

How Do Rural Elites Reproduce Privileges in Post-1978 China? Local Corporatism, Informal Bargaining, and Opportunistic Parasitism

Xiaowei Zang and Nabo Chen*

Abstract

Many scholars have showed that cadre status is associated with cadre earnings advantages in rural China. What is less clear from their published research is how political power is used by rural elites to generate personal gains. We narrow this knowledge gap by studying three main mechanisms whereby cadre privileges are reproduced in rural China. Using ethnographic data from three rural townships in Guangdong province, we show that local economies have been differentiated in the post-1978 era, leading to three different mechanisms with which village leaders in each of the three townships have maintained their earnings advantages respectively, i.e., local corporatism, informal bargaining, and opportunistic parasitism. We predict that local corporatism will be the dominant model of the reproduction of cadre privileges in rural China.

* Correspondence author: Nabo Chen, Sun Yat-sen University, China; Email: chennabo@mail.sysu.edu.cn. Xiaowei Zang is Professor and Dean, College of Liberal Arts and Social Sciences at City University of Hong Kong. He studies elites, gender, and ethnicity in China. He is the author of *Children of the Cultural Revolution* (2000), *Elite Dualism and Leadership Selection in China* (2004), *Ethnicity and Urban Life in China* (2007), and *Islam, Family Life, and Gender Inequality in Urban China* (2011). He edited *Understanding Chinese Society* (2011) and *Gender and Chinese Society* (2014) and co-edited (with Chien-wen Kou) *Elites and Governance in China* (2013) and *Choosing China's Leaders* (2014). Nabo Chen is Associate Professor in the School of Government at Sun Yat-sen University in Guangzhou, China. His research interests include urban governance and rural reforms in China. His authored book titled *State, Market and Life Chances of Peasants* (in Chinese) and co-authored book (with Haihan Long and Xiaoyin Wang) titled *The End of a Village—the 50 Years of Transformation of Nanjing Village* (in Chinese) were published in 2010. Xiaowei Zang can be reached by email at sxxz@cityu.edu.hk. Nabo Chen can be reached by email at chennabo@mail.sysu.edu.cn.

Introduction

Many China experts have claimed that the power of political capital has remained a major determinant of social stratification in the post-1978 era. A key indicator of political power in China is cadre status, which has been shown to be statistically associated with cadre advantages in income generation.¹ While the relationship between cadre status and cadre privileges has been supported by sophisticated statistical analyses and carefully gathered survey data from China, the mechanisms of cadre privileges have not been explored with similar levels of intensity and enthusiasm². Our accounts of elite reproduction in rural China would remain at the abstract level without a good understanding of how village leaders have used political power to maintain their earnings advantages. We address this knowledge gap in this paper, thereby contributing to the literature on market transition. We ask: What have rural elites done to convert political power into an earnings advantage?

Using ethnographic data collected in three townships of Guangdong province, we show three main ways in which rural elites have reproduced cadre privileges in the post-1978 era: local corporatism, informal bargaining, and opportunistic parasitism. Local corporatism takes place when rural leaders act like corporate directors to reward

¹ Yanjie Bian, 'Chinese social stratification and social mobility', *Annual Review of Sociology* 28, (2002), pp: 91-116; Yang Cao and Victor Nee, 'Comment: Controversies and evidence in the market transition debate', *American Journal of Sociology* 105 (4), (2000), pp. 1,175-89; Victor Nee, 'Social inequalities in reforming state socialism', *American Sociological Review* 56 (2), (1991), pp. 267-82; Victor Nee, 'The emergence of a market society: Changing mechanisms of stratification in China', *American Journal of Sociology* 101 (4), (1996), pp. 908-49; Andrew Walder and Litao Zhao, 'Political office and household wealth: Rural China in the Deng era', *China Quarterly* 186 (2006), pp. 357-76; Jian Zhang, John Giles, and Scott Rozelle, 'Does it pay to be a cadre?' *Journal of Comparative Economics* 40 (3), (2012), pp. 337-56; Xueguang Zhou, 'Economic transformation and income inequality in urban China', *American Journal of Sociology* 105 (4), pp. 1,135-74.

² One exception is Xiaojun Yan, "'To get rich is not only glorious": Economic reform and the new entrepreneurial party secretaries', *China Quarterly* 210 (2012), pp. 335-54.

themselves with good packages for governing their village and managing communal businesses in a relatively developed market environment. Informal bargaining refers to the direct exchange of resources for loyalty and compliances between the state and rural cadres in a subsidized rural economy. The bargaining process is informal because it is governed by an unspoken norm that resembles clientelism,³ which in turn determines the amount of vertical and horizontal transfer payments as compensations for compliance with local government policies. Village leaders benefit from the transfers disproportionately due to their power in the allocation of the compensations. By opportunistic parasitism we mean the unscrupulous exploitation of state policies by village leaders to benefit themselves at the expense of peasants in a poverty stricken local economy.

In this paper, our focus is on village leaders in the three townships. We do not study township leaders because they are salaried government officials. Village leaders have to find ways to increase their income because they are not salaried employees and are not adequately remunerated by the government, and we use the different ways village leaders collected rents to show different mechanisms of elite reproduction in rural China in this paper. For convenience, we use “village leaders”, “village heads”, “rural elites”, and “rural cadres” interchangeably in this paper. Also for convenience, we use “higher authorities” and “local governments” interchangeably in this paper. By

³ Andrew Walder, *Communist Neo-Traditionalism* (Berkeley: University of California Press, 1986); Thomas Gold, Doug Guthrie, and David Wank (eds.), *Social Connections in China* (Cambridge: Cambridge University Press, 2002); Mayfair Mei-hui Yang, “The resilience of guanxi and its new deployments”, *China Quarterly* 170 (2002), pp. 459-76.

“local governments” we mean county or county-level city governments that govern townships and rural villages.

Fieldwork in Rural Guangdong

Many existing studies have examined cadre behavior in one village,⁴ villages of similar conditions,⁵ or rural China in general.⁶ In comparison, we selected three rural townships with different levels of economic development in Guangdong province for this study, in an attempt to find out whether there is variation in cadre behavior among them. Guangdong has experienced rapid economic growth since 1978.⁷ However, economic benefits have not been equally distributed within the province. The Pearl River Delta region, which consists of the provincial capital city, Guangzhou, and two Special Economic Zones of Shenzhen and Zhuhai, is the most developed area of the province and collects large revenue income from its booming economic activities. The mountainous area of the province, occupying almost 60 percent of the province’s terrain, is lagging behind economically, with a weak, non-agricultural tax base. Between these two areas are the fringe of the Pearl River Delta region and regional cities, with limited degrees of industrialization and commercialization.

The second author selected three townships from each of the three regions for this study. Fan Township is under the jurisdiction of Guangzhou city, located in the core

⁴ Nan Lin, ‘Local market socialism’, *Theory and Society* 24 (3), (1995), pp. 301-54.

⁵ Victor Nee, ‘A theory of market transition’, *American Sociological Review* 54 (5), (1989), pp. 663-81.

⁶ James Kung, Yongshun Cai, and Xiulin Sun, ‘Rural cadres and governance in China: Incentive, institution and accountability’, *China Journal* 62 (2009), pp. 61-77; Andrew Walder, ‘Markets and income inequality in rural China: Political advantage in an expanding economy’, *American Sociological Review* 67 (2), (2002a), pp. 231-53; Andrew Walder, ‘Income determination and market opportunity in rural China, 1978-1996’, *Journal of Comparative Economics* 30 (2), (2002b), pp. 354-75.

⁷ Ezra Vogel, *One Step Ahead in China: Guangdong under Reform* (Cambridge: Harvard University Press, 1990).

of the Pearl River Delta region. It has experienced a rapid process of urbanization and dramatic change in its economic structure after 1978. Lee Township is under the jurisdiction of Zengcheng City, a county level city. Located in the fringe of the Pearl River Delta region, it is 90 kilometers away Guangzhou, and its economic activities are guided and regulated by the Guangzhou municipal government's development policies. Finally, Chan Township is located in a mountainous area of Guangdong, under the jurisdiction of Huazhou county in Maoming prefecture. In comparative perspective, Fan township is financially well-off, Lee township is less developed, and Chan township is the least wealthy area among the three.

The second author conducted fieldwork between June 2003 and May 2005. The data he collected includes information from casual chats, formal interviews, and observations on cadre income, cadres' routine activities, assets and opportunities derived from government channels including funds and public projects, and cadres' attitudes and policies governing villages' affairs. The dataset also includes documents on issues such as grain procurement policies, tax policies and others. Other materials collected include annual reports of township and village governments, announcements, agendas and minutes of township and village executive meetings and other written reports of events taking place during and before fieldwork.

Rural Cadres before and during Post-1978 Market Transition

Peasants and gentry were the main composition of the rural population in pre-1949 China. Gentry were educated landlords who acted as local leaders to ensure rural

governance in conjunction with the imperial state.⁸ The Chinese Communist Party (CCP) remolded rural society after it came to power in 1949. It eliminated gentry during the land reforms of 1949-1952 and then transformed peasants into landless laborers of people's communes in 1958. A people's commune governed several brigades, each of which in turn administered several production teams, the lowest level of government in rural China. There were four main features of the people's commune system: (1) land in rural areas was collectively owned by production teams/brigades; (2) an official household registration system was instituted to control rural population mobility to urban China; (3) production and distribution were controlled and executed by village leaders according to plans and directives from higher authorities; and (4) village leaders were appointed by higher authorities.⁹ Many village leaders were CCP members with little schooling, derived privileges from their power to direct production and distribute resources in their production team/brigade, and as a result were financially better off than ordinary peasants.¹⁰

The commune system was effective in creating an army of loyal village leaders to govern rural China. Yet it was ineffective in mobilizing peasants for production because the commune system of redistribution favored village leaders over direct producers, and was a major reason of rural stagnation after 1958. The CCP started

⁸ Chung-Li Chang, *The Chinese Gentry: Studies on Their Role in Nineteenth-Century Chinese Society* (Seattle: University of Washington Press, 1955); Jung-tê Chou, *Social Mobility in Traditional Chinese Society: Community and Class* (Chicago: Aldine Transaction, 2011); Fei Xiaotong, *China's Gentry* (Chicago: University of Chicago Press, 1953).

⁹ Anita Chan, Richard Madsen, and Jonathan Unger, *Chen Village: Revolution to Globalization* (Berkeley: University of California Press, 2009); Huaiyin Li, *Village China under Socialism and Reform: A Micro-History, 1948-2008* (Stanford: Stanford University Press, 2009); William Parish and Martin King Whyte, *Village and Family in Contemporary China* (Chicago: University of Chicago Press, 1978).

¹⁰ Chan, Madsen, and Unger, *Chen Village*; Jean Oi, 'Communism and clientelism', *World Politics* 37 (2), (1985), pp. 238-66; Nee, 'A theory of market transition'; Walder and Zhao, 'Political office and household wealth'.

market reforms in 1978 and replaced the commune system with an individual household production system in 1979 to stimulate rural production. Peasant households have since become a basic unit of production and distribution. Land is allocated to individual households, peasants are responsible for their profits and welfare, and because of this Chinese peasants are motivated to work hard and learn to produce in response to market demands. Thus there has been a rapid increase in agricultural outputs and the fastest growing sector in the rural economy has been village and township enterprises.¹¹ The CCP has also relaxed its control on population mobility, allowing rural migrants to seek jobs in cities. Out-migration and remittances from migrant workers have alleviated rural poverty and brought about sociocultural changes in the countryside.¹² These changes have led to a question on whether village leaders have lost their earnings advantages in rural society in the post-1978 era.

Nee attempted to address this question using insights from Szelenyi.¹³ He conducted field work in rural villages in Fujian province and argues that market transition under socialism can be explained by three interlinked theses: (1) Economic control moves from redistributors (cadres) to direct producers (market power thesis); (2) Markets provide incentives for direct producers (market incentive thesis); and (3)

¹¹ Chan, Madsen, and Unger, *Chen Village*; Li, *Village China under Socialism and Reform*; Hongbin Li and Scott Rozelle, 'Privatizing rural China', *China Quarterly* 176 (2003), pp. 981-1,005; Jean Oi, "Two decades of rural reform in China: An overview and assessment", *China Quarterly* 159 (1999a), pp. 616-28; Jean Oi, *Rural China Takes Off* (Berkeley: University of California Press, 1999b); Eduard B. Vermeer, Frank N. Pieke, and Woei Lien Chong, *Cooperative and Collective in China's Rural Development* (Armonk: M.E. Sharpe, 1998).

¹² Yang Du, Albert Park, and Sangui Wang, 'Migration and rural poverty in China', *Journal of Comparative Economics* 33 (4), (2005), pp. 688-709; Zai Liang, Jiejun Li, and Zhongdong Ma, 'Migration and remittances', *Asian Population Studies* 9 (2), (2013), pp. 124-41.

¹³ Ivan Szelenyi, 'Social inequalities in state socialist redistributive economies', *International Journal of Comparative Sociology* 1 (2), (1978), pp. 63-87; Ivan Szelenyi, *Urban Inequalities under State Socialism* (Oxford: Oxford University Press, 1983); Ivan Szelenyi, 'The prospects and limits of the East European new class project', *Politics and Society* 15 (2), (1986/1987), pp. 103-44; George Konrad, and Ivan Szelenyi, *The Intellectuals on the Road to Class Power* (New York: Harcourt Brace Jovanovich, 1979).

New opportunities create alternative avenues to social mobility (market opportunity thesis). Nee accordingly predicted that the transition from a planned economy to a market economy in rural China would reduce cadres' advantages and opportunities, because the market would play a more important role in production and distribution and the function of bureaucratic redistribution should decline. The market would favor human capital over political capital and a producer over a redistributor. As a result, the value of political capital (e.g., a leadership position in a village government) should decline whereas returns on human capital (e.g., education) should increase.¹⁴ Nee revised his 1989 market transition theory in his later publications,¹⁵ arguing that the decline of return to cadre status is relative rather than absolute. In other words, although the income gap between rural cadres and ordinary peasants has been narrowed in market transition, the former have maintained earnings advantages over the latter because of the benefits derived from their political power.

Many studies conducted after Nee have shown that returns to political capital have not diminished during market transition.¹⁶ Walder reports that after nearly two decades of rural reforms, political office holding still had a large net impact on household income. Cadre household advantages were stable across levels and forms of economic expansion, and future declines in relative returns to political position

¹⁴ Nee, 'A theory of market transition'

¹⁵ Nee, 'Social inequalities in reforming state socialism'; Nee, 'The emergence of a market society'.

¹⁶ Bian, 'Chinese social stratification and social mobility'; Yanjie Bian and Zhanxin Zhang, 'Marketization and income distribution in urban China', *Research in Social Stratification and Mobility* 19 (2002), pp. 377-415; Yongshun Cai, 'Collective ownership or cadres' ownership?' *China Quarterly* 175 (2003), pp. 662-80; Lin, 'Local market socialism'; Walder, 'Income determination and market opportunity'; Kathy Le Mons Walker, 'From covert to overt', *Journal of Agrarian Change* 8 (2-3), (2008), pp. 462-88.

were unlikely to occur.¹⁷ Walder and Zhao find that in the early years of rural reforms the value of political office was modest, as private entrepreneurs reaped large incomes. Subsequent economic development led to rapid increases in the earning power of cadres and their kin, and by the end of the Deng era the returns to political office were roughly equal to those of private entrepreneurs. The political advantages were not limited to regions that industrialized rapidly under collective ownership; they were large even in regions where the private economy was extensive.¹⁸

Three Ways of Cadre Income Generation

The above studies have shown the persistent earnings advantages of rural cadre status in the post-1978 era. In this paper, we examine an understudied area in research on elite reproduction in rural China: How have rural leaders used their political power to reproduce their privileges? Answers to this question would ensure that our understanding of cadre advantages would not remain at the abstract level. Additionally, it is no longer sufficient to be aware of the statistical relationship between cadre status and cadre privileges since rural China has changed greatly after 1978 thanks to marketization and the dynamics of new policies including fiscal centralization and political recentralization by the central government,¹⁹ the elimination of agricultural taxes and more central funding support to rural areas,²⁰

¹⁷ Walder, 'Markets and income inequality'.

¹⁸ Walder and Zhao, 'Political office and household wealth'.

¹⁹ Jean Oi, Kim Singer Babiarz, Lixiu Zhang, Renfu Luo, and Scott Rozelle, 'Shifting fiscal control to limit cadre power in China's townships and villages', *China Quarterly* 211 (2012), pp. 649-75.

²⁰ Achim Fock and Christine Wong, *China: Improving Rural Public Finance for the Harmonious Society* (2007), World Bank, Report No. 40221-CN, <https://openknowledge.worldbank.org/bitstream/handle/10986/7665/402210CN.txt?sequence=2>; Achim Fock and Christine Wong, *Financing Rural Development for a Harmonious Society in China* (2008), World Bank, Policy Research Working Paper 4693, <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-4693>; Justin Yifu Lin, Ran Tao, and Mingxing Liu, *Rural Taxation and Local Governance*

village elections,²¹ and the CCP's project to build a "new socialist countryside."²² It is likely that market forces and government policies have weakened, maintained, or intensified socioeconomic differences among rural villages. It is unlikely that they have created a level playing field in which elite reproduction in rural China has occurred. What have rural cadres done to maintain their privileges? Have they adopted similar rent-seeking strategies in different parts of rural China? To address these questions, we study three rural townships of different socioeconomic landscapes in Guangdong, aiming to find out how village cadres in each of the three townships have reproduced privileges.

We start our narratives by pointing out three main sources of income for township and village offices: tax revenues from industrial and commercial activities, funding support from higher authorities, and levies and fines on peasants. We cannot rule out the possibility that rural cadres in each township would want to maximize the returns to their office holding by exploiting all three sources of income to collect as much rents as possible. But we think that in reality, rural cadres in each of the three townships are likely to adopt different rent-seeking strategies since they do not have a similar revenue base, and as a result one particular source of income shall contribute to cadre privileges in each of the three townships disproportionately. We accordingly propose three ways whereby cadre advantages are reproduced below.

Reform in China's Economic Transition (Stanford: Stanford Institute for Economic Policy Research, Working Paper No. 317, 2007), <http://siepr.stanford.edu/publicationsprofile/1015>.

²¹ Ane Bislev and Stig Thøgersen (eds.), *Organizing Rural China-Rural China Organizing* (Lanham: Lexington Books, 2012); Gunter Schubert and Anna L. Ahlers, *Participation and Empowerment at the Grassroots* (Lanham: Lexington Books, 2012).

²² Anna L. Ahlers and Gunter Schubert, 'Strategic modelling: 'Building a new socialist countryside' in three Chinese counties', *China Quarterly* 216 (2013), pp. 831-49; Stig Thøgersen and Björn Alpermann (eds.), *Building a New Socialist Countryside* (London: Routledge, 2011).

Local Corporatism

Lin examined a case of local corporatism in his study of a rural village (Daqing Zhuang) in Hebei province. He argues that village leaders maintained their elite status by controlling collective enterprises which was the backbone of economic activity in the village.²³ Oi claims that China's fiscal reform allowed local governments to retain part of the tax revenues they raised. Rural cadres were therefore motivated to function like managers in a large corporation, mobilizing resources to engage in entrepreneurial endeavors. Local corporatism has occurred partly because of cadre control over collective enterprises, and a thriving local market economy is a precondition for local corporatism to occur. It has financially benefited rural cadres.²⁴

Our observations show that local corporatism has been going strong in the Pearl River Delta region and been a main source of income for village leaders there. They can collect industrial and commercial taxes from a thriving local economy and exploit communal assets under their control for personal gains—they control or manage communal assets including collective factories, farmland, fish ponds, and forests. The revenues generated from the communal assets can be very large²⁵ and can be used by rural cadres to profit themselves.

²³ Lin, 'Local market socialism'; also see Maria Edin, 'Local state corporatism and private business', *Journal of Peasant Studies* 30 (3-4), (2003), pp. 278-95; Shanhe Jiang and Richard H. Hall, 'Local corporatism and rural enterprises in China's reform', *Organization Studies* 17 (6), (1996), pp. 929-52; Nee, 'The emergence of a market society'.

²⁴ Jean Oi, 'The fate of the collective after the commune', in Deborah S. Davis and Ezra Vogel (eds.), *Chinese Society on the Eve of Tiananmen* (Cambridge: Harvard University Press, 1990), pp. 15-36; Jean Oi, 'Fiscal reform and the economic foundations of local state corporatism in China', *World Politics* 45 (1), (1992), pp. 99-126; Oi, 'Two decades of rural reform in China'; Oi, *Rural China Takes Off*; also Edin, 'Local state corporatism and private business'; Shizheng Feng and Yang Su, 'The making of Maoist model in post-Mao era', *Communist and Post-Communist Studies* 46 (1), (2013), pp. 39-51; Jiang and Hall, 'Local corporatism and rural enterprises'.

²⁵ Feng and Su 'The making of Maoist model'; Lin, 'Local market socialism'.

Informal Bargaining

In China, some poor villages/townships receive direct monetary transfers from higher authorities. The amount of funding a village receives depends partly on the perceived obligations of a local government to the village and partly on whether village cadres deliver good work performance. Good personal connections with one's supervisor in the local government are vital in determining the amount of the transfers a village receives, because the supervisor has ample room to image the magnitude of perceived obligations to the village and reviews village leaders' job performance. Rural cadres are thus motivated to establish good connections with their superiors in order to increase the amount of transfers for their village.

Financial transfers include many kinds of subsidies and earmarked funds. For example, the earmarked funds from higher authorities include subsidies to soldier's families, funds to guarantee a minimum standard of living and for medical treatment for the poor, etc. There are other kinds of earmarked funds according to local needs such as road construction, which often involve a large sum of money. While financial transfers from higher authorities are allocated to support eligible recipients and some public projects in poor rural areas, village leaders are able to develop innovative ways to appropriate the transfers for their private consumption.

Opportunistic Parasitism

Historically, the PRC central government has never provided sufficient funding to support village administration probably due to urban bias in China's development

strategy,²⁶ which creates a situation in which opportunistic parasitism occurs. In particular, after the CCP abolished agricultural taxes in the 2000s, rural cadres in poor villages and townships in some parts of China have intensified the collection of dues and fines from and imposed new dues and fines on peasants in the name of public projects or policy enforcement. Levies and fines can be raised with many excuses, but generally there are three categories: (1) funds raised in the name of public projects, such as road construction and the construction of schools; (2) payments to village loans from credit cooperatives, other local agencies of the state, or individuals; and (3) various penalties/fines on policy violations by peasants. Rural elites can use innovative ways to profit themselves from the revenues collected for communal/collective purposes.

Cadre Choices

Village leaders can maintain their advantages by selecting one, two, or all the three ways of income generation discussed above. But there are constraints on the choice(s) they can make. Rural leaders in a rich village have more choices than their counterparts in a poor village. Generally speaking, they shall favor local corporatism if they can collect taxes from a thriving local economy and control communal assets. They are not likely to contemplate informal bargaining because, given their wealth, there is no justification or possibility for financial aids from higher authorities. Nor are they likely to behave like opportunistic parasites because dues and fines are a zero-sum game between peasants and rural cadres and thus a risky business. If they

²⁶ Jean Oi, 'Reform and urban bias in China', *Journal of Development Studies* 29 (4), (1993), pp. 129-48.

are wealthy and expect more economic successes in the years to come, they shall focus on the businesses they are doing and are thus anxious to maintain status quo.

Village leaders in a poor area do not have the choice to practice local corporatism and have to think of either informal bargaining or opportunistic parasitism. Informal bargaining shall be preferred because it does not involve risks of peasant resistance. In addition, when rural cadres build up good relations with higher authorities for more transfers, they also create more opportunities for them to be reappointed or promoted. Thus, all rural cadres like informal bargaining, but village leaders in rich areas are less likely than those in poor areas to pursue it because transfers are available only for poor villages which the government has perceived obligations to. Those who benefit from informal bargaining can but are not likely to practice opportunistic parasitism because of the risks associated with this route, as unrests can cause displeasure of and fiscal punishment from higher authorities.

Village leaders in a poor area have to exercise opportunistic parasitism to maintain their financial status if the local government carries no perceived obligations to their village. Their sole source of income is dues and fines from peasants. While opportunistic parasitism is a risky business, rural cadres cannot do without it. If they did not, there would be no incentive and resource to be a rural cadre. Opportunistic parasitism is possible partly because higher authorities often turn a blind eye to this kind of behavior. It is possible that opportunistic parasitism is often carried out in the name of public projects and policy enforcement, thereby making it hard for higher

authorities to crack down the malpractices. It is also possible that higher authorities in a poor area are unable or unwilling to give resources to rural villages, so they tolerate opportunistic parasitism as a necessary evil because they want village leaders to have resources and incentives to maintain rural governance.

Three Case Studies

In this section, we use three case studies to illustrate the three mechanisms of elite reproduction in rural Guangdong. We explain why village leaders in each of the three townships relied on a particular mechanism to collect revenues and how they personally benefited from the revenues.

Fan Township

After 1978, Fan township has successfully moved away from farming activity. The secondary and tertiary sectors have dominated its economic structure, industrial and commercial taxes have become the main source of income for Fan township, and there has been a large tax base expansion. Many villages in Fan township have become examples of financial success, and leaders in these villages have forfeited taxes and levies for individual peasants in order to buy popularity and maintain stability. One reason for the economic successes is Fan township's geographic location as it is located in the heart of and has benefited from a dynamic economic center in China, the Pearl River *Delta* Economic Zone. Another reason for its economic successes is the change in leadership. Expertise in economic management has become an important selection criterion for village leadership posts. For example,

the Zhu Village head was a successful businessman; the Long Village head was a building contractor; and the associate head of Long Village was the owner of several shops. A local leader praised the new village cadres of Long Village: “Old village leaders did not know anything about business. After the new cadres came to office, the village’s economy has developed very quickly. Its GDP was 63,400,000 yuan last year. It will reach 80,000,000 yuan this year and 10 million yuan two years later.”²⁷ Partly because of their commercial successes, they and their villages were heavily milked by higher authorities, and they did not have any bargaining power vs. higher authorities. A village cadre complained to the second author: “The higher authorities collected 5 million yuan taxes from our village last year without giving any tax refunds. We have to build public facilities with our money and are responsible for paying all expenses related to security, family planning, and so on. We are taxpayers without any rights.”²⁸

Unsurprisingly, village leaders in Fan township focused on their commercial undertakings and few of them bothered to lobby the higher authorities for subsidies or financial aids because they simply won’t get any of these. All they wanted was to pay as little financial contributions to the higher authorities as possible. They worked like managers in a modern factory. The village office was a modern office tower fitted with all sorts of cutting age technologies and equipment, and most village leaders had their own offices and support staff and worked regular hours each day. Their priority was to maintain stability and they relied on financial incentives to secure peasant

²⁷ Second author interview, Fan informant 200402.

²⁸ Second author interview, Fan informant 200407.

conformity. For example, according to the village regulations, a peasant who violated the one-child birth control policy would not pay a fine, but he/she would lose his/her benefits associated with village citizenship including dividends from village stocks for fourteen years, which would be a large sum of money. This policy apparently worked well. Also according to the regulations of Fan Village, one would lose dividends from village stocks for one year if he was found guilty of enlistment evasion and for five years if he left the military before being officially discharged; one would lose dividends from village stocks while serving time in prison and would lose dividends from village stocks forever if he/she committed a crime and was sentenced to death.²⁹

Overall, village leaders in Fan township were financially better off than ordinary villagers. Some of them practiced their businesses after they came to power and held rental properties or shares or the combination of the two. Others moonlighted in the stock market during office hours. Equally important, they were remunerated well. It was generally believed that their income was several times that of the average income of ordinary villagers. This belief was supported by the village leaders' refusal to disclose information about their packages publicly. To ordinary villagers, there was something fishy about their packages. A village leader's salary was supported by the revenues collected locally and was set by the higher authorities in proportion to the size of the village's GDP, and according to his performance and village financial health. In addition, the village leaders held a large amount of stock shares of the communal business undertakings due to their services to the local community. In

²⁹ Notes taken from [The Constitution of Rural Economic Cooperation of Zhu Village] by second author.

good years they received additional stock shares, and they were given good bonuses if they enhanced the profitability of the commercial undertakings.³⁰ None of ordinary villagers was entitled to these privileges.

Village leaders in Fan township also enjoyed a variety of privileges both in kind and in cash, including the use of company car, stipends for cell phone communication and leisure activities (e.g. free meals or doing karaoke with friends, relatives at public expense). Many of these events were funded by the village coffer or “small treasury”. Many village leaders helped relatives and family members find a job in township or village enterprises. None of ordinary villagers was entitled to these perks. A villager told our second author: “I don’t have political power so I have to take whatever I can find in the labor market. Fellow villagers, who are connected with those in power, have found good jobs in the village administration.”³¹

Lee Township

Unlike Fan township, there was not a thriving local economy in Lee township. Nor was there a strong collective sector in the local economy. Lee township relied heavily on agriculture and there wasn’t a large scale of foreign investment in the region. As a result, there were no sufficient local revenues for rural leaders in Lee township to conduct official business. Luckily, the Guangzhou municipal government, rich with cash, subsidized the villages in Lee township and did not collect fees and

³⁰ For similar systems in other parts of rural China see Kung, Cai and Sun, ‘Rural cadres and governance’; Jonathan Morduch and Terry Sicular, ‘Politics, growth, and inequality in rural China’, *Journal of Public Economics* 77 (3), (2000), pp. 331-56.

³¹ Second author interview, Fan informant 200401.

taxes from them. The villages enjoyed this preferential treatment partly because of an informal, semi-contractual relationship between them and the Guangzhou municipal government. As mentioned, the economic activities of the villages in Lee township were guided and regulated by the regional development strategy of the Guangzhou municipal government, which did not want the villages to develop the secondary and tertiary sectors. A village cadre told the second author: “My heart sunk when I heard the government report: it asserted that it was too difficult to develop townships in mountainous areas and the development cost would be unbearably high. They said that our area was the backyard of Guangzhou so we must maintain the ecologic system as it was and our mountains and waters should never be polluted by industrial development.”³² The villages in Lee township were asked to focus on agriculture, tourism, and sustainable development, and was accordingly compensated with financial aids from the Guangzhou municipal government.

One form of financial aids was a policy that every office/department in the Guangzhou municipal government was required to set up or support one business in a village in Lee township. For example, one municipal commission was assigned to found a sawmill in Village A; another municipal commission was asked to establish a vegetable production base in Village D; one municipal bureau was given the task to support forest farming in Village B; another municipal bureau was asked to buy some local shopping mall stalls to generate rental income for Village C; and another municipal bureau was required to help Village E develop a flower industry.

³² Second author interview, Lee informant 200406.

There were also heavy subsidies for the villages in Lee township from the Guangzhou municipal government. Available information shows that financial aids from the higher authorities represented nearly 80 percent of the villages' and Lee township's annual budgets for both 2001 and 2002. The subsidies reduced the need for village leaders in Lee township to raise revenues from local businesses and peasants, and heightened their sense to the need to network with the higher authorities so that they could ask for more funding support.

It is important to point out that just because the informal, contractual relationship between the villages and the Guangzhou municipal government doesn't necessarily mean that the villagers would autonomously receive the amount of subsidies they need. Village leaders in Lee township knew that the superiors in charge of rural affairs affected the amount of subsidies they would receive each year, and the allocation of financial support among villages in Lee township was a zero-sum game because the total amount of aids each year was fixed, and the superiors could always find official reasons to give more to one village at the expense of another village, and could always find official reasons to give more to other townships at the expense of Lee township, which would also affected how much the villages in Lee township would receive. Leaders in each village thus had to vie with one another to build good working relations (or even better, personal relations) with the superiors in order not to lose in the competition for a bigger share of financial support.

Additionally, village leaders in Lee township understood that funding decisions were partly related to how well they implemented policies and directives from the higher authorities. An important work for the village leaders in Lee township was to enforce the one-child family planning policy, and they all took it seriously. They learned from past experiences that there was a clear link between the amount of funding support from the higher authorities and the degrees of success in family planning policy implementation in a village. As one rural cadre pointed out, a village could not be assessed by the higher authorities to be a model village without a good record on family planning, and the good record was critical for the village to receive adequate financial aids. The good record was also crucial for the cadres in the village to be reappointed or promoted. Thus, village leaders were proactive and checked out every possible pregnancy dutifully. Their focus was to prevent over quota pregnancies from occurring, and they threatened to impose fines on the violation of family planning. But privately they agreed that fines were not their main concern, what really mattered was to be assessed to be a model family planning village in order to get a good amount of aids from the local government. Fines were a small peanut compared with the financial aids they received from the higher authorities. A local leader in Lee Township said: “Enforcement of the family planning policy is the most important benchmark with which a rural village is appraised. If your village reaches the target it will become a model village. The title of a model village is a big deal because the village can be rewarded a lot of subsidies by higher authorities. The cadres of a model

village also have more opportunities for promotion. A village leader faces the risk of losing his or her official position if he or she can't meet the family planning target."³³

Government aids mattered to village leaders in Lee township partly because they received salaries. As noted, nearly 80 percent of the village and township budgets were from transfers from the higher authorities, which supported rural cadres' salaries in the township. The salary of a village committee chair or a village Party branch secretary could be as much as 450 yuan per month or 5,400 yuan per annual. The salary of other cadres could be as much as 400 yuan per month or 4,800 yuan per annual. This was a good amount of money when the average annual income of a peasant in Lee township was only 2,398 yuan in Lee Township.

In addition, financial support from the higher authorities was the most important component of annual communal revenues in each village in the township. While it was dangerous for the village leaders to put the communal revenue into their pockets directly, they could use it for free meals and other types of private consumption, with the justification that they would need to cultivate good relations with the cadres from the higher authorities who decided the amount of financial aids to their village.

It is necessary to point out that the relationship between village leaders and the higher authorities was a two-way traffic road. There might not be rural stability and conformity with the official development strategy without the loyal service of village leaders. It is true that officials from the Guangzhou municipal government had the

³³ Second author interview, Lee informant 200423.

upper hand in dealing with village leaders given the imbalance of resources between the two actors in the relationship. Nevertheless, the superiors could not be too arrogant and push the underdog—the village leaders—too hard. One village leader pointed out: “The relationship between rural cadres and the higher authorities is like the one between a worker and his boss. The worker would not work hard if the boss did not treat him nicely. Rural cadres work for the government since they are supported by the government, and the government is responsive to the all sorts of requests by the village leaders.”³⁴

In other words, the relationship between village leaders and the higher authorities is not simply one of give and take, but resembles an informal exchange of favors between a patron and a client.³⁵ The relationship between village leaders and the higher authorities benefited both of them, and it was a win-win situation for both to actively participate in the exchange. Even though the old kind of clientelism between rural cadres and peasants in Mao’s China³⁶ has steadily vanished because there is no need to exchange favors between the two actors, clientelism between village leaders and the higher authorities has gone strong in the post-1978 era because of the need to exchange favors between the two actors.

Chan Township

Similar to Lee township, Chan township was not surrounded by a thriving local economy, agriculture was a major part of its economic activity, and there wasn’t a

³⁴ Second author interview, Lee informant 200421.

³⁵ Walder, *Communist Neo-Traditionalism*.

³⁶ Oi, ‘Communism and clientelism’.

large scale of foreign investment in the region. It was difficult for Chan township and its villages to collect sufficient revenues for their operations. Unlike their counterparts in Lee township, the villages in Chan township did not receive any subsidies from the local governments. On the contrary, the local governments collected taxes and levies from Chan township and its villages. Chan township was located in a poor region of Guangdong province and the local governments were cash starved themselves.

Thus, the financial condition of the villages in Chan township was bad. In theory, the budgets of each village in Chan township consisted of three components: 1) tax rebates; 2) transfers from local governments; and 3) fines on policy violations such as birth control violations. In reality, there were no tax rebates for the villages in Chan township because they could barely collect the sufficient amount of taxes demanded by the higher authorities. The total amount of the transfers was unbelievable small (only 62,400 yuan per annual for Chan township). This amount was not sufficient to support the township office and there was no way villages could get a penny from this small transfer. In comparison, the transfers from local governments to Fan township and its villages amounted to more than 16 million yuan in 2001!

Thus, unlike Fan township and its villages, the village leaders in Chan township did not see the need to enforce government policies including the family planning policy because it would not bring in any government aids. Since agricultural taxes and many other levies were abolished by the central government, fines on birth control violations and other policy violations became a main component of the revenues the

villages had. The village leaders in Chan township did not go out to implement the family planning policy. They instead pretended not to know anything and waited for a rural couple to give an over quota birth, and then fined the couple. Their agenda was not to control birth rates per se but to collect as many fines as possible, turning the enforcement of family planning policy into an official channel to collect fees.

The village leaders also took advantage of the recent government reform from earth burial to cremation to collect levies. Before the reform peasants generally used earth burials as it was economical and involved no government fees. After the reform was launched, peasants had to pay a fee to move the deceased to a crematorium and burn the corpse, and another fee for a cemetery to keep cremated remains. Some peasants insisted on earth burials. The village leaders gave the green light if the peasants were willing to pay a fee. This of course was not what the reform meant to be. Nevertheless, the village leaders turned the reform into another official channel to collect fees. Finally, there were land reclamation fees from the use of communal lands in Chan township by the local governments. It was rumored among peasants that village leaders appropriated much of the compensations.

The village leaders in Chan township benefited from the fees and fines although they were collected in the name of policy violations. The fines and fees were used to pay their salaries. The average salary of village leaders in Chan Township was 300 yuan per month, which was small compared with that village leader in Fan township or Lee township received, but it was a big deal in their village where ordinary

peasants were poorer, not to mention the fact that there were not many alternatives of income generation in the area. In some villages the directors and CCP secretaries were paid a higher salary. The director of a village committee in Chan township also received a monthly stipend of 200 yuan for cell phone fees, again a big sum by local standards. Because the village leaders had vested interests their village's budget, they had the motivation to increase its size by imposing as fines on peasants as possible.

Discussion and Conclusions

Using ethnographic data collected from three rural townships in Guangdong, we find that cadre status is a treasured commodity in both poor and rich villages because it is an effective mechanism of income generation for personal gains in the post-1978 era. In addition, we find that there is more than one model of rural elite reproduction in rural China. We show three mechanisms whereby village leaders have reproduced their advantages in the three rural townships in the post-1978 era. Village leaders in Fan township have acted as managers, with income generated from their control over communal assets and taxes; those in Lee township have acted as political barterers, who have exchanged their services for financial support from higher authorities; and those in Chan township have acted as opportunistic parasites, exploiting government policies to impose levies and fines on peasants.

We also show that the villages in the three townships have preserved their collective assets. This is also the case in many parts of rural China.³⁷ We show that

³⁷ Jiang and Hall, 'Local corporatism and rural enterprises'; Xiaoshuo Hou, 'From Mao to the market community capitalism in rural China', *Theory, Culture & Society* 28 (2), (2011), pp. 46-68; Lin, 'Local market socialism'; Oi, 'The fate of the collective'; Vermeer, Pieke, and Chong, *Cooperative and Collective*.

the more developed a village economy, the larger the communal assets: in Fan Township, the richest of the three townships in this study, the collective economy was the pillar of its economy. The control over and appropriation of communal assets was a key reason for the cadres in Fan township to reproduce their elite status in the post-1978 era. The less developed a village's economy, the smaller the communal assets it has, and the more village leaders are dependent on the revenues from higher authorities or fines from policy violations. As a result, the village leaders in Chan township relied heavily on fines and levies, whereas the village leaders in Lee township asked for and lived on funding support from higher authorities. Of course it is entirely possible that the three methods of fundraising existed in the villages in each of the townships, but it is clearly village leaders in each of the three townships differed from one another in choosing a particular means of revenue generation.

The different ways the rural cadres in the three townships reproduced their privileges clearly affected how they thought of and implemented policies. In Fan township, village leaders relied on financial means to control birth rates, and family planning had little to do with budgetary considerations. In Lee township, village leaders promoted family planning as a bargaining chip in their negotiation with higher authorities for financial aid. At the same time, reaching the family planning target was a policy priority because it was a crucial part of governmental accounting. Family planning also loomed large in the budget preparation in Chan township, but for a different reason. For village leaders in Chan township, the target was not the control of birth rates but the amount of fines associated with family planning violations. They

knew that local governments were not in the financial position to reward them a large budget for successes in controlling birth rates.

Finally, we predict that, in the years to come, market reforms will be deepened, and as less developed rural areas catch up with more developed rural areas, local corporatism will be the norm for rural elite reproduction. Informal bargaining takes place because of lucks and only a few chosen ones would have the blessings from higher authorities. Opportunistic parasitism takes place when village leaders have no alternatives of income generation. It is a zero-sum game between village leaders and ordinary villagers and hence is a risky business, and a risky business never lasts long.