaining social policies with broad popular appeal" (Dimitrov, 2012). In addition, many western scholars have noted that the CCP's ideological changes have involved the promotion of patriotism, nationalism, historical-cultural elements, etc. to justify its legitimacy (Weatherley, 2006; Dimitrov, 2012). For example, Ian Buruma wrote a comment in the *New York Review of Books* on 4 June 2015 and said, "Patriotic ideology replaced Maoism as the justification for the continuing monopoly of power of the Chinese Communist Party. Only the party can make Chinese strong enough to ensure that the nation will never be humiliated by foreign powers again..."

Against this background, Zeng went further and pointed out the conceptual weaknesses from which the ideologically obsolescence supporters actually suffer: (1) they equated ideology to communism; and (2) they equated ideology to a belief system (Zeng, 2015). He followed Schull's approach and used his definition of ideology -- a form of discourse (i.e. political language) that "includes, but is not limited to, a belief system". He linked that to empirical validations to argue that ideological adaption in contemporary China, over time, has not only been as relevant as before the reform era, but that it still plays an important part in maintaining the legitimacy of the CCP (Zeng, 2015).

## ② The institutionalisation of leadership succession and meritocracy

Conventional regime theory ascribed the fragility of authoritarian systems to “weak legitimacy, overreliance on coercion, over-centralisation of decision making, and the predominance of personal power over institutional norms” (Nathan, 2003). This is also the theoretical foundation for many China specialists and democracy theorists who expected authoritarian China to collapse after the 1989 Tiananmen crisis. The economic and social development of the regime in the next 20-odd years, however, has proven its resilience. While economic growth is still regarded as a key factor to support authoritarian resilience, Hu Jintao’s smooth succession to power in 2002-2003 and his consolidation of power thereafter convinced scholars of the adaptive capacity of the CCP in terms of the institutionalisation of succession politics and meritocracy. Nathan thus was the first scholar who came up with the concept of institutionalisation, based on Hu’s succession, to lend support to his theory of authoritarian resilience (Nathan, 2003; 2006).

In detail, Nathan focused his argument that institutionalisation enabled resilience on four aspects of the CCP – (1) its leadership succession has increasingly become norm-bound; (2) its elite politics has growly been meritocratic rather than factional; (3) the institutions within the regime have been differentiated and specialised; and (4) institutions have been established for political participation which strengthen the CCP’s legitimacy among the public to a large degree. Similarly, Li and White (2003) argued that one of the reasons for the CCP’s ability to maintain its authority is the role of adaptive elites. In a broad-based analysis of data about China’s Central Committee, Politburo, and Standing Committee in the sixteenth Congress of the CCP -- e.g., turnover rates, generations, birthplaces, educations, occupations, ethnicities, gender, experiences, and factions -- Li and White found evidence to prove not only that elite selection is norm-bound, but also that cooperation existed among factions and swift promotions of province administrators. Shambaugh (2008) observed that elite politics, especially in Hu’s era, tended to lead to co-existence and cooperation, in contrast to the eras of Mao Zedong and Deng Xiaoping

which were characterised by factional strife and leadership charisma. He thus concluded that the leadership of Hu Jintao and Wen Jiabao “appears to be very stable”. Zeng (2015) also argued that fear of elite divisions and brutal power struggles forced the CCP to make “great efforts to institutionalise its power-succession system” and proposed a concept of “a power-succession system with Chinese characteristics”, which turned out to be crucial to the maintenance of the CCP and of regime stability and governing capacity.

③ The inclusion within the party organisation of emerging social class actors

Samuel P. Huntington argued that one of the strategies political parties use to maintain their survival is to adapt their political agendas and organisational structures to social changes (Huntington, 1970). This theory applies to the CCP. Andrew G. Walder (2004) in analysing the composition of party cadres and members, discovered that, contrary to all other state socialist regimes, higher education in China was expanded, and as a result party recruitment shifted radically towards those with educational attainments. This trend revitalised the CCP and led to a quiet transformation of China’s elite, which helped to make the government more stable and resilient. Dickson (2003) compared China with other countries, primarily in East Asia and Eastern Europe, as well as with pre-1949 China by using primary materials on contemporary China and original survey data to study the relationship between emerging social class actors (private entrepreneurs) and the CCP. He argued the CCP ensured the stability of the regime by absorbing the private entrepreneurs, or what he called “red capitalists”. In addition, some scholars noted the inclusion of graduates into the Party as an important trend. Guo (2005) observed that since the 1990s, the CCP has been recruiting recent graduates on a large scale -- so as to broaden and strengthen the membership base. As Dimitrov (2012) argued, the inclusion of new social class actors (entrepreneurs and NGO leaders) into the CCP through “access to positions of privilege” – such as seats in the legislature or on the Central Committee of the CCP – strategically reduced the potential

threat of organised groups opposed to the CCP. The party coopted potential alternative power centres. This helped to avoid the collapse of the regime, in contrast to other cases where opposition forces such as Solidarity in Poland brought down communist governments.

#### ④ Non-democratic institutions of accountability

Finally, scholars are starting to pay more attention to new institutions that are intended to make officials accountable. Dimitrov (2012) discovered that in addition to the institutions inherited from Mao's era – such as the letters and visits systems,<sup>2</sup> -- two new types of institutions have been gradually established. One is grassroots elections, which began in 1988 in rural areas and have gradually matured over more than 20 years. As this thesis will show, this institution evolved from being chaotic and ineffective into a well-organised and accountable institution. The other new institution emerged with the spread of social media. Microblogging sites, such as *weibo* have served as an effective platform for netizens to air their grievances against party policies and officials so that the government is called to account (Dimitrov, 2012).

Many analysts also look beyond the political system, to economic performance which also helps to explain China's authoritarian resilience (Dimitrov, 2012, 2013; Leong and Chen, 2015). Their theoretical source is Samuel Huntington (1991) who argued that economic performance is a crucial source of legitimacy for authoritarian regimes which seek to survive. In practice, rapid economic growth in China has been able to create stable demand for labour (lowering the risk of discontent caused by unemployment), to generate enough funds for central and local governments to provide public goods (thus increasing the trust and contentment of

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<sup>2</sup> For more information regarding the letter and visits system, see Zhang, Taisu, "The Xinfang Phenomenon: Why the Chinese Prefer Administrative Petitioning over Litigation" (2008). *Student Scholarship Papers*. Paper 68. Carl F. Minzner, "Xinfang: An Alternative to Formal Chinese Legal Institutions", 42 *Stan. J. Int'l L.* 103 (2006)

citizens). But it has also produced “a class of private entrepreneurs” who prospered thanks to economic reform and therefore became strong supporters of current economic policies (Dimitrov, 2012).

To supplement this interpretation of economic performance, and the institutionalisation and adaptation of the CCP, a second explanation for regime durability rule in China has gone beyond the institutions of the ruling party and tends to have a “sociological inclination” (Tong, 2013). Many researchers in this sub-group have gradually shifted their attention from topics such as the internal dynamics of the leadership, the institutionalisation of leadership succession and elite politics, and the evolution of the party organisation to a concern with the emerging social forces and actors and their effect on the policy process. These emerging social actors include labour unions (Deng and Kennedy, 2010; Kennedy, 2005), policy entrepreneurs (Mertha, 2009; Zhu, 2008), and NGOs (Mertha, 2008; Schwartz, 2004; Xu et al., 2005) etc.

These analyses originally emerged out of the framework of “fragmented authoritarianism” (FA), first proposed in 1992 by Lieberthal (Lieberthal, 1992). Similar to what Shirk argued (Shirk, 1993), this framework asserts that policy made by the central government “becomes increasingly malleable to the parochial organisational and political goals of various vertical agencies and spatial regions charged with enforcing that policy” (Mertha, 2010). “Bureaucratic bargaining” becomes the channel through which the policy process is governed (Mertha, 2010).

Mertha pushed this framework further, beyond political institutions. By analysing three cases of hydropower policy outcomes, she argued that with the continuous changes in the social and economic spectrum, and despite no change in policy-making process, the implementation process has become increasingly pluralised by lowering barriers to entry for certain actors. In her case, they are peripheral officials, non-governmental organisations and the media. The entry point is “the fragmentation and agency slack that result from institutions unable to adapt sufficiently to rapid socioeconomic change,

aggressive lobbying of interest groups, or the changing expectations of the citizenry” (Mertha, 2010). She thus updated the original FA as FA 2.0 (Mertha, 2009).

From a similar sociological perspective, instead of examining emerging social actors and their effects, another sub-group assessed the functions of informal institutions for the effective governance in Chinese rural society (Wu and Wu, 2003; Xu and Xu, 2003; Chang, 2009; Cai, 2010; Li and O’Brien, 2006). These informal institutions include temple commissions and lineage groups (Tsai, 2007); village trusts and rotating savings and credit associations, inter-relations (*guanxi*) within communities, and ‘integrating village with company’ governance (Hu, 2007). These informal institutions work mostly in the provision of public goods and governance in local rural communities in which they assist the formal institutions to ensure the implementation of the policies by alleviating the discontent caused by new policies -- so as to lower risks and transactions costs. In addition, collective resistance, such as social protest, can also be seen to serve as a precautionary mechanism outside institutions, to signal social discontent and to tell those in power to adapt policies in order to alleviate it (O’Brien and Li, 2006; Cai, 2010; Xie, 2014).

Mertha and others working in this vein acquaint us with the influences which new social and economic changes have brought to the policy process and provide us new insights into China’s authoritarian resilience. Since this kind of research is mainly conducted through case studies, it is likely to be challenged in terms of case selection bias, as we see in Gilley’s (2011) challenge to Mertha’s argument. There is the further problem of the boundary between the spheres in which social forces and state actors are respectively active – and whether or not the penetration of social forces (emerging social actors and informal institutions) into the policy process is a strategic response of the state (Giugni, 1999; Gilley, 2011).

There is also the argument that causal attribution in these case studies is unrealistic. Li (2006) argued in defence of an interactive approach to study

the outcomes of political contention politics: "... most consequences of contention are the result of an ongoing give-and-take between forces in society and in the state....Too much interest in apportioning credit inevitably lends a defensive cast to analysis of the effects of protest, as attention falls on whether contention has an impact rather than how it has an impact".

### ***1.2.3 The Revival of Authoritarian Decay Theory since 2012***

Another strand in recent studies raises questions about the literature on authoritarian resilience and adaption which has been fashionable and influential since the 1990s. The perception of CCP's strength has been challenged dramatically since 2012 (Pei, 2014). As a result, many leading sinologists, including both constant pessimists and former optimists, began to predict the decay/collapse of China. Gordon Chang, who published a book giving the Chinese system five years of life in 2001 (Chang, 2001) remained convinced of the coming apocalypse and predicted that the CCP would fall in 2012 after he admitted that his previous prediction was wrong (Chang, 2012). David Shambaugh, a well-respected China scholar who used to regard China as stable and the CCP as adaptive and resilient (2008), wrote that "the endgame of communist rule in China has begun" and portrayed the Chinese party-state as "struggling for its last breath" in a *Wall Street Journal* article in March, 2015 (Shambaugh, 2015). Even Andrew Nathan, who first came up with the concept of "authoritarian resilience", began to acknowledge in 2015 that the resilience of Chinese party-state "is approaching its limits" (Pei, 2014; Nathan, 2015).

So why does the world look at China differently now? If we read their arguments carefully, it is not hard to discover that many of authoritarian decayists are deeply worried about regime legitimacy caused by the economic slowdown in recent years (Li, 2012; Pei, 2014; Shambaugh, 2015). If performance, especially economic performance, is a principal source of legitimacy in China as the conventional wisdom argued (Shambaugh, 2001; Perry, 2008; Zhao, 2009), the economic slowdown that started in 2010 is



enough to shake many scholars' belief in regime legitimacy and then resilience. As Pei (2014) observed, 2010 was the last time China recorded double-digit growth and in the next two years (2011 and 2012), its growth rate fell from 10 to 8 percent per annum.

Decayists explained this deceleration of growth as a result of factors inherent "in a statist autocratic regime". For example, Shambaugh (2015) claims that China's economy is now "struck in systemic traps" and Pei (2014) thinks that "a combination of excess capacity" caused by overinvestment, persistent economic weakness in China's main export markets, eroding competitiveness, and continuing macroeconomic imbalances contributed to the deceleration. In addition, other challenges were cited: in particular demographic ageing, cultural shifts, environmental pollution, high inequality, and other forces (Pei, 2014).

Another common factor for decay argument is the Bo Xilai affair in 2012. While the institutionalisation of leadership succession – which was clear from the peaceful transition from the leadership of Jiang Zemin to that of Hu Jintao in 2003 – lent support to the theory of authoritarian resilience (Nathan 2003), the Bo incident seemed to have "devastated the image and credibility of the CCP" and recalled the "ruthless power struggle" in the Maoist era (Pei, 2014). Some scholars went further to explore the flaws in China's political systems, including nepotism and patron-client ties in the selection of leaders, rampant corruption, elites' contempt for the law, etc. (Li, 2012; Pei, 2014).

Some of the challenges which decayists raise are not new. As early as the 1990s, scholars raised doubts about China's economic, social and political stability. Shambaugh (1996) in his article pointed "system fragility" as consequence of unemployment caused by an excessive focus on inefficient state-owned enterprises; "social instability and the political system's incapacity to address growing public needs" due to repressed civil society and protests; eroding party legitimacy caused by a discredited party image and communist ideology and "rampant official corruption"; a fraying

social fabric resulting from increasing crimes, drug use, smuggling, prostitution and other vices, and secret societies and criminal triads, etc.; a rising divorces rate and a crisis of morality. Despite his optimistic opinions about regime resilience in 2008, Shambaugh's 2015 article turned pessimistic about China's future. However, this time, in addition to repeatedly using corruption and an unbalanced economic system to support his points, his other reasons - increasing discontent among the economic elite, the defence of socialist ideology and against western constitutionalism, and formalism in official circles – lack strong supporting evidence (Khoo, 2015; Tong and Hao, 2016).

In the arguments of other scholars, it is also not hard to see that the old factors - systemic traps, doubts on the competitiveness of China's state-capitalism, corruption, loss of ideology, and the alienation between the state and the society – are used to support the decay theory (Pei, 2014; Li, 2012). However, this time, these analysts pointed another important factor which is necessary to threaten the survival of an authoritarian regime – the intensification of tensions between the problematic ruling elites and the majority of the people victimised by systemic problems inherent in the political system (Pei, 2014). But corruption, nepotism and patron-client ties, and the loss of ideology, etc., would not subvert the Chinese regime unless a crisis of effectiveness, such as an economic slowdown, rising inequality, etc., occurred (Tao, 2015).

This revival of authoritarian decay theory spurred further disputation in academia. *Modern China Studies* organised a roundtable discussion in 2014 with leading scholars debating whether the Chinese political order is characterised by resilience or decay (Pei, 2014b). This debate attached practical significance to the next ten years under Xi Jinping who assumed the leadership in 2012. After all, as the aura of an economic miracle fades, the magnified effects of inherent weaknesses and social problems will pose increasing challenges to the regime. The solution many analysts prescribed is an evolution towards western-style democracy through political reform (Li, 2012; Pei, 2014; Shambaugh, 2015). An alternative of course is the

pursuit of something like the status quo, attended by innovations to alleviate social conflict. It is still early to evaluate the Xi government but at least, an anti-corruption drive – his first big initiative after he came to power – seeks to boost the popularity of the CCP and Xi (Khoo, 2015).

#### ***1.2.4 Communist Authoritarian Resilience during Reform in Comparative Perspective***

The fate of the Communist countries' reform has been one of the hot topics in the social sciences (Chirot, 1991; Brown, 2009; Ren, 2012; Wu, 2014). Despite subtle differences, these countries operated on a set of principles, summarised by Ren: ideologically, they followed Marxism-Leninism; politically, they were authoritarian; economically, a planned economy was the main form; in terms of management, they were characterised by state control of society and the market (Ren, 2012). The countries in this category include the former Soviet Union, Eastern Europe, China, North Korea, Vietnam, Laos and Cuba.

The collapse, in and after 1989, of the Soviet Union and Eastern European Communist regimes inspired triumphalism among some in the West, with Francis Fukuyama announcing “the end of the history”. We can now see, however, several Communist regimes survived the crisis. Communist parties still exercise authoritarian rule in China, Vietnam, Laos, Cuba and North Korea. Some of them, especially China, have progressively pursued economic reforms and have achieved massive economic success. And, even the collapse of Communist rule in other countries did not bring about democracy – especially in the former Soviet republics of central Asia and in Belarus. The comparison between them can help us further to understand Communist authoritarian resilience.

① What happened in the Soviet Bloc between 1989 and 1991?

It is not news now that the seemingly formidable Soviet bloc collapsed quickly in a period as short as three years between 1989 and 1991, which astonished many social scientists. They have done a lot of research to explain why the collapse of the Soviet Union and its allied Eastern European countries happened. Despite different focuses, many of them think that the collapse was the result of an accumulation of factors which interacted with each other (Gao, 2003).

First, economic and social factors appear to provide the most visible and fundamental reasons for the collapse of Eastern European communism (Chiot, 1991; Lu and Jiang, 1999; Brown, 2009; Guo, 2010; Ren, 2012). From as early as the 1950s, with reformist leadership, Eastern European communist countries and the Soviet Union initiated reforms in the hope of rectifying their institutional problems and to ease or solve their economic problems. For example, Yugoslavia under the leadership of Josip Broz-Tito introduced political reforms focusing on people's self-government, established factory committees and management committees at the grassroots, and changed the cadre appointment system to democratic elections and regular rotations. In Poland, reformist Wladyslaw Gomulka came to power after 1956 and pushed the establishment of a Labour Committee. The Hungarian leadership – headed first by Imre Nagy and later Janos Kadar -- also sought to change the absolute power of the ruling communist party, separated the party and the government, and strengthened the legal system. Other Eastern European countries including Czechoslovakia, Bulgaria and East Germany also carried out similar reforms (Li, Xu and Wei, 1988; Kong, 2010). Unfortunately, these initial reforms ended in failure.

Between the 1960s and 1970s, most Eastern European countries suffered economic crises, which led them to undertake a second round of reform trials. However, these trials did not far better than the first round. Czechoslovakia's "Prague Spring" was quashed by five Warsaw pact countries. On 12 December 1970, the decision of the Polish government to raise the prices of more than forty types of consumer goods caused mass

demonstrations by labourers and urban residents in many cities. Although the demonstrations were finally repressed by the authorities, Poland later fell into serious economic and political crisis. Bulgaria and Romania also had similar failed trials. These reforms not only failed to solve domestic economic problems, but also wore down the people's belief in the communist governments. The gulf between the people's expectations and the governments' promises of reform had widened. By the 1980s, the people did not trust the reformism any more (Kornai, 1992). The combination of worsening economies and growing disappointment had gradually eroded the support of the people for the governments and even caused rebellions by some social groups. The Solidarity crisis in Poland in 1980s was a potent example although it led to martial law and was forced underground (Senser, 1989; Kozlowski, 2011).

After the 1970s, with reforms going further in some Eastern European countries, especially in Hungary and Poland, the size of the private economy increased and gradually posed a challenge to the central planned economy.<sup>3</sup> For example, by the mid-1980s, the output value of the private economy in Hungary accounted for more than 1/3 of GDP (Berend, 1996). While this part of economy relieved commodity shortages, the new economic class emerging from the private and half-private economy – entrepreneurs – had grown strong enough to change the social structure. Although the Hungarian authorities made concessions and agreed to legalise private ownership, people were still not satisfied with the status quo and organised their own groups to confront the authorities (Seleny, 2006).

Meanwhile, as people lost faith in Communist governments, their belief in Communism as an ideology had faded too. This space was slowly filled by various non-mainstream cultures which were greatly affected by the western media and ideas (Guo, 2010). These non-mainstream cultures

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<sup>3</sup> Gbor called the private economy in Hungary “second economy”. For more details about the second economy in Hungary, see Gbor, Istvan R., “Second Economy and Socialism: The Hungarian Experience”, in Feige, Edgar L., ed, *The Underground Economies Tax Evasion and Information Distortion*, (Madison: University of Wisconsin, 1989), p. 339 – 361.

deviated from and spurred rebellion against the mainstream ideology. In many Eastern European countries, such as Czechoslovakia, East Germany, Poland and Hungary, the non-mainstream cultures had grown so fast that the authorities felt increased pressure.<sup>4</sup> During the 1980s, other ideological trends – religiosity, nationalism and liberalism – also gained ground in the Eastern European countries (Fowkes, 1993).

With the development of a private economy and non-mainstream culture, civil society had quickly grown up too since the end of 1970s.<sup>5</sup> This included all kinds of associations, clubs and NGOs. Some of them were environmental, some were ethnic/cultural (such as Ukraine Culture Club in the Ukraine), some pursued members' benefits (such as various trade unions – the most typical one was Solidarity in Poland), while others were actively engaged in politics including the associations organised by dissidents (Jin, 2005). The role which these civic organisations played in the course of the collapse of the Eastern European Communist regimes has attracted much attention from scholars. One of the most famous is Timothy Garton Ash. As a historian and journalist, he offered some of the most convincing articles assessing dissidents' roles in Poland and in Central Europe in his collection *The Magic Lantern*.<sup>6</sup> Among these civic organisations, with the help of The Helsinki Final Act in 1975, oppositions to Communist regimes became quite active. Significant ones included Solidarity in Poland, the Democracy Forum in Hungary and Charter 77 in Czechoslovakia, which called for fundamental human rights protections.

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<sup>4</sup> For more details about music as a non-mainstream culture, see Ryback, Timothy W., *Rock around the Bloc: A History of Rock Music in Eastern Europe and the Soviet Union*, (New York: Oxford University Press, 1990).

<sup>5</sup> Hungarian sociologist Elemr Hankiss coined a concept “second society” to describe civil society in Hungary. For more details, see Hankiss, Elemr, “The ‘Second Society’: Is There an Alternative Social Model Emerging in Contemporary Hungary?”, *Social Research: Spring/Summer 1988 Part I*, Vol. 55, p. 13.

<sup>6</sup> See Ash, Timothy Garton, *The Magic Lantern: The Revolutions of '89 Witnessed in Warsaw, Budapest, Berlin, and Prague* (New York: Vintage Books, 1993). Adam Roberts even examined the role played by “people power” in the collapse in his book *Civil Resistance in the East European and Soviet Revolutions*, (The Albert Einstein Institution, 1991), Monograph Series Vol 4.

However, it is worth noting that the roles which the dissidents played in the collapse of the Eastern European countries varied from case to case. As Chirot pointed out, although Poland had “a prolonged period of protest marked by open explosions in 1956, 1968, 1970, 1976, and of course 1980 - 1981” and Hungary had “much open mobilisation of protest in the late 1980s”, only limited open dissent emerged in the other countries (Chirot, 1991). He continued that, at most, in Czechoslovakia and Bulgaria, only a few isolated intellectuals organised themselves and were unable to mobilise other followers. In Romania, only some isolated strikes broke out in the 1970s, and although there was a major riot in Brasov in 1987, the intellectual protest had “rarely went beyond very limited literary activities”.<sup>7</sup>

In the early 1980s, the situation became even worse. Poland fell into frequent bouts of social turbulence and in 1981, when Wojciech Jaruzelski came to power, martial law was implemented and Solidarity was banned. The Soviet economy had been in stagnation and reached a point at which steps towards economic reform were very difficult. Against this background, Mikhail Gorbachev came to power in 1985. As a reformer, he brought a few reform-minded high-ranking officials into his circle of advisors – such as, Yakovlev, Shevardnadze, and Chernyaev. With their support, he had launched his innovative foreign policy and reforms of the political system. These radical policies relaxed the control of the Soviet Union on Eastern Europe, which was encouraged towards reform.

Nationalism is also viewed by some scholars as another factor which contributed to the destruction of the Communist regimes in Eastern Europe and the Soviet Union, although the degree varied (Chirot, 1991; Brown, 2010; Ren, 2012). In Poland, Hungary, Czechoslovakia, Romania, and Bulgaria, ruling Communist parties were imposed by the Soviet Union and Communism had always lacked nationalist legitimacy (Chirot, 1991). In Yugoslavia and the Soviet Union, nationalisms were always a potential

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<sup>7</sup> For more details about the dissent, see Tismaneanu, Vladimir, *The Crisis of Marxist Ideology in Eastern Europe: The Poverty of Utopia* (London: Routledge, 1988), p. 166.

threat to the regime. The relaxation of control by the Soviet Union over these Communist countries opened the way to nationalism.

All of these economic, social and political factors combined with nationalism in most Eastern European countries and the Soviet Union itself reached a peak at the end of 1980s causing the collapse of the Soviet bloc. One after another, the communist eras ended peacefully in these countries -- except for Romania, Yugoslavia and Albania. Poland became the first country where the ruling Communist Party gave up absolute power via peaceful negotiation between the ruling party and Solidarity in December 1988 and January 1989. Then in 1990, Hungary transformed itself into a democratic country in March; Czechoslovakia completed its polity transition in June through parliament elections; and East Germany merged with West Germany in November. Shortly thereafter, Ceausescu's regime in Romania ended in violence and Todor Zhivkov was ousted in Bulgaria by pro-democracy demonstrations outside the National Assembly building. Yugoslavia fell into the civil war and was finally divided into five independent countries. Albania was the last in Eastern Europe to abandon its Communist regime in 1992.

The Soviet Union itself could not escape the same fate. By the end of the 1980s, Soviet Communist Party faced a combination of serious economic problems, diverse nationalisms and a split within the party elite (Ren, 2012). In 1989, a competitive election was introduced and for the first time delegates to the National People's Congress were elected. This helped opposition forces access to the political stage and the absolute power of the Communist Party was seriously challenged. By 1990 during the presidential election, various crises had deepened. Russia was the first republic to assert its independence by convening the first session of Russian National People's Congress. Amid deep conflicts within and beyond the party, conservatives planned a coup on 19 August, 1991. Although it failed, it greatly weakened the Soviet Union and its ruling party. Between 1990 and 1991, the Baltic States -- Lithuania, Estonia and Latvia -- also declared independence and were even admitted to membership in the United Nations



in September 1991 (Roberts, 1991). Other republics followed suit. On 25 December 1991, Gorbachev resigned and the Soviet Union was officially dissolved into eleven independent countries.

## ② Diverse, sometimes arduous transitions after 1991

With the collapse of communism after 1991, the history of Eastern Europe and the former Soviet republics entered a new phase as these former communist countries adopted Western democratic and economic institutions. The transition entailed a process in which multi-party democratic systems and market-oriented economies were established and strengthened, with some countries seeking admission to the European Union (Wu, 2014; Guo, 2010). The transition has taken place very quickly. Most Central and Eastern European countries established multi-party systems with competitive elections and parliamentary systems, and underwent the economic transition within the first ten years after 1991. Many of them were admitted into the EU within 15 years. But they still have a long way to go before these political and economic systems mature (Wu, 2014). Since economic, political and historical-cultural conditions within them differ, there was considerable diversity in the transition process in the different countries. Over the past twenty-odd years, some of these processes have been far from smooth, and some of these countries have faced arduous times.

The transitions in Eastern Europe were relatively smooth, thanks to their democratic traditions. Most post-communist countries in this area took short time to move to multi-party politics and to end the dominance of Communist parties. As early as January 1989, Poland became the first country which began to this transition. From then until April 1991 when Albania's parliament adopted a new constitution and permitted a multi-party politics, one-party systems were abolished in all Eastern European countries' constitutions. During the past twenty-odd years, most Eastern European countries have had four to five presidential terms, and five to seven parliamentary elections. Guo summarised the whole period and divided it into several phrases. In the initial years after the collapse, many centrist or

right wing opposition parties won free elections and were able form governments as a result of strong anti-communist sentiments. Between 1993 and 1995, serious economic recessions helped the left wing parties to make gains among voters who were not satisfied with the living standards after transitions to the leadership of the rightists. Around 1997, the right wing turned the tables and regained power. Two or three years later, left wing restorations happened again in Eastern Europe – left wing parties in Romania, Albania, Poland, Hungary and the Czech Republic won parliamentary elections and took power. After 2005, another round of alternations occurred (Guo, 2010).<sup>8</sup> Changes happened frequently in the 1990s, but in the early 21<sup>st</sup> century, the process tended to be more stable.

Despite certain shortcomings, democratic progress in Eastern Europe at least tended to be positive. However, greater uncertainties are found in some former Soviet republics. The Baltic States – Estonia, Latvia and Lithuania – joined other Eastern European post-communist countries and hoped to shed the control of the Soviet Union and integrate into Europe. They thus sought admission to the EU and actively reformed their political and economic institutions according to EU’s standards (Pan, 2014). More troubling is the case of post-Soviet Russia which finally chose a political system centred on presidential power under the leadership of Vladimir Putin, leading to a gradual consolidation of authoritarian rule (Dimitrov, 2012; Pan, 2014; Wu, 2014). In the former Soviet republics of central Asia – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan - and in Belarus, Communist parties used (a) coercive power and (b) some enticements distributed among citizens to prevent alternative parties from emerging. Communist parties on those places also took strong hostile action against alternative power centres to maintain their dominance and to prevent multi-party, pluralist politics from developing. The most important alternative power centres were civil society organisations and independent media.

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<sup>8</sup> Valerie and Sharon have done a lot of fieldwork and analysed the dynamics of elections from 1998 to 2005 in post-communist Europe and Eurasia. For more details, see Bunce, Valerie J. and Wolchik, Sharon L., *Defeating Authoritarian Leaders in Post-Communist Countries* (New York: Cambridge University Press, 2011).

③ Comparing the trajectories in transformation routes between the post-communist countries in the former Soviet bloc and other surviving communist countries

It is obvious that while they all started their transitions under somewhat similar systems of socialist public ownership, the post-communist countries in Central and Eastern Europe took different routes from countries in East Asia such as China, Vietnam and Laos where communist systems survive. While Eastern European countries moved somewhat abruptly into their transitions -- which embraced political, economic and cultural changes at the same time -- in China, Vietnam and Laos reforms were implemented more gradually (Wu, 2014; Dimitrov, 2012). In the latter cases, the pre-existing political institutions were maintained, economic reforms were implemented first, social reforms came next, and political reform occurred last. But how have these countries managed the social conflicts which emerged from the economic and social reforms which mainly caused the collapse of the Eastern European countries? In Dimitrov's words, the Communist parties in these countries maintained their authoritarian power "through a combination of market reforms, ideological reorientation, the inclusion of rivals in the party and the legislature, and the introduction of some limited accountability". In the next three chapters of this thesis, we see in detail how the Chinese Communist Party's strategies played out in one representative county.

We shall see in these chapters that China's reforms started with agriculture, and from 1978 to 2002, focused heavily on the economy. Since 2002 when the 16<sup>th</sup> Party Congress was convened, social reform received greater emphasis. However, so far, China has not yet entered a phase in which the focus shifts to the political sphere or to democratic elections. Like China, Vietnam started its economic reform in 1986 and has achieved great progress in areas such as reforms of agriculture and state-owned enterprises (Wu, 2014). Lao is a similar case. Two other communist countries – Cuba and North Korea – have followed the Chinese path less closely. Cuba changed its approach from resisting to emulating the Chinese model and

began market reforms in 2011. But in North Korea, it remains to be seen whether its young leader, Kim Jong Un, will make substantial changes. In the eyes of North Koreans, Kim may be more liberal than his father in social matters – after many years of maintaining its authoritarian rule “through brutal repression and militant xenophobic nationalism” (Dimitrov, 2012).

### ***1.3 The Design and the Significance of the Study***

Bearing in mind the question of why China’s Communist regime has been able to survive and stay in power for so long after experiencing so many challenges, this thesis attempts to seek answers from a historical perspective and within a framework of state-society relations by explaining the stories that emerge from a county in central China. The span of the time covered by the current study is more than thirty years -- the whole reform period from 1978 to 2013 – and the focus here is on change over time. The analysis is divided into three phrases, each of which covers a span of years. The phases are presented as three chapters after this introduction. Each of those chapters deals with a separate generation of leadership at the national level. This arrangement of chapters is logical and well nigh unavoidable because changes in the leadership at the central level are crucial to the general direction of politics and public policy in China, and bring changes on both fronts. Since events at county level are the main concern of the present study, this analysis examines how the changes over these phases impinged at that level, over the past three decades.

#### ***1.3.1 Historical Perspective***

So this is an assessment of China’s trajectory between 1978 and 2013. It does not predict what will happen in the future. Unexpected events can throw any country off whatever track it used to be/is on, as what Andrew Nathan (2006) has argued. However, an analysis of what has happened in China may suggest what is likely to happen in the foreseeable future, based on the facts that are already visible. Is China’s political system likely to collapse due to the challenges it has been facing or as a result of their

cumulative effects? As many who stress authoritarian decay argue (Li, 2012; Pei, 2014; Shambaugh, 2015), is the system unable to provide solutions to those challenges so that democratisation is the only way out?

Many problems often take time to reach the point at which they become severe challenges. But, it also takes time for solutions and counter-forces to be put in place, so a historical perspective will help us to trace the complex interactions process between problems and solutions. The arguments set out here resonate with Nathan's observation (2006): "Change will happen, but the only way to say anything specific about the probable nature of that change is to look at the forces that are now in existence." China is still in transition. Tracing its trajectory over the past thirty-odd years can present us with a vivid picture of what it has failed and what it has been solved/achieved, which contributes to an evaluation of the governing ability of the CCP.

### ***1.3.2 A Framework of State-Society Relation***

Following the example of authoritarian resilience studies, this thesis also reaches beyond the institutions of the CCP and to assess the interactions between the state and society since 1978. The academic literature is not short of analyses of the CCP in terms of its institutionalisation and adaption, as we noted in section 1.2 above. But the emerging social forces amid economic reform are immensely important, so that their interactions with party and state actors need more attention.

This is because, amid economic reform, Chinese society has undergone dynamic changes and has subtly stratified so much that relations between it and the state have changed substantially over time. Although many scholars have studied this, further research is needed to keep up with changes on the ground. This is especially true of rural areas where 50.32% of the Chinese population are still living, according to the 2014 statistical yearbook of the

PRC on national economic and social development.<sup>9</sup> First, a series of economic policies in rural society have brought great changes to the peasants and the peasants, as one single class before the reform, now are stratified. Some scholars discovered, as family farming replaced collective farming and the lifestyles of rural residents were diversified, that peasants can be sub-categorised. They have been disaggregated into one group separated from the land (migrant peasant workers); another group engaging part-time in agriculture and part-time as workers; another doing part-time agriculture and part-time works as craftsmen; and the rural poor.<sup>10</sup>

Second, with the shift of the political wind in the central government, political attitudes and available resources, responses to specific events, and the interests of different sub-categories vary as well. Thus, their interactions with the state vary over time.<sup>11</sup> It is no longer reasonable to describe relations between the state and rural society a dichotomy dominant state – submissive peasants. The governance strategy of the state varies depending on which sub-categories it deals with – for example, dealing with petitioners for profit, dealing with “nailed households” refusing relocations, dealing with rural economic elites, etc.<sup>12</sup>

Third, stratification among the peasants may not play a crucial role in relations between state and society in the absence of another change – the revival of “two-track politics” in reforming rural society. The theory that traditionally Chinese rural society was largely self-regulating and that Chinese political institutions rest on a “two-track” system was first put

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<sup>9</sup> National Bureau of Statistics of China, *The 2014 Statistical Yearbook of the PRC on the National Economic and Social Development*, available on Xinhua Net on [http://news.xinhuanet.com/ziliao/2003-01/18/content\\_695553\\_2.htm](http://news.xinhuanet.com/ziliao/2003-01/18/content_695553_2.htm) (accessed on 16, January 2016).

<sup>10</sup> Liu, Rui, “An Investigation on Village J of Jing Shan Township of Hubei Province: Land transfer, Class stratification, and the transition on the village governance”, *Journal of Nanjing Agricultural University (Social Science)*, No. 2 2013, p. 92-100.

<sup>11</sup> *Ibid.*

<sup>12</sup> He, Haibo, *Governance of Different Sequence: The Stratified Interaction between State and the Rural Society – a Case Study of Flower Township*, 2014, Doctoral Thesis of Central China Normal University, available on China Academic Journal Full-text Database on [www.cnki.net](http://www.cnki.net) (accessed on 8 January 2016).

forward by Professor Fei Xiaotong, a well-respected sociologist, in 1948.<sup>13</sup> This theory argued that China developed historically a two-track political system – one track goes from the top down by which the orders from the central authorities (the emperor in imperial times) were carried out by the official bureaucracy “in a variety of ways and with various degrees of success”, while the other track goes from the bottom up whereby local networks headed by local social forces (the gentry in imperial times) run local affairs so thoroughly that the local level is largely autonomous from the state system and tries to exercise influence on higher-level officials – they could even petition the emperor as a last resort to protect local interests in the worst times.<sup>14</sup>

The county, as an administrative institution, originated as early as the Spring and Autumn Period, and after gains in the Warring States Period, pushed ahead further throughout the country under the Qin Dynasty after the Qin unified other vassal states.<sup>15</sup> Historically, the county “was an administrative unit consisting of a commercial town surrounded by an agricultural region linked by economic, political, military, social, and cultural ties.”<sup>16</sup> This definition continues to be used till today. No matter how the local administrative system has changed through various historical periods, the county, as an administrative unit, always survived, although its size and administrative subordination varied in different periods.<sup>17</sup> It was located at the bottom of the formal administrative system and was the furthest level to which the state control penetrated for thousands years until 1949 when the PRC was established.<sup>18</sup> Below it, rural society was self-

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<sup>13</sup> Hamilton, Gary G. and Zheng, Wang, *From the soil, the foundations of Chinese society: a translation of Fei Xiaotong's Xiangtu Zhongguo, with an introduction and epilogue*, (California: University of California Press, 1992), p. 143.

<sup>14</sup> *Ibid.*

<sup>15</sup> Zhou, Zhenghe, *A History of Local Administrative System in China*, (Shanghai: Shanghai People Press, 2005) p. 14.

<sup>16</sup> Schumann, Franz, *Ideology and Organisation in Communist China*, (California: UCP, 1968) p. 407.

<sup>17</sup> *Ibid.*

<sup>18</sup> Schumann (1968), pp 407; and also see Kuhn, Philip A., *Origins of the Modern Chinese State*, (Stanford: SUP, 2002 ) pp 21 – 24, quoted in Wang, Jianxun (2006), “Village Governance in Chinese History”, Y673 Mini-Conference Paper, 2006, available on [http://www.indiana.edu/~workshop/publications/materials/conference\\_papers/wang.pdf](http://www.indiana.edu/~workshop/publications/materials/conference_papers/wang.pdf) (accessed on 2 September 2014).

organised centring on the lineage system and gradually developed community organisations – villages.<sup>19</sup> The size of villages varied throughout China. Some in the South were mono-lineage and named after the lineage, whereas others in North were multi-lineage.<sup>20</sup>

While magistrates – the county’s heads – were appointed by the government for a fixed short term of service – for instance, it was 1.7 to 9 years in the Qing Dynasty, village governance mostly relied on informal local elites, clan heads and gentry, to implement lineage rules (*jiagui*) to supervise and monitor their members.<sup>21</sup> These rules mostly coincided with the moral values in the Confucian tradition, including respecting elders and superiors<sup>22</sup>, mutual help, working hard, etc.<sup>23</sup> For thousands of years, the gentry acted as a bridge, in administrative terms, linking the state and self-governing rural communities. Depending on their respective interests, sometimes the gentry and the local magistrate cooperated when their interests coincided, while at other times, they conflicted with each other when their interests diverged.<sup>24</sup> In this sense, it is not surprising to see that T’ung-tsu Ch’u argued that the interplay between the gentry and the local magistrate was characteristic of coordination, cooperation, and conflict.<sup>25</sup>

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<sup>19</sup> Schurmann (1968) p.407. For more details on how villages originated and were established, see Freedman, Maurice, *Lineage Organisation in South-eastern China*, (London: The Athlone Press, 1958); Freedman, Maurice, *Chinese Lineage and Society: Fukien and Kwangtung*, (London: The Athlone Press, 1966); Huang, Philip C.C. (1985), *The Peasant Economy and Social Change in North China*, (Stanford: SUP, 1985) p. 233-237; Duara, Prasenjit, *Culture, Power, and the State: Rural North China, 1900 – 1942*, (Stanford: SUP, 1988) pp86; Spence, Jonathan D., *The Search for a Modern China*, 2<sup>nd</sup> ed, (New York: W.W. Norton & Company, 1999) p. 13- 14.

<sup>20</sup> Wang, Jianxun (2006), “Village Governance in Chinese History”, Y673 Mini-Conference Paper, 2006, available on [http://www.indiana.edu/~workshop/publications/materials/conference\\_papers/wang.pdf](http://www.indiana.edu/~workshop/publications/materials/conference_papers/wang.pdf) (accessed on 2 September 2014); also see Hsiao, Kung-Chuan (1960), *Rural China: Imperial Control in the Nineteenth Century*, (Seattle: University of Washington Press, 1960).

<sup>21</sup> Wang, Jianxun (2006), p.4-5

<sup>22</sup> Traditional China had followed a strict patriarchal hierarchy to supervise the conduct and behaviour of people. The key order in this hierarchy was Sky – Earth – Emperor – Parents – Teachers. Connotatively, it extended to show a respect for elders and superiors.

<sup>23</sup> Schurmann (1968) etc.

<sup>24</sup> Wang (2006) p. 6.

<sup>25</sup> Ch’u, T’ung-tsu, *Local Government in China under the Ch’ing*, (Cambridge, MA: HUP, 1962), p. 168.



This two-track political system had been in use in traditional China for a long time till the nineteenth and early twentieth centuries when an active, powerful central government had to deal with complex political and economic problems.<sup>26</sup> Actually before 1949, especially in the late imperial period, there were a few attempts by either imperial court or central government of the Republic of China to impose administrative control over rural society and the peasants.<sup>27</sup> The most influential examples were the systems of *baojia* and *lijia*. These two systems have their respective evolution processes.<sup>28</sup> Schurmann compared the *lijia* system of the Ming Dynasty and the *baojia* system of the Qing Dynasty, and argued that “both systems were (actually) forms of organisation imposed by the state on the villages for the maintenance of order, the collection of taxes, and registration of population.”<sup>29</sup> By quoting the Japanese sociologist, Shimizu Morimitsu, he added that they differed not only in the fact that the former was mainly civil in form while the latter was military, but also inasmuch as the unit of the *lijia* system was the “natural village” whereas under *baojia*, it was an “administrative village”.<sup>30</sup>

While comparing and analysing the *lijia* and *baojia* are beyond the current research, it is commonly argued that effective penetration of state authority into villages had never succeeded until when the CCP took power in 1949.<sup>31</sup> Starting from 1950, in order to strengthen its regime, the Communist government transformed rural society through land reform and the agricultural cooperative movement on the one hand and, on the other, by gradually making its authority penetrate to the village level by setting up

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<sup>26</sup> *Ibid.*, p. 144.

<sup>27</sup> For a short introduction of this kind of attempts, see Schumann (1968), p. 407 – 408.

<sup>28</sup> Originated in Song Dynasty, the *baojia* system was a sub-administrative police system in rural society and had also experienced some changes in the following period. As to the *lijia* system, it had its origin in the Yuan Dynasty and mainly was used for civil control such as the registration of rural inhabitants and the tax collection etc. For more details on the common and differences of these two systems, see Wang (2006) p. 7-8; also see Schumann (1968), p. 409 - 412.

<sup>29</sup> Schumann (1968) p. 409.

<sup>30</sup> *Ibid.*, p. 410.

<sup>31</sup> *Ibid.*, p. 412.

administrative and party organisations.<sup>32</sup> A highly centralised structure linking the state and the rural society had gradually been established.<sup>33</sup>

First, the institution of the People's Communes incorporated the scattered peasants into a three-level system (People's communes – brigades – production teams). This system governed and managed almost everything about the peasants' lives so that peasants had little autonomy. Second, the cadres in this system were appointed by the state so that the previous three-level state-society relations (state – gentry - peasants) were replaced by a two-level structure (state - peasants). As a result, the second track which had gone bottom up, cushioned by the gentry in the old system was greatly weakened and the social order completely relied on state control.<sup>34</sup> With this highly centralised structure, the whole of rural society and its life were politicised and incorporated into state institutions so much that society had no autonomy.<sup>35</sup>

Our story could have stopped here if this dichotomous relationship (dominant state – submissive peasants) had never been changed. But the introduction of economic reform and the shift of the political wind in the central government after 1978 altered relations between state and society. With the shift of the political wind in response to internal and external challenges, state-society relations evolved further over the three successions of the central leadership. Family farming first replaced the three-level ownership institution pattern and broke the dependence of the peasants on the production teams in various ways. The gradual opening up of the market allowed the peasants to make their livings in diverse ways, as a result of which, peasants society has become stratified. The introduction of direct elections at village level gave the peasants a degree of 'say'. The state still

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<sup>32</sup> Chen, Junfeng and Li, Yuanxing, "The Transition on the Foundation of the Village Governance and the Reorganisation of the Farmers", *Agricultural History of China*, No.1 2007, p.130-134.

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

<sup>34</sup> He, Haibo, *Governance of Different Sequence: The Stratified Interaction between State and the Rural Society – a Case Study of Flower Township*, 2014, Doctoral Thesis of Central China Normal University, available on China Academic Journal Full-text Database on [www.cnki.net](http://www.cnki.net) (accessed on 8 January 2016), p. 17.

<sup>35</sup> *Ibid.*

reserves some power to it and could execute it if it wished. However, as abundant evidence shows, the state has retreated from many aspects of rural life, and rural society has obtained a degree of autonomous space.<sup>36</sup> Against this background, an interpreting of authoritarian resilience, within the framework of state-society relations, becomes possible.

### ***1.3.3 A Microcosm of a Rural County in Central China***

This thesis presents a rural county in central China as a microcosm. It proceeds from the enunciation of policies (which change over time) through their implementation in one county, and then considers the implications for the county's economy, politics and society. We might ask why – since there are plenty of macro- and micro- studies of state-society relations in China -- there is a need for another microcosmic study of Li County. There are several reasons. First, as noted above, the county, as an administrative unit, remained for thousands of years, no matter how the local administrative system changed over time. Its significance exists in the fact that it is the most stable administrative unit while the other units below it, such as districts, townships, villages and villagers' groups, have changed frequently. By choosing a county as a case to study, this research seeks to interpret the variations in policy implementation and their consequences -- economic, political and social -- in several different parts of what is a fairly typical county. By analysing in detail the varied stories that emerge from Li County, the present study seeks to give readers a broader and more representative set of insights on what has been happening as rural China undergoes transition than single-village studies can do.

Second, Li County<sup>37</sup> is fairly typical of large areas of China. It resembles other parts of Hunan province, and Hunan is quite similar in its favourable climatic and geographical conditions to Hubei, Sichuan, and Shandong provinces which have long been major grain producing areas. It

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<sup>36</sup> *Ibid.*

<sup>37</sup> For important details, see Li County People's Government and Hunan Cartographic Publishing House, *Maps of Li County of Hunan 2010*, (Changsha: Hunan Cartographic Publishing House, 2010), p.1.

is also similar in historical experiences and economic conditions to Hubei, Sichuan, Jiangxi and other regions. Unlike studies of a few areas which led the reform process -- such as Guangdong, Jiangsu or Fujian Provinces which are not representative - the story in Li County can be regarded as reasonably typical, in many ways, of most of rural and small town China.

As early as 1997, led by the Central China Normal University in Wuhan of Hubei Province, many prominent scholars started to apply empirical approaches to research on rural governance of China amid reform. The areas that they studied include some regions in Hubei, Hunan, Henan, Sichuan, etc.<sup>38</sup> With a focus on power dynamics and rural governance within village communities, they not only chose a single village to be the main context for their analyses, but they also focus on the political consequences of social changes. Considering that China's reform initially started in the economic sphere, by contrast, the present assessment of Li County traces economic, social and political changes on the understanding that they all interact with each other. Unlike some pioneering areas like Anhui, where bottom-up spontaneous initiatives by the peasants started before the official policies were announced, these changes in Li County resulted from the top-down implementation of the new land policy. So in discussing Li County, that is where we must start.

It will also be seen that the present study goes into great detail to illustrate the methods and strategies which the local cadres have used to implement policies during the three phrases. One might find some of them ridiculous and unbelievable by the standards of modern political institutions, but they were probably reasonable in the specific context of rural China. By explaining these things, this study seeks to enable readers to understand rural China on its own terms. Unlike other studies of single villages noted above, this study is based on fieldwork conducted in fifty-six villages of thirty townships under the administration of Li County. This approach gives readers access to variations in policy implementation and its impacts within

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<sup>38</sup> This is not a comprehensive survey of the literature in the field. Some examples of relevant works are given in select bibliography.

a sub-region. Finally, there is no evidence to show that Li County or nearby areas have been studied before -- in Chinese or English.

#### ***1.4 Data Collection***<sup>39</sup>

The primary sources used in this thesis, which yielded a large amount of information, were consulted during several spells of fieldwork in Li County in between 2011 to 2013. In the spring of 2011, I went there to conduct a pilot exercise, during which I connected with the staff of the Li County group of the Rural Socio-Economic Survey Team (RSEST) of Hunan. The discussion with them helped me to design a detailed plan for intensive fieldwork thereafter. The main field study was conducted from late 2011 until March of 2012. It was composed of two parts. The first month was spent in painstaking documentary studies, examining the archives of the Li County group of RSEST, the Archive Bureau of Li County, the Statistics Bureau of Li County, and the County Library. Archived documents included the yearbooks of Li County from 1978 to 2009, the Annals of Li County<sup>40</sup>, *Li County News* (county official newspapers covering 1980-1989), *Hunan Daily*, *Changde Daily*, and a series of internal policy documents, work summaries, memos of meetings, etc. issued by the government agencies at sub-county levels.

The documentary studies helped to reconstruct the long evolution of policies and their impacts, some of which might have been forgotten over time. Based on these reliable written materials, I drafted interview protocols. Those were semi-structured, considering that there might be discrepancies between the personal experiences of the peasants/local cadres and the official records. With the outlines in hand, I started to conduct interviews in

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<sup>39</sup> For the distribution of the interviewees in details, please refer to Appendix I; for the administrative division of Li County, please refer to Appendix II.

<sup>40</sup> Li County Government so far has published various annals. The general ones which were made available to me include the annals from 555 to 1989, the annals from 1978 to 2002, the annals 2007, the annals 2008, the annals 2009, and the annals 2010. The ones in specific subjects include the annals of Township and Village Enterprises and the annals of the commodity price which were compiled by the relevant governmental departments and archived for the internal uses. The details of these annals can be found in bibliography.

December of 2012. Depending on the position of my contacts, the interviews were conducted in two forms – one to one, or in groups. If my contacts played a role as leaders, I normally asked them to organise group discussions, to include multiple members of their administrations. If the contacts were peasants or retired cadres, one to one interviews normally were arranged. During all of the interviews, I made brief handwritten notes which highlighted some points which went beyond the official records. The handwritten notes were complemented by tape recordings, in order to reduce the neglect of the important details.

As Li County is a typical agricultural county, most of the interviews took place in rural areas and the rest in small towns.<sup>41</sup> So this study is primarily about reform implementation and social changes in rural communities. Those who are interested in learning more about the policy implementation and its outcomes in major metropolitan areas will need to look elsewhere. Although I tried to visit all thirty-two townships under the administration of Li County, two are left out: Jinluo Township and Yangjiafang Township. That happened because I could not find contacts to introduce me to the local communities. Since the Communist legacy has made peasants sensitive and cautious in discussing political and social issues, getting into small rural communities through internal contacts is usually necessary to persuade people to open up to interviewers. However, the conditions in these two townships were quite similar to their neighbouring townships, all of which were visited.

In terms of village selection, I at first took the advice of the Li County group of RSEST and decided to follow their steps by visiting their ten sentinel villages.<sup>42</sup> As an agency of the Statistics Bureau of the State, the Li County group of RSEST has been conducting the 100-household surveys which the Statistics Bureau assigns each year within the County. This

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<sup>41</sup> For more details about the degree of urbanisation of Li County, see the section of Overview of the County.

<sup>42</sup> Sentinel villages are the villages which are selected by Li County group of Rural Socio-Economic Survey Team to carry out the inspection and investigation of the implementation of governmental policies. This is a translation of the government word.

annual survey aims to monitor the various social-economic policies and their implementation at county and sub-county level. For this purpose, ten sentinel villages are chosen. They vary. For example, some of them are forest conservation areas and are therefore chosen to evaluate the implementation of subsidy for returning arable land back to woodland. Some of them are bread basket areas, so they become good observation stations to investigate the implementation of grain production policy and its related subsidies on grain seeds. Others were chosen, because they are good for checking the subsidy on irrigation construction. In each sentinel village, ten households are chosen randomly and are paid a small amount by RSEST to fill in survey forms each month. The accountants in these ten sentinel villages are employed by RSEST as their investigators and are responsible for distributing and collecting survey forms each month.

Taking these ten sentinel village sites for visits had several benefits. One is that the criteria to choose these sentinel villages is based on the policy implementation, which coincides with the research question of the present study. Second, as noted above, despite gradually opening, rural communities in China are still rather closed. With the help of the Li County group of RSEST, I obtained access to their investigators, and then they introduced me to their fellow villagers. In addition, as an internal department of the County Government, working with the provincial group of RSEST of Hunan, the County RSEST personnel have established long-term work relationships with other governmental departments and sub-county government agencies in townships and villages. Through their introductions, I obtained the support of several sub-county government agencies, which is vital for conducting social science field research in China. With their help, I managed to extend the sites for field work beyond the ten sentinel villages in ten townships to other villages covering thirty townships. It is worth noting that although I have received much help from RSEST, all the work and the findings in this thesis are carried out by me.

I used different methods to recruit subjects from each of three groups: retired cadres, present cadres, and peasants. For retired cadres and present

cadres, I used referrals from the staff of RSEST and from township governments in order to reach people who understood and have personally experienced the implementation of various policies. For peasants, I made direct contact by knocking on their doors randomly and explaining my project. I have been benefited from being Hunanese, since I speak the local dialect. None of the subjects were paid to participate. To protect sources, all informants were guaranteed anonymity.

Because Li County has never been carefully studied by an academic, there is little previous research available, apart from the working summaries and memos from local governments. To some degree, biases existed in these official records. Fortunately, a great deal of valuable information on reform implementation emerged from interviews with those who had experienced it. Also, because most of the reforms over the last 30 years have worked quite well, most interviewees were happy and proud to share their information and insights. These first-hand materials have vastly contributed to the present study, and make it convincing and vivid.

### ***1.5 An Overview of Li County***<sup>43</sup>

Li County is located on the north-western border of Hunan Province. To the east is its neighbouring county of Anxiang and Jinshi – a county-level city<sup>44</sup>; to the south is Linli County; and to the west is Shimen County.<sup>45</sup> All these counties and Li County are under the administration of Changde prefecture city, which, shortened as Changde City, is the superior administrative unit

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<sup>43</sup> The data and statistics on Li County in this section are from *the Annual Statistical Yearbooks of Li County from 1978 to 2010* edited by the Statistical Bureau of Li County on a yearly basis; *Annals of Li County 555 – 1989*, *Li County Yearbook 1990 – 1996* and *Annals of Li County 1978 – 2002* compiled by the Compilation Committee for Chronicles of Li County respectively in 1993, in 1999 and in 2010; and *Maps of Li County of Hunan 2010* edited by Li County Government in 2010.

<sup>44</sup> The current administrative system in China generally follows a hierarchy of central – provinces – prefecture cities – counties – townships – villages. The character of shi literally means city in Chinese. In terms of administrative level, it sometimes means municipalities directly under the central government, such as Beijing Shi and in other times, means prefectural cities, such as Changde Shi, with the former administratively higher than the latter. In addition, another exception exists, in which a unit is named ‘city’, but administratively it ranks the same as a county level. And Jinshi is just this case.

<sup>45</sup> Li County People’s Government and Hunan Cartographic Publishing House, *Maps of Li County of Hunan 2010*, (Changsha: Hunan Cartographic Publishing House, 2010), p.1.



above County level. To the north is Gong'an County, under the administration of Hubei Province. Li County is named after River Li which runs through the County. It was established downstream on the river's alluvial plain. Liyang Township is the political, economic and cultural centre of the County, located in the south-eastern corner of the County and is the seat of the County government. In 2009, Liyang Township had a population of 156,688, of which the non-rural population was 112,439 and Li County had 333,534 households with a population of 927,807, of which 172,954 were non-rural.<sup>46</sup> The size of the County is 2,075 square kilometres. The per capita disposable income of urban residents was 13121.7 yuan (\$1921) while the per capita net income for the peasants was 5010.9 yuan (\$ 733.9).<sup>47</sup>

Currently Li County is under the administration of Changde prefectural-city, which covers Wulin and Dingcheng of two municipal districts, six counties and one county-level city.<sup>48</sup> The prefectural-city government is located in Wulin municipal district, which is 115 kilometres away to the south. Under the administration of Li County, there are 32 townships (15 *Zhen* and 17 *Xiang*) governing 427 villages and 51 residential communities.<sup>49</sup> In this thesis, the localities normally mean three levels of county, township and villages, unless stated otherwise. A township is a low-level administrative unit with officials appointed and paid by the government. Its size is similar to that of a commune in Mao's China.<sup>50</sup> A village committee is "the lowest administrative unit in rural China and its size is roughly the same as that of a production brigade in the commune

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<sup>46</sup> The Statistical Bureau of Li County, *The Statistical Yearbook of Li County 2010*, (Xiantao of Hubei: Jiangxia Publishing Company, 2010), p.11 and p.80.

<sup>47</sup> *Ibid.*

<sup>48</sup> In practice, these two municipal districts are commonly called Changde City. In this sense, City is a term to signify the degree of urbanisation.

<sup>49</sup> For more details on administrative division of Li County, please refer to Appendix II. Administratively, *Xiang* and *Zhen* in China are equivalent to townships in English. They differ in terms of the degree of urbanisation with *Zhen* more urbanised than *Xiang*. Similarly, village committees and residential communities are same rank of administrative units with the latter more urbanised than the former.

<sup>50</sup> Gao, Mobo C.F, *Gao Village: A Portrait of Rural Life in Modern China*, (London: Hurst & Company, 1999), p. 4-5.

system in Mao's China".<sup>51</sup> All officials working in village committees used to be elected from local villages and paid by levies on the villagers. After 2005 when the Agriculture Tax was eliminated, the salaries of the officials in village committees have therefore been integrated into township budgets and are taken on by the state finance. According to the interviews during field research, in 2011, the salary level for the heads of village committees in Li County is around 4,000 yuan (\$619) per year.<sup>52</sup> The salary level for other officials is less than this.

In terms of topography, the lands in the County's north-west are high, but then decline gradually towards the south-east, establishing four natural zones: mountainous areas, hilly areas, plains and lake areas. Their ratios are around 1:1:3:4. There are four rivers running through the County: River Li, River Ceng, River Dan and River Dao. River Li is one of the four main river systems in Hunan and its nine branches converge in Li County. Therefore the County has benefited from rich river traffics since long ago. There are also land transportation assets. The Jiao-Niu Railway goes through the County and has a station in Jinluo Township. The distance covered by roads is about 300 kilometres. The No. 207 national-level road, and the No. 302 and 304 provincial-level roads network with county-level and township-level roads so that the County has very convenient connections to all sides. Also, located on the border between Hunan and Hubei, Li County lies in the centre of four medium-size cities<sup>53</sup>: Jinzhou City to the north, Changde City to the south, Yueyang City to the east, and Zhangjiajie City to the west. It is also in the overlapping zones between two emerging city clusters - Wuhan and Changsha-Zhuzhou-Xiangtan.<sup>54</sup> These good transport links and its

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<sup>51</sup> *Ibid.*

<sup>52</sup> Interview 2011/12/30.

<sup>53</sup> See footnote no. 44, 'city' here means the municipal districts of four prefectural-cities.

<sup>54</sup> Changsha-Zhuzhou-Xiangtan city cluster is composed of three prefectural level cities of Changsha, Xiangtan and Zhuzhou, and is the heavily urbanised region of Hunan. The concept of two city clusters of Wuhan and Changsha-Zhuzhou-Xiangtan was firstly proposed by China National Development and Reform Commission (CNDRC) on December 14, 2007 and issued as comprehensive supporting reform trial areas to explore how to build a resource-conserving and environmental-friendly society, and how to boost a coordinated and balanced development between urban and rural areas. On April, 16, 2015, CNDRC approved a development plan for city clusters along middle Yangtzi River, which extended the city clusters from Wuhan and Changsha-Zhuzhou-Xiangtan to Dongting Lake

favourable location have helped people living here to promote their livelihoods for long time, and during the reform era, have contributed to an economic take-off and speedy development in Li County.

Li County's connections, radiating outwards in all directions, imply that it has never been closed. When the transportation links bring people from outside to the County, new information, ideas and knowledge come too. This partly explains the open-minded attitude of the County's people. They have never been satisfied with the status quo and tend to take chances to move forward when conditions are ready. Many left the County and settled in bigger cities. They worked hard and many have achieved success in their respective career fields: politics, business, intellectual pursuits, etc. Thus, in government agencies at the provincial and prefectural city levels, many officials originally from Li County and have assumed important roles. Many entrepreneurs and businessmen are successful in the coastal cities like Shenzhen and Zhuhai. The connections of those high-ranking officials and businessmen to their home County are a very significant resource, and sometimes play a key part in local politics. When Township and Village Enterprises (TVEs) were first developing, County officials took advantage of this resource to stimulate the boom in rural industry, as Chapter Two shows. Between 2003 and 2012, when central government financial allocations became an important funding source, these human resources and connections were also used by the three levels of government in Li County to obtain funds to support their ambitions – both for the public good and their private advantages – as we shall see in Chapter Four.

Agricultural production has long been an economic mainstay in Li County. Crops have been planted there for 9,000 years. In the 1990s, archaeologists excavated a pre-historic cave site called “Yuchan Cave” in Daping Township, where they discovered the oldest piece of terracotta in

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Economic Circle and Boyang Lake Economic Circle, and further advanced China's regional development strategy. Following the logic of the economic reform in China, this means that these areas will be enjoying more favourable development policy in a few years to come and Li County is just within it.

the world, and two and a half pieces of paddy, which were radiocarbon dated as 14,000 years old. In 1997, archaeologists again in Bashidang site in Wufu Village of Mengxi Township excavated 15,000 pieces of ancient cultivated rice which were as early as 8,000 years old. For centuries, and especially after the establishment of the PRC, Li County has been one of the important grain production bases of China. One reason is its climate. The County is subtropical and monsoon humid. It has four clear-cut seasons: warm and mild in spring and autumn, hot and humid in summer, and cold with occasional snow in winter; sufficient rainfall and enough light. The average temperature is 16.5°C. The coldest weather recorded was 13.5°C below zero and the hottest 40.5°C. The average annual rainfall is about 1,213 millimetres. The plentiful rainfall and fertile land from the alluvium of the River Li make the County an ideal place for agricultural production, especially the rice planting. The Liyang Plain, established from the alluvium of the River Li, is the biggest plain in Hunan Province and most of it lies within Li County -- the so-called granary of the lower valley of the Yangtze River.

The favourable soil and climate conditions mean the County is entirely self-sufficient. The main grain crops in Li County include rice, wheat, barley, buckwheat, horse beans, peas, soybeans, mung beans, sweet potatoes, potatoes, sweet corns, broomcorn, and millet. Among these, the rice is most important. After the PRC was established, because of the introduction of some advanced new technology and new varieties, grain production greatly increased. In the 1950s, average production was 241,873 tons. In the 1960s, because the single cropping of rice shifted to double cropping, and long-stalked crops gave ways to short-stalked, average production increased to 264,335 tons. In the 1970s, irrigation was improved, the size of the farming lands was increased, and most importantly, Li County was in the lead in adopting the hybridisation of the late rice varieties. Average production was 419,809 tons and the amount of the rice handed to the state ranked the third in Hunan Province. In the 1980s, the implementation of family farming and the widespread of hybrid rice contributed an increase of 91,616 tons in annual average production. Production in 1985 was recorded as the highest,

with a total amount of 631,796 tons. It is obvious from these figures that Li County has never been a place which is starving. The abundant grain production not only feeds its own people, but also helps to feed those from other regions. This situation did not change much after 1982 when the family farming was implemented. This is one of the reasons why the policy of family farming was not taken up as quickly as in provinces like Anhui. A detailed discussion of this can be found in Chapter Two.

In addition to grain, other crops are also important in the agricultural economy. They include cotton, rapeseed, raising silkworms and mulberry, and a variety of vegetables, fruits, tea leaves, castor bean, tobacco, sugar cane, sesame seeds, and peanuts. Furthermore, the varied topography -- including mountainous areas, hilly areas, and lake areas -- has enabled Li County to develop other industries too such as forestry, animal husbandry, side-line production and fisheries. In Mao's era, these four industries were not allowed to be run by individuals or households. From 1956 to 1978, the ownership of forest and water resources often shifted back and forth between People's Communes and brigades. Since 1980, an experiment of "confirming the ownership of mountains and forests with issuing a certificate" was carried out in Jianshan Commune's Wuyi Brigade and Dongmen Commune. Up to 1984 when the family farming was completely established, a double-level management responsibility system for mountains and forests was also established. Households managed hilly lands allocated for private use, and that was supplemented by village tree farms run collectively. The right to manage forest and mountain lands has since then begun to be privatised. Water resources also experienced a change in ownership and management -- from collectivisation to household contract responsibility, by which households obtained management rights. In 1981, Li County began to implement the contract responsibility system for water resources. Households were also permitted to pursue animal husbandry and side-line production. This led to looser controls over the economic lives of peasants than Mao's era, and this system greatly improved peasants' incomes. Chapter Two will discuss this topic in detail.

Li County also has plentiful mineral resources. These minerals include bituminous coal, stone coal, oil shale, iron ore, mirabilite, salt mine, barite, gypsum, cement limestone, bentonite, and tile clays. Among these resources, the reserves of gypsum, salt and mirabilite rank second in Hunan, and the reserves of mirabilite without water and bentonite first. Early on, these mineral resources were used to develop industries like mining and smelting, which Li County can be traced back to the Tang and Ming Dynasties. Another type of industry, based on mineral resources, is construction materials. As early as the Tang and Song Dynasties, clay brick production existed. Up to Qing Dynasty, the production of grey tiles, single bricks, and lime developed -- mainly fired by peasants in slack farming seasons. Between 1951 and 1978, the scale of these industries was not large. In the 1950s, the number of mining enterprises was seven. In the 1970s, it increased to 14. In early 1951, the County government established the first state-owned brick factory. In September of that year, a gypsum mine was established. In the 1970s, a series of state-owned construction material enterprises were also established to produce bricks, cement and salt. However, due to the poor quality of the products, some of those factories were either closed or merged with others. Up to 1978, only two factories -- the Li County cement factory and the Li County scope bricks factory -- existed.

In the early 1980s, economic reforms, starting from family farming, also stimulated another cycle of development for rural industries. By making full use of its mineral resources, Li County greatly improved its Township and Village Enterprises (TVEs). By 1985, the number of mining enterprises had increased to 24 and the annual output increased from 7.576 million yuan (\$2.6 million) in 1980 to 9.497 million yuan (\$3.23 million). By 1989, the number increased to 155 with 9,528 employees. Among these, the county-owned and the township-owned enterprises numbered 31 with 4,478 employees, and the village-owned 124 with 5,050 employees. The annual output was 36.08 million yuan (\$12.29 million) accounting for 7.2 % of the gross output of industry. The construction materials industry also developed rapidly after 1978. Up to 1989, the number of such enterprises

was 540, including 10 cement factories, 33 brick and tile factories, 11 lime factories, 446 cement products factories, 9 aggregate plants, 12 paint factories, 6 plastic product plants and another 13 factories. There were 16,719 employees and the output was 82.74 million yuan (\$ 22.0 million), accounting for 16.6% of the gross output of industry in Li County. Economic development has greatly increased the incomes of ordinary people. In 2009, the per capita income of urban employees was 23,807 yuan (\$3485.1) and the per capita income of rural residents was 5010.9 yuan (\$733.6). Chapter Two discusses in detail the factors that caused the boom of the TVEs, and its influence on the incomes of ordinary people.

Li County can function economically as an independent entity. Yet it is not a closed and completely self-reliant society. In spite of its self-sufficiency in grain and other crops, the development of rural industry relies heavily on connections to the outside world, including human resources and new technologies from outside. The open-minded attitudes of Li County's people enable them to reach out and make use of external resources and human relations to pursue further development. At the same time, the increase in the wealth of ordinary people gradually changed the balance of power between the government and the people from an authoritative-submissive model to a model marked by negotiation and relative independence. This change can be seen in the implementation of many policies. Chapters Two, Three and Four all provide evidence to demonstrate this. Economic liberalisation has also triggered a degree of liberalisation on the ideological front. The retreat of communist ideology left a vacuum in spiritual belief which has been filled either by religions or by traditional Chinese cultural practices. On condition that the CCP's regime would not be challenged, the government actually welcomes the return of religions and traditional culture because to some extent they help to stabilise society by soothing people amid striking social changes. But this diverse, complex and relatively free society in turn raises many challenges for governance. This case study of Li County will also shed a light on how new strategies for governance embrace these challenges.

## *1.6 The Structure of the Thesis*

Readers may already have some knowledge of the extraordinary transition through which China has passed since 1978. It is commonly divided into three broad phases and three generations of leadership – Deng Xiaoping’s initiation of reforms from 1979 to 1989, Jiang Zemin-Li Peng/Zhu Rongji’s development of manufacturing in coastal cities from 1989 to 2002, and Hu Jintao-Wen Jiabao’s comprehensive reform in rural areas aimed at achieving a harmonious society from 2002 to 2012. This thesis thus follows this logic and is organised as follows.

Chapter 2 assesses the period from 1978 to 1989. It first shows how a campaign of allocating lands to households was initiated from the central level to the locality and then was implemented in practice. We will also see how rural industry was introduced under the leadership of local cadres. Variations of the implementation of these two policies are explained. This chapter also discusses the introduction of direct elections at village level, and how they worked in practice, in a case of a villager’s story. Through an analysis of the changes in the lifestyle of the peasants, the chapter argues that allocating lands to households and allowing the coexistence of two types of economic management (private and collective) provided rural residents with opportunities to achieve greater prosperity, and with more personal space and freedom in the economic sphere. These policies thus obtained widespread support.

As reforms proceeded, in the 1900s, the state shifted its focus from the rural sector to the coastal cities. Furthermore, the government reconstructed relationships with its subordinate agencies by introducing a tax sharing system and decentralising power to lower-level authorities over personnel, fiscal and resource management. Chapter 3 analyses the consequences in rural areas which this series of policies brought about. These consequences vary, depending on the specifics of implementation in different places. As we shall see, the coercive work methods which some local cadres used, and the soaring financial burdens aggravated social



conflicts and the grievances of rural dwellers. This chapter also explains how these social problems were prevented from escalating into organised opposition to the CCP.

The period from 2000 to 2013 which Chapter 4 covers is actually complex since this is the era in which the state began its comprehensive social reform. Due to the limits on thesis length, and because some reforms are still developing, this chapter focuses on only a few key policies, including: the reform of taxes and fees in rural areas, the introduction of an agricultural subsidies system, follow up policies including legalising the land rights of peasants, reforming the fiscal system at township and village levels, and improving the programme of “one project one discussion”. Implementation and its consequences are examined. The chapter argues that although there are some problems with the implementation process, rural residents’ lives have undergone major changes when compared to 30 years ago. Diversity in the living conditions of different households has emerged due to family structure and the possession of various resources. The great improvement in the living standards of rural dwellers and the increasing freedom they enjoy in daily life have massively assisted the CCP in winning back rural support.

As noted above, many scholars have provided explanations for China’s resilience – ideology adaption, institutionalisation of leadership succession and meritocracy, the party recruitment of members of emergent social classes, the non-democratic institution of accountability etc. These arguments may make sense at the top level and within party institutions. However, questions arise about views which often fix upon grand themes such as patriotism, nationalism, etc. Did this sort of thing have much influence in the minds of ordinary Chinese? How have they reacted to these grand themes adopted by the CCP? Or were those ordinary people thinking mostly about everyday concerns – their livelihoods, incomes and assets, the taxes that they must pay, concrete opportunities to better themselves, and barriers to betterment? Were the grand themes in Buruma’s comment, noted above, and in other social scientists’ analyses, mostly quite far from the

minds of ordinary people/citizens? This thesis seeks to provide readers with an understanding of rural dwellers' more mundane concerns, to test the plausibility of these theories of authoritarian resilience.

## Chapter Two: Adventurism, Opportunism and Dynamics from 1978 to 1989

When we look back after more than 30 years, the year 1978 and a Party Congress -- the Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party (TPSECCCP) -- which was convened in that year are commonly regarded to have ground-breaking and far-reaching influence in the history of the PRC. Their landmark significance is multi-faceted and there is no shortage of literature to evaluate this year and this Party Congress. While evaluating them systematically is beyond the purpose of this thesis, our stories of Li County still uses that year as its starting point. This is because this Party Congress introduced a household responsibility system (*jiating zeren zhi*), centring on allocating lands to households (*fentian daohu*),<sup>55</sup> which ushered in a markedly new era in agrarian Li County. Strictly speaking, that Party Congress did not call for the allocation of lands in a clear and straightforward manner. Instead, by re-endorsing the document ‘sixty articles’,<sup>56</sup> it confirmed again that the people’s communes were the fundamental institution in the countryside, which implied no changes in the organisation of labourers or in the distribution of resources within the communes.<sup>57</sup> It was the decisions in this Party Congress to shift the policy orientation from class struggle to economic development, and to encourage ideological emancipation, that opened the door for the nationwide implementation of the household responsibility system.

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<sup>55</sup> Jiang, Ailin, “The Evolutions and Developments of Land Policies in China during the Reform between 1978 and 2002”, *Journal of Suihua Teachers College*, Vol. 24, 2004, No. 1, p. 12.

<sup>56</sup> The document of ‘sixty articles’, under the full title ‘the regulations of the People’s Commune’, was drafted by Mao Zedong in February 1961 and later was approved in the Tenth Plenary Session of the Eighth Central Committee of the CCP in September 1962. This document confirmed a three-level collective ownership of land in the rural areas, with the production teams being basic units. This institutional arrangement had remained since then until the launch of the household responsibility system in the early 1980s in which some changes in the right to land use were made -- although ownership remained in the hands of the collective organisations in rural areas. For more details about the evolution of land policies, see Wang, Weiguo, *The Study on the Land Rights in China*, (Beijing: The China University of Political Science and Law Press, 1996), p.95-96.

<sup>57</sup> Li, Huaiyin, *Village China under Socialism and Reform: A Micro-History, 1948-2008*, (Stanford: Stanford University Press, 2009), p. 269.

The truth is that at that initial stage, when the household responsibility system began gradually to be implemented across the country in many forms from 1978 to 1983, there were many arguments about it, inside and outside the party. The implementation of the policy was not actually completely new in many areas such as Hubei, Henan, Shannxi and Sichuan, where some peasants managed to attempt it voluntarily and sporadically as early as 1950s.<sup>58</sup> Even just before the TPSECCCP in December of 1978, in the summer and autumn of the same year when Anhui province suffered a severe drought, in order to survive the disaster, the provincial party committee decided to lend the lands to the households. In that case, the lands of production teams that lacked enough labourers to undertake ploughing could be lent to the peasants to grow wheat -- and meanwhile, in order to stimulate output, they even decided temporarily to cancel compulsory grain submissions.<sup>59</sup> These decisions greatly stimulated peasants' interest in contracting out lands and working on their own. Some well-known examples of this in places such as Shannan Commune of Feixi County and the Xiaogang production team of Liyuan Commune of Fengyang County took the lead and bravely tried contracting out.<sup>60</sup> However, while this practice proceeded in full swing in some places, arguments about the approach were also quite furious. They mainly centred on the ideological implications of allocating lands to the peasants. Was this socialism or capitalism? It is obvious that the long history of political campaigns and ideological propaganda had instilled in people a legacy of caution, which turned out to be an obstacle to the implementation any reform policies.

In January of 1979, the People's Daily continuously reported news that this practice was being carried out in Anhui, Sichuan, Yunnan and Guangdong. This triggered further arguments between pro- and anti-reforms groups. Then, Deng Xiaoping, the then deputy Party secretary of the Central Committee of the CCP, showed his support for the household responsibility

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<sup>58</sup> For a brief history of the voluntary practices of this policy in some places in the Mao's era, see Han, Jun (ed.), *The 30 years of China's Economic Reform: the Volume of Rural Economy 1978-2008*, (Chongqing: Chongqing University Press, 2008), p.30.

<sup>59</sup> Kang, Junjuan, "A three-level ownership system with the production teams as basis", *Archives World*, 2009 (4), p.17 – 21.

<sup>60</sup> *Ibid.*

system by lavishly praising the voluntary experiments of Feixi Commune and Fengyang County.<sup>61</sup> The significant achievements of peasants' brave experiments convinced some senior cadres in the Central Committee and the Central Government, and led them to approve the spread of this practice.<sup>62</sup> Thereafter, more and more cadres joined the pro-reform group and the household responsibility system spread very quickly throughout the country.

From 14 to 22 September 1980, the Central Committee summoned the secretaries of all provinces, prefecture cities and self-governing municipalities, and convened a meeting to discuss how to strengthen and to accelerate the agricultural production responsibility system. A meeting summary was published afterwards. This was the first time that the policy of "contracting out the lands to the households and distributing on a contracted-output-basis" (*baochan daohu*) appeared in central documents.<sup>63</sup> At an ideological level, this document clarified that, with the predominance of socialist industry, socialist commerce and collective agriculture, the practice of contracting out under the leadership of the production teams would not diverge from path of socialism and was not a restoration of capitalism.<sup>64</sup> This document relieved some peasants' worries and further accelerated the spread of this policy throughout the country. Up to early November of 1980, the production teams which had begun to implement this practice in various forms accounted for 15% of the total.<sup>65</sup> This

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<sup>61</sup> *Ibid.*

<sup>62</sup> The logic of "voluntarily sporadic experiments – obtaining the support of the Central Government – deciding to push through the country" actually applies to the implementation of many policies in the reform era in China. By tracing the origins and development of the three policies of family farming; marketing and privatisation in land tenure, credit, and labour; and entrepreneurship, and by looking at the numerical strength of the peasantry, Daniel Kelliher demonstrated this pattern of policy-implementation in the reform era in China, and argued that "peasants did indeed create China's reforms". This interestingly challenged Bruce Cumming's argument in which he regarded peasant politics as "pre-political, apolitical, or extra-political". For more details, see Daniel Kelliher, *Peasant Power in China: the Era of Rural Reform, 1979-1989*, (New Haven and London: Yale University Press, 1992) p. 40-69, and p.251.

<sup>63</sup> Han, Jun (ed.), *The 30 years of China's Economic Reform: the Volume of Rural Economy 1978- 2008*, (Chongqing: Chongqing University Press, 2008), p.32.

<sup>64</sup> *Ibid.*

<sup>65</sup> *Ibid.*

percentage increased to 32% by July 1981 and then quickly rose as high as 45.1% by October of that year.<sup>66</sup>

In 1982, the Central Committee and the Central Government further confirmed the legitimate status of the practice of “contracting the lands to the peasants and distributing on a contracted-output-basis” in a series of meetings and central documents, such as the report of Hu Yaobang, the then General Secretary of the CCP, to the Twelfth Party Congress in September 1982. In November of that year, the Central Committee convened several working meetings on rural ideology and politics, and meetings with secretaries in charge of agriculture, and issued a document entitled “a series of problems on the current rural economic policies”. Being officially issued as “the No.1 Central Committee document” on 2 January 1983, this document strongly praised the practice. That it was named “the No.1 Central Committee document” showed the importance of the practice and provided still more reassurance to the peasants about the strong backing for the implementation of this policy. By the end of 1983, 175 million rural households took part in the implementation, accounting for 94.5% of all rural households.<sup>67</sup>

## ***2.1 Establishing the Institution of Family Farming, 1978 to 1984***

### ***2.1.1 The Beginning of the Agriculture Production Responsibility System***

Given that the policy of the household responsibility system was initiated sporadically by the peasants and was then pursued all over the country, some scholars have argued that it is actually the peasants that created the reform policies.<sup>68</sup> This argument might be true in such places as Anhui, Sichuan or Henan where the peasants took the initiative. However, the actual process of de-collectivisation in Li County was rather conservative. There are no official or informal records to show that the practice of

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<sup>66</sup> *Ibid.*

<sup>67</sup> *Ibid.*

<sup>68</sup> For more details, see footnote no. 62.

allocating the lands to the smaller teams below the production teams or even to individual peasants, either voluntarily or with permission, occurred in Li County before 1978 or even during the period from 1978 to 1981 when there were quite a lot of discussions and experiments taking place in the Central Government and in other parts of the country. It was not until after February of 1981 when Hu Yaobang, the then secretary of the CCP, came to inspect Hunan Province and encouraged the leaders of the Provincial Party Committee there to carry out the practice that some production teams in Li County began voluntarily to try it in the second half of that year.<sup>69</sup> There were, however, a few experiments with how to distribute agricultural products among members of a production team, such as changing from a work-points-based system to a system related to output from March of 1979 to September of 1980.<sup>70</sup> It is thus reasonable to say that Li County adopted gradual and conservative attitude towards this unprecedented policy.

So if the policy of family farming is really as productive as was claimed later by the official media, why were peasants in Li County not as pioneering as their counterparts in other parts of the country? Was it because that the cadres here were so tough that the peasants did not dare to take risks? This does not ring true. I have often asked informants about agricultural output before and after the implementation of the household responsibility system. One told me that while a lot of production teams had been short of grain every year after submitting the compulsory grain quota during the collective era, one team he knew had a large surplus of grain. He explained that one reason was that the then team leadership (one leader is his uncle) combined advanced technology -- such as, excellent seeds like cross-fertilised paddy seeds No.154 -- with rich practical experiences.<sup>71</sup> Since high

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<sup>69</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 98.

<sup>70</sup> *Ibid.*, p.419.

<sup>71</sup> Interview 2012/02/22b. One may ask that if advanced technologies are good for improving the agriculture productivity, why there were still a lot of brigades which were short of grain? One reason was that the cross-fertilised paddy rice seeds which later fed most of the Chinese population only started experimental growing in the early 1980s and it required demanding technologies. By the late 1970s and the early 1980s, the lack of both qualified agricultural technicians and sophisticated peasants were problems for many places.

productivity is not necessarily a result which only family farming could produce<sup>72</sup>, and furthermore, since Li County is a favourable location for agricultural production, most peasants here did not suffer starvation as many of their counterparts did in places like Anhui where grain production normally fell short. So reforming agricultural production was not a high priority in Li County.

Although the peasants here do not fall into the “pioneering” category<sup>73</sup> it is worth noting that once top-down approval became very clear, the peasants here were able to take the opportunity immediately to pursue a better life. Some production teams’ voluntary practices in the second half of 1981 are good examples, as we have seen above. For example, the same informant in the above paragraph, who was a former sent-down youth and then came back to his rural hometown, was later elected as the leader of the production team. With his knowledge of agriculture, he led his team to take the initiative and allocated the lands to the households to grow rapeseeds in 1981 when his superior brigade leader only permitted him to allocate lands to the smaller team below the production team.<sup>74</sup> Another production team leader in his brigade reported him to the brigade leader, but the latter tolerated it.<sup>75</sup> This reply makes sense considering that top-down approvals from a series of central meetings and documents during this period were

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But Li County, as one of historical grain producing areas, was among the batch of experimental sites to try this new rice seed ahead of other parts of China.

<sup>72</sup> This argument is also proven by other scholars’ study. For more details, see, for example, Li, Huaiyin, *Village China under Socialism and Reform: A Micro-History, 1948-2008*, (Stanford: Stanford University Press, 2009), p. 268.

<sup>73</sup> The term “pioneering” category was borrowed from Chung, Jae Ho’s categorisation when he analysed the relations between the central government and the governments at provincial level. He divided three provinces which he studied into three categories: Anhui as ‘Pioneering’, Shangdong as ‘Bandwagoning’ and Heilongjiang as ‘Resistance’. While he used this categorisation to illustrate the relationship between the provincial leaderships and the central government, here I am discussing the reaction of the peasants to the new policy. For more details about his categorisation, see Chung, Jae Ho, *Central Control and Local Discretion in China: Leadership and Implementation during Post-Mao De-collectivisation*, (Oxford: Oxford University Press, 2000).

<sup>74</sup> The terms “allocating land to the smaller teams below the production team” and “allocating land to the households” actually signified two successive stages in which the practice of family farming was implemented gradually. More details will be provided in a later section of this Chapter.

<sup>75</sup> Interview 2012/02/22b.



already clear, especially Hu Yaobang's encouragement to the provincial leaders.

The next year after his team allocated land to the households, this team harvested much more abundant rapeseeds than before. He thinks that the biggest benefit from allocating the lands to the households is not the high productivity which can be also obtained by using advanced technologies and sophisticated experiences, but improvements in the efficiency of labourers by re-arranging them to work based on their different capacities. Instead of assigning everyone the same task in the field, he, as a former sent-down youth,<sup>76</sup> took the lead in arranging for male labourers to do hard tasks outside while women stayed at home doing chores. One of the reasons that he could make this kind of arrangement was that the number of the labourers in his team normally exceeded the amount required to perform tasks in the fields. Organising labourers in a collectivised way ignored the different capabilities of men and women, and thus did not make full use of them. The other reason was that some work in the fields is not suitable for females. He stated that, based on his understanding of these things, he supported the policy of family farming because it conformed to the conditions in the countryside and was therefore a suitable policy. As early as 1981 when other fellow production teams were still slowly trying the practice of “contracting the land to the smaller teams below the production teams and distributing on a contracted-output-basis”, he had already gone a bit ahead of them to allocate the land to the households, which marked him out as of the pioneer type, since the county government did not then have clear instructions to implement family farming.

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<sup>76</sup> His status of being a sent-down youth is quite relevant here. The term “sent-down youth” refers to the policy of sending educated youths in urban areas down to the countryside in the 1960s in order to support the development of the rural areas and to relieve the problem of a population boom in the urban areas at that time. And gradually it has been developed as a term standing for a group of persons who were educated and sacrificed their youth and knowledge to the development of the country. My informant was very proud of being called as a “sent-down youth” because he thinks his knowledge helped him to lead his team to get high output in the early stage of the family farming. It also distinguishes him from his fellow team leaders in his brigades.

From 1979 to 1981, while tolerating some voluntary experiments at the production team level, the focus of the County Government was to convey the contents of a series of meetings and the documents of the Central Government and the Central Committee of the CCP within its administration. This was realised by convening meetings of cadres at four administrative levels – county, district, commune, and production team – and principal secretaries at district and commune level. Such documents included “a resolution on several problems of accelerating the agricultural development” of the Fourth Plenary Session of the Eleventh Central Committee of the CCP in September, 1979 and “Regarding some problems of further strengthening and improving the agriculture production responsibility system” promulgated by the Central Committee of the CCP in September, 1980. Since the attitude of the provincial government was already clear after Hu Yaobang’s tour in Hunan in February 1981, based on the ideological foundation which was laid by a series of meetings, the Party Committee of the County decided to push through the so-called “two transforming experiments” (*lianggai*) -- experiments to transform the economic structure of agriculture and to transform the management of agricultural production. These experiments started in Liyang Commune in September 1981 and ended on 25 December 1981.<sup>77</sup> On the basis of experiences obtained in these experiments, in the spring of 1982, the agricultural responsibility system was implemented throughout the County.<sup>78</sup> By the spring of 1984, lands were allocated to almost all households and the agricultural production responsibility system was established in all 6,742 village groups of the County.<sup>79</sup>

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<sup>77</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 419.

<sup>78</sup> *Ibid.*, p. 98.

<sup>79</sup> *Ibid.*, p.419.

### 2.1.2 Allocating the Lands to the Households

#### ■ *The forms of the household responsibility system*

In general, the household responsibility system in Li County evolved in many forms during the early stage. Depending on different contractors, it included contractual agreements between the smaller teams and the production teams (ASP), and agreements between member households and the production teams (AHP). Although these two forms both bore the label of “distributing on an agreed-output basis” (*lianchan jichou*) (DAOB), there were still some differences between them. First, the former were agreed between the production teams and the smaller teams below them while the latter regarded the households as individual contractors to take responsibility. Second, by allowing member households to keep the surplus grain produced on the top of an agreed grain submission, the latter entitled the households more freedom to dispose of their output and to arrange their agricultural schedules. With the former form, although the units were downsized from production teams to smaller teams, the households still worked and received distributions within collective units.

In this sense, it is reasonable to say that the latter form was more pioneering than the former. In addition, individual households in the latter form not only took responsibility for their own agricultural production processes including expenses, they also bore the responsibility for the output, no matter if it entailed profits or losses. Compared to ASP, AHP was actually closer to the eventual policy of family farming. The only difference between the AHP and the eventual family farming system was the fact that the distribution method on a work-point basis was still used in the AHP. This will be explained in more detail below.<sup>80</sup> The AHP sometimes emerged sequentially, after the AHP, while in other cases, they co-existed. Please refer to the cases discussed below.

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<sup>80</sup> The information in this paragraph is from the interviews 2012/01/06, 2012/02/15, 2012/02/16c, 2012/02/17b, 2012/02/17d.

Depending on different contents of contracts, the household responsibility system included grain contracting and speciality contracting. The former mainly refers to peasants' agreements to submit a fixed amount of grain at the end of a production year, agreed before contracting. Lands in other agricultural areas, for forestry, animal husbandry, side-line production and fisheries, could also be contracted to households and let the peasants to arrange their production on their own. This way, many households specialising in some certain products emerged. These speciality households instead had to submit a fixed amount of their products. For example, in 1983, T Yezhi from Guanyuan Commune became the first household specialising in chicken breeding in Li County.

#### ■ *The Transition from the DAOB to Allocating Lands to Households*

During the period from 1979 to the end of 1983 and the beginning of 1984 when the lands began to be allocated to the households, many production teams experienced a period of transition. This occurred as early as 1979 in some teams but it could also happen as late as 1983 in others. For most production teams which were interviewed during field research, although it was not until 1982 that the County Party Committee and Government began actively to push through allocations of lands to households, several experiments with DAOB had already begun. This followed on from the Fourth Plenary Session of the Eleventh Central Committee of the CCP in September 1979, in which a document entitled "A resolution on several problems of accelerating agricultural development" was approved. It clearly stated that communes' production teams were allowed to contract their lands to the smaller teams below them and calculate their income with the submission of an agreed share of outputs.<sup>81</sup> The early change which some production teams made was mainly to divide production teams into smaller teams. The old methods used to organise labourers and to record work points remained, but between the smaller teams and the production teams, there was a contract on the grain submission quota. This contracted output

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<sup>81</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 98.

provided the basis on which production team issued work points to the smaller teams.

Then with the clear encouragement for contracting lands to household from Hu Yaobang on his tour to Hunan in February 1981, some production teams began voluntarily to follow his call, but still retained a distribution method whereby work points were distributed according to the contracted amounts of grain to be submitted. It was not until the spring of 1982 that the County Party Committee and Government realised that the moment was ripe to promote the allocation of lands to households, but the times at which various production teams started to adopt this practice actually varied. Actually, when to implement, in which form, and each form for how long depended on the different production teams. In the discussion below, we illustrate these variations by examining the cases of several production teams.

***Case A<sup>82</sup>: Dividing the production teams into smaller teams***

***Locations: the 1<sup>st</sup> and the 9<sup>th</sup> group of Qilimiao Village of Cengnan Township (The present name as ‘group’ was named as ‘production team’ back then.)***

***The informants: Mr. C in the 3<sup>rd</sup> group; Mr P in the 9<sup>th</sup> group***

***Locations: the 3<sup>rd</sup> group and the 8<sup>th</sup> group of Juhualing Village of Yiwan Township***

***The informants: Mr Y in the 3<sup>rd</sup> group; Mr Y in the 8<sup>th</sup> group***

Mr P stated that his production team began to allocate lands to households in the second half of 1982. It took a couple of steps before that. First, in 1981 the production team was divided into four smaller teams, each of which included three to seven households. The lands were then allocated to these smaller teams. Because the smaller teams varied in size, the amounts

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<sup>82</sup> Interviews 2012/01/06, 2011/12/29, 2011/12/30, 2012/02/11, 2012/02/16b, 2012/02/16d, 2012/02/16f, 2012/02/17, 2012/02/17b, 2012/02/17c, 2012/02/17f, 2012/02/18, 2012/02/18b, 2012/02/18c, 2012/02/18d, 2012/02/18e, 2012/02/19, 2012/02/19b, 2012/02/19c, 2012/02/19d, 2012/02/19e, 2012/02/22, 2012/02/24.

of lands allocated to them varied as well. A leader was appointed for each smaller team by the production team. This kind of smaller team therefore replaced the production team to be units to organise work. However, after the harvest, agricultural produce still had to be submitted to the over-arching production for distribution.

How should it be distributed? Before allocating lands to the smaller teams, the smaller teams and the production teams had agreed on the ratio between a fixed amount of grain to be submitted and the proportioned amount of work points to be earned. At the end of a production year, based on the actual amount of grain which the smaller teams submitted to the production teams and that agreement, the production teams awarded the relevant work points to the smaller teams. Decisions on how much grain each smaller team should submit and how many work points it should receive were reached in the meetings of the party branches of the production teams. For example, 5000 kilograms of grain was equivalent to 1000 points. If a smaller team harvested 5,500 kilograms, it could choose either to hand it all in and earn extra points for the extra grain or to keep this extra 500 kilogram and to distribute it within the smaller team in the form of a “bonus”. If the harvest was less than 5,000 kilograms, the smaller team would have to hand in all it produced, but in return, they would receive fewer than the 1,000 points that had been agreed at the beginning.

Then how to distribute work points within the smaller teams? Mr Y from Juhualing Village explained that in 1981, his production team was also divided into four smaller teams. The smaller team that he was in had three households. If he worked for the whole day today, he would get 10 points but if he only worked for half day today, only 5 points could be earned. The leader of the smaller team decided who would do what type of work. Different types of work would earn different numbers of points. For example, ditch digging was worth 8 points; picking up cotton flowers was worth 5. For each capable labourer, there was a basis point – a male labourer working for the whole day would get 10 basis points while a female got 8 basis points. Each smaller team had a recorder to keep track of everyone’s

work points. All the collective property, assets, income and expenses of the smaller teams were also noted by the recorder and then reported to the accountant of the production team, who was in charge of distributions within a production team. Mr P, who was 15 years old at that time, was made the recorder for work points within his smaller team. At the end of a production year, the recorder would add up all the work points of the various peasants and this determined their original work point totals. Then by comparing those totals with the amount of points which the production team gave to the smaller team, based on the actual amount of submitted grain, a ratio would be obtained. On the basis of this ratio, the original work points of each peasant would be converted to their actual points which were used to determine the amounts of grain eventually distributed within the production team instead of the smaller team.

Mr Y's group and Mr P's group – which had been production teams before 1984 – also used the method described above. However, Mr Y's group, after using it from 1980 to 1982, decided in 1983 to begin to allocating lands to households, while in Mr P's group, this method was used only for one year, 1981. Then in 1982, the group moved from four smaller teams to six even smaller groups. The method of distribution was the same as in 1981. This approach was used until December 1982 when the lands began to be allocated to the households. Mr C's group, within the same brigade as Mr P's, yet had some differences. First, the number of the smaller teams were three not as four as in Mr P's case. Second, Mr C's acted one year earlier to divide into smaller teams than Mr P's, but a few months later in allocating the lands to households. Among all of the interviewed production teams, 23 out of 49 initiated this process – first dividing the production team into smaller teams, and then after a couple of years when the conditions were ripe, they began to allocate lands to households.

*Case B<sup>83</sup>: Merging several production teams into bigger teams; also allocating 0.15 mu of land to each person for house building*

*Location: Hucheng Residents' Committee of Liyang Township*

*The Informant: Mr Z in the 5<sup>th</sup> group*

Mr Z's production team was located in Liyang Township where the County Government sits. As the economic, political and cultural centre of the County, Liyang Township is the most urbanised area within the County. The Hucheng Residents' Committee (formerly Hucheng Village) and was in a suburb of Liyang Township. With further urbanisation, Hucheng Village became more urban – hence the change in its name to a residents' committee. Compared to other more rural villages, Hucheng Village had less arable land, and so did its production teams. Given these conditions, unlike the production teams discussed above which divided into smaller teams, Mr Z's production team chose to merge with two other production teams into a bigger team.

The distribution method was similar to the one in Case A. It was used until 1983 when the Hucheng Residents' Committee began to allocate its lands to households. Land was allocated on the basis of population. This applied to every production team in this village. As a result, for some production teams who had extensive land but small populations, the size of the land allotted per person was large, while for ones who had less land and larger populations, the allocation per person was small. In addition to fields for cultivation, every person in the village was allocated 0.15 *mu* of land on which to build a house. Among all the interviewed production teams, only Hucheng Village adopted this approach.

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<sup>83</sup> Interview 2012/01/12.



*Case C<sup>84</sup>: Contracting out Lands to Households but using an agreed grain submission formula*

*Locations: Huangxi Village of Huolianpo Township; Yuntai Village of Dongshi Township*

*The Informants: Mr S in the 5<sup>th</sup> group of Huangxi Village; Mr W in the 4<sup>th</sup> group of Yuntai Village*

Compared to other methods, this one should be regarded as the most pioneering because it was not only adopted before the County Government clearly promoted allocations of lands to households, but also because lands were contracted out to households at once, without first allocating them to smaller teams. Here, production teams reached agreements with individual households in which the ratio between a fixed amount of grain submission and the amount of work points was decided. At the end of a production year, based on the actual amount of grain which households submitted and formula agreed in the contract, the production teams gave relevant work points to the households.

In this way, the income (I) of the households was composed of the basic grain ration (R) which was normally 180 kilogram of grain per person per production year, plus what was left of the output (L) after fulfilling the agreed provision to the production teams, and what was then distributed (D) by the production teams on a work-point basis. This can be represented in an equation as  $I = R + L + D$ . Although D represents work-points, this method actually differed from the collective era in that instead of being awarded on the basis of the amount of the work households completed, the points now were counted and given to the households based on the ratio between the contracted amount of grain to be produced and the amount of grain actually submitted.

Mr S provided an example. His production team decided to contract 2 *mu*<sup>85</sup> out to his households and both parties reached an agreement that the

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<sup>84</sup> Interviews 2012/02/16d, 2012/02/16e, 2012/02/16c, 2012/02/16, 2012/02/15.

amount of contracted grain submission was to be 250 kilograms per *mu*. In Mr S's case, the contracted amount would be 500 kilograms in total. If this task was finished, he would be issued 3,600 points. At the end of a production year, no matter how well his harvest had gone, he had to submit 500 kilograms of grain in which a basic grain ration of 180 kilogram per person per production year was included. If he harvested more than 500 kilograms, for example, 600 kilogram, he could keep the surplus and the basic grain ration of 180 kilograms and then submit the rest ( $600 - 100 - 180 = 320$ ). In return he would get 3,600 points, with which, he was able to take part in the distribution which would take place within the production-team unit. If he only harvested, say, 400 kilograms, he would only submit  $400 - 180 = 220$  kilograms, but in return he would only get the amount of points corresponding to his grain submission, less than 3,600 points. Before the production team distributed among its member households, firstly it had to fulfil the obligations of the compulsory grain submission to the state, and then reserved some income for the Public Accumulation Funds (PAF) and the Public Welfare Funds (PWF). Finally the rest of the grain would be distributed based on the amount of the work points which each household had earned.

Although both the distribution in both Case A and Case C was related to the agreed amount of the grain submission, Case C left out the step of allocating lands to the smaller teams. Although the distribution in Case C was still based on the work points that every households earned, the method of calculating the points was different from the collective era. According to Mr S, during that time, the households normally were able to provide the agreed grain submissions – partly because the contracting out of lands to household encouraged peasants to work hard. The other reason was that the weather during that period was good for farming. Among all the interviewed production teams, 5 out of 49 used this method.

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<sup>85</sup> *Mu* is a Chinese measurement unit. One acre = 4046.86 square meters = 6.07 *mu*. 1 *mu* = 666.6 square metres.

*Case D<sup>86</sup>: The dry-land was allocated to households to grow cotton or rapeseeds while the paddy rice fields were still planted in the same way as in the collective era; the distribution was still based on work points*

*Locations: Shuisi Village of Dayandang Township; Shuanghe Village of Linan Township*

*The Informants: Mr H in the 4<sup>th</sup> group of Shuisi Village; Mr H in the 1<sup>st</sup> group of Shuanghe Village*

Compared to the methods discussed above, this approach entailed a combination of Case A and Case C. Mr Hu explained that from 1979 to 1980, his production team dealt differently with paddy fields and dry-lands. For paddy fields, the production team was still the unit used to organise the work and to distribute based on the work points which the peasants earned based on the amount of work they completed. But dry-lands were allocated to households on a per capita basis to grow cotton or rapeseeds. Similar to Case C, before allocating the dry-lands, the production team and the households reached agreements on the amounts of produce to be submitted. After harvesting, the households handed in their cotton and rapeseeds to the production team and, based on the amounts they submitted, the team would give them relevant numbers of work points. If the harvest exceeded the agreed task amount, a household was able to keep the surplus. If a household could not fulfil its quota, it then could not obtain the maximum points which were agreed with the production team. In the end, the accountant of the production team added up all work points based on the grain and based on the other products of dry-lands, with which, the households took part in the annual distribution within their production team.

This method was used for two years from 1979 to 1980. Then from 1981 to 1983, Mr H's production team put paddy fields and dry-lands together, and like Case A, divided the production team into three smaller teams. All the lands including the paddy rice fields and the dry-lands were allocated to these three smaller teams. After that, the methods used to

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<sup>86</sup> Interviews 2012/02/17d, 2012/02/22b.

organise labour and to distribute rewards were the same as Case A. This approach continued to be used until the second half of 1983 when the lands were allocated to the households and family farming began.

The method that Mr H's production team of Shuanghe Village used was similar to that of Mr H's production team. The only difference was that instead of dividing the production team into the smaller teams, Mr H's team directly allocated lands to the households from the first stage in which the paddy rice fields and the dry-lands were treated differently. Among all the interviewed production teams, only these two used this approach.

### ■ *The Principle and the Rules for Allocating Lands to Households*

#### *The Principle of Fairness*

In 1982 and 1983, after a couple of years of transition, with the clear encouragement of the County Party Committee and County Government, most production teams began to carry out the last step towards family farming – allocating lands to the households. This was not as easy as it looked. The biggest challenge was how to guarantee fairness. The early stage of the reform inherited the high transparency between rural households of the collective era, which strictly demanded that cadres on production teams consider the principle of fairness as they did their work. Otherwise, dissatisfaction or even violent conflict would be triggered, which might affect the political achievements of the cadres. But lands varied in type and quality, and this posed problems in achieving fairness. As we saw in Chapter One, the geography of Li County includes four types of topography: mountainous, hilly, plains and lake areas. The plains are relatively fertile; mountainous lands were dry and barren; hilly lands might receive only limited sunshine; and lake areas risked flooding and droughts. For the peasants who relied on the lands to survive, how to allocate different types of lands fairly was crucial.

#### ① *The Rule for Evaluating and Ranking Lands*

So the first rule to guarantee the fairness principle was to evaluate and rank lands publicly. For many production teams, the work of allocating lands to households was not carried out by a production-team unit. As we saw above, since most production teams had already divided into smaller teams at the last stage of the transition period, it was proper and easy to allocate the lands within smaller-team units. Some production teams, which either were not divided into smaller teams or did not wish to allocate lands to the smaller team units, could carry out this exercise as production team units. The first thing the leader, either of the smaller teams or of the production teams, did was to summon the member households to survey in their entirety the lands within their units, either smaller teams or production teams, to decide on the grading and ranking of the lands. How to classify the lands and to decide on their size? This was not measured from scratch. As early as in 1951, in order to decide the rate of agriculture taxes and the amounts of grain to be submitted by each area, the Finance Ministry of the Central Government issued a document entitled “The instruction on carrying on the work of surveying land and confirming the production quota” and required the areas newly taken over by the CCP to be surveyed for size, to be classified into types, to be ranked, in order to estimate the output of the lands.<sup>87</sup> Following this instruction, Hunan Province first experimented in some places with surveys and evaluations from 1951 to 1952. Then in 1952 when land reform was completed in Hunan, the province finished the process throughout the province.<sup>88</sup>

The survey was mainly done by measuring all lands which could produce agricultural income, no matter whether it came from grain or other cash crops. Various types of lands were included: fields (plain fields, terraced fields, mountainous fields, embankment fields, dry fields, paddy rice fields), garden land (dry gardens, young plant gardens, herb gardens,

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<sup>87</sup> The research team specialising in agriculture tax reform and the financial burdens on peasants in Hunan, *A Research on Agriculture Tax Reform and the Issue of the Financial Burdens on Peasants*, printed by The Rural Socio-economic Survey Team of Hunan for internal use, 1998, p.5.

<sup>88</sup> *Ibid.*, p.6.

and flower gardens), mountainous lands (for forestry, bamboo, tea, etc.), and lakes (fish lakes, lotus lakes, and so on). Taking *mu* as a measurement unit, the sizes of the lands were recorded and inventoried. The output was evaluated and classified first by the townships themselves, and then it was selectively checked by the districts, and in the end was finalised by the county. Normally the lands were classified into six grades of three ranks or twelve grades of four ranks.<sup>89</sup> The final projected annual outputs would be discussed and confirmed by the People's Congresses of various counties. Hunan finished work by 1954. Based on these data, agriculture taxes and the quotas of compulsory grain submissions were confirmed as well.

However, up to 1961, due to the campaign of the Great Leap Forward, the projected amounts of grain outputs and their corresponding submission quotas were exaggerated artificially, in reports to political superiors by many local cadres, which placed heavy burdens on the production teams and their member peasants. In this situation, the sixty articles of regulation on agriculture came up<sup>90</sup>, following which, Li County's Party Committee and Government imposed a practice of five contract-based confirmations (*wuding dabaogan*).<sup>91</sup> Its purpose was to adjust the annual outputs, the corresponding agriculture taxes and grain submissions from exaggerated to actual numbers. In order to avoid deceptive exaggerations by local cadres, the County and its subordinate government agencies at commune and production team level discussed and reached agreements on the annual projected outputs, the amount of grain submissions, and the rate of agriculture tax, based on a constant rate of output. Once contracted and recorded from 1963 to 1965, no matter how the sizes of land holdings or outputs expected from them were changed, the data in the official record books have never been correspondingly changed until today, although there were sometimes some small adjustments.<sup>92</sup>

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<sup>89</sup> *Ibid.*

<sup>90</sup> For more details about the 'sixty articles', see footnote no. 56.

<sup>91</sup> Compilation office for chronicles of Li County, *Annals of Li County*, (Beijing: Social Sciences Academic Press, 1989), p. 434.

<sup>92</sup> *Ibid.*

This practice later had a far-reaching influence on rural areas. Since these five items were confirmed and agreed during the period of 1963 to 1965, they were not allowed to change arbitrarily. So on the one hand, this practice indeed helped to stabilise rural society back then, and the economy in rural areas recovered accordingly from exaggerations. But on the other hand, it led to unfairness over time. As they could not be changed easily, when the land conditions later changed, especially with the movement of farmland capital construction in 1977 in which many barren hills and lakes were reclaimed by ploughing up or filling up so as to enlarge the size of actual arable land, the state still only regarded the old records to be the basis despite the introduction of new agriculture policies.<sup>93</sup>

Therefore when it came to allocating lands to households, the data on record again became the starting point to evaluate the ranking of lands for each unit. This situation remains till today. In the 2000s when various beneficial policies were introduced, it caused dissatisfaction to emerge among peasants. Back then, based on the constant annual outputs and quotas of grain submission for each patch of land, after on site investigations by member households, a ranking plan was created. Then several meetings were convened to which each household sent representatives to discuss and agree the drafted plan. Each patch of land was numbered and ranked. For example, in the above case of Mr W's production team in Yuntai Village of Dongshi Township, the lands were ranked as I, II, III, IV, and V -- I was the best while V was the worst.<sup>94</sup> If member households disagreed, they sought to reach other agreements on the evaluations in the meetings. For instance, in Mr Li's production team in Ganxi Village of Ganxitan Township, a slight change was made: instead of being based on constant outputs, the lands were ranked based on the output in the previous year.<sup>95</sup>

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<sup>93</sup> Interview 2012/01/06.

<sup>94</sup> Interview 2012/02/16.

<sup>95</sup> Interview 2012/02/16b.

## ② *The Rule of Mix and Match; The Rule of Drawing Lots*

After the rankings of all patches of land were determined, the next thing the leaders needed to decide was how to distribute the differently ranked lands. This was also discussed and agreed in the meetings of the member households. In practice in Li County, three methods were used for distribution – on a per labourer basis, on a per capita basis, and on a 50/50 combination of the two. One might ask whether a per capita basis was not the best way to guarantee fairness. Mr H of the 5<sup>th</sup> group of Wanxing Village of Chexi Township answered this question by telling his story. His household contained six people – three children, two competent adults and one elderly person. If a per capita basis was used, each person could be able to get over 1.5 *mu* so that his household would get 8 to 9 *mu* of lands. However, since there were only two competent labourers in his household, 8 to 9 *mu* were a bit too much for them. On the other hand, around that time, the policy of family planning was pushed through as well, so for some families, there were only two labourers and one child. Their households could only get half of the size of Mr H's. This was against the principle of fairness. In this situation, after discussions and agreements in meetings of the member households, Mr H's production team chose to allocate the lands on a combination of 50% on per labourer basis and 50% on per capita basis, so as to reduce the gaps among such households.

Sometimes, even within the same brigade and the same production team, the methods of distribution varied. For example, in the above cases of Mr P of the 9<sup>th</sup> group and Mr C of the 1<sup>st</sup> group in Qilimiao Village of Cengnan Township, Mr P's smaller team below the production team operated on a per labourer basis while Mr C's on a per capita basis. Take Mr P's household as an example. His household was composed of four labourers – Mr P, his sister and his parents. His household was allocated more than eleven *mu*, on average more than three *mu* per person. If it had been on a per capita basis, then each person only could get 1.1 *mu* and his household would therefore get 4.4 *mu* – which was not only was much less



than the 11 *mu* they got eventually, but was also not enough for four competent labourers to work. My informants indicated that in most cases, sometimes even within the same production team, different smaller teams used different methods.

Generally speaking, production teams or smaller teams that had larger lands but smaller populations were likely to allocate on a per capita basis, while units with smaller lands but more labourers tended to allocate on a per labourer basis, or to use a combination of methods. Then the third thing to decide was how to connect the rankings of lands to the distribution method. Here a rule of mix and match applied. In order to illustrate how this rule was applied, let us separate allocations on a per capita basis and on a per labour basis, and consider several actual examples.

*On a per capita basis*

*Case A<sup>96</sup>: First identifying class I lands, then class II, class III, etc.*

Mr Li of Ganxi Village of Ganxitan Township stated that, instead of basing decisions on the constant output in official record books, his production team classified lands according to the output in 1982. Lands with 400 kilograms of output were placed in class I, 300 kilograms in class II, 200 kilograms in III, and so on in descending order. The second step was to calculate the total areas covered by each class. Lands were then allocated equally according to classes.

*Case B<sup>97</sup>: Classifying lands by discounting their poor quality -- the rule of drawing lots*

Mr H of Shuisi Village of Dayandang Township told the story of his smaller team. There were around 300 *mu* of land for his team and around 40 households altogether. It took a few months to allocate the lands. First, the

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<sup>96</sup> Interview 2012/02/16b.

<sup>97</sup> Interview 2012/02/17d.

leader called all member households to have a look at the lands, as a result of which the ranking of the lands were classified and numbered. Then the size of various plots was measured. It is worth noting that to measure sizes anew was not a popular practice, and many smaller teams chose to rely on the sizes set out in the official record book. But Mr C's group in Cengnan Township undertook fresh measurements. The third step was to calculate which patches of poor land should be discounted – and how. For example, one *mu* of bad quality land might be counted as 0.7 *mu*. The method for discounting would be discussed and agreed at the meetings of member households. After adding up all of the calculations, the lands would be divided into numbered plots. Finally, lots were drawn to determine which lands should be received by each household. In this way, the household that took good quality lands might get a smaller area, and vice versa.

***Case C<sup>98</sup>: Relating the amounts of output to the households -- a mix and match rule***

Mr W of Yuntai Village of Dongshi Township and Mr T of Laomu Village of Zhakou Township explained that their smaller teams used this method to allocate the lands. As we saw above, Mr W's smaller teams firstly partitioned the land into five classes: I, II, III, IV, and V, with I having the greatest output and V having the lowest. Then a total of the expected output was calculated, which came to around 7,000 kilograms of grain. Since the total population of his smaller team was 127, this gave an output of 55.12 kilograms per capita. Next, they calculated the amount of output assigned to each household. Plots were assigned to each household following a mix and match rule by combining I with V, and II with IV, leaving III on its own. This meant that for most households, the plots allocated to them would consist of mixtures of good and less good land. Thus the differences among households in the expected outputs of lands would be less than 100 kilograms – in the interests of fairness.

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<sup>98</sup> Interviews 2012/02/16, 2012/02/16d.

### *On a per labourer basis*<sup>99</sup>

Allocations on a per labourer basis did not simply entail dividing the whole area of the land by the total number of labourers in smaller teams. Instead, the work points system was used. Take the case of Mr G of Qunle Village of Daping Township. First, his smaller team graded the lands and numbered them. Then the basic work points of each household were calculated according to a standard in which a competent male labourer would be given 10 points; a competent female labourer 8 points; a person over 60 but still able to work, 6 or 7 points. Next, they added up all the basic points for each household. Then the total points of the team would be calculated by aggregating the points of all member households. After that, the area of the land per point was calculated by dividing the total area of the land by the total basic points of all the households. Finally, through drawing lots, each household obtained its share of different grades of land.

In Mr G's household, there were 8 people – two grandparents, parents, him, two sisters and one brother. His and his father's basic points were 10 per person; mother and two sisters were 8 per person; the grandfather 8; the brother was too young to be a competent labourer; the grandmother was not able to be a labourer. Altogether his household got 52 points and was allocated 17 *mu* of fields. Mr G's explanation for the use of a per labourer calculation was that in his smaller team, the area of the land per capita was quite small because the population was large. So it was fairest to allocate land on a per labourer basis.

### ③ *The Proximity Rule*

This rule was used in order to avoid conflicts between rural neighbours involved in poultry breeding. In rural China, many peasants breed chickens, ducks, geese, etc., in their yards. If the yard of household A was allocated to household B, the chickens of household A were likely to eat crops grown in

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<sup>99</sup> Interview 2012/02/18b.

the yard of household B. This would trigger conflicts. To avoid this, the land around each household's residence would be included in the allocation to it.

#### ④ *The Rule of Equality Within the Production Team*

For most production teams, land was allocated to smaller team units. But the populations and the areas of the land available to each smaller team could be different, and thus the areas of land per capita could vary between smaller teams within the same production team. So after lands were allocated to households within a smaller team, the production team would compare this smaller team with others and the average allocations within the production team. If the rate in the smaller team was less than the average rate within the production team, the production team would reduce the gap between the smaller team rate and the average.

For example, Mr Y was in the 3<sup>rd</sup> group of Juhualing Village of Yiwan Township. The smaller team he was in contracted 30 *mu* of fields, while other smaller teams contracted 40 or even 80. After the land was allocated, the per capita rate in Mr Y's smaller team was 0.8 *mu*, which was 0.2 *mu* less than the average rate of the production team. His production team therefore transferred some parts of fields in other smaller team to Mr Y's team to reduce the gap between the smaller team rate and the average rate in the production team. On the contrary, if the rate of a smaller team was higher than the average rate of the production team, this smaller team had to give some lands back to the production team to compensate the smaller teams with less land. In this way, it is said that essentially the amount of the land per person within one production team -- the current village group -- was equal while between different production team within one village, the amount of the lands per person could be different.

## ■ *Summary*

It will be apparent from the above discussion that the actual implementation of land policy varied at the smaller team level below the production teams. This was a result of variations in the attitudes of local cadres and in democratic discussions in the meetings of all member households in individual smaller teams. There were three types of approaches used – being pioneering, being submissive, and being reluctant. Some smaller teams started voluntary as early as 1979 while others only followed the instructions from the County Government to start around 1982. Completion times also varied – with lake areas normally taking longer than the others. Fenghuang Village of Guanyuan Township, the former Chenjia Village, was the last one to finish allocations among all interviewed villages -- in 1988. The explanation of their former secretary of the party branch was that they were still not brave enough to try it, so they adopted a wait and see attitude. By contrast, in explaining why his group had taken a relatively pioneering approach, Mr W of Yuntai Village of Dongshi Township stated that it was because he was young at that time and wanted to score political achievements in order to climb up the career ladder.

These three types of attitudes actually coincided with the three categories of pioneering, band-wagoning, and resistance which Jae Ho Chunag used in his study of relations between the Central Government and the Government at Provincial level.<sup>100</sup> Being pioneering entailed some risks, although sometimes risks also meant opportunities. Mr S of Huangxi Village of Huolianpo Township provided some examples. When the situation was not clear, Mr C, the then Party Secretary of the Township had a very conservative attitude towards allocating the land to the household - saying that no one would allocate land to households unless the sun rose from the west. Mr Ji Shan, secretary of Mr C's subordinate village party branch, was pioneering and decided to allocate dry-lands to households a bit earlier than the instruction from the County Government. Therefore he was

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<sup>100</sup> For more details about Jae Ho Chung's categorisation and his argument, see footnote no. 73.

expelled from the party and placed on probation. However Mr ZF, a peasant in another township, was brave enough to contract some land before 1983 and therefore became rich before fellow peasants.<sup>101</sup>

Among interviewees, the young and educated cadres were more likely to take a pioneering attitude than older cadres. Mr H of Shuanghe Village of Linan Township, the sent-down youth cadre mentioned at the beginning of this chapter, corroborated this point. He led his team to skip the transition time of the DAOB and started to allocate lands to the individual households at one go. He explained that this was because, as a former sent-down youth, he was confident about achieving a good crop output by combining his theoretical knowledge and real agricultural experiences. His success was also due to the open-minded attitude of his superior. When he was reported and exposed, the party secretary of his brigade adopted an attitude of “let it be”.

To summarise, by 1984, except in a very few areas, most production teams finished the work of allocating the lands to the households and roughly established the institution of family farming. Among interviewed villages, the area of the land per capita ranged from 0.55 *mu* in the 7<sup>th</sup> group of Zongyang Village of Fangshiping Township to around 2.3 *mu* in Gutang Village of Shuanglong Township. As we saw above, the area of the lands distributed within single production teams were essentially equal, but between production teams, it varied. From the various methods used to allocate different types of land, we can see the wisdom of local cadres and peasants at work in their efforts to conform to the principle of fairness. After the lands were eventually allocated to households, all the records, property and assets of the production teams became almost irrelevant because with the allocations, all property and assets were transferred to the households, including production team buildings, draught animals and so on. The following table provides a brief overview of the allocations to the households.

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<sup>101</sup> Interview 2012/02/16c.

**Table 2.1 A Statistic Overview of Allocations the Lands to the Households\***

Current Village Name		Time to start DAOB	Time to start allocating the lands to the households	Methods to allocating the lands			Size of the lands per capita ( <i>mu</i> )	Time to finish allocating the lands
Previous Name**	Group No.			On a per capita basis	On a per labourer basis	A mix of the other two (50% +50%)		
Zongyang		Middle of 1983	1984		✓		0.55	1984
	7 <sup>th</sup>							
Shuanghe			1981	✓			No data	1981
	No data							
Yingxi		1982	1983	✓			1.5	1983
	4 <sup>th</sup>							
Dongfeng		No data	No data	No data			1.87	1986
Honghu	No data							
Bichen		1982-1983	1983	No data			1.6-1.7	1985-1986
	No data							
Chimagang		1981	1982			✓	1.3	1982
	No data							
Dazhou		1980-1981	1983	✓			No data	1983
	No data							
Shuangyan		1981-1982	1982	✓			No data	1983
	No data							
Gutang		1980	December, 1982	✓			0.9	1983
	1 <sup>st</sup>							
	8 <sup>th</sup>	No data	No data	No data			2.3	1983
Yanggu		No data	No data	✓			0.5	No data
	No data							
Guanshantu		1980	1983	✓			< 2.0	1983
	No data							
Wanxing		1981	1982			✓	>1.5	1982
	5 <sup>th</sup>							
Qunle		1982	1983		✓		1.5	1983
	No data							
Wuai		1980-1981	1983			✓	1.5	1983
Xiantao	No data							
Yucheng		1982	1983	✓			No data	1983
	No data							
Xindu		1982	1983	✓			No data	1983
	10 <sup>th</sup>							
Shuisi		1979	1982	✓			No data	Second half Of 1983
	No data							

<b>Caoyan</b>		1979	1982	✓			No data	1982
	No data							
<b>Juhualing</b>		1981	1982	✓			2.1	1983
	3 <sup>rd</sup>							
<b>Baihelin</b>		1982	1983	✓			2.0	1984
	5 <sup>th</sup>							
<b>Banqiaorong</b>		1981-1982	1983	✓			No data	1983
	No data							
<b>Shuili</b>		1982	1983	✓			<1.0	1983
	No data							
<b>Laomu</b>		n/a	1980	✓			No data	1983
	No data							
<b>Huangxi</b>		1980	1982	✓			2.0	1983
Songzhu	No data							
<b>Ganxi</b>		1981	1983	✓			1.0	1983
Ganxi	No data							
<b>Yuntai</b>		1983	1984	✓			1.28	1984
	No data							
<b>Zhangshuyan</b>		1982	Second half Of 1982	✓			2.0	1983
Jinhe	5 <sup>th</sup>							
<b>Fenghuang</b>		No data	1983	✓			No data	1988
Zhaojia	No data							
<b>Hongxing</b>		1982 - 1983	1983	✓			No data	1984
	No data							
<b>Lianhua</b>		1981	1982	✓			1.2	1983
	7 <sup>th</sup>							
<b>Hucheng</b>		1981	1983	✓			<1.0	1983
	No data							
<b>Qilimiao</b>								
	3 <sup>rd</sup>	1980	1983			✓	1.34	1983
	9 <sup>th</sup>	1981	1982		✓		1.1	1983

**Notes:** \* The data in this table are based on my interviews.

\*\* In 2005, Li County carried out the practice of merging villages and groups. After that, some small-sized villages were merged into other bigger ones, and their names therefore were changed as well.



### ***2.1.3 Initially Institutionalising the Household Use of Land in 1984***

After a few chaotic but furious years, by the spring of 1984, most production teams in Li County had finished laying the institutional foundations for the family farming. Frequent changes in policies from 1979 to 1984 left some scepticism among peasants on how long this policy would last. Mr Y of Juhualing Village of Yiwan Township stated that when the Central Government called for the start of the DAOB, it said that the policy would “remain at least 30 years”, but this lasted only for three years. After allocating the lands to the households, there was still no clear document to clarify how long this practice would last.<sup>102</sup> Because of this, many peasants would be reluctant to invest in their lands since they were worried about further policy changes.

In this situation, in order to reassure rural communities and to encourage agriculture, the Central Government issued a document entitled “A Notice on the Work in the Rural Areas in 1984” on the 1 January of 1984 as “the No. 1 document” -- which stipulated that the length of land contracts would normally be extended to 15 years. Following this, the County Party Committee convened a working meeting on agricultural production to study this document and decided to issue peasants with permits for land use.<sup>103</sup> In practice, not every peasant in Li County received this permit. Among all the interviewed villages, Lianhua Village implemented this practice best. Households there received permits as early as in 1985. The permit is displayed below.

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<sup>102</sup> Interview 2012/02/17b.

<sup>103</sup> Compilation office for chronicles of Li County, *Annals of Li County*, (Beijing: Social Sciences Academic Press, 1989), p. 133.



Picture 2.1 a & b The Permit for Land Use (taken on 18 September 2014)

From the cover and the official stamp above, we can see that it was issued by the County People's Government in January of 1985. Pages one to four lay out the rules on the land use as follows.<sup>104</sup>

- The ownership of rural land belongs to the collective. The household is entitled to manage its contracted land within the contract period. This right should not to be infringed by any organisations and individuals. For the purpose of infrastructure construction, the state and the collective are entitled to requisition land.
- The household's right to use the land stands at one level within the collective economy and is subject to management by the collective organisations. The contracted land (including any private plot) is not permitted to be sold or rented and also cannot be used for purposes other than agriculture. If the quality of the land is increased due to the active investment of the household when the land is sub-contracted, the original household is to be compensated. Otherwise, the collective has the right to interfere, to impose economic penalties, or even to take the land back.
- The household must be responsible for the agriculture tax, social burdens and the collective reserves being fully fulfilled on time.
- Within the contract period, if the household has requested to reduce its contract burden or to withdraw from the contract because it is not capable of cultivating or because of changes to other careers, it is allowed to give the

<sup>104</sup> This section is translated by the author from the original permit.

land back to the collective to dispose of with the consent of the collective. The household is also able to subcontract its land to other households without making changes to the content of the contract.

- In the case of a subcontract, the land will be re-graded. If the land is upgraded, the household will be compensated as *xxx yuan/mu/grade*. If the land is downgraded, the household will have to pay the maintenance fee of the land as *xxx yuan /mu/grade*.

When land is given back, if it is upgraded, the collective will compensate the household. If the land is downgraded, the household should pay the maintenance fee for the land.

In the case of subcontracting between peasants, the household taking over the contract will be responsible for compensation to the original household if the land is upgraded. Otherwise, the original household should pay the maintenance fee of the land to the household taking over the contract.

Page five was the information page including the name of the head of the household, the residence address, and the reference number. Under that was an overview of the contracted land including the contracted time, the type of land, and, the area of the land. Pages six to eleven contained tables for detailed information on the contracted land, including the name of each patch, the number of patches, the types of the lands, areas and grades, their locations, the length of contract, and any changes, with reasons for them. The final page was for notes.

From a legal perspective, the appearance of this permit indicated that a contract now marked relations between the state and the peasants. However, as this is a primitive form of contract, some concepts and definitions are still quite ambiguous, and state power is given priority. First, it emphasizes the collective ownership of the land – and this is actually the case till today.<sup>105</sup> Second, the right to use the land of the households was conditioned by the authority of the state and the collective to make land requisitions. The

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<sup>105</sup> For more details on the evolution of the collective ownership of land in China, see Wang, Weiguo, *The Study on the Land Rights in China*, (Beijing: The China University of Political Science and Law Press, 1996), p.95-96.

document does not spell out how compensation will be provided in the case of a requisition. Since it was issued, a series of relevant laws and regulations, such as the 1988 and the 2004 amendments to the Land Administration Law of the People's Republic of China, have made prescriptions about the compensation for a requisition, but no such regulations appeared here in this early version of the permit.<sup>106</sup> Third, the definition and the reach of the collective organisations were not clear in this permit. Again, although later land regulations have some prescriptions on that, in reality, the ambiguity on this front caused numerous conflicts, especially when it involved financial compensations for a requisition. Finally, as we have seen, during this early stage, the land could not be rented or sold privately, although with the consent of the collective, it could be subcontracted. This rule became highly significant after 2000, when the agriculture tax was eliminated, and subcontracting and the sub-letting of land became even more popular.

#### ***2.1.4 Changing Communes and Establishing Townships between 1983 and 1984***

After land was allocated to the households, the ways to organise labour, to render accounts, and to distribute benefits were also correspondingly changed. Agricultural production started to be carried out on household-based units. Without the collectivised and militarised management in Mao's era, peasants now were able to plan their schedules depending on their own preferences. They did not need to get up very early at the same time and go to the fields together to work. With land allocated to the households, so were compulsory obligations. These obligations included ones to the state (agricultural taxes and the grain compulsory submissions) and ones to the production teams (the Public Accumulation Fund and the Public Welfare Fund).<sup>107</sup> They used to be fulfilled by the production teams, but now were divided and assigned to each household. As a result, the rural collectives --

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<sup>106</sup> The Land Administration Law of the People's Republic of China was initially enacted in 1986 and later has experienced two times of amendment in 1988 and 2004. The present Land Administration Law of the P.R.C in use is the 2004 amendment.

<sup>107</sup> Interview 2012/01/06.

the people's communes, brigades, and the production team -- which had played comprehensive administrative and economic roles in Mao's era, now lost many of their functions. In this situation, on 12 October, 1983, the Central Party Committee and the State Council issued a document entitled "An Announcement to separate the Political and Economic Administration and to establish the Government at Township Level", to establish the government institutions and party organisations at township level, and to elect the corresponding peoples' congress.

The experiments with establishing township governments in Li County took place a bit earlier than the issue date of the central document. Although there was no clear explanation of the reasons, the record showed that as early as June of 1983, the work team of the County Party Committee led by the deputy secretary, W Zhi, began the experiment of changing communes to townships. After two months, in August, the previous Lidan People's Commune was renamed as the People's Government of Lidan Township.<sup>108</sup> Below the township level, twenty-one village committees were set up where the previous brigades sat and administered 180 village groups where the previous production teams sat.<sup>109</sup> With the experiences collected from the experiment, the next year, *i.e.* in March of 1984, this practice was promoted throughout the County. As a result, the other forty-two commune administrative committees have one after another been renamed as township governments; brigades as village committees; and production teams as village groups.<sup>110</sup> The township governments set up roles such as the head, the deputy head, and several special cadres respectively in charge of civil affairs, law and justice, enterprises, finance and grain, family planning, statistics, agriculture, and forestry and so on. The village committees were elected by the villagers – this will be discussed later in this Chapter – and set up roles such as the director, the deputy director, the director of security, the director of women, and accountant etc.<sup>111</sup>

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<sup>108</sup> Compilation office for chronicles of Li County, *Annals of Li County*, (Beijing: Social Sciences Academic Press, 1989), p. 55.

<sup>109</sup> *Ibid.*, p.55 and p.476.

<sup>110</sup> *Ibid.*

<sup>111</sup> *Ibid.*, p.476.

Up to this time, the County administered seven districts, forty-seven townships (thirty-five *xiang* and twelve *zheng*), 705 villages administering 6,721 village groups, and twenty-five residents' committees with 144 residents' groups.<sup>112</sup> In October of 1985, the provincial government decided to cancel the Baiyi district and gave its administering townships to Jinshi county-level city. By the end of 1985, the number of the districts therefore reduced to six; thirty-five *xiang* to thirty; twelve *zheng* to nine; 705 villages to 596 with 6721 village groups to 5,621; and the number of residents' committees reduced to twenty-three with 121 residents' groups.<sup>113</sup> By this time, an administrative system of County People's Governments – District public offices – Township People' Governments – Village Committees – Village Groups had been completed established. Except for some small changes in the size and the names of some districts and townships, this framework of five levels within Li County territory continued to be in use until 1994.

Although from a structural perspective, the three-level administrative system of townships – village committees – village groups is very similar to the previous system of communes – brigades – production teams, actually the shift is significant because this means separation between the administrative functions of the communes and its economic functions. After this new system centring on governments at county, township and village levels has been established, the Party Committees at various levels have gradually transferred the governing and economic work to the hands of corresponding governments while they themselves focused on the implementation of Party policy, ideology, cadres' appointment and discipline inspection.<sup>114</sup> In this sense, it is reasonable to say that the governments are the governing organs in charge of administration and management while the party committees are in charge of the general

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<sup>112</sup> *Ibid.*, p.476 and p.55. The residents' committees and the residents' groups are the organisations with the same administrative rank as the village committees and the village groups. The former are set up in urban areas while the latter rural areas.

<sup>113</sup> *Ibid.*, p. 55.

<sup>114</sup> *Ibid.*, p.437.

direction of various works within the County by holding the authority of cadres' appointments and ideology. At the same time, the political institutions have been gradually democratised and institutionalised, which will be discussed in detail later in this Chapter. Since then, with the ideological leadership of the Party Committees, the governments at various levels began to lead their administered areas towards an acceleration of economic development, and later towards other comprehensive social and political reforms as well.

## ***2.2 The boom of Township and Village Enterprises (TVEs) from 1985 to 1989***

### ***2.2.1 The formulation of a development model of “dual tracks and four wheels”***

As the secretary of a village suggested above, the biggest benefit which family farming brought to the peasants was probably not the improvement in agricultural production, but efficacy in the use of labour. Without identical requirements of assigned work for every production team, many labourers have been released from farms. They had much more free time and energy, and were eager to make use of it to improve their living conditions. Reflecting what was happening in rural areas, the central government issued the second and timely “No.1 central policy” on 2 January 1983, in which it encouraged: 1, the comprehensive development of farming, forestry, animal husbandry, side-line production and fisheries; 2, the integrative development of agriculture, industry and commerce; and 3, the development of all kinds of joint businesses to meet the needs of the commercial economy. These clauses confirmed the legitimate status of running businesses other than agriculture and explicitly noted the potential for peasants to develop other forms of ownership than collective ownership -- “all kinds of joint businesses”.<sup>115</sup>

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<sup>115</sup> In the Qing Dynasty and the time of Republic of China, industry in Li County only covered household businesses and private businesses. Statistics on the 18<sup>th</sup> year of the Republic of China showed that there were 31 categories of industry such as sewing,

However, what happened later throughout the whole of China revealed many variations in industrial development. Of the development models of the 1980s<sup>116</sup>, the most renowned were probably the so-called “*Sunan model*”<sup>117</sup> and “*Wenzhou model*”<sup>118</sup>. The former makes full use of the dominance of local government and the strength of the collective to develop TVEs, as Oi shows in her study on Zouping County -- while the latter shows the flexibility and great potential of private enterprises. What needs to be noted here is that if one is not familiar with the history of the collective era in China, it is easy to separate TVEs from that era and regard them as a new creation in the reform era. However, TVEs were closely related to commune and brigade enterprises (CBEs)<sup>119</sup> in the collective era. This was clear from

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carpentry, fireworks, etc. within Li County. They employed 2,209 people in total. By the 38<sup>th</sup> Year of the Republic of China, the number of employees had grown to 5,600. Early in the time of the People’s Republic of China, by 1953, the category of ‘businesses’ included more than 50 types and had 11,300 employees, of which 3,200 were in towns and 8,100 in rural areas. From 1953 to 1956, private industries and household handicraft industries had experienced socialist transformation and were replaced by the state-owned and collectively-owned industries. For most of the collective era, economic enterprises in Li County, like other places in China, only included those under state ownership and collective ownership. Apart from collective organisations such as production teams, brigades and communes which, following central instructions, were allowed to run businesses other than agriculture, no other organisations or individuals were permitted to run businesses in the rural areas. The enterprises run by the brigades and communes were normally called commune and brigade enterprises (CBEs). For more details about the evolution of the industry in Li County since the Qing Dynasty, see Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 242 - 245.

<sup>116</sup> Into 1990s, Guangdong model became the famous one, in which the foreign investment played an important role. And this model is also criticised as “urban bias”.

<sup>117</sup> The *Sunan model* was first proposed by Dr. Fei Xiaotong in the early 1980s. It is named after a practice found in Suzhou, Wuxi, and Changzhou of Jiangsu Province in which the township governments led the development of township and village enterprises and the ownership lay mainly in the collectively owned economy. Its important feature is the local state’s strong intervention. Oi called this model “Local State Corporatism”, in her series of studies of the development of rural industry. See Jean Oi., “Fiscal Reform and the Economic Foundations of Local State Corporatism,” *World Politics* 45 (1992): 99-122, “The Role of the Local State in China’s Transitional Economy,” *China Quarterly* 144 (1995): 1132-49 and chapter 2 the Evolution of Local State Corporatism in Andrew G. Walder (*ed.*), *Zouping in Transition: The process of Reform in Rural North China*, (Cambridge, Massachusetts: Harvard University Press 1998). Detailed case studies can be found in John Wong, Rong Ma, and Mu Yang, eds., *China’s Rural Entrepreneurs: Ten Case Studies* (Singapore: Times Academic Press, 1995).

<sup>118</sup> The *Wenzhou model*, also called a “puppy economy”, appeared for the first time in *Liberation Daily* in 1985. The correspondents were Zhang Yeping and Sang Jinquan. Unlike the *Sunan model* noted above, its characteristics are small-sized enterprises, household workshops owned by individuals and households, and flexible private capital all over Wenzhou. The role of local governments is non-interventionist, which also become a factor to be criticised later due to the low quality of products and fake products.

<sup>119</sup> See footnote no. 115.



a 1984 announcement from the central party committee and the state council. Responding to the reform of the political system in rural areas -- from communes and brigades to townships and villages, the announcement decreed that the term CBEs should be changed to TVEs. The coverage extended from collectively-owned only, that is township and village owned enterprises, to “joint enterprises by communes’ members, other types of joint industry and private enterprises.”<sup>120</sup> The concept of TVEs, from its appearance, was likely to be understood as enterprises only owned by townships and villages. But in fact, it was a very dynamic term, and it referred to a constantly evolving process. At that time, it was a definition which covered collective, joint and private enterprises. And into the 1990s and even 2000s, there were more new additions to it, as will be shown later in this section.

In the light of successful developments in other places, how could Li County proceed to develop rural industries and thus improve its people’s living conditions? This became the main topic for discussion among leaders of the party committee and government of the county between 1984 and 1987.<sup>121</sup> The central government had signalled a set of goals for developing industry, but it did not design a ready-made route for provinces, cities and counties. The Li County leadership had to find its own way.

On 1 March 1984, the party committee and government of the county issued a document entitled “a specific regulation on developing various businesses to improve commercial production”. It stated that “TVEs are the main support for rural economy. Based on local resources and using our own advantages, we need to tailor measures to suit local conditions and to

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<sup>120</sup> *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County, p.6.

<sup>121</sup> As for why the leaders of the party committee and government of the county were so enthusiastic in developing rural industry that they even proposed to struggle to compete with Wuxi, Zhou Li’an, in his book *The Local Governments in Transition*, provides a series of concepts such as “the administrative contracting, the tournaments and the assessment system” to explain the competitive state of mind of local governments and how the central government makes use of this state of mind to inspire and manage local government in order to achieve its aim of economic development. For more details, see Zhou Li’an, *The Local Governments in Transition*, (Shanghai: Shanghai People Press 2008).

increase development opportunities. Specifically speaking, we have four advantages which should receive most of our focus: to develop mining by using underground resources; to develop construction and its materials by using over-ground resources; to develop planting, crop raising and processing businesses by responding to the market and the daily needs of the ordinary people; and to develop conveyances on waterways and land way to import raw materials and to export the products.”<sup>122</sup> The document also states that “the form of contracted responsibility of TVEs depends on the size, features and the situations for production. Generally speaking, larger enterprises take the form of being contracted to a collective; middle-sized enterprises take the form of managers’ contracted responsibility; and the smaller size were either fully contracted to individual or contracting fixed output quotas to individuals. The general rules are to do independent accounting, to make their own management decisions and therefore take full responsibility for their own profits and losses. No matter which form is adopted, leaders at township and village levels need to strengthen guidance and to help the enterprises to serve agriculture production and citizens’ living standards.”<sup>123</sup> Although this document pointed to certain principles such as “tailor measures to suit local conditions” which was proven later to be the main principle to shape the development, it still did not give a clear roadmap for Li County at that time.

Then on 8 May 1984, the principal leaders of the party committee, government, People’s Congress and the committee of People’s Political Consultative of the county organised a visit to Hubei, Jiangsu, Zhejiang and Guangdong and in January 1985, they also went to Tianmen and Honghu of Hubei Province to study their experiences of TVEs.<sup>124</sup> Based on these practical experiences, in July 1986, the leadership team on township and village industry in Li County was established. The vice secretary of the

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<sup>122</sup> See the archives of the documents of the party committee of Li County, A specific regulation on developing various businesses to improve the commercial production [No.4 (1984) *Liyin*].

<sup>123</sup> *Ibid.*

<sup>124</sup> *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County, p. 14.

party committee of Li County, Pan Weidong, became the team leader, and Xie Daixiang and Song Shu'er were vice team leaders. The persons in charge in the economic committee, the planning committee, the science and technology commission, the office of finance, the agricultural bank, the bureau of taxes, and the bureau of TVEs were the members of the team. It included the office, the project team, the technology team, the management team, the purchase and sale team, to take charge of the design and implementation of the development plan for township and village industry.<sup>125</sup> On 7 September, the secretary of the county, Mo Daohong, summoned a meeting of township and village industries of the county and called on it "to learn from Wuxi's experience and struggle to emulate Wuxi. The party secretaries of each township should be in full charge of the TVEs and make it a priority of their work."<sup>126</sup> Then the county governor, Hong Mingxiang, led a team of party secretaries from districts and townships to visit Wuxi.

After much field research and many working meetings with cadres at grassroots level, on 18 January 1987, the vice secretary of the county, Pan Weidong, on behalf of the party committee and the government, proposed to a meeting of cadres at four administrative levels<sup>127</sup> that "we need to walk a new path to develop the township and village industry. It can be generalised as 'the backbone projects to struggle for achieving high quality; the small size businesses can be scattered into households to develop; four wheels (townships, villages, joint undertakings and households) are working together on dual tracks (collectively and privately owned); speed and profits are to be improved at the same time.'" By then, a specific route of industrial development in Li County had been established. The process in which it came up actually still shows the dominance of the party committee and the government of the county, which can be seen even more clearly in the discussion below of the growth of the TVEs. However it was set out not by the empty imaginations of a few members of the leadership group of the

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<sup>125</sup> *Ibid.*

<sup>126</sup> *Ibid.*

<sup>127</sup> The four administrative levels were: County Government, District Public Officers, Township Government and Village Committees. This system was completely established in Li County in 1984. For more details, see this Chapter p.100 -103.

party and government. Based on local resources, it was built by combining the strong heritage of the CBEs with successful experiences from other places. And with the strong support of local government, rural industry in Li County has achieved substantial development.

### ***2.2.2 The history of commune and brigade enterprises***

Li County has a long history of collective enterprises. The emergence of the collective enterprises here can be traced back to between 1953 and 1957 when agriculture production co-ops were established across the rural areas of the county. In order to improve production and to increase income, the co-ops organised their members to run some businesses which served agricultural production and peasants' well-being in areas like rice milling, cotton seeds ginning, oil milling, lime burning, bamboo processing etc. After the county was communised, the co-ops' businesses were correspondingly transferred to the people's communes and became the commune enterprises in October 1958. The labourers in those enterprises then accounted for 20% of the whole rural labour force of the county.<sup>128</sup> In the 1960s, the central party committee issued an instruction "to adjust, to strengthen, to enrich and to improve" -- and the sizes of communes were reduced. After 1962 when 60 articles<sup>129</sup> pointed out that the communes began to implement the management system in which "a three-level ownership is applied and the brigades are the basic unit to account, to manage and to distribute (*sanjisuoyou, duiweijichu*)", the commune enterprises were compressed by the way of either stopping, merging, or decentralising to the brigades, or by co-management of them by the communes and brigades. By 1962, the number of the commune enterprises in Li County had been reduced from 1449 to 25.<sup>130</sup> The political situation

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<sup>128</sup> *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County, p. 6.

<sup>129</sup> For sixty articles, please see footnote no. 56.

<sup>130</sup> *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County, p. 6.

and three years of natural disasters after that made that the worst period for commune and brigade enterprises.

The revival of the commune and brigade enterprises started from 1966 when Mao published an instruction known as the “5•7 instruction”, calling on communes “to run some factories collectively”. Despite the Cultural Revolution during this period, with the support of the party committee of the county, there were still some communes and brigades running some small-size enterprises like planting, raising and processing crops, etc. In the 1970s came the instruction from the Northern area’s working meeting of the state council to encourage the communes “to develop ‘five small’ industries (small steel factories, small coal mines, small agricultural tools factories, small fertiliser factories and small cement factories)”. The party committee of Li County called on some communes, if possible, to run soil brick fields, cement factories, tool building and repairing factories and fisheries. For some brigades, they could run small processing businesses, small tea gardens, forestry fields; and production teams could run pig raising businesses.<sup>131</sup> From then on, with the leadership of the party committee of the county, the commune and brigade enterprises began to pursue this work on a large scale. Businesses extended from only covering the planting, raising and processing of crops before 1970s to covering industry, transport and conveyance, and so on. In terms of distribution, labourers worked in the factories and brought with them the rice they need to cook for themselves while the production teams to which they belonged would award work points according to the nature and the time spent on their work, and then distributed income and subsidies by way of work points.

The whole of the 1970s turned out to be the heyday for the development of the CBEs. As *table 2.2* shows, up to 1984 when CBEs changed their names to TVEs, CBEs in Li County had grown rapidly. In 1974, the number of CBEs reached 1619, their employees reached 14,522, and the gross income of the enterprises was 102.2 million yuan (\$46.44),

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<sup>131</sup> *Ibid.*

accounting for 6.6% of the total income (1537 million yuan – equal \$ 698.4) of the communes, brigades and production teams of the county. In 1975, after the office of the leadership team for CBEs of the revolutionary committee of Li County (established in 1973) changed its name to the bureau of CBEs of the Li County Revolutionary Committee, 36 handicraft industry co-ops in the county had been decentralised again from the county to the communes. By 1978, 2,300 CBEs were already in operation, an average of 53 per commune (although variations among communes existed), an improvement of 42% since 1974. The CBEs had 29,665 employees, 1.04 times the total of 1974; and the gross income reached 345.5 million yuan (\$200.9), 2.02 times more than in 1974 - accounting for 18.6% of 1859.5 million yuan (\$1081) of the total income of the communes, brigades and production teams of the county. Of all CBEs, there were 732 agricultural enterprises, 972 industries, 90 construction enterprises, 205 dealing with transport and conveyance, and 301 commerce, food and service businesses.

*Table 2.2 Commune and brigade enterprises in Li County, 1974 – 1984*

Year	Total number of Enterprises/ number of Commune Enterprises	Number of employees	Gross output value/ of which industry output value (million yuan)	Gross Income /Net profit (million yuan)
1974	1619 / 273	14,522	n.a / 66.6	102.2 / 23.7
1975	2320 / 433	29,075	n.a / 105.5	224.5 / 50.1
1976	2628 / 484	37,118	n.a / 251.7	334.2 / 84.1
1977	2513 / 533	34,635	n.a / n.a	363.0 / 76.3
1978	2300 / 477	29,665	n.a / 196.7	345.5 / 76.8
1979	2906 / 558	35,737	n.a / 245.7	504.0 / 128.7
1980	3181 / 572	33,813	n.a / 227.5	525.8 / 108.2
1981	2756 / 518	29,041	n.a / 317.2	600.1 / 105.7
1982	2314 / 502	27,718	n.a / 472.2	700.5 / 118.7
1983	2332 / 504	25,635	n.a / 424.9	807.6 / 124.9
1984	7210 / 570	41,796	1318.2 / 655.3	1117.5 / 111.6

Sources:

1. *The Annals of Township and Village Enterprises* printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County.
2. Statistical Yearbook of Li County 1978, 1979, 1980, 1981, 1982, 1983, 1984.

The considerable strength of CBEs saved much time and energy when Li County began to adopt a new approach to rural industry in the early 1980s. Meanwhile CBEs provided some technicians and management staff for new enterprises that were owned by collectives, jointly owned, or owned by individuals and households, although they were not as professional as they are today. Support from the government also played an indispensable role in the booming growth of rural industry in the late 1980s.

### ***2.2.3 Substantial support from the government***

The boom of the TVEs in late 1980s in Li County was greatly facilitated by support from the government agencies and cadres at county, township and even village levels. Leaders at all three levels were working together with other government departments such as the bureau of taxes, the office of finance, the agricultural banks, rural credit co-ops, etc., to provide much substantial help to the TVEs. They raised the initial capital for new enterprises, and closely supervised and assisted in their subsequent growth. With their political authority and human resource networks, they collected capital for investment, lobbied for loans and credits, and provided market information and technical expertise when needed. Unlike in some places using the *Sunan model*, however, this help was not only available to collectively owned firms but also to private enterprises. Local government was the enterprises' ally, and they jointly assumed political and economic burdens. The support from the local government can be categorised as follows.

### ① *Raising capital*

In addition to raising money themselves, TVEs obtained considerable capital from the local government. In terms of fiscal support, after 1978, the county's party committee and government, following a succession of policies from the central government, mobilised all relevant departments to support the TVEs. Between 1980 and 1988, the fiscal departments at county and township levels issued the TVEs with 3.28 million yuan in total as floating capital. They provided crucial aid to projects in Ganxi Township, Zhakou Township and Zhongwu Township - another 0.35 million yuan of floating capital.<sup>132</sup>In terms of financial support, as *table 2.3* shows, between 1979 and 1989, the total accumulated loans from the Li County branch of the agricultural bank and the rural credit co-op reached 273.10 million yuan, of which the agricultural bank provided 88.09 million yuan and the co-op 185.01 million yuan. The total loans of 273.10 million yuan accounted for 10.24% of the total loans (2.664 billion yuan) of the financial institutions in Li County from 1979 to 1989. Notably, in 1986 and 1987, the financial support from these sources was almost 7-9 times that of 1979. According to the 1986 statistical yearbook, 1986 was the year when rural industry grew most quickly -- the value of which reached 210.05 million yuan, an improvement of 83.6% over 1985. Rural industry provided 61.2% of the whole value of the county's industry,<sup>133</sup> as *table 2.4* shows.

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<sup>132</sup> *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County, p. 128.

<sup>133</sup> Statistical Bureau of Li County, *The Statistical Yearbook of Li County 1986*, (Yichun: Document Publishing Factory of Yichun of Jiangxi, 1987), p.3.



Table 2.3 The Statistical Data of Loans for TVEs in Li County from 1979-1989

The organisations Issuing the Loans	Years (million yuan)											
	Total amount (million yuan)	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Rural Co-ops of Credit	185.01	0.84	1.35	2.3	4.63	7.47	16.02	23.88	59.75	56.71	6.34	5.72
Agricultural Bank	88.09	1.83	2.94	0.78	0.74	1.3	3.82	11.21	21.19	23.94	13.7	6.64
Subtotal	273.1	2.67	4.28	3.08	5.37	8.77	19.84	35.09	80.94	80.65	20.04	12.36
Percentage of Total loans of all Financial Institutions *	10.24	3.03	3.34	2	3.41	4.13	9.84	13.84	28.82	21.8	5.39	2.76

Source: *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County.

Note: \* These data are extrapolated from the data that *the Annals of Township and Village Enterprises* and *Li County Annals 1978 – 2002* provide. In fact, in addition to rural credit co-ops and the agricultural bank, there were also other institutions that issued loans to the TVEs. However this part of the data is not available. Considering that in 1980, the agricultural bank was separated from the People's Bank and that since then, the agricultural bank and rural credit co-ops have been the main financial institutions which provided CBEs' loans<sup>134</sup>, the absence of the amounts of loans from other institutions does not make much difference for the present study, in terms of financial support from the local government.

<sup>134</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 397.

Table 2.4 The Data of the Final Value of Industry in Li County 1986

	The Real Final Value (million yuan)	Final Percentage of the Yearly Plan	Growth Percentage than 1985
The Gross Value of Industry (County)	343.04	122.4	50.2
1. County owned	100.99	103.9	8.3
2. Urban Town owned (residential communities Included)	32.00	128.0	54.9
3. Rural Industry	210.05	132.9	83.6
3i. Township owned	75.85	118.5	60.2
3ii. Village owned	100.91	146.3	73.8
3iii. Joint and Private Owned	33.29	133.2	268.8

Source: Statistical Bureau of Li County, *The Statistical Yearbook of Li County 1986*, (Yichun: Document Publishing Factory of Yichun of Jiangxi, 1987).

### ② *Taxes Exemptions*

From 1975 on, the central government and governments at lower levels promulgated a series of policies and regulations on the tax exemptions of CBEs. Following their instructions, on 22 May 1984, the Bureau of Taxation of Li County issued a document entitled “Some Ideas on Relaxing the Tax Policy in Rural Areas (draft)” to give numerous favours and considerations to TVEs. Between 1985 and 1989, there were 775 TVEs in total which enjoyed exemptions from taxes worth 18.14 million yuan.<sup>135</sup>

According to this document, the enterprises enjoying complete exemptions from industrial and commercial tax and income tax included township enterprises which served agriculture production by producing fertilisers,

<sup>135</sup> *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County, p.130

pesticides, veterinary medicines, lime for agricultural use, agricultural tools, vehicle and boat repairing for agricultural use; village enterprises which provided residents' daily needs such as tofu workshops, rice noodle workshops, vinegar workshops and other grain, cotton, oil and agricultural product processing workshops; small and big hydro-electric power stations and other businesses for the public welfare or with charitable status such as schools, hospitals, culture communities, cinemas, bookstores, post offices no matter whether they were owned by townships or individuals; veterinary stations, livestock breeding stations, seedling grounds owned by the collective or individuals; township enterprises and individuals who ran businesses in agriculture, forestry, animal husbandry, fisheries, gardening, orchards, incubation rooms, duck ponds, poultry farms, livestock farms, apiaries, silkworm raising; township enterprises and individuals who made profits by doing scientific research or providing technical assistance; and township, joint and private enterprises which ran animal-feed plants.<sup>136</sup> In addition, still other enterprises were exempted from either the industrial or commercial taxes – or both -- for a fixed period.<sup>137</sup>

### ***③ Professional Personnel Training and Technical Assistance***

Most employees in the TVEs used to be peasants. They had little education and lacked knowledge of science and technology, and of how to plan their own businesses according to the fleeting changes of market information. In response to this situation, the county government in 1985 prioritised professional personnel education and training in order to strengthen the development of TVEs. This project included two elements: professional personnel training and assistance in importing specialist trainer.<sup>138</sup>

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<sup>136</sup> “Some Ideas on Relaxing the Tax Policy in Rural Areas (draft)”, *Li Shui Zheng Yi Zi* (84) No.1, archived by the Bureau of Tax of Li County.

<sup>137</sup> *Ibid.*

<sup>138</sup> *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County, p143.

***Professional Personnel Training:*** The county government required the management department for TVEs to spend three to five years completing systematic training exercises for cadres and employees in rural industries and enterprises. A specific department for science and education was established in the Bureau of TVEs, and many cadres were transferred from the organisation department of the party committee of the county, to that Bureau to organise a team to take charge of this. Training partly entailed direct instruction by the training team for enterprises' directors, key technical personnel and township governors. But it also included evening schools organised by every individual TVE. Key personnel were also sent outside of the county for training. Altogether, 387 personnel were sent either to colleges and universities inside and outside of Hunan Province, or to the China's Ministry of Agriculture, or to the training centre of the Bureau of TVEs of Hunan Province to study. Specialists were also invited in to teach on site. From 1985 to 1988, the county government invited 193 specialists from colleges, universities, research institutes and state-owned factories, and 17,500 persons attending such training.<sup>139</sup>

***Assistance in importing specialist trainers:*** Also after 1985, many enterprises, either independently or with the help of the county government, imported 131 professional personnel to help to promote technology improvement and transformation. These enterprises included an electronic components plant of Xiangyang village, Chengguan Township; a gunnybag plant of Liyang Township; a standard components plant of Yujiatai Township; a cement factory of Matoupu Township; a potassium permanganate plant owned by the County; a pearl china plant of Liyang Township; a textile equipment plant of Lidan Township, a brewery; and an oil plant of Wangjiachang Township. The oil plant imported two technicians and one assistant technician in 1987 from Changsha to help it improve technology, and it had seven kinds of oil products which later obtained

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<sup>139</sup> *Ibid.*

quality certificates issued by the Bureau of Petroleum and Chemicals of Hunan Province.<sup>140</sup>

#### ④ *Marketing Assistance*

From 1986 on, after officials from the party committee and the government of the county came back from field research in Wuxi, they broadened their horizon and decided to adopt a new approach to break out of the closely local market and to strengthen networks, horizontally and hierarchically. They began to get in touch with personnel outside of the county and even the province to take advantage of specialist knowledge, technology, equipment, capital and information. Their aim was to increase development opportunities for the TVEs and make them go outside the county, prefecture city, province or even the country. By introducing investment and opportunities from abroad and establishing lateral ties with enterprises at home, TVEs in Li County established cooperative relationships with ten provinces (including cities), 41 counties (including county-level cities), and eleven higher education colleges, universities and research institutes. They also imported 127 personnel, sent 414 staff out for training, imported the 174 pieces of equipment, produced 17 technicians, and helped to train 31 technicians for other organisations.<sup>141</sup>

To obtain resources,<sup>142</sup> through agreements with other jurisdictions, they imported 3,051 tons of steel, 2,500 cubic meters of wood, and exported 50,000 tons of bituminous coal, 10,000 tons of cement, and various agricultural products. Meanwhile, 95 projects for importation were developed, 63 of them within China, and two international.<sup>143</sup> They also made investments of 23.868 million yuan, of which 5.4 million yuan were from other organisations' funds, 12.398 million yuan were obtained through

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<sup>140</sup> *Ibid.*, p.128.

<sup>141</sup> *Ibid.*

<sup>142</sup> In the early stage of the reform, there were still many products which were in the economic plan of Country. Enterprises or individuals were not allowed to buy these products.

<sup>143</sup> *Ibid.*

bank loans, and 6.07 million yuan were mustered locally. The purchase of raw material and the sale of products under state plan were basically cancelled after 1985, so TVEs then had to be responsible for obtaining their own raw materials supplies and sales of products. To manage this, the County Bureau of TVEs established a mineral resource company and a supply and sales company. TVEs sold products themselves after establishing sales outlets in big cities, but they could also ask for help from these two companies.

Of the projects which were developed, 36 entailed technology transfers; 4 imported material for processing; 4 were cooperatively run, and 16 economic associations were formed.<sup>144</sup> TVEs greatly benefited from these connections. For example, the Cement Plant of Matoupu Township invited a technician from the Building Material Academy of Hunan Province to teach technology and improved its productivity from an annual 30,000 tons to 50,000 tons - and quality improved 100%. Notably, this is a private business and its director, Mr Pan Shifeng, grew to be a well-known peasant entrepreneur in the County. By 1989, 80 products from Li County had entered the market of Shanghai, Guangzhou, Wuhan, etc., and eight products were exported to Europe, the Americas, Japan, Southeast Asia, Hongkong, the former Soviet Union, etc.

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<sup>144</sup> *Ibid.*

Table 2.5 The export of products of TVEs from Li County from 1987-1989

Year	Exporting TVEs (number)	Exported Products (no.)	Export Value (million yuan)			Names of the export products
			Total	Direct export	Indirect export	
1987	11	8	5.41	2.57	2.84	Iced eels, frog, Chinese soft shell turtle, dehydrated vegetable, bean stick, pumping embroidery, lithopone, barium sulphate
1988	8	7	8.43	4.60	3.83	Frog, dehydrated vegetable, pickles, bean stick, carton box, lithopone, zine oxide
1989	6	7	11.79	n/a	n/a	Dehydrated Chinese leaves, pickles, carton box, zinc slab, lithopone, zine oxide, potassium permanganate

Source: *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County.

### ⑤ *Other favourable policies*

In addition, other steps were taken to facilitate economic development. These included a policy permitting payments on loans to be made before tax for newly established enterprises and products; the non-levying of tax on bonuses from the TVEs; encouraging personnel associated with TVEs to go into urban areas or even out of the province to work; and supporting peasants in developing mining.<sup>145</sup>

#### *2.2.4 The complementary development of private enterprises*

Without the support of local government, it would have been hard for TVEs in Li County to boom. But on the other hand, what is notable about that boom is the significant role played by private enterprises – and in that, Li County differs from the *Sunan model*. As early as 1982, peasants in Li County were permitted to run businesses, although sole proprietors did not appear until 1984.<sup>146</sup> The top-down instructions on private businesses that emerged in 1982-1983 finally confirmed permission to specialising households to hire labourers and to run businesses involved in long-distance transportation. That removed historical limits whereby only communes and brigades were allowed to run businesses.<sup>147</sup>

In the initial stage, a gradual approach was adopted, so that private enterprises in the county started to develop with links to state actors, as joint enterprises.<sup>148</sup> After 1982 when the limits were removed, some individuals or households began sporadically to run some very small conveyance and repair shops. The jointly run businesses between collectives and peasants appeared after that as well. In 1984-85, private industries also began to

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<sup>145</sup> *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County, p 26.

<sup>146</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 253.

<sup>147</sup> Du, Runsheng, *Self-account: The policy-making institution in China's rural reform*, (Beijing: Renmin Press, 2005), p.265.

<sup>148</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 253.



appear.<sup>149</sup> With support and favours from the government, noted above, private enterprises developed rapidly in late 1980s. As *table 2.6* shows, in 1985, the number of the enterprises in the private sector reached 4,209, 52.1% of the total number of enterprises in the county. Together, jointly-run and individually owned businesses accounted for 16% of the total employees. But just a year later, their share of employees had grown to 30.6%. Up to 1989, the gross income of the individual businesses was almost equal to that of the township-owned businesses: 170.61 million yuan as against 178.12 million yuan.<sup>150</sup>

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<sup>149</sup> *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County, p. 36; Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 253.

<sup>150</sup> *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County, p. 39.

Table 2.6 The Statistical Data on TVEs in Li County in 1985 and 1986 by Different Types

Ownership		1985			1986		
		Gross output (millions yuan)	No. Of employees	No. of Enterprises	Gross output (millions yuan)	No. of employees	No. of Enterprises
County					100.99		
Township owned				541	75.85		538
Villager owned				3,328	100.91		3,691
Private owned	Joint	27.27 (14%)	8,465 (16%)	4,209 (52.1%)	33.28	22,046 (30.6%)	354
	Individual			4042			167
Total							

Source:

1. Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012);

2. *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County. Brackets indicate the percentage by which private owned enterprises accounted for the county as a whole.

Note: The blank part in this table means data are not available.

The county government gave equal weight to collectively owned and private businesses (including joint and individual enterprises). This was apparent from the speech which Pan Weidong, the then vice secretary of the county,

gave to a meeting of cadres at four administrative levels on 18 January 1987. He said “we must grasp two things: one is collective enterprises and the other is the joint and individual enterprises. As to the collective projects which have been approved, it was necessary to organise a specific working team in order to guarantee capital flow as soon as possible to shorten the establishment cycle. In these circumstances - rigid capital management, absent energy, weak foundations and undeveloped markets, the focus of our work should be on joint and individual enterprises. Compared to those collectively owned, these private businesses are related more firmly to the economic benefit of peasants so businessmen are more enthusiastic. In addition, private businesses require less start-up capital than the collectively owned. Normally, transferring a labourer when running a collectively owned enterprise costs at least a fixed asset investment of 2,000 yuan and then transferring 200,000 labourers would need an investment of 400 million yuan. Considering present conditions, depending on the collective enterprises cannot solve this problem. Only by relying on joint and individual enterprises could labourers be transferred quickly and peasants be getting rich.”

He also stated that, “Not long ago, because we did not realise the significance of the development of the joint and individual businesses, our work showed some reluctance. Since we now recognise its nature and importance, we need to mobilise our power to carry on the work...Starting from specific planning, we should insist on the principle of ‘numbers first, specialists later’ -- that is, developments at multiple levels, benefits from multiple projects, cooperation among multiple industries, added value at multiple times, running businesses in multiple channels, and providing services in multiple ways. Once the number has reached a fixed amount, it will be easier to organise them to become specialising households and specialising villages. ‘Small first, big later’ -- that is, starting with producing small products, trying to develop small commodities and small components, and by taking advantage of the gap left by big industries, to attempt to make profits. ”

This quotation obviously sets out several principles on which the county government was trying to develop its private enterprises. One was practical. Based on the actual conditions in rural areas which were undeveloped, and beset by a lack knowledge and capital, the county decided to start with producing small products in terms of size, and simple components in terms of technology, then attempting to let the experiences at one small unit to lead at bigger undertakings embracing whole or even multiple villages. Mao said, “Little chips light great fires”. This might also apply the development approach to private enterprises in Li County. The second was pragmatic. As Pan said later in his speech, “industrial development requires state-owned, collectively owned and privately owned businesses working together. Whichever level can work best, let it proceed.” Bearing in mind the very rigid restrictions on private enterprises in the collective era when they were even scorned ideologically, the pragmatic principle could be regarded as a significant liberating idea in the reform era. As a result, many brave innovations and variations emerged. The third principle was focusing on the improvement of peasants’ living conditions. The development of private businesses in secondary and tertiary industries greatly increased their incomes. This is discussed in more detail in the following section.

### ***2.3 What happened after allocating lands to households and the boom of the TVEs?***

After 1984 when the institution of family farming was established, all the lands, property, and assets which used to belong to the production team were allocated to the households. The production teams were no longer the units that organised labourers, that accounted for the amounts of work, and then distributed income at the end of a production year. Instead, agricultural work was organised by household units. This not only entailed freedom for each household to arrange its own work schedules based on their needs. It also allowed them, after they finished their work, the freedom to manage their remaining time as they wished. Their lifestyles as households were quite different now from during the collective era.

However, at the same time that rural households were benefiting from increased incomes, compulsory obligations were correspondingly transferred to them from the production teams. They had to provide compulsory grain submissions and agricultural taxes which each production team used to deliver to the state. In addition, the public accumulation fund and the public welfare fund were reserved by the production team for the provision of public goods within the team before distributing income among peasants, but now required peasants to fulfil. Meanwhile, with the gradual marketisation of agricultural production and materials, the peasants and their households, who had earlier followed the orders from above had to familiarise themselves with the patterns of the market economy. It took time to get used to arranging their work based on frequently changing information from the market. As a result, rural communities often appeared quite chaotic, but there were always some people who were able to seize opportunities and change their lives.

### ***2.3.1 Changes in Lifestyles in the Rural Areas -- from United to separate labour***

#### ■ ***Working and Distribution in Production Team Units***<sup>151</sup>

From 1966 to 1981, Mr Y of Juhualing Village of Yiwan Township was the leader of the then Xinmin brigade; then from 1982 to 1984 when brigades were changed into villages, he was the accountant of Xinmin Village; and after that, from 1984 to 1988, he assumed the role of deputy head of the village committee before retiring in 1988. In 2005 when the practice of merging villages and groups were implemented, Xinmin Village merged with Taibei Village and Yiwan Village to become the new Juhualing Village. As a leader first of the old brigade and then later the village, he experienced the entire transition through to the early stage of family farming, which gave him an authoritative understanding.

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<sup>151</sup> This section is based on the information in the interviews 2012/02/17b, 2012/01/06, and 2012/02/11.

He said that in the initial period, there were around 900 persons and 223 households in his brigade. The area of the paddy fields was 1,394 *mu*, the dry land covered 346 *mu*, and the mountainous, forested land covered 1,127 *mu*. His brigade was divided into 10 production teams to organise agricultural tasks collectively -- including growing, tending, harvesting, and distributing. At that time, the land was allocated to each production team, but the legally responsible person was not the head of the production team, but of the (higher level) brigade. Each production team was headed by an instructor, a leader, an accountant, a cashier, and a warehouse keeper. Normally it was the instructor and the leader who enjoined all peasants of the production team to work together. Each day, the leader would assign the work to each peasant in advance. At the end of a working day, the cadres of the production teams, which were mainly the instructor, the leader, the accountant etc., would check on everyone's work and evaluate the points earned by each peasant. As the amount of work points was closely related to the grain and the income that a household would get, theoretically, the leader and the instructor had immense powers in the collective era. In reality, according to the feedback from interviewees, the exercise of power by the cadres would be monitored either by their superiors or by the public meetings of the peasants. Working together in the fields enabled peasants to monitor each other and their cadres.

At the end of a working day, the point recorder wrote down the work points that each peasant had earned. Each peasant received the basic amount of points – for an able bodied male adult, a day's work was worth 10 points while a fully able adult female labourer got 8 points. This rate was the same for each production team that was interviewed. Additional points depended on the amount and the type of the work: ditch digging earned 8 points, picking cotton 6 points, etc. Evaluations of different types of work were discussed and agreed in meetings of the peasants. These criteria were for fully able adults. Other people without the full ability to work such as youngsters, the elderly or the sick gained some points, depending on the work they were able to do. This would be discussed in the meetings of the peasants as well.

Every day, under the supervision of the leader and the instructor, all peasants went out to work together at the same time and came back home at the same time as well. The points were first written down by the recorder and would then be evaluated, normally once every three days - or sometimes, if there was some dissatisfaction among the peasants, once a day – in the meetings of all peasants. The peasants would go to the warehouse each month to obtain grain as payment. A production year would be from 1 August to the end of July the next year. However, as the year-end closing was in December, for the months of August, September, October, and November -- based on a standard normally of 125–150 kilograms of grain per capita per year, each household could get grain in advance. This was the basic amount of grain and enabled the peasants to survive. By the time of the year-end closing, the accountant of the production team would calculate the actual amount of the grains which the household should get, based on the points they earned for the whole year, and the grain that had been provided in advance would be deducted from it. Then, for the following eight months, the peasants would get amounts of grain based on their earned points.

How much grain, in practice, could one household get annually in the collective era? This was composed two parts: one is the basic amount of grain to enable peasants to survive which was the same for every one and the other is the amount of grain earned based on work points. As we explained above, the basic amount of grain per capita was normally 125–150 kilograms per year. The ratio which these two components accounted for the total grain a peasant could get varied among different production teams, and the party secretary of the brigade had the discretion to adjust the rate. For example, the 8<sup>th</sup> group of Zhangshuyan Village of Leigongta Township awarded 50% as the basic amount + 50% based on work points. Sometimes, in order to stimulate efficiency, the production team could discretionally increase the percentage based on the work points. The 7<sup>th</sup> group of Lianhua Village of Matoupu Township and the 1<sup>st</sup> & 9<sup>th</sup> groups of Qilimiao Village of Cengnan Township awarded 40% as the basic amount +

60% based on work points. An extreme case was Fenghuang Village of Guanyuan Township, which did not take the basic amount of grain into account at all and based everything on work points.

There were few days off during a year. Even around Chinese New Year, instead of following a traditional holiday of 15 days, the peasants normally needed to go back to work as early as the third day of the holiday. They worked collectively almost for 365 days a year. If you did not work one day, you would not get work points for that day and accordingly, you would get less grain. In that era, marked by severe shortages of grain, this usually meant starving. So individual peasants were fully drawn into the massive machine of the state, with very little freedom.

■ *Working in a Household unit; The Distribution of Labour within a Household*

The most obvious change from working in a production team to working in a household unit was the release of labourers from unified collective work. By respecting the seasonal patterns of the agricultural work, the peasant households had much more freedom to arrange their lives and to re-distribute the labour within the household. The production team was not in charge of distribution any more. Instead, peasants are able to dispose of their incomes freely. In terms of the agricultural timing, taking one crop of rice as an example, normally the seeds need to be sown in May and harvesting would occur at the time of the middle autumn festival, i.e., in September or October. During the time from May to September, tasks only included spraying insecticide, watering and fertilising. After harvesting, a peasant could choose either to grow another crop of rice, or to grow cash crops such as rapeseeds. So the busy season normally would be May and the time around middle autumn festival. The time from after harvesting to before May in the next year and the time from after sowing in May to harvesting in September to October would be slack time.<sup>152</sup>

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<sup>152</sup> Interview 2011/12/26.



In the collective era, all time, including slack times, were for the production team to arrange. But now, the peasants were free to decide for themselves what to do. Theoretically they could choose to rest during slack times, but the fear of starvation inculcated during the collective era impelled them to work even harder. Also the relative freedom to manage their lands stimulated their enthusiasm to produce. Mr C of Huanghe Village of Zhanggongmiao Township - the then Wanjiapu Village<sup>153</sup> - remembered that in his village, not a single *li*<sup>154</sup> of land stood empty and idle. Wherever was good to grow crops was fully planted. Located in the plain areas, Zhanggongmiao Township was good for growing cotton thanks to plentiful sunshine. Another plus was that the state's monopolised purchase price for cotton was relatively high, so most peasants in 1<sup>st</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> groups at that time chose to multi-crop with cotton or rapeseed to increase their incomes.<sup>155</sup>

In Mr C's village, the area of the lands per household was around 2 *mu*. The output of the rice on this 2 *mu* of the land normally just enabled an entire household to survive. Thus cash crops like cotton and rapeseed were crucial. The price for rapeseed per *mu* at that time was around 100 yuan. The cotton could be only sold to the supply and marketing cooperatives and the price was decided by the state, based on the quality of the produce. But given its favourable geographical setting, the cotton from Mr C's village was of very good quality and therefore sold at good prices.

In addition to multi-cropping, a second source of extra money was running speciality businesses. Most of these were then still closely related to agriculture: breeding pigs, cattle, bees, fish, ducks, chickens, geese, and

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<sup>153</sup> In 2005, Wanjiapu Villlage merged with the former Huanghe Village and became the new Huanghe Village.

<sup>154</sup> *Li* is a Chinese measurement unit for area. One *mu*, equivalent 666.667 square metres, is equal to 10 *fen* and one *fen* is equal to 10 *li*. Therefore, one *li* equals 6.67 square metres.

<sup>155</sup> Cotton planting normally requires full sunshine so the plains areas in Li County are the main zones for cotton production. Based on the different nature of the lands, the land which is able to retain water on the surface is good for paddy. Otherwise, some crops such as cotton, peanuts and wheat can grow in the dry-lands.

silkworms. But specialities also included cash crops; forestry planting, and grain processing.<sup>156</sup> Most specialists could earn over 10,000 yuan a year, which was a big increase on the collective era. The term of “households with the income of beyond ten thousands yuan” (*wanyuanhu*) was created and became popular around this time. These kinds of businesses were mainly run by women at home. As to males, given the boom of the TVEs, in slack times, they could choose either to go to local enterprises to work, or work for the neighbours as craftsmen such as bricklayers and painters.<sup>157</sup> The daily wage was relatively low at that time, only a few yuan per day, but for the peasants who had been poor, that was enough to make them happy.

Among all the groups of Mr C’s village, the 1<sup>st</sup> did best in terms of the development. Private houses had already begun to appear in that group. Two or three households were able to build their own houses at that time. However these houses were of poor quality. They were theoretically two storied, but the practice was to use a layer of cement to separate the top and bottom levels, with people living in the bottom and the top being open. Without paint, the bricks were exposed. In spite of their ugly appearance, these houses were still admired by their fellow peasants at that time.<sup>158</sup> The following pictures showed a change between the collective era and the early stage of family farming in terms of housing. The house on the left was made in 1966 by Mr Y of Juhualing Village of Yiwan Township while the one on right was made in late 1980s by his son after he earned some money by going out to other cities to work.

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<sup>156</sup> Office of the County Party Committee, *Examples of Speciality Households in 1982 in rural areas of Li County*, 1982, printed by the Office of the County Party Committee.

<sup>157</sup> Interviews 2011/12/29, 2011/12/26.

<sup>158</sup> *Ibid.*



**Picture 2.2 a & b** A comparison of private houses in the collective era and in the early stage of family farming (taken on 17 February 2012).

### ■ *Increasing Income and Its Sources*

Family farming and the development of the TVEs supplemented and complemented each other. While the former liberated surplus labourers, the latter lifted many peasants up from the traditional agriculture by providing them with off-farm work opportunities so as to increase their income. As Mr C explained above, around this time, the income of a rural household was normally composed of three parts – the traditional planting of grain, speciality businesses, and part-time jobs in TVEs nearby. While grain planted was mainly for self-use, the other two elements became the main sources of extra income. Unlike migrant workers in the 1990s who travelled long distances to coastal cities, with the boom in enterprises close to home in the 1980s, surplus labourers from rural households could either choose to work in factories or enterprises nearby or could run their own businesses. This conformed to the then slogan of “leaving the land but not leaving the hometown, entering factories but not entering (distant) towns” (*litu bu lijia, jinchang bu jincheng*). This arrangement suited rural households quite well. Not only did they not need to give up their lands, they could also make full use of their slack time to earn extra money.

*Table 2.7* shows the constant increases in the numbers of the employees in the enterprises from 1983 to 1987. The year 1984 was extraordinary in that the rate of increase reached 63%. Although it would not be appropriate to compare the data of the years in absolute terms, due to

the removal of Baiyi district from the calculation after 1985, this rate of increase is still high enough for us to say that 1984 was the year when the private enterprises began to bloom. As early as 1984, the increase in the numbers of employees in joint and private enterprises had led to an overall increase of 49.98% - nearly the equal of the contribution of collectively owned enterprises. In 1986, which is officially cited as the year in which development occurred most quickly in the 1980s, employees in joint and private enterprises accounted for 30.6% of the total employees in the county. Township owned and village owned enterprises each accounted for one-third.

Table 2.7 The Numbers, Employees and Value of TVEs in Li County from 1978 to 1989

Year	No. of the enterprises					No. of the employees				Gross Income (million yuan)				Gross output value (million yuan)						
	Sub-total	Town Owned (TO)	Village Owned (VO)	Joint (J)	Private (P)	Sub-total	TO	VO	J	P	Sub-total	TO	VO	J	P	Sub-total	TO	VO	J	P
1978	2300	477	1,823			29665	13467	16198			34.6	21.7	12.8							
1979	2906	558	2348			35737	14823	20914			50.4	29.9	20.4							
1980	3181	572	2609			33813	13550	20263			52.6	30	22.5							
1981	2756	518	2238			29041	11582	17459			60	34	26							
1982	2314	502	1804	8		27718	11352	16307	59		70	38.7	31.1	0.16						
1983	2332	504	1736	92		25635	11281	14081	273		80.7	45.4	34.9	0.34						
1984	7570	570	2047	196	4757	41796	15138	18301	398	7959	111.7	56.7	46.4	0.89	7.71	131.8	49.13	0.91	10.1	
1985	8078	541	3328	167	4042	53017	17191	27361	600	7865	194.9	79.8	88.4	2.56	24.17	219.3	92.03	2.23	19.8	
1986*	14050	538	3691	8	9819	72135	20273	29816	5	22041	321.4	111.4	121.2	0.03	68.68	350.9	144.8	0.03	62.4	
1987	15394	554	3553	9	11278	80927	24007	32498	46	24376	450.5	162.9	183.1		104.4	511.8	203.1	0.74	107	
1988	16858	530	3375	23	12931	79030	22361	29541		27128	518.6	170.6	205.6	0.87	141.4	566.5	218.5	1.98	139	
1989	17095	488	3110		13497	76695	21419	27496		27781	563.8	178.1	215		170.6	616.9	207.7	228		

Source: *The Annals of Township and Village Enterprises*, printed by The Bureau of Township and Village Enterprise of Li County and archived in The Bureau of Archives of Li County.

\* Note: From 1986 on, since the Baiyi district was shifted to the administration of Jingshi county-level city, the data do not include the data from that district.

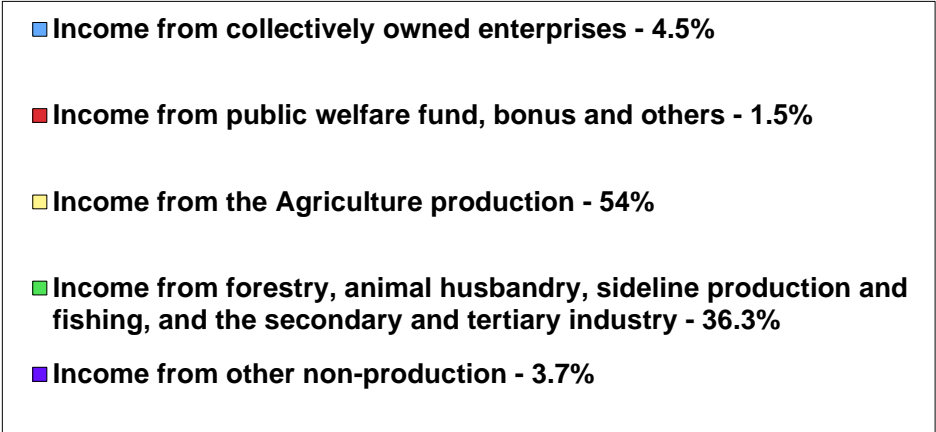
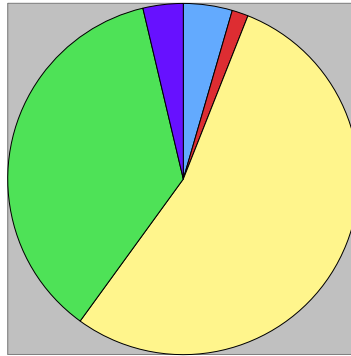
This tendency was also reflected in the increase in the per capita incomes of peasants. According to a research project in Li County in May 2000 run by the National Bureau of Statistics, while the main source of income before the family farming came into effect was collective operations, during the 1980s and 1990s, household operations became the main source.<sup>159</sup> The research also found that among household operations, the importance of traditional planting and poultry breeding was slightly reduced while operations in secondary and the tertiary industries in rural areas became the main new channels to improve incomes. In 1980, the per capita income from planting and poultry breeding was 121.98 yuan, accounting for 57.6% of the per capita income that year, but by 1990, the proportion had shrunk by 6.4%. On the other hand, the percentage of the per capita income from the secondary and the tertiary industries increased from 7.3% in 1980 to 26.9% in 1990.<sup>160</sup> In terms of the composition of rural household incomes, the 100-households survey in 1986 conducted by the Li County group of Rural Socio-Economic Survey Team (RSEST) revealed that while traditional agricultural planting still generated almost half of the income, speciality businesses - including forestry, animal husbandry, side-line production and fisheries - and the second & tertiary industries were gradually catching up with it as chart 2.3.1 shows.

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<sup>159</sup> The term “household operation” includes enterprises or workshops run by a household in all three industries, but excludes the work opportunities provided by collectively owned businesses.

<sup>160</sup> The research team specialising in new strategies to drive the income growth of peasants in Hunan in new situation, *A Research on New Strategies to drive the Income Growth of Peasants in Hunan in New Situation*, printed by The Rural Socio-economic Survey Team of Hunan in 2000, p.130.

Chart 2.3.1 The composition of peasant household incomes, 1986



**Source:** The chart was created by the author based on the household survey in The Statistical Yearbook of Li County 1986.

### *2.3.2 The Takeover of Compulsory Grain Submissions and Agriculture Taxes by the Households*

#### ■ *The Undertaking of the Compulsory Grain Submission Quota and the Agricultural Tax by a Production Team*

##### *The Content of the Obligations to the State*

In addition to organise work and to distribute the income among their peasants, the production teams were also the units to fulfil the obligations for the state. There were two main obligations: agriculture tax and the compulsory grain submission quota. The amounts of both depended on the area of the land which each production team owned.<sup>161</sup> However, as we saw above, there were some discrepancies between the taxed areas and the actual areas.<sup>162</sup> Informants explained that these discrepancies trace their historical roots back to the large-scale measurements of land from 1951 to 1954 and to the ‘five contracted confirmations’ from 1962 to 1965.<sup>163</sup> The latter requires an explanation. In order to stabilise rural society after the Great Leap Forward, the Li County government set about implementing five contracted confirmations, which included: the output from plots of land, the amount of produce to be purchased by the state monopoly, the amount due in grain submission, the amount of production adjustments, and the amount of cumulative submissions for each production teams. These were evaluated and recorded. In practice, subsequently many changes occurred in the land areas that were farmed for various reasons - including the reclaiming by ploughing of the barren mountain tracts and the reduction of farmland in 1977 by enlarging lakes.<sup>164</sup> However, the data remained on the record book without major changes.

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<sup>161</sup> Interview 2012/01/06.

<sup>162</sup> On how the area of lands was measured and measurements confirmed, see this Chapter p.85 -87.

<sup>163</sup> Interview 2012/02/18c.

<sup>164</sup> Interview 2012/01/06.



Undertaking the ‘five contracted confirmations’ was deemed necessary because various lands were of different quality. Thus land conditions varied under different production teams, so it was not fair to apply the same tax rate to all of them. When the five contracted confirmations were carried out, varied tax rates were agreed and confirmed between the state and the production teams. Based on these agreed areas and outputs, agriculture taxes and compulsory grain submission quotas were confirmed as well. While the agriculture tax was the fee for renting lands of the state, compulsory grain submission quotas were the contributions which peasants made to feed people who pursued careers other than agriculture, such as workers, teachers, and so on.<sup>165</sup> The agriculture tax was not fulfilled in the form of cash at that time, but in the form of grain too. The amount of cash of the agriculture tax would be converted to the amount of grain according to the then price of the grain.

In addition, there was another portion of the grain, “the grains on the top of the other two” (*sanchao liang*). It appeared around the middle and late 1970s because, with improved water conservation facilities and technology, the output of the grain had increased. So the state introduced this to collect and reserve more grains for state development. Given the state monopoly on purchasing, if you did not submit it to the state, there was no other way to sell it.<sup>166</sup> For each production team, these three portions of grain were assigned as fixed amounts to be collected. The prices of the portions differed – that of ‘the grains on the top of the other two’ was higher than the other two. When Mr H of Wanxing Village of Chexi Township assumed the role of Party Secretary of the brigade, the price of the monopoly purchased grains was 9.5 yuan per 50 kilogram while ‘the grain on top of the other two’ was 15 per 50 kilogram.<sup>167</sup>

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<sup>165</sup> Interview 2012/02/18c.

<sup>166</sup> Interview 2012/01/06.

<sup>167</sup> *Ibid.* The price of ‘the grains on the top of the other two’ normally was twice or even three times that of monopoly purchased grains. It was decided by the state each year. Before the grain market was opened, this price was relatively high so the peasants liked to sell their surplus grain then. See Yang, He, “the grain market and the difficulty to sell the grains”, available on: <http://www.vsread.com/article-351736.html> (accessed on 24 January 2014).

### *How to fulfil obligations in the collective era?*

To assist in understanding how a production team's obligations to the state were met, let us briefly consider three examples: the 3<sup>rd</sup> group of Qilimiao Village of Cengnan Township, the 5<sup>th</sup> group of Wanxing Village of Chexi Township, and one group of Yuntai Village of Dongshi Township.<sup>168</sup> As the first two are both located in fertile plain areas, they are in the main zones of grain production and therefore their respective obligations were greater than in other areas. By contrast, in a mountainous area such as Yuntai Village of Dongshi Township, severe natural conditions reduced outputs, so not were only the tasks less onerous, but the state needed to subsidise them by assigning them fixed amounts of resold grains, named as '*fanxiao liang*', to guarantee that the peasants did not starve.

Mr C of the 3<sup>rd</sup> group of Qilimiao explained that in the collective era, the 1970s, the amounts assigned to his group for the monopoly purchasing of grains were 31,500–32,500 kilograms, which covered both the agriculture tax and the compulsory submission quota. There were around 250 *mu* of lands in his group, the then production team. After harvesting and deducting the basic amount of grains to go to the whole group, the remainder normally exceeded 31,500 to 32,500 kilograms. The price of the 31,500-32,500 was 7.5 yuan per 50 kilogram. As for the rest of the grain, the state required around 35,000 kilograms. This portion was 'the grain on the top of the other two' and the then price was 13.5 per 50 kilogram. So altogether, the 3<sup>rd</sup> group actually submitted 67,500 kilograms of grain a year. After the submission of these three portions of grain, the state would pay according to the above prices. In addition, other products of the production team, fish from the lakes, etc., were also sold to the state in return for cash. At that time, the total income of this production team would be around 20,000 yuan, of which it would reserved 10% each for the PAF and PWF. The rest of the

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<sup>168</sup> The number of the group is unknown.

money would be distributed among the peasants according to their work points.<sup>169</sup>

Mr H explained his group of Wanxing Village. His production team had 200 *mu* of the land. No matter what they grew, all grains including early rice, late rice, and yellow beans, were added up to be the output of this patch of land. If the output was 500 kilograms per *mu*, then the total output for the production team was 100,000 kilograms. First, the state would calculate the basic amount of the grain per capita with the production team. If the rate was 350 kilograms per capita per year and the total population was 200, then the basic amount of grain would be 70,000 kilogram. Then the state would decide the amount of grain for monopoly purchasing, which was 20,000 kilograms. Finally, after fulfilling that, there was still 10,000 kilograms left. This amount was eventually requested by the state as well, which was the ‘grain on the top of the other two’. If the next year was a bad year, the basic amount of the grain would be reduced but the amount of the ‘grain on the top of the other two’, once decided, would have be provided by the production team.<sup>170</sup>

Mr W of Yuntai Village described a different implementation process. The basic concepts - three types of the compulsory grain submission - were the same. The monopoly purchasing of grains had to be handed in no matter how good the year was. If some years were bad due to the weather, first the production team needed to find a way to meet the payments and then the state would resell a fixed amount of grain to the peasants here in the form of tickets with which peasants were able to buy some grain to survive. However, in Yuntai, the ‘grain on the top of the other two’ which in plains areas had to be submitted, was not always compulsory. It depended on the year. In a good year, the state would demand it, but in bad years, it was not always required.<sup>171</sup>

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<sup>169</sup> Interview 2012/01/06.

<sup>170</sup> Interview 2012/02/18c.

<sup>171</sup> Interview 2012/02/16.

### ■ *The Takeover of Obligations by the Households*

After the lands were allocated to the households, the above obligations which used to be fulfilled in the production teams were accordingly divided and distributed to the households to assume, based on the size of the lands that they were assigned. In the collective era, the agriculture tax, the compulsory grain submission, and the ‘grain on the top of the other two’ were all fulfilled in the form of grain by the production teams to hand in them to the state-owned grain store stationed in every township. After allocating lands, this fulfilling method was changed. For agriculture tax, the newly established Township Governments in 1984 began to take the duty off the state-owned grain store and sent their village cadres to each household to collect. The form was changed from grain to cash.<sup>172</sup> The rates were still calculated on the basis of land measurements from 1951 to 1954, and the five contracted confirmations from 1962 to 1965. The rate in Qilimiao Village was around 13 yuan per *mu*.<sup>173</sup>

At the same time, the Central Government issued a document entitled “The Ten Policies to Further Stimulate the Rural Economy” on 1 January 1985, which put an end to the 31-year state monopoly for the purchase and marketing of agricultural products. Instead, it heralded a new era of “dual track prices” (*jiage shuanggui zhi*), a term that refers to a system in which the contracted price and the negotiated market price for agricultural products co-existed. The compulsory grain submission from the collective era accordingly became the contracted amount of grain (*hetong dinggou*). The difference was that instead of being handled by the production team, each household was required to hand in to the state grain store. Therefore at harvest time, peasants flooded into the state grain store to fight for the scales to weigh their submitted grain.

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<sup>172</sup> The research team specialising in agriculture tax reform and the financial burdens on peasants in Hunan, *A Research on Agriculture Tax Reform and the Issue of the Financial Burdens on Peasants*, printed by The Rural Socio-economic Survey Team of Hunan, 1998, p.18-19.

<sup>173</sup> Interview 2012/01/06.

At first, the amount owed per household depended on the area of the lands that they were allocated. For example, in the collective era in Wanxing Village of Chexi Township, the rate of the compulsory grain submission and the ‘grain on the top of the other two’ was 290 kilograms per *mu*. Therefore, the total amount owed by every household at that early stage obviously equalled the amount to be paid by the production team – but these amounts varied between production teams, and therefore so did the amounts owed by various households. Gradually, the amounts of contracted grain reduced over time.

The price for the contracted grain also gradually increased. As Mr P of Qilimiao Village remembered, at the early stage of family farming, the price for such grain rose from 9.5 yuan per 50 kilograms to 11.5 yuan. The price for the ‘grain on the top of the other two’ also increased from 15 yuan per 50 kilogram to 17.3. The peasants also gradually became able to sell surplus grains to the new grain agency at an even higher price: 18 to 19 yuan. This was very close to the market price.<sup>174</sup>

## ***2.4 The Beginning of Self-governance for Villagers from 1987 to 1989***

### ***2.4.1 The Process of Producing Village Committees in Li County***

Although as early as 1984, the brigades throughout Li County were changed into village committees, democratic elections at the village committee level did not start until 1988.<sup>175</sup> The legal status of the village committees was first confirmed in the 1982 constitution of the PRC, which simply stipulated that the village committees were to be directly elected by villagers.<sup>176</sup> And then it was not until November 1987, that the 23<sup>rd</sup> meeting of the Standing

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<sup>174</sup> *Ibid.*

<sup>175</sup> The Compilation Committee of Annals of Li County (2010), *Annals of Li County 1978 - 2002*, (Beijing: Fangzhi Publishing House), p. 564

<sup>176</sup> Liu Yabin argued that, similar to the practice of allocating the lands to the households, the practice of direct elections of village committees was originally the result of innovations by the peasants. This argument might be true in some other places such as the villages in Yishan and Luoshan County of Guangxi Province, but it was not the case in Li County. For more details on the history of the village committees, see Liu, Yabin (2011), “The Reform and the Development of the Electoral Institutions of the Village Committees in China”, 2011 master’s thesis of Heilongjiang University

Committee of the NPC approved a document entitled “The Organic Law of the Village Committees of the PRC (trial)”. However, this document did not stipulate the detailed procedures for the elections. Starting from 1 June 1988, this law began to be applied in practice at the village level, in Li County as elsewhere.<sup>177</sup>

From September 1988 to 1989, the implementation process included four stages: organisational preparation, propaganda, democratic elections, and establishing the rules. On 16 August 1988, under the supervision of the County Party Committee and the County Government, the leadership team and an office to implement “the Organic Law of the Village Committees of the PRC” were set up. From 7 September to 8 October, the team undertook an experiment with direct elections of village committees in Zhanggongmiao Township. The next year, starting from September 1989, the County Government decided to pursue this further by launching experiments in 63 villages.<sup>178</sup> Based on the experiences collected through these experiments, this process was expanded throughout the County. By the end of 1989, out of 598 village committees, 3,159 members were directly elected, including 598 heads; 575 deputy heads; and 1,986 members -- with 2,644 cadres re-elected and 470 failing to be elected.<sup>179</sup>

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<sup>177</sup> The Compilation Committee of Annals of Li County (2010), *Annals of Li County 1978 - 2002*, (Beijing: Fangzhi Publishing House), p. 122

<sup>178</sup> *Ibid.*

<sup>179</sup> *Ibid.*

#### ***2.4.2 Implementation in Reality***

Mr Y has been the party secretary of Yingxi Village of Daohe Township since 1998. Before that, he was the head of the village committee of the same village. Speaking about the beginning of his political career, he thought that he was unlucky. He explained that initially he was educated to be a teacher. After he graduated from the Daohe High School in 1977, he spent 12 years as a citizen-managed teacher.<sup>180</sup> He said, “Actually I enjoyed my career as a teacher so much because compared to the political career, it is simpler”.<sup>181</sup> However, his career route changed on 19 November 1989 when Yingxi Village began its election of the village committee. When Mr Y was elected as the head of the village committee, he was not immediately told of this. It took time for cadres to inform him. He was at first reluctant to assume this role, so he did not go back to the village until 6 December. At that time, the citizen-managed teachers were under double supervision by the headmasters of schools and the Township Governments. He eventually made up his mind to accept the new role because Mr CX, the headmaster of the Daohe High School, convinced him by saying, “Since you were elected as the head, you have to go back as the election is valid and successful. The village cannot organise another election.”

Why, at first, did Mr Y not know that he was elected? That was because, according to the then rules, he was not a peasant working in the village but a teacher in the school. Therefore he did not need to take part in the village election. Before the election, the Township Government did inform him that he had been democratically nominated as a candidate. Then, depending on the votes cast and the number of posts to be filled, the official candidates would be decided. It was competitive election and, at that time, the number of the places on the village committees was normally 5 to 7, while the number of official candidates was 7 to 9. When Mr Y was informed, he thought the election had not started yet and that it was not

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<sup>180</sup> The citizen-managed teachers were teachers working in the state-managed or rural citizen-managed schools who did not receive the normal levels of remuneration from the government.

<sup>181</sup> Interview 2012/02/22

possible for him to be elected, so did not take it seriously. Unexpectedly, he was elected to be the head of Yingxi Village.

The roles of the village committee at that time included the head, the party secretary, the director of women, the director of security, the militia commander and so on. If the number of the roles was 7, then the number of the official candidates would be 9; if the number of the roles was 5, then the candidates 7. The member peasants were free to nominate anyone they liked to become candidates. According to the votes for nominations, the number of the official candidates was decided. Then the voters would cast ballots and obviously the candidates who got more votes would be elected. Finally, it was the Township Party Committee and the Township Government that appointed the elected candidates to their exact roles. Although the election process at this time was still in its initial stage, it is good to see that the idea of democracy began to take root in the mind of the peasants. To sum up, the procedures involved at this time included the villagers' direct nomination on the candidates, competitive elections, secret ballots, with numbers of votes deciding who would be elected – while the township government appointed people to exact roles. Actually since then, the electoral process has undergone a lot of improvements, as we shall see in Chapter Four.

## ***2.5 Summary***

This chapter covers the period between 1978 and 1989, and examines three policies: the allocation of lands to households, the development of rural industry through Township and Village Enterprises, and the de-communising and re-establishing of structures of village-level authority. These policies were implemented one after another. As we saw above, the drama opened with the allocation of lands to households. Although it did not pursue this reform as aggressively as many of its counterparts elsewhere, the County quickly grasped the opportunities which it offered, so that it involved every rural household. During the implementation process, the principle of fairness – one of the legacies from the collective era -- was still the priority. Local cadres therefore made great efforts to carry out the policy



in ways that remained faithful to this principle although some variations emerged in the way to allocate lands. The old mechanism to deal with disputes in rural communities – villagers’ congresses or public meetings of representatives of each household – still played a key part when important decisions needed to be made within a production team. Peasants explained that since it followed so soon upon the collective era, transparency in rural communities was relatively high. The collective work ethic and associated principles reduced the potential risk that conflicts and disputes would escalate. They won high approval from the peasants. They thus helped the policies to be implemented in a smooth and effective way.

The main significance of the allocations of lands to households in Li County was not actually a marked improvement in productivity, since the County had always enjoyed favourable geographical conditions and an agriculture-friendly climate. Instead, peasants welcomed the freedom which this policy brought to them. Liberated from inefficient and unvaried agricultural labour in production teams, peasants were now at liberty to work for themselves. The boom in Township and Village Enterprises therefore emerged in response to this. As we have seen, policy support from various government actors stimulated the growth of rural industry in the late 1980s. From fiscal and tax policy to personnel management and assistance with market information, the local authorities followed the call from the higher levels of government and focused their energies on enabling the development of Township and Village Enterprises. Forms of businesses other than those collectively owned -- such as jointly and privately run enterprises -- emerged after the highly controlled collective era. Despite being low-tech and ultimately unsustainable, these raw rural enterprises played their part. They not only absorbed many unemployed and underemployed peasants by creating job opportunities, but they also increased their incomes. Since they were mainly based on natural resources, variations in development in different geographical areas could also be seen. Without a history of industry and trading, rural industries in Li County were rooted in its abundant natural resources which are mainly found in its north-western sector of mountainous and hilly areas.

Although intrusions by the party began to retreat to some degree in the economic sphere, the dominant position of the local cadres was still apparent in the implementation of the policies. Allocating lands to households and allowing the coexistence of two types of economic management (private and collective) provided rural residents with the potential for prosperity and with greater personal space and freedom in the economic sphere. These policies thus obtained their widespread support. As lands were allocated, the previous economic management functions of the production teams -- such as managing agricultural work and distributing income after fulfilling obligations to the state -- were transferred to each household. To adjust to this, the central government decided to change the political organisations at commune level, in two ways. The first was the establishment of three tiers of administration: township, village and village group. The second was the introduction of a self-governance institution, by suggesting direct elections to village committees.

As reforms were still at an early stage, government institutions including the central government itself were not sure about the most appropriate approaches to implementing many of the new policies. So sometimes when the central government called for a new policy, it did not set out detailed plans and left local governments to make their own arrangements. In Li County, the approaches to the development of rural industry and to the implementation of direct elections at village level were cases in point. Amid the uncertainties, many peasants also adopted wait-and-see attitudes. But those who were adventurous and pioneering, whether they were local cadres or ordinary people, stood out from their fellow peasants and became a potent force. Adventurism, opportunism and dynamics therefore characterised this period. However, just when many people in the County were about to jump on the bandwagon to embrace these new policies, the situation inside and outside China in the late 1980s and the early 1990s caused a major change in the policy orientation of the central government, which dashed many peasants' dreams of enrichment. Instead, the rural community entered a severe and bitter decade.

### **Chapter Three: Stagnation, Social Disintegration and Confrontation from 1990 to 1999**

The period of the 1980s is often associated with such terms as dynamism, opportunism and adventurism. After all, the curtain had just been raised on the great drama of reform. There were uncertainties about what would happen which stirred both expectations and suspicions. How long would these favourable policies last? Would a retreat occur, with a return to the highly state-controlled collective economy? Nobody knew. Therefore it understandable that most people in Li County in the 1980s maintained a relatively conservative, wait-and-see attitude to the new reform policies.

However, there were also some persons, though very few, who were adventurous enough to take advantage of these new policies and to stand out among their fellow peasants. At that time, these people were usually called “opportunists”. Back then, against the background of communist ideology, this was a pejorative term used to refer to those who speculated and profiteered -- which conflicted with the communist values of honesty and selfless dedication. As we saw in the last chapter, examples could be found both in the process of allocating lands to households (such as that production team leader leading the allocation of lands in his team ahead of other teams) and in the development of TVEs (such as some owners of private workshops and small businesses). As a result, peasants, who used to be one of the two main social classes in the collective era, began to become differentiated in terms of economic status. This trend gathered strength in the 1990s, as we will see in this chapter.

Despite ambiguities, from the peasants’ perspectives, the 1980s was a favourable period. With the central government determined to push ahead with reform, up to the late 1980s, many policies – economically, organisationally, politically, and financially – had, like a raging fire, promoted the development of rural communities. The late 1980s is now usually described nostalgically as “golden age”, combining a relatively

vibrant market, an optimistically-motivated work ethic, and a morally edifying social ethos. There was a song called *In the Field of Hope* that was so popular that each household knew how to sing it in Li County at that time. It depicted a flourishing landscape in the villages after the establishment of the family farming, and expressed the joy of the people and their hope for a brighter future. However, just when many aspirants began to relax their caution and were about to jump on the bandwagon, a tough political and economic atmosphere inside and outside China and a shift in policies ushered in a period of austerity and financial difficulty. The gap between urban and rural areas deepened with the latter growing poorer. Local authorities were financially so hard pressed that they had to find ways to transfer the pressures to peasants. This resulted in severe confrontations between these two groups within many villages. Rural communities seemed to stagnate by comparison with the dynamic 1980s.

### ***3.1. The Unfavourable Economic and Political Atmosphere throughout the Country from 1989 to 1992***

From 1978 to 1986, agricultural and rural industries had experienced a few years of greater prosperity in Li County. Peasant incomes increased vastly. These achievements owed much to the support of the government and its favourable policies. The policies included stimuli to productivity, such as family farming and the distribution principle of “after fulfilling the country’s and the collective’s obligations, all the rest belongs to the peasants themselves”. In addition, the government adjusted the profits between the rural and the urban areas by using the levers of taxes and prices, with preference given to rural dwellers.<sup>182</sup> Furthermore, priority was given to financing and loan policies for rural enterprises, as we saw in the last chapter. A leading and constructive role was played by cadres at three levels – the county, the townships and the villages – in raising start-up funds and

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<sup>182</sup> In the period since 1979, the state not only decided to reduce the amount of agricultural taxes in Hunan, but also increased the purchasing price of agricultural and side-line products by 101.1% between 1978 and 1986. For more details on the favourable policies to increase peasants’ income from 1978 to 1986, see: *Research on New Strategies to drive the Income Growth of Peasants in Hunan in New Situation*, printed by The Rural Socio-economic Survey Team of Hunan in 2000, p.10.

ensuring the effective working of the revolving fund, in coordinating raw material and human resources, and in seeking to keep open channels for the sale of products. All of these things contributed immensely to economic development in the rural areas and to improving the living standards of the peasants during the 1980s, and stimulated the first surge of the economic reform.

However beginning in the late 1980s, inflation surged right across the country. In Beijing city alone, the rate in early 1988 was as high as 20%, and it even reached 30% at the end of 1988.<sup>183</sup> It seriously affected economic development in China, and after 1989, the economy entered a difficult phase which, according to some scholars like Wen Tiejun, amounted to production stagnation attended by inflation – which undermined economic development in the period up to 1992.<sup>184</sup> In response, the central government decided to adopt austerity policies which included reductions in the flow of funds and in financial investments.<sup>185</sup> Rural areas and TVEs were the main victims of this conservative tendency. From 1987 to 1991, agricultural investments were reduced to less than 10% of total fiscal expenditures.<sup>186</sup> The maintenance of dangerous reservoirs and the construction of agricultural fields therefore nearly stagnated, and the neglect lowered the ability of agriculture to resist natural disasters.<sup>187</sup> The ever-promising rural enterprises had also gradually lost their halo as a “rider on the reform wave”. They were undermined both by preferential treatment given to state-owned enterprises in lending policies, and by severe market competition due to technological shortfalls.<sup>188</sup>

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<sup>183</sup> Vogel, Ezra F., *Deng Xiaoping and the Transformation of China*, (Cambridge MA: Harvard University Press, 2011), p. 600 – 601.

<sup>184</sup> “The origin and the fate of TVEs: Is it time for TVEs to withdraw from the historical stage?”, *People’s Daily Online*, 2007, available on: <http://finance.people.com.cn/GB/1045/5657214.html> (accessed on 30 December 2012).

<sup>185</sup> The research team specialising in new strategies to drive the income growth of peasants in Hunan in new situation, *A Research on...*, p. 11.

<sup>186</sup> *Ibid.*

<sup>187</sup> *Ibid.*

<sup>188</sup> “The origin and the fate of TVEs: Is it time for TVEs to withdraw from the historical stage?”, *People’s Daily Online*, 2007, available on: <http://finance.people.com.cn/GB/1045/5657214.html> (accessed on 30 December 2012).

Many peasants found that despite continuous increases in the output of agricultural products, unfavourable market conditions made it more and more difficult to sell products, as a result of fluctuating prices and the skyrocketing costs of agricultural inputs.<sup>189</sup> Mr X of Lianhua Village of Matoupu Township described the severity of the fluctuating prices by giving an example: if he assumed that the price of a piglet was 200 yuan one afternoon, the price might increase to 700 yuan the next morning.<sup>190</sup> A research report on peasants' income growth shows that although the purchasing price of agricultural and side-line products rose by 28.5% in the five years from 1987 to 1991, the costs of agricultural inputs increased by 68.4% and the price of the rural consumables by 57.3%.<sup>191</sup> Market bottlenecks in agricultural commodity circulation had come to outweigh the improvements in income which the peasants achieved during the early phase of reform in the 1980s.<sup>192</sup>

In addition, after land was allocated to households in 1984, the state monopoly for purchase and marketing of agricultural products was accordingly replaced by the contracted purchasing of grain, cotton and oil materials. The compulsory monopolised purchasing and sales of the agriculture products of the state in the collective era was gradually relaxed and allowed peasants to sell their products in the market at negotiated price after they fulfilled the submission task based on contracts with the state. That increased pressures which impelled peasants into a relatively free but unpredictable market. Most peasants lacked knowledge of competition in the market economy. They produced things blindly, either because they had no clear idea of the relationship between demand and supply, or because they jumped on bandwagons, which was risky and speculative.<sup>193</sup> With income growth slowing and expenses increasing, financial burdens on the peasants gradually overtook increases in incomes. This, companied with the

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<sup>189</sup> The research team specialising in new strategies to drive the income growth of peasants in Hunan in new situation, *A Research on ...*, p.10.

<sup>190</sup> Interview 2012/02/11.

<sup>191</sup> The research team specialising in new strategies to drive the income growth of peasants in Hunan in new situation, *A Research on ...* p.11.

<sup>192</sup> *Ibid.*

<sup>193</sup> *Ibid.*

severe financial situation of the local authorities, later became one of the triggers for conflicts between them and the local cadres within rural communities.

At the same time, events in the cities also contributed to the unstable economic and political context throughout the country. Starting around 1985, state-owned enterprises in many big and medium cities began their reform with rights of management contracted out to individuals.<sup>194</sup> In addition, some state-owned enterprises reduced or ended welfare provisions which workers previously enjoyed. When this was combined with skyrocketing commodity prices, workers' lives turned bitter. Many of them could not even afford ordinary daily commodities.<sup>195</sup> Financially and psychologically, these life stresses caused panic among these people who had been benefited from the "iron rice bowls (*tiefanwan*)". With the reforms going further, many social welfare benefits such as co-operative health care and housing subsidies which had earlier covered most people in the collective era were reduced. But alternative methods of meeting these needs had not yet been put in place. This left many disadvantaged people exposed, isolated and vulnerable without the protection of the collective. Disappointment and dissatisfaction started to spread in society.

These sentiments finally found their way into the open when the reformist leader, Hu Yaobang, passed away in May 1989. Hundreds of students from universities in Beijing assembled with the original intent of paying tribute to Hu. They were later joined by people from other backgrounds including workers and common people, and this finally developed into a massive political incident in Tiananmen Square.<sup>196</sup> An

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<sup>194</sup> Mao, Yuanbin, "A brief retrospect of 30 years' reform of the state-owned enterprises", *State-owned Assets Supervision and Administration Commission of the State Council website*, 2008 available on: <http://www.sasac.gov.cn/n1180/n4175042/n5405123/n5581845/n5582034/5625742.html> (accessed on 2 November 2014).

<sup>195</sup> Vogel, *Deng Xiaoping ...*, p. 600 – 601; Wang, Hui, *China's New Order: Society, Politics, and Economy in Transition*, (Cambridge: Harvard University Press, 2006), p. 54.

<sup>196</sup> Pan, Philip P., *Out of Mao's Shadow: The Struggle for the Soul of a New China*, (New York: Simon & Schuster, 2008), p. 274; Zhao, Dingxin, *The Power of Tiananmen: State-*

evaluation of the 1989 Tiananmen Square incident is obviously beyond our discussion here, but its violent, harsh end signified the beginning of a politically conservative period and an economic downturn which continued over the next few years. It is commonly argued that it was Deng Xiaoping's southern tour in 1992 that reversed this situation.<sup>197</sup> Just when the people were baffled about the future of reform and began to engage in fierce ideological arguments as a result of the Tiananmen Square incident, Deng Xiaoping spent 18 January to 21 February 1992 inspecting Southern China including Wuchang, Shenzheng, Zhuhai and Shanghai.

During this journey, he gave a series of speeches to reassure people about the determination of the central government to move towards free marketisation and to accelerate the development of private enterprise. Although Deng is also usually accused of borrowing some capitalism elements to spur the economy, China has indeed, since 1992, achieved another surge of economic development with growth at annual double-digit rates. However, for the present study, the significance of Deng's Southern Tour is that it indicated a major shift in policies. Thereafter, rural communities that had flourished in the 1980s witnessed the massive migration of surplus rural labours into the coastal and urban areas. The living standards in rural areas gradually went downhill. Increases in rural incomes slowed down, financial burdens on the peasants escalated, inequalities gradually widened, and deteriorating relationships between cadres and peasants even became confrontational. This complicated picture stood in striking contrast to the urban boom - with manufacturing in the

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*Society Relations and the 1989 Beijing Student Movement*, (Chicago: University of Chicago Press, 2001), p. 149.

<sup>197</sup> In December 1992, Deng Xiaoping was elected by the *Financial Times* as man of the year and it commented that Deng Xiaoping's inspection in January has spurred a new surge of free marketisation across the country and encouraged an acceleration of reform which caused the fastest economic growth of that year on record. It is reported that from 1989 to 1991, the rate of GDP growth in China averaged around 5% annually whereas just in 1992, this rate leaped to 12.8% and since then China had been kept high growth rates. For more details about the comments on the significance of Deng's Southern Tour, see Perry, Elizabeth J., "China in 1992: An Experiment in Neo-Authoritarianism", *Asian Survey*, Vol. 33, No. 1, January. 1993; Zhao, Suisheng, "Deng Xiaoping's Southern Tour: Elite Politics in Post-Tiananmen China", *Asian Survey*, Vol. 33, No. 8, August 1993, p. 739 – 756; and Vogel, *Deng Xiaoping ...*, p. 693.



coastal cities thriving, new residential estates and skyscrapers mushrooming, and large numbers of rural labourers flocking in to seek jobs.

### ***3.2 A Tough Period for the Development of Agriculture and Rural Industries from 1992 to 1998***

Guided by Deng's Southern Tour Speeches, between 21 and 23 September 1992, the Li County Party Committee convened and led the County's seventh Party Congress, with 393 representatives attending.<sup>198</sup> It reviewed the work of the County Party Committee and the County Government since the sixth Party Congress in 1988, and studied Deng's Southern Tour Speeches, which helped local cadres within the county administration to shed their doubts about the future of the reform. It reassured them that, instead of ending the reforms, the Central Committee and Government were determined to press ahead. Centring on intensifying the reform and accelerating the pace towards improved living conditions, the Congress also laid out the aims and detailed work plans of the County for the next five years with regard to economic and social development. This plan and, more especially, its goals were referred to in brief as "the project for 12111".<sup>199</sup> That figure refers to a set of numbers: the gross output value of agriculture and industry in one third of townships would be beyond 100 million yuan (hence number '1'), the corporate tax in one third of townships would be beyond 2 million yuan (the number '2'), the fiscal income in one third of townships would be beyond 1 million yuan (the number '1'), the net income of the collective economy in one third of villages would be beyond 100,000 yuan (the number '1'), and per capita income of the courtyard economy of one third of rural households would be beyond 1,000 (the number '1').<sup>200</sup>

What, however, should be done to realise these aims? After all, after nearly ten years of reform, the economic and political environments were now more complicated than those in the 1980s. The market for commodities

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<sup>198</sup> Compilation office for chronicles of Li County (1999), *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 109.

<sup>199</sup> *Ibid.*, p. 86.

<sup>200</sup> *Ibid.*, p. 4. In Chinese terms, 100 million yuan is equal to 1 *yi*.

had gradually opened and prices were now more dependent on the relations between supply and demand than on plans of the state. Facing fluctuating prices, individual peasants lacked enough knowledge of markets to make prudent decisions on what and how much to cultivate. Nor could they respond effectively to frequent price fluctuations. Therefore the incomes of peasants no longer increased merely by increasing the output of traditional products, which in Li County's case, were mainly grain and cotton.<sup>201</sup> When we turn to rural industry, the political advantages which had enabled the TVEs to flourish in the 1980s no longer existed in the 1990s. With the shift in the bias of Central policies to the coastal and urban areas, those TVEs which were based on the exploitation of raw natural resources and primitive skills such as mining and digging lost the shelters which former policies had provided. They found it hard to compete in the market. Given their lack of knowledge about the management of modern companies, many enterprises faced losses or went into bankruptcy in and after the late 1980s.<sup>202</sup> Facing these challenges, and in order to realise the aims of the seventh Party Congress, the County Party Committee and the County Government decided to emphasise three things: adjusting the structure of agricultural products to adapt to the gradually deepening market economy; developing co-operation with large corporate groups in big (especially coastal) cities by way of outsourcing or by providing factory sites, labour, and raw materials and while encouraging the development of household and private enterprises; and greatly improving infrastructure to attract external investments.<sup>203</sup> Let us consider each of these things.

### ***3.2.1 Adjusting the Structure of Agricultural Production***

Since as early as March 1991, the problem of agricultural commodity circulation and the contradiction between improved output and the slow-down in the increase of the peasants' incomes forced the County Party

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<sup>201</sup> The research team specialising in new strategies to drive the income growth of peasants in Hunan in new situation, *A Research on ...*, p.11.

<sup>202</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 5.

<sup>203</sup> *Ibid.*, p. 4 – 6.

Committee to consider the relationship between the structure of the traditional agricultural products and the market economy. A rough plan about how to adjust the structure of agricultural production to adapt to the market emerged. This idea, on the one hand, sought to support traditional agricultural production of grain and cotton, while on the other, seeking to improve the quality of agricultural products.<sup>204</sup> By 22 September 1992, when Mr Y Guanghong, the then deputy secretary of the County Party Committee, reported to the seventh Party Congress on behalf of the sixth Party Committee, this idea had matured and was articulated in the report, and then became a detailed action programme.<sup>205</sup>

Realising that it would take time to determine which agricultural products were suitable, given the changes in the market, the report emphasised the importance of respecting the will of the peasants and rethinking practices which had often been used in previous political campaigns. The practice of “being uniform”, and thus of failing to consider diversity, should be avoided.<sup>206</sup> The governments and the local cadres at county, township and village levels should fully respect the peasants’ own choices and act as messengers to provide the peasants with market information and input on production, technological research, processing and marketing.<sup>207</sup> The report also pointed out that, since the peasants lacked awareness as producers of agricultural commodities, during the transition to a market economy, it was necessary for the governments and the local cadres to provide updated information and to help them to predict the market. They also needed to advise peasants on optimal channels for sales, in order to reduce market risks and to help peasants to acquire a sense of the market.<sup>208</sup> The report called on the cadres to make full use of the diverse conditions in plains, lake, hilly and mountainous areas and to develop the agricultural products suitable for local circumstances. For example, the lake

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<sup>204</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 420.

<sup>205</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 1-5.

<sup>206</sup> *Ibid.*

<sup>207</sup> *Ibid.*

<sup>208</sup> *Ibid.*

areas could try aquaculture, the hilly areas could continue planting such crops as fruit trees, the mountainous areas should take advantage of their mineral resources, and the plains area should continue to explore highly efficient ways to stabilise and to improve the traditional production of grain and cotton.<sup>209</sup>

■ *In the plain areas and some parts of shallow lake areas: developing townships specialising in paddy rice or cotton according to specific conditions*

Guided by this report, the period of 1992 to 1997 witnessed a difficult but far-reaching process of adaptation in the structure of agriculture. Given variations between different geographical areas, this process was composed of four parts. First, to guarantee the output of traditional grain and cotton, the plain areas and some parts of shallow lake areas including Mengxi Township, Linan Township, Guanyuan Township, Chexi Township, and Lidong Township adjusted the layout of the agriculture production from “being small but comprehensive” to “being big but special”.<sup>210</sup> The old phrase “being small but comprehensive” refers to the fact that grain and cotton were planted in every township and village. It was one of the legacies of the old unified planned economy and played its role during the civil war time and the early years after the establishment of the PRC - to prevent shortages of grains, and to guarantee the necessities of the peasants on production team units. In the collective era, as agricultural production and distribution were based on production team units, planning irrigation and output on these units then made practical sense as well.<sup>211</sup>

However, after lands were allocated to individual households in the early 1980s, the households replaced the production teams as the units on which agricultural production plans were based. The large pieces of land which had belonged to the production teams were divided into small plots

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<sup>209</sup> *Ibid.*

<sup>210</sup> *Ibid.*, p. 170.

<sup>211</sup> Interview 2011/12/30.

and given to households. A few early years after allocating the lands, family farming had indeed improved the gross output, mainly by relying on the investment of extensive peasant labour.<sup>212</sup> However, as family farming became more institutionalised, problems gradually emerged. First, the size of the plots belonging to each household was relatively small and not good for the emergence of farms as corporates. Second, irrigation became the main trigger for disputes. Since agricultural production was not now planned in an integrated way as in the collective era, irrigation became one of the responsibilities which each rural household had to assume for itself. Unlike the agriculture in industrial societies, the rural areas in Li County still relied mainly on manual labour to dig irrigation canals, to channel water from nearby rivers or lakes to fields. This meant that many channels went through more than one plot of fields. As the fields were now allocated to individual households, peasants - especially in the lake areas – were often drawn into disputes about which routes channels should take, and whether they would be permitted by the peasants who owned the relevant fields.<sup>213</sup>

In a response to these issues, the mode of “being big but special” was proposed and implemented in practice. It aimed to improve the production of grain and cotton on a large scale by developing some townships and villages specialising either in grain or cotton, based on their specific natural conditions. The case of Fenghuang Village of Guanyuan Township illuminates this strategy. Fenghuang Village was newly established in 2005, following an administrative practice of merging villages and village groups.<sup>214</sup> Several small villages were merged and the former Zhaojia Village was one of them, where Mr C was the party secretary of the village committee from 1985 to 2001. According to his account, the peasants in former Zhaojia Village used to grow rice. However, when it entered the 1990s, they began to shift to cotton. The economic return on cotton at that time was higher than on rice, but irrigation was also a major problem and

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<sup>212</sup> The research team specialising in new strategies to drive the income growth of peasants in Hunan in new situation, *A Research on ...*, p.10.

<sup>213</sup> Interviews 2011/12/30, 2012/02/14b.

<sup>214</sup> For more details about this practice of merging villages and villager’s groups, see Chapter Four, p.290.

the main reason that local peasants changed their minds. Although, located in the lake area, so that it is supposed not to lack water, the division of land into small-sized plots for household units turned out to be the obstacle that blocked irrigation canals. Furthermore, without attention from collective production teams, the established canals dug in the 1960s and 1970s had fallen into disrepair. Some were blocked with weeds so that the water could not flow through to the fields. Rice cannot be grown without water while cotton can grow in dry lands. The peasants thus changed to grow cotton. Following this tendency, the local governments developed Guanyuan Township to become a township specialising in cotton planting, the size of which is beyond 10,000 *mu*.<sup>215</sup>

■ ***In the mountainous areas: reducing the cotton areas and replacing them with crops such as sweet corn and sweet potato***

While some areas, which lack water irrigation, changed from rice to cotton, others instead reduced the areas of cotton fields and changed to grow crops. Nine mountainous areas such as Ganxitan Township, Matoupu Townships, Taiqing Townships, and Huolianpo Township and so on are geologically characterised by dry but steep mountainous lands. Up to the 1990s, like other rural areas in Li County, the pattern of “being small and comprehensive” applied to these areas so that every township and village grew rice or cotton.<sup>216</sup> However, when we consider the geological conditions, these areas are not good for cotton production because in spite of being dry lands, most are mountainous, very steep and lack sunshine which affects the length of the cotton fibres and accordingly their selling prices.<sup>217</sup> In addition, the mountainous lands are sandy so that the soils are so loose that the plants are not able to root.<sup>218</sup> Thus, except for sweet corn and sweet potato, other economically promising crops are unlikely to grow in

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<sup>215</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 170.

<sup>216</sup> For more details, see the section “the taking-over of the obligations by the households” of Chapter Two, p.140-141.

<sup>217</sup> Interview 2012/02/11.

<sup>218</sup> Interview 2011/12/30.

mountainous areas.<sup>219</sup> In the collective era, this is the main reason why those areas were usually the ones which lived on grains resold by the state to the starving production teams.<sup>220</sup>

Cotton used to be grown in 30,000 *mu* in those nine townships in the 1980s, but the output per *mu* was only 40 kilograms and the economic return was so low that it badly affected the incomes of peasants living in those areas. In 1994 and 1995, the peasants voluntarily reduced the total to 7,000 *mu*. However, as official targets for cotton were still assigned to these areas, although less than before, the peasants could not completely change to abandon cotton in favour of other crops which are able to live in the mountainous areas.<sup>221</sup> In response to this, in 1996, the County Party Committee and Government decided to allow the peasants to change 15,000 *mu* to the intercropping of sweet corn and sweet potato. As a result, the output value per *mu* increased by 1,000 yuan, doubled the rate of the old cotton areas.<sup>222</sup>

■ ***In the townships near Liyang Township: reducing the cotton area and experimenting with growing various vegetables***

The third part of the process of adjusting the structure of agriculture products saw the townships near Liyang Township changing from cotton to grow vegetables. Liyang Township is the location of the County Party Committee and County Government, which makes it the most urbanised and commercialised area within the County. The outskirts of Liyang Township and other neighbourhood townships thus enjoy the convenient transportation and easy commodity circulation. In order to enrich the residents of Liyang Township and to make full use of the economic potential of the lands near the Township, the County Party Committee and County Government in 1996 decided to reduce the cotton areas of Lidán Township, Liyang

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<sup>219</sup> *Ibid.*

<sup>220</sup> For more details about the grain resold by the state to the production team, see the section “How to fulfil the obligations in the collective era” of Chapter Two, p.138-139.

<sup>221</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 170.

<sup>222</sup> *Ibid.*

Township and Zhanggongmiao Township and instead encourage the peasants there to experiment with vegetable planting.<sup>223</sup> As a result, there was altogether 12,000 *mu* of land where this change occurred. However, the experimental process was not easy. Mr C of Huanghe Village of Zhanggongmiao Township told the story of his village.<sup>224</sup>

The village was named as Wanjiapu. In 2005, it merged with the previous Huanghe Village to become part of a new, bigger Huanghe Village. From the beginning of the 1990s, in order to continue increasing the income of the peasants, following the call from the County Party Committee and the County Government, village cadres began to press the peasants to try to grow vegetables. They tried in turn to grow watermelon, white gourd, common beans, and potato. All these products were judged as failures. One of the reasons was the shortage of advanced technologies. The other was the climate and the soil condition. For example, the white gourd failed because excessive rain in the wet season in Li County is not suitable for it. As a result, the village committee provided the affected peasants with 100 to 200 yuan per *mu*.

Among all the experiments to adjust the structure of agricultural products, only the artificial production of cotton seeds brought cash benefits to the peasants. This business emerged in cooperation with the Cotton Ginning Seed Industry of Changde City (CGSICC). CGSICC provided original seeds including male pollen and female pollen to the peasants. The peasants randomly decided to grow male pollen or female pollen. During the flowering season, the peasants cut off the buds before they flowered and exchanges occurred between peasants planting male and female pollen. Then the peasant picked the pollen from the buds, and artificially pollinated it to the stylus of his cotton flowers, so that produced seeds with high output. This is called hybrid cotton, the output of which per *mu* was four times the output of normal cotton. Then, according to their contract, the peasants sold the seeds to the CGSICC and got corresponding cash payments in return.

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<sup>223</sup> *Ibid.*

<sup>224</sup> Interview 2011/12/29.



According to Mr C's account, the price of the seeds of this hybrid cotton was 28 – 30 yuan per kilogram. After the GCSICC collected these seeds, they would pack them up and sell them to the peasants planting cotton throughout the country at a price of 80 – 100 yuan per kilogram. Mr C said that the peasants' income earned by producing the seeds could be four to six times the income earned by doing manual labour - with the former around 6,000 yuan per year while the latter was around 1,000 yuan per year. Therefore the peasants preferred to sign the contracts and produce seeds for the GCSICC to growing the normal cotton or doing manual labour.

However, this business gradually declined in 2000s, after it had been run for around ten years. One reason was that adulteration appeared in the later stages, so as to badly affect the quality and output of the cotton after the seeds were sold to the peasants. Adulteration could happen because some peasants did not cut off the buds before flowering, so that the cotton was pollinated themselves, as a result of which, the purity of the seeds was low and so was the output. In addition, driven by the profit, both some peasants and even the GCSICC intentionally mixed the seeds of normal cotton with those from hybrid cotton. These adulterations seriously affected the credibility of GCSICC, and its sale performance. In the 2000s, the GCSICC has gradually fallen into deficit and ended up in reorganising. Cooperation with the peasants has stopped.

When we enter the 2000s, based on the experiences and lessons accumulated during the 1990s, these peasants started new experiments to introduce grapes and strawberries. They had learned of the dangers of lacking technology. Unlike the blind experiments in the 1990s, now with the support of the local cadres, they seek technological help from experts and have been successful. Gradually they found ways to integrate agricultural production into the market economy. Talking about this process, Mr C said that although the period of 1990s was really tough – producing the seeds was very hard and required you to work under the sun every day – “this is a

necessary process and looking at our success right now, it was worth it.”<sup>225</sup>  
We will consider their new story, in the 2000s, in Chapter Four.

■ *In the lake areas: returning low-lying fields to fish ponds*

As we described in the overview of Li County in Chapter One, the County covers some parts of lake areas as well. The townships located in the east of the County normally belong to the lake areas including Yongfeng Townships, Xiaodukou Township, Guanyuan Township and Jiuyuan Township.<sup>226</sup> Due to the subtropical monsoon climate, the rainfall in Li County is a bit excessive for a lake area. Especially in the rainy season around June, July and August, continuous rainfall can cause the water level of the River Li to stay high for quite some time. Accordingly, flood waters accumulate in low-lying fields along the river, so that many crops in these fields were drowned.<sup>227</sup> In response to this problem, the township governments and the local peasants in this area jointly decided that fish ponds held more promise than crops in low-lying fields.

Between 1994 and 1995, there were 10 townships in this area including Rudong Township, Yongfeng Township, Xiaodukou Township, and Guanyuan Township which began a project of digging fish ponds on the sites of the low-lying fields. 20,000 *mu* of low-lying fields were changed into fish ponds.<sup>228</sup> The output of the fish per *mu* reached 200 to 350 kilogram and the cash return per *mu* was beyond 1,200 yuan, which doubled the cash return from the days when crops were planted in these fields.<sup>229</sup> The peasants did not change all of the low-lying fields into fish ponds. One reason was that in the 1990s, the state had not completely cancelled its requirements for cotton and grain. The other was that instead of buying

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<sup>225</sup> Interview 2011/12/29.

<sup>226</sup> For more details about the geographic setting of Li County, see the Overview of the County in Chapter One, p. 56- 59.

<sup>227</sup> Interviews 2012/02/14b, 2012/02/19c, 2012/02/19d; Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 170.

<sup>228</sup> *Ibid.*

<sup>229</sup> *Ibid.*

grain for self-consumption, the peasants prefer growing and cotton themselves.<sup>230</sup>

### ■ *Encouraging a resumption of the traditions of livestock-raising and aquaculture*

Traditionally, rural households in Li County have raised livestock including chickens, ducks, geese, pigs, cattle and goats. This practice disappeared in the collective era due to political constraints. After 1984 when the lands were allocated to individual households, as the constraints were gradually relaxed, many households again began to specialise in livestock-raising and aquaculture.<sup>231</sup> At the beginning of the 1990s, with the gradual establishment of the market economy, the County Party Committee and the County Government decided to seek a breakthrough in the development of livestock-raising and aquaculture. During the 1990s, a series of favourable policies were introduced to stimulate this. Up to 1996, official statistics shows that the output value of the livestock-raising and the aquaculture reached 550 million yuan, which accounted for 45.4% of the gross value of the agriculture.<sup>232</sup>

### ■ **Summary**

The period from 1992 to 1997 showed that agriculture in Li County was moving forward although it was not easy, with the structure of the agricultural products gradually being adapted to the County's natural conditions. This paved the road to agriculture industrialisation. The importance of traditional products such as grain, cotton, and rapeseed oil declined while the role of cash crops accordingly increased. Depending on different geographical locations, the agricultural specialities in the County diversified, with vegetables in areas near Liyang Township, large-scale

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<sup>230</sup> Interview 2012/02/19c.

<sup>231</sup> For more details about the reappearance of traditional livestock-raising in Li County in the 1980s, see the section of "working on household units; the division of the labour within a household" of Chapter Two p. 128 – 131.

<sup>232</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 170.

grain or cotton production in the plain areas, a courtyard economy of melons and fruits in hilly areas, and aquaculture in lake areas.<sup>233</sup>In response to the commercialised economy and led by the local governments and cadres, some indigenous brands of agricultural products appeared for the first time, such as Shuanglong watermelons, Zhanggongmiao peppers, Xiaodukou strawberries, the Lidong lotus and so on.<sup>234</sup>

This was also an exploratory period, associated with innovation and breakthrough. This required the local cadres and peasants to be adventurous enough to try new things, and to be tough enough to survive doubts and criticisms in times of failure. What supported them to survive this hard period is not only the encouragement of the Central Government and other political superiors, but also the deep popular desire for the better life. A lot of stories emerged during the field research, in which experiments and failure seemed to be very close friends. Fortunately, the stubborn rural people of Li County have never given up. Later in 2000s, the little sparkles in that exploratory period set a great fire. The story below is just one of these little sparkles.

***A Story of Mr W Xianrong: a Specialist in Grape Planting and a Pioneer in Grape Industrialisation***<sup>235</sup>

The story of Mr W Xianrong is an exceptional case. He was a peasant in Zengjia Village of Xiaodukou Township. In his forties, he is a well-known grapes specialist and also has been one of the pioneers of the grape industrialisation in Li County. His entrepreneurial idea germinated in

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<sup>233</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 420.

<sup>234</sup> *Ibid.*

<sup>235</sup> Wang's story below is based on the reports of *Changde Daily*, *Hunan Daily*, and *Annals of Li County 1990 - 1996*. For more details about Wang's story, see Xu, Deqing; Wen, Jin; and Yao, Li, "The Road to Grapes Entrepreneurship", *Changde Daily Online*, 24 July 2011, p. 1 (accessed on 6 November 2014); Liu, Wentao, "The stories of the Representatives of the Seventeenth Party Congress: Mr Wang Xianrong, a Grape Specialist", *Hunan Daily*, 2007, reprinted on Chinese Communist Party News Net on: <http://cpc.people.com.cn/GB/64093/64104/78694/6009268.html> (accessed on 7 November 2014) and Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 266.

October 1986, when he failed in the national college entrance exam and travelled to Sichuan for fun. In a local agricultural product market, there was a type of grape which was so big and tasty that it attracted his attention. As an educated high school graduate, he could not help asking why the grapes in his home village had never been as tasty as this one and how he could grow such grapes. With these questions in mind, he traced these grapes to a vineyard owned by Professor M, a grape specialist in Southwest Agricultural University. Mr W decided to stay and to learn the grape planting technology from Professor M.

He spent two years there. In the winter of 1988, he bade his teacher farewell and returned home, with 5,000 grapes of the special type which his teacher gave to him as a gift. With the support of local village cadres, Mr W rented seven *mu* of dry lands from his village committee and set up his vineyard. He spent days and nights on the lands carefully tending the grape seedlings for another two years. In 1990 his grapes began to emerge and the output per *mu* reached 2,500 kilogram, the net profit of which was around 50,000 yuan. In 1992 when the County Party Committee and the County Government called for adjustments in the structure of agricultural products, he decided to take a chance and to expand his grape business. He rented 20 *mu* of dry lands from Zengjia Village and introduced more than 20 new types of grapes such as Red Sunset, Honey Juice, and Red Autumn to expand his business.

This was also the period when many others in the county experimented with new types of agricultural products. In spite of his technology, Mr W met some acute difficulties. In the summer of 1993, due to the heat and the humid climate in Li County, and also because he lacked experience with so many new types of grapes, 20 *mu* of grapes were infected by a severe grape disease which spread so fast that he faced a risk of a total loss. To seek solutions, he went to the Plant Protection Station of Li County, the Bureau of Economic Crops of Department of Agriculture of Hunan Province, and the Hunan Academy of Agriculture Science. However, apart from diagnosing this disease as anthracnose, no expert could give an effective

solution. With the recommendation of some experts in the Bureau of Economic Crops, he finally found Professor Shi Xuehui, a well-known specialist in grape planting at Hunan Agriculture University. She came up with seven solutions and Mr W took them with him back home. Over 15 days and nights, Mr W tried all seven solutions and finally managed to control the disease. In August of that year, his grapes not only survived, but also, with advanced technology and careful tending, grew unprecedentedly red, big and tasty. The net profit reached more than 100,000 yuan.

From this experience, Mr W realised the importance of advanced technology. Since then, he and Professor Shi began their long term friendship and cooperation in the grape business. In 1994, they published a book named *The Management Technology of the Quality Production of Grapes*. Mr W has not yet stopped his efforts to innovate. He went to Shenzhen and Guangzhou to observe the grape market and found the Eurasian raisin grape was in demand. He wanted to introduce this type to Li County, but the Eurasian raisin grape had never grown in South China due to the geological and climate conditions. One after another, he went to see the experts in Hunan Agriculture University and Beijing for guidance on growing that grape. However all of the experts concluded that this was impossible. Once again, stubbornness drove Mr W to go on. In 1993, he spent 130,000 yuan and asked the experts in Hunan Agriculture University to help him to buy 120 types of the Eurasian raisin grapes.

For the next two years, he spent all of his time in his fields and on a study of meteorological data in Li County - doing experiments, observing seedlings in the fields, and recording the whole growing process including budding, flowering and fruiting every day. There were no precedents and nobody could tell him how to proceed, so he could only rely on the data and his own experiments. In 1996, he finally concluded that the Eurasian raisin grape had never grown in South China because there was a timing gap between the South and the North in terms of blooming. Based on his own research conclusions, he began to graft some of his grapes. After two years, in 1998, his Eurasian raisin grapes fruited with a high yield. To thank the

experts in Hunan Agriculture University, he took the Eurasian raisin grapes grown in his vineyard to visit them. The experts were surprised and could not believe that a peasant, born and bred, had succeeded in growing the Eurasian raisin grapes - and in overcoming the problem of the red type of these grapes not developing their colour in the South, by adapting it to the conditions of South China. He had indeed become a specialist in grape planting.

For many peasants who sought for a better life, 1992 to 1998 was a period of exploring, experimenting, researching and re-experimenting – to develop attractive products for the market. Some of them finally succeeded like Mr W, while even more experienced failure. When they entered the 2000s, the successful ones persisted and even integrated their neighbours from the same villages and townships into their businesses, so as to establish industrial chains. Those who failed could either join the successful ones or go to coastal cities to work. In both cases, the incomes of the peasants greatly increased and their living conditions have improved accordingly.<sup>236</sup> However, to return to the 1990s, agricultural industrialisation had yet not become a common phenomenon. That, plus the problems that are discussed below, meant that most peasants led bitter lives and rural society stagnated.

### ***3.2.2 The Decline of the First Generation of the TVEs, and their Transformation with Birth Pangs***

Like the agriculture sector, the TVEs which had mushroomed in the mid-1980s entered a tough period after the end of that decade. It was argued that one of the reasons was mismanagement. The other was a combination of a shortage of market knowledge and information which caused blind production, and low technology, resulting in over-production of certain products and ensuing losses. Without support from high technology, the TVEs in the 1980s had mainly relied on exploiting nearby natural resources, which caused serious pollution and damage to the environment. After

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<sup>236</sup> For more details, see Chapter Four, p. 305-312.

Deng's South Tour in 1992, in response to these problems and in order to stimulate economic development, the Central Government shifted the emphasis of policy from encouraging the establishment of indigenous TVEs to attracting external investments in the coastal cities, to develop the foreign-funded enterprises. The phrase of "attracting investment in business" (*zhaoshang yinzi*) thus become one of the most popular term during this time.

On 22 September 1992, Mr W GH, the then deputy secretary of the County Party Committee, gave clear guidance in his report to the seventh County Party Congress, which set the direction in which the TVEs would develop between 1992 and 1997.<sup>237</sup> His comments were divided into two parts. First, for the established TVEs, the key point was to stop losses and to make profits. To achieve this, on the one hand, the government agencies should pursue preferential policies. Relative autonomy should be given to the enterprises by gradually moving from comprehensive control by government agencies to control via "three ones" - including one manager/head of the factory, one contract, and one ratio by which the profit would link with work performance - and a performance auditing system should be established to evaluate the duties and responsibilities of the heads of the enterprises. On the other, internally, the enterprises should become determined to innovate technologically, which could be realised through co-operation with large scale, high technology enterprises.

Second, the sub-county party committees and governments were called upon to shift their focus and energy to attracting external fund and resources into local enterprises, and, through their co-operation, to stimulate new economic growth points. This kind of co-operation generally was realised in the form of the foreign-funded enterprises and in the form of the "three processes and one compensation (*sanlai yibu*)" enterprises. The foreign-funded enterprises included Chinese-foreign joint ventures, Chinese-foreign cooperative businesses, and exclusively foreign-owned

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<sup>237</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 1-5.



enterprises. The enterprises of “three processes and one compensation” were the main form in which many rural enterprises took to make use of the external investments and resources, and referred to the enterprises that process raw materials on clients’ demands, assemble parts for the clients following the clients’ samples, or engage in compensation trade.<sup>238</sup> Although during this time, the government still insisted on a strategy of co-development of “four wheels”,<sup>239</sup> the focus of the substantial support, in practice, gradually shifted from support for TVEs to the development of private enterprises.<sup>240</sup>

### ■ *First Generation TVEs Going Downhill*

In order to illustrate the situation of the TVEs in the late 1980s and early 1990s, Mr L, who is the deputy governor of Daping Township and the former vice-governor of Taiqing Township in charge of the TVEs in the 1990s, explained things in more detail.<sup>241</sup> Taking his township as an example, in the 1980s, it had a coal mine and an iron mine. At first, they could make good profits and many villagers rushed into the mines at slack time to earn extra money. However, there were no clear regulations on the management and the boundaries between the authority and the duties belonging respectively to government agencies and enterprises. This confusion badly affected the operations and efficiency of the enterprises. Sometimes the government had a hand in making decisions, especially in terms of personnel or finance. So in practice, in many cases, instead of acting as individual economic entities, these enterprises served as agencies of government. They assumed some of the responsibilities that were supposed to belong to the government, such as creating job opportunities for surplus rural labourers, and pooling funds for public goods like road paving

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<sup>238</sup> Compensation trade, also called counter trade, refers to a form of co-operation in which foreign businesses provide machines, equipment, tools, raw materials, technology, or staff training which is paid for, in whole or part, by Chinese enterprises in kind -- with produced goods, rather than money.

<sup>239</sup> For more details about the origin and the content of this strategy in 1980s, see Chapter Two, p.103-108.

<sup>240</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 5.

<sup>241</sup> Interview 2012/02/18.

or setting up street lamps. Even worse, the TVEs in some places provided shelters for shadow incomes of the persons in charge, either on the boards of enterprises or in the government. In addition, loans to the TVEs could be misappropriated for other purposes.

These problems of mismanagement actually arose as early as in 1980s. However, as the policy atmosphere at that time was loose, as long as they contributed to economic development and increased the incomes of peasants, governments actors would treat them with “one eye open, one eye closed” and concealed their internal problems. However, with deepening marketisation, the TVEs ultimately had to face market competition as individual economic entities. The problems with management and with the poor quality of their products reduced their ability to compete in the market with large high-tech enterprises. Slowly, the once promising TVEs began to languish. Especially in the late of 1980s, it could be seen that many TVEs were in deficit and their profits were far too small to cover expenses. By then, not only were they no longer money spinners, they became hot potatoes for local governments.

In addition to mismanagement and non-regulation, another reason for Central Government’s shift of emphasis from indigenous to foreign-funded enterprises was that the first generation TVEs in the 1980s were ecologically and environmentally unsustainable. The case of Ms M of Zhanggongmiao Township made this point.<sup>242</sup> She, her husband and two sons are peasants, located in the low lands of Liyang Plain. In the collective era when most women got fewer points for a day’s work than men, she always got as many points as male labourers by virtue of her ability to perform labour. In the 1980s, relying simultaneously on hard work in their allotted fields and on a household brick factory, she and her husband became one of only a few “*wanyuanhu*” in their village and even stood out among their fellow villagers by building their own two-story house.<sup>243</sup> She

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<sup>242</sup> Interview 2011/12/29b.

<sup>243</sup> *Wanyuan hu* was a popular term around the time of the late 1980s and the early 1990s. It literally refers to the household with the annual income of a minimum 10,000 yuan. It was

also raised many chickens in a free range way and being organically fed, her chickens' fresh eggs were tastier than those commercially raised in towns. These agricultural products were an important income sources for their family. Her prosperity made her generous and confident.

The bricks produced by her household workshop were made of the clay or soil from the surface of the fields. They were the main construction materials for house building in the areas along Yangtze River Valley. Before 1978, the way to make bricks was to dry unburned bricks of clay and straw under the sun in an open area. It is said that houses made of such bricks were able to keep heat in during the winter and to cool down in the summer. The weakness was their ugly appearance, dark interiors and their inability to resist heavy rain and floods which were the main dangers in the River Li Valley. Therefore, in the 1980s, and especially after 1985 when the income of many peasant households had increased, a wave of house building began in Li County, with improved construction materials - red bricks - for two-story house. This accordingly stimulated the development of many small-scale household workshops for brick production and lime processing.<sup>244</sup> In addition to the demand, the mushrooming of these small workshops was also based on low requirements for technology and easy access to raw materials in rural areas. Ms M's household workshop followed suit and helped her family to earn their first pot of gold.

However, on the other hand, most such household workshops for brick producing, coal mining, and lime processing were not equipped with a smoke processing facility, and the emissions of the unprocessed heavy smoke seriously polluted the environment and caused crops in the neighbourhood to wither and die, not to mention the negative impact on the health of nearby peasants. In addition, the over-exploitation of the surface of fertile fields destroyed the reproductive ability and quality of the agricultural lands which, in the long run, reduced the productivity of arable lands. This

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commonly used to refer to households which, through diligent working, had reached that income. Compared with the term "opportunists with policy", it was a relatively honourable title.

<sup>244</sup> Interviews 2011/12/29b, 2012/02/18, 2012/02/18b.

was only the tip of an iceberg to indicate the non-sustainability of these primitive rural enterprises. A typical case seen in Li County was that the mining of saltpetre and coal caused a sinking of the surface of the land which endangered the peasants' lives. Considering these problems, starting from late 1990s, the Central Government has introduced a series of regulations to rectify matters.<sup>245</sup> In terms of brick production, in around 2000, the Central Government called upon 567 cities throughout the country to ban the production of the burnt red bricks. After losing the shelter of the old policy and sandwiched between the state-owned enterprises and the privileged private enterprises in the 1990s, many rural indigenous enterprises struggled to compete in the market. Some even faced a severe situation. This doomed the TVEs in the 1990s.

Mr. Wen Tiejun, one of the renowned experts on agricultural reform policy who used to work in the Policy Research Office of the State Council, expressed similar views in an interview in 2008 when he was asked why the TVEs of China in the 1990s had gone into a downward spiral.<sup>246</sup> For him, although it took 1.7 million to 1.8 million rural labourers out of the fields every year up to 1988, the TVE boom in the early and middle 1980s could alternatively be read as chaotic, and characterised by non-regulation and environmental destruction. Due to the lack of systematic and rational planning for resources, and for ecological and economic development, the damage to the environment was severe.<sup>247</sup> He also concluded that these were inevitable results in the phase of primitive accumulation towards an industrialised society.<sup>248</sup> From an ecological perspective, primitive accumulation was based on the abuse of national resources that was unbearable and unsustainable. However, for thousands of peasants who had

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<sup>245</sup> For example, in terms of deforestation, in 2003, the Central Government issued a lot of regulations and laws to protect forest resources and to ban deforestation. These regulations and laws include the report on the development of forestry in China, the decision of the Central Committee and the State Council on speeding up the development of forestry, and a campaign named 'green sword' which focused on rectifying the crime of deforestation.

<sup>246</sup> "The origin and the fate of TVEs: is it time for TVEs to withdraw from the historical stage?", *People's Daily Online*, 2007, available on: <http://finance.people.com.cn/GB/1045/5657214.html> (accessed on 30 Dec 2012).

<sup>247</sup> *Ibid.*

<sup>248</sup> *Ibid.*

just been released from a quasi-militarised management of collective economy - many of whom were illiterate and lacked scientific knowledge and who had suffered poverty for a long time – were not concerned with a proportionate and sustainable balance between the economy and nature. Their priority was instant monetary benefits.

The accumulation of all these internal and external problems of non-sustainability, including the blurred ownership, mismanagement, unfamiliarity with gradual marketisation, and stricter regulations on the environment pollution, had a dramatic effect on the TVEs in Li County in the 1990s. Some ever-prosperous industries such as coal mining and gypsum mining had vastly shrunk, year upon year after 1996. At their peak, they had employed 10,557 with a gross production value of 273.3 million yuan. By 2002, only three mining enterprises, with 945 employees and a gross production value of 27.11 million yuan were left, a reduction of 90.1%!<sup>249</sup> In addition, the shift in financial policy caused many TVEs to lose their monetary umbrella, so that the situation was even worse. In his book *Capitalism with Chinese Characteristics: Entrepreneurship and the State*, Huang Yasheng, by going through more than twenty volumes of detailed bank documents, directives and regulations, and a series of household income surveys and private-sector firm surveys, identified a substantial policy shift in the 1990s in terms of rural finance. He found that “many of the very productive financial experiments were terminated and credit constraints on small-scale, low-tech, and labour-intensive rural entrepreneurship were tightened”.<sup>250</sup> The policy was reoriented from favouring “small-scale, low-tech, and labour-intensive rural entrepreneurship” to an emphasis on “technocratic development” and an industrial policy approach in favour of large and heavy-investment-oriented firms.<sup>251</sup> This view is supported by evidence from Li County.

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<sup>249</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 251.

<sup>250</sup> Huang, Yasheng, *Capitalism with Chinese Characteristics: Entrepreneurship and the State*, (New York: Cambridge University Press, 2008), p. 50 – 109.

<sup>251</sup> *Ibid.*, p. 110.

*Table 3.1* below shows a breakdown of various loans in Li County from 1989 to 2001. It is clearly seen that after 1989, 1990 was the low point at which loans for TVEs were reduced by nearly 50%, while in 1991 there was a slight increase, and 1992 witnessed the start of another round of huge investments in the TVEs. However, it is worth noting that although the number of loans has kept increasing since 1992, compared to before 1989, priority has been given only to certain enterprises to support their scaling up and to improve their technologies. These enterprises have some characteristics in common – large-scale, high-tech, high return rates, and high promise to attract investments from foreign and domestic sources - and include, for example, Lizhou Beer Brewery, Ganxi Cement Factory, Matoupu Cement Factory, Thousands’ Family Coal Saving Stove of Li County, Xue Song Chemical Factory of Li County and so on.<sup>252</sup> The slogan used then by the Agriculture Bank and the Rural Credit Co-operatives - the main organisations in charge of the TVEs loans - was to “compress the general enterprises while guaranteeing the leading ones”.<sup>253</sup> On the other hand, for private and household enterprises, after a high point in 1989, loans began to be vastly compressed as the data below show until 1994 when, with the policy’s preference for private enterprises, the loans slightly increased. In 1997, loans for private and household enterprises reached 14.78 million yuan, the highest point in the 1990s, but after that, due to a policy of further compression, it declined again.<sup>254</sup>

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<sup>252</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p.397.

<sup>253</sup> *Ibid.*, p. 398.

<sup>254</sup> *Ibid.*, p. 399.

Table 3.1 A Statistics of various Financial Loans in Li County from 1989 – 2001

Year	Sum-up (million yuan)	Industry (million yuan)	Commerce (million yuan)	Agriculture (million yuan)	TVEs (million yuan)	Fixed Assets (million yuan)	Private and household Enterprises (million yuan )	Other (million yuan )
1989	447.72	90.45	194.36	62.01	61.90	8.45	7.49	23.06
1990	540.15	114.36	318.48	55.80	<b>31.03</b>	7.23	0.18	13.07
1991	641.97	150.50	367.20	59.31	<b>41.49</b>	10.94	0.18	12.35
1992	814.36	140.86	454.90	84.46	86.89	27.28	0.17	19.80
1993	920.97	155.11	501.87	96.36	99.44	48.97	0.37	18.85
1994	1,249.51	161.28	598.82	91.17	139.39	78.04	3.89	176.92
1995	1,561.40	165.72	777.05	120.68	171.64	113.57	4.75	207.99
1996	1,828.24	189.64	930.46	158.76	167.16	172.10	7.22	202.90
1997	2,215.44	202.42	1,185.24	153.13	194.19	219.05	<b>14.78</b>	246.63
1998	2,169.67	214.21	1,099.31	182.18	<b>201.59</b>	193.26	2.64	276.48
1999	2,247.75	198.05	1,263.90	185.06	<b>106.79</b>	146.30	1.34	234.16
2000	2,149.94	179.49	1,316.12	123.02	146.86	175.33	1.19	207.93
2001	2,349.53	168.14	1,461.40	122.06	151.51	227.09	1.16	218.17

Sources: Compilation office for chronicles of Li County, Annals of Li County 1978 – 2002, (Beijing: Fangzhi Publishing House, 2012), p.402.

By using such macro-control levers, governments have successfully concentrated money, materials and human resources on the leading enterprises while they left other low-tech, low tax return and labour-intensive enterprises in a bad situation, some even facing bankruptcy. In 1998, one year after the Law of Township and Village Enterprises of the PRC was put into effect, Li County began publicly and systematically to tackle the ownership issue of the TVEs.<sup>255</sup> By being privatised or by having the right of management sold off, the township-owned and village-owned enterprises were transformed into private undertakings. By 2002, the total

<sup>255</sup> *Ibid.*, p. 253.

number of TVEs was 14,570, of which 6 % were collectively-owned while 94% were privately owned.<sup>256</sup> The following three sub-sections of this chapter, represent three steps in which the County Party Committee and the County Government rectified the TVEs and stimulated continuous economic development. This explains in more detail the transformation of the TVEs and the establishment of the second generation of new rural enterprises in the 1990s.

■ *The transformation of the established TVEs*

In an article published in the Journal of Internal Reference of the Changde prefecture city Party Committee, Mr Wan Zhongtan, the then deputy party secretary of Li County, concluded that for the established TVEs, there were six methods which could revive the TVEs.<sup>257</sup> The first was to rectify some TVEs which were in deficit by transferring property rights. This method was used mainly for enterprises which were too financially burdened to keep operating. By transferring parts of the property, these enterprises could get some money to maintain operations and gain an opportunity to repay debts or even make profits through later improvements in technology. The cement factory of Matoupu Township was a typical case. Due to mismanagement, this factory had a deficit of 45 million yuan, which forced it to stop operation in 1997. The next year, with the guidance of the government, it took action to divide its property into different parts and transferred two production lines with a producing capacity of 88,000 tons to the rural credit co-operative of Li County at a price of 15.85 million yuan. Although it was not enough to pay off the debts, at least this amount enabled

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<sup>256</sup> *Ibid.*

<sup>257</sup> The tradition of the Journal of Internal Reference comes from the Internal Reference of Xinhua News Agency. It is a confidential document which is only circulated within the Xinhua News Agency and the top level of the CCP. The content is mainly about important political information, including political attitudes, the direction of decision-making of the leadership and so on. The party committees below the Central government follow suit and circulate their own journals of Internal Reference. The one mentioned here was issued by the Party Committee of Changde prefecture city. It was reprinted in Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 77 – 78.



the factory to start operating and bought time for continuous transformation, aiming to make a profit.<sup>258</sup>

The second method was to change the structure of property rights. In addition to transferring some parts of the property rights at a price to financial institutions, this method focused on changing the structure of the ownership from a mainly unitary structure of township or village owners to a private-orientated structure through several forms such as shareholding, renting in contract, or selling off. After 1998, the TVEs in Li County began to reform property rights through privatisation with the township-owned units turning to share-holding, and the village-owned units to renting the right to manage by contract.<sup>259</sup> This coincided with the encouragement of the Central Government during this period on the development of private enterprises. By 2002 when the reform was nearly done, the structure of the TVEs in Li County became a diverse combination of share-holding, share-cooperation, private enterprises and the private household businesses.<sup>260</sup> Among 14,570 TVEs in 2002, the collectively-owned only accounted for 6% while the privately-owned accounted for 94% with the latter contributing 79% of the gross output value.<sup>261</sup> The label ‘TVEs’ gradually disappeared from use and was replaced by ‘private enterprises’.

To some degree, the privatisation of the property rights of the enterprises strengthened the sense of the ownership of the heads and the share-holders so as to hold them responsible for the performance of the enterprises. For example, the township-owned cement factory and coal mine in Zhakou Township were sold off due to the bankruptcy, caused by severe deficit.<sup>262</sup> For most village-owned enterprises, this township decided to adopt shareholding or renting in contract, to pool funds for operations. By the end of 1996, private enterprises accounted for 82.7 % of the total

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<sup>258</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 77.

<sup>259</sup> *Ibid.*, p. 13.

<sup>260</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p.249.

<sup>261</sup> *Ibid.*, p. 253.

<sup>262</sup> *Ibid.*, p. 273.

number of enterprises within the township.<sup>263</sup> The glazed roof tile factory of Mengxi Township had been in deficit as high as 800,000 yuan since it was established in 1996. In July 1998, the factory followed the suggestion of the government and sold its shares to four shareholders at a price of 1.18 million yuan, which not only helped the factory to pay off debts, but also injected funds to stimulate its operation.<sup>264</sup> Also, the change in the ownership structure held shareholders responsible for efficiency and profit, improving the performance of the enterprises.

The third method was aimed at enterprises the products of which were promising, competitive, and integrated high technology, but which stopped operations due to a break in the liquidity chain. To help them to survive this difficulty, the County Government helped the township governments to strengthen attractiveness to external investors, to obtain loans from financial institutions, and to encourage internal fundraising via a form of shareholding, by which 148 million yuan were raised in 1998, to enable 130 enterprises within the County to operate fully.<sup>265</sup> In addition, some of these funds were used to sustain the daily operations of the enterprises, while others contributed to renovations of technology or to the development of the new products so as to improve the competitive capacity of the enterprises in the market. This is the fourth method.

Centred on the circulation of goods, the fifth method fully demonstrated the great effort made by local governments. The circulation stage is one of the most important in the market economy. In order to help the enterprises find selling channels, between 1990 and 1996, the County Party Committee and the County Government called up the business enterprises and relevant functional departments of government to take part in Investment and Trade Fairs which took place in Shenzhen and Hong Kong in August 1990, March 1993, and September of 1992, 1993 and 1996; Trade Fairs in Shenzhen, Hong Kong, Changde and Changsha in March

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<sup>263</sup> *Ibid.*

<sup>264</sup> *Ibid.*, p. 77.

<sup>265</sup> *Ibid.*

1992 and September 1996; and others in Changde, Shanghai and Changsha.<sup>266</sup> At these fairs, Li County received the representatives of 120 foreign enterprises and promoted 100 of its products and projects. In addition, various enterprises also actively took part in the trade fairs in their own areas. For example, the Hunan Guoren Brewery Co. Ltd made great efforts to expand its selling channels and to develop new markets by taking part in the China sugar and wine trade fairs every year. In one in October 1998, they sealed a contract to supply 60,000 tons of goods.<sup>267</sup>

Finally, in terms of personnel selection, the County Government encouraged the enterprises not to trap themselves into an old framework of always following superiors' orders. Instead, personnel, especially at the management level, should be selected on their talents. Take Gengshan Cement Factory as an example. Its previous head had been in this role for many years. He was appointed on political orders from the government. However, with the deepening market economy, his approach to management could not keep the pace with changes. In 1997, this factory, with a producing ability of 88,000 tons could only produce 23,000 tons of cement and only earned a few thousand yuan in revenue, with a deficit of 1.6 million yuan. The factory had to stop operating in October 1997. Through a public vote, Mr H, the then chief finance officer, was elected to take the lead. The township government rented the factory to him, and just in the first half of 1998, it produced 35,000 tons. It earned revenue of 300,000 yuan, 10 times of the amount before it was rented.<sup>268</sup>

■ ***The entry of foreign-funded enterprises:***

Foreign-funded enterprises were still new for Li County at the beginning of the 1990s. The first Chinese-foreign joint enterprise was established there in July 1992. Called the Hunan Quansheng Clothes Limited Company, this

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<sup>266</sup> *Ibid.*, p. 97.

<sup>267</sup> *Ibid.*, p. 77.

<sup>268</sup> *Ibid.*, p. 78.

enterprise focused on garment processing.<sup>269</sup> Between 1990 and 1999, following the call by the Central Government for a shift of development strategy from the indigenous TVEs to the foreign-funded enterprises, the Li County Party Committee and the County Government integrated this strategy into their agenda and attracted many external investments. This strategy had two elements, to address both soft and hard environments.

Consider the soft environment first. In order to provide efficient service, at the end of 1995, the County Party Committee and the County Government decided to establish a new governmental department in charge of examining and approving the establishment of new enterprises, called the Business Promotion Bureau of Li County (*lixian zhaoshangju*).<sup>270</sup> It had seven employees. Functioning as an agency of the County Government, it was in charge of international business and economic links, including the promotion trade, liaisons between potential clients and foreign entrepreneurs, and the coordination of the foreign-funded projects. It was the first government department to offer a one-stop facility to collect fees and approve applications, by speeding things up.<sup>271</sup>

Furthermore, in 1996, the County Party Committee and the County Government issued a series of favourable policies to attract foreign entrepreneurs - either to cooperate with local enterprises or to set up new enterprises, and to stimulate local cadres to make full use of their social networks and various resources to introduce foreign funds into Li County.<sup>272</sup> With the focus on resource-intensive and labour-intensive industries, highly efficient agricultural industries, and the tourism industry, these policies not only strengthened the leadership role of governments at county and township levels, but also gave administrative privileges to foreign-funded enterprises. It also set up a reward fund to stimulate local cadres.

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<sup>269</sup> *Ibid.*, p. 189.

<sup>270</sup> *Ibid.*, p. 97.

<sup>271</sup> *Ibid.*

<sup>272</sup> *Ibid.*

The County Party Committee and the County Government set up a leadership group in charge of attracting external investment and enterprises.<sup>273</sup> Headed by the Secretary of the County Party Committee, with the Governor of the County Government as the deputy group leader, it was composed of the persons in charge, respectively, of the Commission of Discipline Inspection, Supervision Bureau, Planning Bureau, Commodity Price Bureau, Land and Resource Bureau, Labour Bureau, Industry and Commerce Bureau, State Taxation Bureau, Local Taxation Bureau, Municipal and Construction Bureau, Environment Protection Bureau, Electricity Power Administration and other functional departments such as police, procurators, courts, etc.

In order to hold local cadres responsible specifically for the foreign trade and economy, the County Party Committee and the County Government authorised the Business Promotion Bureau to divide the annual tasks into small portions and distribute them among governmental departments and bureaus. These tasks were further integrated into the ‘post responsibility evaluation system’ (*gangwei zerenzhi kaopingzhi*), in which the performance of each relevant department and bureau would be assessed and graded twice a year. Poor performances, those which scored below 80%, would entail the disqualification of a cadre from promotion.<sup>274</sup> Combined with a leadership group full of the heads of important administrative departments, this method, which was known as ‘one veto power’ (*yipiao foujue*) and was applied to the task of one child policy of family planning in 1980s, plainly shows that the County concentrated its strength behind the push to attract foreign-funded enterprises. This was a priority on its agenda in the 1990s. In the long run, this strategy had the potential to benefit the county economy. However, the over-heated infrastructure building which this strategy required actually caused many problems in rural areas in the 1990s.

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<sup>273</sup> The County Party Committee and the County Government, “A decision on greatly Developing the export-orientated economy”, 1996, reprinted in Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press 1999), p. 287.

<sup>274</sup> *Ibid.*

In addition, a series of preferential policies and rewards were put in place. A decision to encourage an export-orientated economy by the County Committee and the County Government stipulated that the foreign-funded enterprises in Li County were eligible to enjoy maximum privileges at the discretion of the County Government - in land acquisition, approval procedures, and fee collections.<sup>275</sup> People who introduced foreign funds and contributed greatly to the development of an export-oriented economy, were not only amply rewarded, but also given priority in terms of the issues such as changes of family members from rural to urban residents, and being recruited as workers. For the townships and organisations which succeeded in attracting funds beyond 2 million US dollars, and in attracting 10 million yuan worth of projects, the persons in charge would be rewarded by promotion or recorded merits. The County Government even used some of its increased tax revenues to set up a reward fund.<sup>276</sup>

The two issues mentioned above – change from rural residents to urban residents and recruitment to become workers - were attractive for rural cadres and the ordinary people because at that time, the urban-oriented strategy of the 1990s left a big gap between the rural areas and the urban areas in terms of living conditions and social status. Becoming an urban resident was a dream for most rural residents since in the mid-1990s the financial burdens on peasants soared. In order to improve their living conditions and to escape serious financial burdens, many rural residents sought energetically to change their status as rural residents. Being recruited to become workers was one way. This topic will be discussing in more detail in the next section.

The other part of the strategy dealt with hard environments - that is, infrastructure building, to improve transport, electricity supplies, telecommunications, etc. As early as September 1992 when the seventh County Party Congress was convened, Mr Y Guanghong proposed an

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<sup>275</sup> *Ibid.*

<sup>276</sup> *Ibid.*

infrastructure building plan including ten projects to create a good investment environment to attracting foreign funds. These included Lizhou economic development area, Yanzhou power plant, Yanghukou electrical discharge project, Dinggongqiao shopping mall, Lizhou trade market, a trunk road connecting Jinshi county-level City and 207 national roads, one main road in Liyang Township, one square, and one telecommunications building. By June 1997 when the eighth County Party Congress was convened, the County had invested 600 million yuan in infrastructure and had finished 80% of ten proposed projects with the first phase of Yanzhou power plant being completed.<sup>277</sup>

On the one hand, much improvement occurred and helped to attract foreign funds. Up to 2002, 45 foreign-funded enterprises were established in Li County, among which 23 enterprises were Chinese-foreign joint enterprises; two were Chinese-foreign cooperatives; and 17 were exclusively foreign-owned.<sup>278</sup> Among them were Wangcheng Real Estate Limited Company established in December 1993 (Taiwanese-owned), Xiangbei Werierman Pharmaceutic Company established in May 1995 (Hongkong-owned), Yiqiao Pharmaceutic Company in May 1996, the Ronglong Clothes Limited Company in July 1998, and Yingsheng Textile Limited in December 2000 - all involving investments beyond 1 million US dollars. They became the leading foreign-funded enterprises in Li County.<sup>279</sup> To some degree, these enterprises increased job opportunities for surplus peasant labourers, some of whom failed to run their own indigenous workshops like Ms M mentioned above. Also, as most of these enterprises involved high technology, working for them gave many illiterate peasants opportunities to learn new skills.<sup>280</sup>

However, on the other hand, the drive to improve infrastructure took place at a time when agriculture and the industry experienced testing

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<sup>277</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 12.

<sup>278</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 - 2002*, (Beijing: Fangzhi Publishing House, 2012), p.277.

<sup>279</sup> *Ibid.*

<sup>280</sup> Interview 2013/01/11.

transformations and did not reach a level at which high revenues could be guaranteed. Meanwhile, not only did the Central Government shift their policy focus from the rural areas to the urban and coastal, but also in 1994, the Central Government began to introduce a new taxation system, ‘taxation sharing’, which led local governments into severe financial difficulty. Sandwiched between the pressure from above to develop foreign-funded enterprises and pressure to perform tasks such as the provision of public goods, while local industry and agriculture were experiencing transformation and could not supply enough revenues, local governments had to pass these pressures on to the peasants. The soaring financial burdens on peasants and the heavy debts of township government and village authorities were by-products of the over-heated pursuit of an export-oriented economy.<sup>281</sup>

#### ■ *The development of private enterprises*

At the beginning of 1990, Li County had 8751 private household businesses (*geti gongshanghu*) and six private enterprises. 6,397 households were doing commerce and catering; 793 were doing handicrafts, four were doing construction, 562 transportation, and 74 doing other businesses.<sup>282</sup> These enterprises had 18,683 employees, which accounted for 1.8% of the population of the County.<sup>283</sup> Following the call from the Central Government, encouraging the development of private enterprises and their management became one of the tasks for the County Party Committee and the County Government. With the support of the County authorities, household businesses and private enterprises mushroomed over the next few years. By the end of 1996, private household businesses had increased to 26,147 and private enterprises to 362, which had a total of 67,223

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<sup>281</sup> Interviews 2011/12/30, 2012/02/11, 2012/02/14b, 2012/02/18, 2012/02/19.

<sup>282</sup> According to the Company Law and Partnership Law of PRC, private household businesses and private enterprises both are in the private economy. The difference between them only exists in the number of employees. An enterprise that has less than twenty employees would be registered in the Industry and Commerce Bureau as a private household business while otherwise an enterprise would be registered as a private enterprise.

<sup>283</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 191.



employees, or 7.9% of the county's population.<sup>284</sup> Outstanding cases included Mr W Changqing's canvas cloth factory, Mr You Congping's Longfeng coal mine, and Mr L Xianchuan's Chunlan mattress and furniture limited company.

In 1996, the County Party Committee sent groups respectively to Laiyang City of Shandong Province to study share holding companies and to Yulin City of Guangxi Province to study private household businesses. After hearing the reports from these groups, the County Party Committee decided to encourage both types of undertakings.<sup>285</sup> After 1998, the existing collectively-owned TVEs began to transform themselves, either into share-holding enterprises, or were sold off. This greatly increased the ratio of the private enterprises to TVEs in Li County. By 2002, private enterprises accounted for 94% of all TVEs there, and increased diversity - in terms of forms of share-holding, share-cooperation, private household business, and privately owned enterprises.<sup>286</sup> The term of TVEs has gradually disappeared from the daily language of county people and is replaced by private enterprises.<sup>287</sup>

## ■ *Summary*

In order to revive the TVEs that had been going downhill, following the call from the Central Government, the County Party Committee and the County Government adopted several methods to stimulate the development of the TVEs, as we saw above. Instead of the chaotic model of the TVEs in the 1980s, the County authority concentrated their efforts on enterprises which were resources-intensive, labourer-intensive, equipped with high technology and with potential for high revenues. It gradually encouraged some leading enterprises to integrate other medium and small scale businesses into their industrial chains. In the long run, based on local resources, this model was

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<sup>284</sup> *Ibid.*

<sup>285</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 92.

<sup>286</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 - 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 253.

<sup>287</sup> Interview 2012/02/18.

deemed to be sustainable. These leading enterprises not only increased the fiscal revenues of government agencies, but also provided opportunities for the surplus labourers to work and to learn new skills.

However, these measures could also be double-edged swords. First, the preference for enterprises which were labour-intensive, with high revenue returns and high-technology left many indigenous low-tech household workshops or small factories behind in a helpless situation. As Ms M mentioned above, many peasants at that time were uneducated, illiterate and unskilled. Except for exploiting natural resources with primitive skills, they did not have other ways to make extra money. In addition, when it entered 1990s, the whole political environment was conservative and the financial regulations became rigorous, as Professor Huang Yasheng argued in his book *Capitalism with Chinese Characteristics: Entrepreneurship and the State*.<sup>288</sup> It was hard to get loans for these basic enterprises. So it can be argued that enterprises of this kind died out because of uncongenial policies, even though they had boomed in 1980s because of earlier preferential policies.

Second, extensive infrastructure building overloaded local governments. This forced them to transfer fiscal burdens to the peasants. These overtook income growth and the peasants' situation deteriorated. This was one of the main reasons that many peasants decided to go to the coastal cities to work.<sup>289</sup> Things even became harder after the decentralisation of fiscal authority to the township level after 1993 and the introduction of the tax sharing system after 1995. Although fiscal discretion had been expanded, the duties which township governments had to absorb increased accordingly. As agriculture and rural industry were not functioning well at that time, and expenditures continued to increase for infrastructure building, the income of the sub-county governments usually failed to cover their expenses, and the gap between these two things tended to be greatly expanded. Although the

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<sup>288</sup> Huang, Yasheng, *Capitalism with Chinese Characteristics: Entrepreneurship and the State*, (New York: Cambridge University Press, 2008), p. 50 – 109.

<sup>289</sup> Interview 2012/02/14b.

introduction of the tax sharing system in 1995 guaranteed part of the income of the county government, it also made the financial situation of the sub-county areas worse. The fiscal authority that they obtained became the only way to channel their funds to provide public goods, to improve the infrastructure, and to cover other expenses. Most of these tasks finally were paid for via fundraising from the peasants to cover education, health care and other administrative functions.

This interpretation of events was corroborated by Mr. Liao, the head of the Business Promotion Bureau of Li County. When he was asked if there were any new sources of energy or clean natural resources in the county, he said, “Except the coal, lime, gypsum, and saltpetre, we do not have other natural resources in Li County. Unlike the areas of Zhejiang or Jiangsu which have a long history of such light industries as textile weaving and garment production, Li County historically relies on grain, cotton and cooking oil production. Our enterprises have to be based on what we have and are related either to agriculture or to our natural resources.” When the policy began to promote high technology enterprises in the 1990s, an agricultural county like Li County was placed at a disadvantage. While this strategy stimulated the overall economy of China, it accelerated the further differentiation of rural society. Economic elites emerged while peasants became cheap migrant workers. Rural society suffered disintegration, stagnation and some confrontation.

### ***3.3 The Decentralisation of Fiscal Authority and the Imbalance between Revenues and Expenditures during the 1990s***

#### ***3.3.1 Fiscal structure and the composition of revenues and expenditures in Li County before 1994***

The fiscal structure and the division of revenues and expenses between the central and the sub-central levels of government underwent many changes after 1949 when the PRC was established. Independent fiscal management at the Li County level was not set up until in 1953. Before that, the system

was highly centralised. All revenue was collected and handed in to the central government while expenses were then allocated hierarchically downward - from the centre to the provinces, from the provinces to the counties.<sup>290</sup> Although a finance department was set up in the County Government, it mainly acted as an agency to implement the fiscal policy of the central government, to inspect the implementation of that policy on behalf of the central government, and compile fiscal budgets.<sup>291</sup>

After 1953, a three-level structure of fiscal management emerged - composed of the central, provincial and county levels - and it remained in use until in June 1984 when township fiscal level management was fully established.<sup>292</sup> During the period between 1953 and 1983, although the three-level hierarchical character of the system did not change, the formulas by which revenues have been divided among the three levels, and the ways in which expenditures attach to revenues have been changed many times. For example, from 1953 to 1957, the division of revenues was fixed and the three levels were self-financing for their respective expenses. From 1959 to 1970, the division of revenues was discussed and agreed in advance once a year. In addition, from its extra revenues at the end of each year, the county could reserve 20% and had to pass the rest to the province and the central government.<sup>293</sup> If the revenues could not cover expenses, the province would subsidise the county at a certain ratio. The practice in the period from 1971 to 1979 was similar, in that the division of revenues was agreed in advance. But the portion of extra revenues which the county was able to reserve increased year after year from 45% to 80% between 1971 and 1976, and then even to 100% in 1977. However, at the same time, the county got no subsidies from the province for the expenditure exceeding budgets, and that portion of expenditures had to be self-financed.

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<sup>290</sup> Compilation office for chronicles of Li County, *Annals of Li County*, (Beijing: Social Sciences Academic Press, 1989), p. 373.

<sup>291</sup> *Ibid.*

<sup>292</sup> *Ibid.*

<sup>293</sup> *Ibid.*

In the 1980s, with the application of a responsibility system to agricultural production and distribution in rural areas, a fiscal responsibility system was introduced. As a result, fiscal authority was gradually decentralised to give more freedom to the county level, in order to stimulate economic development. In March 1980, Li County Finance Bureau and Tax Bureau merged to be the Bureau of Finance and Tax and followed the call of the central government to introduce a new fiscal system, nicknamed as “serving meals to different diners from different pots (*fenzao chifan*)”.<sup>294</sup> In addition to a routine division of revenues, obviously, this system emphasised full responsibility at various fiscal levels for their respective budgets. This system was in use during the period from 1980 to 1984, with an adjustment in the way to divide revenue in 1983 from based on the scopes of different revenues to a division ratio of gross revenue. Li County was entitled to enjoy 62% of gross revenue in 1983.<sup>295</sup>

In May 1984, Bureau of Finance and Tax was separated again into Finance Bureau and Tax Bureau. In the next month, with the establishment of township administration, Li County set up 47 township finance offices in total to be in charge of the fiscal issues at township level.<sup>296</sup> After 1985, the fiscal policy became more rigid and after 1987, the county not only needed to submit its revenue to the province at a fixed level, but its contribution increased at an annual rate of 5%. However, the county had the authority to reserve all the extra revenue, while it was fully responsible for its outlays, including over-expenditure.<sup>297</sup> This practice was used until 1994.<sup>298</sup> The revenue of the County was broken down into two parts: budgetary revenue and extra-budgetary revenue. The sources of the budgetary revenue were mainly from enterprises’ income, industrial and commercial taxes, agriculture taxes, subsidies from the higher levels of government, and other

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<sup>294</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 372.

<sup>295</sup> Compilation office for chronicles of Li County, *Annals of Li County*, (Beijing: Social Sciences Academic Press, 1989), p. 373.

<sup>296</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 372.

<sup>297</sup> *Ibid.*

<sup>298</sup> *Ibid.*

income. The extra-budgetary revenue mainly came from administrative fees and government funds, including the funds which the township governments raised themselves and fees paid by peasants for township planning.<sup>299</sup>

There is very little literature on fiscal management at the commune level in Li County before June of 1984 when the People's Communes were replaced by the township governments and finance offices were correspondingly set up at township level.<sup>300</sup> Forty-seven township finance offices were set up in Li County with the establishment of the township governments in 1984. These offices mainly acted as agencies of the Li County Finance Bureau and were in charge of collecting taxes and fees, and planning the fiscal budget at township level. The taxes that they collected included agriculture tax, title deed tax (*qishui*), occupied farmland tax (*gengdi zhanyong shui*), tax on agriculture and forestry speciality (*nonglin techan shui*), value added tax (*zengzhi shui*), business tax (*yingye shui*), water bills (*xianji shuifei*), a surtax for education expenses (*jiaoyu fujia fei*) in which the rural areas and the urban areas paid different rates, fundraising for capital construction (*jiben jianshe jizi*) and so on.<sup>301</sup>

The rate of the agriculture tax was decided by two sets of data. One is a land survey conducted in the early 1950s and the other is an activity of five contract-based confirmations (*wuding dabaogan*) in the early 1960s. While the former decided the size and fertility ability of the lands, the latter, through discussion among different levels of authorities, confirmed the annual output, the grain submission amount, the agriculture tax rate, etc.<sup>302</sup> The agriculture tax had a history of more than 3,000 years in China.<sup>303</sup> In

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<sup>299</sup> *Ibid.*, p. 374 -375.

<sup>300</sup> Compilation office for chronicles of Li County, *Annals of Li County*, (Beijing: Social Sciences Academic Press, 1989), p. 373.

<sup>301</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 378.

<sup>302</sup> For more details about how the land was decided on size, classified into types, ranked, in order to decide the rate of agriculture tax, see Chapter Two, p.85-87.

<sup>303</sup> The research team specialising in agriculture tax reform and the financial burdens on peasants in Hunan, *A Research on Agriculture Tax Reform and the Issue of the Financial Burdens on Peasants*, printed by The Rural Socio-economic Survey Team of Hunan, 1998, p1.

history, it had been paid by peasants, either in cash or in grain.<sup>304</sup> During the time of high collectivisation between 1958 and 1983, this type of tax was paid by the production teams in the form of a compulsory grain submission.<sup>305</sup> After 1983, the lands were allocated to the individual households. In November of 1985, the State Council decided that the form of payment of the agriculture tax should be changed from grain to cash. The amounts of the grain formerly submitted were converted to amounts in cash - at a rate which was calculated by averaging 30% of the state-planned price and 70% of the market price.<sup>306</sup> Collections of cash payments were undertaken by village cadres who went to each household.<sup>307</sup>

On top of the agriculture tax, surtaxes were added in rural areas after 1985 at rates of 2% of the agriculture tax for the townships, 7% for the county, 3% for the prefecture city, and 2% for the province.<sup>308</sup> Legitimacy for the surtaxes was provided by article 14 of section three of the Regulations for the Agriculture Tax of the People's Republic of China (1958), with the aim of government agencies to cover the provision of public goods.<sup>309</sup> In addition, taxes for agriculture and forestry speciality were not levied in Li County until 1986, with a rate of 5%-8% of the income from these products (and an additional surtax was levied at a rate of 14% of this tax). After 1987, a tax for farmland occupied for other use than agriculture began to be levied as well, at a rate of 4.5–6 yuan per square meter.<sup>310</sup> Also, a surtax for education expenses in rural areas started to be collected in Li County after 1985, at a rate of 5.14 yuan per capita from 1986 to 1987. After 1988, the rate was changed to 1.5% of the previous

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<sup>304</sup> *Ibid.*

<sup>305</sup> *Ibid.*

<sup>306</sup> He, Zhidong, (ed. et al), *The Tax system in China*, (Beijing: Qinghua University Press, 2005), p. 367.

<sup>307</sup> Interview 2012/02/18.

<sup>308</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 381.

<sup>309</sup> “Regulations for the Agriculture Tax of the People's Republic of China (1958)”, *Xinhua News*, available on: [http://news.xinhuanet.com/ziliao/2005-01/06/content\\_2422972.htm](http://news.xinhuanet.com/ziliao/2005-01/06/content_2422972.htm) (accessed on 18 November 2014).

<sup>310</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 381.

annual income per capita.<sup>311</sup> Furthermore, according to interviewees from mountainous areas, the rate of the slaughter tax was 3.8 yuan per pig.<sup>312</sup>

It was the duty of the township governments to organise the village cadres within their jurisdiction to go to each households to collect these taxes.<sup>313</sup> The taxes and fees would then be handed in full to the agriculture finance department of the County Finance Bureau.<sup>314</sup> Extra revenues would be divided by the County and the townships, based on a fixed and agreed ratio. If the actual revenue of the townships could not meet their budgets, the County would subsidise them at a fixed rate as well. To cover expenditures, the County Finance Bureau would then directly allocate relevant funds on a monthly basis to cover the payroll of the local cadres of the township governments, office expenses, and operating costs for culture-education (*wen jiao shiye fei*), agriculture-forestry-irrigation (*nong lin shui shiye fei*), and police-justice (*gongan sifa shiye fei*). The amounts of these specific items were discussed and agreed in advance at the beginning of the fiscal year, no matter whether the actual expenses turned out to be more or less than those planned.<sup>315</sup> If the allocation was more than the actual expenses, the townships had discretion to decide how to use the surplus. After 1987, with a yearly increase in the revenues that the county had to submit to the province, the amounts which the townships had to pass to the county also tended to increase.<sup>316</sup> During this time, the township governments had very little freedom to dispose their revenues. This centralised control of the county was the practice until 1993.

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<sup>311</sup> *Ibid.*, p. 614.

<sup>312</sup> Interview 2011/12/30.

<sup>313</sup> Interview 2012/02/18.

<sup>314</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 378.

<sup>315</sup> *Ibid.*

<sup>316</sup> Compilation office for chronicles of Li County, *Annals of Li County*, (Beijing: Social Sciences Academic Press, 1989), p. 373



### ***3.3.2 The Decentralisation of fiscal authority and the Introduction of the Tax Sharing System in 1994***

The years between 1993 and 1995 were crucial since the reform of township fiscal management started in 1993 in Li County, the tax sharing system between the county and higher levels of government was introduced in 1994 and in 1995, the fiscal relationship between the county and the sub-county followed suit. The combination of these reforms has had a far-reaching influence on the financial condition of the sub-county governments and on rural communities as well. Starting from 1993, based on the documents titled “the way for Li County to manage the township budget system” and “the way for Li County to manage township finance”, the county began to reform township fiscal structure - which was intended to decentralise fiscal powers to the township level by giving it authority over personnel, finances, and administration.<sup>317</sup> This gave the township governments more discretion, but this came at a price since those governments also had to take more responsibility for the revenue submitted to the County and for their own expenditures.

Under this new financial structure, the County allocated industry and commerce taxes, the agriculture tax, the tax for agriculture and forestry speciality, the title deed tax, the tax for occupied farmland for other use, administrative fees and others to the township governments to manage.<sup>318</sup> These covered most sources of the budgetary revenue and the extra-budgetary revenue of the County. However, unlike the highly centralised system in the hand of County in the 1980s in which the townships were only agencies to collect and hand all of the revenue to the County, a fixed quota was discussed and agreed between the townships and the county. This fixed quota was discussed once a year and became a compulsory task for the townships, so that no matter how much revenue the township had, the quota had to be met.<sup>319</sup> In addition, for extra expenses, the township governments

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<sup>317</sup> *Ibid.*, p. 378.

<sup>318</sup> *Ibid.*

<sup>319</sup> *Ibid.*

had to take full responsibility and find ways to cover them on their own. At a time when agriculture and rural industry were experiencing further reform and little profit was made, this fiscal structure in practice made the financial situation of the townships even worse.

After September 1994, a new tax sharing system was introduced.<sup>320</sup> The main feature was the separation of taxes which are collected for the central government's finances and for county finances. The taxes for the central government were collected by the National Tax Bureau of Li County and taxes for the county by the Local Tax Bureau of Li County, both of which were set up in September 1994. The former included valued add tax, a consumption tax, the portion of corporate income tax destined for the central government, income tax on foreign-funded enterprises and the foreign companies, an interest income tax on personal savings, a business tax on financial and insurance industries, and a vehicle purchase tax.<sup>321</sup> The latter included the portion of corporate income tax for the local authority, an individual income tax, a business tax, a resources tax, an increment tax on land value, a tax on house properties, an urban land use tax, a stamp tax, an urban maintenance and construction tax, a fixed asset investment redirection tax, and the surtax for education expenditures.<sup>322</sup>

Compared to the previous system in which sub-central governments might delay or evade their duties so as to cause a severe deficit for the central government in the 1980s, this new system guaranteed those payments by setting up two clear and non-overlapping methods to collect taxes.<sup>323</sup> However, the county's share of revenue swiftly began to lag behind its expenditures after 1994, and a vicious cycle of imbalances between revenues and expenses ensued, as the *table 3.2* below shows. One explanation for this was that over-heated infrastructure building - on roads, electricity facilities, water conservancy facilities including irrigation

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<sup>320</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 216.

<sup>321</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 - 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 383.

<sup>322</sup> *Ibid.*

<sup>323</sup> Interviews 2012/02/14b, 2012/02/11.

equipment, and building to attract foreign investment - and gradually increased administrative functions, such as the provision for nine years' compulsory education and health care, contributed to this problem.<sup>324</sup> After the introduction of the tax sharing system, not only could sub-central governments not find excuses for evading their duties, but they also had to find ways to cover excessively high expenses on their own. As the head of the Education Bureau of Li County said, the budget meeting at the beginning of every year was like a war as heads of the different bureaus fought for their areas. With little financial support from the central government, it was very hard for local governments and their cadres to perform well and to serve for local residents.<sup>325</sup>

*Table 3.2* Statistics of revenues and expenses in Li County from 1990 to 1996

Year	1990	1991	1992	1993	1994	1995	1996
Revenues	45.22	45.07	49.75	61.89	63.83	85.90	100.83
Expenses	45.97	56.07	56.30	66.79	87.42	113.04	131.90

*Source:* Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 214.

Note:

1. The unit of money is in million yuan.
2. The data from 1990 to 1993 were from the era before the tax sharing system was introduced.

This system was pushed further to embrace the financial relationship between the County and its townships in Li County in 1995.<sup>326</sup> Under this new system, the sources of income at township level only included 25% of the value added tax, a small part of the corporate income tax, the agriculture

<sup>324</sup> Interviews 2011/12/30, 2012/02/11, 2012/02/14b, 2012/02/18.

<sup>325</sup> Tan, Hongfa, "A thought on fiscal structure between the County and the Townships", *Changde Historical Records*, 2010, available on: <http://www.cddsb.com/col/col26010/index.html> (accessed on 18 November 2014).

<sup>326</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 - 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 378.

tax, other administrative fees, etc.<sup>327</sup> The County also had to return some of the taxes to the township at a fixed rate as agreed after the submission of the townships. The County was responsible for expenditures related to tax administration, industry and commerce administration, hygiene, the police station, courts, and agricultural administration, while other administrative expenses were the responsibility of the township governments. Based on growth targets set by the central government, the County would accordingly allocate targets to the townships. If the township met the target at the end of the tax year, the County would return the full amount of tax at an agreed rate. Otherwise, the return would be reduced proportionally.

Since the agriculture tax rate was fixed, enterprises were the main potential source of increased revenues for township governments. However, during the 1990s when rural industry and agriculture were both performing poorly in Li County (as we saw earlier in this chapter), after paying for basic administrative operations and the salaries of local cadres, the townships were not able to afford to fund the provision of public goods, never mind development.<sup>328</sup> Since the income from taxes was at a dead end, the pressure to fulfil the allocated task of increasing revenue growth every year and the pressure to perform well politically in order to get promotions forced cadres and the township governments to seek income from sources other than taxes. Thus fees under various names emerged to extract extra-budgetary revenues. This is why the financial burdens on the peasants soared in the middle 1990s. And collecting by coercion caused confrontations between the village cadres and the peasants. And yet the heavy exploitation of the peasants still did not cover the high expenditures by the townships and villages - the accumulation of which, over time, became an insurmountable problem.

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<sup>327</sup> Tan, Hongfa, "A thought on fiscal structure between the County and the Townships", *Changde Historical Records*, 2010, available on: <http://www.cddsb.com/col/col26010/index.html> (accessed on 18 November 2014).

<sup>328</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 215.

The tendency to look for extra income was facilitated by the reform of the township authority structure from 1995 to 1996, which was entitled “Cancelling the establishment of districts and merging smaller townships (*chequ bingxiang jianzheng*)”. It was intended to streamline the administration and to decentralise authority to the township level.<sup>329</sup> As a result, a great deal of authority - to appoint personnel, to dispose of financial and physical resources, to make decisions independently - was decentralised. Township governments obtained more discretion to arrange their work, but their administrative functions increased, which correspondingly required more funds. For the townships where the rural industry performed poorly, this gave their governments excuses to misappropriate funds for purposes that they saw as priorities. Take the salaries of teachers in sub-county arenas as an example. In 1996, following the provincial government’s call for the reform of the township authority structure, the authority to manage the salaries of teachers in rural schools was devolved in most counties from the Education Bureau to the township governments. This led to delays in paying salaries in many rural schools, or even to non-payment – in for example, Shimen County which borders Li County.<sup>330</sup> This created acute difficulties for many rural teachers whose salaries were slender in the first place. In Li County’s, since the head of the Education Bureau took a strong stance

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<sup>329</sup> After the establishment of township administration in 1984, a four-level administrative system of County Government, District public offices, township governments, and village committees had been in use. With the deepening rural reform, the increasingly complicated situation led to numerous new administrative functions for township governments to perform. A medium setup of districts between the County and the townships sometimes obstructed the townships as they sought to exercise their functions smoothly, according to the provincial party committee and provincial government. In addition, as the administrative functions rose, the numbers of personnel and various governmental agencies at township level increased too. Against this background, following the call of the Central government, the provincial party and government of Hunan decided to launch the reform of township authorities, focusing on cancelling the establishment of district offices and merging smaller townships. For more details about this reform, see “The opinions of the Provincial Party Committee and the Provincial People’s Government of Hunan Province on the work of cancelling the establishment of district offices and merging smaller townships in order to streamline administration and to decentralise power to the lower level in rural areas [*xiangfa* (1995) No. 6]”, *Online Law Library*, available on: <http://www.law-lib.com/lawhtm/1995/25727.htm> (accessed on 13 September 2014). For more details about the relations between the county governmental department and their agencies at township governments, see Jiang, Liyun, “The structure of the county governmental organisations and its relations with the township organisations in China”, in Ma, Rong, Liu, Shiding, and Qiu, Zeqi (ed.), *Studies of the Changes of Township Organisations of China*, (Beijing: Huaxia Publishing House, 2000) p. 269 – 277.

<sup>330</sup> Interview 2014/01/20.

during meetings to discuss and negotiate this reform, the authority to disburse funds for education was not decentralised. It was retained by the Education Bureau which guaranteed the allocation of salaries to the rural teachers.<sup>331</sup>

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<sup>331</sup> *Ibid.*

### *3.3.3 The Financial Operations of Township Governments and Village Committees, in Practice, and their Accumulating Debts*

#### ■ *The composition of the income of the townships and villages*

The finance office (*caizheng suo*) and the rural business management station (*jingying guanli zhan*) are the two main organs used by township governments in managing finance and expenditures.<sup>332</sup> The finance office mainly managed the various revenues which were collected by the tax office; the profits and the management fees from rural enterprises were submitted to the township enterprises office; while the funds in the name of township planning (*xiang tongchou*) were managed by the rural business management station.<sup>333</sup> As we saw above, these three sources were the main sources of income for the township governments. However, the introduction of the tax sharing system in 1994 left the county and the townships with some taxes that were unstable, had less potential to grow, and cost more to collect.<sup>334</sup> For an agricultural county like Li County which had a severe shortage of enterprises paying high tax rates, this, combined with the decline of rural industry, greatly reduced the income and taxes from enterprises.<sup>335</sup> Using the funds for township planning therefore became the only possible way to expand townships' income.

Technically, the funds in the name of township planning included five items: running expenses for education at township and village levels, family planning, special care for entitled groups including disabled veterans and their families, militia training, and the paving and maintenance of village roads.<sup>336</sup> In addition, attached to the funds for the township planning were

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<sup>332</sup> Interview 2011/12/01.

<sup>333</sup> *Ibid.*

<sup>334</sup> Tan, Hongfa, "A thought on fiscal structure between the County and the Townships", *Changde Historical Records*, 2010, available on: <http://www.cddsb.com/col/col26010/index.html> (accessed on 18 November 2014).

<sup>335</sup> *Ibid.*

<sup>336</sup> The research team specialising in agriculture tax reform and the financial burdens on peasants in Hunan, *A Research on Agriculture Tax Reform and the Issue of the Financial Burdens on Peasants*, printed by The Rural Socio-economic Survey Team of Hunan, 1998, p.158.

village reserves. This arrangement had existed since the collective era and included three items: the public accumulation fund (*gongji jin*), the public welfare fund (*gongyi jin*), and management fees, which were mainly intended to cover the provision of public goods and welfare expenses within the village community.<sup>337</sup> However, in practice, starting from the late 1980s, not only had the amounts of the funds for township planning and village reserves been expanding, but also many arbitrary and illegitimate items had been added. This was done in the name of enhancing fundraising – for education, hygiene, roads and other unnamed but sometimes dubious items, such as a water conservancy building fund, the salaries of the village cadres and of the staff in the agencies which the various higher levels of governmental departments set up at township governments - including the family planning station, the water and electricity station, the power station, the animal husbandry station, the urban construction station, the national land station, the forestry management station, and the ‘re-education through labour’ station.<sup>338</sup>

As the administrative functions expanded, the numbers of agencies had also increased accordingly. Some of them relied fully on fiscal allocations from higher levels - for example, the finance office, the state land office, the police office, and the civil affairs office. Some could only partly rely on such fiscal allocations, mainly for basic salaries, but they needed to sort out bonuses and other subsidises on their own. This applied to the rural business management station, the ‘re-education through labour’ office, the security and inspection office, the family planning office, and the family planning service station. Others were fully self-financing and paid the salaries of their staff – for example, the enterprise office, the culture office, and the construction management station etc.<sup>339</sup> The staff working for these agencies were either recruited locally through personal networks or filled in by former village cadres such as the heads of village committees and party committees after they had retired from their positions as a special reward for

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<sup>337</sup> *Ibid.*

<sup>338</sup> Interviews 2011/12/01, 2012/02/11.

<sup>339</sup> Interview 2011/12/01.



serving the Communist Party for many years. Mr C of Zhangshuyan Village of Leigongta Township was just such a case. He was selected to work for the water and electricity agency in the township government after he had retired as the head of the village in 1990.<sup>340</sup> The operational fees of these half- and fully self-supporting agencies, and the salaries of their staff, were actually paid by the money collected from the local peasants.<sup>341</sup>

In addition, from the middle of 1990, infrastructure building had gradually heated up – undertakings such as capital construction on farmland, irrigation building and maintenance, flood protection works and dam building in lake areas.<sup>342</sup> As the central government allocated very few funds for this and tax revenues did little to cover these expenses, township governments had to mainly rely on fundraising from the peasants to afford these things.<sup>343</sup> Even worse, gradually the way to raise funds changed from so-called voluntary to compulsory, and some of that money was not used for infrastructure but misappropriated for personnel funds to pay the expanding administrative staff.<sup>344</sup> As Mr X of Lianhua Village of Matoupu Township said, in the end, you could never figure out which money was for the township and which was for the village because cadres would only give you a list and collect the money without any explanation.<sup>345</sup>

At the village level, at the beginning of each fiscal year and after the townships had been assigned their fiscal tasks, township governments would divide this package into several parts and distribute them among the villages that they administered. Then it would be the duty of the village cadres to visit each peasant household to collect the money. In the 1990s, there were three main sources of income for villages.<sup>346</sup> One was the money collected from the peasants, which provided the main portion of village income. Based on an agreed rate (which the interviewee could not remember), the

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<sup>340</sup> Interview 2012/02/11, 2012/02/15.

<sup>341</sup> *Ibid.*

<sup>342</sup> Interview 2012/02/18.

<sup>343</sup> *Ibid.*

<sup>344</sup> *Ibid.*

<sup>345</sup> Interview 2012/02/11.

<sup>346</sup> Interview 2012/02/16.

village was able to retain some part of this money before handing the rest to the township. The second source consisted of management fees from village-owned enterprises and rent for lands or factory sites. The raised amounts depended on contracts between the village and the enterprises. However, the tax which these enterprises needed to pay had to go the enterprises office of the township. Finally, some villages still had collectively-owned resources at that time, such as woodlands in mountainous villages or fish ponds in lake villages, and the profits belonged to the village collective, although they were not very profitable at that time.

The annual average salary for a village cadre was around 2,500 yuan, even though most villages could not afford these salaries so they wrote them down in the record book as debts.<sup>347</sup> Mr W, who had been a village accountant until 2005, said that not only had his salary been at a very low grade at less than 3,000 yuan per year before he resigned, but also the village still owed him more than 10,000 yuan when he resigned.<sup>348</sup> Fortunately, over recent years, the village then gradually repaid him so that by 2012 when he was interviewed, the debts were cleared.

■ *How to collect fees in practice?*

For many cadres at the township and village levels, the period of the 1990s, especially the years 1994 to 1996, was the hardest time. They were sandwiched between the pressures from higher levels to deliver revenues and engage in administrative management on the one hand, and on the other, pressures from the peasants who did not want money taken from their pockets. The heads of village committees thus had three responsibilities – family planning, funds for township planning and village reserves, and flood protection.<sup>349</sup> As Mr C of Fenghuang Village of Guanyuan Township said, these tasks kept cadres busy day and night. It was also during this period

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<sup>347</sup> *Ibid.*

<sup>348</sup> *Ibid.*

<sup>349</sup> Interview 2012/02/14b.

that village cadres and the peasants came into confrontation most often.<sup>350</sup> In order to illustrate how cadres went about collecting fees, here are several accounts from different geographical areas.

### *Section A: From the Plains Area*

#### *1. Yucheng Village of Daping Township: all taxes were collected on a per capita basis including the taxes which only applied to the specialities<sup>351</sup>*

Mr L, the deputy head of Daping Township, explained that at the beginning of each fiscal year, based on the goals which the central and provincial governments had set for it, the County would calculate a growth goal for the revenue from the townships and allocate it to the townships in the form of package. The requirement was, quite simply mandatory – townships needed to fulfil this task no matter what. After the township government received this, it would distribute this package of tasks among the villages within its administration. The agriculture tax, the tax on speciality products and the slaughter tax were distributed down to the villages. Taxes on speciality products were only levied where the peasants cultivated products like oranges and pears, or raised fish or poultry. The slaughter tax was only applied where peasants killed pigs or other livestock.

However, since the tasks were allocated to the villages and since many villages did not have profitable rural enterprises, delivering up the revenue forced village committees to collect money on a per capita basis. Therefore, in practice, no matter whether you dealt in speciality products, you still had to hand in the taxes on them; and no matter whether you killed livestock, you had to pay the slaughter tax as well. The amounts of fees payable increased year after year. In addition to cash, the peasants had to perform fixed amounts of ‘voluntary’ work each year. Furthermore, as the incomes of township governments could not cover their expenses, additional fees were often collected multiple times within a year, even if the routine

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<sup>350</sup> *Ibid.*

<sup>351</sup> Interview 2012/02/18.

collection had been done in spring after the early harvest. For example, in 1996, the fees were collected for three times in Yucheng Village. The third time was to cover the cost of water conservancy work at the very high rate of 200 yuan per capita! As a result, much discontent and many complaints arose among peasants about taxes and the repeatedly collected fees.

2. *Shuisi Village of Dayandang Township: Connecting the salaries of some rural teachers to fees to be paid; Connecting the salaries of cadres to their family members with rural household registrations*<sup>352</sup>

Mr H was appointed as the accountant of Shuisi Village of Dayandang Township in 1993 and then was promoted to be party secretary of the village committee, a post which he retains. He explained that the period from 1994 to 2000 was the peak time for financial burdens in his village. Before the reform started in 1978, although the brigade was not wealthy, at least it was not in deficit. The village fell into debt after lands were allocated to households and the household responsibility system was introduced in 1983. In the first year of family farming, that is 1983, in addition to the agriculture tax, the rate of which was 50 yuan per *mu*, the fees which the peasants needed to pay were only 9.8 yuan per capita. The salaries of village cadres were based on their work points before 1983. After the introduction of family farming, this portion of the money was integrated into and paid off by the fees for township planning and village reserve.

The financial burdens on the peasants soared after 1994 and remained high until 2000. There were two reasons for this. Fees had increased year after year, and the central government contributed little to the gradually expanding administrative operations and infrastructure building. For example, portions of the educational expenses for rural schools and of the salaries of rural teachers were paid for by the peasants.<sup>353</sup> The buildings and

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<sup>352</sup> Interview 2012/02/17d.

<sup>353</sup> Since 1984, Li County has implemented a system of “running schools at three levels”, that is, the complete middle schools, vocational schools and teacher colleges for vocational studies are for the County to fund and manage; township governments are responsible for township middle schools and central primary schools; and common primary schools are

operational expenses of the township-run schools were also mainly paid for by fundraising from the peasants.<sup>354</sup> At that time, it was very difficult for every village to collect sufficient money. In this situation, the township first calculated the salary of each rural teacher and issued an invoice to the teachers. With the invoice, the teachers had to go to village to ask for funds to cover their salaries.

Another method to collect money was to connect the salaries of the cadres on financial payroll of the state to their family members by way of rural household registrations. In order to get peasant households to pay, the County Party Committee and Government first had township governments sort out a list of the cadres at county and township level who had family members with rural household registrations, to see if the cadres' families had paid the fees. If they had not, the unpaid fees would be deducted from the payroll. In addition, most cadres at county and township levels moved through every village to urge peasants to pay and to monitor their responses.

***Section B: From the Mountainous Area – Lianhua Village of Matoupu Township: Substituting a surtax on the agriculture tax to pay for tuition in rural schools<sup>355</sup>***

Mr X is a peasant in Lianhua Village of Matoupu Township. When he talked about the burdens of taxes and fees in the 1990s, he had many complaints. From his experience, while the agriculture tax was not ridiculously high, the fees were far beyond what peasants could afford - including the water fee, the electricity fee, various other fees, and even voluntary work service. The average burden including taxes and fees in this village was around 500 yuan per capita per year. A family composed of a couple and a child like Mr X's, normally needed to hand in 1,500 yuan per year if all three family members were registered as rural residents. In order

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funded by one or several villages and managed by the township. For more details, see Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 614.

<sup>354</sup> *Ibid.*

<sup>355</sup> Interview 2012/02/11.

to avoid paying such heavy fees, some better off rural families paid to change their rural household registrations to urban. To succeed in obtaining an urban registration, money was needed (the price for a registration as a Nanning City resident was thousands of yuan), as well as strong ties to someone in a key government post.<sup>356</sup> Some families in that period begged everywhere to buy an urban registration.<sup>357</sup> Mr X was one of them, but he only succeeded in changing his daughter's status, as a result of which, the burden on his family was reduced by around 500 yuan.

Even so, the township governments still could find ways to compel the peasant households to pay their dues by linking tuition in rural schools to the payable fees. They connected tuition charges to the surtax on the agriculture tax. First, peasant households needed to hand in the surtax. In return they would get a receipt. The child of this household could then substitute this receipt for part of their tuition and take classes. Otherwise, the schools would ask the children to go back and to urge their parents to pay the surtax. This gave peasants no escape since they could not risk their children's schooling. As we saw earlier, the surtax on the agriculture tax started to be levied in 1985 in Li County at a rate of 2% of the agriculture tax for townships, 7% for county, 3% for city, and 2% for province.<sup>358</sup> This surtax mainly went into the accounts of the township and the county as they together levied 9% of the agriculture tax. That explains why townships tried so hard to get peasants to pay this part of the surtax.

***Section C: From the Lake Area – Fenghuang Village of Guanyuan Township: A combination of Persuasion and Coercion; the deteriorating relationship between local cadres and peasants<sup>359</sup>***

As an old party secretary of a village committee for 16 years from 1985 to 2001, Mr C had experienced the period that many rural people regarded

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<sup>356</sup> Interview 2012/02/14b.

<sup>357</sup> *Ibid.*

<sup>358</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 381.

<sup>359</sup> Interview 2012/02/14b.

as the toughest time for both local cadres and peasants. When he recalled this, he still felt guilty about the ways in which cadres in his village extracted money from the peasants. Not only did the peasants there have to bear the same heavy fees as their counterparts elsewhere, but as a result of the difficult geography of the lake areas, their burdens were more like catastrophes because they could only obtain modest incomes. The cadres were also trapped in an excruciating situation. They faced heavy pressure from their superiors to provide the allocated amount of taxes and fees to the township government, without any excuses. But since they were also members of the rural community, they knew exactly how hard it was for peasants to pay the taxes and fees. As he explained, persuasion and coercion were the main ways to collect the money.

Generally, the local cadres in the villages were sent to each household to explain the tax rates and to persuade them to pay. However, sometimes either peasants avoided meeting them or households had too little income to meet the demands. The cadres would deploy coercion - taking away anything that was valuable including pigs, cows, duvets, rice threshers and even grain which had been kept for family use. This combination of persuasion and coercion was also used in mountainous areas, such as Yushi Village of Taiqing Township and Banqiaorong Village of Wangjiachang Township.<sup>360</sup> To enable coercive actions, cadres of the villages and townships were sometimes even accompanied by police from the townships.

In Fenghuang Village, the then Zhaojia Village before 2005, after the lands were finally allocated to the households in 1988, the financial burdens increased year after year until in 1994 when they reached the peak in which the rate of fees was 110 yuan per capita and the rate of tax on the land was 180 yuan per *mu*. The land size in this village was relatively big, with 4,000 mu of land and a population 1,800, its burden was heavier than other villages. The whole village averagely needed to hand in 500,000-700,000 yuan to the township every year. These amounts included all taxes, fees and

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<sup>360</sup> Interviews 2011/12/30, 2012/02/16f.

additional fundraising. Mr C explained that the taxes were relatively light, but the fees and fundraising had soared rapidly, mainly to plug holes in the budgets of the township and county governments. The fees and fundraising were ridiculous and unregulated, as the county and the township could arbitrarily allocate a task to the village at will. For example, in order to extract industry and commerce management fees, the township required payments at a rate of 3,000 yuan per shop regardless of its size and turnover. At that time, although there were around ten shops in the village, they were all small, selling groceries. The management fees far exceeded their revenues. However, without accepting any excuses, the party secretary of the village had to perform this task, collecting 30,000 yuan altogether. These mandatory requirements created massive difficulties for local cadres.

The situation became even worse in Fenghuang Village between 1995 and 1997 since it had experienced severe flooding so that the cotton crop was drowned and the peasants had no income apart from small amounts from the production of rapeseeds in the spring.<sup>361</sup> However, its financial burden was not reduced. Conditions became so harsh that some peasants committed suicide by drinking pesticide. The relationships between local cadres and peasants deteriorated so much that peasants sought ways to resist fee collections. When they saw cadres coming, they would flee.

In July 1998, Li County had the most catastrophic flood in hundreds of years and 14 dykes were flooded, inundating Linan Township and Guanyuan Township, with 13,125 houses collapsed and 80,000 peasants losing their homes.<sup>362</sup> Fenghuang Village is located in this area. Even under these harsh conditions, Mr C led his village to collect the full payments that were due, as early as the spring of that year – before the floods - based on the above rate of 110 yuan per person and 180 per *mu*. How was this

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<sup>361</sup> Lake areas where Fenghuang Village is located were likely to suffer from flooding disaster. That is caused by its geography. Along the bank of the River Li, the altitude of these areas is low. The continuous rain increases the danger of both flooding from the River Li and accumulated water in the low lands. Either would endanger the agricultural production of the peasants here.

<sup>362</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 214.



possible? Part of this amount was collected from the peasants by using persuasion and coercion, while for the rest, the village committee encouraged cadres to borrow funds from every possible source: their relatives, friends and rich businessmen in their personal networks, etc., with interest rates of 1%, 2% or 3%. With 50,000 to 60,000 yuan of borrowed money, the total which the village committee submitted to the township was as high as 500,000!

On 24 July 1998, the dyke was flooded and all the fields of the village including the houses were drowned. Then in order to reduce the burdens on peasants in the disaster area, higher levels of government decided to reduce fees payable by half. This meant that the village committee needed to find enough money to return 50% of the funds to the peasants. However, the payments had already been made to the township and some of those funds had already been spent. In this situation, the finance office of the township had to borrow money from the Finance Bureau of Li County and the give it to the village. With 100,000 yuan borrowed money, the village committee returned 50% to the peasants who paid the fees in full. For the peasants who still could not afford this 50% reduced fees, the village committee applied a fixed interest rate to the amount they owed. Sometimes, some households were really poor and could not clear the debts which they owed to the village. Their debts were accumulated year after year in village's account. This is one reason to cause the accumulating debts at village level. Another reason is from the money which village cadres borrowed with various interest rates to fulfil their tasks. Those debts were recorded in village's account and many of them become dead accounts now.

It is worth noting that even in such a harsh situation, the village committee still managed to maintain the operations of the village including the provision of social welfare for the 'five guarantee households' and the salaries of the retired cadres - mainly by relying on borrowed money.<sup>363</sup>

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<sup>363</sup> The term 'five guarantees households' refers to the households which are so disabled that the state guarantees them proper food, clothing, medical care, housing and funeral expenses. These residents normally include the elderly, disabled and children under 16 in

However, the situation in 1999 was even worse. One reason was that the peasants had not yet recovered from the disaster in 1998. The other was that after taking loans in 1998, it was hard to continue borrowing. The total amount to be paid by the village was around 600,000 yuan. The village committee tried its best to pay 40% of that in the spring. Working to the slogan “to fulfil the tasks of the state first, the tasks of the collective second, and to consider personal needs in the end”, all village cadres made enormous efforts to pay the full amount due to the township, in whatever form: cash or kind, such as grain, cotton etc. But this left the village unable to pay the salaries of its cadres as Chinese New Year approached. In this situation and in consideration of the huge contribution that the village committee made to the township and the state, the township party secretary and the head of the finance office of the township visited Mr C seven days before Chinese New Year and gave him 7,000 yuan.

With this money, Mr C paid for all the operations in the village, including social welfare for the ‘five guarantee households’, salaries for rural teachers and two cooks in the village-run nursery. After those, he could only afford to give village cadres 300 yuan each. The rest of salaries owed to the cadres were covered by IOU (‘I Own You’) notes. This situation continued until 2001 when, following the call from the central government on “resettling displaced residents in newly built towns (*yimin jianzhen*)”, the County and township governments organised the peasants who had lost their homes in the flood to resettle in new towns on higher land.<sup>364</sup> Moving there eased the threat of natural disasters, and combined with the reform of taxes and fees starting from 2000, their financial situation gradually improved.<sup>365</sup>

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rural areas, who do not have family members to support them. Such people are eligible to receive financial aid from the state to cover the five above mentioned things. This system was established in 1956. For more details about the definition of this term, see the explanation of China Daily, available on: [http://www.chinadaily.com.cn/language\\_tips/2008-03/11/content\\_6526068.htm](http://www.chinadaily.com.cn/language_tips/2008-03/11/content_6526068.htm) (accessed on 20 November 2014).

<sup>364</sup> The call was launched on 9-10 September, 1998 when Zhu Rongji, the then premier, visited disaster hit areas in Hunan Province after the catastrophic floods. For more details, see Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 214.

<sup>365</sup> Interview 2012/02/22.

*Section D: From the Hilly Area – Gutang Village of Shuanglong Township: the accumulation of the debts of the village<sup>366</sup>*

Mr L, party secretary of Gutang Village, explained the rise of debts at the village level. This was again related to the burdens imposed by higher levels of government on the village. They included not only the taxes and fees described above, but also demands for the submission of grain and cotton by each household.<sup>367</sup> Grain and cotton had to be handed over in fixed amounts to the designated stores every year. If peasants could not meet these targets, they had to substitute cash. If an individual peasant could not meet the target, the village committee was responsible for getting the task done, no matter what approach was used. For example, the total submission task of agriculture products on all peasants in Gutang Village was 5,000 kilograms of cotton. In the end, the peasants only produced 2,500. For the other half, they needed to provide cash, which according to the price, was 5,000 yuan. If they could not afford that, the village committee had to pay it for them. If it also could not afford it, then, village cadres were urged to borrow the money. In order to succeed in borrowing it, they had to pay high interest rates such as 5%. If the committee borrowed 1,000 yuan in a given year, it would have to repay 1,600 yuan the next year. However, it was very common in 1995 and 1996, when the debts reached their peak, that village committees were unable to repay such amounts. So these debts accumulated year after year, and became so huge that they have not been paid even today.

Another reason for the mounting debts of villages was that rural enterprises were in deficit. In the mid-1990s, as we saw in an earlier section of this Chapter, rural enterprises experienced severe challenges. First

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<sup>366</sup> Interview 2012/02/19.

<sup>367</sup> The submission tasks of agricultural products had existed since the collective era. While it was a state monopoly of purchasing and sales of agricultural products in Mao's era, the submission tasks were divided and allocated to each household based on the size of their allocated lands after land allocating in 1983. These burdens not only were gradually reduced, but the price at which the state bought produce was also increased. For more details about the transition from the production team to the households, see Chapter Two, 140-141.

generation enterprises – for example, a brick and tile factory - were normally owned by the village, so that the village had to take responsibility for the industry and commerce management fee at a rate of 2,000 yuan per enterprise. As most of them were not profitable, the village not only had to cover those fees, but also needed to find funds to pay for their operations. Only very limited funds could be collected from the peasants, so borrowing became necessary. Almost every village had huge debts. Over time, this issue became the main headache for rural cadres and communities.

### ■ *Summary*

The acute financial problems of rural areas in the 1990s are not a secret any more. From various newspapers and academic studies, it is clear that Li County was definitely not an isolated case. There is no doubt that the peasants, at the bottom of society, were tragic victims of the process of transferring financial burdens downward from the central government. However, in most of the literature, local cadres of the village committees are usually ignored.<sup>368</sup> Sandwiched between higher levels of government and the villagers, they were often viewed as greedy by the peasants who suffered from their coercive acts, but they were also punching bags in the hands of political superiors when they could not fulfil their allocated tasks. When peasants were asked in interviews to evaluate the policies of that era, they almost unanimously said that, “the central policies were good but things changed when they came down to the village to be implemented”. Local cadres always are the peasants’ first contacts, whether policies are beneficial or harmful.

The unreasonable fiscal arrangements in the 1990s made township and the county governments take more responsibility for administrative functions, but they were not yet given the financial resources to manage those functions adequately. They were unfunded, or severely underfunded,

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<sup>368</sup> Two books are the most well-known when talking about financial burdens on peasants in the 1990s. For more details, see Chen, Guidi and Wu, Chuntao, *Will The Boat Sink the Water?* (London: Perseus Books, 2006), Translated by Zhu, Hong; Li, Changping, *I Tell the Premier the Truth*, (Beijing: Guangming Daily Press, 2002).

mandates. This imbalance led to the devolution of financial burdens downward, one level after one level, until they reached the villages which were forced to accumulate huge debts. It also triggered sharp confrontations between local cadres and peasants in the 1990s. The accounts from interviewees above also suggest that in some cases, the less economically favourable the areas were, the greater their financial burdens. Such areas also saw the most serious confrontations between cadres and peasants – especially in mountainous and lake areas. Despite this - and in contrast to other parts of Hunan Province such as Hengyang County which was said to be a hotbed of contention - there is no evidence from the field research that the organised collective resistance existed in Li County. We mainly see individual and isolated confrontations.<sup>369</sup>

The tensions between the village cadres and peasants also had an impact on land use and on economic strategy. Heavy financial burdens forced many peasants to abandon their allocated lands and to migrate to urban centres to find work. However, the central government policy prohibiting the abandonment of farmland unintentionally resulted in the excessive concentration of land in the hands of certain peasant households. Instead of distributing lands equitably among the peasants, the renewal of land contracts in 1995 only certified the size of the lands which households actually occupied at that time. This action eventually triggered conflicts over land which would take place in the 2000s when more constructive policies for rural areas were introduced. In time, the migrations to cities for work became a major source of income for rural households. Some scholars have complained about the bad working environment and the exploitation of cheap labour, but some migrant workers found migration to be an opportunity to improve their living standards, and to experience the wider world which was quite vibrant.<sup>370</sup>

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<sup>369</sup> For more details on the rightful resistance in rural China, see O'Brien, Kevin J. and Li, Lianjiang (2006), *Rightful Resistance in Rural China*, (New York: Cambridge University Press, 2006).

<sup>370</sup> For more details on the topic of migrant workers, see Li, Zhang (2002), *Strangers in the City: Reconfigurations of Space, Power, and Social Networks within China's Floating Population*, (USA: Stanford University Press, 2002); Chang, Leslie T., *Factory Girls: Voices from the Heart of Modern China*, (London: Picador, 2008).

### *3.4 The Soaring Financial Burdens on the Peasants in Quantitative Terms*

The 1990s left many peasants in the County with bitter memories. Their sentiments made them subconsciously to relate these miserable fates to the leadership of the central governments, with the local cadres being the first targets to attack. When they were asked their opinions about the Hu-Wen leadership, interviewees almost unanimously express approval, and some explicitly compared it favourably to the leadership in the 1990s. Their explanations focused almost entirely on the financial burdens on the peasants in that earlier decade. Those burdens ranged from 300–500 yuan per capita, with the mountainous and lake areas at the upper end of that range. Since per capita incomes in 1995, 1996 and 1997 were respectively 1,507 yuan, 1,750 yuan, and 2,015 yuan, the burdens accounted for one-third of their income.<sup>371</sup> They also found the methods used by local cadres to extract money from them quite shocking, as we saw above.

In the collective era, the duties of taxes and fees were submitted by a production team to its higher level of governments. While the production teams were the units to organise the production, to distribute, and to assume the submission duties, the individual peasants rarely directly dealt with taxes and fees. After land was allocated in 1983 in Li County, the previous submission duties including taxes, fees and agriculture products, had been accordingly shifted proportionally from the production teams to the shoulder of peasants since 1985.<sup>372</sup> The peasants began to have a better idea of what was submitted and how much each year. As many interviewees recalled, the burdens started growing since then and became out of control in the

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<sup>371</sup> The Statistical Bureau of Li County, *the Statistical Yearbook of Li County 1995*, (Jiangxi: Yichun Printing Service, 1996), p.9; *the Statistical Yearbook of Li County 1996*, (Xiantao: Jiangxia Printing Service, 1997) p.10; *the Statistical Yearbook of Li County 1997*, (Xiantao: Jiangxia Printing Service, 1998) p.10.

<sup>372</sup> Interview 2012/02/18; He, Zhidong, (ed. et al), *The Tax system in China*, (Beijing: Qinghua University Press, 2005), p. 367.

1990s.<sup>373</sup> The pioneering ways used by some cadres reminded peasants of stories that they had heard from parents and grandparents of the methods used by the Nanjing National Government half a century ago and the imperial courts before them. This increased their disgust.

The stories above of interviewees describe the ways that taxes and fees were collected in actual practice. Let us now consider the issue of the peasants' financial burdens in quantitative terms. As early as 1984-1985, their payments had gradually become onerous, but they did not go madly out of control until 1993.<sup>374</sup> This becomes apparent from research on agriculture tax reform in Li County conducted by its group of the Rural Socio-Economic Survey Team (RSEST) in 1998. This study covers several phases. From 1979 to 1984, peasants' incomes had increased markedly, owing to the efficiency of the newly implemented family farming system and the gradual opening up of the market for agricultural products. Because incomes increased faster than the tax and fee burdens, the latter were not yet a serious problem. However, the period 1984 and 1992 witnessed a rapid escalation in the tax burdens while increases in the incomes of peasants slowed down.<sup>375</sup> After 1993, the situation became even worse, as taxes and fees soared and eventually went out of control. Then from 1996 the burdens slowly eased.<sup>376</sup> During 1997 and 1998, although the taxes and fees gradually increased, the total amount to be paid declined because unregulated and arbitrary fundraising was reduced.<sup>377</sup>

Based on a survey of 300 households in 16 townships in the county, RSEST tracked the financial burdens on the peasants in the period from 1990 to 1998. It found that although, compared to 1990, the gross value of agriculture had increased by 1.5% up to 1997 and per capita incomes had

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<sup>373</sup> Interviews 2011/12/30, 2012/01/06, 2012/02/11, 2012/02/14b, 2012/02/16f, 2012/02/17d, 2012/02/18, 2012/02/19.

<sup>374</sup> Interviews 2012/02/14b, 2012/02/17d, 2012/02/18, 2012/02/19.

<sup>375</sup> The research team specialising in agriculture tax reform and the financial burdens on peasants in Hunan, *A Research on Agriculture Tax Reform and the Issue of the Financial Burdens on Peasants*, printed by The Rural Socio-economic Survey Team of Hunan, 1998, p10.

<sup>376</sup> *Ibid.*

<sup>377</sup> *Ibid.*

increased by 2.4%, agricultural taxes increased at a much faster rate than incomes after 1993.<sup>378</sup> The data collected in the survey shows that the taxes which each peasant assumed reached 70.26 yuan per person in 1997, 2.62% higher than the figures in 1990, the time when the agricultural tax was 54.07 yuan, agriculture speciality tax was 7.38 yuan, and the slaughter tax was 5.10 yuan. These three types of taxes rose respectively by 2.39 %, 4.72 % and 3.08 % between 1990 and 1997.<sup>379</sup> The fees paid by the peasants for township planning and village reserves were as high as 155.56 yuan per person in 1997 - a 3.04 % increase rate over the figures for 1990. Unregulated and arbitrary fundraising reached 50.07 yuan per capita, an increase of 2.73% over 1990.<sup>380</sup> The cumulative effect of all of these increases was difficult to bear.

*Table 3.3* shows the composition of the burdens on the peasants at the county level from 1990 to 1996. It is obvious that while the agricultural population declined over those years, the amounts of the taxes and fees increased - especially in 1992-1993 when the total amount reached 60.14 million yuan, an increase rate of a nearly 15 million yuan in a year. The agriculture tax only increased 0.157 million yuan, while fees for village reserves increased 8.5341 million yuan and fees for township planning increased 6.8708 million yuan. In 1995, a further increase in the total taxes was 48.939 million yuan - the highest rate of increase throughout the whole of the 1990s - and the total increase in fees in 1996 was 28.63 million.

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<sup>378</sup> *Ibid.* p. 77.

<sup>379</sup> *Ibid.*

<sup>380</sup> *Ibid.*



Table 3.3 The Burdens on the Peasants in Li County from 1990 to 1996

Year	Fees for township planning and the village reserve (million yuan)									
	Total Amount	Fees for village reserve	Fees for town-ship planning (TP)	Surtax on education expenses out of TP	Production costs (million yuan)	Other Unregulated and arbitrary fundraising (million yuan)				
1990	23.69	12.4224	11.2676	4.3271	5.4305	11.97				
1991	22.9743	13.1489	9.8254	6.26.71	6.3474	0.8372				
1992	19.9151	10.8959	9.0192	5.7975	7.0819	2.9946				
1993	35.23	19.43	15.89	6.3056	8.84	1.52				
1994	26.2528	10.4942	15.7596	7.9759	8.5419	9.2415				
1995	44.67	22.29	22.38	13.80	20.89	23.05				
1996	43.7705	21.84	21.93	15.82	37.83	29.64				

Source: Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 176

### ***3.5 Domino Effects in the Rural Communities: Huge Debts at Village Level; Going out to work; The Excessive Concentration and Imbalances of Land Holdings***

#### ***3.5.1 Going out to work and the excessive concentration of Lands***

The severe financial burdens which peasants faced produced three outcomes: huge debts at the village level; the excessive concentration of lands, resulting in an imbalance in land holdings; and migrations to find work.<sup>381</sup> The last two of these things were inter-related. They were consequences of voluntary actions by peasants to deal with their financial difficulties. As profits from cultivating fields declined while taxes and fees soared, some peasants gave up farming without leaving their villages, while many others left their lands and moved to cities for work. For example, up to 1996, around 8,000 peasants from Cengnan Township migrated to cities.<sup>382</sup> Both actions left lands abandoned.<sup>383</sup>

It is illegal to abandon farmlands.<sup>384</sup> Therefore, local cadres either had to persuade peasants who remained in the villages to take over lands by offering them inducements such as reduced fees or voluntary work responsibilities, or they took the lands over themselves.<sup>385</sup> In the process, lands began to become concentrated in the hands of certain peasants and inequalities in land ownership developed. Mr L of Dazhou Village of Yongfeng Township explained his case.<sup>386</sup> As party secretary of the village, he not only had to collect taxes and fees, but also to guarantee effective usage of the farmland. Under these pressures, he had no choice but to instruct his team of cadres and other party members to take on the

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<sup>381</sup> Interview 2012/02/19e.

<sup>382</sup> Compilation office for chronicles of Li County, *Annals of Li County 1990 - 1996*, (Loudi: Loudi Xiangzhong Geological Press, 1999), p. 260.

<sup>383</sup> Interviews 2012/02/16, 2012/02/14b, 2012/02/15, 2012/02/16c, 2012/02/16d, 2012/02/16e, 2012/02/16f, 2012/02/17, 2012/02/17b, 2012/02/19c, 2012/02/19e.

<sup>384</sup> This regulation was the Law of Land Administration, put in effect on 1 January 1987.

<sup>385</sup> Interview 2012/02/19d.

<sup>386</sup> Interview 2012/02/19c.

abandoned lands. He himself took around 70 *mu*. They were too extensive for him to cultivate, so he had to ask his brother-in-law to help.

Imbalances thus emerged. Some peasants occupied tens of *mu* while others no longer had lands. Inequalities in land holdings also resulted from another set of changes - in the populations of various households since lands had originally been allocated in 1984. The government urged that existing patterns of land control should for the most part be maintained, but small adjustments were permitted. Some villages carried out such adjustments - Banqiaorong Village of Wangjiachang Township, Xindu Village of Lidong Township, and Dazhou Village of Yongfeng Township are examples. They transferred some land held by households whose populations had declined to others whose numbers had grown. However, almost every village accepted the practice that lands had been abandoned and were then taken over by others. To complicate matters, it was at this time that land contracts were due for renewal.

### ***3.5.2 The renewal of land contracts***

When land management certificates were renewed and reissued, villages officially confirmed the land holdings of each household. Instead of starting again from scratch, the renewal of land contracts retained the status quo in 1994. This process ratified the unequal distribution of land and contradicted the principle of equality in land distribution, but in the circumstances, it was impossible to do anything else. As Mr L of Dazhou Village said, at that time the financial burdens were heavy that even if the village had sought to allocate lands equally, many peasants did not want it because the more lands they had, the more taxes and fees they had to pay.<sup>387</sup> This made sense when we consider the situation in 1994. However, in the 2000s, when a series of policies beneficial to land owners were introduced, it caused many conflicts in rural communities.

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<sup>387</sup> Interview 2012/02/19c.

During the earlier exercise in 1984 to provide certificates, most villagers had had no idea of what was taking place. This later exercise was different. Most of the peasants who were interviewed were well aware of it, and saw that the new certificates contained detailed information including the term of the contracts - from 1994 until 2024.<sup>388</sup> In response to the tendency of rural land-use right transfers between peasants through private oral agreements - - with or without rent being paid – the new certificates included a section in which to record the rental or legal subcontracting of lands (although still very few peasants chose to use it). The government also came up with a new guiding principle that reversed its earlier policy: during the contract period from 1994 to 2024, “lands would not be added for the households with increased populations; and lands would not be reduced for households whose populations decline”. Over time, this gradually contributed to still greater inequality and – once again – would fuel many conflicts among the peasants.<sup>389</sup>

### ***3.6 Summary***

The story of the 1990s, which this chapter covers, stands in striking contrast to the one for the 1980s. This owed much to a major change in the policy orientation of the central government. As we saw here, the international and national political situations became chaotic between the late 1980s and the early 1990s. The importance of maintaining political stability and continuing to stimulate economic development convinced the new leadership of Jiang and Li to adopt an urban-oriented posture, and shifted policy preferences from rural in the 1980s to the coastal and urban areas in the 1990s. Although the overall picture was still of an energetic economy making things and selling them to foreigners, this policy change impinged on Li County in three ways.

First, the indigenous TVEs, which had been promising in the 1980s, went into marked decline -- mainly because favourable policies from higher

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<sup>388</sup> For more details about the permit for land use, see Chapter Two, p. 97-100.

<sup>389</sup> Interview 2012/02/19c.

levels of government were greatly curtailed. Local governments reoriented their limited resources and focused on a few hi-tech enterprises to guarantee economic and revenue growth. This left many low-tech rural enterprises, which were mainly based on the exploitation of raw materials, in a hopeless situation. In response, on the one hand, local governments in Li County decided to build on its historical agricultural strength and to encourage peasants to try new types of high-yielding products. On the other, they followed the trend in the coastal cities and transformed their TVEs – variously turning to share-holdings, share-cooperatives, and foreign enterprises. This period was experimental and full of failure. A few entrepreneurs succeeded and became the leading figures in the development of agricultural industries and private enterprises later, in the 2000s. But during the 1990s, agriculture and rural industry in Li County generally did not perform well.

Second, the decentralisation of financial authority and the introduction of a tax sharing system in 1994 caused the fiscal situation of the County to deteriorate further, and increased the financial burdens on peasants. In an effort to grant township governments some freedom to control their financial resources, the County decided to decentralise authority over personnel, finances and administration to township level in 1993. However, in practice, this became a way to transfer financial burdens of County and township governments to peasants after the tax sharing system was introduced between 1994 and 1995. The financial burdens were the result of several things. Agriculture and rural industry did not do well and that badly affected the revenue of the County. Over-heated infrastructure building in that period, undertaken to attract external investment, increased expenditures in the County. Furthermore, the introduction of the tax sharing system extracted substantial sums from limited incomes in localities, and the central government did not provide much for public goods.

The new policies triggered a third change: growing hostility in rural communities. The requirement to raise revenues each year forced sub-county cadres to obtain funds by every means possible -- including

persuasion, coercion and borrowing at high interests rates. Coercion seriously worsened the relationship between village cadres and peasants. Therefore, many types of confrontations occurred between these two groups. In the teeth of heavy burdens in taxes and fees, many peasants began to move to nearby urban centres and coastal cities for work. Field investigations for this thesis found this to be the main reason behind migrations from Li County. To some degree, in local cadres' words, migration eased the deteriorating relations between cadres the peasants, and reduced the risk of organised opposition to the local authority. Migration also resulted in growing imbalances in land holdings, which later spurred conflicts in the 2000s. Despite cadres' efforts, the debts at village level accumulated year after year, and remain an insoluble problem even today. Stagnation in the economy, disintegration in society, and confrontation within rural communities thus became the three key words to characterise the 1990s.

## Chapter Four: Rehabilitation, Integration and Diversity from 2000 to 2013

The period from 1990 to 1998 was a difficult time, not only for the peasants but also for government institutions and actors at village, township and county level. As we saw in the previous chapter, this was mainly caused by the imbalance between expanding administrative functions and the deteriorating finances of government institutions at lower levels. The problem was compounded by gradual increases in corruption and free riders, but those issues are beyond the present discussion.<sup>390</sup> To maintain their operations and to fulfil compulsory fiscal commitments, government institutions, beginning at the provincial level, transferred fiscal burdens downward from level to level until they reached the village committees, the lowest rung on the ladder. This placed village-level cadres in an invidious situation. They had a dual identity -- as administrators at the lowest level in the system, but also as members of rural communities. On the one hand, the fiscal targets imposed from above were rigid and had to be fulfilled. On the other, they fully understood the meagre returns which their fellow peasants gained from agriculture.<sup>391</sup> This awkward position forced them either to squeeze money out of peasants' wallets by using a combination of persuasion and coercion, or to borrow money at high interest rates if the peasants could provide inadequate funds.

As the burdens mounted year after year, the debts of local governments accumulated accordingly, until they posed impossible difficulties. Consider some examples of the problems that ensued. Payments to higher levels were sometimes met from local officials' own funds. In 2012, Dazhou Village of Yongfeng Township owed its party secretary around 200,000 yuan, the head and the accountant 30,000 yuan each, and the women's officer around 20,000.<sup>392</sup> These officials obtained such funds either by borrowing or by

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<sup>390</sup> Göbel, Christian, *The Politics of Rural Reform in China: State Policy and Village Predicament in the early 2000s*, (New York: Routledge, 2010), p. 1.

<sup>391</sup> Interview 2012/02/18.

<sup>392</sup> Interview 2012/02/19c.

from their own salaries, sometimes over several years. At times, local government bodies had to borrow from the peasants, a problem which even afflicted better off villages. Qunle Village of Daping Township is just such a case.<sup>393</sup> Thanks to a few profitable village-owned enterprises such as a paper mill, two quality rice processing mills, etc., this village had had surplus funds since 1993. However, government institutions at the next level up – Daping Township – had not done so well, mainly because there were few profitable township-owned enterprises. By 2012, the accumulated debts of the township had risen to more than 2 million yuan. The township government therefore had to borrow money from Qunle Village to meet fiscal targets imposed on it from above. This sometimes forced that village to borrow money from the peasants – so that debts owed to the peasants became substantial. At the end of 2010, the amount owed to the peasants in Qunle Village was 12,988 yuan. The money borrowed by the township government reached 969,186 yuan and it was unable to repay this.

The huge debts of local governments and the heavy financial burdens imposed on the peasants became major themes during the 1990s, and they took a toll on things like community building initiatives, the provision of social welfare, etc. During this period, government actors at county, township and village level encouraged peasants to tend to infrastructure -- such as the power grid and poles in remote rural areas, maintaining the dykes and dams, school buildings, etc. They managed some achievements, but these projects were actually mainly funded through the arbitrary deployment of coercive power, which the peasants could rarely resist. As Mr P of Yushi Village of Taiqing Township said, the power poles and grid in his township were all paid for by the peasants, at a rate of 280 yuan per person, with repetitive additional payments on top of that.<sup>394</sup> This explains why, despite the fact that per capita incomes of peasants kept increasing in absolute terms (according to the investigation of the Li County group of the

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<sup>393</sup> Interviews 2012/02/18, 2012/02/18b.

<sup>394</sup> Interview 2011/12/30.



Rural Socio-economic Survey Team of Hunan), rural households still faced hardships.<sup>395</sup>

Also in that period, the central government's urban bias had heated up manufacturing industries in the coastal cities. That, together with the heavy burdens in villages noted above, persuaded many peasants to join the tide of migrants to urban areas to find work. Meanwhile, a few rural dwellers who were either educated or had powerful social networks took advantage of the privatisation of the first generation of TVEs in the 1990s and became successful entrepreneurs. Their economic gains not only enhanced their political influence, but also accelerated differentiations among peasants, in terms of both wealth and political power. All of these elements contribute to making Li County a place with stagnation, greater inequality and a degree of social disintegration. As studies of other localities have noted, protests and collective resistance even occurred in some places. This brought pressure to bear on the central government. In order to reduce the burdens on peasants and to maintain the social stability in the rural areas, in September 1998, the Finance Ministry, the Agriculture Ministry and the leadership office for agriculture work in Beijing (*zhongyang nongcun gongzuo lingdao bangongshi*) jointly organised a work team to consider reforms. This raised the curtain on another major drama in rural China -- the reform of taxes and fees in rural areas.<sup>396</sup>

Optimists have praised this reform as “the third revolution in the Countryside” after the land reform from 1927 to 1937 and the allocation of lands to the households in 1984. Pessimists have seen it as an excess of caution.<sup>397</sup> Let us set that debate aside. The aim of this chapter is to

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<sup>395</sup> Interview 2012/02/11.

<sup>396</sup> Xie, Xuncheng, “To Commemorate the Tenth Anniversary of the Reform on the Taxes and Fees in the Rural Areas: Bringing us not only Immediate Interests, but also the benefits for generations”, *Qiushi online*, 2011 (4), available on [http://www.qstheory.cn/zxdk/2011/201104/201102/t20110214\\_67950.htm](http://www.qstheory.cn/zxdk/2011/201104/201102/t20110214_67950.htm) (accessed on 24 November, 2014).

<sup>397</sup> For more details about optimists' opinions, see Zhang, Deyuan, “My Viewpoint on the ‘Third Revolution in the Rural Areas’”, *Social Science Front*, 2003 (2), p. 167 – 170, and Zhang, Yang, “The Reform on the Taxes and Fees in the Rural Areas: Another Institutional Renovation after Allocating the Lands to the Households”, *Rural Economy of China*, 2001

examine its implementation and its impact on rural communities in the years after it was initiated in 2005. The reform of rural taxes and fees in the 2000s was no less complicated than the earlier process of allocating lands to households from 1984. It took considerable time since it required pilot experiments in some specific areas, feedback from them, the development of a detailed plan based on the feedback, and then full implementation. The content of this reform and related enabling reforms required change in several different but interacting spheres – in financial management institutions at township and village levels; in fiscal distribution methods between villages, townships and higher levels of government; in governmental structures at the township and village levels; in political transparency; and in other areas that were beneficial to agriculture such as various subsidies.

As a result, the peasants who were targets of exploitation in the 1990s finally got some relief. They now not only do not need to pay huge amounts of money, but they are also entitled to receive certain subsidies to supplement their household incomes. The field research for this thesis found that these policies indeed succeeded in eliciting support from the peasants for the central governments. However, while the elimination of the agricultural tax and other fees eased the peasants' burdens and accelerated the industrialisation of agriculture, certain features of this reform unexpectedly radicalised conflicts over excessive land concentration. That became one of two vexing issues for local cadres' and it has endangered the stability of rural communities even until today.<sup>398</sup> Based on the reform of taxes and fees in rural areas, in 2006, the Hu-Wen leadership began a comprehensive campaign termed as building a new socialist countryside (*jianshe shehui zhuyi xin nongcun*).<sup>399</sup> Led by this slogan, a set of reform policies covered a diversity of themes: improving rural infrastructure such

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(6), p. 45 – 51. For more details about pessimists' opinions, see Qin, Hui, "The Reform of Merging Fees into Taxes and 'Huang Zongxi's Law'", *Management and Administration on Rural Cooperative*, 2002 (3), and Zhu, Zuihong, "Several Questions on the Ongoing Reform on Taxes and Fees in Our Country", *Finance and Economics*, 2004 (3).

<sup>398</sup> Interviews 2012/02/14b, 2012/02/19, 2012/02/16f, 2012/02/22 . The other issue is the debts at village level.

<sup>399</sup> Göbel, *The Politics of ...*, p. 2.

as road paving and agricultural mechanisation; spreading the cover of a social security system in rural areas including the new social endowment insurance for rural residents (*nongcun yanglao baoxian*), the new rural co-operative medical care (*nongcun xinxing hezuo yiliao*), a rural minimum subsistence allowance (*nongcun dibao*) and so on; and developing direct elections at village level and enhancing political transparency. This campaign aimed to narrow the great gap between urban and rural areas caused by the urban bias of the policies in the 1990s, and to integrate the rural and the urban development.<sup>400</sup>

Although the implementation of these reforms has proceeded, and has encountered inevitable problems, it is undeniable that they and the enabling reforms that attended them have had a far-reaching influence on the lives of peasants and rural communities. This point is strongly substantiated by statements of interviewees. At the same time, urban-rural integration also impinges on relatively traditional rural areas. It accelerates their modernisation, and compels them – like it or not -- to deal with modern technology and values attached to modern society. . On the one hand, it makes peasants' lives more convenient and better informed by connecting them to the outside world. But on the other, they are confronted by novel modern values such as freedom, self-responsibility, a sense of rights, the rule of law, democracy, and political participation. Those rural residents who are accustomed to paternalistic power dynamics sometimes feel lost. Some of them turn down traditional paths such as Confucianism, Buddhism and Taoism. Some have accepted imported Christianity while still others, despite some awkward moments, are learning to adjust and to integrate themselves. But rural communities in Li County which used to be rather homogeneous and unified have become increasingly diverse.

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<sup>400</sup> *Ibid.*

#### ***4.1 Reducing Peasant Burdens: The Reform of Taxes and Fees in Rural Areas and the Agricultural Subsidies System from 2000 to 2005***

It took some time for the reform of taxes and fees in rural areas to make the transition from an idea within the Beijing government to an implementable practice at lower levels. At the central government level, the process began in September 1998 when persons from the Finance Ministry, the Agriculture Ministry and the leadership office for agricultural work organised a work team on the reform within the state council.<sup>401</sup> Then on 14 October of 1998, the Third Plenary Session of the Fifteenth Party Congress of the CCP approved a document entitled “decisions of the central party committee on several important issues in terms of agriculture and rural works”, which incorporated “reducing the peasant burdens” into the article no. 7 of ten articles. After one and a half years, on 2 March 2000, the State Council issued document No.7 entitled “a notice on the conduct of experiments with the reform of taxes and fees in the rural areas” [*zhongfa* (2000) No. 7] and authorised Anhui province to carry out experiments across the whole province.<sup>402</sup>

This document later became the main source of authority and guidance for detailed plans and implementation in each province and sub-provincial areas.<sup>403</sup> It set up a framework for the reform, and in brief stipulates the following.<sup>404</sup>

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<sup>401</sup> Xie, Xuncheng, “To Commemorate the Tenth Anniversary of the Reform on the Taxes and Fees in the Rural Areas: Bringing us not only Immediate Interests, but also the benefits for generations”, *Qiushi online*, 2011 (4), available on [http://www.qstheory.cn/zxdk/2011/201104/201102/t20110214\\_67950.htm](http://www.qstheory.cn/zxdk/2011/201104/201102/t20110214_67950.htm) (accessed on 24 November, 2014).

<sup>402</sup> *Ibid.*

<sup>403</sup> The notices of Hunan Province Government and of Changde prefecture-city Government to implement the reform of the taxes and fees in rural areas are both based on this document No. 7.

<sup>404</sup> “A notice of the Central Committee of the CCP and the State Council on the conduct of experiments with the reform of taxes and fees in the rural areas” [*zhongfa* (2000) No. 7]”, *CPC News*, available on: <http://cpc.people.com.cn/GB/64184/64186/66689/4494510.html> (accessed on 25 November, 2014).

- **Regarding taxes:** the slaughter tax will be eliminated; the rate of taxes on agricultural speciality products will be adjusted so as to avoid overlapping with the agriculture tax; and the agriculture tax will be adjusted as well to incorporate the pre-existing surtax into a new agriculture tax with a rate of up to 7%, and a new agriculture surtax will be introduced with a rate of up to 20% of the agriculture tax.
- **Regarding fees:** The fees for township planning will be completely eliminated. Accordingly, administrative functions which were mainly funded by those fees, including the educational expenses of townships and villages – to run schools, family planning, militia training, special care for veterans, and to pave roads beyond village boundaries but within the township -- will be incorporated into the financial budgets of governments at various levels. The fees for village reserves will be adjusted so that the public accumulation fund -- which used to cover the provision of public goods to disadvantaged groups in the village community such as providing special care for the five guarantee households -- and the management fee which used to cover the salaries of village cadres and other office expenses, will both be paid by a new surtax on the agriculture tax, while the public welfare fund will be decided upon by democratic discussions in village assemblies.
- **Regarding voluntary work services:** the two pre-existing types of voluntary work service -- i.e., labour accumulative work service and voluntary rural work service -- which had been used to provide the labourers for the public welfare in a village community (including irrigation maintenance, paving roads within the village, forestation, etc.) will be eliminated.
- **The villagers' assembly (cunmin dahui) and a programme of "one project one discussion (yishi yiyi)":** The villagers' assemblies and democratic discussions had once been used to give villagers some say on key issues in the collective era and even during the allocation of lands to the households.<sup>405</sup> The arbitrary and unregulated behaviour of government actors had made the assemblies dysfunctional in the 1990s. They were now re-introduced by the central government, to promote democracy within

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<sup>405</sup> Interview 2012/02/11.

village communities. The approach to democratic discussions is relabelled as “one project one discussion” and was to be used to decide issues related to fundraising for activities to serve the public good in villages such as paving the roads, etc.

In addition to the main stipulations above, document No. 7 also suggested other enabling and supporting reforms. These included regulating the method of levying administrative surcharges in rural areas; downsizing township governmental organisations and their personnel; improving financial management institutions at the county, township and village level; and establishing institutions to monitor peasant burdens, and to publicise the full set of surcharges and their rates. Furthermore, it stressed the need to institutionalise and to legalise all these reforms, by passing relevant regulations and legislation through relevant procedures. As for implementation -- the adoption of procedures for pilot experiments, feedback and expanding the practices -- Document No. 7 authorised Anhui Province to undertake province-wide pilot experiments. It also gave other provinces, autonomous regions, and municipalities directly administered by the central government options to choose a few counties for pilot projects if their conditions permitted.<sup>406</sup>

Against this background, in May 2000, two months after document No. 7 was issued, and after obtaining central government approval, Hunan Province decided that Jinshi county-level city, Yongxing County and Changsha County should be experimental sites. It started an incremental reform of taxes and fees in rural areas.<sup>407</sup> In 2001, Jiangsu province joined Anhui by beginning pilot experiments. Based on the lessons accumulated in the pilots, on 27 March 2002, the State Council decided to expand them to

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<sup>406</sup> For more details about the CCP’s policy implementation procedures for pilot experiments – feedback – expanding the practice, see Heilmann, Sebastian and Perry, Elizabeth J. (ed.), *Mao’s invisible hand: the political foundation of adaptive governance in China*, (Harvard: HUP, 2011); and Heilmann, Sebastian, “Policy Experimentation in China’s Economic Rise”, *St Comp Int’l Dev* (2008) 43 p. 1- 26.

<sup>407</sup> Hu, Zuohua and Duan, Xianju, “The Reform of the Taxes and Fees in the Rural Areas reduced the Peasant Burdens of 3 billion yuan”, *Xinhua News*, 7 November 2002, available on <http://www.people.com.cn/GB/jinji/37/20021107/861091.html> (accessed on 25 November, 2014).

another sixteen provinces. By the end of 2002, 20 provinces had begun the reform.<sup>408</sup> Hunan province belonged to this group.

Based on experiences in the three pilot counties, the provincial party committee and provincial government convened a work meeting in Jinshi county-level city on 3–4 April 2002 on the full implementation of the reform throughout the province.<sup>409</sup> Then on 23 April 2002, in a written document, the provincial party committee and government officially issued “a notice on fully pushing ahead with the reform of taxes and fees in rural areas” [*xiangfa* (2002) No 5], plus an implementation plan, to its subordinate cities and counties’ party committees and governments. Over the next two months, various plans for the main reform and for supporting reforms were formulated and issued one after another, based on the conditions in Hunan as a whole. These plans included the new way to levy the agricultural tax and the tax on agricultural speciality products; a way to modify the management of township and village finances; and a method for intergovernmental transfers. Meanwhile, taking these provincial plans as guidance, various subordinate party committees and governments also began to discuss and to work out detailed plans which would be implemented within their jurisdictions.

The implementation in Changde prefecture city followed suit, incrementally. The whole process included four stages.<sup>410</sup> The first was to propagandise and to mobilise from the end of March to the end of April. During this phase, the main tasks included publicising the significance, principles and main content of the reform; working out plans; and calculating the fiscal data before and after the reform, which would be the

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<sup>408</sup> Xie, Xuncheng, “To Commemorate the Tenth Anniversary of the Reform on the Taxes and Fees in the Rural Areas: Bringing us not only Immediate Interests, but also the benefits for generations”, *Qiushi online*, 2011 (4), available on [http://www.qstheory.cn/zxdk/2011/201104/201102/t20110214\\_67950.htm](http://www.qstheory.cn/zxdk/2011/201104/201102/t20110214_67950.htm) (accessed on 24 November, 2014).

<sup>409</sup> “The Chronicle of Major Events in Changde prefecture city from 1949 – 2008”, *Red Net*, 5 July 2011, available on [http://hn.rednet.cn/c/2011/07/05/2306068\\_8.htm](http://hn.rednet.cn/c/2011/07/05/2306068_8.htm) (accessed on 25 November, 2014).

<sup>410</sup> “The General Plan on the Reform of the Taxes and Fees in Changde prefecture city”, *Changde Rural Economy Web*, available on <http://www.cdnj.gov.cn/cnht/sfg%20g/gzzt.htm> (accessed on 30 March 2012).

starting point to decide on the amount of the new agriculture tax and surtax. The second stage lasted from the beginning to the end of May. The main tasks included the city government evaluating and approving the plans of each county. Then, after approval, each of the counties was responsible for publicising and implementing the plans down to the townships, villages, groups and households. The period from the beginning of June to the end of October was the third stage, focused on supporting reforms including reform of township governmental organisations and of rural education. Finally, from the beginning of November to the end of December, inspections were to be carried out to check on the implementation and to summarise experiences and lessons.

At county level, based on a series of documents, plans, and advice from the central, provincial and city governments, Li County worked out its own detailed plan and started to implement the reform as early as April 2002.<sup>411</sup> It undertook “three eliminations”: eliminating fees for township planning and fundraising for rural education expenses; eliminating the slaughter tax; and over three years, gradually reducing two types of voluntary work services until they were eliminated. It also made “two adjustments”: of the agriculture tax and the taxes on agricultural speciality products. It undertook “one reform” too, in the method of levying fees for the village reserve. Although most contents in this plan actually coincided with the stipulations in document No. 7 of the central government, instead of eliminating voluntary work service all at once, on the advice of the provincial government and with later approval from the central government,<sup>412</sup> this exercise followed the detailed plan of Changde

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<sup>411</sup> “The City Government Approved the Plans on the Reform of Taxes and Fees from Each Counties”, *Changde Daily*, 15 July 2002, reprinted on *Changde Rural Economy Web*, available on <http://www.cdnj.gov.cn/cnht/sfgg/detail.php?id=1026723055> (accessed on 21 March 2014).

<sup>412</sup> After Hunan Province submitted its plan to the central government, the general office of the State Council replied and emphasised that it should not take more than three years until the two types of voluntary work services were completely eliminated, and that the plan should clearly state that the amount of these two types of voluntary work would be gradually reduced during the transition. For more details, see the general office of the State Council, “Response to the Implementation Plan of Hunan on the Reform of Taxes and Fees in Rural Areas [guobanhuan, (2002) No. 51]”, *Central Government Web*, available on: [http://www.gov.cn/gongbao/content/2002/content\\_61616.htm](http://www.gov.cn/gongbao/content/2002/content_61616.htm) (accessed on 20 March 2014).



prefecture city government and used a step by step approach to eliminate the two types of voluntary work service within three years – since the county is located in a flood-prone area and this faces serious tasks in maintaining dams and dykes, and irrigation systems.<sup>413</sup>

On top of reducing peasant burdens by eliminating a series of taxes, fees and voluntary work services, the Hunan provincial government did a few other things. First, before the reform of taxes and fees started, with its Finance Department, it suggested that government offices at subordinate levels carry out a campaign labelled as “eliminating deficits and reducing debts (*xiaochi jianzhai*)” in 2002 to prepare for the upcoming reform. Second, in order to strengthen and to stabilise the achievements over the longer time after the reform was finished, it also suggested that its subordinates further improve the management system for township finances, downsize the township organisations and reform rural education.<sup>414</sup> In the following sections, starting from the campaign of “eliminating deficits and reducing debts” in 2002, we will discuss the implementation of these pre- and post-reform programmes and their impacts. The reform on rural education will not be discussed due to lack of data and its diminished importance compared with other programmes.

#### ***4.1.1 Eliminating Deficits and Reducing Debts (xiaochi jianzhai) in 2002***

As we saw in Chapter Three, the debts and the deficits at the township and village levels in the middle and late 1990s stayed extremely high. According to the Li County annals, at the end of the years 1998, 1999 and 2000, the total deficits and debts of all township governments were respectively 70.25

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<sup>413</sup> “The Implementation Plan on the Reform of Taxes and Fees in Changde prefecture city”, *Changde Rural Economy Web*, available on <http://www.cdnj.gov.cn/cnht/sfg%20g/gzzt.htm> (accessed on 30 March 2012).

<sup>414</sup> “A notice of the general office of Hunan provincial government on forwarding the three documents of the provincial finance department and the provincial office of the reform of taxes and fees in rural areas including the advice on the way to levy the agriculture tax and tax on the agricultural speciality products after the reform of taxes and fees in rural areas, and on further improving the management system for township finance [*xiangzhengbanfa* (2002) No. 21]”, *Law Time Web*, available on <http://law.lawtime.cn/d421087426181.html> (accessed on 20 January 2014).

million yuan, 55.32 million yuan and 47.05 million yuan.<sup>415</sup> In June 2002, in order to open the way for the forthcoming reform, and in a response to the call from the Hunan provincial party committee and the government in “a notice on fully pushing ahead the reform of taxes and fees in rural areas” [*xiangfa* (2002) No 5], the county and its township governments began to carry out a campaign to “sort out the debts and dissolve the risk to township finance”.<sup>416</sup>

The county, township and village authorities mainly relied on selling off fixed assets to revitalise the collective resources. According to the statistics in the annals, up to the end of 2002, the whole county resolved the debts at the village level in the amount of 132.11 million yuan, with 345 villages clearing their debts out of a total of 588.<sup>417</sup> Among 32 townships, two, i.e., Yanjing Township and Zhongwu Township, cleared all deficits and debts; 22 cleared deficits but still had debts; while there were still eight townships which still had deficits and debts.<sup>418</sup> In order to understand this campaign better, we must put it in context, to see how it impinged upon rural communities. When we consider methods, the 53 villages where interviews were conducted can be divided into three groups: one focusing on the selling off all fixed assets; another which retained some collective enterprises; and a third which, while selling off all fixed assets, fabricated excuses to collect money from the peasants.

#### ■ *The group selling off all fixed assets*

Most villages belonged to this group. During field research, 51 of 53 used this approach. The fixed assets collectively owned by the villages included such things as the office buildings of the village committee, village-owned

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<sup>415</sup> Compilation office for chronicles of Li County, *Annals of Li County 1978 – 2002*, (Beijing: Fangzhi Publishing House, 2012), p. 381.

<sup>416</sup> *Ibid.*

<sup>417</sup> *Ibid.*

<sup>418</sup> *Ibid.*

schools which were mainly primary schools<sup>419</sup>, and some village-owned enterprises like two quality rice processing mills in Qunle Village of Daping Township. Some villages had sold off some of them in the middle and late 1990s, in the process of transforming the established TVEs.<sup>420</sup> In 2002, the rest were completely sold off to whoever could afford them. A second set of fixed assets included mountainous lands, forests, and lake lands. One might ask why these lands were still dealt with by the village collectives if they had been allocated to the households. Actually, when assigning lands to households in 1984, arable lands were completely allocated, but mountainous lands were divided into two types: those which were barren and those covered by forests or on which agriculture products like fruits were grown.<sup>421</sup>

Barren mountain lands were allocated to households, technically as places to provide firewood for rural households – “firewood mountains (*chaihuo shan*)”. If peasants wished to, they could reclaim such lands to grow crops. However, mountainous lands covered with forests or fruits were still managed by the collectives and were not allocated to each household as arable lands were in 1984. During the period from 1984 to 2002, these collectively-owned forest lands or lake lands were normally contracted out to whoever wanted to manage them. In return, based on agreements or contracts, village collectives would get certain fees on a yearly basis. During the campaign to eliminate deficits and reduce debts in 2002, these lands including products on them were all assigned for 20 or 30 years to whoever could afford to provide in lump-sum payments. It is worth noting that, since lands are owned by the collective according to Chinese Land law, it was only possible to sell off management rights for fixed periods of time. This applied to the mountainous lands in mountainous areas and hilly areas, and lake lands in lake areas.

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<sup>419</sup> For more details about the three levels of system to run schools in Li County, see footnote no. 356.

<sup>420</sup> Interviews 2012/02/11, 2012/02/15. For more details about the process of transforming the established TVEs, see Chapter Three p. 176-180.

<sup>421</sup> Interview 2012/02/19b.

However, in some villages which faced real hardship, the village collective could still arbitrarily decide to sell off barren mountains which had been allocated to households in 1984. They relied on the fact that, after all, the ownership of all lands belonged to the villagers' group and the village committee. For example, in some villages of Fuxing Township, they first informed the peasants to which barren mountainous plots were allocated in 1984 that these plots were going to be sold at a certain price. The peasant contractor *in situ* had priority in buying the management rights to this patch of land. If s/he did not want to buy, then this land would be sold off to other people. Mr W of Shuangyan Village of Fuxing Township told us that normally if the peasants had invested their labour to grow anything on this land, they would want to buy management rights for a fixed number of years, but if they had planted nothing, they tended not to buy it. However this method was not applied in all villages, even within the same township. In some, barren mountainous lands previously allocated to households on a per capita basis were left unchanged in 2002 and only collectively-owned and lands which were covered with oranges were sold off.

In some areas, many peasants faced such heavy burdens with taxes that they preferred to abandon them rather than planting them. For example, in Shuanglong Township, there was around 20 thousand *mu* of taxed arable lands in total but abandoned lands reached 6,000 *mu* in 2001, full of wild trees and grass.<sup>422</sup> However, various taxes and fees still had to be paid. Around 1.4 million yuan of taxes and fees were due for the whole township in the peak period, of which around 600,000 were owed in agriculture tax, 300,000 in taxes on agricultural speciality products, and 180,000 in the slaughter tax. Peasants chose to abandon the lands to avoid these heavy charges, so the village had to meet these payments by selling off the abandoned lands at cheap prices to whoever would buy them.<sup>423</sup> Land had also been abandoned in Fenghuang Village of Guanyuan Township, but for

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<sup>422</sup> Interview 2012/02/19.

<sup>423</sup> *Ibid.*

different reasons.<sup>424</sup> After catastrophic floods in 1998, two-thirds of households there were resettled in newly built towns in 2001, but their allocated lands in their former villages remained, although they were rather far away from where they were resettled.<sup>425</sup> That, and the fact that the rate of return on those old lands was very low, persuaded peasants to abandon them. In order to pay off their heavy debts, the governments at township and village level there decided to sell off these lands.

Arable lands could be as cheap as 50–60 yuan per *mu* and they could be taken over for as long as 30 years, the length of land contracts with the state.<sup>426</sup> Since it was very inexpensive, some better off people bought 50 or 100 *mu* in Fenghuang Village of Guanyuan Township. The buyers could be anyone, from within or outside the village. Mountainous lands could be as cheap as 5-10 yuan per *mu* per year and were normally sold off for up to 30 years as well, while forested land could be obtained for up to 70 years as its contract length is longer than the other two.<sup>427</sup> They were all sold off via lump-sum payments. The agricultural products from these lands were sold off too. For example, Shuangyan Village of Fuxing Township not only sold its collectively-owned and managed mountainous lands, but also the orange trees on them -- at a price of 35 yuan per tree.<sup>428</sup>

These sales helped village collectives to clear parts of their deficits and debts. For example, Shuangyan Village of Fuxing Township obtained more than 100,000 yuan by selling off the collectively owned and managed orange garden and mountainous lands. This amount, combined with other compensation to the village such as the land requisition for the National Road No. 207 and a grade-2 road,<sup>429</sup> paid off its debts and even left a

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<sup>424</sup> Interview 2012/02/14b.

<sup>425</sup> For more details about resettling the displaced residents to a newly built towns, see footnote no. 367.

<sup>426</sup> Interview 2012/02/14b.

<sup>427</sup> Interview 2012/02/19, 2012/02/22. The certificate of the forest and woodland tenure has not been issued until 2010. The new certificate issued in 2010 states that the contracted length of the forestry will be valid for 70 years and it will expire on 31 December 2053.

<sup>428</sup> Interview 2012/02/19b.

<sup>429</sup> According to the interview 2012/02/19b, the rates of the compensations for the land requisition were 30,000 yuan per *mu* for the arable land and 10,000 per *mu* for the

surplus in the period up to 2012.<sup>430</sup> Mr Y of Yingxi Village of Daohe Township stated that the debts in his village were around one million yuan before 2002. The selling off of collectively owned fixed assets -- including mountainous and lake lands, schools and so on -- at low prices in 2002, reduced the debts almost by half. It was around 510,000 to 520,000 yuan in 2012.<sup>431</sup> However, these asset sales did not offer an adequate or a sustainable solution. As Mr. Y said of the other half of the village debts, “we have to wait for the policy from the higher levels of governments. Without a policy, we cannot survive.” Without its fixed assets, and given the prohibition on levying surcharges on the peasants, the village collective had lost nearly all of its sources of income, so that it had to await transfers from higher levels.

Furthermore, during these sales, some villages even violated contracted rights which had supposedly been given to the peasants when they sold off allocated barren mountainous lands or even arable lands. Although some of these allocated lands were abandoned voluntarily, others were sold off by the collectives arbitrarily, and peasants continue to complain about it even now. The firewood mountain of the 7<sup>th</sup> group of Lianhua Village of Matoupu Township is just such a case.<sup>432</sup> It consisted of around 200 *mu* and was originally reserved for the peasants there, for their private use. Later, without the consent of the peasants, the township government decided to develop collective forestry on this land. The returns from that went to the township government and the ousted peasants only received compensation of 3 yuan per *mu*.

Up to in the middle of the 1990s, due to mismanagement, forested lands were in deep deficit. In response, again without the consent of the peasants, the township government unilaterally sold it off to four people as co-shareholders at a price of 200 thousand yuan for a fixed period until 2015.

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mountainous land. After the village extracted 15% of these compensations, the rest were given to the peasants whose lands were requisitioned.

<sup>430</sup> Interview 2012/02/19b.

<sup>431</sup> Interview 2012/02/22.

<sup>432</sup> Interview 2012/02/11.

Those peasants got no compensation. The aggrieved peasants, led by the previous party secretary of the Lianhua Village, reported this case to the county government in 2010. The county government ordered the township government to give the land back to the 7<sup>th</sup> villagers' group. However, as the four co-shareholders had paid the township government to use the land, breaking the contract unilaterally would result in substantial compensation to the shareholders. The township government did not have the money to pay the compensation. This case was still not resolved in 2012 when the peasants were interviewed.

As a result of this large-scale sell off, almost all villages no longer have any collectively-owned assets. This was true in 98 % of all interviewed villages. Both legitimate and illegitimate sales of lands by the township and village authorities, combined with the private transfer of some lands in the 1990s due to the heavy tax burdens, accelerated the concentration of lands.<sup>433</sup> Some peasants have no land at all while others occupied tens or even hundreds of plots.<sup>434</sup> Although land contracts were renewed in Li County in 1994-95 for another 30 years, because the tax burdens stayed high after that, many peasants did not want to take on much land. Therefore, in many villages, newly printed management certificates to lands piled up in village committee offices and could not be distributed to rural households. This eventually led to conflicts in rural communities on the land issue when later, new subsidy policies were introduced that were beneficial to agriculturalists -- mainly based on the size of lands.

■ *The village which kept its collective enterprises*<sup>435</sup>

Located in the plains area, Yucheng Village of Daping Township is the only village out of 53 where interviews were conducted which still keeps its village-owned enterprises, although it actually only has one brick factory. Mr Y, the party secretary of Yucheng Village explained that this factory

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<sup>433</sup> For more details about the private transfer behaviours of the lands in the 1990s, see Chapter Three, p. 218-220.

<sup>434</sup> Interview 2012/02/14b.

<sup>435</sup> Interview 2012/02/18.

started running in 1987 and has been owned by the village collective. During the campaign to eliminate deficits and reduce debts in 2002, in spite of the debts of the village, Yucheng Village still did not sell it off. It has been contracted out on a yearly basis. In 2005, the central government completed eliminated the agriculture tax, which provided a big cushion for the debts of the village. In the following few years, with the effective management by local cadres, this factory yielded contract fees of 510,000 yuan for each of the years 2009, 2010, and 2011. This income, combined with funds which the local cadres raised from the successful entrepreneurs born in the village, not only helped it to clear its debts, but also -- up to 2012 -- the village ran an annual surplus of around 300,000 yuan.

Thus, the peasants in this village greatly benefited from this form of management. After 2005, although the central government eliminated the agriculture tax and other fees, the water fee could still be collected. While other villages had great difficulties collecting this fee, the Yucheng Village committee used its collective income to cover the water fees for all of its peasants -- in 2011 an expenditure of around 30,000 yuan. The village income also enabled it to improve provisions to serve the public welfare: paving roads, maintaining ditches and irrigation channels, etc. For example, in 2011, the village committee invested 200,000 yuan to pave two roads.

■ *The village which, on top of selling off all fixed assets, fabricated excuses to collect money from the peasants to reduce debts*<sup>436</sup>

Among all the 53 villages, only Banqiaorong Village of Wangjiachang Township belonged to this group. Its accumulated debts up to 2002 exceeded 700,000 yuan. With the approval of the township government, in order to pay off the debts, the village committee first decided to sell off all fixed assets of value, including its office building, village-owned schools, village-owned enterprise and mines, and even the office of the power station. However, the amount realised was still not sufficient to clear the debts. The

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<sup>436</sup> Interview 2012/02/16f.



village committee therefore decided to fabricate excuses related to allocated lands to collect money from the peasants. It used the concentration of lands during the late 1990s, as a pretext to re-measure the size of all land holdings. In this exercise, they integrated lands which were not supposed to be taxed - including plots of 0.2 *mu* per capita for private household use and plots for private residence – with taxed lands.<sup>437</sup> Then, all of these re-measured lands were allocated among peasants in the village on a per capita basis. Each peasant was allocated 1.7 *mu* as a result. As the issue of land concentration had triggered popular concern at that time, this exercise easily obtained the support of most peasants in the village.

As it integrated untaxed and taxed lands, the village committee fabricated a concept of “basic land” – a unit of 0.2 *mu* per capita. For this “basic land”, the village committee would levy 100 yuan/0.1 *mu* - as a one-off payment. They used some attractive words to persuade the peasants to pay by stating that after this one-off payment, this part of 0.2 *mu* would no longer be levied. In addition, plots which were given to the peasants for their residences would be taxed at a rate of 180 yuan per *mu*. Finally, taxed lands – that is, all other lands -- the village committee levied taxes at a rate of 100 yuan per *mu*. Take the household of Mr R, the party secretary of Banqiaorong Village, as an example. His household included three full adults and one half adult (i.e., an elderly person). Based on the rate of 1.7 *mu* per capita, his household was allocated 5.1 *mu* land. To understand the taxes that he had to pay, let us use this equation: the total = basic land (0.2 *mu* per capita x 100 yuan per 0.1 *mu* x 3.5 persons) + plots for residence (1.2 *mu* x 180 yuan per *mu*) + taxed lands (5.1 *mu* x 100 yuan per *mu*). Thus Mr R had to pay a total of 700 + 216 + 510 = 1416 yuan in order to help the village to reduce its debts.

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<sup>437</sup> Since the collective era, peasants have been eligible to reserve some lands: mountainous land for private collections of firewood; plots near their houses used to grow vegetables, and plots for private residences. These types of lands are untaxed. Allocating lands to households in 1984 was based on the areas of the lands measured and recorded in 1951 and some adjustments could be made, if needed, after public meetings with all peasants. For more details about how lands were allocated in 1984, see the section on the rules for ranking lands in Chapter Two, p. 85-87.

It should be apparent from the above equation that the “basic land” tax was not only illegitimately levied, but it was levied twice. And the plots for residences were also illegitimately taxed. One might ask why this fabrication could be carried out with little resistance from the peasants. According to Mr R, the village committee first followed legal procedures to inform, persuade and mobilise the peasants by convening the meetings with the heads of each household. Then they took advantage of conflicts over land concentration to distract peasants from the fabrication. Finally, they promised that after a one-off payment, “basic land” would never be taxed again – an idea that sounded attractive to the peasants. In Mr R’s word, “the burdens at that time averaged 300-500 yuan per *mu* per year. If this 0.2 *mu* land was exempted, a peasant could save 60 yuan per year and that would amount to 300 yuan in five years’ time. How could they not agree?”<sup>438</sup> By using this method, Banqiaorong village cleared all of its debts of 700,000 yuan, and in 2012, it still had a surplus of 50,000. In Mr R’s words, although these methods were illegitimate, if they had not used them, the high debt could not have been cleared.

## ■ *Summary*

To sum up, following the call to eliminate deficits and reduce debts, the authorities at the township and village levels were permitted to sell off collective-owned fixed assets. However, the methods used varied. Some better off villages were still able to retain elements of the collective economy while others not only had to sell off all of their collective-owned assets, but also went beyond that to deal in lands over which they were not supposed to have that authority. This happened because the contracted rights were either not that clearly set out in documents to support the villagers, as with the arrangements for firewood in mountainous areas in Lianhua Village,<sup>439</sup> or tricks were played to circumvent written contracts, as with the introduction of “basic land” in Banqiaorong Village. Generally, villages in plains areas were least likely to violate the contracted rights of peasants; the

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<sup>438</sup> Interview 2012/02/16f.

<sup>439</sup> Interview 2012/02/19, 2012/02/22. The certificate of the forest and woodland tenure has not been issued until 2010.

hilly areas stood witnessed a combination of selling off collective-owned and contracted assets; and mountainous and lake areas were most likely to see violations of peasants' contracted rights.

These variations were partly the result of different economic development in various areas. But they were also a result of a weak commitment to and understanding of the rule by law, not only among local cadres, but also among the peasants. After thousands of years under authoritarian regimes, rural dwellers had grown accustomed to hierarchical, top-down orders. Not only did the local cadres take it for granted that they could dispose of assets which were supposed to belong to the peasants without their consent, but the peasants tended towards submissive acceptance. Mr X in the 7<sup>th</sup> group of Lianhua Village of Matoupu Township stated, "Finally, the issue of our firewood is still unresolved... What can we do? They are the government. The county government has the authority to sell the things of the township government, and the township government also has the authority to sell the things of the village!"<sup>440</sup>

Fortunately, this situation seems to have been changing. With reference to contracted rights to the lands, the state has pressed ahead with an effort to foster a sense of the rule of law among ordinary people, and to protect the peasants' legal rights by strengthening land contracts, procedurally and practically. And the development of telecommunications infrastructure in the middle and late 2000s has not only helped to link rural communities to the outside world, but also introduces and promotes new concepts in the minds of the peasants -- such as violations of rights (*qinquan*), protections for rights (*weiquan*), contracted rights (*hetong quan*), democratic votes (*minzhu toupiao*), justice, etc. So peasants now know more about how to protect their rights and to challenge illegitimate behaviour by local governments, by using the governmental and social monitoring routes. We will discuss these in later sections.

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<sup>440</sup> Interview 2012/02/11.

#### ***4.1.2 The Reform of Taxes and Fees in the Rural Areas from 2002 to 2005***

The reform of taxes and fees in the rural areas and the campaign to eliminate deficits and reduce debts went hand in hand in Li County. While the former was called and started preparing as early as April 2002, the latter was carried out in full swing two months later as the former's preparatory procedure to facilitate its following full implementation.<sup>441</sup> The drive to eliminate deficits and reduce debts was almost finished at the end of 2002, and then the focus shifted to the reform of taxes and fees. Li County's implementation, like that of Changde prefecture city at a higher level, proceeded in four stages: policy propaganda and publicity, measurement and calculations, discussing and confirming the plan, and finally implementation.<sup>442</sup> Guided by the principle of "two eliminations, one elimination gradually, two adjustments, and one reform", and aimed at reducing peasant burdens, Li County gradually changed the way that taxes and fees were levied, and the methods used to raise funds for the public welfare.<sup>443</sup>

#### ■ ***Two eliminations***<sup>444</sup>

As explained in an earlier section, 'two eliminations' meant the complete elimination of fees for township planning and of fundraising for rural education. The township administrative functions which used to be funded by the fees -- including nine years of compulsory education, family planning, militia training, and special care for veterans - were now incorporated into the governmental budgets at various levels. The funds which used to be for the road building to connect villages within one township were now managed by the township government while funds for road building within individual villages were now discussed democratically in meetings of

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<sup>441</sup> Wang, Zhigang, "Li County has achieved four successes in the reform of taxes and fees in the rural areas", *Changde Rural Economy Web*, 26 September 2002, available on <http://www.cdnj.gov.cn/cnht/sfgg/detail.php?id=1033006742> (accessed on 21 March 2014).

<sup>442</sup> *Ibid.*

<sup>443</sup> *Ibid.*

<sup>444</sup> "The Implementation Plan on the Reform of Taxes and Fees in Changde prefecture city", *Changde Rural Economy Web*, available on <http://www.cdnj.gov.cn/cnht/sfg%20g/gzgt.htm> (accessed on 30 March 2014).

village assemblies. Health care in rural areas would gradually become commercialised, with part subsidies by the township government if appropriate. The funds to repair dangerous school buildings in rural areas were incorporated into the governmental budgets at various levels. The second elimination completely ended the slaughter tax and all surcharges attached to it. These two eliminations were completed without exceptions.

■ *One elimination, gradually*<sup>445</sup>

Unlike the two complete eliminations, the treatment to two types of voluntary work service – cumulative labour and voluntary work – were only gradually eliminated. It is explained by the fact that most areas in Hunan are located along big rivers and the tasks of building and maintaining dams and dykes are so heavy that they require a certain amount of labour. The requirements for such labour were gradually reduced over three years, and meanwhile an upper limit on the amount of such work was set. The total amounts of these two types of work per labourer per year in lake, plain and mountainous (including hilly) areas were respectively up to 20 units, 15 units and 10 units in 2002; up to 15 units, 12 units and 8 units in 2003; and up to 10 units, 8 units and 5 units in 2004.<sup>446</sup> Since 2005, they have been completely eliminated. For some large-scale water conservancy construction projects which continued to need labour, work was permitted under an upper limit after reports to the government at county level for approval. The upper limits on the total amount of such work per labourer in lake, plain and mountainous (including hilly) areas were respectively 6 units, 3 units and 2 units in 2002 and 2003; and in 2004 reduced to 5 units, 2 units and 1 units. During the transition, with mutual consent, these two types of work could be replaced by arrangements for labour to be paid for in cash. The government plan also suggested that some mountainous areas could choose to eliminate these two voluntary works within an even shorter time, considering that not much labour was required to maintain the public facilities as in the lake areas.

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<sup>445</sup> *Ibid.*

<sup>446</sup> A unit is a measurement to record the work amount. A standard unit is equal to an eight-hour working day for a normal worker.

After these two types of work were eliminated, irrigation construction and maintenance of farmlands, depending on differences in scale, were integrated into the government investment plans at various levels. The large and medium scale water conservancy construction along Dongting Lake, River Yuan and River Li will instead be funded by the investment plans of the state and the province, while the small scale irrigation infrastructure of farmland of the prefecture city and the county. In addition, following a rule of “who build and who fund”, other public facility projects, such as road paving and agricultural infrastructure building etc., would be funded by the relevant governmental organisations. Furthermore, a programme of “one project one discussion” was introduced and used to source the funds for public facility projects within a village community, including irrigation building, roads and bridge building, infectious diseases preventions etc.. We will discuss this programme in detail below.

#### ■ *Two adjustments*

The term ‘two adjustments’ refers to adjustments in two types of taxes -- agricultural taxes and taxes on agricultural speciality products. In the case of the former, the size and output of taxed land were re-checked by a government department. Based on that, the rate of the agricultural tax was recalculated and tended gradually to be lowered. It ranged from 6.5% to 7% of normal output, depending on different geographical areas. In brief, after re-calculating, the taxed land in Changde prefecture city administration was 4.8 million *mu* and the normal annual output was 757 kilogram per *mu*. According to the unified price -- 51 yuan per 50 kilograms -- which was decided by the provincial government, the total amount of the agricultural tax in Changde prefecture city was 25,772 yuan after 2002.<sup>447</sup> A Hunan Province procedure for implementation became the authoritative guide if any disputes arose. In the case of the tax on agricultural speciality products, adjustments were made in the content, tax rates and procedure for levying the taxes. After re-calculations, the total amount of the tax on speciality

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<sup>447</sup> *Ibid.*

products was estimated to be 13.34 million yuan. When questions about matters of detail arose during implementation, people could refer to another provincial government document which set out the methods to be used.<sup>448</sup>

On 31 December 2003, the Central Party Committee and the State Council jointly issued a document entitled “several opinions of the Central Party Committee and the State Council on policies to stimulate the income growth of the peasants” as guidance for work in 2004, and called for the gradual reduction of the agricultural tax rate.<sup>449</sup> Following this, in order to build on the achievements of the reform of taxes and fees and to reduce further the peasants’ burdens, the rate of the agricultural tax would be reduced generally by 1%. Meanwhile the tax on speciality products, except the tobacco leaves, was completely eliminated in 2004.<sup>450</sup> Article 18 of this central document also encouraged areas where conditions permitted to reduce further the rate of the agricultural tax, and experiments were even undertaken to completely eliminate it. The Ministry of Finance authorised Jilin and Heilongjiang Provinces to carry out these experiments. It also permitted another eleven major grain producing provinces -- including Hunan -- to further reduce it by 3 %, while the rest reduced it by 1 %.<sup>451</sup> As a result, by 29 September 2004, the peasant burdens had been reduced by over 50%.<sup>452</sup>

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<sup>448</sup> *Ibid.*

<sup>449</sup> The Central Party Committee and the State Council, “several opinions of the Central Party Committee and the State Council on policies to stimulate the income growth of the peasants”, *Central Government of PRC Web*, 31 December, 2003, available on [http://www.gov.cn/test/2006-02/22/content\\_207415.htm](http://www.gov.cn/test/2006-02/22/content_207415.htm) (accessed on 2 December 2014).

<sup>450</sup> *Ibid.*

<sup>451</sup> The Ministry of Finance of the People’s Republic of China, “The notice of the Ministry of Finance, the Agriculture Ministry and the General Bureau of Tax on several questions about reducing the rate of the agricultural tax and carrying out the experiments of the reform on the agricultural tax in some major grain producing areas in 2004 [caishui (2004) No. 77] ”, *Ministry of Finance of the PRC Web*, 6 April 2004, available on [http://www.mof.gov.cn/zhengwuxinxi/caizhengwengao/caizhengbuwengao2004/caizhengbuwengao20044/200805/t20080519\\_20170.html](http://www.mof.gov.cn/zhengwuxinxi/caizhengwengao/caizhengbuwengao2004/caizhengbuwengao20044/200805/t20080519_20170.html) (accessed on 2 December 2014).

<sup>452</sup> Changsha Evening News, “The peasant burdens were reduced by over 4 billion yuan and hopefully the agricultural tax will be completely eliminated in 5 years,” *China Web*, 29 September 2004, available on <http://www.china.com.cn/chinese/difang/670554.htm> (accessed on 2 December 2014).

There was more to follow. By New Year's Day 2005, some provinces including Guangdong, Jiangsu, Henan, Zhejiang, and Sichuan had announced the complete elimination of the agricultural tax. Within sixteen days, three more provinces – Hunan, Jiangxi, and Qinghai – followed suit.<sup>453</sup> The agricultural tax, which had been imposed for thousands of years on peasants in Hunan, became a thing of the past. In 2004, Li County reduced the agricultural tax by 24.13 million yuan -- a great reduction from 30.33 million in 2001, the year before the reform of taxes and fees started.<sup>454</sup> The fiscal shortfall at the township and county levels would be filled by transfers from the provincial and central governments.<sup>455</sup>

On top of these actions on taxes, this central document issued on 31 December 2003 also stipulated a series of agricultural subsidies policies including direct subsidies to grain producers (*liangshi zhibu*), plus subsidies for growing superior grain (*liangzhong butie*) and for purchasing large-scale agricultural machinery and tools in the major grain producing areas (*nongjiju gouzhi butie*). These will be discussed below.<sup>456</sup> To signal its crucial importance to rural areas and to the peasants, the main decree was entitled “the No.1 document”.<sup>457</sup> By the end of 2005, the provinces which had completely eliminated the agricultural tax numbered 28 – along with 210 counties in three other provinces – Hebei, Shandong, and Yunnan.<sup>458</sup> This massive exercise was approved and legalised by the nineteenth meeting

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<sup>453</sup> Yang, Xiaohong and Jiang, Guocheng, “Twenty-two provinces including Hunan and Jiangxi announced to completely eliminate the agricultural tax”, *Xinhua News*, 17 January 2005, available on <http://news.sina.com.cn/c/2005-01-17/10504857814s.shtml> (accessed on 2 December 2014).

<sup>454</sup> Dongtingzhizi, “A investigation report on Li County: taking an opportunity of eliminating the agricultural tax to push ahead the rural comprehensive supporting reform”, *People's Daily Blog*, 3 January 2008, available on <http://blog.people.com.cn/article/1336945120547.html> (accessed on 20 March 2014).

<sup>455</sup> *Ibid.*

<sup>456</sup> The General Office of the State Council, “The elimination of the agricultural tax brings benefits to the peasants”, *the Central Government of PRC Web*, 1 January 2006, available on [http://www.gov.cn/ztl/2006-01/01/content\\_145112.htm](http://www.gov.cn/ztl/2006-01/01/content_145112.htm) (accessed on 2 December 2014).

<sup>457</sup> Dongtingzhizi, “A investigation report on Li County: taking an opportunity of eliminating the agricultural tax to push ahead the rural comprehensive supporting reform”, *People's Daily Blog*, 3 January 2008, available on <http://blog.people.com.cn/article/1336945120547.html> (accessed on 20 March 2014).

<sup>458</sup> The reform data, “Completely eliminating the agricultural tax”, *China Reform Database Web*, available on <http://www.reformdata.org/special/134/about.html> (accessed on 2 December 2014).



of the tenth standing committee of the National People's Congress in 2006 where the old regulations for the agricultural tax (1958) were abolished.<sup>459</sup>

■ ***One reform: a programme of “one project one discussion”(yishi yiyi) and transfer payments (zhuanyi zhifu)***

The approach to the collection and use of fees for the village reserve was also changed. These fees were used for three things: the Public Accumulation Fund (PAF), the Public Welfare Fund (PWF), and a management fee. It was thus referred as the “three reserves (*san tiliu*)”. The PAF would fund projects which were beneficial to everyone living in the village - paving roads to connect the rural households, building small bridges, irrigation maintenance, lighting in the village and so on. The PWF would provide social welfare for peasants within the village - special care for the five guarantee households, etc. The management fee covered the administrative expenses and salaries of the cadres of the village committees.<sup>460</sup> This mode of self-reliance had worked reasonably well in the collective era when the economic condition of the country was not good.<sup>461</sup> However, from the end of 1980 until the beginning of 2000, as the number of local projects increased, as did the number of administration personnel, this approach increasingly became a device to extract money from the peasants to support various administrative functions of local and higher levels of government. In the process, the “three reserves” were added to the heavy burdens which caused severe suffering among the peasants.

During the reform of taxes and fees in the rural areas from 2002 to 2005, action was taken to prevent blurring the boundaries between sub-categories within the “three reserves” which had enabled arbitrary abuses by higher levels of government. The several sub-categories were clearly segmented – salaries of the cadres of the village committees, special care for the five guarantee households and other disadvantaged groups, the administration expenses, and public welfare projects. Then, the sources of funding were

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<sup>459</sup> *Ibid.*

<sup>460</sup> Interviews 2012/02/11, 2012/02/15.

<sup>461</sup> *Ibid.*

specified for each category, and the peasants' voice was integrated into the decision-making process – through the introduction of the programme of “one project one discussion”. And for the first three sub-categories, the parts funded by the “three reserves” were now provided out of a new surtax on the agricultural tax and on the tax on speciality products.<sup>462</sup>

The payments of fees for public welfare projects also ceased to be compulsory. This would be discussed and decided in villager assemblies or in meetings of the representatives of the villagers on a “one project one discussion” basis.<sup>463</sup> More precisely, at the beginning of the year, the village committee would propose the budget plan for a specific project in which a fundraising among peasants up to 15 yuan per capita per year applied.<sup>464</sup> This plan would then be submitted to the village assembly or a meeting of villagers' representatives for discussion and a vote. If approved locally, the plan would then be passed to the township government to be checked, and then a report would go to the county government for approval. If approved there, the village committee needed to fill in a monitoring card printed by the provincial management and monitoring office, including the information of detailed plan and of steps to raise funds and labour, and copies would be delivered to each household. This way is for the provincial government to keep a watch of the burdens of the peasants and for peasants to have a better sense of fees submitted to the village. Details on the levying, management and use of the funds and the labour for the approved projects would also be posted on a public board to enable the peasants to monitor matters. Any disputes would follow the detailed implementation regulations of Changde prefecture city administration.<sup>465</sup>

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<sup>462</sup> “The implementation plan for the reform of taxes and fees in Changde prefecture city”, *Changde Rural Economy Web*, available on: <http://www.cdnj.gov.cn/cnht/sfg%20g/gzzt.htm> (accessed on 30 March 2014).

<sup>463</sup> *Ibid.*

<sup>464</sup> “The detailed regulations of Changde prefecture city administration to implement a Hunan provincial management way on fundraising and labour-raising for public welfare projects within a village”, *Changde Rural Economy Web*, available on <http://www.cdnj.gov.cn/cnht/sfgg/sgzc/ssxz1.htm> (accessed on 20 March 2014).

<sup>465</sup> *Ibid* and also, “The implementation plan on the reform of taxes and fees in Changde prefecture city”, *Changde Rural Economy Web*, available on: <http://www.cdnj.gov.cn/cnht/sfg%20g/gzzt.htm> (accessed on 30 March 2014).

This arrangement continued to be used for almost three years until the beginning of 2005 when Hunan decided to eliminate completely the agricultural tax and the tax on the speciality products, except tobacco leaves. Since 2005, while funding for public welfare projects has stayed the same, the salaries of the village cadres and the administration expenses -- which were funded by the surtax on the newly reformed agricultural tax and the tax on the speciality products from 2002 to 2005 – were now incorporated into a transfer payment.<sup>466</sup> The salaries of cadres were thus issued by the county finance bureau after September 2005.<sup>467</sup> Fiscal transfers were originally introduced during the implementation of the tax sharing system in 1994. Since 2002, in order to facilitate the reform of taxes and fees in rural areas, the amounts of the transfer payment from above had been increased to compensate for the shortfall caused by the eliminating some taxes and fees.<sup>468</sup> Meanwhile, the central governmental also called upon the provincial government to contribute to the transfer payments as well. If some city and county governments were able, they were also encouraged to channel some funds to support the governments at township and village level.<sup>469</sup>

The amounts transferred by the central government were calculated on a fixed equation, based on estimates of (i) fees paid for township planning and

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<sup>466</sup> The Ministry of Finance, “The work team office of the rural comprehensive reform of the state council: aiming at the agricultural development and fulfilling the promised responsibility,” *Ministry of Finance Web*, available on [http://www.mof.gov.cn/zhuantihuigu/rddbzt/sjzt/201301/t20130122\\_729367.html](http://www.mof.gov.cn/zhuantihuigu/rddbzt/sjzt/201301/t20130122_729367.html) (accessed on 30 March 2014).

<sup>467</sup> The China Agriculture Economy Information, “1,200 villages’ cadres in Li County started eating ‘governmental rice’”, *China Agriculture Economy Information Web*, 6 September 2005, available on <http://www.caein.com/index.asp?xAction=xReadnews&newsid=10684> (accessed on 3 December 2014).

<sup>468</sup> The Ministry of Finance, “the tax refund institution and the transfer payment institution”, *Ministry of Finance Web*, available on: [http://www.mof.gov.cn/zhuantihuigu/czjbqk2011/cztz2011/201208/t20120831\\_679750.html](http://www.mof.gov.cn/zhuantihuigu/czjbqk2011/cztz2011/201208/t20120831_679750.html) (accessed on 3 December 2014); and the work team office of the rural reform of taxes and fees of the state council, “what important points did the experiments of the reform of taxes and fees in the rural areas make this year?”, *Changde Rural Economy Web*, 23 August 2002, available on: <http://www.cdnj.gov.cn/cnht/sfgg/detail.php?id=1030054442> (accessed on 21 March 2014).

<sup>469</sup> The work team office of the rural reform of taxes and fees of the state council, “what regulations there are to govern the transfer payment in the reform of taxes and fees in the rural areas?”, *People’s Daily Online*, 15<sup>th</sup> August 2002, available on: <http://www.people.com.cn/GB/jinji/37/20020815/800644.html> (accessed on 21 March 2014).

village reserves to cover militia training, rural education at township and village levels, family planning, special care for veterans, and road repairs; (ii) the fiscal gap caused by the reduction in the tax on speciality products and by the elimination of the slaughter tax; (iii) the number of people involved in agriculture, the size of taxed lands, and so on.<sup>470</sup> There is a shortage of data on the overall amount of transfer payments from the Hunan provincial government. We can, however, arrive at a reasonably reliable estimate by aggregating the amounts of funds transferred for specific purposes. Thus the aggregate amount = the amounts for rural education + family planning + special care for veterans + paving township roads + militia training + fundraising for educational expenses + the fund to supplement the village resources + the income gap caused by reducing the tax on the speciality products + the income gap caused by eliminating slaughter tax.<sup>471</sup> The final amount is then equal to this aggregate amount multiplied by transfer payment parameters.<sup>472</sup>

After 2005 when the agricultural tax and the tax of speciality products were completely eliminated, transfer payments from various higher levels of government were further increased to cover the functions formerly funded by those taxes.<sup>473</sup> As a result, the township and village authorities came to rely heavily on funds from higher levels. That strengthened the authority of political superiors over cadres at the local level, and undermined cadres' leverage over ordinary people over whom they no longer had tax-raising powers. In addition, the power to decide on use of the fund of public welfare projects was given to the village assembly or to meetings of villagers' representatives, and that further eroded the power of township and village officials. (The complexities of how that worked in practice are discussed

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<sup>470</sup> *Ibid.*

<sup>471</sup> The Hunan Provincial Government, "The method of the transfer payment from the provincial government to the cities in the reform on the taxes and the fees in the rural areas [*xiangzhengbanfa* (2002) No.27]", 7 June 2002, reposted on *Law Library Web*, available on [http://www.law-lib.com/law/law\\_view.asp?id=41355](http://www.law-lib.com/law/law_view.asp?id=41355) (accessed on 3 December 2014).

<sup>472</sup> *Ibid.*

<sup>473</sup> The Ministry of Finance, "The work team office of the rural comprehensive reform of the state council: aiming at the agricultural development and fulfilling the promised responsibility," *Ministry of Finance Web*, available on [http://www.mof.gov.cn/zhuantihuigu/rddbzt/sjzt/201301/t20130122\\_729367.html](http://www.mof.gov.cn/zhuantihuigu/rddbzt/sjzt/201301/t20130122_729367.html) (accessed on 30 March 2014).

later in this chapter.) To sum up, by the end of 2005, the changes which had been made during the three transition years, 2002 to 2005, were as follows.

Table 4.1 A list of changes in taxes and fees in Li County from 2002 to 2005<sup>1</sup>

Category	Items	Source of Legitimacy <sup>2</sup>	2002	2003	2004	2005	Fund sources to fill the fiscal Gap caused by the reform from 2002 to 2005
Taxes	Agricultural Tax	note 2 + the No.1 Central Document on 31 <sup>st</sup> December 2003	Reduced the rate to 6.5% - 7%		Reduced Total tax by 3%		General Transfer payment from various superior governments
	Tax on Speciality Products	Note 2 + “The implementation method in Hunan on the way to levy and to manage the tax on speciality products” + the No.1 Central Document on 31 <sup>st</sup> December 2003	Reduced to 13.34 million Yuan for the whole Changde prefecture city Area		/		
	Slaughter tax	Note 2	/		/		
Fees	For Township Planning ( <i>wu tongchou</i> )	Note 2	/		/		Incorporated into the county and township governmental budgets
	Rural education expenses						
Family planning							
Militia training							
Special care for veterans							
Paving township Roads							
For Village Reserves ( <i>san tiliu</i> )	PAF	Note 2 + “The detailed regulations of Changde prefecture city administration to implement a Hunan provincial management way on fundraising and labour-raising for public welfare	By introducing the programme of “One project one discussion”, the Fundraising will be discussed in village assemblies and the meetings of the representatives of villagers		General transfer payment from higher levels + Fundraising through “one project one discussion” + Donations which the village committee lobbied for, from successful persons		

		projects within a village”						
		PWF	Note 2	Collective income + 20% of agricultural tax and the Tax on speciality products	Social Security System since 2006		Special transfer payment from higher levels of government to establish the rural security system	
		Management fee					General transfer payment from higher levels of government	
	Other fundraising	Education	Note 2					Incorporated into the county and township governmental budgets
		Health care						Gradually incorporated into the social security system
		Village roads		To discuss in “One project one discussion”	General Transfer payment from higher levels + Fundraising through “one project one discussion” + Donations for which the village committee lobbied from successful persons			
	Two forms of voluntary work	Amounts of cumulative labour and voluntary work	Note 2 + “The detailed regulations of Changde prefecture city administration to implement a Hunan provincial management way on fundraising and labour-raising for public welfare projects within a village”	Lake Area	20	15	10	
				Plain Hilly	15	12	8	
				Mountainous	10	8	5	

Notes:

1. This table was created by the author based on the field research and analyses of relevant governmental documents;
2. General sources of legitimacy from 2002 are as follows:  
from the central government including – “a notice of the Central Party Committee and the State Council on the conduct of experiments with the reform of taxes and fees in rural areas [*zhongfa* (2000) No. 7]”; “a notice of the State Council on further pushing ahead the reform of taxes and fees in rural areas [*guofa* (2001) No. 5]”; “a notice of the general office of the State Council on extending experiments on the reform of taxes and fees in rural areas [*guobanfa* (2002) No 25]”;  
from the provincial government including – “a notice on fully pushing ahead with the reform of taxes and fees in rural areas [*xiangfa* (2002) No 5]”; from Changde prefecture city Government including – “the Implementation Plan of Changde prefecture city on the reform of taxes and fees”.
3. The symbol of  $\cancel{\square}$  refers to a complete elimination.

#### ***4.1.3 The Agricultural Subsidies System from 2004 onwards***

##### **■ *The initial establishment of the agricultural subsidies system centring on the direct grain subsidy (liangshi zhibu) from 2000 to 2004***

The introduction of subsidies beneficial to agriculture occurred at the same time as the reform of taxes and fees in rural areas. Taken together, these two policies sought to repair the damage which the heavy burdens had caused within rural communities, and to stimulate the development of agriculture. Their focuses actually are different, with the former in supplementing the peasants’ income and the latter in reducing the burdens. As early as the second half of 2000, the Ministry of Finance had begun to consider a plan for a direct grain subsidy.<sup>474</sup> After a few months of careful investigation and research, it submitted a document on 24 March 2001 to the State Council and suggesting changes which would channel subsidies not through the circulation process but directly to peasants.<sup>475</sup> This was finally approved in

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<sup>474</sup> Wang, Jiazhu, “Photo record in ten years: one photo recording ‘the agricultural benefit policies’”, *CCTV News*, 5 September 2012, available on <http://news.cntv.cn/special/shiniantuji/interview/huinong/index.shtml> (accessed on 4 December 2014).

<sup>475</sup> *Ibid*; for more details about the transition in the agricultural subsidies policy in China, see Hou, Lingling, Mu, Yueying, and Zhang, Chunhui, “An Analysis on the Agricultural Subsidies Policy in China and its influences”, *Chinese Agricultural Science Bulletin*, Vol. 23, 2007 (10), p.289 – 294.

2001 by the State Council in the form of No. 28 document, and experiments were arranged to start in 2002.<sup>476</sup>

A total of thirteen major grain producing provinces carried out the experiments with direct grain subsidies. Depending on conditions (which varied across provinces), they adopted one of four different methods. Hebei, Xinjiang, Hubei, Zhejiang, Sichuan, and Guizhou based the subsidies on the amount of grain which the peasants had previously sold to the state-owned grain purchasing and selling agency; Jiangsu, Guangdong and Hunan chose to issue subsidies to the peasants based on the size of plots on which they grew grain; Hebei calculated the subsidies on the contracted-grain submission amounts and agriculture taxes due from peasants; and Inner Mongolia, Jiangxi, and Anhui based on the size of taxed lands and their normal output.<sup>477</sup> Hunan was in this first batch to experiment. Its provincial finance authorities appropriated 72 million yuan out of the grain risk fund and chose four prefecture city administrations -- Changde, Yiyang, Yueyang, and Hengyang -- as experimental sites to receive the direct grain subsidy in 2002.<sup>478</sup> In the other three cities, subsidies were implemented when the peasants sold the grain to the state-owned grain purchasing enterprises - by giving them an extra 0.03 yuan per 0.5 kilogram on top of the purchasing price. By contrast, Changde prefecture city administration (including Li County) raised more than 19 million yuan to provide subsidies based on the actual size of plots cultivated, at a rate of 6 yuan per *mu*. (The total area in Changde was 3.167 million *mu*.)<sup>479</sup>

The approach used in Changde proved a potent stimulus to encourage peasants to grow grain. The next year (2003), the other three cities followed

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<sup>476</sup> *Ibid.*

<sup>477</sup> "The four experimental methods of the direct grain subsidy in China", *Xishui Grain*, 26 December, 2003, available on <http://www.xslw.com/Article/Print.asp?ID=105> (accessed on 23 March 2014).

<sup>478</sup> The General Rural Socio-economic Survey Team, "The direct grain subsidy: practice, reaction, and suggestion", *Sannong Information Web*, 12<sup>th</sup> August 2003, available on: <http://www.sannong.gov.cn/v1/fxyc/ncjfx/200309040643.htm> (accessed on 23 March 2014).

<sup>479</sup> Xu, Lianyu, "To recall 'the direct grain subsidy'", *Changde Daily Online*, 27 December 2008, available on: [http://cdrb.cdyyee.com/html/2008-12/27/content\\_70415.htm](http://cdrb.cdyyee.com/html/2008-12/27/content_70415.htm) (accessed on 23 March 2014).



Change and based their subsidies on the actual size of the productive plots, instead of the grain purchasing price.<sup>480</sup> Subsidies were placed in a special bank account called the “protective production subsidy account” by the provincial finance authority, and then would be delivered to township finance offices to hand to the relevant rural households.<sup>481</sup> At the same time, Anhui province expanded the experiments province wide.<sup>482</sup> Based on these different forms of experiments, on 28 October 2003, the State Council convened a work meeting on agriculture and grain production, and decided to withdraw at least 10 billion out of the grain risk fund to push through the implementation of the direct grain subsidy through the whole country beginning in 2004.<sup>483</sup>

This decision was formalised in a document jointly issued by the Central Party Committee and the State Council on 31 December 2003, entitled “several opinions of the Central Party Committee and the State Council on policies to stimulate income growth among the peasants” as guidance for the work in 2004. This document, shortened as the No. 1 Central document, was significant for the peasants and the development of the agriculture because it not only authorised the general implementation of the direct grain subsidy, but also increased the coverage of the subsidies for growing superior grain (articles two and four) and for purchasing large-scale agricultural machinery and tools in the major grain producing areas (article one).<sup>484</sup> In addition, it has authorised the complete marketisation of grain circulation, as a result of which, the contracted-grain submission which had existed since 1985, as a replacement of state monopoly of grain products purchasing and selling in the collective era, was eliminated completely and a

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<sup>480</sup> *Ibid.*

<sup>481</sup> “The four experimental methods of the direct grain subsidy in China”, *Xishui Grain*, 26 December, 2003, available on <http://www.xslw.com/Article/Print.asp?ID=105> (accessed on 23 March 2014).

<sup>482</sup> *Ibid.*

<sup>483</sup> Wang, Jiazhu, “Photo record in ten years: one photo recording ‘the agricultural benefit policies’”, *CCTV News*, 5 September 2012, available on <http://news.cntv.cn/special/shiniantuji/interview/huinong/index.shtml> (accessed on 4 December 2014).

<sup>484</sup> The Central Party Committee and the State Council, “several opinions of the Central Party Committee and the State Council on policies to stimulate the income growth of the peasants”, *Central Government of PRC Web*, 31 December, 2003, available on [http://www.gov.cn/test/2006-02/22/content\\_207415.htm](http://www.gov.cn/test/2006-02/22/content_207415.htm) (accessed on 2 December 2014).

new minimum protective price for grain was introduced to guarantee the basic profits of peasants growing grain. Finally, as we saw in an earlier section, this document signalled the intention to eliminate agricultural taxes and taxes on speciality products, except tobacco leaves.<sup>485</sup>

Hunan, in addition to following the general guidance of the No.1 Central document, decided to adjust its approach to the direct grain subsidy – no longer focusing on the actual growing areas, in favour of taxing land at a rate of 10 yuan per *mu*, beginning in 2004.<sup>486</sup> This has been the practice until today.<sup>487</sup> Thus in 2004 alone, Li County reduced the total agricultural tax by 24.13 million yuan. Meanwhile, the amount of the direct grain subsidy and the subsidy for growing superior grain totalled 18.45 million yuan, an average of 59 yuan per peasant.<sup>488</sup> Based on that, at the beginning of 2005, Hunan joined other pioneering provinces such as Guangdong and Jiangsu to completely eliminate the agricultural tax.<sup>489</sup> A new set of policies supporting agricultural development and benefiting the peasants had been roughly established. It included two elements – regulating the financial authorities at township and village levels to reduce peasant burdens (the reform of taxes and fees in rural areas), and increasing subsidies to the peasants and to agriculture to stimulate production (the agricultural subsidies system). These policies have relieved the peasants of the extremely heavy burdens that they faced in the middle and late 1990s, and have given rural communities some breathing space.

■ ***Further improving the subsidies system to benefit agriculture from 2006 onwards***

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<sup>485</sup> *Ibid.*

<sup>486</sup> “The four experimental methods of the direct grain subsidy in China”, *Xishui Grain*, 26 December, 2003, available on <http://www.xslw.com/Article/Print.asp?ID=105> (accessed on 23 March 2014).

<sup>487</sup> Interviews 2012/01/06, 2012/02/14b.

<sup>488</sup> Dongtingzhizi, “A investigation report on Li County: taking an opportunity of eliminating the agricultural tax to push ahead the rural comprehensive supporting reform”, *People’s Daily Blog*, 3 January 2008, available on <http://blog.people.com.cn/article/1336945120547.html> (accessed on 20 March 2014).

<sup>489</sup> Yang, Xiaohong and Jiang, Guocheng, “Twenty-two provinces including Hunan and Jiangxi announced to completely eliminate the agricultural tax”, *Xinhua News*, 17 January 2005, available on <http://news.sina.com.cn/c/2005-01-17/10504857814s.shtml> (accessed on 2 December 2014).

Between 2006 and 2009, as the financial resources of the central government increased, the amount of existing subsidies were raised and new subsidies were introduced to support the development of agriculture and rural areas.<sup>490</sup> This was part of a larger effort to encourage harmonious development between urban and the rural areas, and between humanity and the environment. In Li County, under the administration of Hunan Province, two new subsidies emerged: one for restoring farmland to forest (*tuigeng huanlin*) and a second for agricultural production materials (*nongzi zonghe butie*). While the latter started in 2006 and aims to offset the negative influences which inflation in the cost of agricultural production materials has brought to the peasants,<sup>491</sup> the former focused on protecting the environment – after experiments had been conducted in Sichuan, Shanxi and Ganxu as early as 1999.<sup>492</sup>

By the end of 2001, 21 provinces and areas had experimented with restoring farmland to forests. Based on these experiments, on 10 January 2002, the office of the western development program (*xibu dakaiifa*) of the State Council convened a teleconference on such work and officially decided to launch this project throughout the country. According to Mr P of Yushi Village of Taiqing Township, this policy began to be implemented in his village in the second half of 2002, and the peasants started to receive the subsidy in 2003.<sup>493</sup> This coincided with information provided by the forestry bureau of Li County.<sup>494</sup> In the first year, i.e., 2003, Li County issued a total of 6.9 million yuan in subsidies at a rate of 210 yuan per *mu* per year, including grain compensation and a living allowance for the peasants who

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<sup>490</sup> Xu, Lianyu, “To recall ‘the direct grain subsidy’”, *Changde Daily Online*, 27 December 2008, available on: [http://cdrb.cdyc.com/html/2008-12/27/content\\_70415.htm](http://cdrb.cdyc.com/html/2008-12/27/content_70415.htm) (accessed on 23 March 2014).

<sup>491</sup> *Ibid.*

<sup>492</sup> The general office of the State Council, “A notice of the State Council on improving the policy of restoring farmland to forest [guofa (2007) No.25]”, *Central Government Web*, available on: [http://www.gov.cn/zwgc/2007-08/14/content\\_716617.htm](http://www.gov.cn/zwgc/2007-08/14/content_716617.htm) (accessed on 21 March 2014).

<sup>493</sup> Interview 2011/12/30.

<sup>494</sup> The forestry bureau of Li County, “The implementation on delivery of the subsidy for restoring farmland to forest in Li County in 2014”, *Forestry Bureau of Li County Web*, 31 March 2014, available on: <http://hnlx.forestry.gov.cn/24287/24290/24298/113489.html> (accessed on 4 December 2014).

responded to the call for restoring farmland to forest.<sup>495</sup> However, since 2004, the living allowance of 20 yuan per year has not reached the peasants. This will be discussed below.<sup>496</sup>

The restored forests could be two types – ecological forests, such as maple and pine, and economic forests, such as oranges in most areas of Li County.<sup>497</sup> The subsidies rate is the same for both, but it covers different periods – ecological forests for eight years and economic forests five years. In addition, there are some small areas to restore farmland to grassland, which is covered for two years.<sup>498</sup> Five years are considered to be enough for economic forests to produce fruit to make profits, while ecological forests need more time for the trees to grow to make profits.<sup>499</sup> During the years covered by subsidies, the forests are not allowed to be cut down or sold off. After that, the peasants can either choose to cut down the trees in order to sell them, after approval from the relevant governmental department, or continue to plant with the subsidy reduced by half to 105 yuan per *mu* beginning in the ninth year.<sup>500</sup> Up to 2012 when field research for this thesis was carried out, ecological forests which were restored from farmland in Li County had finished their first term of eight years from 2002 to 2010 and started their second term in 2011.<sup>501</sup>

In addition to the subsidy for restoring farmland to forest, the No.1 Central documents in 2006, 2007, 2008 and 2009 continued to urge increases in the coverage of various beneficial subsidies.<sup>502</sup> For example, in 2006, article 13 of its No.1 Central document encouraged major grain producing areas to increase the percentage of the direct grain subsidy by up to 50% of the grain risk fund. Then the document for 2007 not only urged

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<sup>495</sup> Interview 2011/12/30.

<sup>496</sup> See this Chapter, p. 275-276.

<sup>497</sup> Interview 2011/12/30.

<sup>498</sup> *Ibid.*

<sup>499</sup> Interview 2012/02/16.

<sup>500</sup> Interview 2011/12/30.

<sup>501</sup> Interview 2012/02/16.

<sup>502</sup> Like the No. 1 Central document in 2005, these No.1 Central documents are literally the first documents which the Central Party Committee of CCP issued every year. They became a code for the emphasis of the Central Government on agricultural work and the term of “No. 1” implies their significance for the work in the year ahead.

the extension of this practice to other non-major grain producing areas, but also called for an increase in the amount and the content of other subsidies such as those for growing superior grain and for purchasing large-scale agricultural machinery and tools (article two). Based on that, while the No.1 Central document of 2008 continued to increase the amount of the four existing subsidies (article two) – the direct grain subsidy, the subsidy for growing superior grain and for purchasing large-scale agricultural machinery and tools, and the direct comprehensive subsidy for agricultural production materials, the document in 2009 greatly extended the subsidy for growing superior grain to cover rice, wheat and cotton (article two).<sup>503</sup> Details of the various main beneficial subsidies in Li County up to 2011 are shown in *table 4.2* below.

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<sup>503</sup> The No.1 Central documents in 2006, 2007, 2008 and 2009 are “several opinions on pushing ahead building a new socialist village [*zhongfa* (2006) No.1]”, “several opinions on actively developing modern agriculture and continuing to push ahead building a new socialist village [*zhongfa* (2007) No.1]”, “several opinions on strengthening agricultural infrastructure building and further stimulating the development of agriculture and income growth of peasants [*zhongfa* (2008) No.1]”, and “several opinions on stimulating the constant development of agriculture and the continuous growth of income of peasants [*zhongfa* (2009) No.1]”. They are available on *Central Government web* on <http://www.gov.cn/> (accessed on 4December 2014).

Table 4.2 A list of the various agricultural subsidies including rates and amounts in Li County up to 2011<sup>1</sup>

Category		Starting Time <sup>3</sup>	Rate (yuan /mu)	Amounts to the whole County (unit: million yuan)									
				2003	2004	2005	2006	2007	2008	2009	2010	2011	
The direct grain subsidy		2004	13.5		11.205	11.205	11.205	11.205	11.205	11.205	11.205	11.205	11.205
The subsidies for growing superior grain	Rice <sup>2</sup>	Early	10										
		Middle	15					10.2567					
		late	15					11.9683		14.572		14.243	13.433
	Cotton	2009	15					2.85	2.85	5.025	5.9577	5.025	
Rapeseed	2009	10					6.7269	6.2	4.63	7.6411	6.614		
The subsidy for restoring farmland to forest		2002	210 + 20 <sup>4</sup>	6.9	13.8	14.375	15.755	15.775	15.125	14.495	14.4482	11.1852	
The subsidy for purchasing large-scale agricultural machinery and tools		2004	Up to 30% Of the price			0.5	0.6	1.2	3.15	14	15	13	
The direct comprehensive subsidy for agricultural production materials		2006	80.6			66.898	66.898	66.898	66.898	66.898	66.898	73.298	
Others	for raising brood sows	No data	100 yuan Per sow					1.7055	2.8320	cancelled	cancelled	2.0292	
	for raising the superior breeds of pigs		40 yuan Per pig					0.76	1.52	1.52	1.52	1.80	

Notes: 1. This table was created by the author based on the data accumulated in the field research. The agriculture office of the Finance Bureau of Li County provided the data for the subsidies for growing superior grain including cotton and rapeseed, and the data for the subsidies for raising the brood sows and superior breeds of pigs. The economic construction office of the Finance Bureau provided the data for the direct grain subsidy and the data for the direct comprehensive subsidy for agricultural production materials. The Bureau of Agricultural Machinery provided the data for the subsidy for purchasing large-scale agricultural machinery and tools, and the Bureau of Forestry provided the data for the subsidy for restoring farmland to forests.

2. Rice here included sweet corn and wheat.

3. The starting time here means the time when the state officially called on the whole country to generalise the introduction of some certain subsidies. Actually since the implementing process of the various subsidies involved sporadic experiments and gradual steps forward, some subsidies might be implemented earlier in Li County than the official generalised time -- if the county or Changde prefecture city of which it is a part was chosen to be an experimental site. However, depending on local conditions, the times for the implementation of some other subsidies might be later than that intended by the central government.

4. According to the policy, the subsidies for restoring farmland to forests are supposed to include two parts: grain compensation at a rate of 150 kilogram per *mu* and a living allowance at a rate of 20 yuan per *mu* per year. In practice, the grain compensation was converted to 210 yuan in cash while the living allowance was intercepted, so that peasants in Li County actually only got 210 yuan per *mu*. This is discussed in the following section.

Furthermore, according to the publicity of township governments in Li County in 2012, in addition to the above subsidies which are common, there are 22 other policies which either benefit governments at county level -- incentivising them to support agricultural production -- or are given to the agricultural services department to improve its support for the development of agriculture.<sup>504</sup> These outlays cover increases in the minimum purchasing price of wheat and rice; a diesel subsidy for fishing; a policy to eliminate VAT on the vegetable circulation process; a policy to promote agricultural technology in rural areas; another to strengthen training for modern agriculture; a policy to protect property rights including peasants' land; a policy to improve agricultural insurance; and so on.<sup>505</sup>

On average, a peasant who grows a single crop of rice can get subsidies at a rate of 109.1 yuan per *mu*, and one who grows double crops at a rate of 182.91 yuan per *mu*.<sup>506</sup> According to interviewees, these subsidies are in place in most villages, although the field research also uncovered some

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<sup>504</sup> The Guanyuan Township Government, "A list of the agricultural beneficial policies of the state in 2012", *Guanyuan Township Government Web*, 19<sup>th</sup> November 2012, available on: [http://gyx.lx-gov.cn/news\\_show.asp?id=250](http://gyx.lx-gov.cn/news_show.asp?id=250) (accessed on 22 March 2014)

<sup>505</sup> *Ibid.*

<sup>506</sup> Interviews 2012/01/06, 2012/02/24.

problems such as impostors and the interception of some payments owed to peasants.<sup>507</sup> The items covered by these subsidies have tended to be more and more comprehensive and complicated in recent years. In order to avoid interceptions and misappropriations before they reach the relevant rural households, the state decided to use bank books to issue various subsidies. According to the Finance Bureau of Li County, the Bureau of the Township Fiscal Management -- the subordinate of the Finance Bureau -- is in charge of logging the information of various subsidies. After recording the information, the Bureau authorises the Postal Saving Bank in each township to open a special account for each relevant household and to transfer money to this account. Finally, after the finance office delivers the bank books to each household, they can go to the Postal Saving Bank to get their money with the bank book and their ID card.<sup>508</sup> As this bank book includes almost all subsidies related to the peasants, it has been called the “all-purpose card” (*yikatong*).

#### ***4.2 The follow-up practices to respond to the problems in the implementation of a series of policies from 2002 to 2005***

The period from 2002 to 2005 was significant for the peasants and the rural community. As discussed above, as the central government shifted their concerns from the urban areas to the rural areas, it not only proposed a series of policies which are beneficial to the peasants and the governance in rural areas, but it has also substantially increased investments in agriculture and related infrastructure. The rural community has gradually been rehabilitated from the exploitation and the damage suffered since the middle 1990s. The elimination of several taxes and fees, and the delivery of the various beneficial subsidies, have greatly reduced the gaps between, and promoted integration between, urban and the rural areas. This point emerges from three recent phenomena in the villages.

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<sup>507</sup> For more details, see this Chapter, p. 275-281.

<sup>508</sup> The Bureau of the Township Fiscal Management, “Implementing five principles to guarantee the delivery of the bank note of the agricultural subsidies”, *Finance Bureau of Li Count Web*, 18 December 2013, available on: <http://www.lxczj.gov.cn/Item/2401.aspx> (accessed on 6 December 2014).



First, the burdens on peasants have been dramatically reduced. During field research, almost every peasant interviewed gave high praise to these beneficial policies. Instead of using the elaborate words, most of them gave thumbs up and said straightforwardly, “the policies now are really good as we not only do not need to pay much, but also are able to receive a lot of subsidies. In which period did we peasants enjoy such good policies?”<sup>509</sup> Mr Qu in Linan Township compared the amounts of taxes and fees which his household had to pay in 1990s and in 2000s.<sup>510</sup> Before 1998, he and his wife only cultivated 4 *mu* contracted land, and every year they needed to pay on average taxes and fees at a rate of 330 yuan per *mu*. In the peak year his household paid more than 1,300 yuan in total. In 2008, his household cultivated 20 *mu*, seven of which were given over to early grain and the total subsidies were 696.5 yuan. The total taxes and fees were 428.4 yuan, in which water fee was 19.92 yuan per *mu* and the funds raised through the programme of “one project one discussion” was 15 yuan per capita. This is to say that he actually earned 268.1 yuan. According to the previous rate of taxes and fees, the payments on 20 *mu* were 6,000 yuan. However, now his household not only does not need to pay this sum, but the state gives him a net income of 268.1 yuan.

Second, household incomes have greatly been increased so that living standards have improved. According to an investigation in Linan Township by the Li County group of the Rural Socio-economic Survey Team of Hunan, the average income of rural households reached 100 thousand yuan, with some reaching 300 thousand.<sup>511</sup> The elimination of most taxes and fees and the delivery of the subsidies have relieved the peasants of heavy burdens, so as to give them enough energy and time to make money. As the lands now are not subject to heavy taxes and fees, some households which have surplus labourers would like to cultivate more lands than before by

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<sup>509</sup> Interview 2012/01/06.

<sup>510</sup> The Li County group of the Rural Socio-economic Survey Team of Hunan, “The peasants’ happiness, worries and hopes which are needed to be concerned”, *Li County Information*, 2008, issue no. 37, printed by the Li County group of the Rural Socio-economic Survey Team of Hunan.

<sup>511</sup> *Ibid.*

renting the lands off other households who have slack lands because their members go out to work. After the re-confirmation of the contracted land right in 2007, transfers of contracted land have changed from casual private actions to officially legalised actions.<sup>512</sup> The unilateral abandonment of lands is also reduced as a result of the receipt of subsidies. Traditional agriculture tends to be developing towards industrialisation not only in terms of the scale, but also in terms of the types of products. The income of big farm owners thus has dramatically increased. Mr Z of Dayan Village of Linan Township planted 40 *mu* of Eurasian raisin grapes in 2008 and the annual income has reached as high as 500 thousands yuan.<sup>513</sup> The increasing income has transformed the living conditions of rural residents. A great variety of food appears on the table of rural households not only on special occasions, but also on a daily basis.<sup>514</sup> In terms of clothes, rural dwellers are able to follow urban fashions. The expenditure on clothes of a rural household averages around 1,000 yuan, with 400 yuan per capita.<sup>515</sup> Self-built houses with modern design have become commonplace – with various facilities including running water, electricity, telephones and cable television. Some better-off households can even afford motorbikes or cars.

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Third, the reform of taxes and fees in the rural areas has also eased the pressure of work faced by the local cadres at the township and village levels, so as to improve relationships between the cadres and peasants. As Mr C of the previous Zhaojia Village of Guanyuan Township said, the three big tasks for the party secretary of the village committee in the 1990s were family planning, flood protection and the collection of the taxes and fees. They were hard pressed, busy day and night without any breaks, and they

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<sup>512</sup> For more details about the re-confirmation of the contracted land right, see the following section.

<sup>513</sup> For more details about the origin of the Eurasian raisin grapes planting in Li County, see Chapter Three, p. 164-167. For more details about its industrialisation, see this Chapter p. 309 – 311.

<sup>514</sup> The Li County group of the Rural Socio-economic Survey Team of Hunan, “The peasants’ happiness, worries and hopes which are needed to be concerned”, *Li County Information*, 2008, issue no. 37, printed by the Li County group of the Rural Socio-economic Survey Team of Hunan.

<sup>515</sup> *Ibid.*

<sup>516</sup> *Ibid.*

used some coercive methods to extract money from peasants.<sup>517</sup> A combination of persuasion and coercion when collecting the taxes and fees had made peasants hostile to the local cadres, as we saw in Chapter Three.<sup>518</sup> The reform of taxes and fees has liberated the local cadres from the onerous task of collecting them, so that they are able to spend more time and energy on enabling income growth of the peasants and on providing public goods – their two main remaining tasks.

While these beneficial policies have relieved some problems of the 1990s, they have created a few new problems as well. The over-concentration of lands which started in the mid-1990s has become more pronounced via the selling off the lands. This occurred during the process of eliminating deficits and reducing debts in 2002, and as a result of arbitrary actions to occupy peasant lands in the heat of infrastructure building. Since various subsidies based on the land size have been introduced, many peasants who lost their lands either voluntarily or passively have sought to claim them back. However, as all the lands were either contracted to the peasants or were sold off for long fixed periods, village committees have neither the available lands to ease conflicts, nor the money to repay the buyers. In order to mediate in these conflicts and to protect the contracted rights of the lands, in 2008, the Hunan provincial government set about re-confirming the contracted rights of the lands, intending to resolve conflicts by legally confirming the contracted rights of the lands in the form of a new version of land certificates. The results of this practice actually vary (see just below).

Although the reform of taxes and fees has greatly eased peasant burdens, the reformed fiscal system makes the authorities at township and village levels financially more reliant on transfer payments from higher levels of government. Since these transfers are too limited to cover most administrative functions at township and village levels, and since the capacity to reproduce financing varies in different places, their ability to

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<sup>517</sup> Interview 2012/02/14b.

<sup>518</sup> For more details, see Chapter Three, p. 216 – 221.

provide public goods therefore varies as well. Furthermore, in spite of the campaign to eliminate deficits and to reduce debts in 2002, many villages and townships still have high debts. New monitoring methods since 2004 have meant that any actions that increase peasants' burdens are strictly dealt with. This has persuaded many local cadres of the impossibility of collecting funds from peasants to clear debts, and has turned their attention to the various subsidies as a possible source of money. As a result, my field research has uncovered new practices such as continuing to collect money furtively, intercepting subsidies, or even creating impostors to extract money from the state. These problems are discussed in details in the following section. Up to 2012 when the field research was carried out, a series of subtle changes had been made to respond to these problems.

#### ***4.2.1 Strengthening the contracted land rights of peasants in 2007***

As we saw in Chapter Three, in order to stabilise further the contracted land rights of peasants, the state called for a renewal of the land contract in 1994, and Li County completed this work by the spring of 1995. However, this practice did not achieve the expected result. After 1994, it triggered many land disputes, either between private persons or between local governments and peasants - which in the words of the provincial government, severely endangered the stability of the management institution for land contracts and obstructed the development of agriculture.<sup>519</sup> As we saw above, these disputes had numerous causes, including the voluntary abandonment of lands by peasants, arbitrary occupations by the government, and other violations of the contracted rights to lands. In response to this situation, in 2007, the provincial party committee and the provincial government instructed local governments to deal with severe land conflicts and to confirm further the contracted rights of peasants.

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<sup>519</sup> The General Office of Hunan Provincial Party Committee, "The Advice of the General Offices of Hunan Provincial Party Committee and of Hunan Provincial Government on Further Stabilising and Improving the Management Institution of the Land Contract [*xiangbanfa* (2006) No. 2]", on 18 January 2006, included in a document compilation on re-confirming the contracted land right edited by the rural management office of Dayandang Township in September 2007.

In pursuit of this goal, Dayandang Township of Li County was chosen by the Changde prefecture city government to carry out policy experiments from the end of May to the beginning of August of 2007. The experiments mainly focused on three issues.<sup>520</sup> One was the legal and practical principles for defining the contracted rights and the content of lands. The second was to develop criteria to judge the contracted rights and the content of the lands for several special groups, including households that had moved out of villages and abandoned their lands, households which personally transferred their lands to other peasants, households whose lands were requested by governments, and so on. The third issue was the written evidence required for contracted rights. It was decided that after checking on practicalities, the 1994 version of the management certificate of the land (see Chapter Three) would be replaced by a new version, called “the management right certificate of the contracted land of the People’s Republic of China”, produced by the Agriculture Ministry, printed by the office on the rural affairs of the Hunan Provincial Government, certified by the Li County Government, and filled in by the rural management bureau of Li County. Those who had not received the 1994 version would be issued with this new version too. According to the investigation in Dayandang Township before the re-confirming activity, only 15 villages out of 22 villages signed the contract, among which, still some villages did not provide peasants with management certificates as evidence of the contract.<sup>521</sup>

Based on experiences during the experiments, Dayandang Township worked out a series of criteria to deal with land conflicts and to strengthen contracted relationships between peasants and the state, which have since been spread throughout the county. First, a few legal and political principles were clarified to define contracted rights when dealing with the disputes in

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<sup>520</sup> Dayandang Township Government, “The Work Plan on the Experiments on the Further Stabilising and Improving the Management Institution of the Land Contract”, on 10 June 2007, included in a document compilation on re-confirming the contracted land right edited by the rural management office of Dayandang Township in September 2007.

<sup>521</sup> The Rural Management Station of Dayandang Township, “The Report on the Investigation on the archive materials of the land contract of Dayandang Township”, on 8 May 2007, included in a document compilation on re-confirming the contracted land right edited by the rural management office of Dayandang Township in September 2007.

Li County. The hierarchy of authority is in turn Law of the People's Republic of China on the Contracting of Rural Land (LPRCCRL), the Implementation Plan of Hunan province of LPRCCRL, the emergent notice of the General Office of the State Council on properly dealing with the rural land contract disputes [*guobanfamingdian* (2004) No. 21], and the joint advice of the General Offices of the Hunan Provincial Party Committee and of the Hunan Provincial Government on further stabilising and improving the management institutions of contracting rural lands [*xiangbanfa* (2006) No. 2]. Second, details of the methods to confirm the content and the size of the contracted land would be discussed either in a villagers' group unit or in a village unit, depending on the practical conditions of various villages. For the villages or the groups which did not carry out the practice of renewing the land contract in 1994 or which had renewed contracts in 1994 but in a manner that triggered many disputes, the criteria to confirm the size of the lands would be the allocation standards for households used in 1984. Otherwise, the data used when renewing land contracts in 1994 would be the criteria to certify the new version of the management right certificate.<sup>522</sup> Actually, in practice, most villages assessed during field research followed the data used in 1994.<sup>523</sup>

As evidence for claims to property rights, when compared to the other two certificates of 1984 and of 1994, this new certificate has evolved to become more solid in terms of its content and the issuing organisations. It implies that the action of contracting land between the state and peasants which used to be based on political authority now is shifting to be more legalised and normalised. In addition, as one kind of civil contract, it clearly and definitely dates the valid term, for which the lands are contracted, that is, from 1 October 2007 to 31 December 2024.<sup>524</sup> This term starts from the date when this new certificate is issued and ends in 30 years since 1994 when the work of renewing land contract was supposed to be done. Once

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<sup>522</sup> The Li County leadership team of the follow-up work of renewing rural land contracts, "the advice on dealing with several land disputes in the follow-up work of renewing rural land contracts", included in a document compilation on re-confirming the contracted land right edited by the rural management office of Dayandang Township in September 2007.

<sup>523</sup> Interviews 2012/02/18, 2012/02/19c, 2012/02/19.

<sup>524</sup> Interview 2012/02/11.

issued, this right is protected by LPRCCRL and no one, including the local cadres, has authority arbitrarily to dispose of it or to adjust the contracted land of any peasant<sup>525</sup> - no matter what changes occur in a household's population or its residence, nobody but the rights claimant can dispose the contracted land.

Technically, this provides sound protection for peasants' property rights. However, my field work found that since in practice, most villages in Li County chose the 1994 status quo to be the standard to decide the size of the contracted land (which featured land over-concentration in the hands of a few peasants), many peasants have a lot of complaints. In addition, although the legalisation has prohibited the arbitrary disposal of the lands of the village committees, it also limited the village committee to have reasonable minor adjustments due to the changes on population of a household, so that both local cadres and the peasants think that it is unfair if it is not allocated equally, considering that land is the only resource for each peasant in China to guarantee their living allowance from cradle to grave. As Mr L of Dazhou Village of Yongfeng Township said, "If a household gives birth to a son and we cannot allocate the lands to this boy anymore, how can he make a living as a peasant when he grows up?" Owing to this dissatisfaction, the re-confirmation of contracted rights in many villages has still not been completed yet.<sup>526</sup> Many new certificates thus have been held still in the hands of village cadres and cannot be delivered to the relevant rural households when they were interviewed in 2012.<sup>527</sup>

#### ***4.2.2 The reformed fiscal system at the township and village levels***

Before the reform of taxes and fees in the rural areas started in 2002, as we saw in Chapter Three, the stable income sources at the township level mainly included a) taxes and management fees from township-owned

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<sup>525</sup> Interview 2012/02/19c.

<sup>526</sup> Interviews 2012/02/19, 2012/02/19c.

<sup>527</sup> *Ibid.*

enterprises and b) fees for township planning.<sup>528</sup> As an agrarian county, actually item a) in Li County provided very limited resources, and therefore item b) became the main income source at township level. In addition, sometimes township governments sought investments from higher levels of government to fund some projects.<sup>529</sup> After the reform, item a) remained, but the more important item b) was replaced by a transfer payment from higher levels. As an area along large rivers, the Changde prefecture city region was also allowed to charge for electricity used in drainage and for water used in irrigation, at a rate of 30 yuan per *mu* in lake areas, 20 yuan per *mu* in hilly areas, and 15 yuan per *mu* in mountainous areas.<sup>530</sup> The average water charge in Li County was 15–15.5 yuan per *mu*. It is harder to extract transfer payments from higher levels than to collect money at the village level. Therefore, the income at the township level has fallen. Some investigations show that revenue in Liyang Township declined by an average of around 900,000 yuan per year.<sup>531</sup>

However, the various administrative functions have still been performed. As one study showed, in Yongfeng Township, the normal financial expenses included “a) the wages of the cadres, around 300,000 yuan, b) office expenses, around 150,000 yuan, c) expenses for government cars and hospitality, around 50,000 yuan, d) business trips and training, around 50,000 yuan, e) subscriptions of party newspapers and magazines, around 60,000 yuan, f) other administrative functions including family planning, maintaining public order, promoting agricultural technology, maintaining roads, militia training, recruiting new soldiers, managing the economy etc., around 400,000 yuan, and g) expenses on flood prevention

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<sup>528</sup> For more details on the income sources at the township level, see Chapter Three, p. 199 - 202.

<sup>529</sup> Dongtingzhizi, “An investigation report on Li County: taking an opportunity of eliminating the agricultural tax to push ahead the rural comprehensive supporting reform”, *People’s Daily Blog*, 3 January 2008, available on <http://blog.people.com.cn/article/1336945120547.html> (accessed on 20 March 2014).

<sup>530</sup> “The way to manage the water charge and the fee for drainage in Changde”, *Changde Rural Economy Web*, available on: <http://www.cdnj.gov.cn/cnht/sfg%20g/gzgt.htm> (accessed on 30 March 2014).

<sup>531</sup> Dongtingzhizi, “An investigation report on Li County: taking an opportunity of eliminating the agricultural tax to push ahead the rural comprehensive supporting reform”, *People’s Daily Blog*, 3 January 2008, available on <http://blog.people.com.cn/article/1336945120547.html> (accessed on 20 March 2014).



and drainage, around 200,000 – 600,000 yuan.”<sup>532</sup> The total expenses ranged from 1.2 million to 1.6 million yuan. The gap between those figures and the reduced revenues has caused debts. Mr L of Daping Township told us, up to 2012, the debts of his township ranged from 2 million to 3 million yuan.<sup>533</sup> The accumulating debts forced his township to keep borrowing money from one of its subordinate better-off villages.<sup>534</sup> By 2012, Daping Township owed its Qunle Village more than 900,000 yuan.<sup>535</sup>

At the village level, before the reform, revenues mainly came from a) money collected from the peasants in the name of fees for township planning and village reserves, which would be retained by the village based on an agreed ratio between the township and the village, b) income and management fees from the village-owned enterprises, and c) income from the collectively-owned resources such as woodlands and fish ponds.<sup>536</sup> During the campaign to eliminate deficits and reduce debts in 2002, most villages in Li County chose to sell off their village-owned enterprises and resources, so that after 2002, income from b) and c) disappeared. The income from item a) was replaced by a transfer payment, which became the only stable revenue source at the village level. Since this sum must be shared with the township government on an agreed ratio, what village committees can get from this source is actually very limited. They barely cover normal administrative functions, never mind providing public goods.

In order to find financial cover for their expanding administrative functions and personnel, the decentralised authorities in 1993 gave the governments at township and village levels chances to transfer this fiscal pressure to the peasants.<sup>537</sup> After the 2005 reform, although government

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<sup>532</sup> *Ibid.*

<sup>533</sup> Interview 2012/02/18.

<sup>534</sup> Interview 2012/02/18b.

<sup>535</sup> *Ibid.*

<sup>536</sup> For more details on the income source at the village level, see Chapter Three, p. 199 – 202.

<sup>537</sup> For more details on the decentralisation of the fiscal authority in 1993, see this Chapter, p. 290 – 291.

organs had been relatively downsized,<sup>538</sup> the administrative functions had not yet been reduced much. They have sometimes even increased, since social problems have become more complicated as economic reform has gone further. These functions still need to be financially supported. In addition, there are still many villages and townships which have not cleared their accumulated debts. Therefore, looking for income sources is still one of the important tasks for the local cadres. However, collecting money from ordinary people in the name of compulsory taxes or fees is not as easy today as in 1990s after the 2005 reform eliminated most taxes and fees. Accordingly, township and village authorities could obtain funds through three main channels: by lobbying for investment from higher levels; by fundraising among the peasants living within the village in the programme of “one project one discussion”; and other voluntary donations from successful persons.<sup>539</sup>

Yet, in practice, as the local cadres have little authority to pursue the first and third sources, fundraising in the name of “one project one discussion” has become the most likely source to plug fiscal holes, and it thus was usually abused. As Mr C of Qilimiao Village of Cengnan Township recalled, although it has declined somewhat, the arbitrary collection of money still took place in his village from 2005 to 2009.<sup>540</sup> According to the relevant regulations from Hunan provincial government and Changde prefecture city government, only two charges may be levied after 2005 reform: a) a water charge with a upper limit of 30 yuan per *mu* per year for embankment area, 20 yuan for water lifting irrigation area, and 15 yuan for gravity water flowing irrigation area (most areas in Li County belong to gravity water flowing irrigation area and my research found the average charge in Li County is 15–15.5 yuan per *mu*), and b) project fundraising in programme of “one project one discussion” up to a limit of 15

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<sup>538</sup> For more details on downsizing of administrative personnel at township level, see this Chapter, p. 290 – 291.

<sup>539</sup> Interviews 2012/02/15, 2012/02/18b, 2012/01/06, 2011/12/30.

<sup>540</sup> Interview 2012/01/06.

yuan per capita.<sup>541</sup> However, in 2007 and 2008, the peasants in Qilimiao Village of Cengnan Township still paid as much as 50 yuan per capita and in 2009 it even reached 60 yuan.<sup>542</sup> These amounts were mainly collected in the name of “one project one discussion”. In addition, agricultural subsidies from higher levels also became targets for seekers of revenue. My field research found that this is done mainly through two types of interception: direct deductions in the name of administration fees, and the creation of the impostors either to intercept extra money from higher levels or subsidies due to the peasants. Let us consider each.

*(I) Direct deductions in the name of administration fees<sup>543</sup>*

According to a rate list of various subsidies, the subsidy for restoring farmland to forest actually is supposed to include two parts – the grain compensation and the living allowance.<sup>544</sup> In practice, the peasants in Yuntai Village of Dongshi Township, one of the two townships that have the greatest restoration of farmland to forest (and the other is Wangjiachang Township), told us that in 2003, the first year of this subsidy, the grain compensation was fulfilled in the form of grain at a rate of 150 kilogram grain per *mu* and the living allowance was realised in cash at a rate of 20 yuan per year.<sup>545</sup> These two payments were indeed handed to peasants in that first year. However, from the second year on, while the grain compensation was converted to cash form in a rate of 210 yuan per *mu* per year based on the minimum protective grain price (70 yuan per 50

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<sup>541</sup> “The way to manage the water charge and the fee for drainage in Changde” and “The detailed regulations of Changde prefecture city administration to implement a Hunan provincial management way on fundraising and labour-raising for public welfare projects within a village”, *Changde Rural Economy Web*, available on: <http://www.cdnj.gov.cn/cnht/sfg%20g/gzzt.htm> (accessed on 30 March 2014)

<sup>542</sup> Interview 2012/01/06.

<sup>543</sup> Interviews 2011/12/30, 2012/02/16, 2012/02/16f.

<sup>544</sup> The rate and the content of each subsidy is from “The list of the rates for various agricultural subsidies in Hunan in 2010”, which was compiled by the Li County group of the Rural Socio-economic Survey Team of Hunan to investigate on implementing various subsidies policy in Li County in 2011.

<sup>545</sup> Interviews 2011/12/30, 2012/02/16.

kilograms), the 20-yuan living allowance per year was deducted by the forest office at township level and the forest bureau of the county.<sup>546</sup>

Since fellow peasants in the neighbouring counties, such as Shimen, obtained 230 yuan per *mu* in total for restoring farmland to forests, many peasants in Wangjiachang felt unfairly treated and reported this to higher levels of government. The explanation from the county was that Shimen County specifically appropriated 300,000 yuan for operational expenses to cover the administrative functions of the forest bureau while the Li County government did not appropriate this amount. So the forest bureau of Li County and the forest office at township levels had to deduct this 20-yuan living allowance to cover this part of expenses. From a legal perspective, this action is inappropriate as it is unilateral action of local governments.<sup>547</sup> It is worth noting that instead hiding, local cadres actually explained to the peasants when they deducted this 20-yuan living allowance. Most peasants chose to tolerate it, although some reported it. As Mr W of Yuntai Village said, it is understandable that the forest bureau needed to cover its personnel to operate this subsidy. The grain compensation of 210 yuan per *mu* actually is credited into the relevant accounts of the peasants though.

***(II) Creating impostors to intercept subsidies for peasants, either to supplement the expenses of the villages or to cover the unmet water charge***

Respondents gave two main reasons for creating impostors to intercept the subsidies. First, in some areas such as around lakes (as opposed to plains, hilly and mountainous areas), neither do they have rich natural resources to develop industries, nor does agriculture develop well due to the unpromising geographical location.<sup>548</sup> Economic conditions in these areas have therefore been difficult. During the 1990s when the burdens on peasants were heavy

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<sup>546</sup> *Ibid.*

<sup>547</sup> Interview 2011/12/30.

<sup>548</sup> For more details about the geographic settings in Li County, see Chapter One, p.55 – 58. The altitude in lake areas is usually so low that they are more likely to be threatened with flood than other areas.

in Li County, the situation in these areas was even worse than elsewhere.<sup>549</sup> After the 2005 reform when the revenue of the villages was reduced, again the situation in lake areas was much worse than in other areas. Since collecting money from the peasants was strictly prohibited after 2005, subsidies became the target to obtain money to cover the village expenses. To prevent local cadres from cheating peasants, the central government took many steps, such as directly crediting subsidies into special accounts, enabling withdrawals with ID cards, and publicising information about subsidies and their beneficiaries so as to monitor and to report.<sup>550</sup> However, although all these steps are implemented locally, cheating persisted. This is just as a saying circulated among the peasants goes, “the higher authority has measures, and the localities have countermeasures (*shang you zhengce, xia you duice*)”.

So how did this happen despite these monitoring methods? Let us put it in context and consider the case of Fenghuang Village of Guanyuan Township, a typical village in lake area.<sup>551</sup> The calculation and delivery of the subsidies are based on household units, and one household has one special account with the husband being the head. The information on the relevant households would be investigated and be reported by the villages upward through the governmental hierarchy. Thus, the subsidies, after checks and approvals by the Finance of Ministry, were issued through that hierarchical system downwards to the township and credited into the special account of each household. Meanwhile, the state requested village committees to publicise the list of the names and amounts of subsidies for all beneficiaries. Following this procedure, the village committee of Fenghuang Village indeed posted the list on its announcement board. However, to the peasants’ surprise, instead of one account per household, some households were included twice by setting up the husband and wife as two individual accounts on the list. Mr C of Fenghuang Village told us that

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<sup>549</sup> For more details about the burdens on peasants in context, see Chapter Three, p. 202 – 214.

<sup>550</sup> Interview 2012/02/14b.

<sup>551</sup> *Ibid.*

four such households were found in the list on his village announcement board.

Actually, it was the village committee that played this trick when it collected and recorded the information of potential beneficiary households. In order to let the state issue extra money, the village committee created more accounts by including one household twice and by setting up non-eligible household members as the heads for the accounts. The subsidies issued by the state were based on the information the village submitted. Once the money was credited, the village committee would pay a small amount of money, such as 100 yuan or 200 yuan, or use other methods, such as treating them to free meals or buying them cigarettes, to ask the impostors to withdraw the money with ID cards, which are not that easy to fake. The withdrawn money was then taken by the village committee to cover expenses. One might ask why some villagers would agree to help the village committee in this swindle. Some peasants, who had suffered poverty for a long time, would rather accept the benefits before their eyes than obey other abstract political or moral values. Besides, other peasants, as a disadvantaged group, still often feel intimidated by authority. But there were still some villagers who found this unacceptable and reported it to the township government. However, for unknown reasons, this case was still unresolved when Mr C was interviewed in 2012.

The second ploy was to intercept peasants' subsidies that were intended to cover their water charges. As noted above, after the 2005 reform, one item to be collected is a water charge of 15–15.5 yuan per *mu* and fundraising of up to 15 yuan per capita in the programme of “one project one discussion”.<sup>552</sup> While the latter was optional, the former was compulsory. Since the coercive methods used in the 1990s were absolutely prohibited, almost all interviewed village officials found it very hard to collect this water charge because of the general reluctance of peasants. Shuisi Village of Dayandang Township only collected 50% and even some

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<sup>552</sup> Interview 2012/01/06.

rich villages like Xindu Village of Lidong Township could only collect 80%. If the peasants did not pay, a village in turn would have to assume this responsibility for them and find the money, which contributed to their existing debts. In some villages, in order to collect the water charge and to minimise debts, the local cadres chose to intercept peasants' subsidies, if they did not pay, to cover their water charge. Banqiaorong Village of Wangjiachang Township is a typical case.<sup>553</sup>

Banqiaorong Village is one of the few villages under Wangjiachang Township which fully covered the water charge. Without using force, like seizing valuables as in the 1990s, how could it do that? It was not because all the peasants there were obedient. Some were reluctant to pay the charge. For example, a peasant named RJ cultivated more than 6 *mu* land in 2011 and therefore needed to pay around 100 yuan in water charges. The economic condition of his household was good enough to afford a two-story house and according to official policy, his household could also get subsidies of 5,000 to 6,000 yuan per year. But he refused to pay his 15.5 yuan per *mu* of water charges. As the party secretary of the village committee, Mr R thought that this action was very unfair for the peasants who obediently paid their charges. So in order to maintain equality among the peasants, the next year (2012), he organised meetings of local cadres of the village committee and the representatives of the villagers to discuss how to deal with the peasants who refused to pay the water charge.

In the end, participants at the meetings passed a resolution, in which intercepting the subsidies of uncooperative peasants was approved. This solution was recorded in a written document signed by every attendant. But how were their subsidies intercepted? The state had adopted a series of strict methods to avoid interceptions, so this was not an easy task. Unlike the above case of Fenghuang Village which set up overlapping accounts, the cadres in Banqiaorong Village replaced the relevant peasants' accounts with fake names when they submitted the list of beneficiaries. Therefore, the

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<sup>553</sup> Interview 2012/02/16f.

relevant peasant's account became invalid and he could not get subsidies. The new bank book with a fake name was delivered to the village collective. In order to withdraw money, a real ID card was needed. Since a fake name does not have a real ID card and faking an ID card would be serious crime, the village committee tried to network with the bank to see if there is any chance to withdraw money. This scenario might be impossible to understand for the westerners, but as Chinese rural society is still based on personal relations, sometimes those relations can win the upper hand over any legal or political regulations.

However, just when the village committee was arranging personal links with the bank to obtain the money, this peasant rang the hotline of the Governor of the County and reported that he did not get his subsidies. As in the 2000s, maintaining social stability is the priority and intercepting subsidies of the peasants is a sensitive issue for local governments. So the County Government immediately called the Party Secretary of the Township, and then he instructed the head of the township government, the director of the economic management office of the township, and the director of the finance office of the township to come to talk to Mr R, the Party secretary of the village, and instructed him to return the subsidies to the peasants. Even though the village committee had the written document passed and signed in the meetings of the cadres and the representatives of the villagers, the township government still ordered Mr R to return the bank book and the subsidies to RJ, no matter whether he paid the water charge or not.

There are several ways to look at this. From the perspective of the peasant involved, the action of the village committee to intercept his subsidies was illegal based on the regulations of the state and had violated his rights. However, Mr R (the party secretary of the village), on behalf of the village authority, thinks that although replacing the peasant with a fake name entails cheating, this solution was discussed and passed by a democratic procedure. In addition, the peasant did not fulfil his duty to pay his water charge, which triggered the whole process, and therefore he should



not have the right to enjoy his benefits. Most villagers who regularly pay their water charges stand with Mr R. Some even think that returning the subsidies to this peasant was not fair to them. A small section of villagers are happy to see that the peasant won against the village committee, since it provides an excuse for them not to fulfil their community duties as well.

When disputes happen, there is not a logically consistent benchmark to evaluate the different arguments of the parties involved. The rights cited by the peasant and the principle of equality and duty used by the village committee both make sense from their own perspectives, but there is not a law to decide this issue. Although there have been various regulations and orders over time from the central government, they point in different directions at different times. As Mr L of Dazhou Village said, they were too far right in the 1990s, but now are too far left – and in both cases, this increased the difficulties for the local cadres to carry out their work.<sup>554</sup> Therefore, in the political battle between the local cadres and the peasants, winning mostly depends on the wind direction of the central government. The 1990s witnessed the strong empowerment of the authorities at various levels, but now the wind has turned and peasants have gained the upper hand.

Second, both parties involved did not appeal to an independent third party to solve the dispute but to the superior political authorities. This conforms to time honoured traditional methods in Chinese rural society to solve disputes.<sup>555</sup> The magistrate's office in imperial times, equivalent to the present County government, was usually the place to which the peasants and the heads of organisations based on kinship, work, religion, etc. turned when disputes arose.<sup>556</sup> Despite obvious changes, this tendency to appeal to superiors has been inherited. It is also interesting to see that a democratic procedure was involved when deciding how to deal with peasants in disputes. This was one of the legacies of the Communist period, in which

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<sup>554</sup> Interview 2012/02/19c.

<sup>555</sup> Schumann, Franz, *Ideology and Organisation in Communist China*, (California: UCP, 1968) p. 407.

<sup>556</sup> *Ibid.*

collective authority replaced the individual authority of magistrates in the imperial era.<sup>557</sup> As an agrarian county in transition, such battles between established and imposed new institutions occur at village level almost every day.

#### ***4.2.3 Continuously improving the programme of “one project one discussion” since 2009, and regulating fiscal management at village level since 2011***

Starting from 2002, the programme of “one project one discussion” has incorporated democratic discussions into decision-making related to the public welfare, and replaced the previously compulsory fundraising from the peasants in the 1990s.<sup>558</sup> The key element in this method is that instead of raising funds arbitrarily as before, the project plan needed to be discussed and passed by 60% of attendants in the meetings of village assemblies or the representatives of the villagers.<sup>559</sup> However, during the period from 2005 -- when the reform of taxes and fees was roughly finished -- to 2009, despite of this seemingly democratic procedure, many villages in Li County still imposed the 15 yuan maximum onto all villagers in the name of “one project one discussion”, whether they had a real project or not.<sup>560</sup> Even worse, some villages imposed more charges on the peasants.<sup>561</sup> Considering these problems, the state and the provincial government decided to further improve the programme of “one project one discussion”, and to strictly regulate the fiscal management at village level by centralising financial authority at township level.

In February of 2008, a work team from the State Council on comprehensive rural reform, the Ministry of Finance and the Ministry of Agriculture jointly issued a notice calling for experiments of improved version of “one project one discussion”, in which the state finance would

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<sup>557</sup> Interview 2012/02/11.

<sup>558</sup> For more details on the initial version of the programme of “one project one discussion”, see this Chapter, p. 249 – 255.

<sup>559</sup> Interview 2011/12/30.

<sup>560</sup> *Ibid.*

<sup>561</sup> Interview 2012/01/06, also see this Chapter, p. 275.

provide a subsidy on top of the approved fundraising by the village assemblies. This new version is termed as “one project one discussion with fiscal subsidies” (*yishiyi caizheng jiangbu*) in propaganda. Hunan province started its experiments immediately and chose five areas – Yuanjiang prefecture city, Xiangtan prefecture city, Ningxiang County, Taoyuan County and Linxiang County -- as the experimental sites.<sup>562</sup> Based on the experiences accumulated in the experiments, at the beginning of 2009, the Hunan provincial government and its Financial Department jointly reported to the central government and successfully obtained approval to incorporate Hunan into the ten provinces which would push ahead with the improved version of “one project one discussion” province-wide.<sup>563</sup> In 2009, the central government provided 350 million yuan to Hunan to support its experiments. There were 123 counties and county-level cities throughout the province which applied to participate in the experiment, and Li County was one of them.<sup>564</sup>

This modified form of “one project one discussion” originally sought to help village collectives to solve the difficulties that some big public welfare projects are too expensive to be afforded by the raised funds among villagers. But in practice, it also operated as a mechanism to check and to monitor the implementation of the initial version of “one project one discussion”.<sup>565</sup> Unlike the period from 2005 to 2009, this improved approach does not permit projects to be carried out unless the proposed project was approved not only by the village assembly or meetings of representatives of the villagers, but also by the township government and by some relevant office of the County government. If a project was not

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<sup>562</sup> The office of the leadership team on monitoring and managing the peasant burdens in Hunan, “The summary of the work in 2009 and the work plan in 2010”, *China Agriculture Economic Information Web*, 7 January 2010, available on: <http://wz2.2000y.net/114005/index.asp?xAction=xReadNews&NewsID=50496> (accessed on 20 March 2014).

<sup>563</sup> *Ibid.*

<sup>564</sup> *Ibid.*, The office of the Li County Government, “the implementing plan of Li County on carrying out the experiment of ‘one project one discussion with fiscal subsidies’ [*lizhengbanfa*, (2009) No.71]”, *China Agriculture Economic Information Web*, 18 September 2009, available on : <http://wz2.2000y.net/114005/index.asp?xAction=xReadNews&NewsID=50496> (accessed on 20 March 2014).

<sup>565</sup> Interview 2012/01/06.

approved by these checking procedures, the fund of 15 yuan per capita could not be levied.<sup>566</sup> In practice, it worked quite well to regulate the implementation of the initial version of “one project one discussion”. According to Mr C of Qilimiao Village of Cengnan Township, since 2010, the fees collected by his village have only been a water charge of 15.5 yuan per *mu*.<sup>567</sup> Even if some villages approved a project, the fees which they collected from the peasants could not exceed 30.5 yuan per capita – that is, a combination of a 15.5-yuan water charge and a 15 – yuan fundraising for public welfare.<sup>568</sup>

In addition, this improved version enables a village to gain more if its project is approved. Following its rule, the fund raised among the villagers would be subsidised (by a multiple of three) by the state finance. This enables the village collective to afford large-scale public welfare projects. Certainly, this brings with it stricter inspection procedures by relevant government departments before the project starts and after it is finished, to ensure that the amounts provided are actually used for the proposed project.<sup>569</sup> Besides, if the total amount of funds raised among villagers and subsidised by the state, is still not able to cover the proposed project, village cadres can call upon prosperous persons for donations to make up the shortfall. Up to 2011, Li County carried out 827 public welfare projects, in which 149 million yuan were invested, with 46.01 million yuan subsidised from the state and the county government, and 103 million yuan coming from fund raising among villagers and additional donations.<sup>570</sup> These projects benefited 720,000 peasants.<sup>571</sup>

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<sup>566</sup> Interview 2011/12/30; The office of the Li County Government, “*the implementing plan of Li County on carrying out the experiment on the fiscal subsidised reward on the basic form of one project one discussion* [lizhengbanfa, (2009) No.71]”, *China Agriculture Economic Information Net* 18, September 2009, available on <http://wz2.2000y.net/114005/index.asp?xAction=xReadNews&NewsID=50496> (accessed on 20 March 2014).

<sup>567</sup> Interview 2012/01/06.

<sup>568</sup> Interview 2011/12/30.

<sup>569</sup> Interviews 2011/12/30, 2012/01/06, 2012/02/18d, 2012/02/22.

<sup>570</sup> Ren, Jiadi; Tan, Jieming; and Hao, Ming, “Li County solved the investment difficulty on building a new socialist village”, *Hunan Daily online*, 22 February 2012, on [http://epaper.voc.com.cn/hnrb/html/2012-02/22/content\\_461466.htm?div=-1](http://epaper.voc.com.cn/hnrb/html/2012-02/22/content_461466.htm?div=-1) (accessed on 21 March 2014).

<sup>571</sup> *Ibid.*

On top of that, in 2012, this improved version has developed again. Li County was chosen to be the first batch of the experimental counties in Hunan to carry out another new practice to cover some public welfare projects which extend beyond the border of one single village but would benefit all villagers living within multiple villages nearby. Upon approvals of the County Government, the proposed projects target road maintenance and small-scale irrigation equipment maintenance within an area of continuous ten villages. The county finance will subsidise 300,000 to 500,000 yuan per village on top of fundraising among the villagers and subsidies from state finance.<sup>572</sup> Experiments in Li County took place in the area of ten continuous villages of Lidong Township. This not only reconnected the road between villages, and cleaned and maintained the canals, but also integrated the irrigation facilities which had been abandoned due to unclear ownership between villages.<sup>573</sup> Up to 2012 when the field research was carried out, this practice was still ongoing.

All of these fiscal subsidies are based on the condition that the proposed projects in the villages are approved. For villages which do not have approved projects, there are only two ways to raise funds to address the public welfare. They can strive for the investments from higher levels of government which, as local cadres explained, is the main source for these villages; and they can seek voluntary donations.<sup>574</sup> Both sources actually depend on the human resources of the villages – on whether local cadres are capable enough to obtain investments from above, or on links between wealthy persons and the village. Personal relationships, which used to play an important part in politics in the imperial era, have thus now returned.

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<sup>572</sup> The Li County office of leader team of rural comprehensive reform, “The Answers to General Questions related to the programme of ‘One project One Discussion’ in Li County”, *Li County Government Web*, 18 July 2013, available on <http://www.li-xian.gov.cn/zwgg/ShowArticle.asp?ArticleID=16654> (accessed on 20 March 2014).

<sup>573</sup> Lei, Yuan; Ren, Jiadi; Xiang, Feng; and Hu, Qingshan, “‘One project one discussion with fiscal subsidies’ benefited 720,000 of peasants in Li County”, *China Net*, 10 May 2013, available on: <http://finance.china.com.cn/roll/20130510/1457926.shtml> (accessed on 21 March 2014).

<sup>574</sup> Interviews 2012/02/18b, 2012/02/15.

This factor largely explains the varied appearance of different villages. Mr C of Zhangshuyan Village of Leigongta Township said that this is the reason why the canals in his village are still blocked while some villages in their neighbouring township have been able to re-dig their ponds and canals – because a senior cadre working in the Bureau of Water Conservancy and Hydroelectric Power of Changde prefecture city was born there.

As donations became one of the important revenue sources at village level, in order to regulate this part of money to avoid the corruption of village and township cadres, in March of 2011, Li County began to centralise the financial authority and placed township governments in charge of village finances.<sup>575</sup> As a result, the village no longer appointed the accountant and cashier. Instead, accounts would be recorded and managed by the finance office and the economy management office of the township government. The village only sets up an account booker.<sup>576</sup> This was a centralisation of financial authority in the hands of the township government, with the hope to regulate the financial behaviours of the village cadres.

This policy is theoretically good for governance, but according to village cadres, it is not practical. After implementation, village committees have to perform a broad array of administrative functions. They are also the first point of contact for the peasants. They must implement various policies, collect all kinds of information, maintain social stability, mediate disputes, raise funds for public goods, and provide for the public welfare. According to the interim plan for the financial management of the village collectives in Li County, they must also deal with management income, contract income, transfer payments and other fiscal subsidies, the funds raised through “one project one discussion”, other voluntary donations, etc. – all these are credited into one special bank account which is managed by the township.<sup>577</sup>

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<sup>575</sup> The office of the County Government, “A notice on printing the implementing plan on the agency service of the village finance [*lizhengbanfa* (2011) No.36], *Li County Government Web*, 5 May 2011, available on: <http://www.li-xian.gov.cn/zwgg/ShowArticle.asp?ArticleID=7146> (accessed on 20 March 2014).

<sup>576</sup> Interview 2012/02/19c.

<sup>577</sup> The Agriculture Bureau and the Finance Bureau, “A notice on printing the interim plan on the finance management of the village collective and the post responsibility system of

The village committees are called to consider strictly their expenses based on their income.<sup>578</sup>

However, as the financial situation in most villages is not that good, this rigid financial management from above has actually further limited the ability of the village community to govern and to provide public goods.

### ***4.3 Other Comprehensive Supporting Reforms after 2005***

After the agriculture tax was completely eliminated in 2005, in response to various problems in the reform process from 2002 to 2005, and in order to tackle the established institutional weaknesses which had mainly caused rural problems since 1990s, the central government adopted a series of other comprehensive supporting reforms (*zonghe peitao gaige*) and chose a few areas to carry out experiments after 2005.<sup>579</sup> Centring on governing institutions, these reforms cover political, fiscal, social, and cultural areas.<sup>580</sup> Hunan province was chosen to be among the first batch to have experiments.<sup>581</sup> Following a slogan of “pushing forward three reforms, actively carrying out two experiments, and strictly obeying one red alert line (*tuijin sanxiang gaige, jiji kaizhan liangxiang shidian, jinjin shouzhuyitiao hongxian*)”, during the past few years, Hunan province has gradually carried out the organisational reform of township government, institutional reform of compulsory rural education, and continued to reform on the fiscal management of the township and the village.<sup>582</sup> Meanwhile, it also pushed forward the experiments to dissolve debts caused by the campaign to expand

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the agency service of the village finance in Li County [*linongjingfa* (2011) No.8]”, *Li County Government Web*, 14 October 2011, available on: <http://www.lixian.gov.cn/zwgg/ShowArticle.asp?ArticleID=9065> (accessed on 21 March 2014).

<sup>578</sup> *Ibid.*

<sup>579</sup> Zhang, Shaochun, “The vice minister of the Finance Ministry: from the reform of taxes and fees to the rural comprehensive reform”, *Central Government Web*, 21 February 2011, available on: [http://www.gov.cn/gzdt/2011-02/21/content\\_1807231.htm](http://www.gov.cn/gzdt/2011-02/21/content_1807231.htm) (accessed on 10 December 2014).

<sup>580</sup> *Ibid.*

<sup>581</sup> Wu, Kongfan, “The research and the consideration on further pushing forward the rural comprehensive reform in China”, *Institution of China Rural Comprehensive Reform Web*, 29 October 2014, available on: <http://210.43.24.225/Html/?22035.html> (accessed on 10 December 2014).

<sup>582</sup> *Ibid.*

the coverage of nine years' compulsory education in rural areas in 1990s, and extended the coverage of the modified version of the programme of "one project one discussion".<sup>583</sup>

Those reforms, attended by a later calling of the central government to build a new socialist village in 2005, have revamped conditions in rural areas. The call to build a new socialist countryside was proposed by the CCP in the fifth plenary session of the 16<sup>th</sup> Central Committee in 2005. Aimed at a coordinated development between urban and rural areas and between economy and society, this call makes requests in five aspects of rural society including economic development, living conditions, civil social ethos, tidy village appearance, and democratic governance. After 2005, various government works have almost been incorporated into this framework and, led by these five principles, many policies have begun being widely implemented. In the section above, we discussed re-confirming contracted land rights, the reformed fiscal management at township and village level, and the programme of "one project one discussion" which is still in development, as follow-up practices to tackle the problems appeared in the implementation of reforms of agriculture tax and fees. This section will look into the comprehensive reforms targeting other parts of rural society rather than economy. As it is not possible to discuss every programme in detail, only three key practices of them are chosen to be elaborated here – the new developments on direct election at village level and on political transparency, extensively improving rural infrastructure, and building a rural social security system.

#### ***4.3.1 The New Developments for Direct Election at Village Level and for Political Transparency since 2005***

We have already discussed the establishment of self-governance institutions at village level by introducing direct election to the village committees in

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<sup>583</sup> *Ibid.*



the period between 1988 and 1989 in Li County.<sup>584</sup> Actually neither the then Constitution nor the 1988 Organic Law of the Village Committees of the PRC laid out the detailed procedures about how direct elections should be carried out. This therefore led to variations in practice in various places throughout the country from 1988 to 1998.<sup>585</sup> Instead of dictating procedures, higher level agencies observed changes and got feedback. In order to analyse the mass of data that came in, the Ministry of Civil Affairs cooperated with the Carter Center from the U.S. and established a system aimed at collecting and analysing information on elections in March of 1998.<sup>586</sup> This system was first put to use in July of 1998 in nine counties of three provinces including three in Hunan Province: Linli County (which neighbours Li County), Shuangfeng County and Xiangtan County.<sup>587</sup> One year later, after the 1988 Organic Law of the Village Committees of the PRC was modified and then implemented in November of 1999, this system was used again to investigate election information from village committees in 40 counties of Hunan.<sup>588</sup> This analysis was later cross-checked by students recruited by the department for grass-roots government and community construction of the Ministry of the Civil Affairs and the Department of the Civil Affairs of the Hunan provincial government.<sup>589</sup> The cross-checking of results proved the effectiveness of this analytical system.

All these experiments, analyses, feedback and cross-checking helped to make gradual improvements in the electoral process. The 1999 modification of the 1988 trial version of the Organic Law of the Village Committee generated many detailed procedures, such as competitive elections (*cha'e*

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<sup>584</sup> For more details on the introduction of direct election to the village committees, see Chapter Two, p. 141 – 144.

<sup>585</sup> “The evaluation on the election information system of the village committees and the analysis on the data of the nine counties of three provinces”, *Rural Resident Self-governance Information Web*, 25 October 2002, available on: <http://cmzz.mca.gov.cn/article/tjfx/fxbg/201201/20120100057366.shtml> (accessed on 18 April 2014).

<sup>586</sup> *Ibid.*

<sup>587</sup> *Ibid.*

<sup>588</sup> “The analysis on the election information of the village committees in 40 counties of Hunan”, *Rural Resident Self-governance Information Web*, 15 October 2002, available on: <http://cmzz.mca.gov.cn/article/tjfx/fxbg/201201/20120100057366.shtml> (accessed on 18 April 2014).

<sup>589</sup> *Ibid.*

*xuanju*), direct nominations of villagers as candidates (*cunmin zhijie timing houxuanren*), secret ballot (*bujiming toupiao*), and the public counting votes (*gongkai jipiao*). When it entered the 2000s, the far-reaching reform of taxes and fees in the rural areas and the following comprehensive reform have been fully carried out. During this period, the organisational institutions at the township and the village level have been reformed as well after 2005, which accordingly caused the electoral procedures of the village committee to be changed. We consider below how the elections of village committees and the party committees are carried out in practice after organisations at township and village levels were reformed further in 2005.

■ ***The elections of village committees and the party committees, in practice, after the 2005 reform***

As explained in Chapter Two, the initial procedures included direct nominations, competitive elections, and secret ballots with the township government identifying the exact roles for elected candidates.<sup>590</sup> This procedure had been in use until the 2005 reform of taxes and fees.<sup>591</sup> As the work load of the village cadres was reduced after the 2005 elimination of agricultural taxes, in order to reduce further the expenses of village-level collective organisations, the rural areas of Changde prefecture administration began to downsize its administrative team. As a result, some small villages merged into large ones and villagers' groups were completely eliminated. The number of the local cadres at village and sub-village level is accordingly shrunken with the role of villagers' group leader being cancelled and the roles at village committees being reduced from 5 - 7 before 2005 to less than four.<sup>592</sup> As Mr Y of Yingxi Village of Daohe Township said, only three roles in his village committee remain – one being both party secretary and the head, one being the accountant, one being the

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<sup>590</sup> See Chapter Two, p. 136 – 144.

<sup>591</sup> Interview 2012/02/22.

<sup>592</sup> Zeng, Xiangwen, "Li County of Hunan: to cultivate and to select part-time deputy party secretaries of village party organisations out of economic talents", *Theory Channel of People's Daily Online*, 30 November 2010, available on: <http://theory.people.com.cn/GB/40557/208149/208853/13356833.html> (accessed on 8 September 2014).

officer for women's affair.<sup>593</sup> This model of three roles had been in practice for three terms from 2005 to 2012 when he was interviewed.<sup>594</sup>

Correspondingly, there were also changes in electoral procedures. Earlier, voters only chose which candidates would be elected, but they did not decide on their exact roles. The changes are now evident from the eighth term (2011 - 2014) of Yingxi Village Committee and the Party Committee. According to the principle of "the party leading everything", the party committee needs to be elected first. Since the party committee includes three roles – one party secretary and two party committee members, all party members in the village get together and vote for three persons, with the top three being elected. Then these three persons are reported to the township party committee and government who decide which of these three persons will be the party secretary. The township party committee and government do some investigation and hold interviews with the peasants in this village before the election to obtain basic information about the various abilities of the potential candidates, including their work ability, their ability to get along with peasants, etc., to avoid severe conflicts between their chosen party secretary and peasants' will.

After this is confirmed, this new party committee then organises the election of the village committee. Unlike the party election which is only attended by party members, all eligible peasant voters who are at least 18 years old cast votes. Before 2005, the agency votes existed and were reluctantly accepted considering the fact that more and more peasants moved far away to seek jobs since the mid-1990s. However, it was prohibited after 2005 because factions were likely to emerge.<sup>595</sup> The modified form adjusted the criteria for valid villager assemblies. For example, Yingxi Village has 820 eligible voters and 300 are absent throughout the year. Instead of requiring half of all eligible voters to attend,

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<sup>593</sup> Interview 2012/02/22.

<sup>594</sup> According to the modified Organic Law of the Village Committee, the term of the village committee is three years. So the period from 2005 to 2012 actually experienced three terms of elections: 2005 – 2008, 2008 – 2011, and 2011 – 2014.

<sup>595</sup> Interview 2012/02/22.

the village assembly will be valid now as long as at least half of the rest of the 520 voters attended. What of candidate nominations? The eligible voters are free to nominate anyone they like for two types of committee roles – the head and the members. The two nominees who receive the most support are nominated to be the head, while the top three nominees among the rest would be finalists for the following ballots to decide committee members. The total number of the finalists would be the total sum of the roles of the village committees plus one.<sup>596</sup>

The next step is then the secret ballot among the eligible voters. It is composed of two parts. First, the head of the village committee is chosen out of two decided nominees, and the loser in that contest joins three other nominees for members' posts. Voters are able to choose three of the four candidates. It is worth noting that the modified Organic Law urges that the party secretary and the head of the village committee to be the same person, in order to reduce the conflicts between the holders of these two posts and to reduce the number of the cadres so as to reduce the peasants' burdens, while strengthening the leadership of the party in the village.<sup>597</sup> However, sometimes the reality does not coincide with this expectation of the ruling party. Changmu Village of Daohe Township is just such a case. There, the party secretary whom the township party committee appointed and the head of the village committee elected by the eligible voters are different persons.

#### ■ *Political transparency since 2008*

For over 30 years, government transparency has also been developing slowly -- from some sporadic and temporary practices to a well-established footing. This evolution took a long time and is still ongoing. Briefly speaking, this process entails two things – publicising governmental affairs and strengthening social supervision. Like direct elections at the village

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<sup>596</sup> *Ibid.*

<sup>597</sup> *Ibid.*

level, greater transparency was first proposed in 1987.<sup>598</sup> Initially, it was labelled as “the social negotiation dialogue institution (*shehui xieshang duihua zhidu*)” in the report of the thirteenth Party Congress. That was mainly a response to conflicts and clashes caused by many social phenomena at that time, such as economic disparity, the privileges of elite groups, corruption etc.<sup>599</sup> Although it lacked detailed procedures and regulations at that time, this process of social negotiation clearly indicated that the transparency mechanisms should include such dimensions as people’s supervision and democratic participation.<sup>600</sup>

Based on these principles, a year later, in March of 1988, the second plenary session of the thirteenth Central Committee of the CCP further proposed publicising governmental affairs (*zhengwu gongkai*) and called upon sub-central authorities to carry out experiments to achieve this and to build a clean work ethic in the Party.<sup>601</sup> Following this, some local areas began their experiments. Among these, the practice of “two publicising and one supervision (*lianggongkai yijiandu*)” in the rural areas of Gaocheng prefecture city of Hebei province attracted a lot of attention and was even advocated by the People’s Daily on 20 November of that year.<sup>602</sup> This practice entails publicising the procedures for handling village committees’ affairs and their results, with both being put under the supervision of people.<sup>603</sup> Meanwhile, although the trial version of the organic law of village committees was put into effect in the same year -- in which publicising the fiscal affairs of the village was stipulated. The general concept of “publicising village affairs” was not incorporated into central government documents until 1991 when the central committee of the CCP

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<sup>598</sup> Tian, Longfei, “The legal construction of the governmental transparency in China: history, type and the institutional innovation”, in Du, Gangjian and Zhao, Xiangru (ed.), *Hunan ruled by law and the research on the regional governance*, volume 11, (Shanghai: World Book Publishing Company, 2013).

<sup>599</sup> *Ibid.*

<sup>600</sup> *Ibid.*

<sup>601</sup> *Ibid.*

<sup>602</sup> *Ibid.*

<sup>603</sup> *Ibid.*

and the State Council finally decided to push the institutionalisation of publicising village affairs (*cunwu gongkai*).<sup>604</sup>

Although Hunan province did not initially mount experiments as did Gaocheng prefecture city of Hebei province, it began this process in early 1993 by applying the principle of “two publicising and one supervision” to its provincial Agriculture Bank, to restrict the authority to issue mortgages throughout the province.<sup>605</sup> In 1994, the provincial party committee and the provincial government jointly issued a document calling on subordinate levels of governments to experiment actively with the practice of “two publicising and one supervision”. This was a major step towards publicising governmental affairs in Hunan.<sup>606</sup> Between 1994 and 1998, the province focused on its own experiments and on formalising relevant regulations based on these experiments.<sup>607</sup> Meanwhile, in 1998 when the trial version of the organic law of village committees was modified, the central government officially incorporated the content of publicising the village affairs into the new version of the organic law and applied to the promotion of self-governance at the village level.<sup>608</sup>

From then on, Hunan began gradually to push ahead with publicising governmental affairs throughout its jurisdiction “from point to area, and from top to bottom (*cong dian dao mian, you shang er xia*)”.<sup>609</sup> In December 2000, the general office of the central party committee and of the State Council jointly issued a notice on fully carrying out this practice at the township level throughout the country and since then, it has been officially

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<sup>604</sup> *Ibid.*

<sup>605</sup> “Hunan province has achieved noticeable success on anti-corruptions”, *People’s Daily Online*, 28 July 2004, available on: <http://look.people.com.cn/GB/22220/32837/32850/2672222.html> (accessed on 4 May 2014).

<sup>606</sup> *Ibid.*

<sup>607</sup> *Ibid.*

<sup>608</sup> Tian, Longfei, “The legal construction of the governmental transparency in China: history, type and the institutional innovation”, in Du, Gangjian and Zhao, Xiangru (ed.), *Hunan ruled by law and the research on the regional governance*, volume 11, (Shanghai: World Book Publishing Company, 2013).

<sup>609</sup> “Hunan province has achieved noticeable success on anti-corruptions”, *People’s Daily Online*, 28 July 2004, available on: <http://look.people.com.cn/GB/22220/32837/32850/2672222.html> (accessed on 4 May 2014).

extended to the township level.<sup>610</sup> The work in Hunan mainly focused on building service centres of the administrative affairs at the township and county level. By 2002, Hunan had established these centres in 122 counties and 14 prefecture cities.<sup>611</sup> It is worth noting that the Red Net (*hongwang*), a renowned local news website, was established in 2001 as well, and it has developed into an important propaganda and supervisory organ for the Hunan provincial party committee and the provincial government.

The year 2008 was a landmark in terms of the institutionalisation of governmental information transparency. On 1 May, publicising governmental information was formally acknowledged in legal regulations, and officially became the duty of administrative organs at various levels including the village level.<sup>612</sup> Since then, facilitated by the spread of telecommunications infrastructure to remote rural areas, the work now goes further -- from building service centres towards e-government (*dianzi zhengwu*) at county and sub-county level. In this vein, the Li County government not only organised a leadership work team on publicising governmental information, and set up a special office dealing with the applications from ordinary people for some government information, but it has also built up a digital reading room and an archive room for official information.<sup>613</sup> Meanwhile, it has developed its official websites and has urged subordinate township governments to establish theirs as soon as possible.<sup>614</sup> Although these facilities are still being improved, by 2012 when

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<sup>610</sup> Tian, Longfei, "The legal construction of the governmental transparency in China: history, type and the institutional innovation", in Du, Gangjian and Zhao, Xiangru (ed.), *Hunan ruled by law and the research on the regional governance*, volume 11, (Shanghai: World Book Publishing Company, 2013).

<sup>611</sup> "Hunan province has achieved noticeable success on anti-corruptions", *People's Daily Online*, 28 July 2004, available on: <http://look.people.com.cn/GB/22220/32837/32850/2672222.html> (accessed on 4 May 2014).

<sup>612</sup> Tian, Longfei, "The legal construction of the governmental transparency in China: history, type and the institutional innovation", in Du, Gangjian and Zhao, Xiangru (ed.), *Hunan ruled by law and the research on the regional governance*, volume 11, (Shanghai: World Book Publishing Company, 2013).

<sup>613</sup> Li County People's Government, "The annual report of Li County Government in 2008 on publicising the governmental information", *Li County Government Web*, 2009, available on: <http://www.li-xian.gov.cn/zwgg/ShowArticle.asp?ArticleID=3086> (accessed on 3 May 2014).

<sup>614</sup> *Ibid.*

field research was carried out, the County government had finished building its website, on which the annual reports and various information covering 2008 to 2014 were available for reference.<sup>615</sup> Township government websites were initially established by the end of December 2008, and then revised completely in August of 2010. The versions which are available now started to be used in that month, and the available information cover the period from 2011 to 2014.<sup>616</sup> In addition, township governments have also created announcement boards to make some information open to public. It is surprising to note that all villages visited during field research had their announcement boards available as well, either in the form of painting on a black board or in the form of a printed board.

Thus citizens in Li County are able to obtain relevant governmental information by two means: information publicised on the announcement boards or the official websites, and the information obtained through application procedures.<sup>617</sup> The information publicised voluntarily by the government includes the layout, functions, and work procedures of governmental organs; various administrative regulations and relevant policies at five levels of the governmental hierarchy; statistical data on the economy and social development and on fiscal budgets and plans; the contents and standards of administrative charges; relevant policies on anti-poverty work, education, health care, social security, and employment, etc.; precautions and responses to public emergencies; the supervision and inspection of environmental protection, public hygiene, production safety, the quality of the food, medicine and other products; the public welfare building, and so on.<sup>618</sup> At township and village levels, in addition to the

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<sup>615</sup> For more details, see the County Government Website on <http://www.li-xian.gov.cn/Index.html>.

<sup>616</sup> Li County People's Government, "The annual report of Li County Government in 2010 on publicising the governmental information", *Li County Government Web*, 2011, available on: <http://www.li-xian.gov.cn/zwgg/ShowArticle.asp?ArticleID=6682> (accessed on 4 May 2014). For more details about the township government websites, see, for example, Guanyuan Township Government Website on <http://gyx.lx.gov.cn/index.asp>.

<sup>617</sup> The office of Li County Government, "The guidance of Li County Government on publicising the governmental information (trial)", *Li County Government Web*, 2008, available on: <http://www.li-xian.gov.cn/zwgg/ShowArticle.asp?ArticleID=15815> (accessed on 3 May 2014).

<sup>618</sup> *Ibid.*



general information about various policies, they also need to give notice of the list of the beneficiaries who have been evaluated by the villagers' assemblies for various subsidies.

In addition to voluntarily publicising government information, social supervision has also been developed in parallel to help build the transparent government. With the development of telecommunication technology, that has gradually become an effective tool to supervise and to restrict the authority of sub-central governments. So far, on top of the traditional petitioning system (*xinfang zhidu*), citizens are able to complain and to report on the actions of local governments and cadres through the leadership hotlines (*lingdao rexian*) and media disclosure.<sup>619</sup> Media disclosure in Hunan started as early as on 9 August 2005 when the programme of "people's hotline (*renmin rexian*)" was launched by the News channel of Hunan People's broadcasting.<sup>620</sup> After that, media programmes to disclose the administrative work and ethics have mushroomed in Hunan, through channels such as "Speaking for the People" at the Hunan Economic TV station, the "Voice against Corruption" at the radio channel of Xingshazhisheng, the "Work Ethics" at the Changsha Public Channel, and so on.<sup>621</sup> Furthermore, leadership hotlines were opened so as to narrow the distance between leadership cadres and peasants, which helps to hold the former accountable. The hotlines system includes not only the hotlines of the governors at the provincial, the prefecture city and the county level, but also their email boxes. In addition, all government official websites

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<sup>619</sup> For more details on the petitioning system in China, see Minzner, Carl F., "Xinfang: An Alternative to Formal Chinese Legal Institutions", 42 *Stan. J.Int'l.* 103 (2006), available at: [http://ir.lawnet.fordham.edu/faculty\\_scholarship/3](http://ir.lawnet.fordham.edu/faculty_scholarship/3) (accessed on 15 December 2014); and Zhang, Taisu, "The Xinfang Phenomenon: Why the Chinese Prefer Administrative Petitioning over Litigation", *Student Scholarship Papers*, 2008, p. 68, available on: [http://digitalcommons.law.yale.edu/student\\_papers/68](http://digitalcommons.law.yale.edu/student_papers/68) (accessed on 15 December 2014).

<sup>620</sup> The National Bureau of Corruption Precaution, "The record on building up the sunshine political affairs in Hunan", *National Bureau of Corruption Precaution Web*, 2008, available on: <http://nbcpc.gov.cn/article/sgkgz/zwgk/gzjb/200801/20080100000948.shtml> (accessed on 4 May 2014).

<sup>621</sup> *Ibid.*

including Red Net have opened special channels for immediate mutual-communications between senior cadres in charge and common citizens.<sup>622</sup>

In practice, the development of social supervision helps to restrict the authority of the local cadres, and has become one of the effective weapons for citizens to fight for their rights and benefits. Examples have been discussed above in the section of intercepting agricultural subsidies, in which a peasant in Banqiaorong Village of Wangjiachang Township fought for his agricultural subsidies by calling the county governor's hotline to stop the village committee from intercepting his subsidies to offset his unpaid water charge.<sup>623</sup> However, since neither hotlines nor media disclosure involve any independent third party in the dispute resolution procedure, the effectiveness still mainly depends on the hierarchical supervision within the internal authority system. So an imbalance of power survives. Results depend on the policy orientation of the central government. As the priority of the central government in the 2000s has been to maintain social stability, the methods of social supervision have thus been manipulated and sometimes even abused by some peasants to achieve personal aims. That has increased the difficulties for local cadres.

This is exactly the agony which Mr L of Dazhou Village of Dazhou Township felt when he talked about his work as party secretary of the village. As the boundaries between the duties and rights of the authorities on the one hand and common citizens on the other are still blurred – and the policy of maintaining social stability is a priority -- local cadres seldom function well. Take the programme of “one project one discussion” to provide public welfare as an example. The initial intention of this practice was to provide a platform on which the government, the collective and the peasants share the responsibilities of providing public welfare, with the peasants paying 15 yuan per capita, the government investing three times of the total amount raised by all villagers, and the village collective covering

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<sup>622</sup> For more details on the immediate mutual-communication section of Li County Government Website, see <http://www.li-xian.gov.cn/guestbook/zixun.asp?id=6789> (accessed on 15December 2014).

<sup>623</sup> Interview 2012/02/16f; also see this Chapter, p. 276 – 281.

the rest. Since some peasants did not like paying even a portion of 15 yuan per capita, they took advantage of the hotlines and media outlets to report dishonestly that the village committee had increased the peasant burdens. Most officials at higher level only care about their reputations, so that they have tended to respond by ordering village officials to comfort the peasants by meeting any requests they made, without careful investigations. This is the reason why the project of setting up the electricity poles was abolished in Dazhou Village.<sup>624</sup>

This has gone to the extent of becoming a method used by some peasants to make money. Another peasant in Dazhou Village, named TY, often succeeded in extracting funds by threatening the village committee with petitions to the higher-level government institutions. At first, in order to comfort him, with the consent of their superiors, the village committee gave him 200 yuan. After a few days, he threatened the committee again by continually visiting the bureau of civil affairs of the County. That bureau eventually became irritated and ordered the village committee to find ways to draw TY back. The committee had no choice but to agree to give him 500 yuan this time. In 2011, TY did it again, but this time, he went to the Finance Bureau of Li County. The Bureau called on the township government to solve this dispute. The party secretary of the township committee finally called the party secretary of the village, and ordered him to comfort TY by using any means. This time, TY got 2,000 yuan. Dazhou Village actually is not an isolated case. Mr Z of Hucheng Village told similar story. As there is still no independent dispute resolution procedure in place to deal with the disputes between the government and the peasants. Resolutions depend on the reactions of actors at higher level.

#### ***4.3.2 Extensively Improving Rural Infrastructure***

During the 2000s, as reforms have been carried out quite fully in a comprehensive effort at rural transformation, living conditions in rural areas

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<sup>624</sup> Interview 2012/02/19c.

have greatly improved. Infrastructure construction has been extensively pushed to remote rural areas. Under the label of “extending coverage to every village” (*cuncun tong*), this effort covers roads, electricity, running water, telephone and the internet, aimed at extending the infrastructure coverage to every village. Although they all belong to one comprehensive project, the various sub-projects actually did not start at the same time. While electricity, running water and the radio/broadcasting access were begun as early as 1998, roads and the telephone links only started in 2004. A complementary drive to “build a new socialist village” since 2006 has further facilitated the development of this effort, especially rural road building. In 2006, the central government launched a plan to invest “one hundred billion (yuan) in five years”, aiming to enable rural roads to cover every administrative village by 2010.<sup>625</sup>

The roads in rural areas are categorised as township roads and village roads. Instead of simply being state-funded, resources for these two types of roads are actually raised in cooperative exercises among the state, the village collectives and peasants. Depending on their size, functions, and locations, roads within a village territory which are less than 3.5 meters wide and for the daily use of villagers are deemed “village” roads, while the “township” roads need to reach minimum width of 3.5 meters and to reach beyond a single village territory but within a single township, according to Mr C of Qilimiao Village of Cengnan Township.<sup>626</sup> There are clear divisions in terms of who invests in which. The maintenance and building of township roads are the responsibility of township governments and receive state investment at a rate of 140,000 yuan per kilometre. If the state’s appropriation is insufficient, the rest must be raised by the township government.<sup>627</sup> Since 2009 when the programme of “one project one

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<sup>625</sup> Xiao, Bo, “the village road building enters into the horizon of the central government and ‘cuncun tong’ benefits hundreds of millions of common people”, *Xinhua Net*, 23 August, 2005, available on: [http://news.xinhuanet.com/newscenter/2005-08/23/content\\_3391116.htm](http://news.xinhuanet.com/newscenter/2005-08/23/content_3391116.htm) (accessed on 16 May 2014).

<sup>626</sup> Interview 2012/01/06.

<sup>627</sup> *Ibid*; and Xiao, Bo, “the village road building enters into the horizon of the central government and ‘cuncun tong’ benefits hundreds of millions of common people”, *Xinhua*

discussion” was modified, township authorities have been strictly prohibited from raising money forcefully by taking advantage of “one project one discussion”, so township governments mostly rely on the donations from the prosperous persons born in the township.

Village roads are the responsibility of village committees, which must raise most of the funds themselves. Since 2009, only villages whose projects are approved by the County government are eligible to raise the money among villagers through the programme of “one project one discussion” at a rate of up to 15 yuan per capita. But since that process yields limited resources, the donations from prosperous persons born in the villages has become the main source of funds for village roads. Given the importance of lobbying for donations, local cadres are under pressure to maintain personal relationships with such donors. It is thus understandable that the roads in many villages of Matoupu Township, which is home to many senior cadres in the county and prefecture city governments and to many members of the new economic elite (due to its rich natural resources), are much better and reach more remote areas than the roads in Xiaodukou Township, which has not produced many successful persons yet.<sup>628</sup> One of the village roads which the party secretary of Lianhua Village of Matoupu Township is said to have been built because the daughter of the family living in the house by the road is married to a senior cadre in charge of the Transportation Bureau of Changde prefecture city. That personal connection helped the village committee to lobby to obtain funding for the road.<sup>629</sup>

In addition to roads, many villages in Li County have improved other infrastructure facilities to make the daily life of the peasants easier. Examples include increasing the voltage of electricity, setting up running water, installing modern toilet equipment, etc. Other improvements can be seen in cleansing of canals in the fields, setting up the public reading rooms and outdoor fitness facilities. By 2011, safe and clean running water had

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*Net*, 23 August, 2005, available on: [http://news.xinhuanet.com/newscenter/2005-08/23/content\\_3391116.htm](http://news.xinhuanet.com/newscenter/2005-08/23/content_3391116.htm) (accessed on 16 May 2014).

<sup>628</sup> Interview 2012/02/14.

<sup>629</sup> Interview 2011/12/24.

become available to a rural population of 201,000 in Li County.<sup>630</sup> The funds for these public welfare projects were once again raised through a combination of state appropriations, fundraising by the peasants either through the programme of “one project one discussion” or through voluntary donations, and donations from prosperous individuals. These modern facilities, which used to be enjoyed only by urban residents, have greatly improved the living conditions in the rural areas, and have narrowed the gap between rural and urban areas.

### ***4.3.3 Gradually Expanding the Coverage of a Social Security System in Rural Areas***

The period since 2006 is important for the development of a social security system in the rural areas. Based on the experiences accumulated in the experiments in various local places in the 1980s, 1990s and the beginning of the 2000s, the sixth plenary session of the sixteenth committee of the CCP in 2006 aimed to build a harmonious socialist society and proposed to establish a social security system covering all citizens by 2020.<sup>631</sup> In 2007, the central committee of the CCP again proposed in a report to the seventeenth Congress to speed up the establishment of such a system covering both urban and rural citizens.<sup>632</sup> This massive project is still gradually expanding its coverage. Up to 2012, the sub-projects under the social security system which began to be implemented, partly or fully, in Li County include the new social endowment insurance for rural residents (*nongcun yanglao baoxian*) and the new rural co-operative medical care (*nongcun xinxing hezuo yiliao*) under the category of social insurance; a rural minimum subsistence allowance (*nongcun dibao*) under social relief; a five guarantee household provision (*wubaohu*), elderly homes, and the low-

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<sup>630</sup> Hu, Zongjun and Liu, Qianming, “The safe running water covers 200 thousand peasants in Li County”, *Hunan Daily Online*, 4 March of 2011.

<sup>631</sup> Zheng, Bingwen and Sun, Shouji, “The 30 years’ review on the social security system in China”, excerpted in Zou, Dongtao (ed.), *Report on China’s Economic Development and Institutional Reform No.1: China: 30 Years of Reform and Opening-up (1978-2008)*, (Beijing: Social Science Academic Press, 2008), Chapter 22.

<sup>632</sup> *Ibid.*

rent housing (*lian zu fang*) under social welfare; and special care for veterans.

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While some items, such as the five guarantee households and special veterans' care have been in place since the collective era, other items have been newly implemented. For example, Li County started fully implementing rural co-operative medical care in 2005, and by 2010, it covered 92.87% of the rural population.<sup>634</sup> On 28 December 2009, the County was incorporated into the first batch experimental sites in Hunan province to start implementing the new social endowment insurance for rural residents. With a threshold of 55 yuan per month per capita to the over-60s, Li County issued pension payments totalling 92.81 million yuan in 2010 and 178.93 million yuan in 2011.<sup>635</sup> These two social insurance items are co-operative in form - the state and the rural residents share the insurance charges, based either on a certain ratio in terms of the rural co-operative medical care, or according to six different grades in the case of the new social endowment insurance for rural residents: the more expensive the grade a rural resident chooses to pay, the greater the pension s/he can get later.<sup>636</sup>

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<sup>633</sup> The Li County group of the Rural Socio-economic Survey Team of Hunan, "The list of the rates for various agricultural subsidies in Hunan in 2010", compiled for investigations on implementing various subsidies policy in Li County in 2011.

<sup>634</sup> Zhou, Yongjun, "The social security system in Li County benefits common people", *Hunan Daily*, 3 October 2008; The management office of the rural co-operative medical care in Li County, "A notice on implementing the rural co-operative medical care throughout the County in 2010", *Li County Government Web*, 2010, available on: [www.li-xian.gov.cn/zwgg/ShowArticle.asp?ArticleID=6049](http://www.li-xian.gov.cn/zwgg/ShowArticle.asp?ArticleID=6049) (accessed on 25 November 2013).

<sup>635</sup> The Li County group of the Rural Socio-economic Survey Team of Hunan, "The list of the rates for various agricultural subsidies in Hunan in 2010", compiled for investigations into implementing various subsidies policy in Li County in 2011. The data on the pension are from interviews with the Labour Bureau of Li County. Hunan fully started its experiments on the new social endowment insurance for rural residents on 20 November and 14 counties including Li County were incorporated into the first batch experimental sites. Since then, the coverage has been expanded year after year and it aims to cover almost all eligible residents by 2020. For more details, see Ma, Bowen, "The experiments on the new social endowment insurance for the rural residents started to fully implement", *Hunan Daily*, 21 November 2009.

<sup>636</sup> "The Interim plan on implementing the new social endowment insurance for the rural residents in Li County", *Li County Government Web*, 24 December 2009, available on: [www.li-xian.gov.cn/zwgg/ShowArticle.asp?ArticleID=4320](http://www.li-xian.gov.cn/zwgg/ShowArticle.asp?ArticleID=4320) (accessed on 25 November 2013).

While the two above items aim to cover peasants generally, other items -- including the rural minimum subsistence allowance, the five guarantee households, the elderly homes, low-rent housing and special care for veterans -- are designed to help specific groups which face hardship. Instead of applying directly on their own, the beneficiaries covered by these policies are selected after a democratic evaluation by the villagers' assembly or the meetings of the representatives of the villagers.<sup>637</sup> The persons who obtained the most votes are not only named on the announcement board in the village, but are also reported to the office of civil affairs of the township government for checking. The final list which survives the checking is submitted to the Bureau of Civil Affairs of Li County for approval. Only the persons who are approved will enjoy these benefits.<sup>638</sup> Similarly, since no independent evaluation organs and universal standards are involved in this process, cases arise in which some persons who are not in hardship enjoy the subsidies while others who are in need of help cannot get them.<sup>639</sup>

It is worth elaborating on the five guarantee households. Traditionally, Chinese people prefer that families look after the elderly while for old people who do not have families, the village collectives would look after them by drawing upon the Public Welfare Fund. This system is called the "five guarantee households". In recent years, homes for the elderly have been created. Up to 2013, Li County had 74 homes for the elderly, among which 32 are owned by the township while 42 are owned by the villages. They are funded by the Bureau of Civil Affairs of Changde prefecture city and other donations for which the township government lobbies.<sup>640</sup> In addition, homes for the elderly also can get subsidies from the state if they accommodate the five guarantee households, and in 2013 the rate was increased to 4,200 yuan per capita per year.<sup>641</sup> Beneficiaries of the five

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<sup>637</sup> Interviews 2012/02/18b, 2012/02/19c.

<sup>638</sup> *Ibid.*

<sup>639</sup> Interview 2012/02/19c.

<sup>640</sup> Interview 2012/02/22.

<sup>641</sup> Chen, Zhangming, "Pushing forward 'four security projects' to look after the elderly and care about the youth", *Changde Tongxun*, 2013, 9<sup>th</sup> issue, available on: [http://zys.changde.gov.cn/art/2013/10/12/art\\_71734\\_1406772.html](http://zys.changde.gov.cn/art/2013/10/12/art_71734_1406772.html) (accessed on 5 April 2014).



guarantee households system therefore technically are able to choose to live in the home for the elderly, or stay at home to be looked after by the village committee. If they choose to stay at home, the state gives them subsidies at a rate of 2,400 yuan per capita per year in 2013.<sup>642</sup>

However, in practice, even if township collectives own these homes for the elderly, the five guarantee households are not always accepted. Mr L of Dazhou Village of Yongfeng Township provided an example. There are several five guarantee households in his village, and the village committee sent them to the home for the elderly. However, three persons were sent back. The reason the home for the elderly gave was that these people are too disabled to move around. The village committee had no choice but to call upon party members in the village to look after them, with every party member on duty for ten days at a time. This continued for one year. However, relying on the consciences of the party members was not a long term solution and gradually, party members grew tired and stopped. One of these disabled five guarantee households eventually perished from cold and hunger.<sup>643</sup>

#### ***4.4 The Lifestyle of the Peasants Today***

After the 2005 reform of taxes and fees and other subsequent reforms, the peasants commonly reflected that living conditions in rural areas today were getting better and better. They spoke of improvements in the physical life of the peasants, in terms of better clothes, food, housing and transport.<sup>644</sup> In the 1990s, most of the money that they earned had to go to fulfil heavy taxes and fees, but since 2005, peasants have been able to spend their income on improving their living conditions -- houses, all kinds of indoor facilities, motorbikes, private cars, telephones, mobiles, computers, the internet, etc. Compared to the monolithic character of their incomes before 1978, the income structure of the peasants today is quite diverse, and depends on the

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<sup>642</sup> *Ibid*; Interviews 2012/02/16, 2012/02/19c.

<sup>643</sup> Interview 2012/02/19c.

<sup>644</sup> For more details on improvements on the living standards of peasants, see this Chapter, p. 265 – 266 and p. 301 – 304.

natural resources of the area in which they reside. Their incomes mainly come from the following sources.

- ***Traditional planting***

After the 2005 reform, traditional planting actually has gradually been reduced. This is firstly because the market for grain has been completely opened since 2004 and the old compulsory task of submitting grain has been eliminated so that peasants are free to arrange their planting plans and to decide how much they would like to grow. Secondly, other non-agricultural ways to make money have grown popular and profits from them are indeed better than traditional planting. Compared to the heavy labour of traditional planting, the peasants thus prefer to spend more time and effort on the non-agricultural ways to increase their income.<sup>645</sup> Still many rural households cultivate traditional crops, but this is mainly self-consumed. This has contributed to changes in the division of the labour within rural households.

The people who stay at home to do the traditional planting normally come from three groups: elderly people over 60 years old, women who are less able than male adults, and children who are old enough to help with some simple agricultural work. Since women's day is 8 March and children's day is 1 June in the Chinese public holiday calendar, these three groups of people who stay to do the traditional planting are nicknamed as "603861 team".<sup>646</sup> An investigation conducted in 2013 by the Li County group of the Rural Socio-Economic Survey Team of Hunan substantiates this point. In this investigation, the group investigated ten rural households in Yushi Village of Taiqing Township and found that among the 19 labourers working on the traditional planting out of the total 36 labours, 13 are older than 60 years old while the rest all are beyond 45 years old.<sup>647</sup>

The rest of labourers either choose to produce agricultural specialities, such as cash crops on a large scale or fruit gardens, or to develop fish ponds,

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<sup>645</sup> Interview 2011/12/30, 2012/01/06, 2012/02/16, 2012/02/16b, 2012/02/17b, 2012/02/17f.

<sup>646</sup> *Ibid.*

<sup>647</sup> The Li County group of the Rural Socio-economic Survey Team of Hunan, "The analysis on the rural economic development for the first half year of 2013 in Li County", *Li County group of the Rural Socio-economic Survey Team of Hunan website*, 14 August 2013, available on: [http://www.hnrc.gov.cn/xlxgdd/dczl/dcfx/201308/t20130814\\_29052.html](http://www.hnrc.gov.cn/xlxgdd/dczl/dcfx/201308/t20130814_29052.html) (accessed on 5 March 2014).

or decide to go to urbanised areas to become migrant workers. As fewer labourers work on traditional planting, some rural households either reduced the areas planted or changed the mode of planting from double-cropped to single-cropped, including some areas which used to be the major grain producing areas such as Cengnan Township and Daping Township.<sup>648</sup> This further contributes to the reduction in the grain output. The grain issue has recently attracted the attention of the central government and during the period when the field research was conducted, the local township governments were meeting with the peasants to work out practical plans to deal with the problem of returning to double-cropping despite the shortage of labourers.<sup>649</sup>

- *Producing other agricultural specialities based on natural resources*

In addition to traditional planting, some peasants who stayed at home have produced other agricultural speciality products. This depends on where they are. The field research shows that peasants in mountainous areas mainly raise livestock, such as cattle, pigs, or poultry like chickens, ducks and geese; some peasants in the lake areas are able to raise fish or prawns; and hilly areas are suitable for fruit gardens, to grow oranges, apples, grapefruit and so on. Among all these specialities, what deserves to be emphasised is the grape industry in the plains area of Li County, which started in Xiaodukou Township in the 1990s, and has gradually expanded to several townships nearby. We talked in Chapter Three about the experiments which Mr W Xianrong, the grape specialist, had conducted in the 1990s, introducing traditional and new types of grapes to Li County.<sup>650</sup> His persistence paid off after 2000 and not only brought him wealth, but also provided a platform for other peasants nearby to make similar gains.

Based on his successful experiments, since 2000, W Xianrong has rented 108 *mu* of land in Yangjia Village of Xiaodukou Township, and has

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<sup>648</sup> Interviews 2012/01/06, 2012/02/18.

<sup>649</sup> *Ibid.*

<sup>650</sup> For more details on the beginning of the grapes industry of Mr. Wang Xianrong, see Chapter Three, p. 164 – 167.

introduced new types of grapes and new technology in planting.<sup>651</sup> W has been working together with the grapes team of Hunan Agriculture University to overcome many difficulties with grape planting. In 2005, he rented another 218 *mu* of land in Xinnian Village of Zhanggongmiao Township and started a new research project on this base. His researches have had a revolutionary effect on the agriculture of Li County. Led by his technological guidance, the net income of a rural household planting grape has reached 10,000 yuan per *mu*.<sup>652</sup> Seeing his success, many peasants have started to grow grapes, so that the output of grapes in Li County has increased year after year. In 2007 a grape industry zone has established to cover 13 townships with an annual output of 20 million kilograms and a total annual value of 90 million yuan.<sup>653</sup>

In order to expand the grape industry effectively and to help peasant growers, Mr Z Yexiang, the director of the Bureau of the Rural Economic Management of Changde prefecture city visited W in 2009 and suggested that he organise grape producers to establish a professional co-operative agency.<sup>654</sup> After careful consideration, W decided to take up this challenge and organised the Hunan Nongkang professional co-operative agency for grapes in 2009. It integrated scientific research, the breeding of good quality seeds, planting, technological training, the delivery of the produce, the sale of the grapes and the brewing of the wine. This co-operative agency has established a complete industrial chain, which has linked 1,373 peasants not only within but also beyond Li County.<sup>655</sup> At present, the industry is still developing. In addition to the grape co-operative agency, other co-operative agencies have also appeared in Li County recently: a cotton co-operative

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<sup>651</sup> Liu, Wenta, “The stories of the Representatives of the Seventeenth Party Congress: Mr Wang Xianrong, the Grape Specialist”, *Hunan Daily*, 2007, reprinted by *Chinese Communist Party News Net* on <http://cpc.people.com.cn/GB/64093/64104/78694/6009268.html> (accessed on 7 November 2014).

<sup>652</sup> *Ibid.*

<sup>653</sup> *Ibid.*

<sup>654</sup> Xu, Deqing; Wen, Jin; and Yao, Li, “The Road to the Grapes Entrepreneurship”, *Changde Daily Online*, 24 July 2011, p. 1 (accessed on 6 November 2014).

<sup>655</sup> *Ibid.*

agency in Huanghe Village of Zhanggongmiao Township, a grain co-operative agency in Chengtoushan Village of Daping Township, etc.<sup>656</sup>

According to Mr C of Huanghe Village of Zhanggongmiao Township, instead of a governmental organisation, this kind of co-operative agency is normally initiated by the village committee, led by successful rural households or peasants (such as Mr W Xianrong in the grape co-operative), and expanded by accepting voluntary applications from peasants after they pay a small membership fee (such as 10 yuan per household for the cotton co-operative).<sup>657</sup> After peasant households join the agency, it provides services covering periods before and after production, including technological training, precautions against disease, the provision of the good seeds, sales etc.<sup>658</sup> As co-operative agencies are still new, some are running better than others.

- ***Other non-agricultural businesses: part-time manual labour, craftsmen and migrant workers***

Although the agricultural speciality industry chain is very promising, it is still at an early stage and has not yet gained wide acceptance. It is also normally associated with high technology, which intimidates many peasants who do not have a good education. Therefore, many of them would prefer low-technology jobs rather than taking a risk on high-tech new agricultural specialities. Peasants in the suburban areas near Liyang Township where the County government is located have advantages in travelling into that Township to work. Many peasants go there to do part-time manual labour during agricultural slack times -- as porters, cleaners, baby-sitters, brick layers, etc. Some of them have special crafts, and are able to run small workshops and work independently in sewing shops, snack shops, dry cleaning shops, etc. The income is accordingly higher from this type of work.

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<sup>656</sup> Interview 2011/12/29.

<sup>657</sup> *Ibid.*

<sup>658</sup> *Ibid.*

Lidan Township is a typical suburban area of Liyang Township. Mr W of Xindu Village there told us that some peasants in his village who work as labour contractors can earn hundreds of thousands yuan a year.<sup>659</sup> His daughter and son-in-law, one doing sewing shop work and the other as a welder, can earn a combined net income of 40,000 yuan a year. His three neighbours are all running snack shops, one in Jinshi (a neighbouring county-level city of Li County), one in Liyang Township, and one in Guangzhou, and their income averages hundreds of thousand yuan per year.<sup>660</sup> Mr W's net income is about 8,000 yuan per year.

While such part-time work as labourers or craftsmen is confined to those close to urban areas, all able peasants may travel further as migrant labourers. That has become the main source of supplementary income for most peasants. In a rural household composed of three generations, normally the older generation beyond 45 years of age will stay behind to work in their contracted fields. They look after the young generation of children, while the middle generation from 17 to 45 years of age tend to become migrant workers. Young people prefer going out to work, because they are curious and attracted by the urban areas. They are also preferred by manufacturing industries in big cities.<sup>661</sup> In some areas such as Chexi Township and Lidan Township, the peasants have teamed together to follow their fellow-villagers once some migrant workers have migrated and become established in work. For example, Mr W Lifei, born in Wanxing Village of Chexi Township, initially went to Xinjiang province to work on his own. After he succeeded in establishing his own construction company, he took 120 peasants from his home village to Xinjiang to work in his company.<sup>662</sup> Conservatively speaking, those migrant workers can earn 30,000 yuan per capita per year.<sup>663</sup>

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<sup>659</sup> Interview 2012/02/17e.

<sup>660</sup> *Ibid.*

<sup>661</sup> *Ibid.*

<sup>662</sup> Interview 2012/02/18c.

<sup>663</sup> *Ibid.*

From the above analysis, it should be clear that there are two factors that affect the economic situation of a rural household. The first is the structure of the household. Normally a rural household in a mode of 2 + 2 + 1 is better off than a household with more members but fewer able labourers. The mode of 2 + 2 + 1 means two grandparents who can work in the fields, look after one child, and meanwhile do some part-time low-technology work in slack periods; two younger adults who can go out to become migrant workers; and one child who stays with his/her grandparents (as the family planning policy is being relaxed, the number of one may become two or three in the future). This household structure also exemplifies the traditional idea in China that once women are married, they become members of their husbands' households. That is why this mode only has two grandparents instead four.

The second factor is geographical location. The peasants living in the mountainous area are normally more disadvantaged than those living in suburban areas since the latter are closer to the urban areas which are full of work opportunities. Those convenient locations also save money for the peasants living nearby if they travel to the town to work since they are able to commute, while if peasants in the mountainous areas want to get jobs in urban centres, they face greater expenses for transport and accommodation.

#### ***4.5 Summary***

This chapter begins with the year 2000, three years before the new Hu-Wen leadership took office in Beijing. That is because one of the important reforms during their reign – the reform of taxes and fees in rural areas – had already begun developing as early as 2000. Spanning the whole period of Hun-Wen leadership, this chapter examines three sets of significant reforms in Li County – the reform of taxes and fees from 2002 to 2005; the agricultural subsidies system from 2004; and other comprehensive supporting reforms after 2005 including the development of rural political institutions, improvements in rural infrastructure, and the construction of a social security system in rural areas. Enabling reforms have also been



discussed to show how the new practices were adjusted in response to problems that emerged from implementation at the local level.

These reforms enabled the Hu-Wen leadership to obtain broad support from rural dwellers. By relieving peasants of heavy taxes and fees, and by facilitating the mobility of labour, the changes eroded old dependence of peasants on rural collective authority – which normally meant village committees and their cadres. With the elimination of various fees and charges on the one hand, and the delivery of subsidies and diversified income sources on the other, rural dwellers began to enjoy life as never before. Furthermore, from the later 2000s, a new market-oriented social security system was gradually expanded to cover rural areas. Although this system is not yet complete and is still under development, it signals an effort by the state to promote development which is balanced in urban/rural terms, and to integrate the groups which were marginalised amid the reforms into a comprehensive national system of social provisions.

By contrast, collective organisations at the village level faced numerous difficulties. After a campaign to eliminate deficits and to reduce debts in 2002, almost all of the County's villages lost control of collective-owned assets, which severely affected their capacity to sustain themselves. Various monitoring methods were introduced at the central government's behest that nearly put an end to devices to extract money from the peasants, which rural authorities had used in the 1990s. After the 2005 reform of taxes and fees and its enabling reforms, the incomes of village collective organisations came mainly from three sources: appropriations from higher levels of government, fundraising among the villagers, and social donations. As the second was now strictly regulated by the modified programme of "one project one discussion", village collective organisations had to rely on their relationships both with higher levels of government and with the new economic elites who might make donations. That became the main cause of variations in the performance of various village committees. It also created acute stresses for many cadres at village level -- which, together with their diminished powers, has made the role of village cadres less attractive.

## **Chapter Five: Conclusion**

This thesis takes readers chronologically through analyses of the implementation of reform policies and their corresponding impacts in Li County from 1978 to 2013. China has undergone transitions through three generations of central leadership, so the recent history of Li County presented here is divided into three phases covered by three chapters. Special attention has been paid to certain key reforms: the allocation of lands to households, the development of Township and Village Enterprises, and self-governance for villagers during Deng's reign from 1978 to 1989; the arduous development of agriculture and rural industry in Li County after a shift in the central political wind in 1989, the decentralisation of fiscal authority, and the tax sharing system during most of the term of Jiang, Li and Zhu from 1990 to 1999; and the reforms of taxes and fees, the agricultural subsidy policy, and other supporting reforms targeting social development, such as massive infrastructure construction and extended coverage of social security in rural areas, during the latter years of the Jiang and Zhu era from 2000 to 2002 and of Hu-Wen leadership from 2003 to 2013. By assessing the implementation of these policies in one predominantly agrarian county in central China – in which 81.5% of the population was rural in 2010 -- the thesis attempts to present a picture of what has been happening in China, and to chart the path that China has followed to become what it is now. The thesis also seeks to contribute to an understanding of the diversity of the impacts of the reforms.

Our account starts from 1978, the year which is commonly recognised -- officially and in academic analyses -- as a watershed in the history of the PRC. That year clearly separates two eras in the reign of the CCP which stand in marked contrast to each other. The first three decades of the PRC before 1978 witnessed the reclaiming of political authority over society. This was realised mainly through a series of political campaigns such as land reform, socialist transformation, communisation, socialist education, and the Cultural Revolution. As a result, the major economic, cultural, and educational activities in society were brought under government

management. The conduct of these campaigns (apart from the Cultural Revolution) had mainly relied upon, and meanwhile extended, strengthened and expanded administrative agencies and the party's organisation.<sup>664</sup> The massive army of its cadres, activists and party members penetrated so deeply into society that the CCP's authority not only integrated the private lives of citizens into its political undertakings, but they also – via various meetings, discussions within all kinds of groups, and public assemblies – enabled the party to implement its various policies and campaigns nationwide.<sup>665</sup>

As we have seen in the preceding chapters, the implementation of various reform policies after 1978 is still led by this army of local cadres and party members. They have inherited the work methods of their predecessors before 1978 and responded to orders from superiors by organising meetings, carrying out the experiments at some sites, collecting feedback from the experiments, and then, based on the feedback, extending the coverage of new policies within their administrative territories. There have been no major changes to the party's political institutions so far. A hierarchical system still exists to ensure that orders from the central government are conveyed to remote rural areas.

But in spite of these continuities, between 1978 and 2013, the Communists have achieved fundamental economic change, and indeed, a breakthrough. Instead of penetrating into almost all sections of society, and integrating them into the process of political management as in the era before 1978, the priority of the government since 1978 has shifted to the promotion of economic development. This shift has not only solved the problems of malnutrition and starvation, which loomed large before 1978. It has also lifted vast numbers of people out of poverty. Its success has mainly relied on gradually giving back freedoms to society and releasing

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<sup>664</sup> Vogel, Ezra F. *Canton under Communism: Programs and Politics in a Provincial Capital, 1949 – 1968*, (New York: Harper & Row, 1971), p. 351.

<sup>665</sup> *Ibid.* and Vogel, Ezra F. "From Friendship to Comradeship: The Change in Personal Relations in Communist China," *The China Quarterly*, 1965, No.21 (Jan. – Mar., 1965), p. 46 – 60.

individuals from their earlier duties to the state – thereby galvanising and stimulating the enthusiasm and energies of the people in order to enhance their own material well-being and to strengthen the economy. This approach – the reduction in the pervasive controls over society which the party-state exercised before 1978, and the efforts to enhance the economic well being of ordinary people – has helped mightily to ensure the resilience (amid change) of the political order. It has also, we shall see in more detail below, offered society sufficient benefits to ensure the resilience of the social order.

Much of what the Communists have done from 1978 to 2013 in Li County follows logically from this general trend. Whatever the specific aims of the reform policies described in the preceding chapters were – allocating lands to households, developing Township and Village Enterprises, de-communising and re-establishing village-level authority, decentralising fiscal authority, reforming the tax system between the central and sub-central governments, expanding agriculture subsidies, and other supportive reforms – all contributed to easing political control over society. As an agrarian County, the changes in Li County started with the reform of land policy. Although it did not at first pursue reforms as aggressively as some provinces such as Anhui, Hunan and Li County within it quickly grasped the opportunities which the reforms offered and joined in the allocation of lands to households. As we have seen in Chapter Two, this was an activity in which almost every peasant actively took part. Since Li County has long been famous for abundant agriculture production, the peasants were satisfied with this policy not because of the improvements to productivity, but because it released them from inefficient and unvaried agricultural labour in production teams, so that they gained some freedom to work for themselves.

This opened up opportunities for variegated types of labour and enterprise that were essential for the development of rural industries. The boom experienced by Township and Village Enterprises duly ensued and, led by the local authorities, mushroomed impressively. We have seen that the government agencies at county, township and village levels shifted their

focus from political control to economic development, and concentrated their efforts on lending strong support to the development of rural industries. This not only increased the revenues of those government agencies, it also created job opportunities for underemployed rural labourers. It is worth noting that whether it is allocating lands to households or developing Township and Village Enterprises, unlike the monolithic implementations of political campaigns before 1978, local conditions were taken into account. As a result, variations in economic development also emerged even within this single County. As an agrarian County without a long history of industry and trading, the rural industries in Li County were rooted in its abundant natural resources, which are mainly found in its north-western sector of mountainous and hilly areas. These therefore became the main source of economic stimulus of Li County in the late 1980s and early 1990s. Several townships there, such as Huolianpo and Matoupu, obtained the rank and designation of ‘*Zhen*’ – *Xiang* and *Zhen* are both equivalent to townships, but the latter are more urbanised.

Due to a shortage of technology and to low levels of education among rural labourers, most rural industries of that first generation mainly entailed low technology, such as raw materials processing, mining and conveying. Although they were later criticised for their chaotic development and for contributing to environmental pollution, these early industries benefited the peasants, as is demonstrated by the chart on the composition of peasant incomes in Chapter Two. The peasant workers in those rural industries can now be regarded as the first generation of migrant workers, who left the fields and moved into nearby industries to work. In that period, the government also relaxed restrictions on the management of individual businesses, and began to contract out the management of some collective-owned businesses to individuals. The developing “dual track” (collective and private ownership) and “four wheels” (township, villages, joint and individual) strategies in rural industries in Li County showed the flexibility and creativity of the local cadres as they interpreted Communist and Maoist ideology. They did not lock themselves into traditional Communist doctrines and instead, when necessary, were ready to embrace new

challenges. In that period, they shook off the ideological constraints that had been implanted in the minds of people by political campaigns before 1978. During this period, many peasants adopted wait-and-see attitudes. But those who were adventurous and pioneering, whether they were local cadres or ordinary people, stood out and became a potent force.

All of these dynamics during this period owed much to the favourable policy environment which the central government provided to rural areas in the 1980s. But when it entered the 1990s, everything seemed to plummet into stagnation. The international political situation and the social chaos in China caused by some reforms reached a climax in the period between 1989 and 1992. It convinced the new leadership of Jiang and Li, who were urban-oriented, to adopt a relatively conservative posture towards the rural areas and to shift policy priorities from rural to coastal and urban areas. Whether or not it was intentional, this change produced complicated impacts in Li County during the 1990s. First, in order to guarantee improvements in economic output and annual revenues, local governments reoriented their limited resources and focused on a few hi-tech enterprises. This worsened the situation of many raw material producers and low-tech rural businesses and workshops, and forced them either to reorganise or to declare bankruptcy. The Township and Village Enterprises, which had previously been effective at absorbing underemployed rural labourers and at increasing the incomes of peasants, gradually went into decline.

Two responses to this situation ensued. On the one hand, based on the county's agriculture advantages, local government agencies in Li County actively encouraged peasants to try new types of high-yielding agriculture products. On the other, the boom in manufacturing industries in the coastal cities, which were promoted by the central government at that time, replaced the Township and Village Enterprises as the main entities accommodating slack rural labour. The trend of moving to urban and coastal cities for work intensified after a tax sharing system was put in place in 1994. One motivation was to make money but another specific reason, as most peasants said, was to meet the heavy financial burdens assigned to each

household, as by-products of the tax sharing system and the decentralisation of financial authority. That decentralisation was originally intended to grant localities some freedom to control their financial resources, but in effect, it ended up increasing the financial burdens of local governments and peasants. In the late 1990s, more and more peasants chose to go to distant urban and coastal areas to work. As one informant said, the reasons for this included those financial burdens in the villages and the fact that their earnings from selling their labour in rural areas could scarcely offset soaring financial charges and fees imposed by cash-strapped local authorities. The migration to the cities contributed indirectly to an over-concentration of rural lands in fewer hands, and foreshadowed another type of chaos after 2000, in the delivery of agricultural subsidies and the certification of management rights over of the lands of peasant households.

During this period, the relationship between the cadres and the peasants rapidly deteriorated. The task of fulfilling demands from higher levels of government for revenues, in the form of financial charges and fees, was passed down from one level after another until it reached the peasants. As the last level in the administrative hierarchy, village communities thus witnessed confrontations between two groups – village cadres and peasants. It has been seen in Chapter Three that in many villages of Li County, the cadres normally used persuasion to extract money from the peasants, but they also held coercive powers in reserve when needed. The use of force usually included arbitrary confiscations of possessions, and the deployment of police to pursue peasants who tried to evade payments. In addition to squeezing peasants for money, the village authorities also began to sell off their collectively-owned assets. This was the beginning of the privatisation of village-owned assets, although it was not the result of top-down orders to do so. Even after they had used all possible means, many villages in Li County could still not meet financial demands from above. Their debts accumulated year after year and reached such high levels that some villages still have not paid off all of their debts today. Soaring debts of village committees, an exodus of migrant workers, and an over-concentration of lands in a few hands therefore became three important features in Li County

during the 1990s. The events of that decade undermined popular faith in the political order and generated tensions within society. Action from the apex of power to address these problems was urgently required – and soon emerged.

Those sufferings of rural communities were gradually eased after 2003 when the new Hu-Wen leadership took office in Beijing. That generation of leadership therefore obtained broad support from rural dwellers. The peasants mainly benefited from three specific policies which were put into full-scale effect under Hu and Wen: a reform of taxes and fees, the provision of agricultural subsidies, and other supporting reforms condensed in the slogan of building a new socialist countryside . It signalled an effort to improve infrastructure and the social ethos in rural areas, and to extend the coverage of a new market-oriented social security system to villages. During this period, we saw the redistribution of the benefits of economic development from urban to rural areas through the reform of administrative fees and surcharges, and the allocation of agricultural subsidies to compensate for the excessive exploitation of the peasants in the 1990s. Furthermore a new market-oriented social security system was gradually extended to the rural areas, in an effort to integrate marginalised and disadvantaged groups into a comprehensive national system of social provisions. Although this system has still not yet matured, as some informants explained in Chapter Four, many peasants are nonetheless satisfied with what they have gained from it. In the eyes of the peasants, if Hu and Wen had not changed the policies from the Jiang era (with their urban bias), the party and the government might have lost legitimacy. That could have destabilised China. Since there is only one party, if that party loses legitimacy, there is no opposition party to turn to and the whole system is in danger of crashing.

In contrast to the improved situation of the peasants, the problems of the collective organisations at the village level -- the village committees and their cadres -- have not diminished. First, a campaign to eliminate deficits and reduce debts in 2002, aiming to pave the way for the subsequent reform



of taxes and fees, started a second wave of sell-offs of the collectives' assets. As a result, almost all the villages but one (Yucheng Residential Community of Daping Township) which were studied for this thesis lost control of collectively-owned assets, including natural resources, enterprises and even office buildings. This measure has not only failed to help villages to pay off debts – many still are in serious arrears - but it has also weakened the ability of many collective organisations to sustain themselves. As one cadre said, the debts cannot be cleared now if there is no policy to address them. In addition, the subsequent reform of taxes and fees since 2005 has gradually ended the control of the village organisations over the peasants by eliminating various agriculture-related taxes and two voluntary labour schemes. With the marketization of agricultural production and the phenomenon of migrant workers, peasants rely financially less and less on village organisations and therefore do not obey their orders as much as they used to do. This trend is further intensified by the popularisation of media monitoring via the internet, newspapers, television news, and government hotlines. Examples in Chapter Four showed how peasants use these hi-tech tools to protect their benefits.

The funds for village collective organisations now therefore come from three sources. The first is appropriations from higher levels of government; the second consists of social donations; and the third is fundraising among the villagers. While the third source is strictly regulated by the rules implied in the phrase “one project one discussion”, the other two mainly rely on the ability of cadres to lobby and to network. Thus, much depends on not only the personal charm of the cadres but also on the human resources of each village. That is why we see variations in the performance of the village committees in terms of infrastructure building. While roads are beautifully extended to the doorsteps of each villager in the remote mountainous areas, such as Matoupu township, some localities in the lake areas even cannot manage to create essential roads. With their power diminished on the one hand, and increased pressure to raise funds on the other, the role of village cadres has thus become less attractive to villagers (and potential cadres) than it was before 1978. Unlike their elders, young people prefer migrating

to cities to staying in the rural areas. So the problem of recruiting new blood, both for the administration and the party at the village level, has worsened.

In response, many provinces including Hunan have begun to try a new practice named “college-graduate village official” (*daxuesheng cunquan*) since 2005 -- based on the experiences in provinces such as Jiangsu and Hainan – the aim of which is to train a reserve army of young cadres for rural governance. However, the field work for this thesis has established that this has not produced the desired effect. As one informant stated, these young college graduates might have modern knowledge, but many of them lack practical experience in communicating with peasants. Chinese peasants’ long experience with authoritarianism has taught them to be cautious, so that they do not easily trust outsiders until they have spent a long time living and working together. In addition, most young people who were born after 1978 were single children, and excessive spoiling by their families makes them unable to endure the hardships and living conditions in the rural areas. The college-graduate village official in this informant’s village chose to leave after working there for a year, and left the informant behind to assume the dual role of village governor and accountant. This undermines the self-governance of villagers, based on direct elections, since older peasants in a village do not qualify for selection and the younger ones are not interested in staying.

The control of the state over rural communities was further eroded after the activity of “merging villages and cancelling villagers’ groups” was implemented in the rural areas under the Changde prefecture administration in 2005. In effect, this completely ended the roles of villagers’ groups as one level of sub-village administration, and merged some small villages into bigger ones. As a result, the number of the cadres at village level in Li County was reduced by 34.2%, and the number of roles that they play at the village level was reduced to an average maximum of four.<sup>666</sup> The political

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<sup>666</sup> Zeng, Xiangwen, “Li County of Hunan: to cultivate and to select part-time deputy party secretaries of village party organisations out of economic talents”, *Theory Channel of People’s Daily Online* [Electronic], 30 November 2010, available on:

system before 1978 gave priority to developing administrative structures so as to bring almost every aspect of social life within the scope of governmental management. By contrast, the political system now tends to turn governance and development over to society by reducing administrative structures.

It is also worth noting that, following the call from the central government, Hunan province started to implement the reform of direct financial management of counties by provinces -- by abandoning the level of prefectural-city administration on 1<sup>st</sup> January 2010 -- and Li County was lucky to be in the first batch of twenty experimental counties. After a few years, support has grown for the fusion of Li County and Jingshi, its neighbouring county-level city -- to extend direct financial and administrative management of the province over this newly established Jinshi-Li County administration. By early 2015, reports suggested that preparations are being made to effect this change. If it occurs, it would, by reducing the administrative hierarchy from four levels to three, contribute to improved administrative efficiency and to a further relaxation of political control over society.

The reduction in the control of the administration over rural society and the expanding territory of the rural administrative organisations give room for a revival of some traditional organisations, such as patriarchal clans and religious groups. This trend gains momentum from the fact that communist ideology is not as strictly emphasised as it used to be. Rural residents thus tend either to turn to traditional Confucian values or to traditional religions to provide spiritual sustenance. In recent years, it has become more popular for patriarchal clans to re-establish ancestral halls and to re-edit genealogies, which were abandoned during the campaign of “doing away with the four olds” (*po sjiu*) in the 1960s. The propaganda of the central government to re-promote traditional Chinese values reinforces this tendency. For example, since 2007, three traditional Chinese festivals –

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<http://theory.people.com.cn/GB/40557/208149/208853/13356833.html> (accessed on 8 September 2014).

*Qingming*, *Duanwu*, and *Zhongqiu* – have been integrated into the public holiday calendar, and citizens are eligible to have one day off at each of these festivals. Traditionally, *Qingming* and *Zhongqiu* emphasise the significance of family bonds via the worship of ancestors and family reunions. *Duanwu*, also called the Dragon Boat Festival, is shared by almost all Chinese throughout the world and is likely to stimulate patriotism and cultural solidarity among Chinese. Confucian and Buddhist temples are attended by many worshippers again. According to the director of the Buddhist Association in Li County, there were almost 100,000 Buddhists there by early 2015.

As we have seen above, whether in terms of economic management, administrative management and the number of local cadres, or in terms of the religion and ideology of rural residents, there is a clear trend towards greater freedom and diversity. This has, for the present, reduced both the burdens upon and popular discontent with the political order. It has also eased strains within society. The infrastructure building of recent years, such as high speed train and road links to Li County, enhances the mobility of people between rural and urban areas. The increasing contact with modern urban areas helps rural dwellers gradually to cultivate an awareness of themselves as individuals rather than as members of certain collectives. In theory, this could help rural residents to become conscious legal or political actors, capable of asserting their rights, and of organising associations based on the shared concerns which can lodge requests or achieve group ends on their own. However, while it has gradually retreated from many aspects of social life, the CCP reserves the right and still carefully exerts the power to restrict freedom of association. Consider an example from Li County.

In response to the interception of agricultural subsidies at county and sub-county levels, Mr S, a veteran, was thinking of organising fellow veterans in this and other neighbouring areas to establish an office to monitor the behaviour of government actors and to report on the proper implementation at county and sub-county level to the provincial government. When he was asked if the office was finally established in 2012 -- a few

years after he first aired the idea -- he replied with disappointment that he was afraid that it had been aborted because he faced too many procedures to gain approval for it. This is explained in part by the possibility that the increasing power of civil society might generate more than one party, which would challenge the monopoly power of the CCP. With old collective organisations gradually disappearing, rural dwellers have become individuals with considerable freedom. However, before new organisations are established to integrate individuals, society appears somewhat chaotic. This can be seen in the number of complaints from informants about their safety, and in increasing crimes. In addition, the combination of a representational void and increased mobility – which has exposed migrant peasant workers to unfair treatment in big cities – has undermined the power of people instead of strengthening them.

In March of 2013, another new generation of leadership, led by Xi Jinping and Li Keqiang, took office in China. In its first two years, apart from the anti-corruption campaign which is nationwide and overwhelming, few new changes have yet been seen in rural areas. Instead, as the anti-corruption campaign created a tense atmosphere, visitors to the villages of Li County could easily sense certain stagnation within rural communities. The appearance of villages remained the same or seemed even worse because the anti-corruption campaign promotes austerity. Some areas were not as tidy as a few years ago because the interest of the cadres in conducting inspections has diminished. It is still too early to evaluate this generation of leadership since it normally takes time in China for policies to be formulated at the central level and then to make an impact at county and sub-county levels. However, significant problems need to be addressed: rising inequality, the deceleration of economic development, etc. It is also unclear how the anti-corruption campaign will end. These things present new challenges to President Xi and Premier Li, and their approach to rural areas where most Chinese still live is especially important. Will they follow the pro-rural policies of Hu and Wen and speed up the establishment of harmonious communities, or will they give urban areas priority again over

rural society? The choice will matter greatly to vast numbers of rural residents and to the realisation of their stated aim – the “Chinese Dream”.

Since 1979, China and Li County within it have witnessed considerable social change, but despite many new stresses, the social order has not broken down. It has bent without breaking. Nor, despite many changes and mounting collective protests in recent years, has the political order broken down, as it did in some other Communist systems. The Chinese Communist Party controls much less than it did in earlier times, but it remains a dominant force. This thesis has sought to deepen our understanding of this social and political resilience.

At times – especially in the period between 1989 and 2003 -- social tensions became acute amid increasing inequality and changes in government policy which generated antipathy between social groups, especially in rural areas. But despite this, and despite much social dislocation, a breakdown of the social order has never appeared likely. This is explained by a diversity of things: the coercive potential of the party-state; and much more importantly after 2003, its ameliorative revision of policies to ease social tensions and discontent – again, especially in rural areas. But the adaptability and durability of social institutions – and of ties within and between households – also played a role.

The acute distress suffered between 1989 and 2003 by rural dwellers -- the result of the government’s policies and its urban bias – raised more serious questions about the survival of the political order. But the party-state proved resilient, again for a number of reasons. Discontents were largely confined within local arenas and tended to be directed at local cadres rather than higher-level leaders. So in the absence of an aggregation of such discontents, the political system in general felt only rather limited pressure. The coercive power of the party-state intimidated some from expressing their anger, but its use in that era by party cadres whom policies had placed in invidious positions also intensified popular resentments. Crucially, however, the party-state’s resilience is explained by its ability after 2003 to

understand the plight of rural dwellers (and indeed, of local cadres) and to take effective remedial action. That, more than the threat or use of coercion, lay at the heart of the resilience of the political order.

## APPENDIX I: PROFILES OF THE INTERVIEWEES IN LI COUNTY

<b>Date of Interviews<sup>667</sup></b>	<b>Interviewees and position<sup>668</sup></b>	<b>Locations<sup>669</sup></b>
2011/12/01	Mr Y, Former head of township finance office	Dongshi Township
2011/12/26	Mr H, Retired rural teacher	Ximochi Residential Community, Liyang Township
2011/12/29 Group interview	Mr X, Head of village committee	Huanghe Village, Zhanggongmiao Township
	Ms H, Officer for women's affair of village committee	<i>Ibid</i>
	Mr C, Former accountant of village committee and now retired	Former Wanjiapu Village, now merged into the new Huanghe Village, Zhanggongmiao Township
2011/12/29b	Ms M, Peasant	Zhanggongmiao Township
2011/12/30 Group interview	Mr P, Former accountant of village committee and now investigator of RSEST	Yushi Village, Taiqing Township
	Mr L, Staff of RSEST	County Governmental Staff
2012/01/06 Group interview	Mr C, Accountant of village committee	Qilimiao Village, Cengnan Township
	Mr P, Head of village committee	
	Ms L, Officer of women's affair of village committee	

<sup>667</sup> The interviews are indexed in chronological order when they were conducted in the form of year/month/date. For the interviews conducted on the same date, English letters are applied alphabetically to denote ones in different time.

<sup>668</sup> All interviewees are guaranteed to be anonymous for reasons of privacy and ethical protection.

<sup>669</sup> The locations refer to villages/residential communities where the interviewees are from and their affiliated townships.



2012/01/12	Mr Z, Party secretary of residential community	Hucheng Residential Community, Liyang Township
2012/02/11 Group interview	Mr X, Former party secretary of Village and now retired	Lianhua Village, Matoupu Township
	Mr X, Peasant	
	Mr X, Peasant	
	Ms X Peasant	
2012/02/14	Mr Z, Former cadres in village and now retired	Hongxing Village, Xiaodukou Township
2012/02/14b	Mr C, Former party secretary of Village and now retired	Former Zhaojia Village, now merged into the new Fenghuang Village, Guanxuan Township
2012/02/15	Mr C, Former head of village Committee and now retired	Zhangshuyan Village, Leigongta Township
2012/02/16	Mr W, Accountant of village committee	Yuntai Village, Dongshi Township
2012/02/16b	Mr G, Former accountant of village committee and now retired	Ganxi Village, Ganxitan Township
2012/02/16c	Mr S, Former accountant of village committee and now retired	Former Songzhu Village, now merged into the new Huangxi Village, Huolianpo Township
2012/02/16d Group interview	Mr T, Former party secretary of village	Laomu Village, Zhakou Township
	Ms H, Staff of township government	Zhakou Township
2012/02/16e	Mr H,	Shuimi Village, Zhakou Township

	Accountant of village committee		
2012/02/16f	Mr R, Party secretary of Village	Banqiaorong Village, Wangjiachang Township	
2012/02/17	Mr C, Accountant of village committee	Former Baihe Village, now merged into the new Baihelin Village, Mengqi Township	
2012/02/17b	Mr Y, Former deputy head of village committee	Juhualing Village, Yiwan Township	
2012/02/17c Group interview	Mr M, Party secretary of village	Shigong Village	Zhongwu Township
	Mr Y, Accountant of village committee	Changgangling Village	
	Mr Z, Accountant of village committee	Hualing Village	
	Mr L, Party secretary of village	Caoyan Village	
	Mr L, Accountant of village committee	<i>Ibid</i>	
2012/02/17d	Mr H, Party secretary of village	Shuisi Village, Dayandang Township	
2012/02/17f	Mr W, Accountant of village committee	Xindu Village, Lidong Township	
2012/02/18 Group Interview	Mr Y, Party secretary of residential community	Yucheng Residential Community, Daping Township	
	Mr L, Staff of township government	Daping Township	
2012/02/18b	Mr G, Accountant of village committee	Qunle Village, Daping Township	
2012/02/18c Group	Mr D, Accountant of	Balihe Village	Chexi Township

Interview	village committee		
	Mr H, Former party secretary of village and now retired	Wanxing Village	
	Mr Z, Accountant of village committee	Chengtoushan Village	
	Mr Z, Accountant of residential community	Chexi Residential Community	
	Mr L, Accountant of village committee	Chexi Village	
	Mr Z, Accountant of village committee	Chenggong Village	
2012/02/18d	Mr T, Accountant of village committee	Guanshantu Village, Yanjing Township	
2012/02/18e	Mr L, Accountant of residential community	Yanggu Residential Community, Lidan Township	
2012/02/19 Group Interview	Mr M, Accountant of village committee	Huamiao Village	Shuanglong Township
	Mr L, Party secretary of village	Wansheng Vilage	
	Mr C, Party secretary of village	Zengjia Village	
	Mr C, Party secretary of village	Gutang Village	
	Mr Z, Accountant of village committee	Tianhua Village	
	Mr W, Party secretary of village	Sanlian Village	
2012/02/19b	Mr W, Accountant of village committee	Shuangyan Village, Fuxing Township	
2012/02/19c Group interview	Mr L, Party secretary of village	Dazhou Village, Yongfeng Township	

	Mr W, Accountant of village committee		
2012/02/19d	Mr L, Party secretary of village	Chimagang Village, Rudong Township	
2012/02/19e Group interview	Mr C, Peasant	Bichen Village	Jiuyuan Township
	Mr L, Peasant	<i>Ibid</i>	
	Mr C, Peasant	Shaling Village	
2012/02/22 Group Interview	Mr Y, Party secretary of village	Yingxi Village	Daohe Township
	Mr M, Party secretary of Residential Community	Tianzishan Residential Community	
	Mr G, Accountant of Residential Community	<i>Ibid</i>	
2012/02/22b Group interview	Mr H, Accountant of village committee	Shuanghe Village	Linan Township
	Mr W, Head of village committee	<i>Ibid</i>	
	Mr L, Party secretary of village	Fengping Village	
	Mr X, Party secretary of village	Laogang Village	
	Mr W, Accountant of village committee	Xinglong Village	
2012/02/24 Group interview	Ms W, Peasant	Zongyang Village, Fangshiping Township	
	Mr S, Peasant		
	Mr W, Peasant		
2013/01/11	Mr Z, Former director of Bureau of Township Enterprises and now retired	Former County Governmental Staff	
Total	53 Villages and RCs (47 Villages and 6	30 Townships (16 <i>Xiangs</i> and 14 <i>Zhens</i> )	

	Residential Communities)	
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## APPENDIX II: ADMINISTRATIVE DIVISION IN LI COUNTY<sup>670</sup>

Townships <sup>671</sup>	Villages/Residential Communities <sup>672</sup>	Remark
Liyang Township (Zhen)	<i>Gaoqiao, Xingaoyan, Shuilian, Shifu, Chengping, Pingyang, Xiangyang, Danping, Huangshan, Mengjiagang, Ronglong, Lujia, Liyang, Huangni, Sima, Baimi, Zhujiagang, Qunxing, Xinhe*, Huangqiao*, Guanxin*, <b>Hucheng*</b>, Xiangyang*, Danyang*, Zhenzhu*, Duoanqiao*, Yongxingsi*, Shuidemiao*, Fensijie*, Pengchangjie*, Wanshougong*, <b>Ximochi*</b>, Xiao Xi Men*</i>	18 Villages, 15 Residential Communities
Lidong Township (Xiang)	<i>Tuanjie, Wanjiaping, Lidong, <b>Xindu</b>, Banzhu, Shihui, Minyan, Tiechi, Xindian, Shuanglin, Qingshui, Yongchang, Furong, Changqing, Chejiaxi, Shili</i>	16 Villages
Lidan Township (Xiang)	<i>Sanxian, Baota, Yanhe, Sangcan, Renjiaxiang, Pengjia, Liujia, Zhangliu, Renhe, Baiyang, Xindi, Jiadi, Yonggu, Yongxian, Shangfu, Sanjia, Yuhuang, Caijing, Dongzhou, <b>Yanggu*</b>, Daxiangkou*</i>	19 Villages, 2 Residential Communities
Linan Township (Zhen)	<i>Gaohu, <b>Fengping</b>, Dayan, Xuhu, Guangfu, Huilong, Xinduhe, Changhu, Zhonghu, Qianjin, <b>Xinglong</b>, <b>Shuanghu</b>,</i>	17 Villages, 2 Residential Communities

<sup>670</sup> By 2009, Li County governed 32 townships (15 *Zhen* and 17 *Xiang*), 478 villages and residents' communities (427 villages and 51 residential communities). For more information, refer to The Statistics Bureau of Li County (2009), *the yearbook of Li County 2009*, (Xiantao of Hubei: Jiangxia Publishing Company), p. 35.

<sup>671</sup> For the difference between *Xiang* and *Zhen*, please refer to footnote 12 in the section of an overview of Li County in Chapter One.

<sup>672</sup> For the difference between village and residential community, please refer to footnote 12 in the section of an overview of Li County in Chapter One. In this section, the astronoid \* denotes residents' community. The name in red denotes the ones that were visited in field work.

	<i>Xingshi, Zhangjiatan, <b>Laogang</b>, Limu, Nanping, Qiaojiahe*, Liushi*</i>	
Daohe Township (Xiang)	<i>Hushan, Jinya, Xiangong, Maoping, Baima, Liaoping, <b>Yingxi</b>, Qingshan, Changmu, Songlin, Fenshui, Xinjian, Gaoyan, <b>Tianzishan*</b></i>	13 Villages 1 Residential Communities
Zhanggongmiao Township (Zhen)	<i>Tuzikou, <b>Huanghe</b>, Tongxing, Xinlian, Gaolupu, Panshan, Baihe, Hequn, Liuying, Guofu, Lianhe, Huguo, Jiankou, Gaochao, Xinmiao, Shitang, Jiuyan, Xingfu, Zhanggong*, Rongjiahe*</i>	18 Villages 2 Residential Communities
Daping Township (Xiang)	<i>Hongxing, Damiao, <b>Qunle</b>, Daxin, Baitang, Dayang, Xinsheng, Daping, Xinyan, Dongyue, Mengping, Zhongceng, <b>Yucheng*</b></i>	12 Villages 1 Residential Community
Cengnan Township (Xiang)	<i>Zengjiahe, Zidong, Zinan, Shanghe, Lanyan, Dongtian, Xincun, Xinping, Lingguan, Wujia, Tanjiapu, <b>Qilimiao</b>, Jijiaocheng, Wenjia, Yongfeng, Ceng Zeng*</i>	15 Villages 1 Residential Community
Xiaodukou Township (Zhen)	<i>Maojiacha, Jianxin, Dongfeng, Renheyuan, Wangjia, Dingdi, Dongdi, Nanpan, Taipingyuan, Donggang, Dawei, Shahe, Zhongyuan, Huangsi, Jiangwan, Dongjia, Wugong, Zuojia, Zengjiawan, <b>Hongxing</b>, Taixing, Yangjia, Xujiapu, Xiaodukou*</i>	23 Villages 1 Residential Community
Guanyuan Township (Xiang)	<i>Yujiatai, Gongweihu, Niao'erzhou, Xiazidang, Xingfuqiao, Qili, Xiantao, Shifa, <b>Fenghuang</b>, Guanyuan Matou*</i>	9 Villages 1 Residential Community
Jiuyuan Township	<i>Ganjia, Chucaopo, Tudizhou, Kanghu, Zhangshijiao, Yongfu, Hexing, Heping,</i>	14 Villages

(Xiang)	Yunai, Jizhong, <i>Shaling, Bicheng,</i> Shouma, Lianyutou	
Yongfeng Township (Xiang)	Zengjiagang, Yongxing, Xinhekou, Yongzheng, Fuxing, <i>Dazhou,</i> Zhangjiawan, Pailougang, Donghong, Tongfu, Qinglongjiao, Sanling, Tianping, Meijiagang*	13 Villages 1 Residential Community
Rudong Township (Xiang)	Yangjiadang, Fengling, Jianshe, Yunong, Gaochong, Qiuja, Chuanxun, Lujia, Huangfugang, Changfu, Niuzhang, <i>Chimagang,</i> Guangxing, Painan, Rudongpu*	14 Villages 1 Residential Community
Dayandang Township (Zhen)	Yongsun, Xingxing, Handong, Huapu, Zhujin, Songjiatai, Mashu, Shenjiaba, Anhe, Ganhe, Tangqiao, Daijiahe, Qingyun, Xiongjiawan, <i>Shuisi,</i> Lianfu, Lianghu, Lilin, Cengnan, Baiyansi*, Dongjie*, Xijie*, Wenchangge*	19 Villages 4 Residential Communities
Wangjiachang Township (Zhen)	Changle, Tangjiayu, Huangmu, Shuangqing, Daxing, Sifang, <i>Banqiaorong,</i> Datuan, Wanhong, Baimamiao, Yangquewan, Huayuan, Liujiing, Jiangxi, Qingshiling, Shengchangjie*, Jianshejie*	15 Villages 2 Residential Communities
Jinluo Township (Zhen)	Xiangshian, Jiexihe, Shiguishan, Wujiapu, Taoyuan, Xingyuan, Yuxi, Tongfuqiao, Xinyan, Gaojia, Gaonong, Lianmeng, Zhangshunqiao, Fushen, Nuli, Chaoyangsi, Weixing, Bayi, Jinjiling*, Xingfuqiao*	18 Villages 2 Residential Communities
Chexi Township (Xiang)	<i>Balihe, Chengtoushan, Chenggong,</i> Wangping, Jiaotianyan, Pailou, Zhanjia, Dahekou, Huayuanqiao, Taci, <i>Wanxing,</i>	16 Villages 1 Residential Community



	<i>Nanyang, Taojia, Sunjia, Chexi, Qunying, Chexihe*</i>	
Zhakou Township (Xiang)	<i>Xinqiao, Shizhuang, Shuimidong, Baizhuang, Luqiao, Yang'ershan, Dagong, Yanxi, Guchenggang, Laomu, Yajiao, Huayuanwan*, Yangmei*</i>	11 Villages 2 Residential Communities
Zhongwu Township (Xiang)	<i>Hengshan, Hualing, Caoyan, Guanyan, Lantian, Tongche, Yupu, Changlinggang, Guanjialing, Shigong, Chenguan, Yushan, Zhongwuqiao*</i>	12 Villages 1 Residential Community
Mengxi Township (Zhen)	<i>Mengjiangqiao, Baiheling, Heyan, Wufu, Xiaoheqiao, Lijia, Baisheng, Tuanyan, Fanjia, Sanyuangong, Yongxiang, Lianhu, Zongbao, Dahong, Bagensong, Gaoxing, Yangyu, Shunlingyi, Mengxisi*, Shanghui*</i>	18 Villages 2 Residential Communities
Yanjing Township (Zhen)	<i>Wujiagang, Fenshuiling, Zhangjiachang, Zhangjiadang, Baimamiao, Guanshantu, Baoziling, Sanshengmiao, Heping*</i>	8 Villages 1 Residential Community
Fuxingchang Township (Zhen)	<i>Wansong, Tianhe, Fujia, Shuangyan, Chenggang, Xindang, Tonggu, Tanjiayu, Youxing, Lujia, Jinpen, Wenquan, Weijia, Lujiawan, Lijia, Shuangqiao, Taohuayuan*</i>	16 Villages 1 Residential Community
Leigongta Township (Zhen)	<i>Gaoshancun, Qixi, Zhangshuyan, Qianguan, Sanxing, Cenghe, Lujiadang, Cengbei, Xinyan, Dahe, Longdang, Shaheyan, Gangyao, Yantouzui*</i>	13 Villages 1 Residential Community
Yiwan Township (Xiang)	<i>Xinhua, Hongqiao, Shuangjiaqiao, Caijiapo, Fuxin, Juhualing, Yiwan, Wanhua, Jinma*</i>	8 Villages 1 Residential Community
Shuanglong Township	<i>Sanlian, Tianhua, Shuangxing, Wansheng, Zengjia, Huamiao, Jinhe,</i>	12 Villages 1 Residential

<i>(Xiang)</i>	<i>Shanlin, <b>Gutang</b>, Fengxiang, Jiehu, Shuangtai, Shunlinqiao*</i>	Community
Matoupu Township <i>(Zhen)</i>	<i><b>Lianhuayan</b>, Kemushan, Shanmu, Sanguansi, Guandou, Tongzi, Matou*</i>	6 Villages 1 Residential Community
Yangjiafang Township <i>(Xiang)</i>	<i>Huilongyu, Pinghe, Yanceng, Longdongyu, Guanyinyan, Qingshanyu, Yangjiafang</i>	7 Villages
Dongshi Township <i>(Xiang)</i>	<i>Dongshi, Luoping, Wanjiagang, Hongyan, Lujiaoqiao, <b>Yuntai</b>, Shenjia, Changjia</i>	8 Villages
Fangshiping Township <i>(Zhen)</i>	<i><b>Zongyang</b>, Liushu, Qiushan, Longshentan, Yangjiawan, Xingzishan, Shuangquan*</i>	6 Villages 1 Residential Community
Ganxitan Township <i>(Zhen)</i>	<i>Gubei, Gunan, Lumao, <b>Ganxi</b>, Tianxing, Maxi, Hekou, Yanmen, Jinghuasi*</i>	8 Villages 1 Residential Community
Huolianpo Township <i>(Zhen)</i>	<i>Gutai, Jinshan, Lisong, Shuangxi, Nanmu, <b>Huangxi</b>, Sanyuan, Guanyinge*</i>	7 Villages 1 Residential Community
Taiqing Township <i>(Xiang)</i>	<i>Tanyu, Dongmen, <b>Yushi</b>, Shixiang, Changchong, Nanshan, Fengnan, Hengshansi, Shibao, Taiqing, Tianchong</i>	11 Villages
Jiashan Fine Seed Farm	<i>Jiashan, Lujiaping</i>	2 Villages
Cotton Seed Farm	<i>Yanqiao, Wujia</i>	2 Villages
<i>Tiangongshan</i> Forestry Centre	<i>Xinquan</i>	1 Village
<i>Shanmen</i> Reservoir	<i>Shanmen Reservoir Team</i>	1 Village
<i>Mayan</i> Agricultural	<i>Mayan Agricultural Institute Team</i>	1 Village

Research Institute		
Total	32 Townships (15 <i>Zhens</i> and 17 <i>Xiangs</i> ) and 5 collective organisations (427 Villages and 51 Residential Communities)	

### APPENDIX III: SELECT GLOSSARY OF TERMS USED IN TEXT

<i>Baochan daohu</i>	Contracting out the lands to the households and distributing on a contracted-output-base	包产到户
<i>Caizheng suo</i>	Finance office	财政所
<i>Chaihuo shan</i>	Firewood mountains	柴火山
<i>Chequ bingxiang jianzheng</i>	Cancelling the establishment of districts and merging smaller Townships	撤区并乡 建镇
<i>Cong dian dao mian, you shang er xia</i>	From point to area, and from top to bottom	从点到 面, 由上而下
<i>Cuncun tong</i>	Extending coverage to every village	村村通
<i>Cunwu gongkai</i>	Publicising village affairs	村务公开
<i>Daxuesheng cunquan</i>	College-graduate village official	大学生村 官
<i>Dianzi zhengwu</i>	E-government	电子政务
<i>Fentian daohu</i>	Allocating the lands to the households	分田到户
<i>Fenzao chifan</i>	Serving meals to different diners from different pots	分灶吃饭
<i>Gangwei zerenzhi kaopingzhi</i>	Post responsibility evaluation system	岗位责任 考评制
<i>Gengdi zhanyong shui</i>	Occupied farmland tax	耕地占用 税
<i>Geti gongshanghu</i>	Private household businesses	个体工商 户
<i>Gongji jin</i>	Public accumulation fund	公积金
<i>Gongyi jin</i>	Public welfare fund	公益金
<i>Hongwang</i>	Red net	红网
<i>Jiage shuanggui zhi</i>	dual track of price	价格双轨 制
<i>Jianshe shehui zhuyi xin nongcun</i>	building a new socialist countryside	建设社会 主义新农 村
<i>Jiaoyu fujia fei</i>	surtax for education expenses	教育附加 费
<i>Jiating zeren zhi</i>	household responsibility system	家庭责任 制
<i>Jiben jianshe jizi</i>	fundraising for capital construction	基本建设 集资
<i>Jingying guanli zhan</i>	rural business management station	农村经营 管理站

<i>Lianchan jichou</i>	distributing on an agreed-output basis	联产计酬
<i>Lianggai</i>	two transforming experiments	两改
<i>Lianggongkai yijiandu</i>	two publicising and one supervision	两公开， 一监督
<i>Liangshi zhibu</i>	direct grain subsidy	粮食直补
<i>Liangzhong butie</i>	subsidies for growing superior grain	良种补贴
<i>Lianzu fang</i>	low-rent housing	廉租房
<i>Lingdao rexian</i>	leadership hotlines	领导热线
<i>Litu bu lijia, jinchang bu jincheng</i>	leaving the land but not leaving the hometown, entering factories but not entering towns	离土不离乡， 进厂不进城
<i>Lixian zhaoshangju</i>	Business Promotion Bureau of Li County	澧县招商局
<i>Minzhu toupiao</i>	democratic votes	民主投票
<i>Nong lin shui shiye fei</i>	Fees for agriculture-forestry-irrigation	农林水事 业费
<i>Nongcun dibao</i>	rural minimum subsistence allowance	农村低保
<i>Nongcun xinxing hezuo yiliao</i>	new rural co-operative medical care	农村新型 合作医疗
<i>Nongcun yanglao baoxian</i>	new social endowment insurance for rural residents	农村养老 保险
<i>Nongjiju gouzhi butie</i>	purchasing large-scale agricultural machinery and tools in the major grain producing areas	农机具购 置补贴
<i>Nonglin techan shui</i>	tax on agriculture and forestry speciality	农林特产 税
<i>Nongzi zonghe butie</i>	agricultural production materials	农资综合 补贴
<i>Po siju</i>	doing away with four olds	破四旧
<i>Qinquan</i>	violations of rights	侵权
<i>Qishui</i>	title deed tax	契税
<i>Renmin rexian</i>	people's hotline	人民热线
<i>San tiliu</i>	three reserves	三提留
<i>Sanchao liang</i>	grains on the top of the other two	三超粮
<i>Sanjisuoyou, duiweijichu</i>	three-level ownership is applied and the brigades are the basic unit to account, to manage and to distribute	三级所 有， 队为基础
<i>Sanlai yibu</i>	three processes and one compensation	三来一补
<i>Shehui xieshang duihua Zhidu</i>	social negotiation dialogue institution	社会协商 对话制度
<i>Tiefanwan</i>	iron rice bowls	铁饭碗

<i>Tuigeng huanlin</i>	restoring farmland to forest	退耕还林
<i>Tuijin sanxiang gaige, jiji kaizhan liangxiang shidian, jinjin shouzhuzhi yitiao hongxian</i>	pushing forward three reforms, actively carrying out two experiments, and strictly obeying one red alert line	推进三项改革, 积极开展两项试点, 紧紧守住一条红线
<i>Wanyuanhu</i>	households with the income of beyond ten thousands yuan	万元户
<i>Weiquan</i>	protections for rights	维权
<i>Wen jiao shiye fei</i>	operating costs for culture-education	文教事业费
<i>Wubaohu</i>	five guarantee household provision	五保户
<i>Wuding dabaogan</i>	five contract-based confirmations	五定大包干
<i>Xiang tongchou</i>	funds for township planning	乡统筹
<i>Xianji shuifei</i>	water bills	县级水费
<i>Xiaochi jianzhai</i>	eliminating deficits and reducing debts	消赤减债
<i>Xinfang zhidu</i>	traditional petitioning system	信访制度
<i>Yimin jianzhen</i>	resettling displaced residents in newly built towns	移民建镇
<i>Yingye shui</i>	business tax	营业税
<i>Yipiao fouxue</i>	one veto power	一票否决
<i>Yishiyi caizheng jiangbu</i>	one project one discussion with fiscal subsidies	一事一议 财政奖补
<i>Zengzhi shui</i>	value added tax	增值税
<i>Zhengwu gongkai</i>	publicising governmental affairs	政务公开
<i>Zhongyang nongcun gongzuo lingdao bangongshi</i>	leadership office for agriculture work in Beijing	中央农村 工作领导 办公室

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- The research team specialising in agriculture tax reform and the financial burdens on peasants in Hunan, *农业税制改革与农民负担问题研究* [A Research on Agriculture Tax Reform and the Issue of the Financial Burdens on Peasants], printed by The Rural Socio-economic Survey Team of Hunan, 1998.
- The research team specialising in new strategies to drive the income growth of peasants in Hunan in new situation, *新形势下湖南农民增收的对策研究* [A Research on New Strategies to drive the Income Growth of Peasants in Hunan in New Situation], printed by The Rural Socio-economic Survey Team of Hunan, 2000.

## ***Electronic Resources:***

### **News and Media:**

*Changde Daily:* <http://cdrb.cdyee.com/>

*China Agriculture Economic Information Web,* <http://wz2.2000y.net/>

*China Reform Database Web,* available on <http://www.reformdata.org/>

*CPC News:* <http://cpc.people.com.cn/>

*Hunan Daily:* <http://epaper.voc.com.cn/hnrb/>

*Li County News (1980 - 1989) – paper archives*

*People’s Daily:* <http://www.people.com.cn/>

*People’s Daily Blog:* <http://blog.people.com.cn/>

*Red Net:* <http://www.rednet.cn/>

*Xinhua News:* <http://www.xinhuanet.com/>

### **Governments and their agencies Official Websites:**

*Changde Rural Economy Web:* <http://www.cdnj.gov.cn/>

*Central Government Web:* <http://www.gov.cn/>

*Finance Bureau of Li Count Web,* <http://www.lxczj.gov.cn/Item/>

*Forestry Bureau of Li County Web:* <http://hnlx.forestry.gov.cn/24287/>

*Guanyuan Township Government Web:* <http://gyx.lx-gov.cn/>

*Li County Government Web,* <http://www.li-xian.gov.cn/>

*Li County group of the Rural Socio-economic Survey Team of Hunan website:* <http://www.hndc.gov.cn/>

*Ministry of Finance of the PRC Web:* <http://www.mof.gov.cn/>

*National Bureau of Corruption Precaution Web:* <http://nbc.gov.cn/>

*Rural Resident Self-governance Information Web:* <http://cmzz.mca.gov.cn/>

*Sannong Information Web:* <http://www.sannong.gov.cn/>