

**Good Performance of Local Governance Without Democracy? A Case Study of A  
Farmers' Specialized Cooperatives and Public Goods Provision in Rural China**

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# Good Performance of Local Governance Without Democracy? A Case Study of A Farmers' Specialized Cooperatives and Public Goods Provision in Rural China

By Yi Liu

**Abstract:** During the past several decades, the way in which governments provide public goods has changed dramatically with the trend of decentralization. This change however has not brought about the expected outcome. The provision public goods fails too often, especially in developing countries. Although the establishment of a well-functioning democratic system has been proposed as a solution to this puzzle, it is also important to acknowledge the slow process of democratization, especially in rural areas with the largest poor population. This research shows a case study of how a well-established Chinese farmers' cooperative engages local government and embeds local governmental officials in a close social network to encourage these officials to improve the production of public goods in the community.

August 17<sup>th</sup>, 2012

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## Chapter 1 Introduction and Analytical Framework

### 1.1 Introduction: Decentralization and the Provision of Public Services

Individuals in a society require government to provide some types of public goods,<sup>1</sup> either because these goods are difficult to produce by individuals<sup>2</sup>, the market has no interests to providing them<sup>3</sup> *or governments have traditionally provides these goods to the public*. These goods include public transportation, public education, public sanitation, and access to potable water, for example. The quantity and the quality of these goods have a direct effect on quality of life.

Not only are public goods important to individuals, but also are they important to government. As Tsai (2007) argues, how a state provides public goods and services has major ramifications for the development state institutions and state legitimacy. Rulers justified the building of the earliest states through preparations for war and the provision of defense. Only the effective provision of public goods can legitimize the existence of states (Tsai, 2007, p. 6). Most successful states provide adequate public goods, while those states that fail in this provision, such as Haiti, have been confronting with instabilities in their construction of institutions (Haqu, S., 2001). Widner's (1995)

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<sup>1</sup>Public goods here do not refer to its economic sense. This term will be conceptualized later in this chapter.

<sup>2</sup>The difficulty of production of those goods could be understood in two dimensions. First of all, those goods normally need a massive investment to initiate production, such as the production of high way. Secondly, the difficulty in producing those goods by ourselves also is due to the externality of those goods. For example, once a road has been paved, it is hard to prevent other people from using this road.

<sup>3</sup>See, Paul Samuelson's article, "The Pure Theory of Public Expenditures." In this paper, Samuelson points out that the "free-ride" problem in the provision of public goods. He thinks that individuals do not have incentives to reveal all of their preferences towards public goods if no one could be excluded from consuming them. They normally would understate their preferences to lighten their tax load, while they still hope that those goods would be provided on the cost of other people. Therefore, the mechanism of the market is not quite useful and government needs to take the role of the provision.

research in Africa reveals that the poor provision of public goods contributes to the failure of the state.

The existence of public goods itself is also critical. According to Kallhoff (2011), the importance of such existence goes beyond the function to fulfill the interests of citizens. It has become a way to strengthen those societal structures that are an integral part of democracies. More precisely, the existence of public goods supports social justice and a sense of effective equality among citizens—among other effects, thereby providing a necessary background for the public forum. (Kallhoff, 2011, p. 2)

However, there has been a significant change in the domain of public services over the past 30 years: although governments still play dominant roles in providing public goods and services, the responsibility of provision has shifted from national to local-level governments under the powerful advocacy of *decentralization*.

Decentralization is embedded with solid economic theory where local-level governments can be more efficient in providing public services than the national because they are more familiar with the needs of local residents. The difference in public services among different regions can realize the optimum allocative efficiency by encouraging citizens to move to regions with more favourable public services (Tiebout, 1956). This theory, popularized since the 1970s, favours a historical context: the end of the Cold War and the debacle of The Union of Soviet Socialist Republics (USSR) and the following dramatic changes in the Eastern Europe demanded former party-state systems to become a “lean and mean” governance (Péteri, G. and Zenta, V., 2002); a democratization process in Latin America disempowered former autocratic regimes and created more

autonomous elected regional governments; the establishment of multiparty political system in African countries created a demand for more local-voice in decision making (Litvack and Seddon, 1999); the discontent to the low efficiency of classic, state-run welfare system in many developed countries, asking for a more efficient way to provide public services; and the globalization process underpinned by neoclassical economist started its advocacy for a global free market. Under these conditions, decentralization quickly became a welcomed strategy in policy design and implementation worldwide. Moreover, because of the discontent to the classical, state-run social welfare system, public sectors, such as education and medication, became the major stage for decentralization.

Although high expectations were placed on decentralization, the outcomes are underwhelming. Empirical studies reveal that the provision of public services has been declining substantially since the implementation of decentralizing strategies in both developed and developing countries. The situation in developing countries is even worse because the provision of public services fails most often (World Bank, 2004).

How did decentralization fail to improve public services and how could the problems of decentralization be solved? Some scholars (World Bank, 2000; Dillinger, 1996b; Tanzi, 1995; Bahl and Linn, 1992; De Mello, 1999; Moreno, 2005) argue that the decentralization process destabilized countries' macroeconomic system, while other scholars think the failure of decentralization comes from the increasing income equity caused by the process (Moreno, 1995; Prud'homme, 1995), and the fact that decentralization actually can undermine efficiency (Prud'homme, 1995). As to the approaches to fixing the problem, most of the existing literature suggests that the design

and implementation of decentralization should be carried out more carefully. Specifically, they suggest that a decentralization process should go hand in hand with well-functioning democratic systems (Prud'homme, 1995; Collins and Green, 1994; Bardhan and Mookherjee, 1998 and 2000; World Bank, 1997; Bird and Vaillancourt, 1998).

The process democratization in developing countries, especially in rural area, can be quite slow. According to Fox (1990), democratization of rural areas confronts both internal and external obstacles. Internal obstacles include difficulty of mass assembly, relative dispersion of communities, diversity of economic activities, ecological context, and daily precariousness of family survival. External obstacles include a difficulty in establishing respect for basic political freedoms in rural over urban areas. Fox also notices the causes of the difficulties in establishing respect for basic political freedom are the forces behind public and private sector: the usual absence of mass media facilitates the use of violence with impunity and limits access to political information. External interventions also frequently take the form of divide and conquer strategies, which combine selective material incentives with threats of coercion. Therefore, the democratization process in rural area can be difficult.

Li and O'Brien (2000) show an example of the difficulty of the democratization process in rural China. According to Li and O'Brien, while rural democratization elections were implemented in 1998 in rural areas, democratization is far from well established. The election process may be well performed in some places; however, villagers' willingness to participate minimal. Moreover, elected leaders are more responsible to regional, higher-level officials than to the villagers. During the process of

exercising of power, social forces, such as clans, religious organizations, and criminal gangs, also influence the performance of local governance. Similarly, Lily Lee Tsai (2007) shows that, although there are many villages in China implement democratic elections well, these elections cannot compel elected village officials, as well as villager representative assemblies (VRA), to be accountable to peasants in rural China. Instead, whether the village governance is accountable to villagers or not is largely determined by the lineage solidary groups<sup>4</sup> in the community. It must be noted that China has been decentralizing its command economy through fiscal decentralization since the beginning of Reform and Open-up policy in 1979. Because of the length of time that has elapsed, to wait until the establishment of well-functioning democratic system is impractical and unrealistic.

This dilemma leads to our problem: decentralization has spread worldwide and has taken as a valid strategy in many countries for social policies. Although the promotion of decentralization by the major development agencies has recently been softened, its legacy is still a powerful influence to public policies in many countries. These public policies will not soon end. However, decentralization has not worked as well as expected. Especially in the provision of public services, decentralization is one of the major factors of the decline of public services in both developing countries and developed countries. Although scholars have suggested reasonable methods to plan and implement decentralization correctly, to associate it with well-functioning democracy

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<sup>4</sup>According to Tsai (2007), “[s]olidary groups such as lineages and temples facilitate the conferral of moral standing by providing a set of standards for awarding moral standing and by organizing public activities and opportunities for people to demonstrate and publicize that their behavior adheres to or even surpasses these standards. Officials may have numerous kinds of objectives and motivations---personal gain, self-respect, promotion, effective implementation of state policies, and so on---but moral standing can be a potential resource for achieving any of these” (p. 13).

system, one must acknowledge the slow pace and the difficulties of the democratization process in rural areas with the highest concentrations of poor. Those living in rural areas need affordable and decent public services the most, as they traditionally have fewer public services and are in worse financial situation than those in urban areas. With the responsibilities to provide services shifted to the local level, a rapid decline or even disappearance of public services can be predicted if local governments are not accountable.

This study attempts to address four questions by studying a case of amelioration of public services in a Chinese rural village. One, in a less democratic social setting, such as rural China, how could local governance perform better after the responsibility to provide public services has been shifted to them? Two, what other factors in the community are used to ameliorate the performance of local government instead of waiting for the slow democratization process? Three, what leverages can rural resident use to hold local officials accountable for their needs in a less democratic social setting? Fours, under what conditions will local leaders have incentive to provide good public services?

In this case study, I will show how and to what extend a farmers' specialized cooperative can embed local governmental officials in its organization and provide officials incentives for decent public services provision. This case study also shows how this cooperative strengthens the social network of the community and then makes the space for communal solidarity and moral standings to be effective in encouraging and regulating behavior. More abstractly speaking, I am attempting to understand a mechanism through which a decent provision of good public service could be realized in

a less democratic social setting. According to the temporal and financial limitation, this study has only conducted one case study in Village SH, which locates in JY City, the province of Sichuan.

## **1.2 Definitions: public goods, good performance and Farmers' Cooperatives**

Before the presentation of the theoretical scope and the hypotheses, it is important to define three terms for this study. The purpose of conceptualizing the first two terms—*public goods* and *good governmental performance*—is to clarify the meaning of each, as each has been frequently used in articles, reports and conferences by different scholars and development agencies with different denotations and connotations. As well, these terms form a strong sense of “you know it when you see it” (Fox, 2007). However, the differences, both great and subtle, exist. To bring clarity, I conceptualize these terms to benefit this study. I will also define the term *cooperative* and provide background information on *cooperative* as a type of business model.

### **Public Goods**

The term *public goods*, not a new term especially in economic theories, has been clearly defined and has become a hot research topic. However, the term *public good* used in this study has a meaning different from its economic sense. Although economists have already relaxed the traditional definition of public goods to make it more inclusive, I still find that the economic sense does not fit this study well.

Generally, when public goods are discussed in economic theories, it normally has two major properties: non-rivalness and non-excludability. These two properties are used

by many scholars, especially neo-classical economists, to tell if a good is public or not. If a good is non-rival, it means one individual's use of it does not diminish the consumption of it by anyone else; if a good is non-excludable, it means no one can be excluded from the use of that good. In other words, only a good whose consumption by an individual does not diminish the consumption of it by anyone else and does not exclude anyone else from consuming it could be considered as a public good theoretically.<sup>5</sup>

The definition of public goods given by the economists above is strict and clear, which is quite appropriate theoretically. However, when I attempt to apply this definition to this study, many difficulties occur. Although the strict traditional definition of public goods has been relaxed by some scholars<sup>6</sup>, its applicability to this study is unusable.

The definition of public goods in economic sense concerns more about the publicness of the goods. Both the non-rivalousness and the non-excludability are important. According to the strict definition, a type of goods could only be considered as public by having both non-rivalousness and non-excludability. In other words, everything that is public enough, according to the two properties, can be considered as public goods.

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<sup>5</sup>Paul Samuelson (1954) is the first scholar to the term public goods. In his paper "The pure theory of public expenditure,," he defined it as "[...]each individual's consumption of such a good leads to no subtraction from any other individual's consumption of that good, [...]" (p.387) His theory was further developed by public finance economists such as Richard Musgrave and James Buchanan (Kaul, Grunberg, and Stern, 1999b). In *Comprehensive Dictionary of Economics* (Brian 2009), public goods are defined as "a good that can only be supplied to all if it is supplied to one and the availability of which is not diminished by anyone consumer's use of it" (p.148).

<sup>6</sup>The traditional definition of public goods in an economic sense has been criticized by some scholars, such as Gazier and Touffet (2006), Kaul (2006), and Kaul and Mendoza (2003). Based on those concerns about the traditional definition, the conception "impure public goods" has been proposed. (Kaul, Grunberg, and Stern 1999b) This term relaxes the strict properties given by the traditional conception. It addresses the issue of externalities of some public goods such as the case mentioned in the example of the use of atmosphere above. An impure public good might be non-excludable, but rivalrous, such as a public park; or non-rivalrous but excludable, such as television signals (Kaul and Mendoza 2003; Stiglitz 2000).

This definition excludes some of the goods included for this study. Therefore, the public goods in this thesis should be conceptualized through another perspective.

The research for this thesis is focusing on how an embedding organization in a village, the farmers' cooperative, could provide incentives to local governance to be accountable to local residents needs for public goods in a less democratic setting. The term public goods in this study is used as an indicator, which demonstrates the accountability of the local governance. Therefore, the public goods on which this study focuses should involve a public entity as the provider, and the public as the consumers. Also, those goods were designed and provided to benefit the public.

Considering these, the application of the economic definition in this thesis becomes inappropriate. First of all, the range of the public goods in economic sense is too broad. Moonlight to the public sanitation in the village is included under this definition. Not all of those goods have a service delivery relationship between a public entity and the public. For example, to include the moonlight in a village in this study would not contribute the demonstration of local government's accountability at all. Although it is a perfect example of public goods according to economic theories, it does not address the relationship between local governance and local residents. Another difficulty from the application of the economic definition is that it excludes some good examples of service delivery relationship. For example, I found that village-level primary school education is a good example for the demonstration of local government's accountability. However, the education could not be accounted as public goods in economic theory because it is offered only to children.

What, then, are defined in this study as public goods? First, those goods are distinct from the goods in the market. They are normally too expensive to be produced by a single household. They also have a large amount of publicness, albeit not perfectly public to everyone, which makes each difficult to protect from consumption by ‘free-riders.’ Governments or governmental organizations normally provide these goods. Moreover, those goods are normally designed to benefit the public, although it may not directly benefit all the individuals equally.

To make the term public goods suitable for those characters, I am going to apply the perspectives of public goods proposed by Markus Krajewski (2001) in his research paper “Public services and the scope of the general agreement on trade in services (GATS).” According to Krajewski, there are three approaches, although not exhaustive, which highlight the conceptual implications of public goods. First, the term public goods can be used in a rather general way to refer to services considered as a *public* or *common good*. Examples include health, social, and education services, as well as postal, basic telecommunication, or public transportation services. This understanding of *public services* is thus based on a sectorial approach and focuses on *what is supplied*. Second, public goods can be understood as a service provided to the general public. In a European context, this understanding is often equated with the notion of a *universal service obligation* (i.e., the obligation to supply the service universally at affordable conditions, often without distinguishing between the costs of supply in different regions) (Krajewski, 2001). The notion of “universal service” focuses thus on *to whom and under which conditions a service is supplied*. This approach leads partly to similar results as the first,

because education, postal, basic telecommunication, energy or transportation services are often attributed with a universal service obligation.

A third concept of public goods can be based on the understanding that a service is provided by a public entity, either by the government itself (regardless at what level), by a governmental agency or by a public enterprise. This concept focuses therefore on *who is supplying the service* (Krajewski, 2001).

These three approaches are sufficient to define the term public goods for this thesis, although there might be overlap between them. They focus only on the public services that are considered as common goods by the public. Therefore, only those goods designed for the public will be discussed. Furthermore, these approaches also address the relationship between public and government, and specifically point out that governments or governmental agencies are the providers and the public is the consumer in the delivery process of public services. Moreover, the second approach specifically points out an important nature of public goods—the “universal service obligation” (Krajewski, 2001). The obligation reveals that the motivation of the design and the supply of public services are meant to be beneficial to the public. These obligations solves the puzzle that some goods are not equally beneficial to each individual in the community or are even designed for a specific group, such as children, though still considered as public goods. The reason that those goods are provided is due to such obligation of governments. The obligation could be understood as a mean of governments to gain legitimacy from the public. The provision of those goods is also seen as the sign of accountability of governments.

In conclusion, by applying the three approaches given by Krajewski, the term public goods refers to those goods that are designed to benefit the public in a society.

Governments normally provide these goods because it is costly to exclude free-riders from consuming it, or it is not profitable for private sectors to provide those goods. Governments feel an obligation to provide them to gain legitimacy from the public. The public also thinks that it is a job of governments to meet their needs with the provision. Without the government to make sure we all pay our share through taxation, these public goods and services would be in short supply (Tsai, 2007).

### **Good Government Performance**

Good government performance is wanted universally. What does universal good governance mean according to several indicators? According the World Bank, there are six indicators: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and the control of corruption. These indicators address important factors in governance; however, many are not applicable to this case study. For example, the local governance in Village SH simply does not have any functions that could be examined by these indicators. Hence, the indicators for good government performance should be corresponding to the functions of the local governments. These indicators are also context sensitive. In different locations with various cultural and social contexts, certain things may be given more importance than in other locations.

In this case study, the provision of public goods is taken as the major indicator of government performance. This is determined by both the governmental functions and the social settings in Village SH. There have been two occurrences of decentralization in rural China. The first occurrence happened in 1988, when the Organization Law of Villager's Committee was enacted. After the debacle of the communist people's

commune, the administrative structure in rural China has been greatly decentralized. The village committee is no longer a part of the governmental administrative branches. It is legally recognized as a self-managed organization. According to *The Organization Law of Villagers' Committees*<sup>7</sup>, the governance at village level is self-governed, self-managed, and self-serviced. The committee members are supposedly elected through democratic process, and the villagers are supposed to participate into the decision making process of important events. Although the governance at village level is legally autonomous, relationships with the upper level governments are close.

One of the most important reasons is that village-level government was still collecting taxes and fees from farmers and transferred them to the upper level. In 2006, the National People's Congress decided to repeal the Agricultural Tax Regulations of the People's Republic of China. Therefore, one of the major functions of village level government has been abandoned. The rest of the functions of village level government are various differently from locations to locations.

Based on my field research, the village government in SH has two major functions: to enforce the One-Child Policy and to provide the public goods in the village. There are other minor functions, such as to broadcast the new policies of the Chinese Communist Party and to carry out the new policies assigned by the upper level government. However, those functions are not consistent, according to the head of the

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<sup>7</sup>The Organization Law of Villagers' Committees was first enacted by the Standing Committee of the National People's Congress in 1988 as an experimental version and it was practiced in some provinces. The province of Sichuan is one of them. In 1998, it was extended to all the provinces in mainland of China.

village.<sup>8</sup> The supervision on the execution of the One-Child Policy is oral based and infrequent. As most of the young people have moved out of the village for work, the workload for supervision is not heavy. It is still one of the major functions of the village-level government due only to the emphasis from the upper level governments.<sup>9</sup> Therefore, the provision of public goods in the village occupies most of the village committee's time.<sup>10</sup> Furthermore, public goods stand for the need of the villagers. Its provision is to satisfy the need of the members in the community instead of accomplishing the political mandate. Hence, I am taking the public goods as the major indicator to assess the performance of the village level governance.

By focusing on the provision of public goods, I will discuss the types of goods provided, if the goods meet the needs of villagers, and the mechanism through which the village committee decided to provide them. The meaning of good government performance in this thesis is that the village level governance, the village committee, actively provides adequate public goods to satisfy the villagers' needs. The decision making process reflects villagers' opinions and the delivery of those goods is efficient.

## **Farmers' Specialized Cooperatives**

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<sup>8</sup> Interview with the village head T in Village SH, the 10th of June, 2011. The original words were: “有一些政策 变得快，一下有一下又没有了。谁知道上面要怎样搞？喊大家弄就弄，弄一下又不弄了。”

<sup>9</sup> According to the head of the village, the enforcement of the One-Child Policy is taken by the upper level governments as one of the most important assessment indicator for their job.

<sup>10</sup> In village SH, the committee members is also the executive board of the famers' cooperative. Hence, here I mean the provision of public goods occupies most of their work time as village committee members.

The history of cooperatives dates back to the period of the first Industrial Revolution (Huang, 2006). Many scholars (Staatz, 1984; McBride, 1986; Barton, 1989a; Nilsson, Kyriakopoulos & Van Dijk, 1997; Harris & Fulton, 2000) have tried to conceptualize this term. One of the widely accepted definitions of cooperatives is given by the International Cooperative Alliance (ICA): “A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (1996). A more detailed description differentiating cooperatives from other types of business is found in *Cooperatives in Agriculture* (1989), by David Barton. Barton thinks that cooperatives have three unique principles: first, the user-owner principle. Persons who own and finance the cooperative are those that use it. Second, the user-control principle: Control of the cooperative is by those who use the cooperative. Third, the use-benefits principle: Benefits of the cooperative are distributed to its users on the basis of their use, and this principle is often stated as business-at-cost (p. 1). According to Barton, the last principle of cooperatives is the most distinctive principle: cooperatives return net income to users or to patrons, while other business firms return net income on the basis of investment. (p. 3). He also thinks the ownership of cooperative is quite special. Although employees owned firms exist, he does not think these types of firms are common enough to share the “users owning” principle with cooperatives. The user and patrons owned ownership is still quite unique to cooperatives.<sup>11</sup>

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<sup>11</sup> A patron here refers to any person, business, or other institution that conducts business with a cooperative or other type of business. Cooperatives could be classified by the type of patron: consumers (household), nonprofit and government agencies, or business (including farmers). A consumer patron purchases goods and services from cooperatives for final consumption. Nonprofit and government agencies purchase goods and services from cooperatives to improve the quality and quantity of their services. A business patron

As to the cooperative in agricultural sector, Barton thinks that they have their own characters, many of which are directly related the process of agricultural production process. He argues that the cooperatives in agriculture could be classified in terms of how they are owned and controlled: centralized ones, federated ones, or a combination of the two. According to him, federated cooperatives are owned by other cooperatives, while farmers hold direct membership in centralized cooperatives. He also points out that cooperatives in agriculture can also be classified by function (marketing, supply, processing, bargaining, and service).

The agricultural cooperative is also defined in Chinese legislation. According to the Chinese Specialized Farmers Cooperatives Act (《中华人民共和国农民专业合作社法》):

Specialized farmers cooperatives are mutual-help economic organizations joined voluntarily and managed in a democratic manner by the producers and operators of the same kind of farm products or by the providers or users of services for the same kind of agricultural production and operation. (Unif, 2009)

In Village SH's case, both Barton's definition and the definition given by the Chinese legislation of farmers' cooperative are applicable. The village farmers established the cooperative in Village SH, and its members own it. It specifies in the production of

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purchases goods and services from cooperatives to be used in the production of other goods and services from cooperatives to be used in the production of other goods and services or markets its output through cooperatives. (Barton, 1989, pp. 3-4)

organic rice for the time being and it provides its members services, such as agricultural technologies and marketing services. More detailed information is provided in the fourth chapter.

### **1.3 Central Question, Hypothesis and the thesis statement**

The central question of this thesis is: how and to what extent can a farmers' cooperative embed the local governance and make it improve the provision of public goods in a less democratic social setting such as rural China? The unit of analysis is the influences of farmers' cooperatives to the local governance. The analysis is at the village level.

There are two hypotheses in this research:

1. In a less democratic social setting, such as rural China, a well-established cooperative can improve the performance of local government. Particularly, it can make local governments accountable to village necessities of public goods.
2. The mechanism through which the cooperative improves the performance of local government is by engaging the local governmental officials in it and strengthening the social network in the community to make space for communal moral obligations to be effective.

The statement of this thesis: from this research, we see that local governance can perform well and play an active role in providing the local residents various types of public services even in a less democratic social setting. This case study shows how a well-established farmers' cooperative engages most of the local residents, embeds the

local governance in it, and strengthened the social network within the community through its organization. The strengthened social network provides communal moral obligations and solidarity a space to become effective in encouraging local officials to increase the provision of public services.

The empirical data gathered from the field study leads to several general findings:

1. although the democratic election has been introduced in the village for more than 20 years, the level of the democratization process in the village is still low; 2. the farmers' cooperative in Village SH engages most of the villagers in it; 3. the establishment of the cooperative has brought huge impact in the village, especially in terms of the provision of public services; 4. the mechanism through which the provision of public services has been improved in the village can be well explained by the model of solidary group; 5. there are also other factors which also provide the village committee members incentives to increase the public services in the village, such as their personal life experience; 6. the establishment of the cooperative and the abolition of agricultural taxes changed the power relationship in the village and increased the harmony. All these finding show a case in which the performance of local governance, which is mostly reflected by the provision public services, has been significantly ameliorated in a less democratic social setting. It shows that democratization is not the only way for the improvement of local governance.

#### **1.4 Analytical Framework**

This research uses the solidary group model, proposed by Lily Lee Tsai (2007) in her book *Accountability without democracy: Solidary groups and public goods provision in rural China*. In her research, Tsai first compares the provision of public goods in some

Chinese village with similar economic development and democratic setting. The major differences among the public goods in these villages lead Tsai to believe that the democratization process in rural China might not be the only deciding factor for the public goods provision. This realization encouraged her to do further research to find out what else determines the quality of public goods in rural China.

The case studies she conducted lead her to believe that “the answer to this puzzle lies in the recognition that government officials may be subject to informal rules and norms that are unwritten and unauthorized by the state, yet established by social groups and enforced by the communities of which they are members” (Tsai, 2007, p. 6). When the individuals in office are embedded in the social networks of their communities, they may still feel obligated to provide public goods because it is what their church, temple, ethnic, or community group expects them to do and they know that fellow group members can use the groups’ norm and networks to punish them if they fail to do so (Tsai, 2007, p. 6). According to Tsai, these when elections, government audits, and other formal institutions fail to motivate officials to respond to public concerns, the norms and obligations established by solidary groups can act as informal institutions of accountability-- rules and norms that were not officially authorized or intended to enable citizen to hold officials accountable for providing public services but which do so nevertheless. (Tsai, 2007, pp.6-7)

Tsai (2007) defines the term *solidary groups* as “groups based not only on shared interests but also on shared moral obligations” (p. 4). She also thinks that religious and lineage factors are common foundations for solidary groups. In her book, she carefully

examines how religious and lineage factors influenced the provision of public goods in Village Li Settlement and Village West Gate.

Tsai thinks that the mechanism through which solidary groups can hold governance accountable is based on the *informal institutions of accountability*. For differences between formal institutions and informal institutions, Tsai states that formal institutions of accountability, such as elections and performance contracts, are formal in the sense that they are officially authorized for the purpose of holding officials accountable. On the contrary, the norms and standards provided by solidary groups can be defined as *informal institutions of accountability* because they evolved or are created to maintain the solidarity of a social group and were not officially authorized or intended to enable citizens to hold government officials accountable but do so nevertheless (p. 13). As to how those informal institutions influence the formal ones, Tsai argues that “[s]olidary groups such as lineages and temples facilitate the conferral of moral standing by providing a set of standards for awarding moral standing and by organizing public activities and opportunities for people to demonstrate and publicize that their behavior adheres to or even surpasses these standards. Officials may have numerous kinds of objectives and motivations—personal gain, self-respect, promotion, effective implementation of state policies, and so on—but moral standing can be a potential resource for achieving any of these” (p. 13).

How could solidary groups be effective in holding the government officials accountable? Tsai argues that to provide informal institutions that enable citizens to hold local officials accountable for public goods provision, solidary groups have to have two particular structural characteristics. First, they must be encompassing, or open to

everyone under the local government's jurisdiction. Second, solidary groups must be embedding in that they incorporate local officials into the groups as members. In localities with encompassing and embedding solidary groups, citizens and officials are more likely to share a common set of ethical standards and moral obligations. Members of clans, churches, fraternal organizations, and other solidary groups have strong obligations to their groups. In solidary groups, members are judged according to the group's standards of what constitutes a good person and good member (p. 13-4).

How solidary groups influence the local officials' work when they are embedded? Tsai thinks that all members are expected to do what they can to contribute to those groups, and this type of obligation is fundamental to solidary groups. When the boundaries of a solidary group overlap with the administrative boundaries of the local government, embedded officials have a strong social obligation to do what they can to contribute to the good of the group (p. 14).

After the proposition of her model, Tsai applies her model to explain the good provision of public goods in rural China. She thinks that when the officials are embedded in solidary groups, one obvious thing they can do is to make sure that local government funds are used on public goods provision. "Because under these conditions the groups and the public are same, officials in localities with encompassing and embedding solidary groups can earn moral standing for providing public goods. Under these conditions, officials who choose not to use public funds on public goods will be seen not only as bad officials but bad group members. Officials in localities with encompassing and

embedding solidary groups thus have an extra incentive to provide public goods and services to their jurisdictions” (p. 14). Moral Standing is not the most crucial resources for the officials to stay in their position; however, it could become quite important for those that lack other kinds of political resources such as funding, coercion, or useful connections outside their locality (Tsai, 2007). Tsai also thinks that the public goods promoted by the solidary groups become synonymous with the public good of the citizenry when solidary groups are effective.

Tsai’s model provides a new approach to examine the provision of public goods. It is suitable for the analysis on how decent provision could be realized where states may be fragmented and formal institutions for establishing shared obligations between officials and citizens, such as constitutions and laws, may be weak (p. 17). The model recognizes the political leverages of citizens over political officials and a voice in the political decision making process on a day-to-day basis. The field research in Tsai’s book shows that these solidary groups more than protests can be more effective in holding officials to provide public goods. Also, according to Tsai, her model shows how the groups that embed government officials have a positive impact on local governmental performance, and not the groups that are autonomous from the state (p. 17). These specialties of her model differentiate itself from other explanatory theories, such as *social capital theories* and *civil society theories*.

Civil society theories hold that an autonomous sphere is necessary for challenging and checking the power of the state. The social capital literature suggests that social networks can facilitate the flow of information between state and societal actors, which can increase trust between them (Tsai, 2007, p.18). Tsai’s model does not stress on the

autonomy of other organizations parallel to governments. On the contrary, Tsai emphasizes that the embeddedness of those groups enhances the performance of governance. Moreover, Tsai's model does not suggest that the trust from higher-level governments is the primary reason for the enhancement of government performance. It shows how solidary groups provide incentives to officials to perform well and to provide sufficient public goods. I am also going to provide a more detailed comparison among the three schools of thought in explaining the good performance of governance in the next chapter.

There are three major reasons for the application of Tsai's model in this study. First, the cooperative in Village SH is not an autonomous organization within the social context. It has strong relationship with the local governance. Even the members of the village committee are the board members of the cooperative. The relation between the cooperative and the local governance is not challenger and opponent. Rather, the obligation of the committee members to perform well forms throughout work and leisure. Therefore, Tsai's model is more appropriate compared with the theories of civil society. Second, Tsai's model may be used to explain the informal accountability of governance in a less democratic social setting. The poor execution of elections and villagers' limited knowledge of democracy conform to the setting of this model. The fact that there is little civic association in the village excludes the possibility to apply the theory of social capital for the analysis. Third, Tsai's model provides an explanation of the incentives of the government officials in the delivery process of public goods in the village— moral authority. From my field research, I noticed that informal factors play important role in encouraging the officials to provide public goods. Particularly, the incentives the official

have is formed throughout the daily communication between the officials and the villagers and influenced also by the communal morality. Therefore, Tsai's model provides useful tools to analyze the political leverages of citizens to hold the officials accountable throughout their daily life and in meeting and talking to the officials.

## **1.5 Methodology**

### **1.5.1 Which Data Is Needed?**

This study focuses on the question how and to what extent a farmers' specialized farmers' cooperative could improve the provision of public goods in a less democratic social setting in rural China. However, for the case study of this research, I view a particular situation of the village SH to determine the relationship between the improvement of public goods in the village and the establishment of the farmers' cooperative. The focus of this research is well related with the development problem we discussed earlier in this chapter: how could the local governance performs well in a less democratic social setting after the responsibility to provide public services has been shifted to it from the state? Under which conditions will the local leaders have incentives to provide good public services? These two questions could be seen as the intention to understand the mechanism of the provision of public goods. However, in the case of Village SH, the improvement of public goods happened in its specific social and political setting. This setting gave the conditions for the improvement. The change in the mechanism of the public goods provision could be well related to the change of the social and political setting in the village range or the changes even in a larger range. Therefore,

to profoundly understand the situation, the design of the methodology should also include the summary of the data collection of both the mechanism for the improvement of the public goods in the village and its social and political setting.

Therefore, the data needed for this research can be categorized into two major groups, accordingly. The first group is data on mechanism for the improvement of the public goods. This group of data provides insight to answer the questions: how could the local governance performs well in a less democratic social setting after the responsibility to provide public services has been shifted to it from the state? Under which conditions will the local leaders have incentives to provide good public services? Since this study also intends to understand to what extent the improvement of the provision of public goods is due to the establishment of the cooperative, the data summary of this group also needs to identify the influential and effective factors of the cooperative to the provision of public goods in the village. The second group of data relates to social and political setting of this improvement in public goods. This data provides for the ability map the political and social environment for the changes in public goods in the village. In other words, the data provide insight to allow an understanding under which political and social conditions the changes happened. Furthermore, we should also be aware that the social and political setting itself could also be the causal factor for the improvement of the public goods in the village. Hence, the identification of the influential factors in it is also important to have a holistic picture of the situation.

To better understand the case and determine how the mechanism works in village SH, three sub-groups of data needs to be collected: if we want to determine how A influences B, we would most likely to study how A works, as well as how B works. Then

we need to identify which factors of the work of A have influences on the work of B. Then we need to go further to examine how those factors could be influential and effective. The same logic is applied to the design of the methodology. The first sub-group of the data is the mechanism of the provision of the public goods, the organization of the cooperative and the factors of the cooperative that are influential and effective in the provision of public goods in village SH. The data on the mechanism of the provision of public goods need to show what types of public goods are provided, how those goods are provided and what the initiatives for the provision are. Moreover, this study also recognizes the improvement of the provision after the establishment of the cooperative, and such improvement is the most essential evidence that shows the influences from the cooperative on the performance of the local governance. Therefore, a comparison of both the quantity and the quality of the public goods before and after the establishment of the cooperative is going to be included, to measure the improvement of the provision.

The second sub-group of data provides a view into how the cooperative works in village SH. These need to show some basic information of the cooperative, how the cooperative is organized and what the institutions are for the organization. The basic information of the cooperative includes the specialty of the cooperative (i.e., which agricultural produce the cooperative is organized around); the scale of the cooperative (if the cooperative is an uni-communal organization or an multi-communal organization); the number of the members; the encompassing of the organization (how many percent of the labour force joined the cooperative); the openness of the organization (the requirement to join the cooperative); and villagers' appraisal of the cooperative. The collection of the basic information of the cooperative does not only inform this study the

background information of the research object, but it also increases knowledge of the embedding and encompassing of the organization. According to Tsai (2007), the performance of informal institutions is well related with these two characters of organizations. The collection of the basic information also contributes to the profoundness of the understanding of work of the informal institutions in Village SH. The data on how the cooperative is organized should show the organization of agricultural production of the cooperative, the administrative organization of the cooperative and the ways through which the members participate in the cooperative. The purpose of collecting these data is to understand the reasons for which the villagers joined the cooperative and how the organization maintains its integrity. It also aims to present the prospective factors that could be identified as the influential ones to the provision of public goods.

The final part of the data on the organization of the cooperative is its institutions. The collection of these data primarily focuses on the formal institutions of the cooperative, such as through which process the directive board and the supervising board form and how many members are included in the two boards. The data on these institutions provides background information on how the cooperative works.

The final sub-group is data that identify the influential factors of the cooperative on the improvement of the public goods in Village SH. This sub-group of data directly answers the question how the cooperative improves the public goods in village SH. Since this question is essential to the answer of the central question of this study, this sub-group of data is essential to the answer of the central question. The data will focus on explaining the reasons for the improvement of the public goods in village SH. Then the

data also need to show to what extent that improvement could be ascribed to the establishment of the cooperative, and what factors of the cooperative effectively influence the provision of public goods in the village.

Specifically, this sub-group focuses on two things: one, what public goods have been improved, and how it happened; and, two, is how the cooperative improves the public goods, the provision of the goods or both of them. For the first, the data needs to include: what the initiatives are for the provision of those public goods, where the leadership is from, how the villagers propose their demand of public goods to the village leaders, how the village leaders respond to those demands. For the second, the data needs to include: what improvement of the public goods could be ascribed to the establishment of the cooperative, what factors of the cooperative contribute to the improvement and how it is effective in improving the public goods.

Another major group of data is the social and political setting of this case. As is stated before, this group of data is to map the political and social environment for the changes in public goods in the village. The major purpose for the summary of this group of data is to have a profound understanding of the improvement. However, it is also important to keep in mind that the environment itself could also be the reasons for the improvement in public goods.

In this case study, I look at two major subgroups of data social and political settings: the democratization and the lineage groups in the village. The first sub-group group of data presents the current situation of democratization in Village SH and explains why this study is about the improvement of public goods in a less democratic setting. To obtain a firm understanding of the democratization process in Village SH, this study

examines the regularity of the elections for village committee and the villagers' knowledge of democracy, democratic elections and their attitude towards democratization<sup>12</sup>.

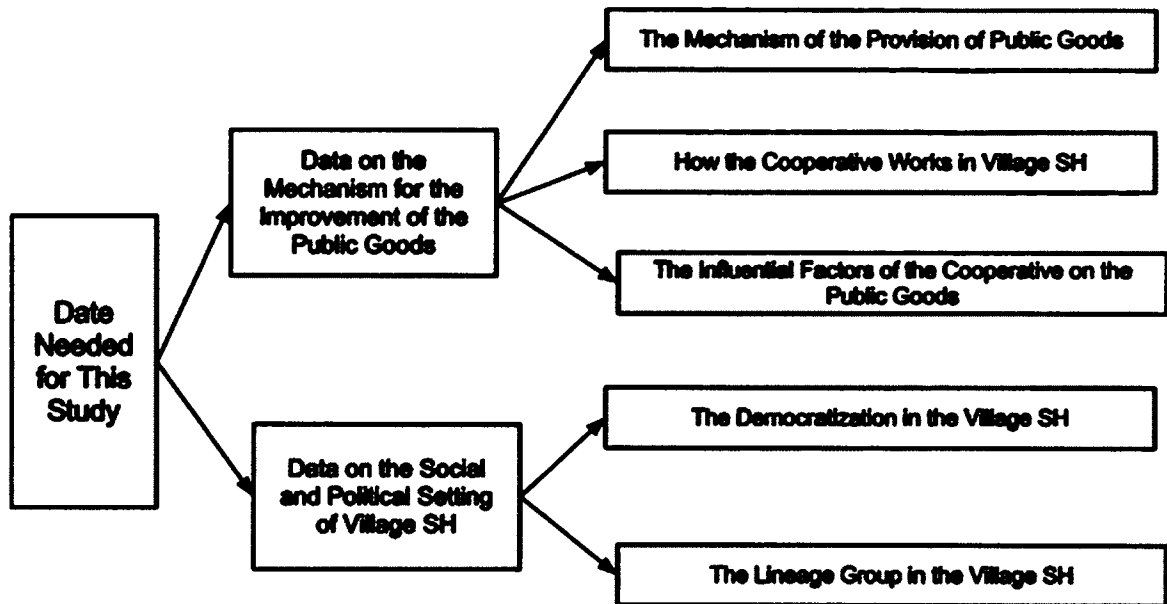
The second sub-group of data is on the situation of the lineage group in the village. This sub-group of data reveals if the integrity of the village comes from lineage group<sup>13</sup>. As stated in Tsai's study (2007), the lineage group could have strong influence on the provision of public goods in rural China, as it could increase the integrity of the village and provide the leaders incentives to improve the quality of public goods. This study examines if any type of lineage groups exist in Village SH, how it is organized, and if it has any influence on the village's integrity and public goods. Furthermore, the inclusion of this sub-group of data is to reveal if the cooperative is the only major reason for the improvement of public goods in the village. It helps this study avoid false assumptions.

Chart A.1 The relationship between major groups of data and their subgroups

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<sup>12</sup> This study is following Tsai's (2007) example for the analysis of the democratization process in her book *Accountability without democracy: solidary groups and public goods provision in rural China*. Please see the 1st chapter *Governance and Informal Institutions of Accountability* and the 7th chapter *Accountability and Village Democratic Reforms*.

<sup>13</sup> The influence of lineage groups on local governance could be seen in the 6th chapter of Tsai's (2007).



**Chart A.1**

### **1.5.2 Which Approach is Suitable and what method is appropriate?**

The nature of the data required dictates the research approach and the specific research method for this study. This study's qualitative case study collected the data represented above. According to Berg (2009), qualitative approach has its advantage in properly seeking answers to questions by examining various social settings and the individuals who inhabit these settings (p. 8). This advantage appears in the studies, which a "symbolically reduced and statistically aggregated way of research" (Bogdan & Taylor, 1975) and is not competent to obtain adequate data to obtain a accurate conclusion. Particularly, this advantage could be found in the study in which the researchers are interested in how humans arrange themselves and their settings, and how inhabitants of these settings make sense of their surrounding through symbols, rituals, social structures, social roles, and so forth (Berg, 2009, p. 8). The application of qualitative approach "provides a means of accessing unquantifiable facts about the actual people researchers

observe and talk to or people represented by personal traces (such as letters, photographs, newspaper accounts, diaries, and etc.). As a result, qualitative techniques allow researchers to share in the understandings and perceptions of other and to explore how people structure and give meaning to their daily lives” (Berg, 2009, p. 8).

All these characters of qualitative approach fit in this study and provide this study to obtain a deep understanding of the situation in Village SH. First, this study attempts to gain an understanding of how the improvement occurred in Village SH. It also recognizes the fact that, to obtain a deep and accurate understanding of the situation, this study has to examine how the villagers act in the particular social and political setting. As stated above, qualitative approach has its advantage in allowing researchers to understand specific situation within its specific settings. The application of this approach empowers this study to have sufficient knowledge. Moreover, a significant part of the data for this research is unquantifiable. The data on villagers’ perception to the cooperative, the village committee, and the democratic elections is hardly to be quantified. Furthermore, these data may have subtlety, which could only be understood within the cultural space where the data was collected. For instance, in the Chinese culture, euphemisms are commonly used when sensitive topics are brought into the conversation. The ignorance of this subtlety could lead to the misunderstanding of such a situation and cause inaccurate conclusions. To apply the qualitative approach allows this study to pay attention to the unquantifiable data, such as the ironies in speech, expressions and so on. The means to access this data provided by the advantage of qualitative approach will help this study to have a profound situational understanding.

Under such a qualitative approach, this study uses the case study as its research method. This choice is also determined by the advantage of case study as a research method and the way in which the central question is proposed and the nature of the data for this study. According to Yin (2003), the case study method is appropriate for the *how* and *why* questions, which intend to understand the mechanics of the situation. The case study is also appropriate for contemporary situations in which relevant behaviors cannot be manipulated. This characteristic of case study method distinguishes itself from history studies and experimental methods (pp. 5-7). Moreover, the case study method is often used in the studies that only focus a few objects and intend to collect amount of detailed information. This characteristic also distinguishes case study from the experiment and social survey (Hammersley, M. and Gomm, R., 2000, pp. 2-3). These characteristics of the case study method present its appropriateness for this research: first, the central question of this study is a “how and to what extend” question. It primarily aims to explain through what mechanism the cooperative improves the public goods in Village SH. Second, the situation studied in this research is a contemporary and on-going situation. All the provision process of public goods and the cooperative are still undertaken in the village. Moreover, as a researcher, I could not manipulate any of the behavior of villagers in the on-going events. I am an observer and interviewer throughout the research process. Third, this research will only study one case, and it intends to understand the situation within its political and social setting. All these characteristics determine that case study is the most suitable method for this study.

### **1.5.3 What are The Effective Data-collecting Techniques?**

The interview was used as a means to collect data. According to Miller and Glassner (2010), qualitative interviews have strength in collecting and rigorously examining narrative accounts of social worlds by revealing culturally embedded normative explanations, especially in a study which reveals evidence of the nature of the phenomena under investigation, including the contexts and situations in which it emerges, as well as insights into the cultural frames people use to make sense of these experiences and their social worlds (p. 144). The application of this technique provides this study with a means to gather in-depth data on the situation of the improvement of the public goods in Village SH and how it happened with the influence from the cooperative. It is also helpful to account the cultural, social, and political setting of the case to give this study a comprehensive understanding.

This study uses semi-standardized interviews for data collection, which allows conversations between interviewees and me to remain within the interests of the study through a set of predetermined questions and special topics, while providing space for researchers to ask unscheduled, probing questions, if it is necessary. Also, the researchers could move to another topic if the need arises to revisit a previous topic, a helpful feature for this study. Further, as a researcher, I had only a rough idea of the village before I went to the field. The information I had was not sufficient to design a rigid, standardized interview schedule. However, I did not want to let the conversations go beyond the interests of the study. Therefore, the flexibility of semi-standardized interviews is needed. Moreover, the space included in semi-standardized interviews to have unscheduled questions during the conversations is also helpful.

In this study, the interviewing topics for village committee members are: the basic information of the village, the current situation of the provision of public goods, the composition of the village committee, the information of the cooperative, and the rationale for each type of public goods and the personal embedding. The interviews for the villagers include: villagers' knowledge and attitude to the democratization in the village, the mechanics of the provision of public goods in the village, the influence on the public goods from the cooperative, and the influence from the possible lineage groups in the village. Each topic includes a series of predetermined questions<sup>14</sup>. However, only those questions deemed necessary were asked. There might be other unscheduled questions added into the interviews as probes, if necessary. The number of interviews conducted in this study was determined by the demographic distribution of the village.<sup>15</sup> The interviewees are selected randomly.

Here I also want to point out that this study also has conducted several semi-standardized group interviews, although this type of interview was not designed beforehand. This occurred when some people other than the interviewee participated in the interviews and gave their opinions. All the participants were asked the same

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<sup>14</sup>Please see the schedule of the interview questions in the appendix section.

<sup>15</sup>There are nine production teams in the village. I asked the head of the committee about how many people are in each team. He said he could not remember. He did not give me the exact number of each team because the number is quite sensitive. There are some families that had their second or third children without paying the fines. I only could use the registered Hukou information in the village office and asked him to point out the numbers that are a bit too far off from the reality. The registered number for the nine teams are: team No. 1---226, No. 2--- 203, No.3--- 200, No.4--- 139, No.5--- 135, No.6--- 200, No.7--- 176, No.8--- 191, and No.9--- 144. The average number for this distribution is 179.3. I decided to give all the teams with the population above the average 2 interviews and the rest 1 interview. Then I clearly explained my plan to the head of the village and asked him to adjust my interview numbers. He told me to increase the number of the interviews for the production team No. 1 and No.5 by one. Then, he said this arrangement of the interviews can represent the demographic distribution of Village SH.

questions; however, not all of them directly responded. In many situations, one of the interviewees played an active role in responding to the questions, and the other just sent their agreements or supplements.

Another technique used for the collection of data is content analysis. According to Berg (2009), content analysis is a careful, detailed, systematic examination and interpretation of a particular body of material in an effort to identify patterns, themes, biases, and meanings. Typically, content analysis is performed on various forms of human communications; this may include various permutations of written documents, photographs, motion pictures or videotape, and audio tapes (pp. 338-9). For this study, content analysis was used to collect useful information from documentary materials, such as the written institutions of the cooperative, the organizational law<sup>16</sup> and the regulations for the Chinese village elections. This technique was also used in the analysis of the interview notes from all the interviews I did in the village.

#### **1.5.4 Ethical Considerations**

This research follows the rules of the Canadian Tri-Council Policy Statement and it achieved the three respects all through its researching process: the respect for human dignity; the respect for free and informed consent; respect for vulnerable persons; the respect for privacy and confidentiality; respect for justice and inclusiveness; minimizing harm and maximizing benefit.

The consent was obtained before any of the interviews took place through the reading of the consent form. All the participants were also informed that they might

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<sup>16</sup> It refers to the *Organic Law of the Villagers' Committee of the People's Republic of China*.

refuse to participate in the research, refuse to give any information that they are not comfortable with, and withdraw their information anytime during or after the interview, as long as this thesis is not defended. The participants are also informed of potential benefits and risks brought by this study.

The Saint Mary's University Research Ethics Board has approved this study. All the related document materials are included in the appendix.

## **1.6 Thesis Structure**

The following chapter reviews three bodies of related literature—the literature on decentralization, democratization, and the amelioration of local governmental performance. I will also discuss how the analytical framework of this thesis locates within the theoretical debates. The third chapter provides the background information for this study, including the information on the basic structure of village governance in China and the provision of public goods in rural China. The fourth chapter presents the data collected from the field research, which is a selected presentation of the information from all interviews. The fifth chapter is an analysis of the data and the general findings of this study. The sixth chapter concludes this study and proposes some suggestions.

## **Chapter 2 Literature Review**

### **2.1 The Literature on Decentralization**

#### **2.1.1 Classic Decentralization Theories**

Tiebout (1956) is a founder of decentralization theory. He criticizes Musgrave and Samuelson's assumption that expenditures should be handled at the central government level, and argues that local government should have control on a number of expenditure that improve the allocative efficiency for resources. Decentralization theory's central idea states that unlike the central government, which has a given number of services consumers, the service consumers for local government are changing. The major reason for these consumers to choose one community to live over another is based on their preference pattern for public goods. Citizens with children prefer a local government with high investment in education, while other citizens may prefer municipal golf course, for example. Such decision making processes can lead to an allocative efficiency for resource when individuals moves to an area which has the most suitable public goods particular to their needs. However, the precondition for the realization of this efficiency is that there should be a good number of local governments providing various sets of public goods.

In an ideal situation, citizens with full mobility and full knowledge of different revenue and expenditure patterns will locate in the communities that can provide a set of public goods best suited to their needs. The cost of those goods will be averaged out, becoming close to optimum, because an undersized community attracts newcomers while

an oversized community loses their members because the public goods per capita is small. As the provision of public goods is based on money collected from taxpayers in a community, Tiebout thinks the ideal situation in his model stands for a situation where taxpayers' money is directed to those public goods most desired by each taxpayer. As Tiebout's theory advocates a greater number of local governments with a wide variety of means of providing public goods, this theory is taken as a fundamental theory to argue that local government should have control over a number of expenditure functions. In only such situation can the allocative efficiency in the provision of public goods can be realized.

Another fundamental theory for decentralist arguments is the Fiscal Federalism theory (Oates, 1972). Oates and Tiebout agree that different places have different preference for public goods. However, Oates also contends that each type of public goods has its own individual characteristic. The provision of the public goods should be assigned to different levels of government according to their characteristics. Oates argues that, on one hand, there are some types of public goods, which are more efficiently provided by the central government. For example, Oates mentioned that the supply of money should only be controlled by the central government; if each level of government was able to create and destroy money, there would exist an irresistible incentive for rapid monetary expansion. Any community government would create paper with which to purchase real goods and services from neighbouring communities by simply using a printing press (Oates, 1972). Based on this example, he further argues that certain classes of public goods and services are far more suitable to be provided by central government than by local government. Those goods and services are typically those that confer, or

could confer, significant benefits on everyone in a nation. As if one community decides to provide these types of public goods, all the communities in a country share the benefits, while the cost of the goods is borne in only one community. Therefore, this type of goods is not likely to be provided in a system that is composed only by local governments (Oates, 1972, p. 8).

On the other hand, it is also important to recognize the preferences of individuals for public goods. Differences in preference make unified public goods for all individuals a bad idea. According to Oates, if one type of public goods is provided by a central government, the most likely outcome would be similar levels of consumption of the good in all communities. However, such uniform levels of consumption may not be efficient, because they do not consider possible variations in the tastes of residents among communities. By contrast, in communities with local governments, residents desire government to reflect their own preference of public goods in the region. Therefore, to reach efficiency, Oates believes the provision of public goods, which can be provided by local government, should reflect the preference of the local residents.

Based on this thinking, Oates goes further to argue that decentralization in some extent of public goods provision is more efficient because the competition among different local governments can lead to greater experimentation and innovation in the production of public goods. According to Oates, with a large number of independent producers of a good, one might expect a variety of approaches that, in the long run, promises greater technical progress in modes of providing these goods and services. Moreover, Oates also thinks decentralization in some extent of public goods provision

may lead to more efficient levels of public output, because expenditure decisions are tied more closely to real resource costs (p. 13)

In general, Oates believes that the provision of public goods should not be a task of one layer of government; rather, it should be divided and assigned to different layer of government according to the characteristics of the goods. Some goods are more efficiently provided by the central government, while others by local government. Although Oates' theory further developments Tiebout's, both believe local government can be more efficient in providing at least some types of public goods. The reasons for the higher efficiency might be different: local governments are more close to the local residents so they know what their preference of public services are; local governments are directly subjected to the votes of local residents, hence they are more likely to be accountable towards the needs of them or, as stated above, the provision of public goods will be more efficient when expenditure decisions are tied more closely to real resource costs. Both of these two theories build a foundation for the following decentralist policies.

### **2.1.2 The Advocates and Practice of Decentralization**

Since the 1970s, decentralization is one of the most powerful trends within the discourse of social policies. It refers to the process of devolving political, fiscal, and administrative powers to subnational units of government (Burki, Perry and Dillinger, 1999, p.3).<sup>17</sup> It has been advocated by major developmental institutions, such as the

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<sup>17</sup>Decentralization is not the only way to disperse the power of central government ministries. Deconcentration and privatization are also used. Decentralization aims to shift the structure of local accountability from central government to local constituents. Deconcentration, in contrast, preserves the

World Bank, as a mechanism to maintain political stability, to improve public service performance, to narrow social inequity, and to contribute to macroeconomic stability (World Bank, 2000). In many case studies, decentralization has also been argued as an effective tool to improve educational systems, the delivery of health care, and the representativeness of local leaders (Dillinger, 1999a).

In tracing history of the spread of decentralization, three underpinning factors are apparent. One is the favour of historical context. The end of the Cold War and the debacle of the USSR in the Eastern Europe left a good space for the practice of decentralization. In the 1990s, all countries in Central and Eastern Europe encountered the challenge to deconstruct their previous party state structures and construct democratic structures. This challenge emerged in a particular historical period when a general discontent with the late modern welfare state became apparent. Therefore, when these governments were planning national level reforms, they accepted the idea that “lean and mean” governance (Péter, G. and Zenta, V., 2002) creates a better balance between efficiency and democracy, bureaucracy and entrepreneurship (Péter, G. and Zenta, V., 2002). This belief fostered the popularity of ideas, such as *the need for the devolution of the power* and *the redefinition of state structures* (Péter, G. and Zenta, V., 2002). These had great influence on the design of the reform for those states and led to decentralization strategies be accepted in Central and Eastern Europe. Decentralization and the formulation of democratic systems for local governments became an important part of the reform.

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hierarchical relationship between central government and field staff. Privatization introduces the profit motive as an influence on behavior. Although, in practice, the three can be employed simultaneously, their political, fiscal, and administrative implications are quite different (Burki, Perry, and Dillinger, 1999, p. 3).

This decentralization process was also well developed in Latin America. The democratization of the governance systems since the 1980s fostered the spread of decentralization. Decentralization is an essential part of the democratization process, as discredited, autocratic central regimes are replaced by elected governments, operating under new constitutions (Litvack and Seddon, 1999).

In Africa, the establishment of multiparty political systems has created the demand for more local voice in decision-making. In some countries, Ethiopia, for example, decentralization is a response to pressure from regional or ethnic groups for more control or participation in the political process. In the extreme, decentralization represents a desperate attempt to keep the country together in the face of these pressures, by granting more autonomy to all localities or by forging “asymmetrical federations” (Litvack and Seddon, 1999).

Another underpinning factor for the popularity of decentralization was formed by the discontentment of the inefficiency of the classical welfare system. This factor could be seen as the direct cause of the decentralization in the public sector in many countries. Behind this is an economic theory which states that decentralized governance system is a more effective means to allocate resource. As pointed out by Litvack and Seddon (1999), the efficiency of decentralization may be understood in three economic rationales. First, local level governments are believed to be more representative than central government for local constituency, as they are more likely to reflect local demand for services than the remote state. Moreover, decentralization also encourages the “competitiveness” of governments and enhances innovation. Therefore, it is more likely to satisfy the wishes of citizens. Another potential benefit for decentralization is that citizens are more willing to

pay for services that respond to their priorities, especially if they have been involved in the decision-making process for the delivery of these services (Litvack and Seddon, 1999). As these arguments address concerns of the ineffectiveness of the classical welfare system, decentralization is believed to be a practicable solution.

Globalization is another important factor in the spread of decentralization. As the pillar of globalization, neo-liberalism believes in the power of free-market and argues that the role of governments should be minimized. It is not difficult to imagine that the major institutions for globalization would attempt to include decentralization into their agenda and to promote it universally.

With such powerful promotion, decentralization is a worldwide trend. By 1992, out of the 75 developing and transitional countries with populations greater than 5 million, all but 12 claim to be embarked on some form of transfer of political power to local units of government (World Bank, 1992). Until 2008, decentralization had already become a universally accepted approach in public sector reform. Examples of cases of decentralization can be found in many countries, such as: safety net programs in Albania (Alderman, 1999); education programs in Bangladesh (Galasso and Ravallion, 1999); participatory budgeting in Porto Alegre, Brazil (Santos, 1997), neighborhood committees in China (Wong, 1994); the 73rd and 74th Constitutional Amendments in India creating a nationwide third tier of elected local governments (Isaac and Franke, 2000); schooling reform in El Salvador (Jimenez and Sawada, 1999); fiscal decentralization in post-apartheid South Africa (World Bank, 2000); and child benefit programs in Uzbekistan (Coudouel, Marnie, *et al.*, 1998).

As mentioned above, the discontent to the classical welfare system and the belief that local government can be more effective and representative in the delivery of services than the state are two of the major rationalizations for the decentralization in the sector of public services. The most common areas for decentralization are education sectors, health care sectors, safety nets, infrastructure sector, water supply, and management of natural resources (Litvack and Seddon, 1999).

According to Litvack and Seddon (1999), two factors led to these sectors becoming the most likely areas for decentralization, one being that these sectors are normally problematic under the management of the state. The problems could be the asymmetric information between the state and the service consumers, the inefficiency in decision-making, the bureaucracy of the administration, etc. Therefore, the advantages of decentralization in theories become extremely appealing. The second factor for the decentralization is that governments with severe financial constraints are willing to let those sectors fairly—costly to maintain—become decentralized, hence, lightening the pressure of their fiscal burden (Litvack and Seddon, 1999).

In general, the powerful trend of decentralization has taken place since 1970s. It is based on the belief that subnational level governments can be more efficient and more representative of local residents' interest than central government. Its universal popularity is also a favour of the historic context, the discontent to the inefficiency in the state running public services, and the globalization process. Decentralization has taken place in almost all the major economic bodies in the world. Its legacy is still quite influential.

### **2.1.3 The Underwhelming Outcome and the Criticism**

Although expectations for decentralization have been high, the results have been underwhelming. In developing countries, the provision of public goods after decentralization is failing. The hands-off treatment by governments of the public sector did not improve the quality and quantity of public goods as expected. The results of empirical studies are mixed on whether the decentralization improves the public goods provision in a specific region. For example, Matheson and Azfar (1999) explored the impact of decentralization on health and education outcomes in the Philippines. In Filipino provinces, where national minorities formed local majorities after decentralization, decentralization improved health outcomes. While West and Wong (1995) show that in China decentralization increased regional disparities in the provision of health and education services. However, the *World Bank Development Report* (2004) clearly illustrates that the current provision of services in developing countries, as well as for the poor in countries with higher levels of income, often fails. The provision of public services has become inaccessible, unaffordable, and unresponsive to citizen's needs. The quality of those services is often so inadequate that the poor bypasses those facilities and purchases good, often more expensive, from private sectors. Moreover, the process of service delivery in many countries is corrupt. According to the report, although the reasons for the failure of the provision of public services are varied, decentralization, in some countries, is one of the major factors. When some states transfer the responsibilities to local governance, potentially weaker capacity and greater political patronage at the local level and the reduced scope for redistribution sometimes outweighing the benefits from greater local participation.(World Bank, 2004) In many cases, when the

responsibility is transferred, local governments simply do not have sufficient resources to provide public services (Tsai, 2007).

Moreover, in the former socialist countries we could also find a decline of the public services after the decentralization reform. For example, Bird, Ebel, and Wallich (1995) showed that the public services declined in Central and Eastern Europe, at least for a short term, after the transition from command economy to market economy. According to Bird, *et al.*, the services for primary school, housing, and social assistance, such as unemployment welfare and retirement pension, declined, especially in comparatively poor localities in Hungary. Similar situations can be found in other countries in this region. E. V. Zhuravskaya (2000) reveals that the fiscal arrangement in Russia does not increase local government revenue when the tax base is increased. Local officials, therefore, have no incentives to promote economic growth in their communities but have strong incentives to waste or abscond with funds for public goods.

In the United States and Western Europe, the provision of public goods has also been declining since the idea of fiscal federalism has become a part of public policy. Such ideas create a competition of tax cutting among local governments (Tsai, 2007). The shrinking of local revenue directly causes a decline of public services.

Although cases still show that decentralization has brought some changes in public provision, such a reduction the bureaucratic financial burden of the state in China and India (Griffin, 1999; World Bank, 1997; Alvarez, 1990) and to encourage local participation in some African countries (Blas and Limbambala, 2001; World Bank, 1997; Maganu, 1990; Ndiaye, 1990), it is undeniable that provision of public services has declined, too often failing those that need public services the most. As stated in the *World*

*Development Report* in 2004 (World Bank), many have been almost completely excluded from access to public services due to poor provision. For example, the poor often travel greater distances than the wealthy to access education and the health care.<sup>18</sup> As these services are too often inaccessible, the poor sometimes pay much higher fees to the private sector for similar services, worsening the quality of life and making it more difficult to rise out of poverty.

How could a strategy with such high-expectations have not work successfully in terms of improving public services in so many countries? One criticism is that decentralization process in many developing countries disturbed the macroeconomic stability of developing countries. For example, World Bank (2000) and Dillinger (1996b) argue that decentralization does not automatically ensure welfare improvements and may have impacts worse than a centralized system because it often reduces the redistributive powers of central governments, and, therefore, the overall level of transfer from wealthier to poorer jurisdictions. Decentralization may, in fact, worsen vertical equity (Akin, J., *et al*, 2005).

Tanzi (1995) also provides a similar argument. According to Tanzi, a successful decentralization process should be based on a clear and comprehensive contract between central and subnational governments. This contract spells out the subnational government's obligations, assigns sufficient resources to fulfill responsibilities, and makes it explicit that they must live within the means. However, this type of contract is not binding in many developing countries. In some cases, subnational governments have spent more than they have raised in revenue, and they have to increase their debt and

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<sup>18</sup> See the first chapter in the *World Development Report in 2004*.

occasionally force the central government for bailout. In other cases, spending responsibilities shift to subnational governments without sufficient resources. Or the responsibilities shift without consideration of subnational governments' level of competent systems for public expenditure management. These situations make subnational governments in developing countries are likely to contribute to an aggravation of macroeconomic problems or these situations make existing problems in macroeconomic system more difficult to correct (Tanzi, 1995).

Moreover, the threat to macroeconomic stability caused by decentralization also comes from fiscal problems in central government. The decentralization process may aggravate structural fiscal problems if large tax bases are assigned exclusively to subnational governments, while most spending areas remain under the responsibility of central authorities (Moreno, 2005). According to Moreno, the reason for such fiscal problem is due to the fact that decentralization process decreases the tax resources available for national government but maintains the considerably large spending responsibilities. Bahl and Linn (1992) reveal that decentralization in Brazil decreased the major tax resource for central government and created a huge fiscal deficit. De Mello (1999) presents his empirical studies from 30 countries between 1970 and 1995, and suggests that decentralization negatively affects national fiscal outcomes due to coordination failure. The decentralization process sometimes forces the central government to share tax resource with subnational governments,<sup>1</sup> and it can also destabilize the macroeconomic situation. According to Moreno (2005), when the percentage of tax revenues that the central government shares with subnational levels is too high, the capacity to stabilize the economy is reduced severely.

Another criticism to decentralization is that it aggravates income inequity. Moreno (1995) explains that the cause of this problem is that decentralization causes competition among local governments to cut taxes and lower welfare budgets. After decentralization, local jurisdictions might not have enough incentives to redistribute: if a local government adopts vigorous redistribute policies by taxing the wealthy and providing many benefits for the poor, then the wealthy tend to move to jurisdictions with low taxes and the poor tend to leave areas with lower benefits. Thus, redistribution would not be financially sustainable at the local level (p. 41). Prud'homme (1995) also notices that decentralization can exacerbate interregional revenue disparity. According to Prud'homme, in a decentralized system, the poor regions are less likely to receive subsidies as they would in a centralized system. In a centralized system, central government can narrow the interregional revenue gap by taxing wealthy regions and using the collected tax to subsidize poor regions. However, after the decentralization process, the central government normally no longer has the tax basis, while wealthy regions' local governments do not have incentives to give up their revenue to subsidize the poor regions. Therefore, the interregional disparity can be exacerbated.

Finally, decentralization also can undermine efficiency. When decentralization was introduced, efficiency was one of its most outstanding advantages. However, in practice in developing countries, this has proved to be otherwise. Prud'homme (1995) argues that one of the most important reasons for the failure of decentralization in developing countries is due to an absence of the assumptions required by the decentralization model. Prud'homme first points out that the decentralization model assumes a difference between the various local or regional jurisdictions in their respective

tastes for public goods. However, in many developing countries the major difference among jurisdictions is the level household income. Moreover, even in many comparably wealthy regions, the provision of public goods is still minimal. Therefore, the real problem is that developing countries do not to reveal the fine differences in preferences between jurisdictions to satisfy basic needs. The potential welfare gains associated with a better match of supply and demand are not great. Secondly, Prud'homme also believes that the mechanism through which local governments become representative to local residents' needs is absent in many developing countries. He noticed that local elections, when they exist, are usually decided on the basis of personal, tribal, or political party loyalties. People vote for a mayor they know, a member of their group, or a party they like. In those situations, local preferences of public goods barely exist. Moreover, the platforms on which local elections are fought are often vague and unrealistic. The menus offered for choice are unlikely to express the electorate's preferences. Finally, he also notices that the local preferences in developing countries are less likely to be satisfied due to the inconsistent or vague electoral mandate. Even if elected officials wanted to fulfill it, it is usually unreasonable because of a gross mismatch between available resources and promised expenditures. Plus, in many cases, the officials often lack incentives to keep their promises. Some of them do not want to be reelected and others know that their election is not dependent their ability to satisfy local preferences for public goods (Prud'homme, 1995). Therefore, when these assumptions of the model of decentralization are missing, the efficiency of the model surely does not turn out as expected.

How can decentralization be implemented properly? Most of the existing literature suggests that the design and implementation of decentralization should be carried out carefully. Specifically, the decentralization process should go hand-in-hand with well-functioning democratic systems. For example, Prud'homme (1995), Collins and Green (1994), Bardhan and Mookherjee (1998 and 2000), World Bank (1997) notice that decentralized systems, particularly those without well-functioning democratic systems or mechanisms for community representation, could decrease welfare services if they are associated with a higher degree of corruption or 'leakage' of resources than centralized systems. Bird and Vaillancourt (1998) suggest similar solutions, where two conditions are particularly important for successful decentralization. The first condition is the democratization of local decision process, where decisions are transparent and citizens affected have an opportunity for influence. The second condition is that the cost of local decision must be fully borne by those who make the decisions.

From my perspective, these suggestions are valuable to some extent. However, it is also important to realize the difficulty of the establishment of well-functioning democratic systems in developing countries, especially in the rural areas, which is the focus of the following section.

## **2.2 From Democratization to Rural Democratization**

Although the literature of decentralization suggests the key to carry out successful decentralization process lies to the establishment of a well-functioning democratic process, it does not explore many of the difficulties of the process, especially in rural

areas. In this section, I am going to review literature on democratization and rural democratization.

First, it is also important to clarify the standpoint of this study on democratization. This study does not attempt to argue whether democratization is contributing to the amelioration of local governance or not. This study does not intend to discuss the relationship between democratization and development either. Instead, low-level of democratization in the rural village is only the social setting for the improvisation of local governance. This study may be able to enter the discussion of whether the inclusion of democratic systems in formal institutions is a must for the amelioration of local government performance. However, this study is not about democratization or a discussion of democratization and development. The low-level democratization in Village SH is a set social circumstance. The amelioration of governmental performance should be seen as something that happens in this social setting, not a result of this setting. The field study also suggests there is little correlation between the improvement of the local governmental performance and the democratization in the village. Furthermore, there is a difference between the analytical level of this study and the analytical levels of most discussion of democratization. Most literature on democratization and the relationship of democratization and development refers to national level governance. However, the analysis of this study is village level. The enormous difference between these two analytical levels makes many of the literatures irrelevant. By recognizing this situation, this section briefly reviews some fundamental theories of democratization and the debates on what forms it should take. What then follows is a literature review specifically discussing rural democratization and its difficulties. Finally, I bring Tsai's

argument on the democratization process in rural China, which explains the standpoint of this study.

### 2.2.1 Democratization

Although the democratization<sup>19</sup> process has occurred since ancient Greece, the large scale transition in many countries “from authoritarian, totalitarian, or military rule to more consensual and competitive political system” (Bauzon, 1995, p. 1) since the 1960s is still quite fascinating: “in Western Europe, we have seen fascist regimes in Spain, Portugal, and Greece replaced by popularly accountable governments; in Latin America, the ‘bureaucratic- authoritarian’ regimes in Brazil, Argentina, and Chile have given way to more representative types of government; in Asia, the dictatorships in the Philippines, South Korea, and Pakistan have either eased or been overthrown; in Africa, meanwhile, Nigeria’s military-dominated Second Republic and Ghana’s Third Republic have broken down and been replaced by popularly based civilian governments” (Bauzon, 1995, p. 1). All these changes show an on-going process of a worldwide democratization. Moreover, dramatic changes in the former Soviet Union and Eastern Europe made

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<sup>19</sup>The definition or conceptualization of term *democracy* is contested. The discussion of the definitions of *democracy* is not the focus of this research. In this research, I adopt a conventional definition of democracy given by Larry Diamond, *et al.* (1988) in *Democracy in Developing Countries*. According to Diamond, *et al.*, democracy is a system of government that meets three essential conditions: meaningful and extensive competition among individuals and organized groups (especially political parties) for all effective positions of government power, at regular intervals and excluding the use of force; a highly inclusive level of political participation in the selection of leaders and policies, at least through regular and fair elections, such that no major social group is excluded; and level of civil and political liberties—freedom of expression, freedom of the press, freedom to form organizations—sufficient to ensure the integrity of political competition and participation. Democratization process here is better understood as a complex, long-term, dynamic, and open-ended process. It consists of progress towards a more rule-based, consensual and participatory type of politics (Whitehead, 2002, p. 27).

democratic systems far more successful than rival totalitarian and/or authoritarian systems.

The theories of democratization can be traced back to the theories on policy formulation process and political systems. A fundamental theory comes from David Easton (1953) who theorizes a model of policy formulation process of a basic political system. In his model, Easton argues that political process, or political life, is a type of interaction between individuals and social groups, and one aspect of this interaction relates to specifically political matters (p. 160). This argument gives a theoretical foundation for democratic activities. Moreover, Easton also states that there are three key components for the decision making process: external forces, actual legislative process, and subsequent response to policy and legislations. This definition is extended by Almond and Coleman (1960), who argue,

the political system is that system of interactions to be found in all independent societies which perform the functions of integration and adaptation (both internally and *vis-à-vis* other societies) by means of the employment, or threat of employment, of more or less legitimate physical compulsion. The political system is the legitimate, order-maintaining or transforming system in the society. (p. 7)

How can political systems maintain their legitimacy? Almond and Coleman (1960) thinks that legitimacy is based on the “input” and “output” functions of the political system. Input functions include: political socialization and recruitment, interest articulation, interest aggregation, and political communication. Output functions include: rule making, rule application, and rule adjudication (p. 17). Although these three scholars do not directly discuss democratization, their theories describe some basic forms of the democratization process.

In what form does democratization take place in society? This question brought one of the larger contested debates in democratization literature. The difference among these arguments of the forms of democratization comes from their different understanding of democracy. Dahl (1971) believes that the most important key of democracy is the continuing responsiveness of the government to the preference of its citizens (p. 1). To form this type of government, Dahl argues, all full citizens of the government should be given unimpaired opportunities to formulate and to signify their preferences to their fellow citizens and to the government by individual and collective action and to have their preferences weighed equally in the conduct of the government; that is, weighted with no discrimination because of the content or source of the preference. Moreover, there should be required institutional guarantees for the states (p. 2). Based on this conception of democracy, Dahl (1971) argues, democratization is constructed of at least two dimensions: public contestation and the right to participate, and it is achieved through a system of basic political, civil, and human rights with the objective to allow the participation of citizen and the accountability of the state. According to Dahl, the ultimate form of democratization process is *polyarchy*, because it is a system that is substantially popularized and liberalized, highly inclusive, and extensively opens to public contestation (p. 8). Similar conception of democracy can be found in the work of Diamond, *et al.* (1990), who argue that “democracy denotes a system of government that meet three essential conditions: meaningful and extensive competition among individuals and organized groups (especially political parties) for all effective positions of government power, at regular interval and excluding the use of force; a ‘highly inclusive’ level of political participation in the selection of leaders and

policies...and a level of civil and political liberties” (pp. 6-7). Karl (1990) also proposed a similar conception of democracy, in which he argues democracy should involve the contestation over policy and political competition for office, citizens’ participation through partisan, associational and other forms of collective action, government’s accountability to the citizens through the mechanism of representation and the rule of laws. However, Karl also adds that the civilian should control the military, which is a supplement to Dahl and Diamond’s theory.

From this brief review of these scholars’ work, they all agree that democratization should include competition among individuals and social groups, especially the political parties and participation of citizens and the political freedom or the liberties in the society, although they might differ on the specific forms for its realization. While I will not review further literature on democratization, it is important to note that other scholars argue that democratization should also include other factors; for example, Monshipouri (1995) argues that any principles of a democratic system must include provisions for socioeconomic equality.

### **2.2.2 Rural Democratization and Its Difficulties**

Jonathan Fox (1990) is the first scholar to clearly define and systematically discuss the process of *rural democratization*, its power structure, and its power dynamics during the process, defining it as

an on-going process which develops, often unevenly, in the realms of both society and the state. Within civil society, it involves the emergence and consolidation of social and political institutions capable of representing rural interests vis-a-vis the state. Some may be specifically rural, such as peasant organizations, while others may be national associations, such as political parties, which develop a rural

presence. For the state, rural democratization requires effective majority rule as well as both formal and informal accountability to its rural citizens. (Fox, 1990, p. 1)

Fox believes rural democratization should not be separated from the challenge of democratizing the state in general. However, the conditions and the needs of rural poor give the focus of “rural democratization” a distinctive set of analytical questions. In this definition, Fox argues that peasant interests can be different state interests. The process of rural democratization is to have organizations that can fight for peasant interest and to make the state accountable for these interests.

Fox has clearly analyzes the tremendous difficulties during the democratization process in rural area. He points out that the rural democratization faces both internal and external obstacles when the rural poor attempt to hold the state accountable for its actions. According to him, internal obstacles are difficulty of mass assembly, relative dispersion of communities, diversity of economic activities, ecological context, and daily precariousness of family survival.

External obstacles are the difficulties of establishing respect for basic political freedoms in rural rather than urban areas. These difficulties are forces coming from both public and private sections: the usual absence of mass media facilitates the use of violence with impunity and limits access to political information. External interventions also frequently take the form of divide and conquer strategies, which combine selective material incentives with threats of coercion. He also points out that

the on-going threat of external aggression is especially noteworthy during the early stages of national transitions to elected civilian rule, when rural democrats' hopes are raised but they still very much need the active support of urban allies for the creation and defense of rural political space. In the course of such transitions, anti-democratic national political forces usually ally with rural

autocrats. The result may even be a sharp increase in the use of violence against the rural poor, in spite of an urban-based political opening at the national level. (Fox, 1990, pp. 3-4)

The most valuable part of Fox's theory to this study is his clear definition of *rural democratization*, and his discussion of obstacles rural democratization faces internally and externally. The definition emphasizes the interaction between peasant organizations and the state and accentuates the representation of peasant interests in the state. Although in this definition, Fox only mentions organizations in civil society; however, it is not correct to say that this definition focuses only on the relationship between rural/peasant civil society organization and the state. To my understanding, this concept is more emphatic of a type of representation of peasant interest in the state. The main idea of Fox's conception of rural democratization is a process through which peasants make/force the state to be accountable to their interests. The means of their struggle could be peasant civil society, peasant movements or even the involvement of national army (Ortega, 1989). This concept also accentuates the accountability of the state to its rural citizens, and this accountability can be seen in its rules.

Case studies underpinning Fox's theory, include Grzybowski (1990), who notices that the rural democratization movements in Brazil, led by rural workers, are limited by fragmentation, frequent defensive character, and inadequate links to national political institutions, such as trade unions and political parties. Zamosc (1990) notices the rural democratization process in Columbia is challenged by the ongoing narco-military terrorism, although the representative rural citizens' organization have increasingly attempted to hold the state accountable, and both government reformists and guerrilla organizations have attempted to increase their responsiveness to peasant concerns. After

his study on the rural democratization movements in Nicaragua, Ortega (1990) shows in his study that, although there can be forces of various kinds both inside and outside the state, combined to push for a pro-peasant shift in agrarian policy, real policy may still come out with a negative results. In the case of Nicaragua, the policy enacted after massive rural democratization movement still gave priority to the state and large private farms.

The first value of Fox's theory and the underpinning case studies is that this theory clearly defines the term rural democratization and successfully differentiates it from the democratization process at the state level. This differentiation provides the study, like this thesis, an appropriate analytical level, while avoiding a detour of a discussion of democratization at the state level. The recognition that the democratization process is unique and has its own characteristics makes the space for the studies that focus only on the rural democratization issues. Moreover, it recognizes the numerous difficulties of rural democratization coming from both the internal and external obstacles, which makes this theory powerful in explain many of the phenomena in rural democratization process, such as the cases mentioned above. It also suggests that rural democratization is a long process.

However, this theory also has limits, as it focuses mainly on the democratic movements that represent the interests of peasants in the state. It states that peasant representation in the state should increase, and they should have power to make the state officials accountable to their needs through movements initiated by peasant organizations or political parties. However, it does not pay much attention on the democratization

process happening within peasants group. The peasant versus state model does not fully reveal how democratization proceeds within peasant group and how they participate in it.

Another rural democratization theory important to this paper is Li and O'Brien's (2000) study of the rural democratization in China, where they argue that the democratization in rural areas has two dimensions: *accessing power* and *exercising power*. According to Li and O'Brien, the term *accessing power* means that villagers can access to decision-making through democratic electoral procedure. Li and O'Brien provide many indicators of democratic elections, such as competitive elections, good ballot secrecy, the elimination of proxy vote, and the regulated usage of roving ballot boxes. The authors point out that many areas in China have improved their democratic electoral procedure by improving these indicators. Although the authors point out that the procedure of the elections in rural China remain far from perfect, they assert that rural democratization in China could be improved if the *accessing power* is ameliorated.

As to the other dimension *exercising power*, the authors argue that, although the impact of village elections cannot be denied, elections have not done away with several constraints that continue to impede democratic rule: members of village committees may win their position through the ballot box, but once they gain office they still must take into account township governments, village Party branches, and social forces, such as clans, religious organizations and criminal gangs. In an ongoing struggle for power and legitimacy, tensions often arise between village committees and official at the lowest rung of the state hierarchy, Party organs that remain the locus of power in a village, and societal groupings that possess their own sources of authority. The authors believe that Chinese rural democratization also needs to eliminate these obstacles.

Compared to Fox's theory, Li and O'Brien's theory of rural democratization focuses mainly on the democratization process at the village level. Some factors in Li and O'Brien's theory pertain to upper level governance, such as township level government. However, the theory Li and O'Brien propose does not address the representation of peasant interest at the state level. In this theory, the procedure of democratic elections is accentuated. Moreover, the authors also believe that democratization is not only a process whereby peasants make the state accountable, but also a process for peasants to eliminate some specific social obstacles. These obstacles may come from the religious groups, clans, or even criminal gangs. Li and O'Brien's theory is a good supplement to Fox's theory, as it explains how democratization process happens in the peasant group. The obstacles discussed by Li and O'Brien also suggest that rural democratization is a long process.

Fox, Li and O'Brien's rural democratization theories receive challenges from Tsai (2007). Rather than seeing rural the democratization process as the only correct direction for rural politics, Tsai argues that it is also important to recognize existing governing power in rural communities. In her study on the solidary groups in rural China, she presents the different results in village governance from rural democratization: some villages may have effective elections, but the performance of elected governments does not meet expectations; some villages do not have elections, but the performance of the village governments is excellent. Although Tsai also does not deny the influence of democratization on making elected officials accountable in some villages, she is more inclined to believe that the democratization process was introduced imposed by the Chinese central government. Although this process can be performed well, it does not

make local officials accountable in many cases. Rather, the real determinant of local government's accountability is existing solidary relationships in a community.

Tsai believes that, specifically in the Chinese rural area, democratic elections cannot be as effective as communal solidary groups for three reasons: first, she believes that village official positions lack political leverage and do not provide attractive salaries to successful candidates. The job obligations often make them less popular because they have to deal with many conflicts within community. Furthermore, in some wealthy area, nominated villagers will not take these positions because they have their own business. Those who desire these positions often do so to establish good relationships with township or other potential partners. Second, democratic reforms lack of information and transparency of community governance is still blurred. Villagers often cannot tell which official's errors lead to bad management. Finally, Tsai points out that the civic value has not increased with the implementation of democratic elections. Villagers' willingness to contribute to the community is still largely affected by the lineage and solidary group within the community. Therefore, there is no difference between the villages that have well practiced democratic elections and do not (Tsai, 2007, pp.219-26).

In general, we can see from existing literature that rural democratization is a fairly specialized process compared to the democratization of state, with many internal and external obstacles. These obstacles determine lengthen the process of rural democratization, which also includes many conflicts. Therefore, the suggestion given by the literature of decentralization that establishing well-functioning democratic system can solve many of the current problems of decentralization may seem unrealistic. However, Tsai's study shows that democratization is not the only way to make local government

accountable, and it is important recognize existing governing systems in the community, such as solidary groups. These systems can be much more effective in making local government accountable than democratic system. This argument also brings a broader question: what makes local government perform well, especially when it comes to the provision of public services? In the following section, I review theories under this topic, chronologically.

### **2.3 The literature on Local Government Performance**

Factors that determine well-performing local governance are an interest of study to many scholars. One school of thought believes that good governance is correlated with well-developed economies and the process of “modernization.” Lipset (1959), an influential scholar, states in his well-known paper “Some Social Requisites of Democracy: Economic Development and Political Legitimacy” that the development of economy is associated with a more responsive government.<sup>20</sup> He specifically points out that countries with higher per capita income and higher industrialized and urbanized society are more likely to avoid communism and dictatorship. Although he also thinks that education is another contributing factor, he argues that the effectiveness of education is more on individuals rather on the social structures. O’Donnell (1973) paraphrases

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<sup>20</sup> In Lipset’s paper, he associates the level of national wealth to its democracy. However, the democracy in his paper is specifically defined as “a political system which supplies regular constitutional opportunities for changing the governing officials. It is a social mechanism for the resolution of the problem of societal decision-making among conflicting interest groups which permits the largest possible part of the population to influence these decisions through their ability to choose among alternative contenders for political office.” Therefore, his argument is more about the democratic government instead of democratic process.

Lipset's argument, "if other countries become as rich as the economically advanced nations, it is highly probable that they will become political democracies." The similar argument could also be found in Rostow's (1960) take-off theory.

However, Lipset's causal relationship between the development of socio-economic development and the formation of democracy is widely criticized. One such important criticism, proposed by Moore (1966), states that the socio-economic development in a country does not necessarily lead to democracy, though it may lead to other types of development towards modern societies. He believes that fascist and communist governments are also routes. Which way a country would follow is determined by five factors: (1) the power distribution amongst the elites, (2) the economic basis of the agrarian upper-class, (3) the class constellation, (4) the distribution of power between classes, as well as (5) the states' autonomy vis-à-vis the dominant class. Rueschemeyer, *et al* (1992) also gives a similar notion in their recent study.

Different from the argument of Moore and Rueschemeyer, A. Przeworski and F. Limongi (1997) proposed another criticism to Lipset's theory. However, this criticism would rather be taken as a development of Lipset's theory rather than an opposing argument. Przeworski and Limongi argue that democratic and responsive governments are not the by-products of the economic development; in other words, they are not endogenous. Those governments can be initiated in any countries due to various reasons, such as social reforms and wars. However, their survival is highly influenced by the level of economic development. According to Przeworski and Limongi,

[o]nly once it is established do economic constraints play a role: the chances for the survival of democracy are greater when the country is richer. Yet even the current wealth of a country is not decisive: democracy is more likely to survive in

a growing economy with less than \$1,000 per capita income than in a country with an income between \$1,000 and \$2,000 that declines economically. If they succeed in generating development, democracies can survive even in the poorest nations. (p.177)

Here Przeworski and Limongi do not completely disagree with Lipset. They believe that the level of economic development is an important factor for democratic and responsive government. Rather considering it as a linear development process where democracies emerge silently once a country reach a level of economic development, they argue that there are several levels of economic development that provide democracies' survival thresholds. Once a democratic government is initiated in these thresholds, they are more likely to be maintained.

In recent developments of Lipset's theory (Boix, 2003; Boix and Stokes, 2003), some scholars attempt to explain the causal mechanism between socio-economic development and the formation of democratic governments. They support Lipset's theory and challenge Przeworski and Limongi. They also go further than Lipset and propose a new explanation on the correlation between democracy and the levels of socio-economic development. According to Boix and Stokes, *income equality* is a concrete mechanism for endogenous democratization. This argument theoretically challenges Przeworski and Limongi's point-of-view.

According to Boix and Stokes, Przeworski and Limongi fail to provide a persuasive theory linking development to democracy only under the condition of a pre-existing democracy. They believe there should be a theory in which development induces actors in democracies to sustain that system but does not induce actors in a dictatorship to change to democracy. This is the place where they locate their *income equality theory*.

Boix and Stokes also challenge the empirical proofs in Przeworski and Limongi's study. They re-examined the samples analyzed in Przeworski and Limongi's article, and conclude that their argument was not valid due to the limited sample size. The limited samples leads Przeworski and Limongi to believe that the endogenous effects for democratic governance do not count as effective actors. By extending the size of the samples, Boix and Stokes reveals a large endogenous effect, associated with the earlier wave of democratization in Western Europe. Therefore, Boix and Stokes return the attention back on the relationship between the establishment of democratic governance and the level of socio-economic development. However, the income equality has been put at the centre.

Development studies also try to determine the relationship between government performance and economic growth. One argument is that good governance and economic development constitute a "virtuous cycle"—good governance fosters economic development and higher incomes, which in turn lead to demands for better government performance (Tsai, 2007). Although the emphasis of this argument is on the mutual influence between good governance and economic development, it still posits that it is governance that initiates the entire improvement process. This argument has some imperial supporting evidence. For example, Jean Qi (1999) observed that after the beginning of the practice of the reforming and opening-up policy in rural China, the officials in wealthy villages, especially the villages along the east coast, used revenue windfalls to provide villagers with free water and electricity, subsidies for education, as well as new schools, movie theaters, and community centers.

However, other scholars in development studies criticized this argument. One of the major arguments is that it is good government performance that causes economic growth instead of other way around. In an influential study, conducted by Kaufmann, Kraay, and ZoidoLobaton (1999b), analyzed the six “aggregate indicators”<sup>21</sup> of governance of more than 300 countries: voice and accountability, political instability and violence, government effectiveness, regulatory burden, rule of law, and graft. Their analysis shows a strong positive causal relationship from governance to economic outcomes. However, this study is a basic regression analysis. It does not reveal the mechanism of the causal relationship proposed in its conclusion. It is interesting to notice that Kaufmann followed his study and overthrew the outcome of his conclusion. Kaufmann, *et al.* (2002) conducted another regression analysis to show that the causal relationship from economic development to good governance is fairly weak or even negative. Therefore, he suggests the absence of the virtuous circle of good governance and economic development.

This school of studies, although it provides an inspective thinking as to what causes good government performance, maintains at a comparatively superficial level. The above studies were attempting to prove whether the causal relationship exists or not between economic development and good governance. It does not address the mechanism

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<sup>21</sup> Kaufmann, Kraay, and ZoidoLobaton (1999a) propose their aggregate indicators in “Aggregating Governance Indicators.” According to them, aggregating governance indicators are designed to unify the various relevant indicators used in the assessments of governance performance. Kaufman, *et al.* categorize the different indicators into fundamental concepts of governance, such as rule of law, government effectiveness, and graft. The purpose of this categorization is firstly to span as larger a set of countries than any individual source, permitting comparisons of governance across a broad set of countries. Second, they believe that aggregate indicators can provide more precise measures of governance than individual indicators. Third, they also believe the possibility of constructing quantitative measures of the precision of both the aggregate governance indicators and their components, allowing formal testing of hypotheses regarding cross-country differences in governance.

through which good governance fosters once a nation becomes wealthy, or through which things happen in the opposite direction. The school of thought above has not progressed deeply enough to tell what exactly causes good government performance. Its analysis never surpasses the superficial level of proving good government performance is correlated with economic development. The performance of government might be correlated statistically with many factors, and regression analysis may be able to isolate several dominant factors by using techniques. However, these studies become convincing—less so when they are used to explain the mechanism behind the correlation.

These concerns lead to an exploration of the second school of literature which focuses on the influences of formal institutions on the governmental performance and the provision of public goods. This school of thought believes that it is formal institutions, such as the supervisions from higher-level governments or democratic elections, which hold officials accountable and forces them perform well.

Max Weber's (1978) classic statement on bureaucracy and his following scholars propose an influential model in this school. According to Weber, a modern bureaucracy should be hierarchial and office hierarchy is one of its important distinctive characters. Weber's hierarchical model is a clear established system of superior and subordinate relationship. He thinks that "such a system offers the governed the possibility of appealing, in a precisely regulated manner, the decision of lower office to the corresponding superior authority" (Weber, M., 1978, p. 957). In other words, Weber believes that the supervision from higher-level officers to the lower levels is one of the key factors of good government performance.

Moe (1984) further developed Weber's theory in this direction, and named his theory "the positive theory of hierarchy." He argues that hierarchy is the key to understanding the public sector and its mechanism. However, his analysis of how these hierarchical institutions could improve the performance of governance is slightly different from Weber. Rather than thinking top-down supervision is clear and efficient in assigning responsibility, Moe argues that the establishment of such top-down systems sometimes is the only choice for government. He particularly analyzed the provision of public goods. According to him, the information for the market of public goods is always asymmetric due to the failure of markets<sup>22</sup>. Therefore, the provision of public goods could only be provided by government itself or by private sectors, with subsidies from the government. By contracting the work to the private sector, a government has to choose companies that are well known, with service outputs that are easily measured, and negotiations that are not plagued by small numbers problem. This increases the transaction cost of government.

Once the work is contracted out, companies will be experienced and specialized after some initial period of performance. They become irreplaceable and "monopoly" would form. These possible difficulties may force the government to internalize contracting relationships by setting up its own bureaucracy. Even in the work contracted to the private sector, hierarchical supervision is still necessary (Moe, 1984). In the analysis of the effectiveness of hierarchical controls in such system, Moe draws on "principal-agent models." This model shows the relationships in which "the principal"

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<sup>22</sup>Here the failure of markets means markets citizens have inadequate incentives to reveal their true demand and to contribute accordingly, and potential suppliers have inadequate incentives to produce.

(such as employer) hires an “agent” (or an employee) to choose actions that benefit the principal’s interest. The interest includes meritocratic selection and promotion, long-term career rewards, training programs, and selective recruitment from elite social groups (Tsai, 2007, p. 10). Such interest encourages the formation of bureaucratic norms emphasizing loyalty, trust, and corporate identity, thereby fostering a sense of duty among bureaucrats to put collective goals above individual ones and, ideally, making the state capable of “transcending the individual interests of its private counterparts” (Evans, P., 1995, p. 12). Therefore, in hierarchical institutions, the accountability is a top-down system. Lower-level government is supervised by higher-level government, and they need to have answerability to higher-level governmental questions.

This type of hierarchical bureaucratic system is common in communist countries. Social elites use their political power to force the lower level governments to carry out their economic plans, social policies, and mandates. In this type of system, hierarchical power differences play crucial roles. As noted by Tsai, models of bureaucratic accountability are particularly appropriate for authoritarian system such as China. In China, central elites successfully mobilize village officials to extract agricultural surplus, most notably during the disastrous developmental policies of the Great Leap Forward, and to carry out draconian policies of birth control (p. 10).

However, China, especially rural China, is also a good example of how top-down hierarchical bureaucratic system undermines the accountability of local governance. According to Justin Yifu Lin, *et al.* (2002), the Chinese hierarchical system is a key factor adding extra economic burdens to Chinese farmers. Because the local village officials are only accountable to upper level governments, they usually could deceptively

hide certain things. In such cases, local officials often make up excuses to collect levies from peasants and keeping these from upper level governments. Lin points out that this type of corruption is quite common in rural China, and it is positively correlated with the level of regional governmental regulation. As governmental regulation increases, so do the false levies, decreasing family income in rural China (Lin, J. 2002) Bernstein and Lü (2000) also criticizes the ineffectiveness of hierarchical bureaucratic taxation systems in rural China. Different from Lin, Bernstein and Lü discuss the issue of the collection of tax and argue that such systems cause problems in both the central and local-level governments. The central state lacks the capacity to enforce its preferences or to put in place a fair, rural tax system. At the same time, the state is also not willing to moderate its developmental objectives by taking into account the limited resources available to officials in agriculture-dependent regions, hence undermining its own determination to cut burdens (Bernstein and Lü, 2000). In other words, Bernstein and Lü believe that such hierarchical system hinders the central state to develop practical and fair objectives. Fairness in this case means that taxation should reflect the real situation of local economic development and resources. The lack of capacity to collect symmetric information directly leads the state putting unfair taxation systems into practice. When these impractical objectives are assigned to peasants through cadres, suspicions arise. The completion of these taxation missions becomes a painstaking process for village-level officials. Facing those high taxation missions, they rely on “deception, roaring and intimidation” (Bernstein and Lü, 2000). Furthermore, those impracticable missions also foster brutal violations in the process of collection.

These empirical studies focus on the problems of hierarchical bureaucracy in practice. As shown by Lin, Bernstein and Lü, village officials are only accountable to higher-level governments. Therefore, their jobs focus on how they can complete the mandates assigned from above and how they can satisfy higher-level governments. In such systems, peasants have little political leverage. They could not hold the village-level officials accountable to their needs. Often, their interests are not reflected by the policies or development strategies at state level or provincial level. Therefore, hierarchical bureaucracy has its problems in making governments perform well.

These concerns regarding hierarchical bureaucracy lead to another school of thought on the influence of formal institution on local governance. This school argues that the establishment of democratic institutions is the key to improve government performance. The appearance of this school dates to the 18th and 19th centuries. Mill and other political philosophers came to the conclusion that representative democracy could provide “accountable and feasible government” (Tsai, 2007, p. 11). In a democracy, citizens are capable of and responsible for “controlling the business of government” (Tsai, 2007, p. 11; Mill, J.S., 1951). The general argument in this school is that, in democratic models, citizens—rather than higher-level officials—become the “principal” supervising local officials. As with top-down bureaucratic institutions, bottom-up democratic institutions ideally create incentive systems that motivate government officials to act in the public interest, punishing them when they pursue their own private interests at the expense of the public interest and rewarding them to make pursuing the public interest in their own interest, as well (Tsai, 2007, p. 11). In particular, the most

common punishment is to remove the offending officials from their positions in the next elections.

Other studies explain why such institutions work in holding political officials accountable. Przeworski, *et al.* (1999), generalizing three basic structures of democratic institutions which Przeworski believes exist the same everywhere: first, rulers, those who govern, are selected through elections; second, while citizens are free to discuss, criticize, and demand at all times, they are not able to give legally binding instructions to the government; third, rulers are subject to periodic elections. Based on this structure, the founder of representative democracy expected governments to act in the interest of people. However, the exact mechanism of how such a system works is still controversial.

There are four generic reasons why governments may represent people's interests: first, only those persons who are public-spirited offer themselves for public service, and they remain uncorrupted by power while in office; second, while individuals who offer themselves for public service differ in their interests, motivations, and competence, citizens use their vote effectively to select either those candidates whose interests are identical to those of the voters or those who are and remain devoted to the public service while holding office; third, while anyone who holds office may want to pursue some interests or values different from and costly to the people, citizens use their vote effectively to threaten those who would stray from the path of virtue with being thrown out of office; four, separate power of government check and balance each other in such a way that, together, they end up acting in people's best interest (pp. 3-4).

However, different voices have been raised with the establishment and development of such system in different countries and regions. Especially after

recognizing that such system does not work as expected in some places, people begin to have a more sober view of democratic institutions:<sup>23</sup> painstaking design of formal institutions does not necessarily ensure good government performance (Putnam, 1992, p. 10). It is also important to notice that there are still some scholars that insist the design of formal institutions determines the governmental performance. Different from the former institutionalist arguments, the new institutionalists pay more attention on organizational determinants. Arturo Israel (1989) proposed an influential model in his book *Institutional Development: Incentives to Performance* after studying the projects led by the World Bank during the 1980s. He argues that the performance of institutions is determined by two factors: *specificity* and *competition*. Specificity is defined first in terms of the extent to which it is possible to specify for a particular activity the objectives to be attained, the methods of achieving those objectives, and the ways of controlling achievement and rewarding staff. It is also defined in terms of the effects of the activity—their intensity, how long it takes for them to become apparent, the number of people and other activities affected, and the practical possibilities of tracing the effects.

How does specificity determine the institutional performance? Israel (1989) argues that the higher the degree of specificity, the more intense, immediate, identifiable, and focused will be effects of an activity. As to the other determinant—competition, Israel believes that competition among units and individuals within institutions increases performance. Based on these two factors, Israel suggests that countries that hope to

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<sup>23</sup>According to Putnam, this view is formed after the collapse of the interwar Italian and German democratic experiments and the immobilism of the French Third and Fourth Republics, along with increasing sensitivity to the social and economic bases of politics. (p. 10)

perform well in poverty alleviation and rural development should stress and improve the competition and specificity in their development strategies (p. 5).

Along the same lines, Elinor Ostrom (1990) in *Governing the commons: the evolution of institutions for collective action*, challenges the traditional thought of either government or the market is the only way through which the commons could be well governed. She argues that norms and institutions could be well established in self-governed organizations to manage the commons. In studying the fishing industry in North America, she abstracted her now famous model—common pool resource. The proposition of this model is quite significant, as it provides theoretical foundation for the success of the self-governed organizations to overcome the “tragedy of commons.” It shows a mechanism through which the dilemma of collective action in those organizations, such as water supplies, fishing grounds, is dealt with.

Although there has been some developments in this school of thought, as showed above, the unsatisfactory results of relying on formal intuitions to ameliorate government performance encouraged scholars to search for other determinant factors of good government performance. Rather than focusing on formal institutions, some scholars began to examine the influence of informal institutions. Generally, this school of thought emphasizes sociocultural factors in explaining the government performance. However, within this school, scholars are arguing for different sociocultural factors.

One group of scholars believes that the norms and networks of civic engagement is the most important reasons for government performance, arguing that it is the *social*

*capital*<sup>24</sup> associated together that makes the differences. The proposition of this concept can be found in James Samuel Coleman's (1994) book *Foundations of social theory*. However, most frequently used definition of *social capital* in this group generally refers that of Robert Putnam (1992) in *Making democracy work: civic traditions in modern Italy*. According to Putnam, *social capital* refers to the features of social organization, such as trust, norms, and networks, which can improve the efficiency of society by facilitating coordinated actions (Putnam, 1992). Many other scholars have given this term their own definition<sup>25</sup>. Although these definitions interpret the term with differences, slight, or significant, "social capital is, at its core, a set of institutionalized expectations that other social actors will reciprocate co-operative overtures. This expectation generates cooperation by making otherwise uncooperative actors willing to undertake those overtures in the first place" (Boix and Posner, 1998). More abstractly speaking, social capital "is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: [t]hey all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure" (Coleman, 1994, p. 302). Why these features of social organization have been called social capital is due to the similarity with other types of capital. "[S]ocial capital is

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<sup>24</sup>The proposition of the term *social capital* dates to 1899 in John Dewey's book *The School and Society*. However, he did not give a clear conception to it. After Dewey, Hanifan (1916) contrasts social capital with material goods in his paper "The rural school community center." Jacob (1961) uses this term to refer the value of network in her book *The Death and Life of Great American Cities*. However, these usages were not well conceptualized. The conceptualization of this term improved later by Salisbury (1969) and Boudieu (1977).

<sup>25</sup>For an overview of different conceptualizations of social capital in literature, please see Kenneth Newton's "Social Capital and Democracy," *American Behavioral Scientist*, 40 (1997), pp. 575-86.

productive, making possible the achievement of certain ends that would not be attainable in its absence” (Coleman, 1994, p. 302).

In his influential book *Making democracy work: Civic traditions in modern Italy*, Putnam begins by bringing the phenomenon of why similar formal democratic institutions works in some countries or regions but fail in others into question. He conducted a detailed comparative study on the formal democratic institutions established almost at the same time among different Italian regions. The empirical data shows that local government structures are effective and efficient in Northern Italy while those in the South are not, although both regions have similar democratic institutions. The central argument of his book is that the different performances of the similar institutions are caused by the amount of social capital contained in the civic traditions in different regions. The different amount of social capital contained in civic traditions determines the strength of a society’s civic associations, which is the key to solidarity, and to national and democratic success.

Putnam reveals differences in how the governments in Northern Italy are consistently more successful than the ones in the South. They are “more efficient in their internal operations, more creative in their policy initiatives, more effective in implementing those initiatives. These differences in performance have been stable over more than a decade” (Putnam, 1992, p. 81). Putnam argues the good government practices among northern regions have been the result of their strong “civic community.” These communities are marked by an active, public-spirited citizenry, by egalitarian political relations, by a social fabric of trust and cooperation. The absence of these communities provides space for vertical structured politics to take place. These regions

are also characterized by fragmented and isolated social life and a culture of distrust (p. 15). Empirically, these communities in Northern Italy are composed of many choral societies, soccer teams, bird-watching clubs and Rotary clubs.

To Putnam, key to successful regional governance is the existence of “social capital” in society. The social capital in a region creates trust among social members, so that all members act fairly and obey the law. Such trust may develop from a shared cultural background, set of values, symbols, and rituals (Putnam, 1992, p. 115). In the regions with sufficient social capital, the organization of society is mostly horizontal rather than hierarchical. This type of trust “kicks off a virtuous cycle in which trusting relationships lead to social cooperation, the acceptance of social and cultural rules, and that these level of trust then translated into wealth creation and accountable, transparent governance” (Koelble, 2009). On the contrary, those failed regional governances normally do not have ability to generate social capital. The absence of such capital leads to an indifferent attitude of inhabitants to politics. The society is organized mostly in a hierarchical way rather than horizontal. “Political participation is triggered by personal dependency or private greed, not by collective purpose” (Putnam, 1992, p. 115). Therefore, corruption is rampant and is taken as the norm, even by politicians. Putnam thinks that negative outcomes from the absence of social capital also mutually act on each other, and they can form interlocking vicious circles. People under such governance feel powerless, exploited and unhappy (Putnam, 1992, p. 115)

The value of Putnam’s work is that he proposed a theory to show a linkage between cultural values, political performance, and historical development. As Koelble (2009) comments, Putnam does not view democracy merely as an ensemble of

institutions, rules for conduct, and set procedures. Rather, he explores the possible factors from history and culture to explain the performance of democracy and local governance. More theoretically speaking, Putnam's theory continually challenges the basic economic assumption of *homo economicus*.

Putnam's theory has also received much criticism. One influential criticism shows that Putnam's argument only emphasizes the strength of civil society, while ignoring the structural conditions shaping the economic, social, and political trajectories of a nation or democracy (Koelble, 2009). Sidney Tarrow (1996) offers another important criticism, arguing that Southern Italy was, for all intents and purposes, a colony of the North after 1861, and that its governmental structures, its economic backwardness, its level of corruption, and the relative absence of trust and solidarity have more to do with the quasi-colonial structures introduced by its Northern conquerors than with the dearth of civic association. However, most criticisms still agree with Putnam that cultural and historical factors contribute to democracy and to the performance of local government. The critics argue that Putnam does not go far enough, or he did not explore the correct factor to explain the difference in the governmental performance between Southern and Northern Italy.

Putnam's work opens a window for scholars to explore the influence of cultural and historical factors to democracy and governance. However, his work still maintains at a level that shows at which the social capital and good governance is correlated. It has its shortcomings in explaining the mechanism through which social capital ameliorates government performance.

Boix and Posner (1998) recognize this shortage and propose five models to explain how social capital can improve government performance, each representing different situations in which social capital improves government performance. The first model, *Rational Voters and Competitive Elites*, assumes a perfectly competitive democracy where voters are well informed, prompt to mobilize, and eager to punish under-performing elected representatives at the ballot box. The effective operation of political institutions, under this assumption, is dependent on citizens' ability to hold elected representatives accountable for the quality of governance provided. The effectiveness of social capital is to make citizens "sophisticated consumers of politics." Boix and Posner (1998) argue that "[a]ctive participation in community associations will help do this by providing opportunities for citizens to discuss civic affairs, increase their awareness of political issues and argue about whether or not the government is doing everything that it should do to improve their welfare" (p. 690). They also believe social capital can facilitate the articulation of citizens' demands.

The second model is called *Rule Compliance*. Boix and Posner believe that government has to create complex and costly mechanism of enforcement for public goods to avoid the free-rider phenomenon. Social capital can reduce the need for such mechanisms by shaping the expectations citizens have about the behavior of others. In other words, social capital increases the trust among citizens and reduces free-riders on public goods. Therefore, there is no need for those expensive and complex mechanisms and government performance and efficiency are improved.

In the third model, Boix and Posner argue that social capital may also affect the nature of citizens' preference. Particularly, they believe, "social capital promotes good

governance by shifting community tastes from particularistic interests (how can I get richer?) to more community-oriented concerns (how can our neighbourhood be improved?)” (p. 691).

In the fourth model, *Bureaucratic Efficiency*, Boix and Posner argue that social capital ameliorate the performance of government by promoting institutional effectiveness through its effect on the behavior of policy making and bureaucratic elites. Such efficacy is achieved two ways: “[f]irst, it fosters the ability of government bureaucrats to cooperate with one another in the course of carrying out their duties...second, social capital increases the capacity of government officials to manage public agencies” (p. 692).

In the last fifth model, *Elite Accommodation*, Boix and Posner analyze how social capital can foster accommodative practices among antagonistic elites. The existence of social capital in countries where problems of good governance are compounded by the fact that citizens are frozen in antagonistic ethnic conflict can create two key conditions that allow consociationalism to avoid failure: the commitment of faction leaders to making the system work and the ability of these leaders to make necessary compromises without losing the support of their group members. Such conditions, seen as non-institutional factors, work with the formal consociational institutions to achieve success (Boix and Posner, 1998).

Compared with Putnam, Boix and Posner go further to explore the possible factors of social capital that ameliorate local governance. The third and fourth models<sup>26</sup>

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<sup>26</sup>The first model is not applicable to this study since the elections in Village SH are not ideal. Please see the fourth chapter for details. The second model is not appropriate for this study either because the

especially provide this research a useful lens to analyze the situation in Village SH. However, it also has some weakness. For example, the Civic Virtue model discusses the shift of community interest from individual to a more community-oriented concern. However, it does not go deep enough to reveal what exactly causes this shift. Moreover, the model of Bureaucratic Efficiency recognizes the efficacy of social capital in improving the coordination among governmental officials. However, it does not provide useful tools to examine where the incentives of the officials come from. In other words, it does not give a profound explanation of what exactly holds government officials accountable. Furthermore, the theory of social capital relies on the analysis of civic associations in the community. In the social setting such as Village SH, these associations do not exist. Therefore, this theory is not appropriate for the analysis of this study. This weakness makes Boix and Posner's models less useful than Tsai's solidary group for the analysis of the situation of Village SH.

Besides social capital, civil society<sup>27</sup> is another theory that is often argued to be effective in ameliorating the performance of governance. In this theory, the effectiveness of civil society is argued particularly in improving the democracy and the governance at the global level<sup>28</sup>. A major argument is that civil society can contribute to the democratization process of global governance through its activities. It also can advance public education, provide platforms, fuel debate, increase transparency and accountability, and enhance the democratic legitimacy of governance arrangements

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transaction cost caused by the practice to avoid free-riders is not evident in the village. The fifth model has its own applicable situation to which Village SH does not belong to it.

<sup>27</sup> Civil society here refers to a political space where voluntary associations explicitly seek to shape the rules (in terms of specific policies, wider norms and deeper social structures) that govern one or the other aspect of social life (Scholte, 2001).

<sup>28</sup> For example, please see Scholte "Civil Society and Democracy in Global Governance," (2001).

(Scholte, 2001). Some studies exist that focusing on how civil society improves the performance of local government, mostly focusing on the work of NGOs. For example, Mitlin and Satterthwaite (2004) showed eight case studies on how local government and civil society could collaborate in urban poverty reduction. However, as this study does not focus on how voluntary associations seek to shape the governing rules, I am not going to go further to review literature in this field.

Different from both the social capital theories and the civil society theories, Tsai proposed her own explanation as to what determines good government performance and through which mechanism it realizes. Through her delicate case studies in China, she abstracts the solidary model, which argues that the informal rules and norm which established by other group and the government officials are subjected to, can hold the governance accountable to the needs of the public, even if the democratization process in the region is still fairly low. Solidary groups

facilitate the conferral of moral standing by providing a set of standards for awarding moral standing and by organizing public activities and opportunities for people to demonstrate and publicize that their behavior adheres to or even surpasses these standards. Officials may have numerous kinds of objectives and motivations---personal gain, self-respect, promotion, effective implementation of state policies, and so on---but moral standing can be a potential resource for achieving any of these. (Tsai, 2007, p. 13)

The advantage of Tsai's model, compared with the social capital theories, is that the theory of solidary group specifically points out the effective factor is moral standing in a community, rather than creating an abstract term to capture all the phenomena. Moreover, she also clearly states the mechanism for the realization of good government performance where this model is applicable.

Tsai's model has limitation. Since it specifically focuses on the case where moral standing is the effective factor to hold the government official accountable, it automatically cannot be used in cases where the amelioration is caused by other factors. Furthermore, in reality, there are other factors that contribute to the improvement of government performance that this model does not include. For example, the findings of this study show us that although communal moral awarding is the major reason for the improvement of the provision of public services, other contributing factors, such the personal life and work experience of the local officials also exist. These factors could be different from case to case, so it is understandable that Tsai does not include them in the model.

In conclusion, the research of an explanation of good government performance includes the economic oriented argument, the modern bureaucratic system that is a well-designed, top-down system, the formal institutional argument, and the theories that focus on the informal institutions. This shift is chronological, and it presents how scholars have been proposing theories to explain what determines good government performance and the mechanism through which it is realized. The theories that appeared later study the fallacies of the previous theories and have tried to address the factors that were ignored. Up until now, there still is not a single theory that could be seen as all encompassing. However, Tsai's solidary group theory stands out, as it provides this study with the most powerful analytical framework and is most suitable to the social and cultural background of the case study.

## Chapter 3 Background Information

### 3.1 The Basic Structure of Village Governance in China

The governance of the one-party system consists six levels: central, provincial and directly controlled municipality (Beijing, Shanghai, Tianjing, and Chongqing), municipal, county, township, and administrative village. Chart A.2 shows the number of the administrative units at each level at the end of 2003.<sup>29</sup> Village-level governance is lowest in the structure, and it plays the role as agents to pass the policies from the upper level governments to the villagers. “Although the central government officially consider villages to be ‘self-governing organizations’ run popularly by village residents, in practice the state’s formal ruling apparatus extends all the way down to the village level” (Tsai, 2007, p. 29). The case study in this research proves this point-of-view. From information collected through interviews, one of the major work tasks of the committee in village SH is still to enforce the state policies and the formation of the committee is still influenced by the upper level government.

**Chart A.2** The number of the administrative units in the Chinese Government (2003)

Level of government	Number of units
Central Government	1
Province and directly controlled municipality	31
Municipality	333
County	2,681
Township	44,067
Administrative village	678,589

*Source: 2004 Statistical Yearbook, National Bureau of Statistics, Beijing, China.*

<sup>29</sup>The Statistic Yearbook stopped including the number of villages in recent years. This chart is the most recent information that gives the number of villages in China.

The administration of each village can be divided into two parts: the branch of the Communist Party (CP) and the village administration. This is derived from how the Chinese government organizes itself. The branch of CP only has one position in the village committee—the village party secretary. However, this position is normally considered the highest among all the committee members, due to the Chinese CP culture that all things in the country should follow the lead of the CP<sup>30</sup>. Village Party members supposedly elect this position democratically. However, as many scholars<sup>31</sup> notice that the county level governments still play quite an influential role in elections. In the practice, the county level government still directly or indirectly appoints many of the village party secretaries.

Besides the party secretary, other positions in village committees are considered as village administration. Depending on village population, the number of positions for village administration varies. A village committee normally has one village head and one director for the women's right. Other positions may be added, such as accountants and note keepers, in consideration of workload.

The arrangement of the positions represents the duties of the village committees. For example, the party secretary is responsible for propagating the new policies of the

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<sup>30</sup> Chinese: 一切事情听党的指挥.

<sup>31</sup> Tsai (2007) noticed that many village party secretaries are still appointed by the upper level government. However, this is done through a more subtle way. In her study, she found that some county level governments will “guide” the election for the party secretary or give opinion to influence the result. Similar situation could also be found in Susan V. Lawrance “Village Democracy,” *Far Eastern Economic Review* 163 (January 27, 2000), 16–17.

central and local governments; the village head is responsible for collecting the agricultural taxes and fees and managing village affairs; the director of women's right is responsible for the enforcement of one child policy. However, there are no clear boundaries among positions. More often than not, all village committee members work together. Who takes which specific work target often depends on the availability of the committee members. Therefore, the difference in status among different positions is not evident, although the party secretary is supposedly the highest position in the committee. Tsai (2007) also notes in her study that one village official sometime takes two or three positions in some villages. The reasons for these phenomena vary. In some cases, one villager takes two positions because they have well-accepted personality and prestige. It could also be the case that someone wants to fully control the decision making process to bring more personal benefit.

In general, it is better to consider the village committee as an entire administrative body rather than the composition of individual positions. Take the situation in Village SH, the committee members are all taking some part of the work of each other. There is no clear border between their work. The tasks are normally completed by group work and the decision making process is finished through group discussions. Hence, in this study, village committee is considered as the administrative body for local governance.

The functions of the village committee have been changing with the decentralization process of the state power. First of all, however, it is important to know that the village committees themselves are the direct outcomes of the decentralization of the state power. Between 1957 and 1984, the way of organizing rural China was still

under the mechanic of the People's Commune Movement.<sup>32</sup> If the village is big enough, it might be taken as a production brigade by itself. Otherwise, the village might join a production brigade, which covers several villages. All village farmland was taken over by the brigades. Households could not decide farming. Villagers were working together, and the communes organized all productive activities. Members who conducted any productive activities outside of the collective production were punished under the name of "capitalist roaders".<sup>33</sup> The production in rural area was part of the socialist planned economy. The scale and the amount of the productive activities were decided by the economic plans, and all the productions were tasks based. Due to this reasons, the productive activities were strongly controlled by the upper level government. Moreover, production brigades and production teams also affected other aspects of villagers' life. Not only was it a way to organize the production, it was also a way to distribute the properties and produces. For example, most of the production brigades and teams had their own public kitchens; they offered villagers free dinner from their harvest. The production brigades and the teams were also the agents passing the state policies from upper level governments to the villagers. This economic and social structure was terminated with the debacle of the socialist planned economy. However, the legacy of such highly top-down governance is still influencing the local governance in rural China.

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<sup>32</sup> The People's Commune Movement is one of the major means of governance for both urban and rural area in China, between 1958 and 1985. Communes are the largest productive unit, and can be divided into production brigades and production teams. The People's Commune Movement represents the socialist state-owned economy and collective owned economy. All the members in the communes work together, and the produce and the properties of the communes are collectively owned and consumed by the members as well.

<sup>33</sup> Capitalist roaders are translated from the Chinese term "走资派".

In the late 1970s, the People's Commune Movement (PCM) reached the edge of debacle. The incident in the Village Xiaogang<sup>34</sup> drew the curtain for its collapse. Then, the establishment of the household responsibility system redistributed farm land from the commune to the households and terminated the collective production in rural China. In other words, the establishment of the household responsibility system decentralized the role of government in the production process in agriculture and returned the stage to rural households. Under such situation, the central government decided to replace communes with townships and to replace production teams with administrative villages.<sup>35</sup> The townships and administrative villages maintain their roles as governance, but they reduce their roles in planning and organizing the agricultural production. Village committees are the administrative body in the administrative villages.

Village committees are formed under such conditions. As an outcome of the decentralization of the state power in the organization of agricultural production, the village committees were no longer responsible to organize the productive activities. Their major responsibilities were collecting taxes and levying fees, enforcing state directives, such as the one child policy, and providing village public goods and services. However,

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<sup>34</sup>In 1978, 18 villagers in Village Xiaogang, the province of Anhui, decided to redistribute the village land, which was controlled entirely by the production team to the households. This incident happened just after the end of the Cultural Revolution. All the productive activities in China, both agricultural and industrial, had not recovered from the social unrest brought by the revolution. Eighteen villagers redistributed the land under the risk that they would be taken as "capitalist roaders" and killed by the authorities. However, the authority did not take this incident as a betrayal of communism. It realized that it could be a good way to revitalize the agricultural productivity. After a period of observation, the authority extended the model of production in Village Xiaogang and established the famous household responsibility system.

<sup>35</sup>Administrative villages are created for the administration at the village-level and are not necessarily the same as village in the usual sense. Villages, in the usual sense, can be administrative villages by themselves. However, in some cases, one administrative village covers several conjunctive villages due to various reasons, such as the population of some villages is too small to be an administrative village.

collecting taxes and fees and enforcing state directives are directly linked to the evaluation of the performance of committees, while the provision of public services is not. Therefore, the provision of public services is often placed as a low priority (Xu, 1997)

In the early 1980s, the village committees still had significant village authority and power. This is due, on one hand, to the influence from the former top-down system. Its legacy still existed after its collapse, especially in the interpersonal relationship among villagers. Villagers were still afraid of the village officials because they thought they represented the state. On the other hand, the harsh punishment on breaking the one child policy and the violence which sometimes appeared in the collection of agricultural taxes, reinforced the impression of their powerfulness in villagers' mind. In this period, the upper level government, normally by the county level, appointed the village officials. Villagers had no leverages in the decisions of the appointments.

In 1987, the central government decided to decentralize the governance in rural China again by enacting the *Organic Law of the Villagers' Committee*.<sup>36</sup> Two important aspects of this law are: first, it clearly states the duties of the village committees. All of the duties focus on to provide of public goods to villagers rather than to complete administrative tasks assigned by upper level government. Only the enforcement of the

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<sup>36</sup>The *Organic Law of the Villagers' Committee* or the *Organic Law of the Villagers' Committee of the People's Republic of China* (Chinese: 《中华人民共和国村民委员会组织法》; pinyin: *Zhōnghuá Rénmín Gònghéguó cūnmín wěiyuánhùi zǔzhīfǎ*) were proposed as a trial in 1987 by the standing committee of the National People's Congress. The formal act was passed by the National People's Congress. The second version of the law was enacted with some revisions by the National People's Congress in 1996. It was revised again in 2010.

one child policy is included. In Article 7 of the *Organic Law of the Villagers' Committee*, states:

A villagers' committee may, when necessary, establish sub-committees for people's mediation, public security, public health, family planning, etc. The members of the villagers' committee may concurrently serve as members of any sub-committee. The villagers' committee in a village with a smaller population may assign members to be respectively responsible for people's mediation, public security, public health, family planning, etc. instead of establishing sub-committees. (The National People's Congress, 1987, translated)

Article 9 states:

Villagers' committees shall publicize the Constitution, laws, regulations and state policies among villagers; educate and urge them to fulfill their obligations as prescribed by law and to cherish public property, maintain their lawful rights and interests, develop culture and education, popularize scientific and technological knowledge, enhance the equality of men and women, do a good job in family planning, promote the unity and mutual assistance between villages, and carry out various forms of activities for the building of the socialist spiritual civilization.

Villagers' committees shall support the lawful activities of the social organizations bearing the nature of service, public welfare and mutual assistance so as to facilitate community building in rural areas.

In a village where people from more than one ethnic group live, the villagers' committee shall help the villagers understand the importance of enhancing unity, mutual respect and mutual assistance among different ethnic groups, and give them guidance in this respect. (The National People's Congress, 1987, translated)

These two articles show that the village committee should become an organization that provides villagers public services rather than a regulator. The transformation of the role of village committee is related to the reduction of its authority. The separation of the village committee from the upper level government decreases the possibility that the village official could get extra authority from administrative orders. Therefore, the abuse of the authority by the village officials and brutal means of administration could be

reduced. The emphasis on the respect of villagers' legal rights and their interests also intends to reintegrate the management of village affairs in the legal framework. Hence the role of administration in the management is diminished.

Second, it legally empowers villagers to decide the village officials through democratic elections. It codifies that the chairman,<sup>37</sup> vice-chairman (vice-chairmen), and village committee members shall be directly elected by villagers.<sup>38</sup> It gives detailed regulations on the election process, including: the eligibility to vote,<sup>39</sup> the eligibility to be candidates,<sup>40</sup> the process of the elections,<sup>41</sup> the process to dissolve the village committee,<sup>42</sup> and the punishment for breaking the regulations.<sup>43</sup> Since the villagers elect all village committee members, political leverage of the villagers is increased.

These articles put the performance of village governance under the supervision and evaluation of villagers. They even empower villagers to dismiss the committee. Moreover, these articles automatically terminate the legitimacy of the administrative appointment of village officials by upper level government. Hence, the possibility that some people would become village officials through their close personal relationship with the upper level government has been minimized. Similarly, since 1999, the state has attempted introduce elections for village party secretary. However, democratic elections

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<sup>37</sup> It is also common to call them the head of the village and the vice-head of the village.

<sup>38</sup> Please see Article 11, *Organic Law of the Villagers' Committees of the People's Republic of China* in the appendix.

<sup>39</sup> Please see Article 13.

<sup>40</sup> Please see Article 13.

<sup>41</sup> Please see Article 14.

<sup>42</sup> Please see Article 16.

<sup>43</sup> Please see Article 17.

have not been promoted as much for the village party secretary, as the state revised its attitude in 2002, stating that “the Party secretary and deputy Party secretary of the village Party branch are subject to approval by the high-level Party organizations” (Tsai, 2007, p. 30). In reality, high-level Party organizations in different regions handle this issue differently. For example, in village SH, the Party organization at the county level does not directly disapprove the elected village party secretaries.<sup>44</sup>

Another significant decentralization in rural China is the abolition of the agricultural tax and fees. The central government of China started its “alleviate farmers’ burden” campaign in mid-1990s. As a traditional agricultural country with more than half of its population living in rural area, this campaign is seen as one of the major policies of the government to narrow the income gap between rural and urban residents. This campaign gave a bundle of policies; however, most discussed is the abolition of the agricultural taxes and fees. The collection of agricultural taxes and fees has been practiced in the mainland of China for thousands of years. Its abolition means to collect resources from agricultural sector to support the activities in other social sectors becomes a history.

Two major reasons for the abolition exist: first, the proportion taken by the agricultural taxes and fees significantly shrunk with the development of the Chinese economy. In 1950, the agricultural taxes and fees made up 39% of the total national financial revenue, declining 3.7% in 2000 (Ima, Wang and Kang, 2009). Such a small proportion in the total national financial revenue means the abolition of agricultural taxes and fees does not much affect the economy.

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<sup>44</sup>Interview with the head of the village T in Village SH, the 10th of June, 2011

For a more important reason, the abolition of agricultural taxes and fees was intended to bring tranquility back to rural area, because the lack of transparency and accountability in the levying of agricultural taxes and fees caused discontent and conflicts in rural area.

In the early 1980s, China's rural areas experienced highly successful economic reform. The establishment of the household responsibility system triggered peasants' enthusiasm in agricultural production, which was destroyed by the political movement and the egalitarian distribution approaches during the PCM and the Cultural Revolution. The system allows peasants to keep the rest of their output, after they give a certain amount to the government as *gongliang* (which means, "public food"), which encouraged peasants tremendously to produce more as they can directly benefit from their labour. From 1979-1984, the average annual growth rate of peasant real income was 15.1% (Lu, 1997). However, this fast economic growth did not last very long. From 1985 to 1988, the annual growth rate of peasants' real income slowed down to 5%, and continuously slowed down to 3.2% during 1989 to 1993. Although the figure shows that there was a 5% increase rate of peasants' real annual income from 1994 to 1996, it was still lower than the urban annual real income growth rate at 8% in the same period (Lu, 1997).

The cause of this economic slow-down in rural China, according to Lu (1997), was the increasing assortment of payments including taxes, informal levies, fees, financial charges, and apportionments from peasants. There were generally four categories of charges that peasants had to pay,

first, regular taxes and levies from the central government with local government surcharges; second, the service fees and the charges by functional departments and service agencies operated by the state, especially at the county level; third, the

payments and contributions peasants had to make to the collective funds at the village or township level. This includes what is called *tiliu*, or deductions for village reserve funds, and *tongchou*, or unified levies for the township (for such purposes as militia training, education, welfare and old-age support, cadre salaries, and military family subsidies). This category of revenues belong to 'self-raised funds' township and village authorities retain; finally, there were other charges paid by the peasants such as funds raised to finance local public projects, involuntary contributions, and involuntary purchasing of certain items (for example, insurance). These charges may be imposed legally (that is, within the ceiling of five per cent of annual income stipulated by the central government) or illegally (both in terms of type and amount). (Lu, 1997, pp. 117-8)

According to Lu, the first type of charge is comparatively light, and its levying was transparent. However, on the other hand, three other types of charges were heavy.

“Despite the five per cent limits decreed by the government, actual burdens on peasants are much heavier. According to the Ministry of Agriculture, there were some 150 items of payments nationwide in 1993” (Lu, 1997, p. 119). The two major kinds of payment, *tiliu* and *tongchou*, steadily grew each year from 1985 to 1991 (Lu, 1997). The total extra-budgetary revenues collected at sub-national levels jumped from 53.2 billion yuan to 315.5 billion yuan between 1982 and 1999 (Yep, 2004).

This heavy economic burden added to Chinese peasants, extracted resources from rural to urban areas and caused the slowing down of their annual income growth. However, their discontent did not only come from these charges. How these charges were levied and how these funds were spent agitated them. According to Lu, there were three major problems in the levying and funding management: first, non-tax charges were growing since 1980s; however, there was no unified increase rate for it, which meant the peasants in some area were heavily charged and the charges could be added without considering their economic conditions. For example, Lu presented, “in Yuci, locating in Shanxi province, peasants in some villages paid 13.98% of their annual income to various

kinds of fees. In Bo'ai County, Henan province, peasants paid 136 various items of financial payments, or 15.1 per cent of their annual income in 1991" (p. 119). Second, these charges are regressive in character, across both regions and income groups. These charges were usually levied across the board regardless of income differentiation and resulted in different weight of burdens. Poorer peasants had the heavier burden compared to those better off. Lu notes that the average burden was 13.8% of the annual income in one township in 1992; however, poorer peasants paid up to 18.5 per cent of their income to these charges (1997, p. 119). Third, there existed a lack of consistency as to what charges were imposed, as well as their rates; peasants had little control over how these funds were used. Except a few regular levies and payments, most of the charges were imposed to peasants under different names by local governments and agencies. Those charges were off the budget and not subject to regular budgetary procedures. Hence, they were often arbitrary and beyond effective control (Lu, 1997). This situation created the space for local government officials and village cadres to cater their own interests. For peasants, it was difficult to tell which charges were legal and what was an appropriate amount. Those off-control charges and levies became a potential trigger for social unrest in rural China. Lu (1997) points out that peasant reaction to the heavy charges took different forms, both mild and more violent. In Shanxi province, the provincial government received 162 collective petitions in 1992, 20% of which concerned heavy burdens. Violent protest also occurred in Renshou county, Sichuan province, showing that fears of unrest triggered by excessive burdens were not unwarranted (p. 121).

Facing such challenges, the central government decided to approach these issue by reforming the agricultural taxes and fees system. The central government began to tidy

up the fiscal disorder and irregularities at the local level, especially in 1990s at the rural, grass-roots level by attempting to re-centralize the authority to issue charges back to the state and provincial level and to frequently check the usage of the authority by local government (Yep, 2004). Yep notes three trends in the beginning phase of the reform: first, the central government attempted to exert greater control over local governments' extra-budgetary incomes, which consist mostly of charges collected for the implementation of specific policies or provisions of certain administrative services; second, the state intensified the monitoring of financial subsidies usage; third, the state began to pay more attention to huge debts accumulated by local governments. These state approaches formed a gateway for enactment of further reforms.

Tax-for-fee is the following reform after the three approaches that were taken by the state. The basic idea of tax-for-fee is to put numerous kinds of charges into a single agricultural tax. In that case the levying process and the usage of the fund can be transparent, and the authority of local government and village cadres is largely reduced. The state hopes the reduction of the authority of local governments and the village cadres could reduce the abuse of their authority in charging peasants off-budget fees for their own interests.

The specific policies of tax-for-fee reform includes: "three abolition," "two adjustment," and "one reform." The three abolition refers to the central government abolishing three types of common charges by the local government from peasants: the county and township level *tongchou* fees, all the charges for the educational administration and governmental funds, and the compulsory unpaid work. The two adjustments refer to the central government lowering the ordinary agricultural tax rate

and the tax rate on special agricultural products. The one reform refers to the reform in the levying of *tiliu* fees. After the tax-for-fee reform, the village cadres cannot charge peasants as much as they want under the name *tiliu* fees. Peasants pay extra 20% of the ordinary agricultural tax as *tiliu* fees. This extra 20% charge is directly used for the salaries of village committee members, the maintenance of the administration of village committee, and the funds to support the elder villagers of no family (those villagers are called *five guaranteed people*, which means the village governance has to guarantee these elder villagers in vulnerable situation in having enough food, a place to live, enough clothes, sufficient medicare, and someone to take care of their funeral) (Zheng, 2003). In this case, the local government's authority to charge peasants off-budget fees is constrained. This reform was first in Anhui province in 2000 and it was extended to 20 provinces in 2002. In 2003, all the provinces began to practice of this reform.

The impact of this reform is huge in rural area. For example, Yep (2004) notes in his study that the reform in Anhui province, a pilot province, brought a decrease of 1.84 billion *yuan* in revenue for village and township finances in the first year. The average revenue decrease rate for each village and township was between 30-40%. To offset the drastic decrease in revenue, the local government in Anhui province started to trim down its bureaucratic units and agencies. The provincial government reported that the number of Party and administrative units at the township level decreased by 10%, whereas the number of service units at the same level showed an even more drastic decrease of 50%. Moreover, the provincial government increased financial tractions to the local level to cover the fiscal gap in village-level education (Yep, 2004). Furthermore, Yep also notes the change in the power relationship at the grass-root level after the reform. He thinks

that the abolition of the flexible and potentially abusive local levies and charges and the extension of formal fiscal control into the rural grass-root level inserts greater fiscal discipline into the management of local finance. He also thinks that the enhanced transparency and predictability inherent in the new extraction system, together with the significant decrease in peasants' burden, also provides a better prospect for rural stability. Both developments circumscribe abusive and greedy officials' and administration's room to maneuver and are also consistent with the general concern of raising the central government's regulatory capacity over public finance. Yep also raises his concern that the reform makes the local government more dependent on the financial transaction from the above. Whether there will be enough transactions determines the success of the reform (Yep, 2004).

After the tax-for-fee reform, the central government went further to reduce the economic burden of the Chinese peasants. In 2004, the central government decided to abolish all the agricultural taxes and fees left, except the tax on the cultivation of tobacco. It also began to provide subsidies to households that plant grain crops and purchase large farm machinery. The enforcement of this policy began in major grain producing provinces, such as Heilongjiang, and then extended to all provinces. By the end of 2006, all provinces in mainland of China abolished agricultural taxes and fees, and began direct subsidy to the grain-producing households.<sup>45</sup>

The financial gap created by the abolition of agricultural taxes and fees were made up by the state in the same manner as the tax-for-fee reform: to downsize the

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<sup>45</sup> All information is translated from The Central People's Government of the People's Republic of China website: [http://www.legaldaily.com.cn/zt/2006-01/19/content\\_255009.htm](http://www.legaldaily.com.cn/zt/2006-01/19/content_255009.htm)

bureaucratic system and to increase the financial transactions from state/provincial government to local government. However, current fiscal transactions cannot fully compensate the loss of the abolition of agricultural taxes and fees. Dang (2005) notes that the abolition of agricultural taxes eliminated the power of local level government, especially township government and village committees, to generate any financial income. Therefore, many are not able to pay back their previous debts. Because most of the fiscal transactions above are attached to political mandate, the funding, for example, is to be spent on village-level compulsory education, making the elimination of debts that much more difficult for local governments. Moreover, the abolition also created the dependence of local government to the state. What the local government can do largely depends on if it can get funding from the state. This dependence has encouraged local government to exhaust all the means they have to generate revenue. To generate income, local governments have begun selling land to real-estate developers. In the process, irregularity happens and causes many conflicts between residents and government. However, this paper does not discuss this issue.

The influence of the abolition of agricultural taxes and fees on the administration of village committees is significant. First, it automatically relieves the duties of collecting taxes and fees from villagers, which was a major task for the committees. It significantly reduced the authority of the village committees. In the village SH, for example, the current committee does much less than the former ones. The only administrative task assigned from the above is to enforce the one child policy. All committee members that have worked for both the former and the current committee feel that their authority has been greatly reduced after the abolition.

Second, the abolition of taxes and fees changed the economic relationship between the villagers and the committees. Before the abolition, the funding for the administration of committees was taken directly from the money collected from the villagers. In other words, villagers financially supported the operation of village committees. However, the committees are now receiving funding from the upper level government, normally from county-level government. Hence, the economic relationship between the villagers and committees is significantly undermined.

How such weak economic relationship would affect the management of village affairs is, among scholars, still quite controversial. Yang, *et al.*, (2005) and Chen (2007) argue that the abolition of taxes and fees relieve the most important authority of village committees. It significantly undermines the former relationship between the committees and the villagers. While, the funding provided to maintain the administration from upper level government actually created a new relationship in which the committee is dependent on the upper level government. Zhang (2009) believes that the abolition of agricultural taxes and fees is quite influential in shaping the social relationship in rural China. However, situations in different regions should also be considered. She points out that in the regions where farming is not the major resource for household income, the relationship will not change much. In the grain producing regions, the reform in taxes and fees has actually improved the relationship between the committee and the villagers. The villagers no longer view committee members as those who always come to collect money. They actually welcome the members to visit their house, as they often bring them the information of the subsidies or some new agricultural technologies. The relationship of both sides has been close since.

In general, both the economical and political relationship in rural China has changed significantly since the state began the reform in rural area to lighten the economic burden of peasants and to reintroduce the tranquility. From 1990s to 2006, the rampantly increasing charges on peasants has been cut and finally abolished, alleviating the economic burden from Chinese peasants and tackling the problem of abusive village cadres by completely eliminating their authority. This reform also creates a dependency of local government to the state, which can be seen as a means of centralization, as well as exacerbating debt problems for local government.

### **3.2 Provision of public services in rural China**

China has a distinctive party-state model of governance. To understand the current situation of the provision of public services in rural China, it is important to first understand the responsibilities of varying levels of government in the design and delivery of public services in rural China. In other words, it is crucial to understand “who is responsible for what” (Tsai, 2007, p. 31). In the following section, I will review the structure of governance for the provision of public services by asking three questions: what does it do? how is it financed? and to what is it accountable? The presentation of the answers also includes the shortcomings of the current system. At the last section, I am going to analysis the relationship between the system of public services and the villages—the recipients of these services. This introduction of the provision of public service is mainly focusing on the system after the abolition of agricultural taxes and fees and the proposition of the “harmonious society” political campaign.

Like other national policies, the enforcement of the provision of public services in rural China was carried out through a “system of extensive delegation of authorities and responsibilities” (World Bank, 2007). The central government delegates’ authority to the provinces depends on the provinces carrying out their responsibilities. The provinces, in turn, delegate to the municipalities and depend on them to carry out assigned responsibilities, and so on downward through the hierarchy (World Bank, 2007).

### **3.2.1 Public services in rural China at the central and provincial government level**

As the World Bank (2007) report states, the central government in China plays a key role in setting the national development agenda which is normally presented to the National People’s Congress by the Premier in the format of Five-Year Plans every March. The presentation includes the information of the ongoing situation of launched programs and investments, as well as announcement of the coming programs. As to the provision of public services, the central government normally sets up policy framework for the provision of public goods and stipulates the minimum standards for the services that are considered to be national priorities to maintain the uniformity of the quality of the services. At present, these services include the access to the nine-year compulsory education term for children, the prevention of the spread of infectious diseases, and the assistance of health care and income generation to the lower income families (World Bank, 2007).

Provincial-level government also plays critical roles in both transmitting and adapting central governmental agenda to fit the reality for the practice at local levels. The major responsibilities of provincial-level government are to formulate standards for

expenditure, oversee the implementation of the policies, and collect data for upward reporting (World Bank, 2007). As the system for public services is highly decentralized, each province actually has space to decide their specific policies and practices in their jurisdictions, and this causes huge differences in public services among different provinces. How well the local government complies with these central government directives largely depends on the availability of the local fiscal resources, although the requirement from the central government on the quality of public services is the same. Another reason for this difference, as Li and Xu (2006) note, is due to the absence of a law or regulation for standardized practice in the provision. Only minimal standards for several specific services exist. The different attitudes of provincial governments to the public goods also contribute to the variation of the quality of public services. Some provincial governments give public services higher priority than others, greatly affecting the design of provincial policies, especially policies that finance the public services.

The roles of central and provincial government in financing public services are highly similar and quite limited, to the highly decentralized fiscal system in public services. According to the World Bank report (2007), the central/provincial government is not directly involved in the financing of most rural public services. This affects the provision by powerfully influencing the flow of resources. The central/provincial government's primary instrument is the use of legislation or regulations to mandate local government spending on services. For example, the central government used the legislation to mandate the local spending on the Compulsory Education in 2006 (World Bank, 2007).<sup>46</sup> The central/provincial government also indirectly supports rural services

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<sup>46</sup> Law on Compulsory Education (amended by the NPC on 06/29/2006; implemented from 09/01/2006).

through revenue assignments and fiscal transfers to local governments, especially to the county-level government. This will be shown in the presentation of the responsibilities of county-level government below.

Fiscal transfer is a common method for the central/provincial government to finance local level governments. According to the report, the central government is providing lower levels government the majority of its own revenue as fiscal transfers, and these transfers have grown rapidly as a source of local finance. The recent transfers make up just over 60% of central revenues, which is one of the highest in the world. These fiscal transfers are mainly earmarked. The reason for this method is due to the lack of trust between the central/provincial government and the lower levels of government. By doing this, the central/provincial government wishes to control the moral hazard problems. The recent trend of earmarked transfers has been toward the increase of the numbers of the programs. The World Bank report (2007) reveals that most of these fiscal resources are allocated for rural infrastructure, for which central and provincial earmarked transfers now make up the bulk of government investments. There is also a new type of fiscal transfer introduced by the central government called “fiscal capacity transfers.” However, this type of transfer was not used consistently and it has not had any significant consequence yet (World Bank, 2007)

The central government, as the highest position, assumes accountability from all the lower level governments, using central-level monitoring and evaluation methods. According World Bank’s report (2007), this monitoring and evaluation still operates as during the days of the state-planned economy. For example, in the health sector, the Ministry of Health operates an elaborate information system that reports data on health

system inputs (financial, human resources, facilities, etc.), services output, and health outcomes on an annual basis. The system is based on a mix of administrative data collected at the facility level, periodic surveys, and surveillance (e.g., infant and under-5 mortality). The Ministry of Education also has a system of detailed reporting published as the *Education Statistical Yearbook of China* and the *China: Education Finance Statistical Yearbook* (World Bank, 2007).

The report also points out that although this extensive reporting system can generate massive sizes of information, it has some major shortcomings: first, this monitoring and evaluation only focuses on fiduciary compliance, whereas aspects of the process, quality, and impact of monitoring are often much weaker. Second, this system is highly fragmented, with limited “horizontal” sharing of information. The data are collected in a fragmented way by different agencies to meet their own purposes and there is little sharing or reconciliation of information. This creates the unreliability of the data. Finally, significant discrepancies exist between locally reported information and the national aggregates (World Bank, 2007).

Although the provincial government is lower than central government, it functions quite similar to central government in monitoring and evaluating the performance of local governments in providing public services in rural area.

### **3.2.2 Public services in rural China at the municipal government level**

The municipalities and the government in prefectures act as agents between provincial governments and county-level governments, often interpreting higher-level mandates for local-level implementation, channels and partially adds extra funding to the

financial resources transferred from above, and plays a central role in information flow and ensuring compliance (World Bank, 2007). However, the roles of this layer of government have been greatly undermined. Since the central government realized the huge loss of efficiency of the enforcement of agenda in the complicated bureaucratic delegation, it began to reduce the roles of municipalities and prefectures in the process.

According to World Bank's report (2007),

[the] reforms piloted in a number of provinces put counties directly under the fiscal management of provinces. For example, in Jiangxi Province piloting for this reform began in 2005 and will be progressively expanded. By removing municipalities from the hierarchical management for rural governments, the reform aims to improve efficiency and the flow of resources for rural development. In the process, it is likely to increase the power and authorities vested in the county. (World Bank, 2007)

The roles of municipalities and prefectures are undermined significantly in the provision of public services in rural area.

### **3.2.3 Public services in rural China at the local (county and township) government level**

Regardless of the variety of the quality of public services among different provinces, the provision of most public services in rural China is directly related to the county-level and the township governments, also called local-level government. In other words, the county-level governments downward are the only levels of government that occupy themselves with service delivery, though, in most cases, they are not the direct service providers. They normally work with the public service units (PSUs) in the process of service delivery. The major responsibilities of local government include the planning

of PSU establishments, PSU funding, managing PSU personnel, and monitoring and evaluating performance, etc.

Compared with townships, in the process, county-level government has more authority. The authorities of county-level government have also been strengthened in recent years through the tendency to exclude the municipalities and prefectures from the service delivery in rural areas. Before the reform, the county-level government might face the financial or administrative limits thanks to the administration at the municipal level. After the reform, less space remained for the municipalities in the service delivery process. The roles of municipalities have been minimized, especially after the county-level government has been directly linked to provincial level government for its fiscal management (World Bank, 2007).

The World Bank report also reveals that townships are increasingly under the management of the county, which has left them with limited discretion. The reports states,

[t]he *yixian weizhu* reform accompanying the Rural-Tax-Reform (RTR) moved the responsibility for basic education from the township level to the county level beginning in 2001. Treasury management reforms in many localities have put salary disbursement of township officials at the county level. ‘Verticalization’ has been occurring in many functional departments that moved public service units (PSUs) from township management upward to the county level. Finally, many localities--- including Jiangxi--- have implemented a reform to put ‘township funds under county management’ (*xiancai xianguan*) whereby the cash management function for township activities has been moved to the county level. (World Bank, 2007, p. 21)

These reform changes empowered the county-level government in the service delivery process. County-level government became the crucial players that directly interpret the agendas and policies designed by the central and provincial governments and are

responsible for their implementation. For example, the county-level governments are mainly responsible for planning, budgeting, and supervision of schools; hiring, evaluation, and promotion of headmasters and teachers; undertaking school infrastructure renovations and construction; and monitoring targets for universal enrollment for compulsory education (World Bank, 2007). Regionally, their performance directly determines the quality of public goods.

The county and township level governments finance the public services in rural area mainly through its own tax revenue and fiscal transfers from the above. However, from the current financial situation, the county-level government confronts with serious fiscal gaps. The report (World Bank, 2007) reveals that the share of county and townships budget revenues is low and falling, in contrast to the high and increasing expenditure assignments from the above.

The **Chart A.3** reveals the declining shares (in percentage) of county and township revenues in the expenditures of public services for rural area. It also shows the increasing fiscal gap between expenditures and revenue in the public services in rural area.

Chart A.3 Trend in shares of rural public finance (World Bank, 2007)

	1992	1998	2000	2002	2004
Rural share of total revenues	30.1	20.3	19.7	17.1	17.2
Rural share of total expenditures	30.9	28.2	26.2	28.6	31.3
County	21.6	19.9	18.9	21.9	25.2
Township	9.3	8.3	7.3	6.8	6.1

Fiscal gap for rural sector	-0.8	-7.9	-6.6	-11.6	-14.2
As % GDP	-0.4	-1.3	-1.6	-2.6	-2.8

According to the report, to narrow the evident fiscal gaps and to satisfy the increasing fiscal need of local government, the central government introduced two new programs to boost the revenue of local governments. In 2003, the central government started “to improve the tax sharing system,”<sup>47</sup> and it launched “three rewards and one subsidy”<sup>48</sup> in 2005 (World Bank, 2007).

These fiscal gaps have strengthened the dependence of county-level government to the central/provincial government to fund the public services. According to World Bank (2007)’s report, two thirds of the expenditures of the county-level governments depend on fiscal transfers from upper level government.

The dependence on the fiscal transfers to fund the public services actually impedes the improvement of public services due to the problems in the fiscal transfer

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<sup>47</sup>In the World Bank report (2007), this reform is called “completing the tax sharing system reform.” The term “completing” was translated from the Chinese term “完善.” Here I choose to translate it as “to improve,” which is based on my own understanding of both languages. “The reform began in December 2002. The State Council issued a ‘notification’ to central agencies and provinces calling for provincial authorities to ‘complete the fiscal management system at sub-provincial levels under the Tax Sharing System’” (World Bank, 2007, p. 24). The purpose of this reform is to “rationalize the expenditures at the sub-provincial levels, to eliminate the practice of unfunded mandates, to rationalize the division of revenues, and to improve the system of the fiscal transfer at the sub-provincial level” (World Bank, 2007, p. 24).

<sup>48</sup> According to the World Bank report (2007), the “three rewards and one subsidy” are to help restore a fiscal balance for rural governments by boosting incentives for revenue mobilization and the more painful downsizing reforms, as well as for provincial equalization efforts. The incentive program has two parts. The first part is a grant to county governments that have either improved their fiscal balance through above-average revenue mobilization or have reduced the size of organizations or employment. The second part is a grant to provinces that increases their equalization transfers to counties. There is an incentive program to encourage provinces to build a monitoring and accountability framework to “regulate and monitor” the fiscal performance of local government. (World Bank, 2007, p. 24).

system. As pointed out in the report (World Bank, 2007), first of all, most of the fiscal transfers are used to compensate the cost caused by the changes in policies or the loss in local revenues due to the tax reform. In other words, there has not been much actual increase in the funding for public services. Second, some types of transfer, such as the rural-fee-reform transfer, which aims to compensate the loss of local revenue after the Tax reform, could not fully restore the financial ability of local governments. Third, in some major public services, such as compulsory education for children in rural areas, could not provide schools with sufficient funding to compensate the loss in revenue after the central government decided to enforce free education in rural China. The report concludes that most of the fiscal transfers cannot fully compensate the loss in the revenue of local governments after the reforms in taxes and fees. Therefore, the financial situation for funding public services in rural areas is actually declining after the series reforms. Furthermore, the dependence of the local level governments on fiscal transfers actually creates new expenditures for the administration. This new cost exacerbates the financial situation in funding the public services.

In this top-down system, the local governments are accountable to the higher-level governments, which, after the reforms, are the provincial and the central governments. Ideally, the county level governments fulfill the administrative tasks assigned from the above, and upper-level governments hold them accountable by controlling fiscal transfers and conducting monitoring and evaluation of their performance. However, as is pointed out in the report (World Bank, 2007), due to many challenges, this relationship of accountability is significantly undermined. First, for a long time the reality is that many central policies are not sufficiently funded from the

upper-level government. The recognition of this reality has led provincial and central governments to expect that local governments are not able to fully accomplish the tasks. Hence, the criteria to evaluate the performance of local government are far less strict than what it should be. Moreover, the lack of monitoring of how the fiscal transfers are used at local levels also counts. As the financial need for paying employees is more urgent than public services, as a majority of fiscal transfers go directly to pay employees.

Even when local governments have the financial ability to fund public services, these services are not among their top priorities. After the reform of the Agricultural Taxes and Fees, local governments are confronted with an increasing fiscal gap between their shrinking revenues and skyrocketing expenditures to fulfill the administrative tasks. Hence, investment in infrastructure, such as roads among major counties, and upgrade of the power grid has been prioritized to attract more businesses in their regions. Furthermore, the frequent reforms and changes in recent years also make inter-level authorities ambiguous. “Many of these administrative changes have a significant impact on how policies and resources are transmitted to the rural sector...The instability created by all these changes undermines the planning and rationalization of resource allocation” (World Bank, 2007, p. 32). Finally, the difficulty in holding officials accountable also impedes the accountability of local governments:

The widespread use of accountability measures that ignore systemic influences on outcomes render them ineffective since they would be widely considered unfair and unreasonable and would tend to elicit either ‘rightful resistance’ or, more commonly, collusion among those affected to falsify reporting as necessary to ensure that everyone meets targets. The rigid personnel system with life-long tenure also severely limits the use of personal accountability. (World Bank, 2007, p. 33)

### **3.2.4 Public services units (PSUs)**

Another critical provider of public services in rural China is the public service units (PSUs). According to the World Bank report (2007), the services provided by PSUs include: most schools, agro-technical extension stations, cultural centers, health clinics, and hospitals. Nationwide, over one million PSUs employ nearly 30 million staff, accounting for some three-quarters of public employment (excluding the state-owned enterprises (SOEs) and the armed forces). Most PSUs operate in rural China. According to a recent study by the NDRC, over 80% of PSUs are affiliated with county and township governments, employing 65% of the national total of PSU labour force (NDRC) (World Bank, 2007). The relationship between these public service entities and governments in China is different from the relationship in many other countries. In many countries, governments purchase public services from private providers or other non-public organizations, which could be either profit based or non-profit based. However, the public services entities in China, including education, hospitals, and agricultural services, were considered as a part of the local government. Only until recently, PSUs are allowed to operate independently (World Bank, 2007).

According to the World Bank (2007), educational PSUs constitute the largest part of PSUs and are tightly linked to local government. Rural compulsory education provides some 400,000 regular schools and 100,000 “teaching points” to about 143 million rural students in grades 1-9. Almost all of these schools are PSUs, with exception of a few village schools that are independently managed. In contrast, private providers play only a minor role to date, especially in the basic education (p. 44).

PSUs compose the majority of the providers of services in public health in rural China. Differing from the uniformity of the providers in education, the providers in health sector are composed by various institutions. According to the report (World Bank, 2007), in-patient care is provided by health centers and hospitals at township levels and above; the most important providers (in order of utilization rates) are: county hospitals, township health centres (THCs), Traditional Chinese Medicine hospitals, and city hospitals. Outpatient care for rural residents is primarily provided at village and township levels, although county hospitals, Traditional Chinese Medicine hospitals, and hospitals above the county level also play a role (World Bank, 2007).

The organization of public health programs and delivery of public health services are complicated (World Bank, 2007). Broadly speaking, the county Health Bureau has overarching responsibility for most areas of public health at the county level and exercises this responsibility through the Centres for Disease Control (CDCs) and the Maternal and Child Health (MCHs) Centres, and, in some localities, disease-specific institutes. Some of these providers are PSUs (county hospitals, most THCs, CDCs, MCH Centres). However, most village clinics and some providers at higher levels are private entities (World Bank, 2007)

The funding for financing these PSUs comes mostly from two types of resource: the direct funding from the government and the self-raised funding (World Bank, 2007). Each composes nearly 50% of the entire financial resource. Governmental funding could be allocated from any level of the governments. In total, the financial support to PSUs accounts for 30% of national budgetary expenditures (World Bank, 2005a). However, as is noted by the report (World Bank, 2005a), the governmental funding for PSUs is not

uniformly distributed to each level of government. The local level that is confronted with rapidly increasing fiscal needs actually takes the majority of the responsibilities in funding PSUs. Chart A.4 shows the shares of PSUs financing in budgets at different levels of governments in 2002. From the data, we see that county-level government contributes the most to the finance of PSUs, and the funding accounts for 54.2% of its total budget. If the contribution from the township-level government is also accounted, the funding for the PSUs occupies 45.6% of the total budget for local level governments. It shows that the funding for PSUs has become the largest part of the fiscal burden for local level governments.

Chart A.4 Shares of PSU financing in budgets at different levels (2002)

	Budgetary expenditures on PSUs (RMB billion)	Total budgetary expenditures (RMB billion)	Share of PSUs in total
Central Government	116.8	677.3	17.2%
Provinces	154.0	433.1	35.6%
Municipalities	100.0	463.7	21.6%
Counties	261.5	482.0	54.2%
Townships	26.6	149.3	17.8%
County & Township	288.0	631.3	45.6%
Total	658.8	2205.3	29.9%

Source: World Bank (2007, p. 38)

Apart from governmental funding, half of the financial resource of PSUs is raised by the PSUs from fees, donations, and business income. For example, the World Bank (2007)

shows that, until 2006, schools were allowed to charge “miscellaneous” fees, for textbook, notebook, and laboratory. Similarly, providers of agro-technical extension or cultural services raise substantial income from charging for their services (World Bank, 2007), although the governmental funding and the self-raised funds each correspond for half of the financial resource for PSUs. The composition of these two varies greatly among different types of public services. For example, in 2002, governmental funding composes 59.9% of the total financial resource for education, while the portion for health is only 11.4% (World Bank, 2007).

PSUs for public services in rural China are accountable mostly to county-level governments, although they may also receive funding from higher-level governments. County-level governments hold PSUs accountable in three ways: first, the county-level governments have authority to determine the number of PSUs in their jurisdictions; second, the size of the personnel and the salary rate for the employees are highly influenced by the county-level governments; third, county-level governments conduct monitoring and evaluations on the performance of PSUs; finally, the dependence of PSUs on the funding from the county-level governments still encourage them to improve their performances, although this dependence is not that strong as the PSUs themselves provide half of their financial need.

However, some shortcomings in the mechanic for accountability of PSUs exist. Insufficient funding from the government becomes one of the major factors undermining the accountability relationship between county-level governments and PSUs. It leads to asymmetry between local governments and PSUs:

while local governments are most wholly dependent on PSUs to deliver services for which (local governments) are responsible, PSUs are not wholly dependent on local governments (for funding). This asymmetry makes the service providers not well aligned with the service provision objectives of the government. (World Bank, 2007)

Moreover, the authority that county-level governments have over the management of human resources in PSUs reduces their efficiency. The rigid personnel system and the lack of competition impede PSUs to achieve optimal results. Sometimes, these service providers do not go much beyond the struggle to “feed the staff” (*yang ren*) (World Bank, 2007). Finally, the weaknesses in the monitoring and evaluations also undermine PSU accountability.

### **3.2.5 Public services in the villages**

The system of public service provision satisfies some of the major needs of rural residents, including: health care, education for children up to grade 9, local radio and TV stations, electricity infrastructures, and local police. Township and county residents are also provided with water and sanitation (Tsai, 2007). Townships are responsible for building roads connecting villages to each other.<sup>49</sup> However, this system does not cover all the needs for public services in rural areas. Many types of public services are still expected to be offered by villages themselves.

According to Tsai (2007), villages are responsible for some common public services, such as constructing and maintaining all roads, bridges, irrigation, and water infrastructure within the village, as well village primary school building (p. 31). Other

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<sup>49</sup> However, not all the villages have obtained their desired length of the road. For example, in Village SH, the township financed road stopped just outside the village. The road in the village is still a rugged, mud road (Interview with the village head T, Village SH, Province of Sichuan, June, 11, 2011).

specific public services are funded by at the village level. In Village SH, for example, due to a high percentage of seniors, the village funds services for senior, which is quite financially demanding. Further, the maintenance of good public sanitation in SH Village is also organized by the village committee due to the issue of free-ride caused by complicated geography of the village.<sup>50</sup> Furthermore, public services in rural China are far fewer compared with the urban area. Many kinds of public services could be provided or improved by the village government, if it is incited to provide the service and has the resource for it. In many cases, the incentives for the provision are the key determinant, especially for those services that do not require much of funding. For example, the provision of the moral education to young married women in Village SH could only be realized when the village committee is incited to improve villagers' life. The establishment of a women's association, intended mainly for the moral education, does not require large financial resources. However, it cost much time of the committee members to coordinate the program and to prepare for the lessons. Therefore, it would not be provided if the village committee were not mobilized. In general, villages are still playing an important role in providing public services to rural residents. The services that they provide include the services expected by the upper level government to be provided by the villages, the services needed due to specific situations and also the services might be provided if the village committee is incited.

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<sup>50</sup>The geography of the village is quite complicated. There are nine production teams in the village, each managing a certain amount of arable land, their land bordering on one another. However, the border lines are not clear. The ambiguity of the border lines makes the maintenance of good public sanitation difficult to avoid the phenomenon of free-ride. It is easy for one production team to push the responsibility of cleaning to another team. Then, no one takes action in the end. Therefore, most villagers think that the village committee should only lead the maintenance of the public sanitation. Only the committee members can coordinate the cleaning.

Compared with their responsibilities in providing public services, villages do not receive much support from the above. Although we have seen above that the system of public service provision confronts with fiscal gaps and many challenges, it still gets regular funding from the government. The villages, on the other hand, are expected to finance their public services mostly by themselves. According to Tsai (2007), villages have not received any regular budgetary allocations from the above. Before the abolition of agricultural taxes and fees, village expenditures—on public projects or otherwise—were to be funded primarily from the revenue collected from the villagers (p. 32). After the abolition, villages are no longer to collect any tax or fees from villagers. To finance these expenditures, the upper-level government is supposed to compensate the loss of the revenue to the villages through fiscal transfers. However, compensation to the villages is not undertaken well. For example, Yep (2004) notes that the abolition of taxes did reduce financial burdens of farmers by 31% in the province of Anhui, and a typical village in that region suffered revenue drop of nearly 40%. However, the compensation from the upper-level government is insufficient.

Bird, *et al.* (2009) reveals a similar situation in their study, that, with the elimination of the regular fee for assessment on farmers (*tiliu*), village revenue increased modestly, but total expenditures grew by more than 20%, largely because of increases of village capital expenditures. As a result, by 2004, a growing number of villages were running deficits. Moreover, increase financial transfers from the higher-level government cover only approximately 40% of the revenue loss. Villages had to make up the balance by contracting out of village land and asset sales.

The impact brought by the abolition of agricultural taxes and fees to the public services in villages is huge, the impact mainly the fiscal gap left by the loss of revenue and the limited compensation from the above. According to Bird, *et al.* (2009), in 2000, with the abolition beginning in one pilot province, 46.9% of the national financial investment in public services in rural area was from village committees (through use of current revenue and savings or financing by debt), and an additional 17.95% directly from village households (through special assessments on farmers, or *jizi*). The financial resource transferred from the above composed approximately a fifth of the entire investment. Plus, fiscal transfers were specifically skewed towards roads and irrigation projects (Bird, *et al.*, 2009). The abolition of agricultural taxes and fees disempowered village committees from collecting funding from farmers, erasing the majority of the financial resource for public services in villages, a combination of the funding from village committees and households.

Furthermore, the dependence of villages on fiscal transfers for financing public services decreases the diversity of the services. As pointed out by Bird, between 2000 and 2004, during which the abolition was extended to most Chinese provinces, the investment in rural public services was clearly a marked bias towards roads and bridges, followed by irrigation and drinking water. In 2000, one-third of villages had a road project, increasing to two-thirds by 2004. The investment in irrigation and drinking water project has a similar increase. In a province such as Hebei, the overall investment in rural public services did not increase. The increase of the investment to road and drinking water made up the loss of the other types of public services (Bird *et al.*, 2009)

The fundamental impact brought by the abolition is also reflected in the situation of Village SH. The public service financial situation in the village is a dilemma. The current village committee is running a deficit. The fiscal transfer that they could get from the above is minimal. However, it is difficult to collect public funds from villagers since all know that the committee has been disempowered from taxing and levying. The committee has to give low priority to costly public services such as the rebuilding of the village road, even though some of these services are the most demanded.

In general, the provision of public services in villages confronts a serious financial gap after the abolition of agricultural taxes and fees. The fiscal transfers from the above could not fully restore the financial ability of village committee, and it has undermined villages' capability to provide public services. Furthermore, the fiscal transfers for rural public services are inclined towards roads, drinking water, irrigation, etc., decreasing the diversity of the rural public services. However, the financial gap with which the local-level government is confronted is not a focus of this study. This study shows a case in which a local government ameliorates its performance by increasing many public services that do not require much of financial resources.

## Chapter 4 Field Research Data

### 4.1 Basic information of Village SH

#### 4.1.1 Geographic and demographic information

The SH village is located at the JY city, in one of the southwestern province in China. With a population of 1719, the village has slightly more adult women than adult men. However, the number of male children is noticeably more than the female children. According to T,<sup>51</sup> the local culture, which favors male over female children, is the determinant factor of this issue. When a family has a male child, there is then often no plan to have the second child. The arrival of a female child causes pressure from the community to have a second child in hope for a male child. As most know that to have an extra child means paying an expensive fine imposed by the government as the punishment for breaking the “one-child policy,” often five times of the reported annual family income (28810 yuan) in the JY city, those families that attempt to have more children often stops at a second or third attempt. This creates the imbalance for the gender ratio among children.<sup>52</sup> Further exacerbating village demography is the fact that many young men have left the village for jobs in cities. The resulting village population is composed mostly by of seniors, children, and women.

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<sup>51</sup> Interview with the head villager, T, Village SH, Province of Sichuan, June, 11, 2012.

<sup>52</sup> For those interested in understanding the statistics behind this imbalance: assuming that the distribution of gender at each pregnancy is uniform, one expects to have  $\sum_{i=1}^{\infty} n (1/2)^n$  girls before having a boy. The imbalance between the two genders increases with the increase of the number of pregnancies.

#### **4.1.2 Economic information**

The reported average annual income per capita is 5762 yuan (approximately \$914 CAD without consideration of actual purchasing power differences); however, the actual average annual income per capita in village SH is 1700-1800 yuan (approximately \$278, as above). The major source of household income is jobs in cities.

According to T,<sup>53</sup> planting crops and grains in this village is mostly for the food security of each household before the establishment of the farmers' cooperative. As a result, farmers find that they do not lose money if they rely only on agriculture as a means of income. The major crops in the Village SH are rice, corn, fava beans, and tangerine. Although some of the villagers have abandoned agriculture, most are still willing to feed their family with the food grown by them. They also feel that food from their land is safer and tastes better than the food from the market. Also, some senior peasants continue to work their farmland, as they do not want to waste the fertility. According to T, s senior peasants cherish the farmland more than the younger generation. Those peasants experienced many land reforms under the governance of the New China (which refers to P.R China), and they know the history through which they finally came to owning their farmland.

The migration of the labour force into cities significantly influences the agricultural production in the village. Before the establishment of the cooperative, one third of the arable land in the village were fallow, where a lack of a young, male labour

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<sup>53</sup>Interview with T, Village SH, Province of Sichuan, June, 11, 2011.

directly lead to a decrease of the productive activities in the village. The income generated by the male laborers in cities also contributes to a decrease in farming. “Once they feel they are okay with what they have now, most of them give up on the difficult farm work.”<sup>54</sup> The use of arable land has been improved since the establishment of the cooperative, as the cooperative organizes collaborative farming on of arable land.

The village has stopped collecting fees and taxes from the peasants since the abolition of the agricultural taxes and fees in 2006. The funding for daily spending and maintenance of the village committee is transferred from the county-level government. However, the fiscal transfer is not enough for funding the costly public services, such as the maintenance of village roads. Auditing of funding is required to be publicized to the public. Moreover, two other items are included in the publication. One is the amount of the subsidies on the plantation of grains. The money is transferred directly into peasants’ bank account from the provincial level. The purpose of the publication is to let the peasants know the details of the subsidy. The second is the fine for breaking the “one-child policy.”

Head villager T believes that the abolition of the agricultural taxes and fees is one of the major reasons that caused the decline of the delivery of public goods in rural area.

There is only a small amount of funding for the daily expenses for the village committee. If we committee members want to do something big, for example to rebuild the village road, we have to ask for funding from the upper level government. However, the bureaucratic process and the corruption may delay the process. We have been asking for funding to rebuild the road for a long time, but we have not got anything. It is also hard to call for a collective fund, raised from the residents nowadays. As they all know that the government does not ask anything from them anymore, and even give them money for the grain plantation, the legitimacy for the village committee to collect any type of funding has been

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<sup>54</sup>Interview with the village party secretary L, Village SH, Province of Sichuan, June, 12, 2011.

hugely undermined. Furthermore, there have been many households in this village that had moved out. They only keep their Hukou in under this village to maintain their authority on their farmland, as each piece of land will receive a certain amount of subsidy. Those household do not care about management of village affairs any more. Compared with a better living condition, they would prefer more money in their own pocket. Therefore, to make a decision that favors the majority is really difficult. (Personal interview, village head T, Village SH, Province of Sichuan, June, 11, 2011)

He also mentioned that the former committee collected money from villagers to rebuild the road and did nothing. Many villagers are no longer willing to contribute to the road, even though the current committee behaves differently from the former committee.

#### **4.1.3 Organization of village management**

The management of village affairs still conserved in the administrative structure created in the People's Commune Movement (PCM). In the current system of management, the village committee is at the top of the administration of the village, and it oversees nine production teams, while during the PCM period, the nine production teams were under the supervision of the production brigade.

Each production team is formed according to its location and population. In Village SH, production teams No.1 to No.8 are located at low-lying land. Most of arable land these teams use to produce rice and vegetables. Production team No. 9 is located at in a hilly area, land that is not suitable for the plantation of rice. Therefore, most of the villagers in this production team choose to produce corn and vegetables.

Each production team has a team head. The major responsibility of these team heads is to pass the important information villagers, to assist the management of the village committee, and to represent the interests of the villagers in their team during the

village regular meetings. Team heads also play important roles in mobilizing villagers to follow the lead of the village committees.

The village committee has four members: the party secretary, the head of the village, the director of women's rights, and the note-keeper. Three out of the four village members are from the former village committee. Party Secretary L was the village head in the former committee, the current village head T was the director of women's rights, and the note-keeper WBY retained the same position. The only new member in the current village committee is W. She holds the position of the director of women's rights.

As the note-keeper, WBY is working in a nearby city, the other three members are actually in charge of almost all of the management of village affairs. The decision-making process is undertaken within the committee through the collection of related information and discussions. Although the job descriptions for each are different, they actually switch work tasks with each other in their daily work. Who is going to take on a specific task depends on the people involved in this job, and who is more familiar with them. Personal relationship plays an important role in their daily work.

Another important factor of the current village committee is that all village committee members, except the note-keeper, are also members of the managing board of the cooperative. Their work in the cooperative was actually the major reason for them to be elected. The detailed information will be discussed in section 4.3 below.

After the abolition of the agricultural taxes and fees, the work relating to taxes and fees was eliminated from the daily work of the committee. The current tasks of the committee's work is only to enforce the one child policy, to publicize the important events and the petition for the usage of public funds, to record spending audits, to pass

new governmental policies to the residents, to resolve the disputes among residents, and to organize residents to maintain the supply of the public goods, such as the public sanitation.

All of these work tasks are formed through two ways: first, some tasks are assigned from the upper level government (e.g., the one child policy). Those tasks need to be completed according to the requirements of the policies, and the performance of the accomplishment of those tasks is a major indicator for job evaluation. Apart from these tasks, other tasks are formed through the interactions between committee members and residents. For things difficult for individual villagers to produce, they turn to committee members for help, and the village committee considers the need, though this mechanism is mostly for the provision of public goods. Some tasks that village members feel obligated to do, such as the publicity of the information on how the committee spends the public funding. The committee wants to gain trust from the villagers and to show that they there to serve them, not for their own interests (Personal Interview with T, Village SH, Province of Sichuan, June, 11, 2011).

Two formal ways of communication between villagers and the current village committee exist: village members' regular meetings and the party members meeting. According to T, the party members meeting are held much more frequently, as the party members are more altruistic and willing to participate in public affairs;<sup>55</sup> the wall-display at the bulletin board outside the village committee office and the loudspeaker located at

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<sup>55</sup>T's original words: “党员更有积极性，觉悟更高，更愿意为大家服务”。

the center of the village let the leaders of the production teams know what information to pass to villagers.

Informal ways communications include household visiting . Committee members often visit the villagers due to their work or for other reasons. Villagers often talk to the committee members about concerns with village affairs. As many villagers joined the collaborative laboratory work on the common land with committee members, they also communicate with them about the village affairs during their work there together.

## **4.2 Democratization in the village**

### **4.2.1 Progressing elections and the declining role of township government**

The first democratic election took place in Village SH in 1989, recurring once every three years. The last election was held in 2010, which is almost a year after the practice of the cooperative. The performance of the village elections has undergone a shift from a non-standardized process to a standardized process.

In the first a few years, the elections were not performed according to policy, with township-level governments were still manipulating the elections. According to L, in the first a few years, elections in Village SH were non-competitive elections (Interview, Party Secretary L, Village SH, Province of Sichuan, June, 12, 2012; Interview, XYQ, Village SH, Province of Sichuan, June, 14, 2012). Some officials from the county-level government would come to the village and hold a meeting with some of the villagers

before the elections, most likely the villagers that they had better relations with. Then, the officials would nominate an exact number of people to positions. The elections that were held afterward only determined who went to take which position in the committee. As most of the time, the village committee members work together and the boundaries among each position are not clear, the elections actually did not have any importance to the villagers. Most villagers felt that the elections were something that gave them superficial leverage over the officials in village politics. In fact, the township-level government is still the manipulator of the village politics.

The central government recognized this type manipulation by the township in the elections. It revised the *Organic Law of Village Committee*, 1989 and enacted an updated version in 1998 aimed to address these problems appearing in the elections. The enforcement of this law has also been strengthened. The regularity of the performance of democratic elections has been significantly improved since.

The recent election in Village SH was well regulated. For example, the last election was undertaken strictly according to the requirement of the law. The election was a competitive election. The number of nominated candidates was more than the number of the positions. The county-level government checked the eligibility of all the nominated candidates. Before the election, villagers' meetings were held to notify all qualified voters. Party members' meetings were also held for the election of the Party Secretary. The final list of candidates was publicized to the villagers one month prior the election, and the committee members visited most of the households to insure that all of knew of the election for the next village committee. The committee members also asked residents to inform the qualified voters that were working in the cities about the election and to

vote for them in the election. On election day, most of the qualified voters attended the election. Their votes were anonymous, and all the candidates were excluded from the voting room. The county-level government also sent a group of officials to organize and to supervise the process of the election to insure all the procedures are well regulated. The governmental officials completed the calculation and the results report in the same day. According to T, as well as L and W, most villagers think that the last election was well regulated, and the result of the election represented the choice of the villagers.

Although the election procedure is strictly regulated, the influence of township-level government has not completely disappeared. Two cases in last election that show its influence still exists.

The first case is of the exclusion of the former party secretary from nomination (Interview with T, Village SH, Province of Sichuan, June, 11, 2011). The former Party Secretary, WYS, had been in his position for more 10 years. However, his relationship with the township-level government was subpar because he did not fulfill the administrative tasks assigned to him well and always had excuses for his poor work performance. As he has strong personal relationship with some of the villagers, and his family is a big family in the village, he was nominated every time for the position of village Party Secretary. A rumor existed that the township government wanted to dismiss him from his position. However, it did not happen because the villagers still voted for him. Right before the last election, the township government revised the eligibility for being a candidate by lower the maximum age from 60 to 50, disqualifying the former Party Secretary as a candidate.

In another case, the township government placed someone who all the villagers are not familiar with on the ballot.<sup>56</sup> As the former party secretary was excluded from nomination, there were only four candidates for the election for four positions. To make the election competitive, the township level government directly added another candidate on the ballot rather than asking villagers to nominate more candidates. According to W, this person does not live in the village. He was a resident of Village SH many years ago. He moved to the township for work and many villagers do not know who he is. Suspicion was that he was added to the ballot due to his personal relationship with some of the officials in township government. Although the villagers did not elect this candidate, discontentment remains with the conduct of township government.

These two cases show that the influence of township government in elections still exists. However, compared with the first a few years, it has significantly decreased. Township government may have right to add or to exclude someone from nomination. However, it can no longer directly appoint persons it favours. All committee members have to be elected by the villagers. Although the township government might have some issue with some members in the committee, it cannot dismiss them, as long as the villagers vote for them.

#### **4.2.2 Villagers' Knowledge and Attitude to Democratic Elections**

This study also examined villager knowledge and attitude to democratic elections by asking the following questions:

*1. Could you remember when the first election took place?*

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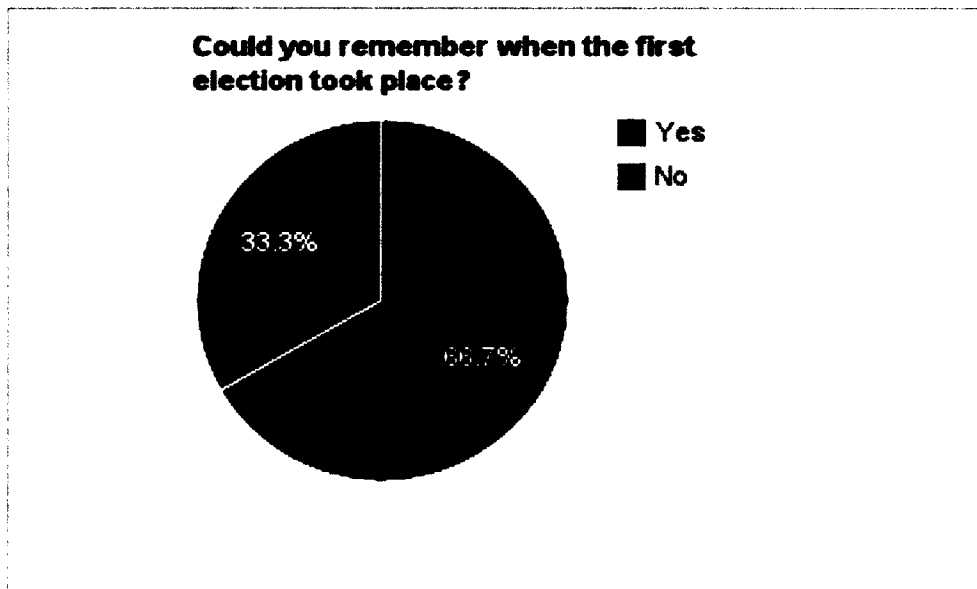
<sup>56</sup>This information is given in the reviews of the interviews with L, T and W.

- 2. Do you know villagers' right to elect the committee members is under the legal protection? Which law is it?*
- 3. Do you know how many days are required for the publicity of the list of the candidates before the election?*
- 4. What are competitive elections and non-competitive elections?*
- 5. In how many elections have you voted?*
- 6. Could you please describe the procedure of the elections in detail?*
- 7. What do you think of the existence of elections?*
- 8. What impact does having democratic elections have on your life?*
- 9. Is there anything that you think should be improved in terms of the management of village affairs? Do you think that the democratic elections can bring about these improvements?*

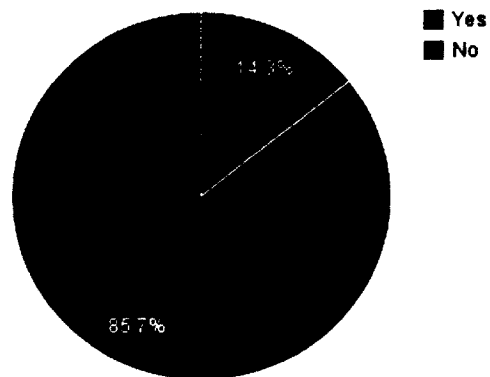
These questions were included in the interviews with 21 villagers in 16 interviews. The selection of the interviewees were selected proportionally and randomly based on the size of the production teams. The first four questions were designed to test how much knowledge of the elections the villagers have. Question No. 6 could also partially reflect interviewees' knowledge of the elections. However, it was designed to discover attitudes and comments of villagers to elections. Question No.5, No.7, No.8 and No.9 were developed to understand villager attitude to elections.

First, from the answers to the questions, villagers do not have much knowledge of the democratic elections. The only knowledge that the majority of the interviewees have is the year when the first election took place. Among the 22 interviewees, 14 could remember the election, which accounts for 66.7%. As to the other knowledge, such as

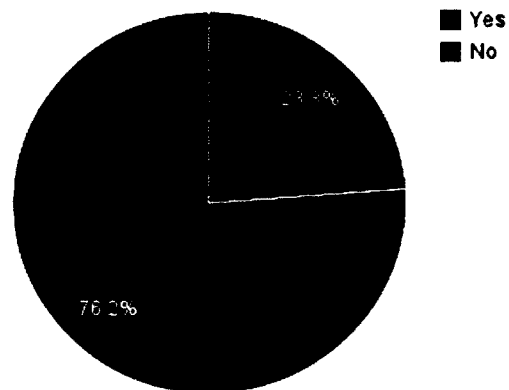
their legal right to elect the committee members, only a few responded that they knew. In the answers to the second question, only three interviewees responded that they knew that the election is under the protection of law, and they legally have rights to elect the village committee member. The interviewees that do not know this occupies 85.7%, which is almost six times more than its counterpart. Five interviewees responded that they have knowledge of how many days are required for the publicity of the list of the candidates before the election, while 16 interviewees that do not know (76.2%). As to the difference between competitive elections and non-competitive elections, only four interviewees responded that they have knowledge of it, which means 81% of the interviewees cannot tell the difference. The pie charts below show the results of the data:



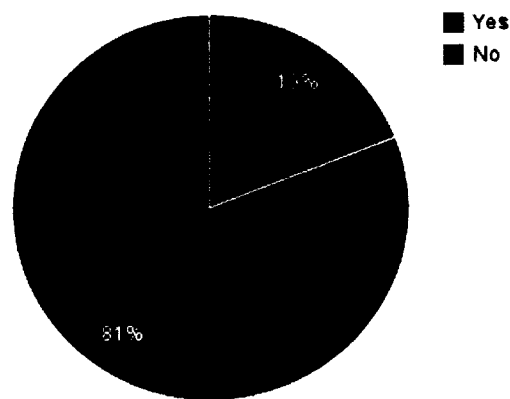
**Do you know villagers' right to elect the committee members is under the legal protection?**



**Do you know how many days are required for the publicity of the list of the candidates before the election?**



**Do you know what competitive elections and non-competitive elections are?**



From these charts we can see that the majority of the interviewees do not have knowledge of some basic principles of the election. Although many of the interviewees responded that they did remember when the first election took place, they do not know that their right to elect is under the protection of law, they have little knowledge of the requirement for the publicity of the candidates' information before the election, and the majority could not tell the difference between either the competitive elections or non-competitive elections.

Second, from the responses, villagers do not care the elections of the committee. One aspect of this phenomenon is the low vote rate in elections. The average number that the interviewees voted in the elections is 4.95. However, only seven voted in all the elections, which means only 33.3% actively voted and participated in the elections. Only three interviewees responded that they had some idea as to the procedures of the election. Eighteen responded that they could not tell either what the standardized procedures are,

or how prior elections took place in the village. Villager SCG's attitude to elections represents many of the interviewees. He said in his interview,

I do not care that much about the elections now. When there is an election, the village members come to my home and tell me the time and place to vote. When I vote, I just vote quickly. I did not take any of the elections seriously. Sometimes I voted following the person ahead of me. Sometime even I myself could not remember who I voted for. (Interview with villager SCG, Village SH, Province of Sichuan, June, 16, 2011)

Another aspect is that the satisfaction of elections does not come from the elections themselves, but from the dissatisfaction with the malpractice of administrative appointment. In the responses to the question No. 7, only two responded that the election is an ineffective way to form the village committee, which means 90.5% support elections as the basis of the formation of the committee. However, when I continued to ask why they think elections are an effective method, the reasoning of their resonances was not well formed. Many of the interviewees associated the administrative appointment with the abuse of power by the village committee, such as the violence in collecting taxes and fees, as well as in collecting fines for breaking the one child policies—discontentment to this issue was common among the interviewees. Some responded that the corruption and abuse of authority in specific cases, while some expressed a general anger (Interviews with villagers, Village SH, Province of Sichuan, June, 12- 17, 2011).

At to that time, the township government was still assigning heavy work duties to the committee. It was relying on the committee to accomplish these tasks for them, such as collecting taxes and fees, enforcing the one child policies, and assessing fines to the families that had more than one child. To complete these tasks, township government required a person they trusted, and who had the ability to complete these. Therefore, the

township government normally chooses individuals with whom they had good relations with or those who were pretty rough at work, in hope that the committee could accomplish the tasks efficiently.

These types of appointments caused many problems. As the committee was only responsible to the township government, and the township government was not always aware what was happening in the village, the committees were unsupervised for the most time. This caused many problems in the management of village affairs. Abuse of authority was common. Spending of public funding was not audited. Violence in the work of the committee was not uncommon. Villagers were angry with the village committee, but they did not have any power to dismiss them from their position. These things have made the villagers associate administrative appointment with abuse of power. Therefore, when asked if they think the election is a good way to form the committee, most compared it with the administrative appointment, and, therefore, think it is much better than the appointment. However, when I continued to probe by asking what aspect of the election they think is good, they responded with an expression of disappointment with the elections.

Only a few interviewees responded with advantages of having elections. For example, villager SCG thinks that elections are fairer, more justified and more transparent compared with the administrative appointment (Interview with villager SCG, Village SH, Province of Sichuan, June, 16, 2011). In general, villagers respond that the election at least provides a chance to give their voice in the management of village affairs. However, these people only represent a small percentage of the villagers.

The villager's attitude to democratic elections can be explained. One of the most important reasons is that having elections has indeed not brought any changes to their lives. Among the answers to question No.8, only six provided positive responses. In other words, 15 did not think having elections created change in their life. The reasoning is even clearer from the answers to question No. 9. None of the interviewees responded that having elections could improve the management of the village affairs (three did not respond). Disappointment of democratic elections comes from the disappointment of elected village committees. Poor performance of the elected committee in the management of village affairs and the provision of public goods has made the villagers realize that elections are not effective in increasing village committee accountability. To get elected is one thing; when elected committee members will work on the management of villager affairs and the provision of public goods is another.

In the interviews, many of the interviewees complained of the work performance by the former committee: after being elected, the former committee did not actually spend much time on their work. In for former village committees, all the committee members migrated to cities for jobs or started their own small business in the town. They spent most of their time outside the village and left most of their work as committee members behind. This situation led to the lack of governance in the village and significantly decreased the legitimacy of both the elected committee and elections. For example, villager XYQ commented on how the former party secretary organized the regular villager's meetings:

he did not care about the meetings at all. He had a butcher shop in the county nearby. He even stopped the meetings because he had some big customers coming for pork. He was often late for the meetings. The notice said that the

meeting was at 2 o'clock in the afternoon, the party secretary would show up in 3 or 4 o'clock. It totally depended on when he would sell out the meat. All the villagers were quite unhappy about this. Less and less people showed up at the meetings. (Interview with XYQ, Village SH, Province of SH, June, 14, 2011)

These types of comments on the work performance of the former village committee are common in the interviews (Interviews with LRQ, LCJ and WBS, FSQ and XYZ, Village SH, Province of SH, June, 16, 2011).

Since the former Party Secretary was elected many times by the villagers, I also asked some of the interviewees why he continued to be elected with such poor work performance. A reason the villagers gave is that he was in that position for many years, and people were used to his style. He also has a big family in the village, which brings him a wide network of connections. Therefore, the villagers believed that he would win in every election, and nobody bothered to challenge him. Another important reason for which the irresponsible committee members could be elected is that the number of people that care about village politics become fewer and fewer due to the migration of labour force to cities. Although many of the villagers were not satisfied with the work performance of the former committee, they felt that they did not need to make an effort to force the committee members to be responsible. Since many now work in cities, and they only come back to the village once or twice a year, they felt that this issue did not influence their life. Although they knew that the committee members were not performing their duties, they kept quiet and just let this situation be.

Furthermore, the significant decrease of the authority of the village committee after the abolition of tax also contributes to villagers' low interest in elections. Before the abolition of agricultural taxes and fees, the abuse of authority by the village committee

directly affected villagers' interests. For example, the committee could collect various types of fees with different excuses given, and it would directly lead to the decrease of household income and the quality of the life of the villagers. In this situation, it is necessary for the villagers to elect someone who will not abuse authority. After the abolition, such necessity disappeared. Village committees do not now have right to collect any money from villagers. Villagers do not even need to worry about embezzlement of grain plantation subsidies by village committees, since all the subsidies are directly transferred from the provincial government to their bank accounts. Village committees only have responsibility to inform the villagers of the amount and the date of the subsidies.

These changes in the relationship between villagers and the village committee have led to the villagers care even less about the elections. For example, in the interview with villagers ZWB and LCY, they point out that the committee's roles in the village have been significantly limited since the abolition of the agriculture tax and fees. Both could remember that the committee was very powerful. The committee had right to collect money under the names of the taxes and fees. For those families that did not pay, they could confiscate their property. In such case, the committee often took away their harvest and their farm animals. However, all the villagers now know that the committee has no right to collect public funds from the villagers. Then, the villagers find that they are no longer afraid of the committee, and the committee has not been intervening in their life as much as before. For example, ZWB and LCY said that the only administrative responsibilities left to the committee are to fine the families that break the one child policy and to notify them when the subsidy for the rice will be allocated into their

accounts. ZWB said, “the committee has turned itself from an administrator to a servant.”<sup>57</sup> ZWB does not now worry about who are going to be the committee members. He has only voted once, and said he will not vote in future.

In conclusion, the democratization in Village SH is slow, although the democratic elections have been practicing for more than 20 years. This low-level democratization can be seen through three facts: first, villagers have little knowledge of democratic elections and the standardized procedure; second, villagers have little interest in elections, and most do not believe that elections can make the village committee accountable to their work. Two factors that contribute to their attitude include having elections for the formation of village committee has indeed not forced the village committee members responsible to their work. Some members are elected through strong personal connections. Once elected, they go to cities for jobs and not fulfilling their responsibilities as committee members. Another reason is that the significant reduction of the authority of the village committee after the abolition of agricultural taxes and fees marginalized the village committee’s position in a power relationship. Nowadays, villagers feel that those elected as village committee members does affect their lives, as the committee has been disempowered by the central government from collecting money. This change also reduces their interest in elections.

#### **4.3 The establishment of the co-operative and its impacts**

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<sup>57</sup> The original words for this translation are: 现在村务会也从个管理者变成了服务者了.

#### **4.3.1 The establishment of the co-operative**

The preparation work of the establishment of the cooperative started in 2009. One of the horticulturists in the township, YY, attended a conference of the new agricultural technologies in Beijing. In the conference, he was introduced to the agricultural cooperative model and was interested in how this model could take use of the fallow land left by the labour migration to cities. He consulted with some experts in cooperative from the China Agricultural University, and he thought it feasible to practice this model in the rural area of JY city. After returning to JY city, he organized a meeting to introduce the new model to all the village committee members in his serving area.<sup>58</sup> T and L, as the director of women's right and the head of the village, attended this meeting and showed their interests in this model. As the only village committee interested, YY decided to take on Village SH as a pilot village for this new model.

After receiving permission for the cooperative model in Village SH, YY began to look for suitable agricultural crops for the cooperative. As Chinese law for agricultural cooperatives requires agricultural cooperatives to specialize in one agricultural produce, to find a suitable farming crop is the only way that the cooperative could become registered under the government bureau. YY contacted a horticulture professor in the Sichuan Agricultural University through his own personal relationship and asked him to help to choose a suitable crop. The professor was looking for a location for his drought-resistant organic rice. The request from YY actually provided him a good location for his study. Hence, the collaboration formed rapidly, since all could benefit from the project.

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<sup>58</sup> Each horticulturist only serves a certain number of villages. However, the exact number of villages for each horticulturist was not known in this research.

The collaboration with two agricultural universities played an important role in guiding the cooperative. The committee members had no knowledge of how cooperatives worked. The experts on agricultural cooperatives went to the village and gave lectures on how to establish and maintain cooperatives, and how cooperatives work on a daily base. The formation of the managing and supervising boards was under the guidance of those experts.

The new technique brought by the professor from Sichuan Agricultural University also contributed to the successful establishment of the cooperative. Before the cooperative that Village SH has now, L attempted to organize the villagers to grow oranges. However, L did not succeed due to the lack of technical support. Therefore, when the L and T knew that they would receive technical support from a university, their biggest concern was relieved. From the interviews conducted with villagers, the new technology brought by the professor was well received in the community. The new technology maintained the yield of the land for rice. Moreover, it saved 70% of the water usage for the planting of rice, and it also saved farmer's spending on pesticide and chemical fertilizers, as these products have been replaced by other substitutes which are suitable for organic farming. Farmers that joined the cooperative and acquired this technology also think this technology improved their health by minimizing the usage of poisonous chemicals in the farming process.<sup>59</sup>

The practice of the cooperative began in 2009. The managing board (6 members) and the supervising board (2 members) were formed with the help of those experts. Although there is overlap between village committee and the managing board of the

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<sup>59</sup> Please see the review of the interview with LZG and the interview with WYZ and TZF.

cooperative, the cooperative is supposedly to run independently of the village committee and the village party system because the cooperative do not need to fulfill any of the political tasks assigned from above. In other words, the setup of the cooperative does not include any of the administrative system in the village. However, the officials of the village governance also take positions in the cooperative.

Planting of the organic rice began with production teams No.1 and No.2 because there were more farmers in these two teams who were willing to try this new technology. Most farmers from the rest seven teams chose to wait to see the result first. At the end of 2009, the yield of the rice showed that the new technology is quite suitable for Village SH. The price for the organic rice produced by in those two teams was sold at a rate three times higher than regular rice. The social profits brought from the organic rice were also evident. Many relatives of the farmers in production teams No.1 and No.2 came to ask for the rice, as they heard this rice is produced without any chemicals.

After seeing these good results, all production teams joined the cooperative in 2010, except production team No.9.<sup>60</sup> However, from interviews conducted with villagers in this team, it is apparent that they are content with the cooperative, and they are waiting for the cooperative to include more agricultural produce, such as organic vegetable and organic corn, and then they will be able to join, as well.

The cooperative was officially established in 2010. L and W went to the county-level government and registered the cooperative. The cooperative also received its official name, the NW Cooperative, through a managing board meeting. The cooperative was specialized to produce organic rice when it was registered, but it started to try some

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<sup>60</sup> Production team No. 9 cannot apply the cooperative for the time being because its land locates on high land, where rice cannot be planted.

other organic food, such as organic potatoes and organic canola. The cooperative includes 408 out of 504 households, 81% of the village. Although it met the requirement for an embracing organization given by Tsai, this percentage is actually quite high considering that many households have already moved out of this village and only left their Hukou under the village administration to receive governmental subsidies. According to T, the cooperative embraces most of the agricultural labour force in the village. All the members of the cooperative have their own land; therefore, they can work on their land under the guidance of the cooperative to meet the requirement for the production process. Moreover, some members who want to give up their land to the cooperative and ask other members to plant for them due to their advanced age or lack of labour force. In these cases, this of land is called common land. Other members could work on it collaboratively, and the cooperative will pay their work accordingly.

The cooperative does not ask for financial or material returns from its prospective members, only to complete an application form. Then, the managing board of the cooperative, in which all the village committee members are included, have to agree on their enrolment. Next, the cooperative members receive comprehensive training on what to plant, standardized planting, and its co-ordination for works, such as they might participate in the work on the common land. If they work only on their own land, the cooperative will purchase their produce at a fixed price (depending on market value) and will be in charge of the sales. The fixed price is normally better than what the peasants would get in market on their own. For the members that give up their land and ask the cooperative to plant for them they receive 150 kilograms of rice each year, and they also receive a percent of the profit of the sale of the crops planted on their land, called general

profit.<sup>61</sup> However, the profit rate is not fixed because the market situation can change quickly. The cooperative has to save enough for to invest for next year and some funding for future development.

Three kinds of relationships between the cooperative and its members exist: first, members give their land to the cooperative, and they do not participate in the production. Those members will get the general benefit. Second, some members plant crops on their own land under the guidance of the cooperative. These members get the net profit from the sale, while they need to pay a management fee per household.<sup>62</sup> Finally, members can also be hired temporarily for the work on the common land, and are paid by the day.

The cooperative organize the members by holding the regular meetings. These meetings have two functions: when the busy seasons come, the members acquire new techniques during these meetings, and the board members tell the members the news about the market information and the corps. When the slack season comes, all those in the cooperative discuss the gains and the losses during the last farming season, and they begin to design their plan for the next farming season. T mentions that the members not only talk about the agricultural staff, they also bring into the discussion information related with the management of the village. They often ask for the improvement of the road, the public sanitation, and other public goods. On average, the cooperative holds 7 regular meetings per month, though more meetings are held during the slack seasons than the busy seasons.

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<sup>61</sup> General benefit equals the net profit from the sale of the produce from their land deducts the management fees per household and the labour cost for the cultivation on their land.

<sup>62</sup> The management fee includes the daily spending and the cost for public agricultural devices, such as mosquito lamp.

#### **4.3.2 The impact of the establishment of the cooperative**

The establishment of the cooperative, especially the way it organizes the villagers and the way it organizes the farming has brought significant impact to the village. It has caused major changes in the village committee itself, the way in which the committee organizes the management of village affairs, the method for the communication between the committee and the villagers, and the relationship between the two.

The changes in the committee arose from changes in the work of the committee members. Before the establishment of the cooperative, all the committee members were working elsewhere, although they were still in their positions. For example, in the former committee, village head L, was working as a sale representative for a commercial insurance company, and the director of women's right T was selling fertilizer in the county nearby. The Party Secretary, WYS, was managing his butcher shop in the township, and the note-keeper was working as a construction worker in another city. Therefore, none of the member from the former committee are taking other jobs besides their work in the committee.

As the jobs in the village committee pay less than the jobs in cities, all the members did not spend much time in the village. The absence of the committee members resulted in many of the problems in the village were not promptly solved. For example, LCJ mentioned, "all the former committee members were busy for their own things: the party secretary was selling pork in the county, the village head was selling insurances and the head of the women's association was working in the cities. None of them was actually living in the village. If we have something need them to help us, there were not

approachable” (Interview with LCJ, Village SH, Province of Sichuan, June, 13, 2011).

Such situations made the villagers feel that the committee was not responsible for its work, decreasing its legitimacy.<sup>63</sup>

The establishment of the cooperative changed the situation by involving most of the committee members into its work. Two out of four committee members from last committee and three out four members from the current committee are actively involved in the management in the cooperative. As the workload at the cooperative is heavy, all the committee members quit their jobs in the cities and moved back to the village. Therefore, the committee members become more available when required to solve problems. Moreover, as the committee members work together most time in the cooperative, their work in the cooperative also increases the time for the committee members to discuss the management of village affairs. As pointed in his interview, T thinks that the work of the committee actually has been integrated with the work of the cooperative. He, L, and W discussed the issues from the committee work when they were working in the cooperative, and they also discussed the issues from the cooperative when they were working in the committee. Since they meet each other quite often after the establishment of the cooperative, most of the villagers’ problems are solved in time (Interview with T, Village SH, Province of Sichuan, June, 11, 2011).

The organizational method for the management of village affairs and the communication between the villagers and the committee members has also been changed by the cooperative. Before the establishment of the cooperative, village committee

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<sup>63</sup> The interviews with villagers show that most villagers are not satisfied with the work of former committee.

members came back to the village once or twice a year, mostly when there was a regular villagers' meeting, or there was an administrative mandate from the upper level government. If villagers have any issue, they have to wait for the return of those committee members. Since those members were absent most of the time, most issues were solved independently or were not solved at all. There was no chance for the villagers to hold the committee members to satisfy their need for public services either.

The establishment of the cooperative changed the situation. One of the most evident facts is that the number of the villagers' regular meeting has been increased tremendously. According to T, the committee holds approximately seven meetings each month. Compared with two meetings a year before the establishment of the cooperative (41 times more). The content of the meetings has also changed as the management of the cooperative is also integrated in the villagers' regular meetings. The villagers' previous regular meetings were mostly about passing the policies or administrative mandate to the villagers. Most villagers were not interested, so many of did not appear. The meetings now include useful knowledge, such as how to use agricultural technologies, recent market information on farming produce, and updates on the crops of the cooperative, besides the passing of policies and mandates. Villagers feel that these meetings are helpful for their farming, and most attend all the meetings. During the meeting, villagers are not passively listening to the committee members, but often actively participate. They give their opinions on the management of village affairs and propose demand for the public services, such as the improvement of the village road or the need for a better public sanitation (Interview with T, Village SH, Province of Sichuan, June, 11, 2011). This type of communication also takes place in the party members' meetings. However,

the party members' meetings are held only when there is a new party philosophy that needs to be studied, and it does not include all the members of the cooperative. The village committee members normally do not include much discussion of the management of the cooperative. While they usually check the situation of the crop plantation and the implementation of the political mandate with some production team leaders who are also the party members. The party members also talk about their concerns and their needs during the meetings. Therefore, it is not quite useful as the villagers' regular meetings.

Apart from formal communication, informal communication between villagers and committee members has also improved. One of the major types of informal communication takes place during collaborative farming. Since the cooperative decided to collect the fallow land in the village and organize the villagers to farm on it collectively, the committee members started to work with the villagers. The collective farming mobilized many of the villagers to join the collaborative work and made them believe that the current village committee wants to work for them. For example, WBS, FSQ and XYZ said in their interview that they joined the cooperative because they feel this organization minimized the inequality of the status between villagers and the committee members. They feel everybody is equal when they see the committee members joined them in collaborative farming and they appreciate this approach.<sup>64</sup> Similar comments could also be found in other interviews, such as the interview with LCJ. The equal atmosphere of collaborative farming encouraged the villagers to communicate with the committee members. Many of the interviewees mentioned that they often discuss the village affairs and their needs for public services with the

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<sup>64</sup> Interview with WBS, FSQ and XYZ, Village SH, Province of Sichuan, June 13, 2011.

committee members during the farming. This informal way of communication also helped to the village committee to realize what is needed by the villagers in terms of public goods. Another major type of informal communication is the household visiting. The three resident committee members often visit some households, especially the head of the production teams. Villagers often propose their demand for public goods and give their opinions to the committee members during these occasions.

All these changes above strengthened the relationship between the villagers and the committee. It brought great prestige to all people in the managing and the supervising boards of the cooperative. T and L, as members of the former village committee and also as the people who contributed the most in the cooperative, gained great support from the villagers. In last election, which took place in 2010, T and L were nominated by numerous of the villagers for the positions in the committee. The former Party Secretary, WYS, lost his eligibility to be nominated due to intervention from the township level government. W was elected with great support, as the villagers acknowledge her hard work in the cooperative. Others added as candidates by the township government did not receive any votes in the election. The result of last election shows how the work of cooperative influenced the politics in the village. The result that three persons from the managing board of the cooperative got elected also pleased most of the villagers. In the interviews, many expressed their satisfaction with the last election. The result of last election also made the governance of the village merge with the management of the cooperative. This mergence brings some important influences in the provision of public goods in the village. These influences will be discussed in the following section.

In general, the establishment of the cooperative has brought a great impact to the management of the village affairs. It has improved the performance of the village committee by engaging most of the committee members in its work and increasing their time to solve the villagers' problem together. Moreover, it has also improved the organizational method for the management of village affairs and the formal communication between the village committee and the villagers by holding many of meaningful villagers' regular meetings. Many villagers attend the meetings and actively participate in the discussions. Their concerns for the management of village affairs and demands for public goods are raised mostly in the discussion. Finally, it has also improved the informal communication between villagers and the village committee. As the cooperative organizes collaborative farming, many of the villagers are working with the committee members on the daily basis. The equal atmosphere during the farming encourages the villagers to pose their concerns, their problems, and their need for public goods. The frequent household visiting also increases the chances for the informal communication.

#### **4.4 Current public services in the village and the rationale for the provision**

The provision of public services in Village SH has been improved tremendously after the establishment of the cooperative. This section will present the current public services in the village, with most only beginning to be provided by the village committee after the cooperative was formed. The presentation also includes the mechanics and the rationale behind each public service.

#### **4.4.1 Public sanitation**

Since elected, the village committee members have been organizing the villagers to clean the public areas, such as the roads and the edge of the ponds. Villagers have recognized the huge improvement in public sanitation, and they are satisfied with the effort of the committee members. The way in which the village committee provides good public sanitation is not through collecting public funding and hiring sanitation workers. It organizes all the villagers to clean the public area in the village as well as their own yards.

T notes that the villagers are much more willing to clean the public areas than before. T thinks that there are two reasons for their high willingness. One reason is that many realize the harmfulness of dumping garbage to the environment after the courses on organic agriculture. Another reason is that the residents are more easily organized to clean the roads and the pond, as they now often work with each other. Before the collaborative farming started, T said, the villagers only cared about their own house, their own yard, and their own land. They did not want to pay any attention on the public area. They all thought that it was not only themselves who were suffering with the bad smell, but they all hoped their neighbours would act to clean it first.

The attitude of the villagers to public sanitation began changing when they began their collaborative farming. People started to discuss the bad public sanitation in the village during their work. They expressed their willingness to participate in the cleaning work if the committee starts to organize them. The committee members, upon being informed of this, decided to it would be a good time to organize the cleaning because the villagers had already taken interest. They found the villagers to be fairly easily mobilized.

If someone did not partake in the cleaning, other villagers would make jokes of his absence, and the absentee would feel embarrassed, and then feel obliged to contribute to the community. Each time the committee organizes the cleaning work, the villagers finish it quite well.

T also mentioned that he and other two committee members, L and W, would always do more than any of the villager in each cleaning. The reason he works hard is to provide an example for the villagers. He said that only after seeing the committee members take action would the villagers join. He also thinks that he has established his own prestige by doing so. The villagers realized that he wanted to do something beneficial for the community and started to trust him more than before. The trust that he gained from the villagers makes his work as both committee member and a member of the managing board of the cooperative much easier.

As to his motivation, T said that the first thing that urged him to improve the public sanitation was that numerous requests were raised during the regular meetings. The requests were proposed at almost every villager's regular meeting before they began the cleaning. He felt that this was an urgent need for the villagers. As he met those cooperative members frequently, he felt obligated to do something to solve this problem. Apart from this, he also realized that the production for organic foods needs a healthy environment. To improve the public sanitation is also to benefit their business.

#### **4.4.2 Road**

Rebuilding the village road is another of the villagers' major needs. This issue was raised many times during the regular meetings. The township government was

supposed to be responsible for building a concrete road to connect Village SH to the JNB Town. However, for various reasons, the road stopped just outside of the village. According to T, one rumour is that the survey conducted by a certain university was not accurate. It reported the shortest distance between the village and the town, rather the actual distance. Villagers believe that the reported distance was calculated from another end of the village in which no one lives. This reported distance resulted in the township-financed road stopping just outside the village. T thinks that this rumor might be true, but he also believes that a shortage of funds for the road might also have been a major reason. The current village road is still a quite rugged dirt road and it needs much input for its maintenance.

The current committee feels obligated to rebuild to village road. However, the former committee has disappointed the villagers on this issue, especially on the collection of public funding for the road. According to T, the former Party Secretary, WYS, decided to collect 210 RMB from each villager under the name of the village committee, but they did not accomplish anything. The funds collected were spent without any detailed financial report of the spending. Hence, many villagers felt that the former committee cheated them.

The new committee knows that difficulties exist inhibiting to initiate this project again. However, this current committee still wants to rebuild it. According to T, three reasons exist for this initiative: first of all, the villagers have demanded the rebuilding of the village road for a long time. If the current committee could finish it, it would gain much public support. Second, a better village road is also good for the development of the cooperative. Third, T himself feels obligated to rebuild this road. He said he has

promised the villagers to rebuild this road in the election. During work with other cooperative members and daily communication with the villagers, he has gradually realized that the rebuilding of the village road should be included in his work. If he does not honor his promise, he would feel embarrassed every time he meets with the cooperative members and the other villagers. I asked him that as one of the member in the former committee, why did he not feel obligated before? He replied that the former committee did not work closely with the villagers. They themselves, as committee members, did not do fulfill much of their committee responsibility. Instead, they were doing other things to earn their lives. They did not care that much about what the villagers need or what the villagers think about them. I then asked if he worried if the people would vote against him in the elections and then he would lose his position in the committee. He replied that originally not many of the villagers wanted to be committee members. All know that the entire committee was controlled by the party secretary WYS and the other members did not have any voice in the decision making process. And he was a hard person to get along with, so the positions were pretty secured for the other three committee members.<sup>65</sup>

The current village committee has taken action to maintaining the village road. It organized one collective construction project to fill the potholes with gravel. However, large-scale construction has not yet taken place due to financial limitations. L also mentioned that the committee would start the rebuilding project once they make adequate profit from the cooperative. The current committee is the first to actually take action to rebuilding the road.

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<sup>65</sup> Interview with T, Village SH, Province of Sichuan, June, 13, 2011.

#### **4.4.3 English classes in the village school**

Volunteers from Sichuan Agricultural University (SAU) and China Agricultural University (CAU) offered English classes to the students in the village primary school. A volunteer from CAU doing research on the institutions of the cooperative proposed the idea for this offering in early 2010. After staying in the village for two weeks, this volunteer thought he could do something else in his free time. He brought up the idea of an English class to the committee, to which committee agreed; all three resident committee members thought that this was a good thing. As T said, “the children in the village have less educational resources than the children in cities in the study of English. To offer them some free English classes would definitely be good for them. All the parents were happy to send their children to those classes. The class room was really full.”<sup>66</sup> Because Village SH is both one of the experimental regions for the farmers’ cooperative study and one of the experimental regions for the water conservation technique for the rice plantation, four to five university students come each year to do their research. Therefore, English classes have been offered continuously for a year. The village committee plays an active role in informing parents, arranging space, and supporting the university students with teaching tools for the class. Although the classes adds more burden to their work, all the committee members willingly to support it.

The social benefit brought by the English classes is the major reason for its support by the village committee. T thinks the classes boost the prestige of the cooperative. Both the cooperative members and other villagers realized that this

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<sup>66</sup> Interview with T, Village SH, Province of Sichuan, June 13, 2011.

organization could not only increase their income, but also bring social well-being. He adds, “I think the correct direction for the cooperative to take is the one that will comprehensively improve the quality of villagers’ lives.”<sup>67</sup>

#### **4.4.4 Different types of associations**

Three associations were established under the current village committee: the entertainment group, the senior citizen association, and the women’s association. According to T, the purpose of organizing the entertainment group was to enhance of the diversity of villagers’ means of entertainment. Before the formation of the entertainment group, the only popular entertainment in the village was gambling. T thinks that gambling is bad for the children in the village, and it often interrupts regular agricultural work. Hence, the current committee wants to provide the villagers better means of entertainment. The entertainment group includes most talented people in the village. It holds singing shows, comedy shows, and also some traditional folk performance to education the children on morality. T said all the performances are popular. Although gambling still exists, villagers feel that their cultural life has been enhanced.

The senior citizen association formed at the Chongyang Festival, a traditional festival for the seniors. The purpose of organizing the senior citizen association was to diversify the lives of the seniors. According to T, most of the young male labour has left the village to work in cities, and left their parents, wives and children behind. As most of

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<sup>67</sup>The original words for this translation “我认为合作社就是应该全方位提高村民的生活水平”.

the women left behind take on farming responsibilities, the seniors lead fairly boring lives. Many, especially among those who do not live with their children's families, feel lonely and helpless. Although their children may visit them once in a while, they still feel that there is nobody to care for them anymore. Some are still working the land; however, they produce far less than when they were fully able to farm.

The reason why the committee started to address this issue and came up with the idea of organizing a senior citizen association was due to the active roles of the seniors in the cooperative. As many older peasants feel the difficulties to continue farming, many are willing to give their land to the cooperative and allow them to plant organic foods. They benefit from their land, while they do not necessarily need to work on the land. They also participate occasionally in the collaborative farming, if they want and are paid by the day. They are also satisfied with growing organic foods, as they think the food produced by the cooperative is healthy. T said that most of the seniors put their health above all else, and they can readily get the organic food from the cooperative. Therefore, when the idea of the cooperative was introduced to them, many supported it and joined in the cooperative immediately. As the regular meetings are held frequently, the seniors have more opportunities to meet with each other than before. They are impassioned to attend the meetings, not only because the meetings inform them of farming news, but also because they can socialize with each other before and after meetings. As a result, their lives are more diversified, and they feel less lonely than before, realizing the beneficial changes brought up by the regular meetings, the committee thought that they needed to formally organize an association to enhance this. Then, the senior association was

formally established during the Chongyang Festival in 2010, a gift to seniors in the village.

The committee established the women's association at the Youth Day in 2011. The process of establishing this association was similar to that of the senior citizen association. However, the women's association emphasizes farming skills education for women who have become the dominant farming labour force in the village. The association also educates women on traditional morality in which women should treat their parents and their parents in law well.<sup>68</sup> T said that after the men left the village, domestic disputes between some women and their parents-in-law increased. He wishes some activities that aim to enhance the morality of the women would solve some of those problems. T also said that the committee wishes that the activities held by the association would reduce gambling among village women.

#### **4.4.5 The farmers' school**

The farmers' school was established in 2010. Two short terms training have been held since then. The first was to teach members about team spirit and collaboration, and the second was to teach knowledge of marketing of produce. The idea to establish the farmers' school was proposed by YY. YY is a horticulturist in the county-level government who is in charge of the farmers' cooperatives experimental regions. He supported the school by inviting two training experts from other institutions.

The school is well accepted by the members of the cooperative and the other villagers. According to T, the members think that what the school taught is a proper

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<sup>68</sup>The original word for this translation: “孝敬父母”.

supplement to the techniques they learned from the cooperative.<sup>69</sup> They also found the content of the trainings is quite interesting.

The reason for the provision of these public goods is to increase the integrity of the village and the cooperative. Before the establishment of the cooperative, each household worked only on their own land. Nobody cared about other people's business. T thinks that this is not only bad for the development of the cooperative but for the management of the village affairs. Therefore, he hopes that these public goods can increase the integrity of the village, and residents will feel more engaged in both the cooperative and the management of the village affairs.

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<sup>69</sup> The original word for this translation: “种植技术是硬件，这个农民田间学校教的是软件”.

## **Chapter 5 The Discussion of the Mechanism and the General Findings**

### **5.1 Encompassing and embedding**

How could the improvement of public goods in Village SH be understood with Tsai's model of solidary group? According to Tsai (2007), solidary groups have both shared interests and shared moral obligations. The reason for which the solidary group can hold the local governance accountable is due to the informal institutions of accountability it establishes. Different from the formal institutions of accountability, such as elections and performance contracts, which are officially authorized for the purpose of holding officials accountable, the informal institutions of accountability are created to maintain the solidarity of a social group and were not officially authorized or intended to enable citizens to hold government officials accountable but do so, nevertheless (p. 13). The solidary groups normally reward these members who meet the expectations with the status of high moral standing. This reward can bring increased personal prestige, self-respect, and can also be used as a potential administrative resource.

Tsai argues that to make a solidary group effective, it must be encompassing—(open to everyone) and embedded (incorporate local officials in its membership). Once the group has been established, it normally facilitate the conferral of moral standing by providing a set of standards for awarding moral standing and by organizing public activities and opportunities for people to demonstrate and publicize that their behaviour adheres to or even surpasses these standards. As the members in the group are expected to do what they can to contribute to the group, when local officials are embedded in the

group, the boundary of the group overlap with the administrative boundaries of the local government. Therefore, embedded local officials will have strong social obligation to do what they can to contribute to the good of the group (p. 14).

Tsai specifically analyzes the effectiveness of solidary groups in the provision of public goods in rural China. She argues that when the officials are embedded in solidary groups, an obvious attribute is to make sure that local government funds are used in the provision public goods:

Because under these conditions the groups and the public are same, officials in localities with encompassing and embedding solidary groups can earn moral standing for providing public goods. Under these conditions, officials who choose not to use public funds on public goods will be seen not only as bad officials but bad group members. Officials in localities with encompassing and embedding solidary groups thus have an extra incentive to provide public goods and services to their jurisdictions. (p. 14)

Moral standing is not the most crucial resources for the officials to stay in their position; however, it could become quite important for those that lack other kinds of political resources, such as funding, coercion, or useful connections outside their locality (Tsai, 2007). Tsai also thinks that when solidary groups are effective the public goods promoted by the solidary groups become synonymous with the public good of the citizenry.

In the case of Village SH, the farmer's cooperative plays the role of a solidary group. In this cooperative, all the members have a common interest, to develop the cooperative and ultimately increase their quality of life. They also share the same moral obligation cultivated in the community. Different from religious and lineage groups that have their moral obligations clearly written in a doctrine and are specifically stated, the shared moral obligation in the village is permeated in the villagers' daily lives. The villagers judge what is good and what is bad for their village. They also criticize and

discuss other villagers' behaviour and award to the ones with the best behaviour with high moral standing and punish the ones with the worst with low moral standing.

The organization of the cooperative in Village SH also makes it fulfill the requirements of effective solidary groups. The cooperative is open to all the villagers. There is no financial or technical requirement for villagers to join the cooperative; all that is required is to fill out an application form. According to T, the managing board approved all the applications received by the cooperative. No applicant has been rejected yet, although, at the beginning stage, the cooperative experimented only with two production teams. However, after the cooperative was established, it was opened to all villagers. The production team No. 9 has not officially joined the cooperative due to its geographical limit, but the villagers from this production team attend regular meetings and actively participate in all activities held by the village committee. The new projects of the cooperative will extend its crops, which will allow all the villagers in the production No. 9 join the cooperative.

The cooperative is also embedded. Although the setup of the cooperative does not intended to formally include any village administrative system or village Party system, it actually embeds both by having the village committee members take positions on its managing board. The managing board of the cooperative included two of four village committee members from the former village committee. In the current village committee, all three resident village committee members are in the managing board of the cooperative. Although there is still one member in the current village committee who has not joined the cooperative, his influence in the village committee has been minimized, since he left the village to work in the city. Moreover, the leaders of the production teams

joined the cooperative, and most of the resident villagers also joined the cooperative, including both Party members and non-Party members. Therefore, the village governance is embedded in the cooperative. Not only is the governing system of the village embedded in the cooperative, both the work of the village committee and the management of village affairs have also been integrated with the activities of the cooperative: the village committee members discuss both the issues in village management and in the cooperative at the same time; the villagers' regular meetings do not only pass the political mandates and policies but also include useful knowledge, such as how to use agricultural technologies, the recent market information on farming produce and the updates on the crops of the cooperative. Villagers also have an opportunity to discuss concerns and demands for public goods with village committee members during the collaborative farming. In general, it is quite evident that most governance of the village is already integrated with the activities of the cooperative.

The mechanism work encourages local officials to improve the public services in the village, enhancing village social network after the establishment of the cooperative, providing the foundation for the mechanics of solidary group to work. Before the establishment of the cooperative, the household-based farming system and the migration of the labour force from the village to cities weakened the village social network. From interviews with both villagers and village committee members, it is apparent that both the production process and the management of village affairs were based on individual households. Before the establishment of the cooperative, villagers minded their businesses only and rarely paid attention to other households.

Village committee members were also in the same situation. Facing demand for increased income, all the members in the former committee chose to put their work as village committee members aside and focus on generating income for their family by working in the cities. In such situation, the social network in the community was minimized. Such weak social networking led to a negative situation of effective moral obligations to the community. Although villagers could judge which villager was not acting morally if their behaviour did not meet the requirements of a standard of moral obligation or if their work performance did not meet a standard of an agreed set of moral obligations, their judgment did not affect those villagers and those committee members at all. Especially after many of the villagers left the community for work in cities, the binding force of morality became even weaker.

An example of the ineffectiveness of the binding force of the communal before the establishment of the cooperative is the work performance of the former Party Secretary, WYS. From the information collected in the interviews, the former party secretary was not considered as a good village committee member. The villagers were not satisfied with his frequent absences at work and in regular villagers' meetings. They also felt angry over the fact that WYS collected 210 RMB from each for the rebuilding of the village road and spent all the funding without explanation. Those complaints and criticism of WYS's work and his corrupt behaviour as part of the village committee did not affect his work and life at all. He was not pressured by the public and persisted in his corrupt behaviour.

This situation worsened after he opened his butcher-shop in a nearby township. Since he was living in the town most of his time, he cared even less about the recognition

from other villagers on his moral character and this contributed to his negative behaviour in the village committee.

After the establishment of the cooperative, the social network has strengthened. This strengthening process occurred in three ways. First, the social network among the village committee members was established and then strengthened after the establishment of the cooperative. From the interviews, all of the village committee members were working outside the village before establishment of the cooperative and a social network among them hardly existed. After the cooperative started, the work of the managing board of the cooperative engaged all three resident committee members and settled them in the village. As most of the work in the managing board is accomplished through the discussions among the board members, resident committee members work together most of the time. Therefore, the establishment of the cooperative facilitated the beginning of teamwork in the village committee. Moreover, evidence reveals that committee members' behaviour is mutually influenced.

Good work performance of some committee members can mobilize their co-workers. For example, W said she was moved and motivated when she saw T and L were engaged in the management of the cooperative and the committee. She said, "T and L could work in the cities, but both of them gave up the better life quality and returned to the village. All the villagers know that they want to do beneficiary things to the village. As a new elected member in the committee and also a board member of the cooperative, I feel mobilized. They have set me good examples, so I think we should work together to make our village better."<sup>70</sup> She also mentions that she was motivated when working with

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<sup>70</sup> Interview with W, Village SH, Province of Sichuan, June 11, 2011.

L and T. Their positive work ethic set a good example for her to follow. L said that he felt that the village committee works better when committee members work together.<sup>71</sup>

Second, the cooperative also enhances the social network between villagers and the village committee. This network has been strengthened through the activities that engage both villagers and village committee members. For example, the current village committee holds many more regular villagers' meetings after the establishment of the cooperative as the information to be passed to the villagers has increased tremendously. Villagers communicate with the committee members during the meetings, giving their opinions on the management of village affairs and also proposing demands of public goods to committee members. As there are approximately seven meetings each month, compared with fewer than 5 meetings per year in previous years, the communication between villagers and the village committee has significantly improved.

Other things contribute to improved communication; for example, many villagers mentioned that they communicate with the committee members during collaborative farming on the common land, as well as during household visits by committee members. Such frequent communication has formed a social network that embeds participants, especially village committee members. T mentions that a major reason for taking the rebuilding the village road serious is because he promised this to villagers in the election. Since they meet each other so frequent, if he could not honor his promise, he would feel embarrassed every time he sees them. This social network becomes even more evident if compared to the attitude of T in the current village committee and the former committee.

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<sup>71</sup> Interview with L, Village SH, Province of Sichuan, June 12, 2011.

In the former committee, he did not fulfill much of his work as the director of women's rights committee. As he was living in the city for most of his time, he did not meet the villagers often, and he did not feel the obligations he now feels. Therefore, we can see that the social network between the villagers and the village committee has been established and strengthened after the cooperative started.

Finally, the social network among the villagers has also been strengthened after the establishment of the cooperative. Although it is incorrect to say that there was no social network among the villagers before the cooperative, interviews show that such social network was frail. Villagers minded their own farms and were not active in maintaining public goods, such as public sanitation. Few activities engaged villagers; although the former village committee still held the villagers' regular meeting once or twice a year, few villagers attended as their influence was mitigated by WYS's negative behaviour.

Since the establishment of the cooperative, the number of activities that engage villagers has significantly increased, including important activities such as collaborative farming and regular villager meeting. From the interviews, evidence reveals that social networks among villagers have been strengthened through these activities. For example, when T was explaining the reasons for which the villagers are more mobilized in the work of public sanitation, he said villagers are willing to participate in the cleaning work because they feel obligated to do it now. "If someone did not participate in the work, they themselves would feel embarrassed when they work with the others in collaborative farming. Therefore, every time the committee organizes the residents to clean the public

area, the residents finish it quite well.”<sup>72</sup> Another piece of evidence is the socialization appearing before and after the regular villagers’ meetings. According to T, the senior villagers in the village actively participate in the meetings; not only are they interested in the contentment of the meetings; they also take the meetings as opportunities to socialize with other senior villagers, showing that the social network among the villagers has been strengthened.

Such strengthened social networks in the village provide a good space for the communal moral obligation to be effective. When moral obligation is effective in a village, it encourages both villagers and village committee members to behave according to its requirements. It awards those who obey its requirements with high moral standing. It punishes those who do not with criticism from the others. In the case of Village SH, the effectiveness of the communal, moral obligation can be found in the reasons for the improvement of the work performance of the village committee and enhanced village unity. As is mentioned above, T feels he is obligated to take the responsibility to rebuild the village road because he does not want to disappoint the villagers; W works hard in the village committee because she sees T and L’s excellent work ethic; the villagers actively participate in the cleaning work because they do not want to be made fun of by the other villagers while farming collaboratively if they do not. The background reasoning to these phenomena is that all will fulfill their communal, moral obligations because they want to receive other’s recognition as good members in the village social network. Many villagers choose not to do things that go against the communal, moral obligations, as they

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<sup>72</sup>Interview with T, Village SH, Province of Sichuan, June 11, 2011.

know they would be in an embarrassing situation if they did. Moreover, the communal, moral obligations award the good members with high moral standing.

High moral standing can be useful, particularly for the village committee members in their work. It could be used by the village committee members as the substitute for authority, which has disappeared after the abolition of the agricultural taxes and fee in mobilizing the villagers to follow their words. As L mentions that before the abolition of the taxes and fees, the villagers were afraid of the committee members because they collect money from them under various names. Since most of the villagers had fairly low household income, all worried about the abuse of the authority by the village committee members. Therefore, when the committee members asked them to do something, they normally complied. The abolition broke the village power structure.

As the committee members no longer have rights to collect money, villagers are not afraid of their authority. If the committee members still give orders, few villagers follow. In this new power structure, L found that the best way to mobilize the villagers is to provide good examples through their own actions. For example, in the maintenance of good public sanitation, the committee members are the ones who cleaned more than any other villager. He said, "If we do not take actions, no one would join us." Moreover, high moral standing can also encourage their co-workers. Then the entire organization could ultimately have high work ethic. As is shown above, W was moved by L and T's work in the committee and then she decided to work hard. Finally, high moral standing also brings committee villagers personal satisfaction. The high moral standing and public support they gain are to demonstrate one's value. For example, T mentioned he wants to do something good to the village. After he saw the life quality in the cities, he realized

that the gap between the two is huge. By seeing that many young people desperately migrate into the cities for jobs and a better life like him, he knows how hard their life is:

There is no use to admiring the people living in the cities. If we do not change our community, nothing is going to change. The poor will be still poor, and the disadvantages will still be the disadvantages<sup>73</sup> ...I am already in my late 40s, I want to do something meaningful to the village SH. I might not earning lot of money out of this cooperative. However, when I see all of the villagers are motivated to do something, I feel the significance of my work. I feel that I have a sense of purpose so that I am not just wasting my existence.<sup>74</sup>

To ensure that the establishment of the cooperative is the only reason causing the strengthening of the social network in the village, I asked the villagers that stayed if there is any lineage group or religious group in the village. I was told that there is a lineage group activity called *Qingming Hui* held once a year in the village. This activity is an inter-community activity. Villagers with the same surname from the villages nearby meet each other to have a banquet at *Qingming Festival*. A purpose of this activity is to introduce the younger generation to the older generation and to educate them to respect the older generations within this lineage group.

Another purpose for this activity is to remember their common ancestries. I included a question in the interviews for both the village committee members and the villagers to see if they think the Qingming Festival Banquet has effect in strengthening the social network in the village. The result shows that most of the interviewees think that the Qingming Banquet does not have strong effect on strengthening the social. In interviews with committee members, T and W specifically said that they do not think the

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<sup>73</sup> The original words are “羡慕城里面的人的生活还不是没用，如果我们不努力改变哈农村的现状，以后该穷的还不是穷，该弱的还不是弱”。

<sup>74</sup> The original words is “我现在都40好几的人了，我还是想做点对我们SH村有益的事情。即使我们这个合作社不赚钱，让大家组织起来也是个好消息。我也感觉的到我的工作还是有点作用，我也不白在这个世上走一遭”。

banquet has any effect. L did not give his opinion on this issue. In interviews conducted with villagers, 16 out of 21 interviewees think that the Qingming Festival Banquet does not have any effect on strengthening the social network in the village. Another five interviewees did not give their answer because they have not attended any of the banquets because their surnames are not popular in the region. Statistically, 76.2% of the responses think the banquet has little influence on the village social network, while all the interviewed villagers that attended the banquet do not think it is effective at all. Therefore, the percentage for the actual percentage of negative response on this issue is 100%. Hence, the lineage group activity in the village does not affect the social network.

In general, the cooperative in Village SH presents a case of how the mechanics of solidary groups work. The social network of the village has been strengthened after the establishment of the cooperative. The enhanced social network provides a good space for the communal moral obligation to be effective. All the people in the network want to be recognized by the other as “good members” and try not to do something against it and embarrass themselves in the process. Therefore, embedded village committee members play active roles in the provision of public goods and provide good examples to the villagers in their own actions in the public activities such as the cleaning work for the public sanitation. Embedded villagers actively follow committee members, and they also supervise other villagers. Recognition of high moral standing is awarded to committee members and “good” villagers. However, the moral standing is particularly useful to the committee members. It can substitute the loss of their authority caused by the abolition of the agricultural taxes and fees. It also can encourage their co-worker and, ultimately, help the organization maintain high work ethics. Moreover, the high moral standing also

brings the committee members self-satisfaction. The high moral standing and the public support they gain are to demonstrate one's value.

## **5.2 Other incentives**

Except the incentives provided by the communal moral obligations, this research also found other incentives for the village committee members to improve the provision of public services in Village SH.

The outlook of the cooperative encourages the committee members to increase the provision of public services and the existence of the cooperative influences the committee member in prioritizing certain types of public services. In the interview with T, he said,

I think that the cooperative has a brilliant future and I believe I could have a good career. By outlook such a good picture, I would love to work for this cooperative and the village because the cooperative has already integrated more than 80% of the villagers into it. To do something that benefits the cooperative also benefits the majority of the villagers. As to the provision of the public goods, I think the goods, such as road and the public sanitation directly benefit both the villagers and the cooperative. To increase the provision of such public goods actually enlarges the welfare of both the villagers and the cooperative. I believe that the village committee certainly should work hard on how promote those goods. For those services that do not directly benefit the cooperative, such as the free English class to the children and the women or the senior association, I guess that the villagers will have more enthusiasm when they feel that their leaders really care about them. It is a good way to boost villagers' morale for work. (Interview with T, Village SH, Province of Sichuan, June, 11, 2011)

L thinks that there is the possibility that the rebuilding of the village road might be funded by the cooperative (Interview with L, Village SH, Province of Sichuan, June, 12, 2011). Hence, L believes that the cooperative has its financial capability to fund the road in future. From these two interviews, it is revealed that the committee members believe that to increase the public services in the village is beneficial to both the villagers and the

cooperative in the long turn. In choosing which public goods should be prioritized, those services that are demanded by the villagers and the development of the cooperative are to be provided first. However, the financial limit often delays the delivery process. The most typical example is the rebuilding of the village road.

The committee members' personal work experience, life experience, and the work of some officials from upper level also encourage them to increase the provision of public services in the village. T said his own work and life experience in cities made him realize the huge difference of the life quality between rural area and urban cities. He also knows that to live in cities is difficult as migrant workers. When he see many young people desperate to migrate to the cities for work, he feels sad because he knows what situations they are going to face. He returned to the village in 2010 because he could not find any suitable job due to health issue. He thinks that the fundamental method to keep the young people in the village is to narrow the difference between rural and urban living. However, he thinks that it is the village that should take on this responsibility. He said in his interview, "there is no use to admiring the people living in the cities. If we do not change our community, nothing is going to change. The poor will be still poor, and the disadvantages will still be the disadvantages" (Interview with T, Village SH, Province of Sichuan, June, 12, 2011).

The interview with L shows that the support from YY, a horticulturist in the township level government, provided him incentives to devote his energy in the cooperative, "YY not only brought the village the technical experts, but he also gives the cooperative and the committee a lot of courage by his frequently visiting and helpful communication with other counterparts" (Interview with L, Village SH, Province of

Sichuan, June, 12, 2011). Although L did not say that YY's work encourages him to provide more public services, it is helpful to consider that this encouragement as one of the factors that embedded L into the cooperative.

### **5.3 The change of the power relationship in the village**

From the field research data, the village seems quite harmonious and peaceful. This phenomenon is different from what has been suggested by some scholars. For example, Cheng and Wu (2006) told stories of abusive village cadres, the corruption of local governance, severe violence and injustice in the rural area of Anhui province. Yep (2002) noticed the numerous cases of uprising in rural China caused by unregulated charges to peasants, the abuse of authority by local officials, and the inefficiency and the corruption of local government. Why this village is so peaceful and harmonious? Have the abusive village officials already disappeared? Are there any other factors that can cause problems in the village, such as criminal elements or land grabbing?

I think the change in power relationship brought by the establishment of the cooperative is a major part of the reason. However, before I analyze these changes, I should clarify that it is also important to recognize the limitations of the data of this study. As a outsider in the village, I might not be able to fully discover the sensitive parts of the power structure in the village, including the conflicts between villagers and the village officials, the problems caused by criminals, and so on. Those facts, if they exist, are difficult to be informed of as a student researcher who is incapable to solve these problems in villagers' eyes. When villagers were interviewed, they might have skipped those stories because they are considered too sensitive. Therefore, there might be cases of

authority abuse or criminal cases that were not revealed by this study, but, as far as the data shows, there is no apparent abuse of authority and criminality in the village.

From the collected data, the power relationship has been significantly changed in the village; a major reason is the establishment of the cooperative. Although two committee members established the cooperative, it cannot be organized without the participation of the households in the village. This is determined by the fact that rural village households control the means of production. Different from countries where arable land can be transacted, the land in rural China is equally distributed to each household and the land transaction is not officially allowed, and is redistributed only every several years, if there are major changes in the village, such as some household leaving the village, villagers dying, etc. Moreover, the labour force, which the cooperative needs, totally depends on the participation of the village households. The fact that village households control these two productive factors gives them leverage in the households versus the cooperative relationship. From interviews with L, T, and WYX, they all wish that all the village households could join the cooperative because it needs their land and their labour force.

As the core members of the managing board of the cooperative are also the members of the village committee, the situation of the household v. the cooperative relationship surely extends to the villagers v. the committee relationship. Villagers, therefore, have more leverage than before when they are dealing with committee members. As they are in the dominant position, they are more likely to make known their need for public goods and opinions about the management of village affairs to village committee members. As village committee members who are also the managing board

members of the cooperative need to convince the village households to contribute their land and labour to the cooperative, they are more likely to listen to the villager opinion and to satisfy their needs and solve problems. Moreover, as is mentioned above, good performance of the village committee brings moral rewards to the committee members. These rewards promote their personal images among the villagers, which also make their work both as managing board members and committee member easier.

Apart from the establishment of the cooperative, the abolition of agricultural taxes and fees also has contributed to the change of the power relationship in the village. It has significantly reduced the authority and functions of village committee. Therefore, it has automatically reduced the chance of authority abuse for the committee. For example, from the interviews, villagers still complain about the abuse of authority by former Party Secretary, WYS, such as he collected public funding without a transparent process and spending reports. These types of complaint do not appear to the current village committee because the village committee is not allowed to collect funding from the villagers.

In general, apart from the data limitation of this study, there is no apparent case of authority abuse and criminality in the village. As the cooperative needs village households to contribute their land and labour force, the villagers actually become dominant in the villagers v. village committee relationship. Moreover, the abolition of agricultural taxes and fees significantly decreased the authority of the village committee, which automatically led to fewer chances for authority abuse.

## 5.4 General findings

Below are several findings of this case study. It is important to understand that these findings have a specific social background; to extend these findings to other rural communities without considering their specific social settings would be incorrect.

However, rural communities that have similar social settings as Village SH may learn from these findings, especially how communal moral obligations would be effective and a mechanism through which a farmers' cooperative embed local governance in it and improves the provision of public services in the village.

**Finding one:** Although democratic elections were introduced to the village more than 20 years ago, the level of village democratization is still low, as seen through three factors: first, villagers have little knowledge of democratic elections and the standardized procedure; second, villagers have little interest in elections, and most do not believe that elections make the village committee accountable. Two factors contribute to their attitude. One, having elections for the formation of village committee has indeed not forced village committee members to be responsible to their work. Some members are elected through strong personal connections. Once elected, they went to cities for jobs and did not fulfill responsibilities as committee members. Two, the significant reduction of the authority of the village committee after the abolition of agricultural taxes and fees marginalized the village committee's position in the power relationship. Nowadays, villagers feel that elected village committee members do affect their lives anymore as the committee has been disempowered by the central government. This change also reduced their interest in the elections.

**Finding two:** The farmers' cooperative in Village SH engages most of the villagers.

First, it is important to recognize that this cooperative is a good business entity. Its produce is well accepted by villagers, and it also gets technical supports from the outside resources. The benefit brought by the cooperative satisfies the villagers in the first place, and this became the foundation for the cooperative to enhance the social network in the community. If the cooperative was not successful, its effectiveness in improve the social network in the community would not exist.

**Finding Three:** The establishment of the cooperative has brought a huge impact in the village: it improved the performance of the local governance—the village committee. It also enhances the organizational method for the management of village affairs by strengthening both the formal and the informal communication between the village committee and the villagers. It also tremendously increases the provision of public goods in the village. Five major public services are provided in the village, and most only began to be delivered after the establishment of the cooperative.

**Finding Four:** The mechanism through which the provision of public services has been improved in the village can be well explained by the model of solidary group. The social network of the village has been strengthened after the establishment of the cooperative.

The enhanced social network provides a good space for the communal moral obligation to be effective. All the people in the network want to be recognized by the other as “good members” and try not to do anything against it because they know they might throw themselves in embarrassing situation if they do it. Therefore, embedded village committee members play active roles in the provision of public goods and provide good examples to the villagers in their own actions in the public activities, such as the

cleaning work for the public sanitation. The embedded villagers actively follow the committee members, and they also supervise other villagers. The high moral standing is awarded to the committee members and the “good” villagers. However, the moral standing is particularly useful to the committee members. It can substitute the loss of their authority caused by the abolition of the agricultural taxes and fees. It also can encourage their co-worker and ultimately help the organization maintain high work ethics. Moreover, the high moral standing also brings the committee villager’s personal satisfaction. The high moral standing and the public support they gain are to demonstrate one’s value.

**Finding Five:** Other factors provide the village committee members incentives to increase the public services in the village. The outlook of the cooperative encourages the committee members to increase the provision of public services and the existence of the cooperative influences the committee member in prioritizing certain types of public services. The public goods that benefit both the villagers and the cooperative are given higher priority than other public goods. However, the actual provision of the service might be constrained by some limits, such as a lack of funding. The committee members’ personal work experience, life experience and the work of some officials from upper level also encourage them to increase the provision of the public services in the village. This study does not go further to examine to what extent the influence of these factors exists. However, it is incorrect to ignore these factors as they apply to the situation.

**Finding Six:** The establishment of the cooperative changed power relationships in the village and increased harmony. Because the cooperative needs land and labour force from the village households, villagers become the dominant in the villager v. village committee

relationship. The village committee members, as well as the managing board member of the cooperative, increased public services to meet villager need, to promote the image of the cooperative, and also to obtain the moral rewards for them. Moreover, the abolition of agricultural taxes and fees also contributes to the harmoniousness of the village.

## **Chapter 6 Conclusion and Suggestions**

### **6.1 Conclusion**

This study began by recognizing the development problem of the provision of public goods and services having significantly declined after the decentralization process in both developed and developing countries. Especially in developing countries, local-level governments have not performed as well as expected after responsibilities are shifted from the state level. This poor performance has led to the failure of the provision of public services in many countries. With the recognition that the decentralization process will not end soon, most of current research claims that the solution to this problem is to establish well-functioning democratic systems in these regions. However, this process, especially the democratization process in rural areas, may takes a long time. Rural areas normally have a high concentration of the poor and need the public services the most.

With this seeming conundrum noted, this study attempts examine if a mechanism exists through which the performance of local governance can be ameliorated in terms of public services in a less democratic social setting. Inspired by Tsai's (2007) theory of solidary group, this thesis focuses on a case in which a rural village government has significantly increased the provision of public services after the establishment of a farmers' cooperative in a less democratic social setting. As this research is attempting to understand and explain this mechanism, the central question of this thesis is: how and to what extent can a farmers' cooperatives embed in local governance and make

improvements the provision of public goods in a less democratic social setting, such as rural China?

The case of Village SH reveals that local governance can perform well and play an active role in providing local residents various types of public services, even in a less democratic social setting. In the case of Village SH, the improvement of the village governance is largely ascribed to the establishment of a farmers' cooperative. The well-established farmers' cooperative in the village engages most of the local residents, embeds the local governance, and strengthens the social network within the community through its organization. The strengthened social network provides the communal, moral obligations a good space to become effective in encouraging local officials to increase the provision of public services in their community. In doing so, officials receive moral rewards, and these rewards can increase their prestige and make their work in both village committee and the farmers' cooperative easier. Other incentives include the outlook of the development of the cooperative and the personal life experience of the local officials. They also provide local officials incentives to improve the public services in the village.

## **6.2 Recommendations**

After understanding the mechanism through which the performance of the village governance has been ameliorated in a less democratic social setting, this study provides the following recommendations:

**Recommendation 1:** although the argument that the provision of public services after the decentralization needs a well-functioning democratic system has its merits, it is important

to understand that the democratization process takes a long time, especially in rural area. This study, which shows a case of the improvement of public services in a less democratic social setting, suggests that there may be other factors that can contribute to local government's performance in terms of public services. Emphasizing purely the importance of democratization might lead to the ignorance of these factors. Although this study does not deny that the effects of well-functioning democratic system in improving local government's performance long term, the recognition of these factors can be helpful in ameliorating public services before the establishment of the system. As mentioned above, those regions are normally regions that need these services the most.

**Recommendation 2:** having only mechanisms for mobilizing local officials to increase the provision of public services are not enough, the resource for public services is also critical. In this study, the importance of the resources to the improvement of public services is not pronounced because many of the services do not require many resources, especially the financial resource to resume. However, it is easy to imagine the criticality of resources when it comes to the construction of infrastructure. This study still reveals, in the case of Village SH, that the decentralization of responsibilities should go hand-in-hand with the provision of sufficient means for local government to get resources to fulfill these responsibilities. The discussion of the mechanism for the improvement of public services is valuable in the situation where local government has sufficient means for getting resources, but it lacks of incentives to ameliorate its performance. Without the sufficient resources, even if local government has incentives to improve the provision of public goods, it cannot successfully implement it.

Finally, it is also important to understand that this mechanism has its own specific social setting. In conclusion, general findings and the recommendation of this case study can be valuable to those communities that have similar social settings as Village SH.

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## **Appendix 1**

### **Organic Law of the Villagers' Committees of the People's Republic of China (2010 Revision)**

**CLI.1.139685(EN)**

**Date Issued: 10-28-2010**

**Effective date: 11-04-1998**

**Issuing authority: Standing Committee of the National People's Congress**

**Area of law: Civil Affairs**

**Recited from: <http://www.lawinfochina.com/display.aspx?lib=law&id=8445>**

Order of the President of the People's Republic of China  
(No.37)

The Organic Law of the Villagers' Committees of the People's Republic of China, as amended, was adopted at the 17th Meeting of the Standing Committee of the 11th National People's Congress of the People's Republic of China on October 28, 2010, is hereby promulgated, and shall come into force on the date of promulgation.

Hu Jintao, President of the People's Republic of China  
October 28, 2010

Organic Law of the Villagers' Committees of the People's Republic of China  
(Adopted at the 5th Meeting of the Standing Committee of the 9th National People's Congress on November 4, 1998 and amended at the 17th Meeting of the Standing Committee of the 11th National People's Congress on October 28, 2010)

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## **Chapter I General Provisions**

**Article 1** To ensure the self-government by villagers in the countryside so that they can administer their own affairs by law, develop grassroots democracy in the countryside, protect the legitimate rights and interests of villagers and facilitate the building of a socialist new countryside, this Law has been formulated pursuant to the Constitution.

**Article 2** A villagers' committee is a mass organization of self-government at the grassroots level, in which villagers administer their own affairs, educate themselves and serve their own needs and in which election is conducted, decision adopted, administration maintained and supervision exercised by democratic means.

A villagers' committee shall manage the public affairs and public welfare undertakings of the village, mediate disputes among villagers, help maintain the public order, and convey villagers' opinions and demands and make suggestions to the people's government.

A villagers' committee shall be responsible and report to the villagers' assembly or the villagers' representatives' assembly.

**Article 3** Villagers' committees shall be established in light of the residential distribution and population size of villagers and on the principle of facilitating self-government by the mass, economic development and social management.

The establishment or dissolution of a villagers' committee or a readjustment in the area governed by it shall be proposed by the people's government of a township, a minority ethnic township or a town and submitted to the people's government at the county level for approval after it is discussed and approved by the villagers' assembly.

A villagers committee may, on the basis of the residential distribution of villagers and the collective ownership relationships of land, establish a number of villagers' groups.

**Article 4** The grassroots organizations of the Communist Party of China in the countryside shall work in accordance with the Constitution of the Communist Party of China, play its role as the leading core, guide and support villagers' committees' exercise of functions and powers, and, under the Constitution and the law, provide support and security for villagers to conduct self-government activities and directly exercise their democratic rights.

**Article 5** The people's government of a township, a minority ethnic township or a town shall guide, support and help villagers' committees in their work, but may not interfere with the affairs that lawfully fall within the scope of self-government by villagers.

Villagers' committees shall assist the work of the people's governments of the townships, minority ethnic townships and towns.

## **Chapter II Composition and Duties of Villagers' Committees**

**Article 6** A villagers' committee is composed of 3 to 7 members, including a chairman, vice-chairman (vice-chairmen) and members.

The members of a villagers' committee shall include at least one female. In a village where people from more than one ethnic group live, they shall include a member or members from the ethnic group or groups with a smaller population.

Members of a villagers' committee may be provided with appropriate subsidies, if necessary.

**Article 7** A villagers' committee may, when necessary, establish sub-committees for people's mediation, public security, public health, family planning, etc. The members of the villagers' committee may concurrently serve as members of any sub-committee. The villagers' committee in a village with a smaller population may assign members to be respectively responsible for people's mediation, public security, public health, family planning, etc. instead of establishing sub-committees.

**Article 8** Villagers' committees shall encourage and organize villagers to develop various forms of cooperative economies and other economies, serve and coordinate the production of their villages, and promote the production, construction and economic development in rural areas.

A villagers' committee shall manage the land and other property owned collectively by farmers of the village, and lead villagers to rationally utilize natural resources and to protect and improve the ecological environment.

A villagers' committee shall respect the decision-making power of the collective economic organizations in conducting their economic activities independently according to law, safeguard the dual operation system characterized by the combination of centralized operation with decentralized operation on the basis of contractual operation by the household, and ensure the lawful property rights and other lawful rights and interests of the collective economic organizations, villagers, lease-holding households, associated households, and partnerships.

**Article 9** Villagers' committees shall publicize the Constitution, laws, regulations and state policies among villagers; educate and urge them to fulfill their obligations as prescribed by law and to cherish public property, maintain their lawful rights and interests, develop culture and education, popularize scientific and technological knowledge, enhance the equality of men and women, do a good job in family planning, promote the unity and mutual assistance between villages, and carry out various forms of activities for the building of the socialist spiritual civilization.

Villagers' committees shall support the lawful activities of the social organizations bearing the nature of service, public welfare and mutual assistance so as to facilitate community building in rural areas.

In a village where people from more than one ethnic group live, the villagers' committee shall help the villagers understand the importance of enhancing unity, mutual respect and mutual assistance among different ethnic groups, and give them guidance in this respect.

**Article 10** A villagers' committee and its members shall observe the Constitution, laws, regulations and state policies, abide by the villagers' charter of self-government as well as village regulations and folk constitutions and organize the implementation thereof, and execute the decisions or resolutions of the villagers' assembly or villagers' representatives assembly. They shall be impartial in handling affairs, honest in performing duties, warmhearted in serving villagers and subject to the supervision of villagers.

### **Chapter III Election of Villagers' Committees**

**Article 11** The chairman, vice-chairman (vice-chairmen) and members of a villagers' committee shall be directly elected by villagers. No organization or individual may designate, appoint or replace any member of a villagers' committee.

The term of office of a villagers' committee is three years, and a new committee shall be elected at the expiration of the term of office without delay. Members of a villagers' committee may continue to hold office if reelected.

**Article 12** Election of a villagers' committee shall be organized by a villagers' electoral committee.

A villagers' electoral committee is composed of a chairman and members who shall be elected at the villagers' assembly, the villagers' representatives' assembly or the villagers' group assembly.

A member of the villagers' electoral committee shall quit from the electoral committee if he/she is nominated as a candidate for a member of the villagers' committee.

Where a vacancy appears in the villagers' electoral committee as a member quits from the committee or due to any other reason, the vacancy shall be filled in the proper order of the original election results, or another election can be held.

**Article 13** Any villager who has attained to the age of 18 shall have the right to elect and stand for election, regardless of his/her ethnic status, race, sex, occupation, family background, religious belief, education, property and time of residence, with the exception of those who have been deprived of political rights in accordance with law.

Before an election is held for a villagers' committee, the following persons shall be registered on the roster of villagers participating in the election:

1. Villagers whose registered permanent residence is in the village and who reside in the village;
2. Villagers who do not reside in the village although their registered permanent residence is in the village but have expressed the will to participate in the election; and
3. Villagers who have resided in the village for one year or more although their registered permanent residence is not in the village, have applied for participating in the election, and have been approved by the villagers' assembly or villagers' representatives assembly.

A villager who has already registered for election in the village where his/her registered permanent residence is located or where he/she resides may not participate in the election of the villagers' committee of another place.

**Article 14** The roster of villagers participating in the election of a villagers' committee shall be published by the villagers' electoral committee at least 20 days prior to the election day.

Anyone who has demur to the roster of villagers participating in the election may make an appeal to the villagers' electoral committee within 5 days after the roster is published, and the villagers' electoral committee shall make a handling decision and publish the handling result within 3 days after receiving the appeal.

**Article 15** For the election of a villagers committee, candidates shall be nominated directly by villagers who have been registered for election. When nominating candidates, villagers shall proceed from the interest of all villagers and select those who respect justice, abide by the law, have good conduct, be fair and decent, be dedicated to the

public welfare undertaking and have received certain educational and has working ability. The number of candidates shall be larger than the number due to be elected. The villagers' electoral committee shall organize candidates to meet with villagers, introduce their plans for performing duties after holding office and answer the questions of villagers.

The election of a villagers' committee shall be valid if more than half of the villagers who have been registered for election cast their votes; a candidate shall be elected only if he/she wins more than half of the votes. If the number of elects is less than the number due to be elected, another election shall be held for those vacancies. In that case, among persons not elected in the first election, those with more votes shall be candidates, and among these candidates, those with more votes in the second election shall be elected, provided that their votes shall account for at least 1/3 of the total votes that have been cast.

The election shall be conducted by secret ballot and open vote-counting; the outcome of the election shall be announced on the spot. During the election, booths shall be installed for voters to write their ballots in private.

Where any villager participating in the election cannot vote due to absence may authorize in writing a close relative of his or hers who has the right to vote in the village to vote in his or her stead. Both the principals and agents shall be published by the villagers' electoral committee.

Specific electoral measures shall be formulated by the standing committees of the people's congresses of the provinces, autonomous regions and municipalities directly under the Central Government.

**Article 16** A group of at least 1/5 of the villagers who have the right to elect or at least 1/3 of the villagers' representatives may propose the recall of a member of the villagers' committee. In the proposal, the reasons for recall shall be stated. The member of the villagers' committee proposed to be removed from office shall have the right to present a statement in his own defense.

A proposal for the recall of a member of the villagers' committee shall be adopted only if at least half of the villagers who have been registered for election cast their votes and at least half of voters vote for it.

**Article 17** If a person is elected as a member of a villagers' committee by violence, threatening, deceiving, bribing, forging ballots, falsely reporting the number of ballots or other illegitimate means, his/her election shall be invalidated.

If a person, by violence, threatening, deceiving, bribing, forging ballots, falsely reporting the number of ballots or any other illegitimate means, hinders villagers' exercise of the rights to elect and to stand for election and thus disrupts the election of a villagers' committee, villagers have the right to report against him to the people's congress and the people's government of the township, minority ethnic township or town, or to the standing committee of the people's congress and the people's government at the county level or the competent department thereof, and the people's government at the township or county level shall be responsible for investigating the matter and handling it in accordance with law.

**Article 18** The office of a member of a villagers' committee who loses the capacity of conduct or is sentenced shall be automatically terminated.

**Article 19** A by-election can be held by the villagers' assembly or the villagers' representatives' assembly if there is any vacancy in the villagers' committee. The by-election procedure shall be analogically governed by Article 15 of this Law. The term of office of a member elected in the by-election shall end along with the expiration of the term of the villagers' committee.

**Article 20** A villagers' committee shall finish the handover within 10 days after a new villagers' committee is formed. The handover shall be organized by the villagers' electoral committee and supervised by the people's government of the township, ethnic township or town concerned.

#### **Chapter IV Villagers' Assembly and Villagers' Representatives Assembly**

**Article 21** A villagers' assembly is composed of villagers at or above the age of 18 in the village.

A villagers' assembly shall be convened by the villagers' committee. A villagers' assembly must be convened if it is proposed by 1/10 of villagers or 1/3 of villager representatives or more. Villagers shall be notified at least 10 days before a session of the villagers' assembly is held.

**Article 22** A villagers' assembly shall be convened with the participation of at least half of the villagers at or above the age of 18 or at least 2/3 of households in the village, and every decision made by the villagers' assembly shall be adopted by a majority vote of the

villagers present. If there are different provisions on the convening of villagers' assemblies and their decisions, such provisions shall apply.

If necessary, representatives of enterprises, institutions and mass organizations located in the village may be invited to observe the villagers' assembly.

**Article 23** A villagers' assembly shall review the annual work report of the villagers' committee, evaluate the performance of the members of the villagers' committee, and have the power to cancel or modify any inappropriate decision made by the villagers' committee or the villagers' representatives' assembly.

A villagers' assembly may authorize the villagers' representatives' assembly to review the annual work report of the villagers' committee, to evaluate the performance of the members of the villagers' committee and to cancel or modify any inappropriate decision made by the villagers' committee.

**Article 24** The following matters that involve the interests of the villagers shall be dealt with only upon the villagers' assembly's decision through discussion:

1. The number of persons who enjoy subsidies for loss of working time in the village and the rates for such subsidies;
2. The use of proceeds from the collective economy of the village;
3. Proposals for developing public welfare undertakings, raising funds, gathering labor forces and contracting construction projects in the village;
4. Land contracting plans;
5. Proposals on the initiation and contracting of collective economy projects of the village;
6. Proposals on the use of residential land lots;
7. Proposals on the use and distribution of land-use compensation fees;
8. Disposal of the collective property of the village by lending, leasing or any other way; and
9. Other matters involving villagers' interests which the villagers' assembly believes should be decided by it through discussion.

A villagers' assembly may authorize the villagers' representatives' assembly to decide on the above-mentioned matters through discussion.

If there are different provisions on deciding on matters involving the property of the collective economic organizations or the interests of the members thereof through discussion, such provisions shall apply.

**Article 25** A village with a larger population or with the inhabitants scattered here and there may set up a villagers' representatives' assembly to decide on matters through discussion upon the authorization the villagers' assembly. A villagers' representatives' assembly shall be composed of members of the villagers' committee and villagers' representatives. Villagers' representatives shall account for at least 4/5 of all persons composing of the villagers' representatives' assembly, and female representatives shall account at least 1/3 of all members of the villagers' representatives' assembly.

Villagers' representatives shall be elected by villagers on the principle that every 5 to 15 households recommending one representative, or be elected by the villagers' groups. The term of office for villagers' representatives is the same as that for the villagers' committee. Villagers' representatives may continue to hold office if reelected.

Villagers' representatives shall be responsible to the households or villagers' groups that recommend them and be subject to the supervision of villagers.

**Article 26** A villagers' representatives' assembly shall be convened by the villagers' committee at least once every quarter. A villagers' representatives' assembly can be called by 1/5 of the villagers' representatives or more.

A villagers' representatives' assembly can be convened only with the participation of 2/3 of persons composing of the villagers' representatives' assembly, or more, and every decision made by the villagers' assembly shall be adopted by a majority vote of the persons present at the assembly.

**Article 27** A villagers' assembly may make and revise the villagers' charter of self-government, village regulations and folk conventions, and submit them to the people's government of the township, ethnic township or town for archival purposes.

The villagers' charter of self-government, village regulations, folk conventions and decisions made by the villagers' assembly or the villagers' representatives assembly may not conflict with the Constitution, laws, regulations and state policies and may not contain any information infringing upon the personal rights, democratic rights and lawful property rights of villagers.

If the villagers' charter of self-government, a village regulation or folk convention, or a decision made by the villagers' assembly or the villagers' representatives' assembly violates the preceding provision, the people's government of the township, ethnic township or town shall order it to correct.

**Article 28** A villagers' group meeting can be convened only with the participation of at least 2/3 of villagers at or above the age of 18 or households of the villagers' group, and every decision shall be adopted by a majority vote of persons present at the meeting.

The leader of a villagers' group shall be elected at the villagers' group meeting. The term of office for the leader of a villagers' group is the same as that for a villagers' committee. The leader of a villagers' group may continue to hold office if reelected.

The operation and management of land, enterprises and other property owned collectively by a villagers' group and the handling of public welfare undertakings shall be decided by the villagers' group meeting through discussion under the relevant laws. Any decision it makes and the implementation thereof shall be disclosed to villagers of the group without delay.

## **Chapter V Democratic Management and Democratic Supervision**

**Article 29** Villagers' Committees shall adopt the democratic decision mechanism whereby the minority is subordinate to the majority, apply the principle of conducting work publicly and transparently, and establish and improve various kinds of working systems.

**Article 30** Villagers' committees shall apply the system of open administration of village affairs. A villagers' committee shall accept the supervision of villagers by disclosing the following matters without delay:

1. Matters decided through discussion by the villagers' assembly or the villagers' representatives assembly as prescribed in Article 23 or 24 of this Law, and implementation of the decisions;
2. Plans for implementing the state policy for family planning;
3. Management and use of funds and materials appropriated by the government or donated by the public for disaster relief or aid;
4. The villagers' committee's assistance to the government work; and
5. Other matters which involve the interests of villagers and are of general concern of villagers.

Among those as mentioned above, general matters shall be disclosed at least once every quarter; financial receipts and expenditures shall be disclosed at least once every month if collective financial transactions are frequent; and significant matters involving the interests of villagers shall be disclosed at any time when they occur.

A villagers' committee shall undertake the authenticity of the disclosed matters and accept the inquiry of villagers about such matters.

**Article 31** Where a villagers' committee fails to disclose the relevant matters in time or discloses any false information, villagers have the right to report it to the people's government of the township, ethnic township or town or the people's government at the county level or the competent department thereof, which shall investigate and verify the report and order the villagers' committee to disclose the relevant information by law. Where any illegal act is verified as true, the liable person shall bear responsibility.

**Article 32** A village shall set up a village affairs supervisory committee or a village affairs supervisory organ in any other form to be responsible for the financial management of villagers by democratic means and oversee the implementation of the village affairs disclosure system and other relevant systems. Members of such an organ shall be elected from villagers by the villagers' assembly or the villagers' representatives assembly and include persons with accounting and management expertise. Members of a villagers' committee and their near relatives may not be members of a village affairs supervisory organ. Members of a village affairs supervisory organ shall be responsible to the villagers' assembly or the villagers' representatives' assembly, and can observe the meetings of the villagers' committee.

**Article 33** Members of a villagers' committee and employees whose subsidy for loss of working time should be collectively paid by villagers or the village shall be subject to the democratic appraisal of the villagers' assembly or the villagers' representatives' assembly on their performance of duties. Democratic appraisal shall be conducted at least once every year and hosted by the village affairs supervisory organ.

Where any member of a villagers' committee is consecutively determined as incompetent twice, his/her office shall be terminated.

**Article 34** Villagers' committees and village affairs supervisory organs shall set up village affairs files. Such files include: election documents and votes, minutes, land contract-issuing plans and contracts, economic contracts, collective financial accounts, collective assets registration documents, basic data about public welfare establishments, capital construction data, residential land lot plans, land-use compensation fee use and distribution plans, etc. Village affairs files shall be authentic, accurate, integrated and standard.

**Article 35** The incumbent members of a villagers' committee and those whose office expires shall be subject to economic responsibility audit. Matters subject to audit include:

1. The financial receipts and expenditures of the village;
2. The creditor's rights and debts of the village;
3. The management and use of funds and goods appropriated by the government and donated by the general public;
4. The management of the issuing of contracts on the production, operation and construction projects of the village and the bidding situations of public welfare establishment construction projects;
5. The management and use of funds, the contracting, lease, guarantee and assignment of collective assets or resources, and the use and distribution of land-use compensation fees in the village; and
6. Other matters that need to be audited upon the request of 1/5 or more of villagers.

The economic responsibility audit of incumbent members of a villagers' committee and those whose office expires shall be organized by the agricultural department or financial department of the people's government at the county level or the people's government of a township, ethnic township or town. The audit results shall be made public. In particular, the economic responsibility audit results of those who office expires shall be made public before the election of the next villagers' committee.

**Article 36** Where a villagers' committee or any member thereof makes a decision infringing upon the legitimate rights and interests of any villager, the villager may apply to the people's court for rescinding the decision and subjecting the liable person to legal responsibility.

Where a villagers' committee fails to fulfill the statutory obligations pursuant to laws and regulations, the people's government of the township, ethnic township or town shall order it to correct.

Where the people's government of a township, ethnic township or town interferes with any of the affairs that lawfully fall within the scope of self-government by villagers, the people's government at the next higher-level shall order it to correct.

## **Chapter VI Supplementary Provisions**

**Article 37** The people's governments shall provide the necessary conditions for villagers' committees to assist the government work. Expenses necessary for villagers' committees to accomplish the tasks assigned by the relevant departments of the people's governments shall be paid by the departments which assign the tasks.

Expenses needed by a villagers' committee for the public welfare undertaking of the village shall be provided by the villagers' assembly with the funds paid by the villagers or with the labor provided by the villagers. Where it is really difficult to cover such expenses, the local people's government may provide proper financial support.

**Article 38** Government departments, public organizations, units of the armed forces, state-owned or state holding enterprises and institutions, and public institutions, which are located in the countryside, as well as their workers shall not join the villagers' committees, but shall participate in the community building of rural areas in various forms and abide by the relevant village regulations and folk constitutions.

When the villagers' committees, villagers' assemblies or villagers' representatives' assemblies of villages where these units are located discuss and deal with the problems in which they are involved, they shall consult with them.

**Article 39** The local people's congresses at all levels and the standing committees of the local people's congresses at or above the county level shall guarantee the implementation of this Law within their administrative regions and guarantee villagers' exercise of their self-government right in accordance with law.

**Article 40** The standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government may, in accordance with this Law and in light of the actual conditions in their respective administrative regions, formulate measures for the implementation of this Law.

## **Appendix 2**

### **Interview Questions**

#### **The Questions for the Interviews with Village Committee members**

##### **Section One: The Basic Information of Village SH**

1. Could you please give some geographical information of the village?
2. Could you please give some demographic information of the village?
3. Could you please give some economical information of the village? What is the average income per capita in the village? What is the major resource of household income?
4. What are the major crops in the village? Could you please introduce me some information of the agricultural activities in the village?
5. What is the current financial situation in the village? What has been changed after the abolition of the agricultural taxes and fees?
6. What is the current situation of the provision of public goods in the village?
7. Could you please introduce me some basic information of the cooperative in the village?

##### **Section Two: The Basic Information of the village committee**

1. How many committee members in the current committee?
2. How long is the term of office for each committee?
3. What work responsibilities does each committee member take?
4. What is the decision making process in the village committee?
5. What are the major work tasks of the current village committee?
6. Through which process did the village committee decide to work on these tasks?
7. Has the financial information of the village committee been publicised? If yes, how was it published?
8. Has the management of village affairs been publicised? If yes, how was it published?
9. Could you please tell me how the villagers interact with the committee in the management of village affairs?

##### **Section Three: The Information of the Village Elections**

1. Could you please introduce me some information of the democratic elections in the village? (When did the first election take place? What is a procedure of the elections? Have the electoral procedures changed with the time passing by?)

2. How did the village committee form before the elections taking place?
3. Please tell me in details on how the last election took place.
4. Please talk about how the villagers think of the elections?

#### **Section Four: The information of the Farmers' Cooperative**

1. What is the name of the cooperative?
2. What is the business model of the cooperative?
3. What is the current scale of the cooperative?
4. How does the cooperative organize itself?
5. What is the relationship between the cooperative and the households?
6. How do the villagers participate in the cooperative?

#### **Section Five: The Situation of the Public Services in the Village and their Rationales**

##### **Public Sanitation**

1. When did the committee start to organize the villagers to clean the village?
2. Through which process did the committee decide to provide this public service?
3. How do villagers evaluate this service?
4. Where do you think your leadership is from in the organizing process?
5. Where is your motivation from?

##### **Road**

1. Could you please tell me the history of the rebuilding of the village road?
2. What is the current committee's plan for rebuilding the road?
3. What mobilized the current committee to rebuild the road?
4. I have heard there are some difficulties to rebuild the road. What will the committee do to overcome these difficulties?
5. How do you think of the rebuilding of the road?
6. Why do you feel obligated to rebuild the road?

##### **The English Class**

1. When did the free English Class take place?
2. Who initiated this class?
3. Who are organizing the class?
4. For what reasons this class has been offered?
5. What is the role of the village committee in this class?
6. What do you think the villagers think of the class?

7. What do you think of the class?

### **Various Types of Associations**

1. Could you please introduce some information of the various types of associations in the village?
2. What is the rationale for the establishment of these associations?
3. The organization of these associations takes much of your time. Why do you feel so obligated to do such thing?

### **Embeddings**

1. What mobilized you to take the position in the village committee?
2. Did the work in the current village committee make you to give up any opportunities elsewhere? If yes, how do you think of such opportunity cost?
3. Where do you think your leadership comes from?
4. What do you think the Qingming Banquet? Does it have any effectiveness in the management of village affairs?

### **Interview with Villagers**

Name:\_\_\_\_\_ Gender:\_\_\_\_\_ Age:\_\_\_\_\_ Team No.\_\_\_\_\_

### **Section A The Information about the Democratic Elections**

1. When did the democratic elections started ?
2. When did the last election take place?
3. Could you please briefly describe the process of the elections you attended?
4. Do you know the Organization Law of Villagers' Committee?
5. Do you know what the difference between the competitive elections and the uncompetitive elections?
6. Would the candidates' names be publicised before the elections? How many days before the election were they publicised ?
7. Do you know the requirement for the publicity of the candidate in the law?
8. How many times have you voted in the elections?
9. Can you give me some detailed information about the process of the elections?
10. What do you think about the elections compared to the administrative appointment for the committee members? Please give some specific reasons.
11. What is the relationship between the elections and your life? Have the elections improved your life somehow? If yes (or no), please give some specific reasons.

12. Has the important administrative information been publicised regularly?
13. Please compare the publicity of such information under the current committee and the former committees.
14. Is there any difference, what do you think caused it?
15. Is the public financial information publicised regularly?
16. Please compare the publicity of such information under the current committee and the former committees.
17. Is there any difference, what do you think caused it?
18. What the role of the election do you think is in the provision of the public goods, such as the public sanitation and the road.
19. What is the difference in terms of the provision of public goods between the current committee and the former committees?
20. What do you think causes such difference?

### **Section B Villagers' Need For Public Goods**

1. What do you think is the most needed public goods in the village?
2. Why do you think this public good is needed the most?
3. Do you think the current village committee villagers' demand for it?
4. How could they know the demand from the villagers?
5. How do we make the current committee members realise the most demanded public goods?
6. How did we make the former committee realise the most demanded public goods?
7. Do you think the current committee is different from the former ones in terms of the provision of the public goods?
8. What did the former committee do to satisfy the demand for the public goods in the village?
9. What did the current committee do to satisfy the demand for the public goods in the village?
10. What do you think makes the difference between the current committee and the former ones, if any. (The mechanism)
11. Do you know any type of public goods is provided in the village?
12. Could you please give an example on how one of the public goods is provided (how the villagers made the committee realise the need for it and how the committee reacted)?

### **Section C Villagers' Opinions about the Co-operative**

1. Do you know about the co-operative in the village?
2. Have you joined the co-operative?
3. If not, why have you not join the co-operative yet?
4. What do you think is special about the co-operative?

5. Do you think the co-operative has any influence on the current committee?
6. How do you interpret the influence if there is any?
7. (If the interviewee is a member of the co-operative) How do you find it as a member in the co-operative?
8. Could you please describe the relationship between the members and the executive board?
9. Do you think such relationship has influences on any of the process of the provision of the public goods?
10. How could the influence happen if there is any?

#### **Section D Information about the Qingming Festival Banquet**

1. Have you attended any of the banquets?
2. What do you think is the purpose to have the banquet?
3. Do you think the banquet have any influence on the interpersonal relationship among the villagers?
4. What is the influence if there is any?
5. Do you think there is any influence from the banquet to the committee?
6. What is the influence if there is any?
7. Do you think there is any influence from the banquet to the co-operative?
8. What is the influence if there is any?



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