

## INTRODUCTION

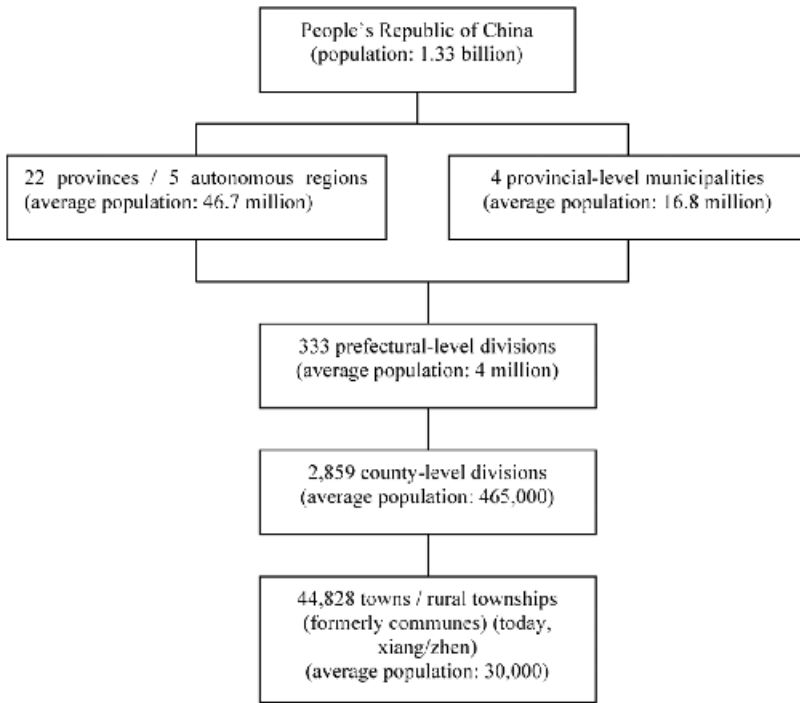
# Studying the Local State in China

One of the biggest puzzles about contemporary China is how the party-state has held together after more than three decades of rapid social and economic change.<sup>1</sup> While analysts continue to question the state's capacity to maintain growth and stability without deeper political reform, in recent years the authoritarian state has looked increasingly resilient, even in the face of rising inequality, increasing numbers of social conflicts, and widespread official corruption. Developments in China continue to defy theories of political change, especially the conventional wisdom that sustained and rapid economic growth will lead to pressures for political liberalization and democratization. Indeed, previous models of political development appear less and less useful for our understanding of politics in China today.

One of the ways scholars have attempted to better understand political developments in contemporary China has been to study patterns of governance at the grassroots. Studying China's local politics took on special importance following the collapse of totalitarian rule and the dismantling of the centrally planned economy in the late 1970s and early 1980s. As part of the administrative and economic reforms adopted during this period, local governments acquired much greater powers over their territories.

Local governments were made responsible for governing the local economy and given new powers over land use, natural resources, and local state-owned enterprises (SOEs). They were also made responsible for delivering essential public services such as health care, education, and pensions. To fund these new mandates, local governments were given a greater share of tax revenues and permitted to retain profits from local SOEs. As a result, local governments, particularly at the township and county level, dramatically expanded the scale and scope of their operations. China's sub-national governments are now collectively responsible for 72 percent of total public expenditure, making China, on this measure, one of the most decentralized states in the world—more decentralized, in fact, than many federal states such as Germany, the United States, Australia, and India.<sup>2</sup> The decisions made by local party and government leaders, particularly at sub-provincial levels, now have a much greater impact on Chinese society and economy than at any time since the founding of the People's Republic. Understanding what local governments do and why they do it has come to matter greatly for our broader understanding of how China is being governed in the twenty-first century.

During the first decade of post-Mao reforms county and township governments acquired so much clout that scholars began referring to them as “local states.”<sup>3</sup> By invoking “state-ness” the term “local state” suggests insulation from local societal as well as central state pressures. Scholarly interest in China's local states initially focused on the nexus between political and economic power in China's rapidly industrializing and increasingly market-oriented economy. Jean Oi was one of the first Western scholars to attempt to characterize the metamorphosis of China's local states during this period. Based on fieldwork mostly conducted in Shandong Province, Oi argued that China's local states had become “corporatist.” According to Oi, local officials acted like “boards of directors,” directing production and picking winners in order to hasten rural industrialization.<sup>4</sup> Andrew Walder reached a similar conclusion in his observations of local government in Zouping County, Shandong. According to Walder, county government behaved like an industrial corporation, prioritizing revenue generation above all else.<sup>5</sup> Other scholars proposed different typologies for characterizing the role of the local state in China's rapidly industrializing economy.<sup>6</sup> Highlighting the business activities of local officials, some analysts described the local state as “entrepreneurial” or, less admiringly, as “bureau-preneurial.”<sup>7</sup>



*Figure 1.* Territorial Administration of the People's Republic of China. Figures are from 2011 data. Source: National Bureau of Statistics China, [www.stats.gov.cn](http://www.stats.gov.cn). Population figures do not include Hong Kong, Macao or Taiwan.

Another group of researchers saw parallels between the local state in China and the “developmental” states of East Asia—Japan, South Korea, Taiwan, and Singapore. According to this scholarly perspective, the need to generate local tax revenue had driven China’s local states to provide the infrastructure, conditions, and incentives needed for economic growth. Marc Blecher and Vivienne Shue, for example, made this claim for a rural county in Hebei Province.<sup>8</sup>

As scholarly investigation into China’s local states moved away from the industrialized coastal regions and into the country’s agricultural heartlands, scholars became aware of considerable regional variation in the way local governments behaved. In the predominantly agricultural areas of central China, many local governments found themselves without a sufficient tax base to fund their operations. In such areas, many local governments

responded by cutting services or by imposing arbitrary taxes and fees on farmers—a phenomenon that became known as the “peasant burden” (农民负担 *nongmin fudan*).<sup>9</sup> In extensive interviews with farmers and officials along China’s Yellow River, Cao Jinqing learned that arbitrary taxes and fees accounted for as much as 20 percent of villagers’ incomes.<sup>10</sup> Other research revealed the various means by which local governments in nonindustrialized rural areas would prey on the local populace in order to survive. In an example from Yunnan, a case study revealed that farmers were being forced to grow tobacco and sell it to the local government at well below market prices.<sup>11</sup>

The early literature on local states contributed much to our understanding of local government responses to decentralization, but had less to say about how the local state actually worked in a highly decentralized system. Scholars understood that local officials’ had interests and incentives that were different from, and even opposed to, the center’s. However, the focus of many early studies of decentralization on the tension between the center and the localities often resulted in a tendency to treat the “local state” as a monolith. By conflating interests within the local state, much of the early literature overlooked the way power and interests were being reorganized *within* the local state and how this affected the way China was being governed.

Another limitation of the early literature on China’s local states was its tendency to explain local-state behavior by reference to changes in the formal institutional environment. While changes to the formal institutional settings have clearly shaped the incentives and constraints under which local officials work, because politics in reform-era China has been characterized by administrative fiat and widespread bureaucratic indiscipline, more attention must be given to the informal rules that govern local political behavior and that serve to hold the state together.

This book pays special attention to the role of informal institutions in contemporary rural China. Some scholars argue that it is difficult to draw the line between the formal and informal in politics—Lucian Pye, for example, argues that politics is “informal” by definition<sup>12</sup>—but I contend that it is useful to distinguish between the formal and the informal in the analysis of political institutions because it helps us to identify drivers of political behavior that are often obscured from view. Social scientists generally understand “formal institutions” as rules and practices that are

officially sanctioned, usually in the form of written rules (e.g., constitutions, laws, evaluation procedures). “Informal institutions,” on the other hand, are generally understood to be the unwritten rules that govern behavior. They are the “social processes, obligations, or actualities that come to take on a rule-like status in social thought and action.”<sup>13</sup> In the words of Ronald Jepperson, “informal institutions” are the “social patterns that, when chronically reproduced, owe their survival to relatively self-activating social processes.”<sup>14</sup> From a political science perspective, a useful definition, and one I will adopt here, understands informal institutions as “rules of the game” that are “created, communicated and enforced outside of officially sanctioned channels.”<sup>15</sup>

This study pays special attention to the ways formal and informal institutions combine to shape local political behavior. This approach is informed by an emerging literature in comparative politics that challenges previous assumptions about the relationship between economic development and political change.<sup>16</sup> Much of the transitions-from-communism literature, for example, assumes that informal institutional practices such as clientelism and factionalism subside as formal institutions strengthen. However, a number of recent case studies suggest that a “thickening” of formal state institutions does not necessarily limit the scope for practices that are traditionally seen as incompatible with modern government. In Indonesia, for example, Robison and Hadiz have shown the resilience of patron-client networks in the transition from authoritarianism to multi-party democracy.<sup>17</sup> In parts of West Africa, Morris Sztetfel has highlighted the ability of informal elite networks to hijack legal and administrative reform.<sup>18</sup> However, while such studies remind us of the importance of incorporating informal institutions into our analysis of political change, their ability to explain political behavior is sometimes hindered by an assumption that informal institutions are always bad.<sup>19</sup> Findings from this study suggest that formal and informal institutions interact in more complex ways, and that it is important for political scientists to adopt a neutral approach to informal institutions in order to better understand the different ways formal and informal institutions combine to shape the rules of the game.<sup>20</sup>

This book examines how interactions between formal and informal institutions shape political behavior within the local state and within rural communities in contemporary rural China. It is based on a detailed case

study of a rural county in southwest China. Field research for this study was conducted during the course of a decade (2002–2013), with repeated, extensive stays in the county in almost every year.<sup>21</sup> The specific location, which I call Laxiang County (the precise location must remain unidentified because of the sensitive nature of the information I have collected), is one of several counties in a prefecture I call Poshan. It is a relatively poor region that is home to Han Chinese and ethnic-minority communities. Because of its economic profile and its status as an ethnic-minority region, Poshan Prefecture and its constituent counties are largely dependent on fiscal transfers—i.e., local government operations are funded almost entirely by higher levels of government. As such, Poshan is typical of many localities in China's western and southwestern provinces. Notably, though Poshan's profile is different from that of many other parts of the countryside, my examination of informal institutions will, I believe, resonate with scholars working on local politics in other parts of China, including in wealthier urban areas. A handful of recent studies suggest the existence of patterns in the informal rules that shape the behavior of local officials.<sup>22</sup> And yet, little is known about what these rules are and what distinguishes them from other institutions in Chinese politics.<sup>23</sup>

During more than a decade of fieldwork, I divided my time in the field between the seat of government of the prefecture and county and four villages, each of which was located in a different township in Laxiang County. Living for several weeks at a time in each of the four villages and visiting each village multiple times over many years, I was able to directly observe the implementation of rural policies and public works projects. The implementation of state policies and projects serves as a useful prism for examining decision-making processes and power relations in the countryside. As part of this research, I attended meetings with officials from various levels of government, surveyed villagers, and interviewed a wide range of stakeholders, including both serving and retired officials at all levels of the local state from the prefecture down through the rural townships, as well as village leaders and villagers, businesspeople, bankers, and project consultants. My investigation of government initiatives included large public works, smaller-scale village development projects, environmental protection schemes, as well as the activities of state-owned enterprises and public-private partnerships. Because of the implications of some findings for the careers of several respondents, pseudonyms are used for all people and places.

This study finds that politics in Poshan Prefecture and Laxiang County is driven largely by the machinations of informal political networks. While there has been much scholarly debate about the characterization of informal groups in Chinese politics (e.g., factions, opinion groups, interest groups, *guanxi* networks),<sup>24</sup> I find that Poshan's informal political groups can be best described as "patronage networks" since, as will be seen, the channeling of patronage is a primary attribute. During more than a decade of observation I found patronage networks to be an enduring feature of local politics in Poshan. Patronage networks in Poshan had a major impact on how formal institutions worked and how formal rules were interpreted and applied. These included decisions relating to policy and project implementation, business licenses, the evaluation and enforcement of political contracts, corruption investigations, and, most importantly, the appointment and promotion of officials. Local officials frequently interpreted the outcomes of formal decision-making processes as the result of jockeying, horse trading, and outright conflict between rival patronage networks within the local state.

Patronage networks coordinated across party and government agencies to mobilize funding and implement projects. Political bosses used their networks as a means of channeling resources into private hands and toward local power bases. Inasmuch as bureaucracy has become more professional and routinized in recent decades, patronage networks have been able to adapt to the new formal institutional environment, meeting the party's basic policy dictates while simultaneously tending to privileged local and private interests. The picture that emerges is one of a highly contested local state in which complex webs of interests compete for access to state power. However, even though the pervasive influence of patronage networks appears to have hollowed out the local state, this does not mean that local state authority has been paralyzed or that the local state is merely an arena in which informal groups compete for spoils. As will be seen, in a bureaucratic environment characterized by a fragmentation of authority and the absence of rule of law, patronage networks provide a supplementary set of (unwritten) rules that facilitate party and government business. These unwritten rules provide important clues on how the Chinese party-state has held together through decades of tumultuous political, social, and economic change.

I begin Chapter One with an examination of political institutions at the village level. Although not formally a part of the state administration,

the village is the basic unit of social organization in rural China and its politics affect not only the distribution of resources within the village, but also individuals' relations with the state. And yet, little is known about the connections between village politics and decision making within the lowest tier of local state administration. Understanding connections between the village community and local government is not just important for our understanding of state-society relations in rural China, it is also necessary for understanding how local government works. As we will see in later chapters, patronage networks within the county and prefectural government operate in many ways as extensions of village-based social and political networks.

The four villages introduced in Chapter One also serve as my primary sites for examining the implementation of policies and projects. Most government programs in rural China are implemented at the village level. Even large-scale inter-jurisdictional infrastructure projects such as road and dam construction must be negotiated with the village communities affected. While my observations of policy and project implementation draw primarily on four village case studies, I visited a further twenty-two villages across three counties to investigate whether my key observations of local political practices held true more broadly across the region. Each of the villages introduced in Chapter One reappears in later chapters. Drawing on in-depth interviews with village leaders and ordinary villagers, the chapter examines the challenges and opportunities facing village leaders in their role as the interface between village communities and local government.

The chapter also examines changing patterns in village social organization since decentralization. Ethnic identities and cultural practices vary in each of the villages, yet there are striking similarities in the way these village communities organize their affairs and make collective decisions. The most important theme in this chapter is the revitalization of kinship networks that now serve as the basis of social and political organization in the village. Although kinship remained an important principle of social organization during the period of collective agriculture under Mao, my village case studies reveal how kinship groups have become an increasingly important means for organizing village affairs since then. Chapter One documents kinship practices and rivalries in the four villages, including the role of kinship groups in natural resource management, land use, employment, and access to funding. The chapter also



examines the relationship between kin organization and village leadership, and how village leaders increasingly draw on pre-Maoist cultural traditions to bolster their legitimacy. In one village, a religious revival became an arena of political and economic competition between rival clans and aspirants for village leadership.

During the Maoist era, township leaders were able to control village leaders by administrative fiat and through the use of political campaigns, but this relationship changed dramatically following the abandonment of agricultural collectives in the early 1980s. Township government has been further weakened by fiscal reforms in recent years. Following tax-for-fee (费改税 *feigaishui*) reforms and the abolition of agricultural taxes in 2006, township governments in rural areas now have limited capacity to collect revenue and fund operations. Chapter Two examines this changed dynamic between township government and village communities, paying special attention to the relationship between township and village leaders. Using interviews with village leaders, township officials, and local villagers, the chapter highlights the complexity of interests that connect the village and township. It reveals the strategies that township leaders use to secure the cooperation of village leaders since the introduction of village elections provided the latter with a new source of legitimacy. Using examples from the implementation of rural development policies and projects such as the national US\$40 billion Sloping Land Conversion Program, the chapter also shows how township and village leaders sometimes collude to extract spoils from the state at the expense of villagers. The chapter highlights the role of personal networks in village-township relations, and how village-based kinship rivalries play out within the township government and vice versa. The chapter also examines power relations within the township governments, offering new insights into the balance of power between the head of township government and the township party secretary.

In a vivid portrayal of how kinship-based rivalries and personal networks influence township politics, Chapter Three provides an account of direct elections for the heads of two townships in Laxiang County (unlike almost all other parts of rural China, elections for township heads, 乡长 *xiangzhang*, are held in Poshan due to an administrative anomaly). The fierce electoral competition in the two townships, leading to vote buying, violence and, in one case, murder, highlights the ruthlessness of local competition over access to state power and resources. The story of the township

elections, which I was able to observe first hand, provides a graphic example of the complex web of interests that bind the local state to rural society. In both elections, even though the election organizers largely followed laws and regulations designed to ensure free and fair elections, behind-the-scenes manipulation by actors within the village, township, and county had a major impact on electoral outcomes.

Chapter Four examines the hidden sinews of political power in the local state by exploring the role of patronage networks in county and prefectural government. The chapter explains the origin of patronage networks in Poshan, tracing the configuration of present-day networks to the early post-Mao years of decentralization and economic reform. Although analysts have long been aware of the importance of personalistic ties and informal networks at the elite national level of Chinese politics,<sup>25</sup> this is one of the first studies to systematically examine the origins, structure, and function of patronage networks within local government. In a political system where personal power trumps formal rules, the chapter argues that patronage networks play a vital role in bureaucratic coordination and in the organization of political competition. Patronage networks also provide an important channel of communication between officials and citizens. However, it will also be seen that patronage networks are a primary vehicle for channeling public resources into private hands. Chapter Four explains the culture of spoils that has emerged alongside patronage networks, documenting the means by which such networks affect the distribution of public resources.

Chapters Five and Six delve deeper into the politics of spoils in Poshan, examining how patronage politics works in a variety of contexts and how rivalries between different patronage networks influence local decision making. Chapter Five explains how networks compete over the control of fiscal transfers for rural development and poverty-alleviation projects. The chapter demonstrates how patronage networks coordinate horizontally across party and government agencies and vertically through the different tiers of sub-national government to channel resources to particular localities and to maximize opportunities for spoils. The chapter features a case study of a large population resettlement scheme—how it was planned and funded and who among local government officials, local contractors, village leaders, and villagers benefited the most from its implementation.

Chapter Six examines the politics of spoils in the rapidly growing local economy. The chapter explains how patronage networks influence local

decision making and resource allocation, and how such networks have been able to adapt to an increasingly sophisticated regulatory environment. By looking at public and private ventures in Poshan Prefecture's growing tourism industry, the chapter highlights the ambiguous relationship between corruption and development. A study of political conflicts over the control of revenues from a booming tourism industry provides a good illustration of the complex interaction between local patronage networks and formal state institutions. This final chapter reflects on the implications of the case study's findings for our understanding of local patterns of governance and political behavior in rural China today.