

Varieties of Governance: Rural-Urban Migration and
Transformed Governance in Rural China

by

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Date: June 11th, 2009

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Dissertation submitted in partial fulfillment of
the requirements for the degree of Doctor
of Philosophy in the Department of
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ABSTRACT

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Abstract

This dissertation investigates the varied institutional foundations of local governance in rural China with central emphasis on the role of communal structures and rural-urban migration. Instead of treating indigenously developed institutions (IDIs) and externally imposed institutions (EIIs) as competing variables as in most other contemporary research on local governance, this dissertation develops a theoretical framework exploring the interaction between the two types of institutions in sustaining local governance as well as analyzing how community structural features shape this interaction and influence their respective efficacy in sustaining local governance. With the help of a representative national survey in mainland China in 2008 and carefully selected case studies, this dissertation finds that both indigenous institutions and externally imposed institutions can uphold quality governance in local communities, as long as they can efficaciously solve the problems of collective action and accountability. Close-knit communities favor the operation of indigenous institutions; while externally imposed institutions are relatively more competent in half-open communities. However, neither of them can survive and perform effectively in atomized communities due to the lack of a minimal level of coordination among community members. As outward migration challenges rural communities in an uneven way and transforms communal structures to various extents, it is likely to observe a variety of institutional foundations sustaining local governance in Chinese villages.

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Introduction

It is no longer an original observation that the quality of governance in Chinese villages varies significantly. The contrast cannot be more significant when I compare the governance in villages like Su Village in Henan Province with that in those like Qianhouzhai Village in Shandong Province. Although residents of both communities had a similar level of average annual per capita income, in the range of 6,500 to 7,000 RMB (around 955 to 1,030 USD), and most villagers could afford to live in decent houses, spread on a lot of average 0.05 acre with one or two stories depending on local custom, the difference in their access to local public goods and projects, as well as other aspects of local governance, could be easily told as soon as I stepped on the paved and regularly cleaned road connecting scattered families within Qianzhouzhai Village, with the exhausting experience in and unforgettable images of Su Village still lingering in mind: trudging along the muddy road in a rainy day to interview villagers in Su Village with my sneakers covered in a heavy mixture of mud and livestock's excrement. Neither Qianhouzhai Village nor Su Village had sufficient collective income to cover the expenses of paving within village roads, except for limited fiscal transfers from upper-level governments. Elections for villager committees in both communities were rigged, with significant intervention from township officials in nominating candidates. There were also no encompassing and embedding solidarity groups in either of the two

villages. Still, village cadres in Qianhouzhai Village had managed to collect enough contribution from their villagers, in spite of the per capita quota far exceeding the officially prescribed upper limit for collecting money from households in rural China. On the contrary, in Su Village neither village cadres nor average villagers had ever made serious efforts to improve the condition of within village roads, though they all complained and even cursed a lot. A pair of rubber boots was a daily necessity for most villagers in Su Village, which offered a cheap but individualized and private solution to this problem. Further fieldwork reveals that powerful reputation-based social sanctions in Qianhouzhai Village have not only facilitated the cooperation among villagers, but also made village cadres more attentive to the demand of those under their administration. While in Su Village, most villagers cared exclusively about their own material benefits, with little attention paid to how other people perceived or evaluated them in the village.

Grassroots democracy has been introduced and imposed into Chinese villages for more than a decade, mainly, if not solely for the purpose of improving the quality of local governance in a decentralized way as the state gradually withdraws its political control and bureaucratic influence out of rural communities. After the commune system, primarily established and sustained by the despotic power of the CCP regime, was abolished to accommodate market-oriented reforms in the late 1970's, villager

committees organized on the basis of regular, competitive and transparent elections were proposed as the only officially sanctioned institution in Chinese villages, hopefully, to lead effective local governance with the public authority derived out of democratic elections and the capacity of holding village cadres accountable to the public interest. It is true that in villages like Songzhuang Village in Henan Province, grassroots democracy has become the driving power of local governance and channeled possible collective resources, e.g., 300,000 RMB in Songzhuang Village, into public projects rather than village cadres' pockets. Nevertheless, village elections in a large number of rural communities have not been organized following the stipulations of the Organic Law of Villager committee (drafted in 1987 and amended in 1998), with manipulation and intervention at different stages to various extents. It is obvious that rigged village elections cannot work as originally designed to sustain local governance in Chinese villages by providing publicly recognized authority and an efficacious accountability mechanism.

Instead of focusing exclusively on the performance of a specific institution or a type of institutions in rural China, this dissertation tries to examine the operation and efficacy of a variety of institutions for the governance in Chinese villages, explore the possible dynamics among them, and uncover the conditions under which some institutions can outperform others and play the dominant role in upholding local

governance in rural communities. A series of interesting and interrelated questions will be addressed in this dissertation: when close-knit communities undergo gradual transformation into half-open communities, under the pressures unleashed by the process of modernization, are indigenously developed institutions still able to sustain the governance of these communities as they used to? Will institutions imposed, for whatever reasons, by national governments be enthusiastically accepted by their citizens as new institutional solutions for upholding local governance? Under what conditions are these externally imposed institutions more likely to be well established and accepted within transformed communities, and perform effectively as the new institutional foundation of local governance?

These questions are not only of great salience and significance to China, but also to any countries aiming to improve local governance through institutional innovation. This is particularly the case for developing countries which face constant pressures to reform their socioeconomic and political institutions. Besides its dramatic resonance with what is on the top of the agenda of policy makers in both developed and developing countries, changes in the institutional foundations of local governance are also of great interest for students of political science, among whom the origins and consequences of institutional change have been under enthusiastic, attentive and systematic examination during recent decades. Empirically, we have accumulated some

rich though contrasting findings, through both large-N statistical analyses (e.g., Yao and Gao 2006; Yao and Shen 2006; Tsai 2007a, 2007b; Manion 1996, 2006) and detailed case studies (e.g., Tsai 2002b; Galvan 2004, 2007; Platteau 1995, 2000, 1994a, 1994b), on the performance and relative efficacy of different institutions in sustaining local governance in different regions and countries. Unfortunately, there are only limited theoretical tools available for resolving current empirical debates and uncovering general underlying mechanisms.¹ Drawing on more recent developments in political anthropology, sociology, economic history, legal studies and political science on local governance and institutional change, this dissertation suggests a new theoretical framework for 1) synthesizing contrasting empirical findings on the performance of both indigenously developed and externally imposed institutions in upholding local governance, and 2) understanding the interaction between indigenously developed institutions and externally imposed institutions in local communities, as well as its implications for the governance in these communities.

¹ Putnam's work (1993) on the performance of modern democratic institutions in Italy does suggest one critical social factor, i.e., social capital, that determines the performance of imposed institutions in local communities. Nevertheless, Putnam treats social capital as an exogenous variable, primarily shaped by historical traditions and experiences. As Krishna (2007) argues, social capital also grows or diminishes across time. In his work, Krishna attributes the growth in social capital to the existence of community-shared rules and self-initiated organizations. However, the existence of community-shared rules and self-initiated organizations could be the results of some specific communal structures, which will be the focus of my work. Galvan and his colleagues (2004; 2007) also suggest a framework for understanding the performance of externally imposed institutions in local communities of developing countries, but they only focus on successful cases of institutional syncretism and fail to explain varying results.

Varieties of Governance and Institutional Change

Good governance, if simply defined as prosperous and peaceful lives for the majority of those concerned, has been normatively prescribed and practically pursued by students of politics for centuries. That is part of the reason why Leviathan had been suggested as a possible way out of the miserable life characterized as the nature of war (Hobbes and Macpherson 1985). This is why “social contract” was contrived as a critical institutional innovation to channel the power of Leviathan toward the public good (Rousseau and Cranston 1968). Furthermore, this is also why democratic and liberal reforms have been so widely promoted in today’s world as a promising means of achieving prosperous and peaceful lives for most inhabitants of this planet, regardless of their skin color, languages, and religious beliefs (Huntington 1991). “Good institutions”, particularly those set out on parchment, have been widely recognized as the key to good governance. As a consequence, institutional design and change have been examined with unprecedented interest by both academics and policy-oriented researchers (e.g., North 1990; Greif 2006; Horowitz 1991).

After decades of accumulated research efforts, it has been widely acknowledged that institutions do matter and that “good institutions” are critical for good governance.²

² Some scholars challenge the conclusion that institutions matter, since there are many biases in isolating the impact of institutions from that of conditions. I will address these challenges in the conclusion chapter after presenting all empirical evidence. For more information on this, please refer to (Przeworski 2004)

However, when we observe the world through real comparative lens and temporarily discard relatively parochial interests in parchment institutions, we can easily see the lack of a universally applicable institutional template or formula for good governance. Institutions following the same design actually vary significantly across countries or even regions within the same country regarding their performance. The most famous and well analyzed example might be the difference between South and North Italy as Putnam and his colleagues documented in their seminal work (Putnam et al. 1993).³ Nevertheless, less well-known but equally thought-provoking and abundant examples can be found in many developing countries engaged in the complex project of “modernizing institutions” for the sake of facilitating their transition and development. Nationally promoted land-tenure systems, which were assumed to secure property rights and facilitate economic growth, have generated contrasting impacts on African countries, some of which are catastrophic for local communities rather than positive as conventionally assumed by new institutional-economists. In some African communities, state-endorsed way of land-tenure just runs against community-shared norms of fairness and reciprocity. Resulting conflicts have led to unrest and ruined harmonious relationships cherished by local residents. Therefore, newly imposed land-tenure

³ What Putnam and his colleagues were interested in was the performance of nationally imposed formal institutions in different regions, rather than local governance per se. Though there is some connection between the performance of formal institutions and the quality of governance, it is not necessary for good local governance. This will be further elaborated in later sections.

systems have not been widely adopted (Galvan 2004; Chimhowu and Woodhouse 2006; Daley 2005b, 2005a). Even in those communities where state-endorsed land-tenure systems have been established and performed as designed, the resulting enormous inequality in land property has become a serious challenge for local governance (Platteau 2000, 1995).

Grassroots democracy in rural China has also been evolving in a very uneven way. Elections have been held regularly in a transparent and competitive way in some villages, but manipulated in others (O'Brien 1994; Pastor and Tan 2000; Tan 2004; Kennedy 2002). Moreover, even in those villages with democratic and transparent grassroots elections, their impact on local governance is far from clear. In some villages, newly introduced grassroots elections have successfully aligned villagers' and elected officials' policy preferences, increased community members' positive evaluation of village cadres' performance, as well as their trust in local leaders, reduced income inequality among villagers, and increased expenditures on local public projects (Manion 1996, 2006; Yao and Shen 2006; Zhang et al. 2004; Hiroshi 2008).⁴ In some other villages, there is no significant relationship between the quality of democratic local elections and the provision of public goods. It is solidarity groups, e.g., clan/lineage organizations,

⁴ Though Manion and Yao & Shen do not take local governance as the dependent variable in their studies, increased trust between elected officials and electorates, as well as reduced income inequality among villagers, are theoretically associated with quality local governance. The implication of their work shows the positive role played by grassroots democracy in local governance.

that have coordinated villagers' activities in the provision of public goods and monitored elected officials' behavior by creating accountability without democracy (Tsai 2002b, 2007a, 2007b).⁵

Moreover, good governance, conventionally assumed to be closely associated with well designed and properly performing formal institutions, has been well maintained in some communities without resorting to institutions that most academics and policy-makers have in mind. In the history of Europe and North America, indigenously developed institutions had been critical for local economic growth and prosperity, as well as for maintaining social order (Greif 1989; Greif and Kandel 1995; Greif et al. 1995). Even in some rural counties of the United States in the 1990's, locally shared norms and conventions played dominant roles resolving possible conflicts among residents, in spite of some contradictories between what formal legal stipulations claimed and what local norms and conventions suggested. In these communities, order has been achieved without law (Ellickson 1991). When we move to developing countries, the phenomena of governance without law are certainly less rare. People in Indian villages may still go to traditional leaders for conflict resolution (Krishna 2002). Blood-revenge rather than criminal law has been a key deterrence against felonies in

⁵ Tsai's work focuses on the provision of public goods in rural villages in China, which is a very important but one of many aspects of local governance. In later sections, other aspects of local governance will be covered and examined in a coherent theoretical framework.

some East European and Middle Eastern under-developed regions (Boehm 1984; Ginat 1997). Informal money-raising organizations have played an indispensable role in boosting local economies and cultivating capitalism in China (Tsai 2002a) and facilitating local marketing in Indonesia (Hayami and Kawagoe 2001). In other words, we have varieties of governance, operating under similar sets of formal institutional arrangements.

Given these intriguing and contrasting findings, then questions arise: why could the same designed and imposed institutions be established in some regions but not in others, working as the foundation of local governance? Why are indigenously developed institutions still the foundation of local governance in some communities, in spite of the availability of imposed institutions? Confronted with both indigenously developed institutions and externally imposed institutions, which one are community members more likely to choose in dealing with various issues? Under what conditions do the co-existence of and the interaction between indigenously developed institutions and newly imposed modern ones favor the former (latter) over the latter (former) as the institutional foundation of local governance? And, theoretically, what is the implication of this for contemporary academic work on institutional change?

Before I present the central arguments of this dissertation and lay out the framework for analysis, I need to define two key concepts: indigenously developed

institutions (IDIs) and externally imposed institutions (EIs).⁶ IDIs refer to endogenously emerged systems of social factors with the potential of enabling or constraining community members' behavior – institutions that are primarily produced out of continuous social interaction and transmitted through socialization. EIs refer to exogenously designed systems of social factors with the potential of enabling or constraining community members' behavior, i.e., institutions that are primarily produced through the intentional efforts of external forces and transmitted through institutionalized bureaucratic channels. Generally, IDIs are more informal and

⁶ There is no consensus among students of institutions and institutional change on the definition and typology of institutions. For North (1990, 3), institutions are “the rules of the game in a society or, more formally, are the humanly designed constraints that shape human interaction” and organizations, as players of the game, are not part of institutions. North further differentiates between formal and informal constraints, with the latter largely determined by culture. Knight (1992, 2) basically follows North's definition in suggesting that “an institution is a set of rules that structure social interaction in particular ways”; but he also adds that “for a set of rules to be an institution, knowledge of these rules must be shared by the members of the relevant community or society”. Knight differentiates between externally forced and self-enforcing institutions, with the former resembling North's formal constraints and the latter resembling informal constraints. Greif (2006, 30) is more comprehensive in his definition of institutions: “an institution is a system of social factors that conjointly generate a regularity of behavior”. For Greif, to have a coherent, comprehensive, and dynamic understanding of institutional change, “rules, beliefs, norms, and organizations” should work together to generate a regularity of social behavior. Here, I choose to follow Greif's definition of institutions as a system of social factors. The difference between formal and informal institutions is another debatable issue among the students. Helmke and Levitsky (2004) differentiate formal and informal institutions according to whether rules of the game are “enforced outside of officially sanctioned channels” and develop their typology of informal institutions according to the relationship between informal and formal institutions. Boettke et al. (2007) suggest another typology of institutions including three types: indigenously-introduced endogenous (IEN) institutions, indigenously-introduced exogenous (IEX) institutions, and foreign-introduced exogenous (FEX) institutions, with more emphasis on the relationship between the initiators of institutions and related communities or societies. Since the focus of my work lies in local governance, Boettke et al.'s typology is more relevant for examining the interaction between indigenously developed institutions and externally imposed institutions. However, the difference between IEX and FEX institutions is not relevant given my focus on domestic politics.

traditional in the sense that they are not mandated by forces exogenous to communities, like national governments, and are widely observed in traditional societies. EIIs are more formal and modern in the sense that they are imposed through institutional bureaucratic channels and backed by forces foreign to communities, and are widely practiced in modern societies.

My central arguments are: 1) regardless of its nature and type, any institution can perform effectively in sustaining local governance, as long as it can effectively solve the problems of collective action and accountability which are the fundamental issues for local governance. Generally, IDIs have a much longer history than EIIs in serving the governance of local communities. 2) The efficacy of different types of institutions, i.e., IDIs or EIIs, in solving these two fundamental problems is, at least to some extent, contingent upon the social environment in which they are embedded. Close-knit social environment – more specifically, continuous and frequent social interaction and the existence of dense and extended social networks – favors the operation of IDIs, and EIIs are comparatively more efficacious than IDIs in half-open communities. In atomized communities, neither IDIs nor EIIs can work effectively as the institutional foundation of local governance. 3) Confronted with the co-existence of different institutional solutions for similar purposes, community members are more likely to choose the efficacious one with lower transaction cost, including both switching and coordination cost. And 4)

when communal structures are transformed to various extents due to outward migration, the social environments of these communities are also changed and reshaped along the spectrum from the close-knit one through half-openness to the atomized one. Therefore, given the unevenly transformed social environments in local communities due to different levels of outward migration, as well as community members' contextualized choices among different institutional solutions, varieties of governance can be observed under similar sets of formal institutional arrangements. In a sum, changes in the structures of local communities – something contemporary research on both local governance and institutional change has generally ignored or tentatively touched upon – have played a central role in explaining the transformation in the institutional foundations of local governance, as well as the existence of varieties of governance in local communities.

Case Selection, Methodology and Data

It has been generally acknowledged among students of Chinese politics that “honeycomb” had been an appropriate portrait of the socioeconomic and political structures of rural China before the initiation of market-oriented reforms in the late 1970's and the early 1980's (Shue 1988; Parish 1985). This social environment is very favorable for the cultivation, consolidation, and operation of indigenously developed institutions for local governance. Moreover, historical studies of local governance in

different dynasties of pre-modern China, particularly those about local governance in the Song, Ming, and Qing dynasties, have shown many concrete examples of how indigenous institutions had effectively regulated and coordinated people's behavior for social order and local development (Watt 1972; Kuhn 1975; Wakeman and Grant 1975; Xiao 1960; Yang 1961; Smith 1899). Though the CCP succeeded in centralizing domestic politics and administration, its planned economic system with priorities on industrialization actually reinforced the honeycomb structure in rural China, which was favorable for the operation of indigenous institutions in both socioeconomic and political arenas in rural China. The comprehensive campaign toward modernization launched in the early 1980's has introduced a large number of formal institutions into various aspects of rural governance, e.g., grassroots democracy, accompanied by nationwide market-oriented economic reforms, which are still in the process of unfolding. Moreover, such reforms have significantly transformed the honeycomb structure in rural China, with more than 132 million rural labor working and living in urban areas by the end of 2006 (China 2008). Though people leave rural communities for better economic opportunities and benefits in urban areas, and never intentionally challenge or demolish the performance of indigenously developed institutions within their home communities, their leaving and coming, *per se*, have significantly reshaped the institutional and political landscape of their home communities (Massey et al. 1994;

Roberts 1997; Bravo 2005). As a result, the social environments of Chinese villages have been substantively transformed, *inter alia*, through rural-urban migration, though in a very uneven way.⁷ This pattern of change offers a rarely available opportunity to empirically examine whether a variety of institutional foundations have been working in sustaining local governance in different rural communities with transformed community environments, as well as why different institutional foundations have been adopted and consolidated for governance in these communities.

In addition to scrutinizing the correlation between various institutions established and adopted in Chinese villages and the quality of governance in those rural communities, I follow the research framework suggested by Coleman (1990, 5-23) by studying multilevel systems of propositions: 1) how do changes in community environment reshape the information environment, social sanctions, public authority, and cooperative norms among community members? And 2) how do the transformed social environments affect community members' choices between different institutional solutions in addressing various problems within communities? Therefore, I need relevant information on both villages, as the environments in which socioeconomic and political activities are embedded, and villagers, as the agents of making decisions and

⁷ Most migrant workers come from Central and West China and find their jobs in East China. Even within one province, the level of outward migration varies across counties, townships, and even villages. Features of rural-urban migration in China and its evolution will be systematically examined in Chapter 2.

initiating consequential behavior. In addition to some objective measures of the quality of governance in Chinese villages, villagers' perceptions, evaluations, and normative orientations are also critical for exploring the micro-foundations of the operation and performance of different institutions in upholding local governance. Therefore, surveys should be the most appropriate research tool for examining the propositions of this dissertation.

Before designing appropriate survey instruments, I spent three months in the summer of 2006 in villages of Hubei, Henan, and Shandong Province to get myself familiar with the substantive issues that might offer the most leverage for examining the performance of different institutions, as well as some possible proxies that might be used to measure such performance, through "soaking and poking". Partnered with the students and faculties from the Center of Rural Governance (CRG) at Huazhong University of Science and Technology, we worked as a team with 3-4 groups living in 3-4 adjacent villages.⁸ Following an outline with cues and possible questions I proposed on various aspects of local governance and villagers' perceptions and evaluations of different institutions, each group worked independently in a pre-selected village interviewing village cadres and villagers, and observing relevant activities. Every other

⁸ We either lived in villagers' houses or some empty rooms at the villager committee. In this way, we maximized the experience and possibilities of knowing each village as comprehensively as possible. For each village, we usually spent two to three weeks, long enough to build villagers' confidence in us for sincere answers during interviews.

night, all groups met together for a two-hour long discussion on what each group had found, what should be further explored, and what should be paid extra attention to in subsequent fieldwork. Through this efficient and effective cooperation, I could not only know more cases, but also build a deeper understanding of each individual case through comparison and identifying commonly shared features. This comparison also helped maximize the validity of my proposed survey instruments when applied to villages which I did not visit in person.

A pilot survey was done in the summer of 2007, in villages of Hunan, Anhui, and Jiangxi Province. Partnered again with the CRG, I tested two sets of questionnaires designed for both villagers and communities in 25 administrative villages interviewing 870 villagers. Though the selection of villages was based on convenience rather than probability for logistic and financial reasons, the selection of villagers within each village strictly followed the systematic sampling procedure. Using the newly updated household registration information, as a result of the just finished second national agriculture census, as the sampling frame, we randomly selected 50 villagers within each village for face-to-face interviews following the standardized mass questionnaire. Following our previous team-work strategy, each group worked independently in a village and then all groups in adjacent villages met every two days for discussion. Surveys were usually conducted in the middle of our two- or three-week staying in each

community, after each group had got familiar with the situation of each village and gained enough trust from average villagers and village cadres through casual talking and semi-structured interviews. These local surveys offered abundant and systematic information on local governance and the operation of different institutions in these 25 villages, which facilitated the generalization of the findings based on qualitative evidence gathered through my limited individual efforts.

After further revising those survey instruments based on pilot survey results and securing the permission from the principal investigators of the Asian Barometer Surveys (ABS),⁹ I included some key survey instruments in the mass questionnaire of the second wave of ABS in mainland China and successfully persuaded the ABS to use the village questionnaire I had tested as the village questionnaire for its rural subpopulation in mainland China. To ensure that the survey could cover as many temporal and seasonal migrants in rural areas as possible, it was scheduled between the December of 2007 and the February of 2008, with the Chinese Spring Festival, when most temporal and seasonal migrants might go home for family reunions, in between. Nevertheless, an unprecedented snowstorm that attacked more than 20 provinces in central, south and northwest China in the early January of 2008 significantly delayed the implementation

⁹ For more information on the sampling of the second wave of ABS in mainland China and other technical issues, please refer to the appendix. For more information on ABS, please visit the official web site at <http://www.asianbarometer.org/>.

of this survey, which was not completed until the end of April. In this stratified multi-stage proportional to size national sampling survey, 5,098 respondents distributed in 487 administrative villages and urban residential communities have been interviewed. My analysis focuses on the rural subpopulation including 4,205 villagers from 357 administrative villages, with the information collected for both villagers and villages through two sets of questionnaires. With the help of face-to-face interviews based on standardized mass questionnaires, I have collected the following information from each interviewed villager: 1) demographic features; 2) migration experience; 3) socio-psychological features; 4) norms and cultural values; 5) perceptions and evaluations of local information environment, social sanctions, and public authority; and 6) choices among different institutional solutions for various issue domains. Through interviewing village cadres, particularly the *wenshu* (clerks) who are responsible for book-keeping and preserving archives and records, following a standardized village questionnaire, I have collected the following information for each sampled village: 1) village population size; 2) the number of villagers engaged indifferent economic activities, including working as migrant workers in urban areas 2) collective income from various resources; 3) geographical and ecological features; 4) the performance of grassroots democracy; 5) village's experience with issues like conflict resolution, house building, and land re-allocation; and 6) the provision of public goods and maintenance of public projects.

To offset the widely recognized deficiency of quantitative analyses in uncovering underlying causal mechanisms, I have also compiled qualitative evidence based on my previous fieldwork through semi-structured interviews, participatory observation, and documentary studies. Some villages were revisited for supplementary information after my local surveys in 2007 and the ABS project in 2008.¹⁰ The value of these qualitative data in this dissertation is twofold: 1) snapshot survey data can only offer cross-sectional information on the correlations among key variables of interest, with an exclusively emphasis on the variance along the spatial dimension. However, the temporal dimension also plays a significant role in the process of institutional change and performance, particularly if we try to examine the impacts of different patterns of outward migration on community structures and local social environments. Without access to longitudinal survey data, process tracing within a rural community through villagers' recalls and memories might offer some extra leverage in understanding the impact of transformed communal structures on local social environments, and how the performance of different institutions varies as the changes in national socioeconomic and political policies/institutions drive the outflow of villagers through rural-urban migration. And 2) following most-similar and most-different research strategies (King et

¹⁰ These villages were not covered by the ABS sample. Thus, methodologically speaking, these villages can actually serve the function of out-of-sample test for whatever conclusions derived out of statistical analyses.

al. 1994; Przeworski and Teune 1970; Ragin 1989), comparative case studies also offer some further advantage in addition to isolating the influence of the variables of interest. Average villagers' and village cadres' reflections on social sanctions, village politics, local governance, and the performance of different institutions, as well as their answers to why they prefer some institutions but not others, or just private solutions for various issues, provide some vivid examples of "contextualized rationality" that are critical for understanding the logic of local governance, and institutional change in local communities. All these cannot be recovered simply through crunching survey data in front of computers.

A caveat is that though all quantitative and qualitative data come from rural Chin, the whole arguments and theoretical framework are not just about local governance in Chinese villages. They offer a contextualized explanation of the changes in the institutional foundations of local governance for any communities that face the co-existence of both indigenously developed institution and externally imposed ones, as well as the transformation in communal structures driven by various socioeconomic and political forces unleashed by the modernization process. As local communities gradually move away from the close-knit type to the half-open one or even the atomized type, the institutional foundations of local governance in these communities change accordingly. Identifying the social foundations for the operation and performance of different

institutions and bringing the transformation in such social foundations back into our theories of institutional change can enrich and deepen our understandings on how institutions change and perform, as well as the conditions under which they may fail.

Overview of the Dissertation

Chapter 1 establishes a theoretical foundation and coherent framework to guide subsequent empirical analyses. After reviewing the literature on the origins and changes of institutions, from not only political science, but also economic history, sociology, political anthropology, and legal studies, I present both macro and micro pictures for the origins of indigenously developed institutions and externally imposed institutions in local communities. After showing the efficacy of reputation-based multilateral social sanction systems in regulating and coordinating community members' behavior and solving the problems of collective action and accountability in close-knit communities, as well as the comparative advantage of externally imposed institutions, primarily based on pre-determined rules, in sustaining local governance in relatively more open communities, I lay out the framework for examining institutional choices in local communities confronted with the co-existence of different institutions and transformed social environments due to outward migration. In the end, major theoretical hypotheses on how the institutional foundations of local governance may transform because of the

changes in communal structures driven by outward migration are derived for subsequent empirical examinations.

Chapter 2 offers a broad review of the evolution of local governance in Chinese history and its rural-urban migration since the late 1970's. Different institutions designed for local governance, as well as their performance, in Chinese history are reviewed, with a particular emphasis on the role of the community structural features of Chinese villages. Institutions for local governance adopted by the Ming and Qing dynasties, and the KMT regime offers some concrete examples on how powerful indigenous institutions could be in sustaining the governance in rural China. Introductions on the totalitarian and later authoritarian institutions between the CCP's victory in mainland China and economic reforms in the late 1970's, and the grassroots democracy after the 1980's in rural China serve as the background for further analysis on villagers' institutional choices and varieties of governance in contemporary rural China. Evolution and changes in the outflow of villagers through rural-urban migration in Chinese villages are another focus of the second chapter. With the help of national statistics collected from various resources, I present the uneven distribution of rural-urban migration of rural China, which attests to the plausibility of uneven changes in the social environments of rural communities that are examined in subsequent chapters.

Chapter 3 focuses on the empirical evidence at the village level regarding decentralized provision of public goods in Chinese villages. After justifying the measures adopted for the proxies for different institutions, this chapter examines the data on local public goods provision collected through village questionnaires completed in 357 administrative villages with the help of structural equation modeling in two steps: 1) showing that regardless of their nature, any institutions that can solve the problems of collective action and accountability with efficacy are able to sustain the provision of public goods in a decentralized way, when required resources primarily come from collective income and/or individual voluntary contribution; and 2) showing that changes in communal structures, caused by outward migration, do have significant impacts over the provision of public goods in Chinese villages, though in an indirectly way by working through the performance of different institutions. Three detailed-cases studies offer complementary qualitative evidence for statistical analysis.

From different but complementary perspectives, Chapter 4 and Chapter 5 offer micro-level evidence for the macro-picture presented in Chapter 3. Chapter 4 shows how outward migration at the village level transforms the close-knit social environment and erodes the social foundation for the operation and performance of indigenously developed institutions in rural communities. Changes in information environment, social sanctions, and public authority, as well as normative orientations on collective

interest, long-term relationships, and conflict avoidance are systematically examined by integrating individual features, collected through mass questionnaires, and village features, collected through village questionnaires, with the help of discrete choice models. In addition to the cross-sectional evidence, a detailed case study on the changes in the social environment of a village since the commune era has been presented for some qualitative longitudinal evidence on how the social foundation for the efficacious performance of indigenously developed institutions has been gradually eroded due to the transformation in communal structures, partly driven by increasing outward migration.

Chapter 5 moves beyond the changes in social environments driven by outward migration and focuses on villagers' choices among different institutional solutions for various issue domains, as well as their perceptions and evaluations of different institutions in supervising village cadres and holding them accountable to the public interest. Externally imposed institutions are the focus of this chapter. Villagers' preferences over externally imposed institutions in conflict resolution, disaster/crisis relief, small credits and loans, as well as regulating village cadres' behavior are systematically examined using discrete choice models combining both information on individuals and village community structural features.

Chapter 6 concludes with summarized findings and broader implications of this project for the literature on institutional change and local governance. Building upon the experience of the governance in rural China, I also suggest some positive evidence for a serious challenge facing most students of institutions: are institutions epiphenomenal? The last part offers some reflections on whether the increasing number of returned migrant workers in rural China due to the strike of the financial crisis in 2008 might offer some new opportunities to revive the governance in Chinese villages, particularly those atomized or paralyzed communities due to a high level of outward migration.

1. Local governance in transformed communities

It has been widely acknowledged that the problems of collective action and accountability are what have prevented many communities from enjoying the benefits of good governance and significantly reduced the collective welfare that could have been achieved (e.g., Hardin 1968; Gibson et al. 2000; Ostrom 1990; Tsai 2007a). To solve these problems, facilitate the cooperation among community members, and channel various efforts and resources toward the public interest, different institutional solutions have been adopted, either learned through the trial-and-error process embedded in long-term social interaction or imposed on the basis of sophisticated institutional engineering. It is because of the involvement of both bottom-up (indigenous evolution) and top-down (external imposition) processes in the provision of institutional solutions for local governance, the institutional foundation of local governance, as well as associated quality, varies across communities.

This chapter draws heavily upon more recent development in sociology, anthropology, economic history, legal studies and political science to theoretically examine: 1) how do different types of institutions perform effectively to sustain local governance? 2) Under what conditions, particularly the social environmental and community structural features, do different types of institutions have their respective comparative advantage in working as the foundations of local governance? 3) When

different types of institutions are available simultaneously in local communities for similar purposes, how is the interaction in between going to shape the institutional foundations of the governance in local communities? And 4) as community structures are transformed because of various socioeconomic and political forces foreign to local communities, how is the dynamics among different types of institutions for local governance going to evolve? A coherent theoretical framework will be established to guide subsequent empirical analysis and major theoretical hypotheses will be derived.

1.1 Governance without law in close-knit communities

Though the rule of law has been generally recognized as the foundation of good governance, peaceful and stable social life has also been documented by sociologists and anthropologists as important to governance in numerous communities without the existence of anything even remotely resembling law in modern sense. In these communities, social control¹ has been well maintained and enforced not through forces exogenous to such communities, but rather via some social sanction system, emerging endogenously through long and stable interactions among community members.

¹ Social control can broadly refer to “virtually all of the human practices and arrangements that contribute to social order and, in particular, that influence people to conform” (Black 1984b, 4); or it can be narrowly defined as “how people define and respond to deviant behavior” (Black 1984b, 5). For more information on social control, as well as studies on social control as either a dependent or independent variable, please see the two edited volumes by Donald Black (1984b).

In some tribal communities in Sub-Saharan Africa, egalitarian norms have been gradually cultivated and widely observed by community members, as a protection against uncertainties in food production and economic activities. People are expected to share what they get and are normatively presumed not to hoard extra food or economic benefits. In this way, these communities can make sure that most of their members are able to survive in the long run. If anyone is found hoarding extra food or other material resources, he is likely to be cursed by other community members with the help of witches, or even attacked by having properties destroyed. Given the deterrence of such community sanctions and punishment, egalitarian norms are widely obeyed in these tribal communities (Platteau 2000, 1994a, 1994b). In some Japanese rural villages in the early twentieth century, community members who were caught or even suspected of stealing could be sentenced in a community conference, without resorting to local courts. Then these villagers would be ostracized from the village to find their own living in other places, even with some marks tattooed on their faces. These stigmatized villagers were unlikely to be accepted by other rural communities, which usually implied a miserable end to their lives (Smith 1967; Nakane 1967). In addition to such implicit but community-shared norms, clearly stipulated rules might also be gradually developed and adopted in some communities for regulating community members' behaviors.

There have been numerous studies of clan and lineage organizations in rural China. Though scholars have done fieldwork in different regions, the general ideas they get about the roles and functions of clan and lineage organizations in rural China converge: clan and lineage organizations played a significant role in ensuring the governance in rural villages, at least before the establishment of the People's Republic of China. In many villages, there were village compacts with stipulated rules telling villagers what was appropriate or inappropriate relating to particular aspects of their lives. Such village compacts could cover issues from attitudes toward people with different social status, daily dealings with neighbors and relatives, rituals for weddings and funerals, and to civil and criminal cases, such as adultery and theft. Community members who violated such rules could be scolded or whipped in public, have their names removed from the genealogy, or even drowned or burned to death, depending on the nature of their transgressions (Freedman 1958, 1970, 1966; Potter 1970; Duan 2007; Duara 1988; Xiao 1960).²

This kind of governance without law is not limited to rural communities in less developed countries, and the concept of community should not be inappropriately and

² One point has to be made and emphasized. I am not romanticizing communities like those in Sub-Saharan Africa or in other continents, for there have also been dark sides of these communities in their culture, norms, and social life. What I want to argue is just that, for some issue domains, order and governance can be secured and maintained, particularly in local communities, without resorting to modern formal institutions. For information on dark sides of these rural communities, please refer to (Edgerton 1992)

narrowly construed as a limited geographical concept. In Shasta county California in the US, the role of gossip and stigmatization could not be overestimated in regulating people's daily interactions and, even, resolving conflicts related to the damage of cows, dogs, and agricultural products. Actually, the norm of neighborliness has trumped legal entitlements in social interaction and the philosophy of "live-and-let-live" has guided people's behavior and successfully maintained local order and governance in this community (Ellickson 1991).

Mutually shared norms, cherished reputations, and internally enforced arbitration systems have also effectively regulated businessmen's activities in the diamond industry, in spite of the availability of a modern legal system. These businessmen may not live in the same area or region, but they still prefer extralegal contractual relations over legal transactions. A binding agreement could be made by just following a handshake with the words *mazel u'broche* (luck and blessing); and an envelope folded and sealed in a specific way, with the stone inside, signature of the offer over the seal, and specialized terms and conditions included, can work as the formal contract of transaction (Bernstein 1992).³

³ Reputation based mechanisms in regulating and coordinating business transactions are not something new among businessmen. The history of these mechanisms can be, at least, traced back to medieval times. For related information see (Greif 2006; Greif 1993, 1989; Greif et al. 1995). Though Bernstein (1992, 120 134) has emphasized the role of "secrecy" in favoring the extralegal over the legal system among diamond

What are the shared features of these communities that make governance without law possible, given the obvious differences among them in terms of geographical locations, economic development levels, cultural traditions, as well as community composition? They all are close-knit communities. Frequent and continuous interaction among community members and the existence of extended and dense social networks are two prominent characteristics of close-knit communities that have made governance without law both feasible and possible.⁴ Though these two features are empirically related to some extent, they do have different theoretical implications.

Stylized game-theoretic models have been adopted by scholars from various disciplines to examine people's interactions and the resulting social consequences. Among all these models, the Prisoners' Dilemma (PD) and Battle of Sex (BS)⁵ are most frequently used, to map out the problems of free-riders and coordination, respectively.

businessmen in their transactions, secrecy is neither sufficient nor necessary for choosing the extralegal system over a legal one.

⁴ Ellickson had identified the "central attributes of close-knittedness" as: 1) future power to administer sanctions; and 2) access to information about the past and present (1991, 178-181). But for me, such capacities are contingent upon two communal structural features: 1) frequent and continuous interaction among community members, and 2) the existence of extended and dense social networks. When such structural features change, the capacity of administering sanctions, as well as access to information about the past and present, may alter accordingly. Since my key concern in this project lies in the impact of rural-urban migration on local governance, I follow a structure-centered approach, rather the function-centered view, for defining close-knit communities and deriving the impact of its communal structural features on community social environment, cooperation and conflict among community members, as well as the operation and performance of IDIs and EIs.

⁵ Battle of Sex has also been called Assurance Game in some literature.

Since most governance problems in local communities are related to transgressions of community members for personal gains at the cost of community benefits, the PD game will be used in this context for demonstrating the consequential impact of frequent and continuous interactions on the game's result.

Table 1.1: Prisoners' Dilemma (PD) Game

		A	
		Cooperation	Defection
B	Cooperation	3, 3	0, 5
	Defection	5, 0	1, 1

In this one-shot PD game, the dominant strategy for both players is defection, rather than cooperation, which means, regardless of the opponent's chosen strategy, defection is always a winning strategy. However, this individual rational calculation prevents two players from gaining more separately and jointly. And no player has incentive to change his strategy, which means this is a Nash-equilibrium. Actually, this is not the end of the world: if the PD game can be played over and over again, which means this one-shot PD game becomes an iterated PD game, cooperation might be the preferred strategy for both players and become an equilibrium, out of many other

equally possible equilibria (Axelrod 1984, 1997; Nachbar 1989).⁶ In plain language, frequent and continuous interactions among community members can transform the nature of social interaction, cast a heavy shadow of the future on their rational calculation of present interests, and facilitate cooperation among them. Then the equilibrium of the game could move from the lower-right to the upper-left cell in Table 1.1. In this case, Hobbes's pessimistic prediction about the nature of war may not hold, even though community members are still rational in calculating their self-interest, rather than being tricked into some altruistic mental-state. Moreover, after some continuous and repeated interactions, due to people's cognitive features, these preferred strategies based on rational calculation might gradually become autonomously retrieved responses in dealing with similar situations (Mantzavinos 2001). Through the channel of socialization, such effective responses might be transmitted among community members, and across generations as well, becoming gradually internalized by most community members and finally developing into what has been labeled as norms or culture.

In close-knit communities, due to either geographical or other structural constraints (e.g., the occupational features of contemporary diamond businessmen or

⁶ According to the Folk Theorem, any combination of strategies might show up as an equilibrium in an infinitely iterated PD game.

Maghribi traders in medieval times), the interactions among members are frequent and continuous. As some sociologists and anthropologists have suggested, close-knit communities could also be labeled as “communities of acquaintances” (Fei 1939; Fei et al. 1992). In rural villages, people not only work in fields bordering upon each other, but also deal with each other in other activities: they might buy daily groceries from one or two shops for years or decades; they might go to each other’s parties, weddings or funerals; and they might spend most of their time in the village with those who have been their friends from childhood. *Ditou Bujian Taitou Jian* (You will always see each other when you raise your head, though you may not realize their existence when lowering your head) has been the most frequently used phrase among villagers in rural China for describing their relationships with their co-villagers. Under such circumstances the interactions among community members are repeated, which means the shadow of the future can be heavy, and most community members are likely to share similar expectations of each other’s behavior due to socialization within their community. Consequently, trust and other norms that facilitate cooperation and the emergence of order are also likely to be cultivated. As Clay suggests in her work on trade and credit in local communities in Mexican California:

Continued interaction with other individuals was valuable. These gains and the threat of punishment by multiple individuals for deviation from accepted norms created incentives that allowed individuals to trust one another (1997, 497).

In addition to frequent and continuous interaction among members of close-knit communities, dense and extended social networks are another feature of these communities that contributes to governance without law. Actually, two critical functions are served by the dense and extended social networks: transmission of information and cross-issue linkage.

It is relatively obvious that information can be quickly transmitted in dense social networks.⁷ The role of information in sustaining reputation-based social sanction mechanisms for ensuring cooperation, facilitating transactions, and reinforcing norms has been repeatedly emphasized by students of social sciences (Geertz 1980, 1973; Coleman 1990, 1986; Greif 2006; Greif 1993, 1989; Clay 1997). Embedded within a dense social network, people can easily get information about other community members through various connections, which implies that community members' either good or bad behavior and even words are very likely to be in the community's public domain. Given that people can rarely cover up from their community members, and their transgressions are very likely to be identified and sanctioned, order and governance are more likely to be sustained. Moreover, once a transgression is uncovered, the

⁷ For me the density of social network can be simply defined as the existence of mutual connections or contacts among most community members. In this sense, Burt's social network with structural holes is loose rather than dense (Burt 1992). If there are structural holes within a community, some community members can actually manipulate the flow of information given their structural privilege in receiving and sending information, which might tamper the working of the reputation-based mechanism for sustaining governance without law.

transgressor might be stigmatized via a bad reputation transmitted through gossips,⁸ which will make the him\her no longer acceptable to other villagers. As Platteau argues in his work on the evolution of market economies in Sub-Sahara African countries:

In the village community everyone is watching everyone. Gossip about one's misconduct is circulated by word of mouth faster than any modern means of communication. In such an environment a significant cost could be incurred to a person who would violate a contract with his fellow villager, since not only would he lose benefits from the contract but the resulting bad reputation would deprive him of future opportunities to enter into contracts with other villagers as well (1994a, 549).

The dense and extended social networks of close-knit communities not only facilitate the transmission of information, which is indispensable for ensuring order and governance in the absence of external forces but also generate cross-issue linkages that smooth the process of achieving socially optimal results that might not be possible if left to isolated individuals. To demonstrate this function of dense and extended social networks in maintaining governance without law in close-knit communities, another stylized game-theoretic model is presented in Table 1.2, which is named the "Specialized Labor" (SL) game.⁹

⁸ There is a copious literature on gossip in psychology. According to such studies, people actually enjoy gossiping. Regardless of psychological incentives involved with gossiping, it does serve a functional purpose for my argument: easing the transmission of information. For some anthropologists, gossiping or talking in some communities is even a primary weapon for power struggle (e.g., Brison 1992).

⁹ Actually I borrowed this game from Ellickson (1991, 162-164).

Table 1.2: Specialized Labor (SL) Game

		A	
		Serve	Not Serve
B	Serve	3	0
	Not Serve	7	1

The payoff structure and available strategies in this game are similar to the PD game in Table 1.1, but there is also a significant difference between the two. In the PD game, the payoffs and strategies are symmetrical for both players and a socially optimal result will be achieved if neither player defects. In this SL game, the payoffs for players are not symmetric: player B has the comparative advantage in generating a more optimal output by offering the same type of service. Therefore, the socially optimal result is achieved when player B alone offers the service. In the PD game, neither player can change the equilibrium by offering the other one side payments; however, in the SL game, player A can actually offer player B side payments to move the equilibrium from the lower-right cell to the upper-right one. For example, player A can take, at least, 1 out of 7 as a side payment to player B so to let the latter bear the burden of offering all the service. Still, player A gets 6 and player B gets 1, with the situation improved in the Pareto sense. However, without credible commitment, player B can never be sure that player A will deliver the promise once he offers his service. Hence, this kind of side

payment offer might be regarded only as cheap-talk and the socially optimal result would still not be achieved. The situation changes when both players interact with each other across multiple issue domains, where each of them enjoys comparative advantages on different issues. Then both players can divide their labor and improve their payoffs as a whole. This is not uncommon in close-knit communities. In rural China, villagers who are good at cooking might be invited over for helping others in preparing banquets for weddings, funerals, and parties, without charging for their work. But they can also expect to be repaid by their fellow villagers when they need help or some other villagers' expertise is requested (He 2003a; Fei 1939; Fei et al. 1992).

In addition to its function in easing the achievement of socially optimal results, cross-issue linkages due to the existence of dense and extended social networks might also reinforce the impact of repeated interactions on the emergence of cooperation and order. Besides a shadow of the future cast upon people's utility calculation, the shadow of issue-linkages¹⁰ might also be cast upon community members: the games played in close-knit communities are not isolated, but linked with each other. Deviation from one game might be punished by exclusion from others. In other words, order and governance could be achieved in a meta-game consisting of numerous simultaneously

¹⁰ Issue linkages have also been used by scholars of International Relations to explain the role of international institutions in promoting cooperation among states. For information on this see (Keohane 1984)

played games, even if transgressions might be the dominant strategy for players for each specific game. An extreme example could be the ostracism used by some communities in punishing transgressors: deviation in social interaction actually leads to the cancellation of community-membership, which could be detrimental for those whose lives depend on their community.

Hence, generally speaking, governance without law can be achieved in close-knit communities with the following features: frequent and continuous interactions among community members and the existence of dense and extended social networks. Embedded within this social environment, along the heavy shadow of the future, quick transmission of information, and overarching cross-issue linkages, stable expectations of community members' behavior can be established, indigenously evolved norms can be diffused and internalized, and a system of social sanctioning can work effectively. Therefore, transgressions and deviations can be largely successfully deterred and punished if they occur. Social sanctions, together with internalized norms, not only facilitate cooperation among community members, but also regulate the behavior of local leaders who are embedded within the same social environment. In a nutshell, indigenously developed institutions can be established and work as the foundation of local governance in close-knit communities.

However, such close-knit communities are not isolated from but embedded within the outside world. This embeddedness also suggests that all of the aforementioned community features that are favorable for the cultivation, establishment, and performance of indigenous institutions are thus subject to the impact of transformations in the outside world, which, in turn, could erode the abovementioned community features and reshape the performance of indigenous institutions. This embeddedness becomes increasingly salient once the process of modernization is initiated.

1.2 Modernization and imposed formal institutions

As a major theme of the 20th century, modernization¹¹ has generally been widely acknowledged as a process of transformation that goes far beyond individuals, accompanied by essential and significant changes in social, economic, and political institutions. With modernization, nation-states have gradually taken over tribal communities, city-states, and principalities as the dominant political entities in the

¹¹ Modernization, of course, is a multi-dimensional phenomenon, which has been conceptualized as a process involving industrialization, urbanization, and other socioeconomic and political changes. Though this concept has been conventionally associated with social evolutionism and ethnocentrism, for this section, I use this concept without such connotations. For me, its most important dimension is economic modernization, as promoted and facilitated by technological innovation and its associated impact on institutional change. For more information on modernization and its role in twentieth century, see Black (1966, 1967) Eisenstadt (1966) Smelser (1966) Weiner (1966) Wood (1966) Lerner and Pevsner (1962); for related critiques of modernization theory, see Shils (1962) Bendix (1967) Rudolph and Rudolph (1967) Nisbet (1969) Tipps (1973).

world. Market economies based on secure property rights and other institutional foundations have been buttressed by national governments, or centrally planned economies covering extended geographical areas have shadowed the role of barter economies or locally circumscribed commercial activities. Legal systems monopolized by nation-states with predominant jurisdiction in their respective territories have successfully established their status against possible rivals. Formal institutions, primarily sanctioned and imposed by nation-states, have been playing indispensable roles in modern politics, economies, and various social issues. Comparatively speaking, the role of indigenous institutions and their corresponding impacts have significantly shrunk, if not been completely eliminated. To understand fully the incentives generated by modernization for establishing formal institutions, we will approach them from two contrasting perspectives, bottom-up vs. top-down, though theoretically they are complementary to each other.

With the help of technological innovations in transportation, communication, and production that have gradually emerged during modernization, people are no longer constrained to specific localities. They have been largely freed from geographical constraints, as well as other associated socioeconomic restrictions and empowered with increasing physical mobility and augmented material resources. Economic opportunities that were originally out of reach are accessible as 1) extra labor and resources become

available due to the application of new technologies in conventional production; and 2) newly developed transportation facilities significantly reduce the cost of doing business out of locally circumscribed communities: thus cross-regional and even cross-national commercial activities are no longer out of the question. Therefore, people are more likely to get out of their communities capitalize upon new economic opportunities in other places, which makes social interaction with strangers rather than only with acquaintances inevitable. Even those who stay in their communities for various reasons have to face new realities and deal with strangers coming from other places either doing business or residing in their neighborhood. Consequently, reputations and norms, *per se*, cease to be the effective means that can be counted on to coordinate and/or regulate social interaction for the following two reasons. First, when unfamiliar persons who people may come across just once in their lives take up a significant portion of daily interactions, social relations change from reiterated interactions to one-shot games, which dramatically relieves the shadow of the future weighting on people's utility calculations. Consequently, deviant and opportunistic behavior is more likely to emerge. Second, given their exclusive reliance on personal ties, locally circumscribed dense and extended social networks no longer encompass socioeconomic interactions across geographically dispersed communities. From a larger geographical perspective, information cannot be effectively transmitted across such locally circumscribed social

networks in a timely manner, due to weak links in between or their isolation. Without enough information accumulated, reputations and norms cannot be well cultivated. Moreover, social sanctions based on such social networks are also no longer efficacious as they used to be in deterring and punishing deviant and opportunistic behavior, given the alternatives available in other regions and the low cost of moving around. Confronted with the impaired capacity of indigenous institutions to coordinate and regulate socioeconomic interactions, people demand new institutional solutions to resume order and governance. This was why commercial guilds in towns and cities during the medieval period in European countries, which were dominant players in regional business, gradually dwindled when the integration of national markets developed (Greif et al. 1995; Greif 2006). This was also why Italian cities began to perform on behalf of their resident merchants in their businesses with foreign cities, e.g. the relationship between Genoa and Tabriz (Greif 2006). This has not only been shown in the history of European countries, but also reflected in developing societies which began their process of modernization in the twentieth century. As Lerner and Pevsner (1962) incisively observed in their seminal work on the transition from traditional to modern societies in the Middle East:

Physical mobility so experienced naturally entrained social mobility, and gradually there grew institutions appropriate to the process. Those who gained heavily by changing their addresses soon wanted a convenient bank in the neighborhood to secure their treasure; also a law-and-police force to guard the

neighborhood against disorder and devaluation; also a voice in prescribing standards of behavior for others (1962, 48).

Instead of theorizing from the perspective of individuals as well as micro-level social interactions reshaped by the process of modernization, other scholars have paid more attention to structural transformations confronting national leaders with challenges of governance. They recognize that in the process of modernization governments have increasingly tended to accumulate functions formerly performed by traditional authorities, such as tribes, clan and lineage groups, and families, for more effective governance (Weiner 1966; Black 1966; Galanter 1966; Smelser 1966; Wood 1966; Huntington 1968). As clearly demonstrated in his observation of transformed political participation in changing societies, Huntington (1968) argues,

More than anything else, the modern state is distinguished from the traditional state by the broadened extent to which people participate in politics and are affected by politics in larger-scale political units (1968, 38).

The same argument applies to other aspects of transition societies, rather than only political participation and pertinent institutions. For economic profits in a nationally integrated market, individuals have to respond to what has happened in other regions or even countries thousands of miles away to organize their activities. Legal systems grow to the point where almost all human activities come into contact with the law in one form or another, in which a remote and centralized authority with monopolized jurisdiction replaces local ones with immediate access. Given the nature of

modern nation-states, national leaders, either dictators or elected chief executives, have to manage social, economic and political issues on a much larger scale within their sovereignty, compared with the situation in tribal communities, city-states, or principalities, which makes indigenously developed institutions adopted by close-knit communities no longer appropriate and efficacious for leaders of modern nation-states. This fundamentally transformed nature of governance has made transaction costs the most challenging issue for national leaders. Some institutional solutions, different from indigenous institutions, that could facilitate and ease their interactions with widely dispersed heterogeneous citizens have to be established.

As shown in previous sections, the reason that indigenously developed institutions are effective and efficient for close-knit communities lies in the frequent and continuous interactions among relatively homogenous community members, as well as the existence of dense and extended social networks. Generally, indigenous institutions adopted by close-knit communities are primarily relation-based.¹² For these relation-based institutions, there are few fixed costs involved, i.e., few formally stipulated codes, no specialized agents in charge of enforcing these codes, and limited usage of contracts; however, the marginal cost for each individual case or issue is relatively high, since each

¹² Some IDIs also have stipulated rules and regulations, e.g. village compacts in rural China. But even for these IDIs with clearly articulated rules and codes, the implementation of such rules and codes is still based on social sanctions that hinge upon the significance of locally valued relations. Therefore, relation-based regulating mechanisms are central to IDIs.

case has to be addressed by taking its specificities into consideration without the availability of clearly articulated rules for evaluation. Under the governance of relation-based institutions, “one needs to screen, test and monitor each and every transaction partner. The acquired relational information is implicit and person-specific, and hence non-(publicly) verifiable and nontransferable” (Li 2003, 657). Nevertheless, local information transmitted through social networks in close-knit communities significantly eases the performance of such relation-based institutions, by making such implicit information publicly available and transferable. As a consequence, the transaction costs associated with indigenous institutions in close-knit communities can be maintained at an acceptably low level for ensuring efficacious governance. This is no longer the case for modern nation-states: the transaction costs will be prohibitively high when relation-based institutions are used as the foundation of governance over a large number of widely dispersed heterogeneous citizens.

Rule-based modern institutions involve high fixed-costs, since codes and regulations have to be drafted, implemented, and enforced; specialized agents have to be trained and provided; and a comprehensive information infrastructure has to be established and maintained. However, the marginal cost for each additional case to be addressed by rule-based institutions is negligible, given the explicit, impersonal, and standardized relationship involved. With the help of rule-based institutions, national

leaders do not need to deal with their constituencies in a case-by-case style, but more in a mass-production style such as in dealing with standardized products, which significantly reduces the transaction costs involved in dealing with widely dispersed heterogeneous citizens. Moreover, abundant economic resources generated out of economic modernization and/or increased capacity of resource extraction also make the huge investment in the fixed-costs for establishing modern rule-based institutions possible. In other words, to ensure efficient and effective macro-management or governance, regardless of being driven by either personal benefits or the public interest (Bueno de Mesquita et al. 2003; Shirk 1993), modern national leaders have to supply and impose appropriate modern socioeconomic and political institutions, which are rule- rather than relation-based.

In a nutshell, modernization, particularly accompanied by technological innovation and economic growth, has fundamentally transformed socioeconomic interactions in communities, as well as raised new challenges for governance. Increased physical mobility enables people to explore various opportunities in much broader geographical areas, which weakens the capacity of indigenously developed institutions to regulate and coordinate such socioeconomic interactions, which, in turn, drives bottom-up demand for new institutional solutions. Expanded political and economic territory, including widely dispersed heterogeneous citizens, also pushes national

leaders to figure out new institutional solutions that can minimize the transactions costs involved in upholding governance. The availability of abundant economic resources generated by economic growth and/or resource extraction makes it possible for nation-state leaders to transform the institutional foundations of governance from relation-based to rule-based, through significant investment in establishing formal institutions as well as other associated infrastructures.

1.3 Institutional syncretism and institutional choice

Though both bottom-up and top-down pressures for establishing formal institutions have been found in the history of developed countries and contemporary developing countries, there is a critical difference between the two situations in terms of which side dominates the process of establishing formal institutions. This might be better explained with a conventional demand vs. supply story borrowed from elementary economics: if we take 1) the voluntary bottom-up pressures from a society, which have been unleashed by the process of modernization, for new institutional solutions to regulate and coordinate individual socioeconomic interactions as the demand for formal institutions, and 2) the top-down incentive for national leaders to find new institutional solutions to reduce the transaction costs in dealing with their respective constituencies in ensuring order and governance as the supply of formal

institutions, it is theoretically possible that we might get contrasting scenarios and results when we move along the demand and supply curves.

When supply meets demand, it is very likely to find a Pareto-improvement for governance in the transition from traditional to modern societies, with modernized institutions facilitating governance by regulating and coordinating socioeconomic interaction, as well as reducing transaction costs. This is the case in which we observe economies grow when national integrated market systems upheld by secure property rights and enforceable contracts replace locally circumscribed barter or market economies by making the optimal allocation of resources across larger geographical areas and various industries possible. However, if supply does not meet demand, disruptions are very likely to emerge during the process of modernization. The example of “participation explosion” suggested by Huntington (1968) in changing societies is exactly the situation when traditional political institutions cannot accommodate and channel increasing demands for political participation due to socioeconomic changes unleashed by the process of modernization, such as higher levels of education, and expanding interactions between nation-states and their respective citizens. This is also the case when dishonest behavior, e.g., cheating and defaulting, prevail in a neonatal and expanding market economy when other supporting institutions are not well

established.¹³ In most cases, when the supply of modern institutions lags behind the demand for them, which implies that traditional institutions can no longer effectively address essentially changed socioeconomic and political issues in transformed societies, expected institutional change or innovation can come up in one way or the other: either social elites can establish new formal institutions or transform old institutions in an adaptive way to accommodate the demand (Tsai 2005, 2006; Thelen 2002, 2003), or more radical approaches could be adopted from the societal side, if social elites could not initiate demanded changes as requested, by imposing and establishing a whole new institutional system from scratch and rejecting the old one (Huntington 1968; Huntington and Nelson 1976). This kind of demand-driven change in institutions, particularly for the establishment of formal institutions, has been widely observed in both developing and developed countries. Examples in the history of developed countries have been frequently used to illustrate how modern economic and political systems were gradually established in response to social demands (Knight 1992; Greif 2006; Greif et al. 1995; Cusack et al. 2007; Boix 1999).

¹³ The relatively chaotic situation in market economies has been widely observed in many developing countries, such as the 1980's in China, as well as the history of today's developed countries, such as the late 1890's and early 1900's in the US. Cheating on customers and business partners, defaulting on loans and contracts, and evading taxes are the dark side of a "market economy" manifested everywhere, particularly salient when other supporting institutions that can help maintain market order by monitoring and regulating market transactions are not well established.

Another theoretically possible scenario, which has also been widely observed in reality, is when the supply of modern institutions “exceeds” the demand for them in a society. Actually, this is more likely to happen in developing countries, which are not among the first wave of passengers boarded on the vessel of modernization and usually are learners and/or importers of formal institutions established and practiced in developed countries. Unlike the situation when institutional change and innovation lag behind socioeconomic and political changes unleashed by modernization, in some developing countries formal institutions, which are designed to accommodate the socioeconomic and political situation of societies with much higher levels of economic growth and political institutionalization, are imposed by national leaders, either as a result of intentional learning and borrowing from more advanced countries for better and more efficient governance,¹⁴ or because of external pressures,¹⁵ either political or economic, to appease their patrons. This point is not new and was fully suggested by

¹⁴ This kind of intentional learning or borrowing in establishing modern institutions is not difficult to find in developing countries. In addition to widely embraced modern economic institutions, such as stock and future markets and modern corporate systems, political institutions are also intentionally borrowed by developing countries in reforming their old systems, e.g., the diffusion of communism and the communist system in East European regions and China, as well as the diffusion of democracy in various waves.

¹⁵ The establishment of modern economic and political institutions because of external pressures is also not rare in developing countries, considering all those institutional packages imposed on developing countries from IMF, World Bank, and some developed countries in promoting the Washington Consensus for liberal economic reforms, as well as the “export of democracy” to developing countries through economic sanctions/rewards, and even military actions.

Bertrand Russell (1961), although in a different situation, on the relationship between practice and theory:

A philosophy developed in a politically and economically advanced country, which is, in its birthplace, little more than a clarification and systematization of prevalent opinion, may become elsewhere a source of revolutionary ardor and, ultimately, of actual revolution. It is mainly through theorists that the maxims regulating the policy of advanced countries become known to less advanced countries. In the advanced countries, practice inspires theory; in the others, theory inspires practice (1961, 581).

In the history of developed countries, it was endogenous structural changes (practice), such as the gradually increased commercialization, which transformed demographic distribution, and expanded the scope of interaction and communication due to technological innovations, that generated pressures for institutional change or modernization of institutions (theory) in the fields of economy, politics, and social interactions. In contrast, in most developing countries, formal institutions (theory) have been either imposed by or imported from advanced societies for ideological, political, and/or economic reasons, rather than being predominantly adopted in response to indigenously generated demands (practice). As a consequence, for these learners and/or importers of formal institutions, there is very likely to be a discrepancy between the socioeconomic and political situation in their societies and what those borrowed formal institutions are designed for. If we temporarily accept the flawed view of a predetermined linear process of modernization, we can say there is an “over-supply” of formal institutions. When we move downward from societal level to the community

level, this “over-supply” of formal institutions, as well as its implications for local governance, will be much more significant.

Due to the relatively low level of economic growth and short experience of the transition from traditional to modern societies, socioeconomic and political transformations in many developing countries, particularly those that got their independence in the twentieth century, are still at an inchoate stage, i.e., the economic situation has improved but still hovers at relatively low levels; communication and transportation facilities have been established but with relatively poor conditions; the scope of socioeconomic and political interactions has been expanded but is still significantly constrained. Moreover, in most developing countries, there is huge inequality across regions with respect to the impact of modernization on local communities: in metropolitan areas like Beijing, Mexico City, New Delhi, Dakar, and Cape Town, people can enjoy various products of modernization as their counterparts in most urban areas in developed countries. However, in most rural areas of developing countries, physical mobility is still limited and many people are still engaged in traditional ways of production and living, particularly for those rural communities located in geographically isolated regions. As a consequence, indigenously developed institutions might still function and perform well in regulating and coordinating socioeconomic interactions in these local communities, though their capacity could have

been impaired to some extent due to the penetrating impact of modernization. When modern institutions are imposed by nation-states for various reasons and expected to be promoted and established in a predetermined way, they may fail to operate as effectively as expected in local communities due to the lack of enthusiasm among community members for subscribing to imposed institutional solutions for indigenous institutions that are available and still functional (Ellickson 1991; Boehm 1984; Ginat 1997; Krishna 2002); or there might even be serious conflicts between newly imposed formal institutions and indigenous institutions, which cannot be solved in a short period of time, leading to negative attitudes among people against imposed institutions, and even generating serious political and economic consequences for local governance (Galvan 2004). Thus, institutional transplantation, which may lead to “over-supply” of formal institutions, can lead to some unexpected and even negative impacts on local governance in developing countries, particularly their rural areas.

As some critical reflection over the contemporary literature on institutional change, which generally formulates and/or tests its framework with examples of the history of present developed countries and then applies such frameworks with assumed universal applicability for explanation, a new literature on institutional syncretism has been developing to capture the difference in the dynamics involved for institutional change in demand-driven and supply-leading situations, with particular emphasis on

developing countries, which are more likely to be engaged in the project of institutional transplanting. This newly emergent literature tries to understand the “dilemmas of deploying rules, practices, and design of institutions that have been imported or imposed from external environments in locales where actors are enmeshed in historically embedded complexes of interests, norms, collective memories, social relations, and knowledge structures” (Galvan and Sil 2007, 6),¹⁶ and criticizes the analytic universalism in contemporary studies on institutional change as

[e]mphasizing transnational processes of change rather than the parallel evolution of independent systems. Yet, they too rest on teleological foundational assumptions in that they assign a priori epistemological and causal primacy to homogenizing forces of social transformation and uniform logics of social action rather than to sources of variation across space and mechanisms of historical continuity with locales” (Galvan and Sil 2007, 4).

In his analysis of land market and other reforms in Senegal, Dennis Galvan suggests a generic framework for examining the establishment, adoption, and performance of formal institutions, which are usually externally imposed by national

¹⁶ Actually the roles of norms, informal rules and cultures have also been addressed by scholars in the mainstream literature on institutional change: North has forcefully emphasized the role of informal institutions in explaining why “path-dependency” is critical for institutional changes (North 1990). Greif also argues that “institutions more compatible with the environment spanned by existing one, those reflecting the coordinating influence of past institutional elements and incorporating institutional elements inherited from the past, are more likely to result” (Greif 2006, 195). Roland’s articulated difference between fast-moving and slow-moving institutions is the key to his explanation on why institutional transplantation is not expected to be very successful most of the time (Roland 2004). However, for most mainstream literature on institutional change, institutional infrastructure, primarily consisting of norms, values, cultures, and informal rules, is just a “theoretical and empirical” residual, rather than an integrated part of a coherent theoretical framework in explaining institutional change.

policy makers on local communities, in developing countries (Galvan 2004).¹⁷ In this layered theoretical model for institutional organization and performance, Galvan has identified some informal rules, habituated patterns of action, values, attitudes, and beliefs as the “institutional infrastructure” for institutional organization and performance. Formal rules and administrative structures, according to Galvan, are the “institutional superstructure” (2004, 15-20). To achieve effective performance, the institutional infrastructure and superstructure should be compatible with each other. Since the change in institutional superstructure is much easier and institutional infrastructure cannot be easily transplanted, the adoption and performance of imposed institutions are contingent upon the interaction between the superstructure of imposed institutions and the infrastructure of indigenous ones. Four outcomes, according to Galvan, are theoretically possible: 1) institutional syncretism, with the legitimacy of imposed formal institutions established upon existing indigenous ones due to the permeation between the two and new elements created at all levels; 2) pseudo-syncretic grafting, with an imposed institutional superstructure and an indigenously developed institutional infrastructure sticking together, with little or no transformation in institutional elements; 3) institutional disarticulation, in which imposed formal institutions exist only as hierarchical administrative rules, without ever establishing or

¹⁷ This is what I label as externally imposed institutions (EIIs).

developing corresponding institutional infrastructure, and work like a “state floating above society”; and 4) a modernizing transformation, with the imposed formal institutions transforming indigenous institutional infrastructure to correspond to the performance of the former (2004, 216-223). With the help of this theoretical framework, Galvan has offered some insightful explanations on the fates of various imposed formal institutions in Senegal, e.g., *Taile* pawning, rural councils, and national domain law. Subsequently, this framework of institutional syncretism, further refined by Galvan and Sil as “a set of interpretative processes through which actors in local settings selectively transform newly imposed or transplanted institutional features, while adopting portable elements of preexisting social institutions to produce innovative institutional configurations” (Galvan and Sil 2007, 7), has been adopted by numerous scholars in explaining issues like the development of local-level democracy in rural Senegal (Galvan 2007), the underlying driving force for Chinese armed forces’ engagement in economic activities (Bickford 2007), the evolution of Argentina’s party system (Ostiguy 2007), managerial syncretism in Japan (Sil 2007), as well as the nature of economic stabilization plans in Latin American countries (Kearney 2007). These empirical findings also resonate with what has been observed by Chinese scholars on legal pluralism in rural China (Su 2000, 2002; Qiang 2003).

Though this newly developed literature on institutional syncretism does help us systematically incorporate the experience of institutional change in developing countries into the burgeoning literature on institutional change and offer an integrated framework for analyzing the dynamics involved in institutional transplantation or supply-leading institutional change, it pays overwhelming attention to successful cases of institutional syncretism in developing countries engaged in modernizing their institutions for governance, to promote these scholars' preferred agenda of institutional change in developing countries.¹⁸ Institutional syncretism, as Galvan recognizes in his own work, is just one out of four possible results when formal institutions are imposed. Pseudo-syncretic grafting, disarticulation, and modernizing transformation are theoretically possible, and have been empirically observed. Then a more intriguing and compelling question should be: under what conditions is the interaction between

¹⁸ Given Galvan and his colleagues' emphasis on the legitimacy of imposed or transplanted modern institutions as well as cultural transformation, it is understandable that institutional syncretism becomes their preferred way of institutional change in developing countries. Galvan does not have much confidence in the feasibility of modernizing transformation, as he argues that, "this had only really worked in societies where the carriers of pre-modern culture and institutional infrastructure have been wiped out through genocide or massive demographic exclusion"; "setting aside genocidal displacement and apartheid, there are two serious obstacles to imposition and modernizing transformation. Genuine transformation of culture and institutional infrastructure to support new superstructure requires extraordinarily expensive mechanisms of reeducation and re-socialization to construct a hegemonic culture wholly alien to subordinates" (Galvan 2004, 221-222). He is right in identifying the reeducation and re-socialization processes involved in transforming institutional infrastructure, but wrongly equates this process to what had been done through projects like assimilation in colonial eras. Culture and institutional infrastructures do change as a response to the transformed social environment in which they are embedded. This might be the results of some intentional projects like assimilation as Galvan mentioned, but also might be the results of individuals and communities' adaptive responses to socioeconomic changes induced by modernization, which I will address in the rest of this project.

indigenously developed institutions and externally imposed ones likely to result in institutional syncretism, pseudo-syncretic grafting, disarticulation, or modernizing transformation? Only when we have a better understanding of this question, can we, if justifiable, more effectively promote an agenda of institutional change in developing countries engaged in modernizing the institutional foundations of their systems of governance.¹⁹ Unfortunately, Galvan and his colleagues 1) fail to tell us why institutional syncretism is possible for the modernization of institutions in some domains, but not in others; and 2) over-narrowly focus on the interaction between the institutional superstructure and infrastructure, without taking social structural changes and national government policies into account. Moreover, if we temporarily move away from this more academy-biased interest in the performance of imposed formal institutions in developing societies with the help of the institutional infrastructures of preexisting indigenous institutions, and re-orient our attention from the legitimacy of imposed formal institutions (without assuming their advantage over indigenous institutions in local governance) to the quality of local governance, even more interesting questions arise. What are the implications of institutional syncretism, pseudo-syncretic grafting, disarticulation, and modernizing transformation for local governance? Are

¹⁹ Actually governance per se is not a big concern for the literature on institutional syncretism. This literature is more interested in how imposed formal institutions work in societies with preexisting indigenous institutional infrastructures.

pseudo-syncretic grafting and disarticulation always bad for local governance? Is institutional syncretism the most-preferred method for improving local governance, regardless of community structural features, in transition societies engaged in institutional engineering? Moreover, when we take the performance of both imposed institutions and indigenous institutions as variables, which are shaped by the interaction in between and surrounding communal structures, rather than simply assuming the invariance in other or the other like most contemporary literature, a more contextualized understanding of institutional change, for both formal and informal ones, and local governance can be achieved.²⁰

To examine more comprehensively the impact of institutional change, particularly in developing countries where institutional transplantation prevails, I do not privilege institutional syncretism for either ideological or normative reasons, but establish a more contextualized and agent-based theory to explain under what conditions community members, confronted with the availability of both externally imposed institutions and indigenously developed institutions, will choose the former (latter) over the latter (former) to address their problems of coordination, regulation, and

²⁰ Galvan and his colleagues simply assume the invariance in the performance and efficacy of indigenous institutions across regions and examine how institutional syncretism works. Helmke and Levitsky (2004) propose a framework for examining the origins and changes in informal institutions, assuming the exogeneity of formal institutions and focusing on informal institutions that are endogenous to formal institutions. More comments and reflections on this, as well as the implications of this dissertation for the literature on information institutions, will be presented in the conclusion chapter.

monitoring. Theoretically institutional choice could logically “precede and determine” whether institutional syncretism, pseudo-syncretic grafting, disarticulation, or modernizing transformation might emerge as the result of the interaction between imposed institutions and indigenous institutions. It is only after imposed formal institutions are adopted or embraced by community members for various reasons that we can talk about the interaction between the superstructure of imposed institutions and the infrastructure of indigenous institutions: either institutional syncretism or modernizing transformation might develop. If community members show no interest in externally imposed institutions and still use indigenously developed ones for their socioeconomic interactions, pseudo-syncretic grafting or disarticulation is more likely.

In previous sections, both theoretical rationales and empirical examples have addressed how indigenous institutions and imposed formal institutions can help sustain governance by providing institutional solutions to the problems of collective action and accountability. Generally speaking, indigenous institutions differ from imposed formal institutions on two critical aspects: 1) the scope of coordination and regulation, and 2) the costs associated with coordination and regulation, because of contrasting social environments for which they are originally developed for. Due to the large number of widely dispersed heterogeneous individuals involved, imposed formal institutions have been designed to count on detailed items and procedures to cover as many different but

plausible situations as possible. This implies a high demand for human and economic resources to make comprehensive rules in regulating impersonal interactions as well as collecting pertinent reformation, which makes the costs for the operation of imposed formal institutions high. What confronts indigenous institutions is somewhat different: within geographically circumscribed communities, locally cultivated values and norms, internalized by many community members through constant socialization and working as the guide to their daily interactions, dramatically reduce the demand for complex and detailed procedures. Moreover, easy access to local information transmitted through dense and extended social networks further cuts down the operation cost of indigenous institutions. Therefore, though both imposed institutions and indigenous institutions have been developed to solve similar problems, i.e., collective action and accountability, the challenge involved is substantively more serious for the former. As we have seen in the section on the relationship between modernization and the establishment of modernized institutions, the socioeconomic and political transformations accompanying modernization have made formal institutions generally more attractive than indigenous ones, given the expanded scope of social interactions and increasing physical mobility. For various issues, relation-based indigenous institutions are no longer competent and rule-based imposed institutions has been widely favored by national leaders and imposed onto societies.

However, this does not necessarily mean that once formal institutions are introduced, they will be embraced from below. When confronted with the choice between two institutional alternatives to deal with others for a specific issue, community members have to take three factors into consideration before finalizing the choice: 1) the effectiveness of different institutions in dealing with specific issues; 2) the switching costs involved, and 3) the coordination costs incurred. Theoretically, community members may go for different institutional solutions to distinct issue domains, based on their utility calculation. That is exactly what students of institutions have observed: for example, in Indian villages, people usually go to new agents for issues of economic development and political participation, but still prefer traditional agents for conflict and dispute resolution (Krishna 2002). It is self-evident to say that people will choose the institution that can efficaciously address the issue at hand. Thus, for those issue domains that have been substantively transformed by the process of modernization and demand for regulation and coordination among a larger group of people in a broad scope of area, imposed formal institutions are likely to be the natural choice. Nevertheless, if the local community is still the key concern for an issue domain, the choice between imposed institutions and indigenous institutions is unlikely to be clear-cut. To see which institutional alternative community members prefer for such locally circumscribed issues, we have to examine the efficacy of indigenous institutions in

transformed local communities, as well as the weight of switching and coordination costs in agents' utility calculation for different institutional solutions. Such factors are closely related to a major social phenomenon in developing countries during the transition from traditional to modern societies: rural-urban migration.²¹ In the following section, I will examine this phenomenon and its implications for the performance of indigenous institutions before laying out a complete theoretical framework for explaining variation in the institutional foundations of local governance.

1.4 Rural-urban migration and transformed rural governance

Accompanying the transition from agricultural to industrial societies, urbanization has been one of the most salient features of the twentieth century. As the UN World Urbanization Prospects report describes: a rapid urbanization of the worlds' population has been observed in the last century, as the global proportion of urban population rose dramatically from 13% (220 million) in 1900, to 29% (732 million) in 1950, to 49% (3.2 billion) in 2005, which is also projected to be around 60% (4.9 million) in 2030 (United Nations. Dept. of International Economic and Social Affairs. et al. 2005).

²¹ Theoretically, there are many potential sources of the breakdown of indigenously developed institutions in local communities, including migration, cultural and normative changes caused by economic change and/or exposure to modern mass media, religious competition, etc. Nevertheless, the outflow of community members through rural-urban migration is a significant phenomenon across all developing countries and it can exacerbate the impact of other potential resources on the breakdown of indigenous institutions. Therefore, rural-urban migration will be the key communal structure for my examination of indigenous institutions and externally imposed ones. The impact of other potential resources will be incorporated in later empirical sections as important controls as well.

What has been contributing to this continuous trend is the large amount of rural-urban migration²² with people leaving rural communities settling in urban areas temporarily or permanently for more economic opportunities and benefits, as well as proximity to modern facilities and services, as widely documented in the history of industrialization in developed countries (Hagood and Sharp 1951; Hochstadt 1999; Patten 1973; White 1973) and contemporary developing countries (Afsar 2000; Bhuyan et al. 2001; Chaudhuri 1993; Jha 1989; Joshi 2004; Kc 1998; Kutsche 1994; Lobo 2004; Mortuza 1992; Oberai et al. 1989; Rauf 1984; Singh 2001; Singh 1986; Yadava 1989). According to the most recent agricultural census taken in China, the largest transition society in the world, there were more than 132 million rural labors away from their villages, working and living in urban areas by the end of 2006, which accounted for more than 24% of total rural labor in China (China 2008). With such a dramatic number of rural residents leaving their communities, what are the implications for the governance of their communities, particularly the operation and performance of indigenously developed institutions in those communities?

²² There has been both domestic and international rural-urban migration. The former happens within both developed and developing countries due to regional differences in, *inter alia*, economic growth; while, the latter happens because of similar differences between countries. Since I am interested in the impact of rural-urban migration on rural governance in developing countries, domestic rural-urban migration will be the focus of my work.

As I show in the section on how indigenous institutions sustain governance in close-knit communities, two community structural features are critical: 1) continuous and frequent interactions, and 2) the existence of dense and extended social networks. When local communities are close-knit, due to either political or socioeconomic constraints, e.g., the *hukou* (household registration) system²³ or underdeveloped transportation, these two critical communal features can be relatively easily maintained, which, in turn, facilitates and reinforces the performance of indigenous institutions in sustaining local governance. However, once such close-knit communities are forced to open-up, either by internal or external pressures, with some community members leaving and some strangers coming in, these two critical communal features for the performance of indigenous institutions may be impaired or even destroyed.

First of all, with more and more community members leaving rural communities for better economic opportunities and benefits in more developed urban areas, the frequency of interactions among community members is likely to decrease. For those who make their living in urban areas, rural communities may no longer be the primary concern in their daily life. Communication and interaction with other members of their

²³ Household registration systems have been used in some countries, e.g., China, Japan, Vietnam, and North Korea, for population regulation and management. In China, it was adopted not for population regulation and management per se, but as a complementary institution for its industrialization policy. For more information on the household registration system in China and its evolution, see among others (Chan and Zhang 1999; Wang 2004a)

communities become less relevant and more expensive as they rely on phone calls or long-distance travel, rather than face-to-face interaction. When community members are not sure any more about where their fellow-villagers will be after some business and/or whether they will deal with each other again in the village for similar or other issues, the nature of social interaction is gradually moving away from iterated games and closer to one-shot games or games with limited iterations. Consequently, the community environment transformed by rural-urban migration is less favorable for the establishment of stable expectations of each other's behavior, less fertile for the cultivation of mutual trust and cooperative norms, and less propitious for the operation and performance of indigenously developed institutions (Coleman 1990, 1986; Opp 1986; Cronin 1999; Gintis 2005; Geertz 1980). This change from "communities of acquaintances" to "communities of quasi-acquaintances" (He 2003a) is critical for understanding the transformation of governance in rural communities due to outward migration.

Second, with some community members leaving, the original dense and extended social networks, which are critical for the performance of reputation-based multilateral social sanction systems, might be loosened and shrink. Smooth and in-time transmission of information is indispensable for the effective operation of reputation-based multilateral social sanctions (Greif 1993, 1989; Platteau 2000, 1994a, 1994b). In

close-knit communities, the dense and extended social networks can ease the transmission of information for monitoring community members', including local leaders', behaviors, ensuring timely penalties on transgressors, and deterring possible deviation. When these social connections are loosened and the extension of such networks is reduced due to the absence of some community members, the required information for the operation of indigenous institutions may no longer be available with limited costs. Deviant behaviors might not be reported and made publicly known in time; and transgressors could get away from multilateral sanctioning when their violation of community-shared norms is not revealed to fellow-villagers other than those with whom they deal. Moreover, over-arching issue-linkages among various dimensions of socioeconomic interactions in close-knit communities, which facilitate collective efforts at improving the community as a whole, are also likely to break down when the dimensions of community members' interactions are reduced. When some community members are absent most of the time, the opportunities for such interactions on various occasions also dwindle. Generally, rural-urban migration is likely to loosen and reduce the social networks in rural communities, which, in turn, makes access to required information for the operation of indigenous institutions more difficult and costly and weakens the availability and efficacy of cross-issue linkages in facilitating within community collective efforts.

Last but not least, rural-urban migration provides a convenient and easy channel of exit for community members wishing to circumvent possible social sanctions in their communities (Platteau 2000).²⁴ When community members can easily move out of their communities and make their own living in urban areas, punishing them for transgressing locally shared norms through social sanctions becomes less credible given the limited scope of such efforts. Even depriving transgressors of community memberships is no longer as threatening as ostracism was decades ago, since rural communities are no longer the only resources for living. As a result, the efficacy of indigenously developed institutions is impaired because of community members' increasing capacity to opt out and decreased dependency on local communities.

In a nutshell, the availability of better economic opportunities and benefits in urban areas makes outward migration an attractive alternative for rural community members to improve their lives. The improvement and development of transportation systems in most developing countries further ease rural-urban migration. With some community members opting out for their living, 1) socioeconomic interactions within

²⁴ This exist strategy is similar to what Hirschman (1970) has examined in his seminal work on exit, voice, and loyalty, as well as Tiebout's (1956) ground-breaking work on local expenditures. However, the implication is a little bit different. For both Hirschman and Tiebout, the availability of exit strategies can push for the provision of products with better quality from manufacturers and more public goods from local governments. The hidden assumption is that both manufacturers and local governments have to count on people with high physical mobility for consumption and taxes respectively. For rural communities in developing countries, there is little such demand for cultivating community members' loyalty.

rural communities become less frequent; 2) the nature of social intercourse within rural communities deviates from iterated games and moves closer to one-shot games, which makes the community environment less favorable for the cultivation of mutual trust and cooperative norms; 3) originally dense and extended social networks are loosened and reduced, which impedes the free flow of information, makes people's access to such information increasingly difficult, and demolishes overarching issue linkages in multi-dimensional social interaction; and 4) reputation-based multilateral social sanction systems can no longer effectively punish and deter deviant behaviors, due to the restricted flow of information, as well as community members' ready access to exit strategies. Therefore, the operation and performance of indigenous are likely to be impaired because of rural-urban migration.

Nevertheless, rural-urban migration is not a prevailing phenomenon for all rural communities, given the economic and emotional costs associated with long-distance traveling and job-seeking in unfamiliar urban areas. It develops in a very uneven way across rural areas in developing countries. Taking China as an example, there is a clearly difference between sending regions and receiving regions. Sichuan, Hubei, Hunan, Jiangxi, and Shaanxi are provinces with a large number of rural residents leaving for jobs in other provinces; while, Beijing, Shanghai, Tianjin, Zhejiang, Guangdong, and Fujian are provinces with a large number of peasants moving in for jobs. Rural

communities in these receiving provinces, due to booming local economies based on privately and/or collectively owned village and township enterprises (VTEs), do not necessarily witness dramatic outward migration. In other words, rural community structure has been relatively well maintained there. Even in sending provinces, because of different natural endowments, some rural communities can still keep their members residing in villages rather than moving into urban areas for better economic opportunities and benefits. For those communities, indigenous institutions might still function and perform as expected in coordinating and regulating socioeconomic interactions within communities, and play important roles in providing institutional solutions to the problems of collective and accountability. Thus using rural-urban migration as a variable with significant impact on rural communities' social environments and the performance of indigenous institutions makes it possible for us to take advantage of the uneven socioeconomic transition across regions in developing countries to examine how indigenous institutions and externally imposed institutions interact with each other in re-shaping the institutional foundations of local governance. The respective efficacy of indigenously developed institutions (IDIs) and externally imposed institutions (EIs) in upholding the governance in rural communities with distinct social environments because of outward migration has been summarized in Table 1.3.

Table 1.3: Respective Efficacy of IDIs and EIIs

		Scope of Coordination and Regulation	
		Beyond Local Communities	Within Local Communities
Outward Migration	Low	EIIs	IDIs, EIIs
	High	EIIs	EIIs

Though socioeconomic and political changes unleashed by the process of modernization have made imposed formal institutions generally more attractive and effective than indigenous institutions for governance in rural communities, it does not necessarily mean that once imposed institutions are introduced they will be the default institutional alternatives for rural community members in addressing their socioeconomic concerns. As shown in Table 1.3, for those issues that have to be coordinated and/or regulated beyond the scope of local communities, imposed formal institutions might be the only available choice, given the limited influence of indigenous institutions beyond their own communities. But for those issues in which local communities are still the primary arena for socioeconomic interaction, the choice between indigenous institutions and externally imposed institutions cannot be easily solved. Community members may take three factors into consideration before finalizing the choice: 1) the respective efficacy of indigenous institutions and imposed institutions in addressing different issues; 2) the cost of switching from indigenous institutions to

imposed institutions; and 3) the cost of coordinating with other community members' choices.

If indigenous institutions function well in rural communities with limited outward migration, as information misers, community members are less likely to switch over to externally imposed institutions, since they are already familiar with the procedure involved and persons they should go to when dealing with such issues with the help of indigenous institutions. In this case, imposed formal institutions will be too expensive, given the lack of relevant information and costs incurred in acquiring required information (Ellickson 1991). Moreover, when most other community members are still using indigenous institutions for coordinating, regulating and monitoring, one's opting for imposed institutions might be interpreted as violating community-shared norms and, even sanctioned as deviating from a cherished goal of local harmony. As a consequence, additional social or emotional costs might be incurred for failing to coordinate with other community members. Therefore, in rural communities with low levels of outward migration, indigenous institutions may still be the predominant choice for most community members in regulating and coordinating their socioeconomic interactions within their communities. Externally imposed institutions are less likely to be embraced because of high switching and coordination costs involved.

However, this does not necessarily imply that externally imposed institutions are most likely to be established and function well in atomized rural communities characterized by collapsed social networks due to a high level of outward migration. Theoretically, the operation of any institution requires some minimum level of coordination among the individuals involved.²⁵ This coordination for adopting imposed formal institutions as publicly recognized and accepted institutional solutions is more likely to be achieved with the help of functional social networks, which might not be strong enough to support the effective operation of indigenous institutions but still helpful in facilitating the coordination that is required for upholding the choice and adoption of externally imposed institutions for local governance. Therefore, for imposed formal institutions, they are more likely to be accepted by communities with impaired but still functional social networks. Embedded within such an environment, community members, consciously or subconsciously, have a demand for more effective imposed institutions in solving their problems, which had been formerly addressed by indigenous institutions that are no longer functional due to transformed community social environments; and can still relatively easily coordinate their choices. In extreme

²⁵ The operation of various imposed formal institutions in rural China highly counts on the performance of local political leaders. Holding these leaders accountable to the public interest is indispensable for the performance of imposed formal institutions in Chinese villages. Individuals alone cannot do this efficaciously and some collective efforts are necessary. More information on this will be discussed in chapter 5.

cases of completely atomized communities without any functional social networks, community members might suffer from the lack of the minimum level of required coordination for the acceptance and appropriate function of externally imposed institutions, which, to some extent, resembles a locally circumscribed “world of nature” in the Hobbesian sense. Private solutions, based on violence or individual connections, might then emerge as alternatives.²⁶ Rural community members’ choices between indigenous institutions and externally imposed institutions for different issues embedded within distinct community social environments have been summarized in Table 1.4.

Table 1.4: Choice between IDIs and EIIs

		Institutional Choice
Outward Migration	Low	IDIs
	Medium	EIIs
	High	Private Solutions

Theoretically, good governance can be achieved in communities as long as effective institutional solutions are available in solving the problems of collective action and accountability, regardless of the nature of these institutional solutions. Thus, both indigenously developed institutions and externally imposed institutions could be

²⁶ Self-help has been theoretically identified by scholars of legal studies, sociology, and anthropology as a form of social control more likely witnessed in atomized communities (e.g., Black 1983, 1984a). For related information on self-help in rural China, as well as the increasing impact of gangsters in some Chinese villages, see (Chen 2008b; Xu 2005)

competent institutional foundations of quality local governance. Indigenous institutions had been widely developed in rural communities for maintaining local governance before the commencement of modernization, and they have been efficacious in sustaining local order and governance in close-knit communities. Nevertheless, after the structures of close-knit rural communities were transformed by socioeconomic transformation, e.g., large amount of labor outflow through rural-urban migration, driven by the process of modernization, indigenous institutions' capacity in ensuring local governance has been impaired to some extent. As a consequence of the efforts of improving macro-governance in modern nation-states, rule-based formal institutions were imposed by national leaders on rural communities as nation-wide institutional solutions for regulating and coordinating socioeconomic and political interactions. However, whether externally imposed institutions will be adopted by community members as substitutes for indigenous institutions as new the institutional foundation of local governance is contingent upon local communal structural features. In rural communities with well maintained close-knit structures due to low levels of outward migration, indigenous institutions might still play a dominant role in sustaining quality local governance. In rural communities with original dense and extended social networks loosened and reduced due to some members' leaving for better economic opportunities and benefits in urban areas, externally imposed institutions might be

adopted as the new institutional foundation for upholding local governance. For those rural communities paralyzed with destroyed social environments due to a dramatic outflow of community members through rural-urban migration, even a minimum level of collective action might be difficult to sustain; and community members left behind might have to resort to private solutions, like personal connection or violence, in their socioeconomic interactions. To sum up, when we examine the institutional foundations of governance in rural communities transformed by the process of modernization in developing countries, we are very likely to find a variety of them, rather than a universally adopted and effective solution. In the following chapters, I will use the evidence collected through surveys and semi-structured interviews in rural China to show how indigenous institutions and externally imposed institutions have succeeded or failed in sustaining quality governance in Chinese villages that have been transformed by the process of modernization in a very uneven way, as well as the role of outward migration in this dramatically unprecedented transition.

Conclusion

To ensure quality governance, good institutions are critical. Unfortunately, the task of searching for and establishing the right institutions for governance, particularly those for local governance in developing countries, is not as straightforward as selecting from a catalog of various standard products that have been tested and tried by other

customers. Good local governance does not necessarily follow institution transplantation or grafting, even when the institutions transplanted or grafted have shown their competency and efficacy in upholding quality local governance in other regions or countries. We, thus, have a variety of governance outcomes with similar sets of formal institutional setups, rather than an institutional panacea that can be universally applied for improving local governance.

Indigenously developed institutions have been widely adopted in close-knit communities for upholding governance without resorting to law or other formal institutions. Abundant examples of well-maintained local governance with the help of indigenous institutions have been found in both developing and developed countries, spanning an extended historical period from medieval times to the twenty-first century. Mutual trust and cooperative norms cultivated through frequent and continuous social interactions and transmitted through socialization within close-knit communities are conducive to cooperation and collective efforts among community members. The existence of dense and extended social networks within such communities facilitates both the transmission of information and the creation of cross-issue linkages in multidimensional socioeconomic interactions. Due to a favorable social and cultural environment, indigenously developed institutions, on the basis of reputation-based multilateral social sanction systems, can effectively regulate and coordinate social

intercourse within communities, punish and deter deviant behaviors through integrated social sanctions, as well as hold local political leaders accountable.

However, when dramatic socioeconomic transformation unleashed by the process of modernization increases people's physical mobility and expands their scope of socioeconomic interaction, indigenous institutions become less competent in regulating and coordinating people's interactions. This is particularly challenging for leaders of modern nation-states, who desire more effective macro-governance for various reasons. As a consequence, modern rule-based social, economic, and political institutions, most of which have arisen in developed countries, have been borrowed or imported into developing countries and imposed onto their societies. In spite of their dependency on detailed items and procedures, as well as solid information infrastructure, and high fixed-costs invested, these rule-based imposed formal institutions are relatively more competent than relation-based indigenous institutions in ensuring governance in a broad geographical area with heterogeneous subjects. Therefore, rule-based formal institutions are widely promoted and imposed in developing countries. Unfortunately, when imposed onto local communities for sustaining local governance, these externally imposed institutions may not be as efficacious, competent, and well-received as they are at the macro-level.

Though almost every rural community in developing countries has witnessed the sweeping power of modernization to some extent, the impact of socioeconomic transformation on rural communities is far from homogeneous: some communities just collapse with most members leaving for better economic opportunities and benefits in more developed regions; some communities succeed in maintaining their community life with minor transformations; and the others in between with their communities transformed significantly but not completely paralyzed. For the governance in these transformed rural communities, the choice between indigenous institutions and imposed institutions is not a big challenge if the regulation and coordination of socioeconomic interactions have gone beyond the scope of local communities, given the limited influence of indigenous institutions beyond their own communities. However, for those locally circumscribed socioeconomic activities, the choice between indigenous institutions and imposed formal institutions should be closely associated with how the communal structure has been changed due to the outflow of fellow community members through rural-urban migration.

In the latter scenario, indigenous institutions are more likely to be preferred over imposed institutions, if the low level outflow of community members through rural-urban migration has done limited damage to the frequent and continuous interactions among community members, as well as dense and extended social networks. In this

case, institutional disarticulation or grafting is likely to show up. In other cases, if some community members opt for economic opportunities and benefits in urban areas but the community is not completely paralyzed, externally imposed institutions might be favored over indigenous institutions and serve as the foundation of community governance. In this case, institutional syncretism or modernizing transformation is likely to be observed. In communities atomized by high levels of outward migration, neither indigenous institutions nor externally imposed institutions can function as they should due to the lack of a minimum level of coordination among community members. For these cases, private solutions based on violence or personal connections are likely to prevail, promoting a radical degeneration of local governance.

2. Evolution of governance in rural China and rural-urban migration

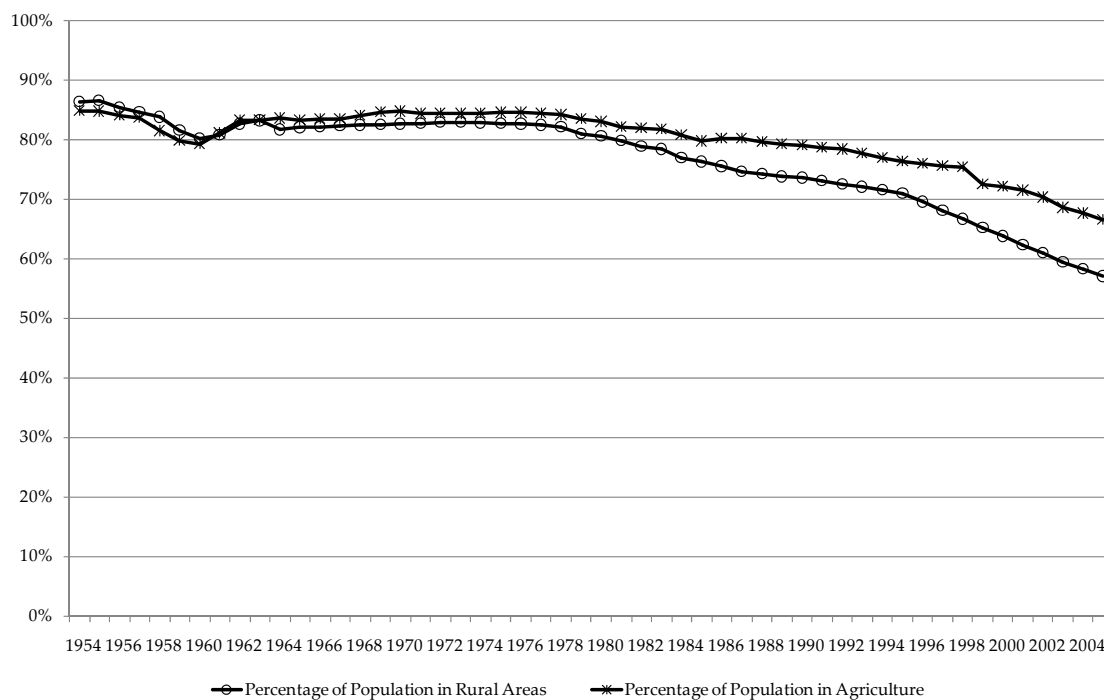
Regardless of their regime features, i.e., various feudal dynasties until the early twentieth century, the pseudo presidential democracy of the KMT between 1911 and 1949, and the totalitarian and later authoritarian system of the CCP since 1949, national leaders in mainland China have always been confronted with a similar and persistent challenge for governance in its rural regions: how to effectively sustain quality governance in rural China, as well as efficiently extracting resources from these areas, given their widespread geographical scope and the large number of residents but limited resources for official administration? Thus, institutional engineering and related trials, aimed at ensuring effective local governance, have been regularly observed in Chinese history encompassing both continuity and change.

Before we move further into the investigation of contemporary local governance in rural China, it should be of great help and value to understand its evolution in Chinese history and the underlying rationale for various institutional projects, as well as associated socioeconomic environments, communal features, and corresponding transformations. This would also serve as a solid foundation for understanding the challenge facing present-day rural communities regarding their respective governance, when the outflow of labor through rural-urban migration has gradually grown into a dramatic issue in China since the early 1990's. After some descriptions of the

socioeconomic and political environments of rural China in history, I document various institutional projects launched by different regimes as desired foundations of local governance in detail and explain their respective outcomes in achieving originally designed goals. Then I explain the evolution of rural-urban migration in China, as well as associated characteristics in terms of migration patterns.

2.1 Rural China in History

China has been an agrarian society for most part of its history, and rural communities have thus been playing a critical role in Chinese society. This has been clearly reflected in two key aspects: the large number of residents living in rural areas and the significant role of agricultural production in China's national economy.



Source: China Data Online, All China Data Center

Figure 2.1: Rural Population in China

Even after decades of forceful and aggressive industrialization initiated by the communist regime since the beginning of the 1950's, the majority of Chinese citizens still live in rural areas and a lion's share of its population is closely associated with agriculture. As shown in Figure 2.1, the percentage of the Chinese population living in rural areas has been persistently above the 50% threshold. In 1954, just five years after the establishment of the People's Republic of China, more than 86% percent of Chinese lived in rural areas. Though this percentage has been decreasing steadily, there were still more than 55% of the Chinese population living in rural communities in 2005. Another different but related indicator of the significance of rural China is the total of the

agricultural population, which is closely associated with the household registration system.¹ According to national statistics, the percentage of the agricultural population has also been declining from around 85% in 1954. However, even in 2005, still more than 64% of Chinese citizens were categorized as agricultural population. That a majority of Chinese citizens lived in rural areas and/or were engaged in agricultural production also captured the reality of the Republican era under the KMT government, as well as even earlier feudal dynasties like the Ming (1368 – 1644 A.D.) and Qing (1644 – 1911 A.D.), when the level of industrialization was even lower.²

In addition to the concentration of its population in rural settlements, China's economy had also been primarily supported by its agricultural production before the 1940's (Feuerwerker 1976, 77-94). Actually, the earliest systematic industrialization program launched by the national government could only be traced to the late Qing dynasty, after a series of military defeats against foreign powers, which was only implemented in several metropolitan cities like Shanghai, Tianjin, and Wuhan³ (e.g.,

¹ The household registration system will be addressed in detail later. Generally speaking, it was designed as an institution to control population mobility between rural and urban regions, and as a complementary institution for the CCP's industrialization program.

² Around 79% of the total working population in 1933 were engaged in farming, and 73% percent of the total population lived in families having agriculture as their main occupation (Feuerwerker 1977, 9). According to the estimation of Feuerwerker, at least 90% of Chinese lived in rural areas in the 18th century (Feuerwerker 1976, 97).

³ Feuerwerker, in his work on early industrialization in China, attributed retarded industrialization in China to institutional and ideological obstacles to change (Feuerwerker 1958, 7-8). China's modern industry in the late Qing period included extensive foreign enterprises. As Cohen documented in his work on cultural and political evolution in China, "in China, however, Western influence and pre-Communist industrialization

Feuerwerker 1958). Even after some efforts from the KMT regime in the Republican era, the role of secondary industry in China's national economy was still dwarfed by that of its primary industry.⁴

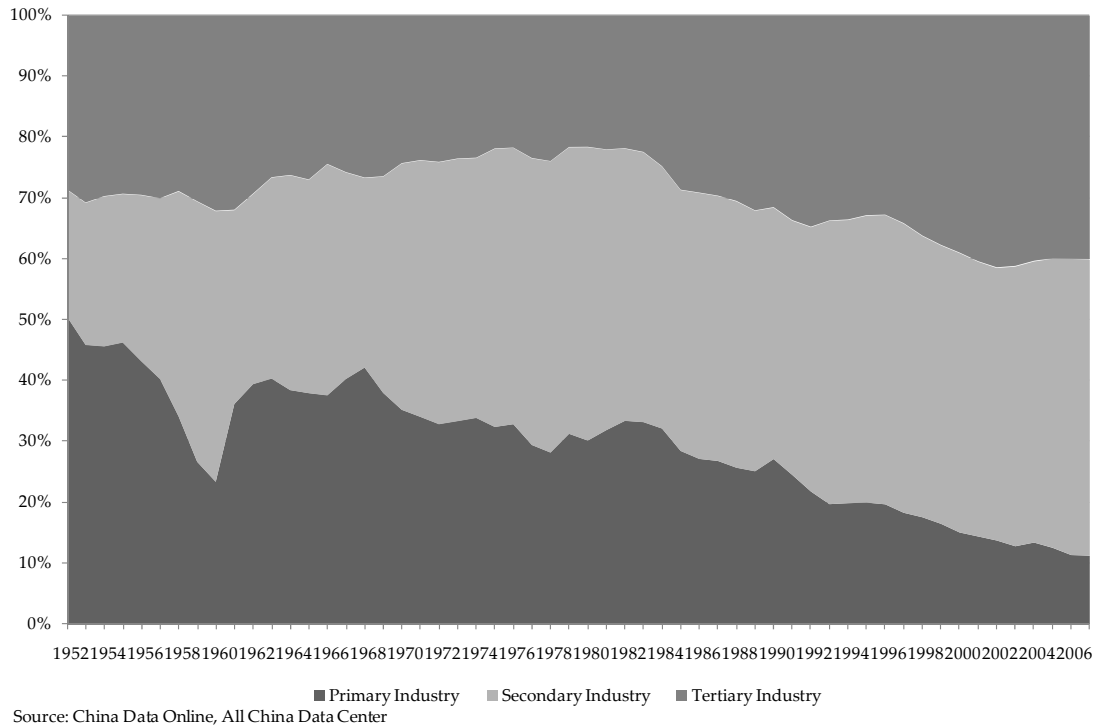


Figure 2.2: The Structure of National Economy in China

At the beginning of the aggressive industrialization program launched by the CCP after its victory in 1949, as shown in Figure 2.2, primary economy, i.e., agriculture,

and modernization had their greatest impact in the cities, especially the major foreign-dominated treaty ports" (Cohen 2005, 64).

⁴ Though there are different estimations on the role of industry in the national economy in the Republican era, they all agree that all industries contributed from 10% to 20% of the national economy in the 1930's (Feuerwerker 1977, 10-40).

still contributed to more than 50% of China's GDP. This number significantly dropped to around 23% in 1960 with dramatically improved production out of secondary industry, which accounted for more than 44% of China's GDP in 1960.⁵ After the economic reforms since the late 1970's, damaged production capacity in China's secondary industry has been gradually recovered and even improved. Though the absolute production from agriculture has been dramatically expanded, its relative role in China's national economy has shrunk. At the end of 2007, only around 11% of China's GDP came from agricultural production, with more than 48% from its secondary industry and the rest from its tertiary industry. It is after the industrialization pushed forward by the CCP that China's economy has gradually shifted away from the dominance of agrarian production. However, this half-century of governance under the CCP regime is only a very small fraction of China's 5000-year history.

In light of the dominant role played by agriculture in China's economy, as well as the large number of residents concentrated in rural China, ensuring the quality of governance in rural communities has been a major challenge for all national leaders of different regimes in Chinese history. For political survival, national leaders have to ensure, at least, some minimal level of satisfaction among peasants to prevent possible collective actions against the government and cultivate their political loyalty. To achieve

⁵ During this period, the Great Leap Forward (1958 – 1961) played an indispensable role in the expansion of industrial production, which, unfortunately, also generated catastrophic consequences for China's economy. For more information on this, see (Bachman 1991; Dhawan 1990; Domenach 1995; MacFarquhar 1983; Thaxton 2008).

this, they have to find effective means addressing socioeconomic issues in rural communities, such as resolving conflict, improving public security, sustaining or even boosting local economies, and instilling favorable ideological and/or cultural doctrines. For fiscal and economic reasons, national leaders also need to efficiently extract economic and labor resources from rural communities, given the predominant role of agricultural production in China's national economy. To accomplish these goals, a cost-effective means should be established for levying taxes, collecting fees, and conscribing labor for both military and civil projects. Nevertheless what constitutes an efficient and cost-effective means for serving these political and economic purposes is contingent upon the communal structures of rural China, as well as the resources available to national leaders.

What Arthur Smith observed in the late nineteenth century in rural China actually did not deviate much from the situation of rural communities in Chinese history, in spite of witnessed influence of socioeconomic and political modernization (Smith 1899). In most of China, people lived in concentrated settlements, hamlets, villages, towns, and cities. Moreover, in rural China, the connections and interaction among different settlements were not that frequent. Such activities were primarily constrained to proximate villages. Though local settlements were integrated into a hierarchical system under the administration of national government through larger towns and cities, the significance of local communities outweighed that of higher level

units in rural residents' lives. This self-sufficiency economy did not offer many opportunities for commercial activities for most rural residents. Most of their necessities or consumption demand could be well-covered in villages, or through the help of itinerant merchants or doctors who traveled among proximate villages and towns.⁶

Regarding social and political interaction, local communities were even more critical for rural residents. Due to the lack of convenient and cheap transportation facilities, peasants' social interaction was primarily limited to that with their neighbors and co-villagers. Visiting relatives in other villages was something infrequent and occasional, mainly reserved for weddings, funerals, and/or important holidays, e.g., the Spring Festival. This "closeness" of rural China was further reinforced by limited alternatives available outside of villages for making a living. Relatively under-developed commercial economies in towns and cities could not provide enough jobs for surplus labor from rural villages. For a position in the national bureaucracy, since the Sui dynasty (580 – 618 A.D.), people had to pass a series of imperial examinations to be eligible for serving as government officials. Nevertheless, the enrollment rate was very

⁶ William Skinner established a model for the behavior of rural Chinese markets, which emphasizes an economic hierarchy that focuses on higher-level economic activities in relatively a few centers; while successively lower services become increasingly dispersed in a rough, triangular-lattice spatial structure. Skinner argues against viewing a family or a village as a closed system, entirely self-reliant, and stresses the role of standard market towns in China's rural economy (Skinner 2001). Nevertheless, Skinner's empirical evidence comes primarily from the west part of Sichuan, where market economy has a relatively long tradition due to abundant resources and rich natural endowments. I am not arguing that rural villages in China's history were entirely self-reliant, but socioeconomic activities within their respective residential communities played a dominant role in Chinese peasants' lives, which should also be the case for those in relatively developed areas such as in Skinner's case.

low, e.g., the enrollment for the lowest level of imperial examination at the end of the Ming dynasty was even lower than 3.3% (Guo 2006). Moreover, in order to take imperial examinations, a significant investment had to be made, including both expenses for education and reduced labor for agricultural production, which generally were not affordable for most Chinese peasants who struggled at subsistence level.

These relatively concentrated and closed local communities in rural China actually offered a favorable environment for the cultivation, diffusion, consolidation, and reservation of communal relationships based on kinship and geographical identities. The reason that “place of origin was one of the major ascribed statuses in Chinese society” (Cohen 2005, 47) might be attributed to these historically cultivated features of social interaction embedded in China’s agrarian communities. As a consequence, Fei Xiaotong has particularly characterized rural communities in China as “societies of acquaintances”, where almost everyone knows about others in the same village due to long-term interaction within a geographically demarcated and relatively stable social environment (Fei 1939; Fei et al. 1992). This relatively stable community environment, with a low level of mobility,⁷ is also the key reason that clan/lineage

⁷ Actually mobility in Chinese history has been significant and dramatic, but primarily driven by natural disasters, wars, or political/administrative projects launched by national governments. What I refer to here is the mobility in Chinese rural residents’ daily lives in history, i.e., moving across regions as they sought after economic opportunities and benefits. It is partly because of such large-scale migrations driven by natural disasters, wars, or political/administrative projects, that the ecological status of clan/lineage organizations varies across regions in rural China, i.e., more prosperous and powerful in South China but much less so in North China. For more information on population mobility in Chinese history, particularly that since the Ming dynasty, see (He 1959).

organizations have been such a salient and persistent feature of some Chinese rural communities, as documented by various anthropologists, sociologists, and political scientists, and continue to play significant roles in the socioeconomic and political arenas of some rural communities (Cohen 2005; Freedman 1958, 1966; Liu and Murphy 2006; Potter 1970; Qian 1994; Tsai 2002; Zhao 1999a; Tsai 2007a, 2007b). It is not rare to find rural villages in China with a majority of residents sharing the same surname, worshipping the same ancestors, and participating in the same rituals and ceremonies. In such communities, it is also not difficult to identify the systematic connections among co-villagers, if assisted with detailed information on villagers' names and statuses in the genealogical records. Even in North China, where the conventional wisdom emphasizes the lack of strong and active clan/lineage organizations due to the deficiency of significant corporate holdings, lineage in some villages does enjoy the "ability to display considerable congregational solidarity" (Cohen 2005, 12).

Generally speaking, rural communities in Chinese history closely resembled the ideal-type of close-knit communities as defined in the previous chapter: continuous and frequent interaction among community members, and the existence of dense and extended social networks. They were primarily shaped and driven by the nature of China's agrarian economy, which did not change essentially until the great social transformation launched by the CCP after its victory. This "honey-comb" (Shue 1988) structure of rural China was well-maintained before the initiation of economic reforms

in the late 1970's, which had served as the social foundation of rural governance throughout Chinese history.

2.2 Evolution of rural governance in Chinese history

Self-governance has been a persistent and key feature of rural governance in Chinese history. This can be understood from two perspectives: 1) due to the scarcity of administrative resources, the influence of official bureaucracies has rarely successfully extended into rural communities as the dominant and direct means for local governance, except for the period under the CCP regime. Before the CCP regime, though rural villages had been integrated into the centralized political and administrative system, this integration and connection were primarily established indirectly through some indigenously developed and recognized social forces or institutions. Moreover, 2) the close-knit social environment of rural communities actually had been fertile for the development and operation of various indigenous means in enforcing social control and sustaining local governance, without much demand for interference from official bureaucrats who usually were "strangers" to rural communities.

According to Shue (1988), ever since the very beginning of Chinese history with a centralized state, rural China has rarely been under a complete and systematic control of national bureaucracies. This incompetency of official bureaucracies in local governance should be attributed to the availability of limited administrative resources in dealing with a larger number of residents geographically dispersed in rural China as noted

above. In the Ming and Qing dynasties, *xian* (county) was the smallest administrative unit in most of China, where a *yamen*, the administrative office of a magistrate, was established. In general, there were a very large number of people under the jurisdiction of a magistrate, with an average of 100,000 people in 1749 and around 250,000 in 1819 (Xiao 1960, 5). Given the economic and personnel resources available for magistrates, it was almost impossible for them take over full responsibility for local governance (Qu 1962; Watt 1972; Wakeman and Grant 1975; Xiao 1960). Most of the time, governance had to be secured through intermediate agents. Therefore, magistrates, as the only government officials responsible for the daily administration of local issues, could not function properly without assistance from clerks, runners, and gentries who were local residents, had the required information for various tasks, and enjoyed access to indigenously cultivated resources and means for accomplishing desirable goals. National bureaucracies of the Ming and Qing dynasties intentionally took advantage of these local resources for governance, as well as extracting resources. Among those institutions imposed by the Ming and Qing national governments for rural governance, *Lijia* (neighborhood administrative system), *Xiangyue* (rural district pledge system), and *Baojia* (watch-group system) were the most important ones, which all merit systematic examination.

The *Lijia* system (neighborhood administrative system) was first imposed by the first emperor of the Ming dynasty, who had wide and rich experience of rural life and

generally attributed the problem of local governance to bad and corrupt district magistrates. To address this problem, he designed the system of *Lijia*. Under the *Lijia* system, all households through the empire were organized into groups of 110, representing an administrative neighborhood (*Li*). The ten wealthiest families were appointed to serve annually and in turn as “neighborhood leaders”. The remaining hundred families were divided into ten units (*Jia*) of ten families. Each of these families also served annually and in turn as unit heads. The immediate aims of the *Lijia* system were to equalize the tax burden and have the people collect it by themselves. Later, the *Lijia* system was empowered for rural jurisdictions. Each administrative neighborhood was to nominate elders for selection by local officials who were more than fifty years old, just, upright, and still robust enough to undertake the position. These elders were to assume legal and social functions. As judges, their jurisdiction extended over matrimonial and property suits and cases of physical assault.

The *Lijia* system was further complemented by the system of *Xiangyue* (rural district pledge system), with the former dealing with local governance through formal rules and organizations and the latter offering “soft” power through education and indoctrination. In the Ming dynasty, the *Xiangyue* system was intended to encompass a wide variety of activities, ranging from moral inculcation to mutual aid and social entertainment. Each office was to have a staff of seventeen officers and to keep three registers, one for recording the name and business of each member, the others for

recording good and bad actions. The main business of the system was to review social conduct through registering personal reputations and monthly meetings. In cases of dispute or vendetta, the leader must resolve them by arbitration. Members of *Xiangyue* were also required to follow certain principles in their social interaction, such as honoring tax obligations and acting humanely in doing private and public business. Violations of such principles would be registered and publicly revealed. Generally, the whole emphasis was on cooperation and controls within the group, rather than controls from the outside. This system was later developed into the *Jiangyue* system as widely adopted in the Qing dynasty, primarily aiming to incite virtues of public-mindedness and loyalty rather than registering personal reputations. The six maxims issued by the Shunzhi emperor, the sixteen maxims issued by the Kangxi emperor, as well as the 10,000-word official amplification issued by the Yongzheng emperor had been officially required to be expounded and clarified to average people for their education. All these maxims urged people to live in harmony with their relatives and neighbors, to maintain a viable income, and to fulfill the requirements of the government, with emphasis as well on the bonds of filial duty and loyalty. Gradually, the *Jiangxue* system was also used to provide moral pressures for sustaining local governance.

The *Baojia* system (watch-group system) was designed in the Ming dynasty for self-defense and public security. It was intended to check on the whereabouts of people and assure the provision of mutual aid in case of attack. Suspicious activities were to be

reported to officials. If anything was concealed, all families were responsible. This system was further revised in the Qing dynasty, by ordering all districts establishing in rural sub-districts and district cities groups of ten households, with leaders for each group of 10, 100, or 1000. Each household was given a placard on which to write the names and number of its male adults. Similar cards were issued to guest houses, temples, and monasteries. Within each group, members should guarantee and be responsible for each other's security. Group leaders were to submit monthly bonds to this effect, and they were also required to bring to light all fugitives from justice.

As shown above, rulers of the Ming and Qing dynasties did try to take advantage of the social environmental features of rural communities in designing institutions for sustaining local governance. As institutional designers had in mind, the restoration of rural peace and order must, therefore, involve the establishment of a balance of power in the countryside between organized bureaucracies, on the one hand, and village society on the other. Regarding the *Lijia* system, detailed information on each household's economic situation was critical for effectively levying taxes and extracting resources. Compared with a specialized official agent outside rural communities in charge of levying taxes, the *Lijia* system was expected to be more cost-effective and efficient. Publicly recognized authority associated with old and experienced villagers was also a valuable resource for resolving conflict, without damaging the harmonious relationships among villagers too much, given their abundant local knowledge and

understanding of implicit communal norms in dealing with related issues. The systematically registered and publicly revealed personal reputations, as required by the *Xiangyue* system, also took the close-knittedness feature of rural communities into consideration for regulating people's behavior. Bad reputations traveled fast in such local communities with dense and extended social networks. Given the lack of alternatives outside of villages, gossips, avoidance, or ostracism would have been detrimental to most villagers' lives. Further added education and indoctrination of norms emphasizing harmonious relationships, conflict avoidance, filial duty, and loyalty in the *Jiangyue* system all contributed to the performance of moral pressures exerted through either external and/or internal sanctions against deviant behavior. The *Baojia* system was no different from the *Lijia* and *Xiangyue* systems in incorporating local communal features in ensuring collective defense and public security. The demanded cooperation was secured through this "collective responsibility" institution: when the interaction among neighborhoods was frequent and continuous, the collective damage/cost incurred by any one's deviation was very likely to generate serious sanctions and, even, penalties. This was expected to work as an effective deterrence against free-riding, which, in turn, enhanced the efficacy of cooperative efforts.

In addition to systematically incorporating communal features into institutional designs, rulers of the Ming and Qing dynasties also intentionally selected publicly recognized authoritative figures in rural villages as intermediate agents for local

governance, e.g., gentries and the headmen of clan/lineage organizations, due to the respect they commanded from local residents. As Xiao observed,

Informal leaders or elders of villages emerged into leadership by virtue of their special qualification: age, wealth, learning, kin status, and personal capacity. They were recognized rather than elected (1960, 273).

Such publicly recognized authoritative figures had assumed various functions in governing rural communities: they settled dispute, conducted fund-raising campaigns, commanded local defense, organized moral education, rituals, and ceremonies, and provided other kinds of leaderships. People also expected these local authoritative figures to protect them against injustice, give them relief in times of calamity, and participate actively in promoting local welfare. In a nutshell, they were “indispensable to the realization of certain of the government’s aims” (Qu 1962, 168-175).

However, the performance of such institutions, systematically incorporating local communal features and counting on the assistance of locally recognized authoritative figures, was not as good and effective as expected, particularly from the perspective of national leaders. The deficiency of such institutions, as numerous students of local governance in imperial China argue, actually lies in the indispensable intermediate roles of popular authoritative figures, whose interest might deviate from that of the national government.

As hoped for by national leaders, for the *Lijia*, *Xiangyue*, and *Baojia* systems to work, the intermediate agents should have sufficient community standing for effective action, yet not so much influence as to be uncontrollable by county authorities (Kuhn

1975; Wakeman and Grant 1975). Moreover, particularly when it came to issues like levying taxes or conscripting labor, the intermediate agents should have their interest aligned with that of the national government, which frequently ran into conflict against that of their fellow villagers. As Duara convincingly argued, the authority and legitimacy of local leaders were created with the help of local “cultural nexus”: basically, such traditional authority and legitimacy were primarily established, maintained, and consolidated through clan/lineage and religious organizations, ceremonies, and performance. Therefore, this cultural nexus not only equipped local leaders with abundant political, moral and economic resources and power, but also pushed them to identify, at least, partially with local community interest. This constraint imposed by the cultural nexus actually restricted local leaders’ pursuing of personal interest at the cost of rural communities (Duara 1988). Therefore, when such local authoritative figures went all their way out to help the national government with various policies and extracting resources, their authority and legitimacy might be weakened or challenged due to the conflict between the community interest and that of the national government. Using Duara’s term, such local leaders were more likely to be “protective brokers”, the interest of whom was mediated by the community interest due to their embeddedness in the cultural nexus of local communities. Therefore, the *Lijia*, *Xiangyue*, and *Baojia* systems did not work effectively as national rulers of the Ming and Qing dynasties had expected. This dilemma became even more salient during the late Qing dynasty when

military expenses significantly increased due to wars against foreign powers. To cover such expenses and enrich their fiscal revenues, more effective means of extraction from rural residents was demanded, given the dominance of agriculture in China's national economy. These local leaders had to either accept the alienation between them and other community members for their identification with the national government, or turn away from such tasks and reject officially assigned responsibility. Gradually, "entrepreneurial brokers", who only cared about their personal interest, took over the places of "protective brokers" as the intermediate agents of official bureaucracies for local governance in rural China. Brute force, then, prevailed in Chinese villages.

When the Qing dynasty was overthrown by the *Xinhai* Revolution (1911) and succeeded by the Republic of China, the situation of local governance in rural China was further exacerbated due to continuous military mobilization and conflict. The Nationalist state-making process incited a local culture of violence against regional warlords, communists, as well as some former military commanders or allies of the KMT. The attention of the KMT was focused on the suppression of local oppositions for its consolidation of power, rather than ensuring social order and economic growth. Moreover, increased interest in military involvement and the abolishment of imperial

examinations essentially reconfigured the role of gentries in rural governance in the Republican era.⁸

Traditional landed gentries, who used to assume the leadership and work as the intermediate agents of official bureaucracies in local governance, gradually left rural communities for residence in more urbanized areas, and delegated the task of rent collection to other third-party agents working closely with local military forces. According to some estimation, 50 to 90 percent of these traditional landed gentries had become absentee landlords in the Republican era (Thornton 2007, 103). As Duara documented, when the demand of an intrusive state, together with battling armies, became even more onerous for rural communities:

The patron type of leader increasingly abandoned village offices, which were then filled by men of another sort. Although from diverse social backgrounds, these men shared a basic perception of the rewards of politics and village office. Office was no longer pursued as a way of expressing leadership aspirations or gaining prestige because these goals could no longer be realized through these means.The new type of village official who began to emerge in the late Republic had to base his power on the sources outside of the cultural nexus. Occasionally, this type of leader relied on sheer brute strength, as in the case of some local bullies, but more often than not his power derived from links with state brokers in the county and sub-county administrations (1988, 159, 223).

This superficial integration of rural communities into a centralized administrative system, particularly in terms of governance, in China was not effectively

⁸ This does not necessarily mean that local governance was completely unattended in the Republican era. In some regions, for more efficiently extracting resources for military purposes and consolidating local political power, some warlords, e.g., Xishan Yan in Shanxi Province also paid attention to institutional engineering for the governance in rural communities. Nevertheless, most measures were either reformed Lijia, Baojia, and Xiangyue systems, or some mixtures of these old systems with pseudo-democratic components. For more information on the role of warlords in local governance, particularly the situation in Shanxi Province, please refer to (Dong 2002)

addressed until the establishment of the CCP regime in the late 1940's, with its thorough penetration into rural China, accompanying the establishment of party organizations in each rural community. There was a key difference between the institutions established by the CCP and those adopted by the Ming and Qing dynasties and the KMT regime: the leadership in local governance was no longer assigned to those with more privileges in age, learning, wealth, kin status, or personal capacity – whose interest may not have been aligned with that of the national government – but to those who were ideologically and politically attached to the CCP. In addition to identifying much more faithful intermediate agents, the CCP regime also made enormous efforts to transform the social and cultural environments of rural communities, as well as further extending its formal administrative bureaucracies below counties.

With the help of land reform and social class designation,⁹ the CCP significantly challenged the socioeconomic basis of traditional authority, power, and social relations. For example, Chinese communists distributed clan/lineage organizations' corporate lands among poor peasants and organized poor peasants to attack, expropriate and humiliate rich peasants and landlords who might be their kinsmen (Madsen 1984, 2). Therefore, the CCP made rural residents' loyalty and responsibility to one's class more important than those to their kinsmen. New village governments were also created by

⁹ There were different categories used for classifying villagers in rural China, i.e., poor, middle, and rich peasant, landlord, and so on. The key indicator for this social class designation was the economic status of villagers, particularly their properties in land and farm tools.

Chinese communists in charge of various issues in local governance, which were controlled by locally recruited communist party members. They were more likely to come from rural families with relatively low economic status and to be responsible to superiors at upper-level governments. Among all criteria of recruiting local leaders, loyalty to the CCP regime and its interest had the priority, which was to be pursued even at the cost of rural communities. The widely cultivated collectivism and the emphasis on national over local interest among average villagers also essentially transformed the local “cultural nexus” that generated the authority and legitimacy of local leaders: moral pressures within a community were less likely to drive a pledge between local leaders’ interest and that of the CCP regime; and the affiliation with the CCP was generally regarded as the key source of authority and legitimacy. With the help of radio broadcasts, films, study groups, the CCP regime intruded into rural communities to an unprecedented extent, by exposing villagers to messages from the outside and dramatically increased the vertical integration between the villages at the periphery and the national government in Beijing (Parish and Whyte 1978).

This increased integration of and tightened control over rural residents were further reinforced by the establishment of the commune system, following the collectivization of farmland. At the bottom of the commune system was the production team, which consisted of one or two hundred people from the same village. Members of a production team shared the work and output on collectively owned lands. The next-

higher unit was the brigade, which had anywhere from two to two dozen teams. A brigade also ran most rural industries, if there were any. At the top of the commune system was the commune itself, which had around ten to twenty brigades under its administration. In addition to daily administration, a commune also ensured that brigades and production teams should fulfill their respective production quotas (Kelliher 1992, 8-10). In addition to overseeing rural economic activities, communes also assisted the CCP regime in various other aspects of local governance, such as conflict resolution, education, social welfare provision, and disaster relief.¹⁰ In a nutshell, the commune system had full control over almost every aspect of rural residents' lives, given its monopoly over socioeconomic and political resources.¹¹

The CCP regime had intentionally transformed rural communities through various political, economic, and social engineering, and even attacked some

¹⁰ Actually the commune system had made some astonishing achievements in improving rural residents' access to medical facilities (with the help of barefoot doctors), decreasing the rate of illiteracy among villagers, and promoting equality, particularly economic equality within rural communities. Moreover, the commune system had also contributed significantly to the construction of irrigation projects in rural China, by demanding collective work from villagers. Even today, many villages in China still benefit from irrigation projects constructed or refurbished under the administration of the commune system. For more information on the economic and social impact of commune system on rural China, see (Bennett et al. 1978; Dutt and Indian School of International Studies. 1967; Nargolkar 1982; Parish 1985; Powell 1992; Printz and Steinle 1977; Richardson et al. 1980).

¹¹ I am not arguing that all production teams, brigades, and commune cadres worked fully for the interest of the national government. As Shue argued, even under the commune system, there was still some collusion between cadres and average villagers to protect local communities' interest (Shue 1988). This was exactly because of the embeddedness generated by the "honeycomb" communal structure, in which cadres did care about their reputations among villagers and cadres' lives were influenced by community-shared norms and social sanctions. From this perspective, rural cadres, at least to some extent, resembled "protective brokers" in the rural societies of the Ming and Qing dynasties. But Chinese communists' effective and extended ideological indoctrination in rural communities and firm political control of rural cadres' careers dramatically reduced possible deviation from the regime's interest in rural cadres' work, though that possibility could not be completely eliminated.

indigenously developed means of social control that had been adopted by political leaders of the Ming and Qing dynasties. However, the institutions for local governance that the Chinese communists established actually had maintained and even strengthened the community structural features that were favorable for the operation of those indigenously developed institutions, though unintentionally.

While the national horizons of rural community members had been expanded, through continuous propaganda and indoctrination, and systematic integration into the centralized political system, local communities in rural China were horizontally restricted. For rural residents under the commune system, villages not only defined the boundary of residence, but also marked off the boundary of production, consumption, and social interaction. Leaving the commune for alternative ways of life was extremely difficult, if not impossible; and even shifting between communes was also rare. Among various institutions designed by the CCP regime to ensure successful and effective extraction of resources for its grand plan of industrialization, the *Hukou* (household registration) system was a critical one. The household registration system was originally developed to subsidize the industrialization program by providing under-priced and rationed daily necessities to urban workers, as well as guaranteed access to various resources and facilities for education, accommodation, and other social welfare. Generally, under this household registration system, citizens were categorized as either agricultural population or non-agricultural population. Only those registered as non-

agricultural population were qualified for grain rations, employer-provided housing, or health care. There were still opportunities for changing the household registration from agriculture to non-agriculture, but the quotas were strictly controlled. Under this household registration system, rural people, primarily categorized as agricultural population, were effectively tied to the land, with joining the army, marrying urban residents, and pursuing high education as the only likely avenues out. Villagers were also prevented from residing in cities through rural-urban migration (e.g., Wu and Treiman 2004; Yang 1993; Chan and Zhang 1999; Cheng and Selden 1994; Wang 2004).

As Shue (1988) incisively observed, the planned economy together with the household registration system had reinforced the original “honeycomb” structure in rural China. That is part of the reason why the influence of clan/lineage organizations, as well as traditionally cultivated norms, had played some important roles in some villages even when the CCP intensively campaigned against them (e.g., Ruf 1998; Chan et al. 1984; Madsen 1984). This preserved “honeycomb” communal structure also served as the social foundation for the revival of indigenously developed institutions for local governance in some rural communities when the CCP gradually retreated from its rural regions after the economic reforms since the late 1970’s.

The commune system played an indispensable role in the industrialization program launched by the CCP regime. As displayed in Figure 2.2, the percentage of the production from its secondary industry in Chinese national GDP increased dramatically

in the first two decades after the CCP's victory. Nevertheless, the commune system had also stifled the development of local economies due to the lack of optimal allocations of various resources, with self-sufficiency highly emphasized and glorified for the grand plan of national defense and industrialization. Particularly after the chaotic ten years of the Cultural Revolution (1966 – 1976), the economic situation in rural China showed a striking decline, which triggered the later nationwide economic reforms primarily in the form of the *Jiating Lianchan Chengbao Zerenzhi* (household responsibility system) in 1979, as well as the collapse of the commune system in the early 1980's. As a reflection over and critique against the legacy of Mao Zedong in China's economy, particularly its universal and tightened control over almost every aspect of Chinese society, the reform coalition of national leaders gradually loosened government domination of commerce and industrial enterprises, which reduced the role of central planning and encouraged a vast array of entrepreneurial ventures. They also dismantled the commune system, which relieved the constraints imposed on rural communities and unleashed significant enthusiasm and incentives for agricultural production among Chinese peasants (e.g., Chan et al. 1992; Kelliher 1992; Parish 1985; Parish and Whyte 1978; Walder and Zhao 2006; Zhou 1996).

However, economic prosperity is only one dimension, though a critical one, for local governance in rural communities. When the CCP regime dismantled the commune system for releasing more enthusiasm and incentives for agricultural production, other

socioeconomic and political functions previously assumed by the commune system were also left to individuals in rural communities. Moreover, the authority and legitimacy associated with village cadres, on the basis of their affiliation with the CCP regime, and communism ideology, as well as their monopoly over various socioeconomic resources, were also, at least partly, rejected after villagers witnessed some of the catastrophic consequences under the old system, combined with the gradual erosion in village cadres' monopoly over socioeconomic resources. Without publicly recognized authority and legitimacy in rural communities but still compelled to extract resources from rural residents and implement unpopular policies, e.g., family planning, rural cadres, who were still embedded in relatively close-knit local communities, had to resort to brute force for their jobs, which gradually changed them in to "entrepreneurial brokers" engaged in various rent-seeking activities to compensate for lost reputational and social resources with other material benefits (Shen 2006; He 2007b). This generated serious and negative consequences for governance in rural China in the 1980's, which pushed the CCP regime to introduce a different institutional framework for local governance in rural communities, i.e., grassroots democracy.

As widely recognized by Chinese and western scholars, villager committee elections were first invented by Chinese peasants to fill the power vacuum left due to the collapse of the commune system in the early 1980's, and to deal with declining social order in some villages (O'Brien and Li 2000; Shi 1999a, 2000). After hot internal

debates on whether such voluntary efforts should be officially sanctioned and promoted in all rural China and thanks to some national leaders' individual efforts and insistence (Kelliher 1997; Shi 1999a), the trial of the Organic Law of Villager committees (OLVC) was passed by the National People's Congress (NPC) in November 1987, in spite of lingering opposition. Proponents of this institutional change claimed that, with the help of directly elected villager committees and public authority, the government could 1) revive collapsed villages due to the withdrawal of the state's influence in rural communities; 2) appease the increasing contest between local cadres and villagers by making the former accountable to the latter to regulate their behavior, which, if left unconstrained, might evolve into significant political crisis; and 3) facilitate the implementation of unpopular policies and secure villagers' compliance (Kelliher 1997). After another decade of practice and debates, the OLVC was further revised and promulgated in November 1998 as the guiding principles for self-governance in rural China. Though internal debates on whether villagers should be granted such autonomy for governance and villager committee should be directly elected continued,¹² the promulgation of the OLVC in 1998 did signal that the central government gradually acknowledged the benefits by granting villagers more autonomy in local governance

¹² For more information on the internal debates on the OLVC and village committee election, see (O'Brien and Li 2000; Kelliher 1997; Shi 2000).

and intended to push forward this institutional change for more gains.¹³ Although grassroots democracy has been legislatively promulgated as the only sanctioned means of self-governance in rural China, the performance of this externally imposed modern institution in rural communities, as well as its impact on local governance, has been under hot debates among China scholars (Chen and Zhong 2002; Yao and Shen 2006; Manion 1996, 2006; Tsai 2002, 2007a, 2007b; Shi 1999b). As a key concern of this project, this question will be systematically and thoroughly examined later, after we know more

¹³ However, most local officials, particularly those in townships, have every reason to oppose the implementation of village committee elections. Given the size and communal structure of rural China, local officials basically cannot get policy effectively implemented and resources efficiently extracted without the help of local agents who are familiar with village situations and, most of the time, even live in villages. As shown in previous sections, this is not only true for the CCP regime, but also true for the KMT regime before 1949 and various dynasties in Chinese history. In addition to this practical concerns for implementing policies and extracting resources, the cadre evaluation system, particularly that after the economic reform in the 1980's, pays more attention to cadres' performance in boosting local economies and implementing unfavorable policies, e.g., population control and tax collection (Bo 2002; Landry 2003). This institutionalized evaluation system makes their agents living in villages even more indispensable for local cadres. Within the old cadre management system, township officials could directly appoint villagers who were reliable and could be counted on to help their work as village cadres. Since township officials were also in charge of salaries, material rewards, and sometimes kick-backs that village cadres received, these agents usually were diligent in assisting their bosses in implementing policies and levying taxes and fees. If village cadres were elected, which made them accountable to villagers rather than township officials, local cadres were in a much less favorable situation and had much less leverage in soliciting help from village cadres, especially when implementing policies that were not favored by villagers. That is exactly why township officials opposed village elections by claiming that they would become "crabs without legs" if villagers were granted the autonomy for self-governance. Moreover, "the overwhelming roles and powers of local governments often provide township leaders with enormous opportunities to control and manipulate elections" (He 2007a: 148). In addition to the authority of making local laws and regulations supplementary to (sometimes different from) state and provincial laws and regulations, township leaders are also deeply involved in organizing leadership groups for village elections. They can also influence villagers' attitudes thorough personal authority and local connections. As expected, manipulating and circumventing the OLVC have been widely reported in various regions of China (Kelliher 1997; O'Brien 1994; O'Brien and Li 2000; Kennedy 2002; He 2007a).

about the transformation of the social environment in Chinese rural communities in the era of economic reforms.

As demonstrated, governance in rural China had been intentionally tailored to the structural features of local communities in both the Ming and Qing dynasties: the systematic incorporation of publicly recognized authoritative figures in local communities, as well as indigenously developed means of social control, played an indispensable role in serving the purposes of national governments in ensuring rural governance. The KMT regime did not do much in systematically transforming the socioeconomic structure in rural communities; but they had to count on “entrepreneurial brokers” for extracting resources and left other aspects of rural governance unattended, due to the relatively chaotic situation caused by continuous military mobilization and power consolidation. In the Republican era, communal structures in rural communities did not change much, but powerful indigenous social control mechanisms were weakened due to the collusion between “entrepreneurial brokers” and national bureaucracies. For all these regimes, the integration of rural communities into national bureaucracies had been superficial, with limited administrative resources channeled into local communities. It is the CCP regime that, for the first time in Chinese history, successfully penetrated into almost every aspect of rural governance by integrating rural communities into the centralized administrative system with the help of widely established party organizations and the commune system. In addition, their intensive

ideological indoctrination and campaigns against traditional means of social control in rural communities also dramatically reduced possible deviation from national government's interest in local cadres' work, who otherwise could have behaved more like "protective brokers" due to their embeddedness in rural communities. In spite of its astonishing achievements in extracting resources for subsidizing the industrialization program launched by the CCP regime, the commune system, together with the household registration system, stifled local economic growth due to its negative impact on the optimal allocations of resources. After witnessing exacerbated local governance in rural communities since the economic reforms in the late 1970's and the collapse of the commune system in the early 1980's, the CCP regime introduced grassroots democracy as a new institutional foundation for governance in rural communities, aiming to re-establish the authority and legitimacy of village cadres through democratic elections and facilitate local governance.

Either explicitly or implicitly, the close-knittedness of rural communities had occupied a central role in different institutional solutions offered by emperors, dictators, and authoritarian leaders in tackling local governance in Chinese rural communities. This communal feature has also, to some extent, worked as a double-edged sword for different institutional solutions. Grassroots democracy, as the only officially sanctioned institution for local governance in contemporary Chinese villages, has been imposed into local communities with rich institutional inheritances primarily consisting of

indigenous means for social control and governance. It is also embedded within a social environment that used to favor the operation of indigenously developed institutions. However, what the economic reforms initiated since the late 1970's have generated is not only some vacuum of authority in rural communities and economic prosperity, but also an unprecedented transformation in the communal structures of local communities, i.e., a dramatic outflow of labor through rural-urban migration. This is something completely new for national leaders when addressing rural governance.

2.3 Rural-urban migration in contemporary China

As the conventional wisdom on the economics of migration argues, the existence of disparities across regions or sectors regarding economic opportunities and benefits should be a key underlying force that drives migration (e.g., Lewis 1954; Harris and Todaro 1970). It is understandable that when agricultural output takes a lion's share of the national economy and the level of industrialization is relatively low, the transfer of labor across sectors and regions through migration is unlikely to be significant. Partly because of the scarcity in alternatives for rural labor, "involution in agricultural production" (Huang 1985) – the marginal input of labor generally out-weighs the marginal output of agricultural production – had been such a prevalent phenomenon in the twentieth-century rural China. As I suggest in the previous section, before the economic reforms in the late 1970's, rural-urban migration, particularly that aimed at better economic opportunities and benefits in urban areas, had rarely been a major and

large-scale phenomenon in China, which helped maintain the close-knit communal structure of most rural villages.¹⁴ After the 1980's with more resources allocated for industrialization, particularly light industries, the increasingly expanded industrial production required more cheap labor. The implemented "household responsibility system" also helped further release surplus labor from agriculture and facilitate the transfer of rural labor to non-agricultural sectors.

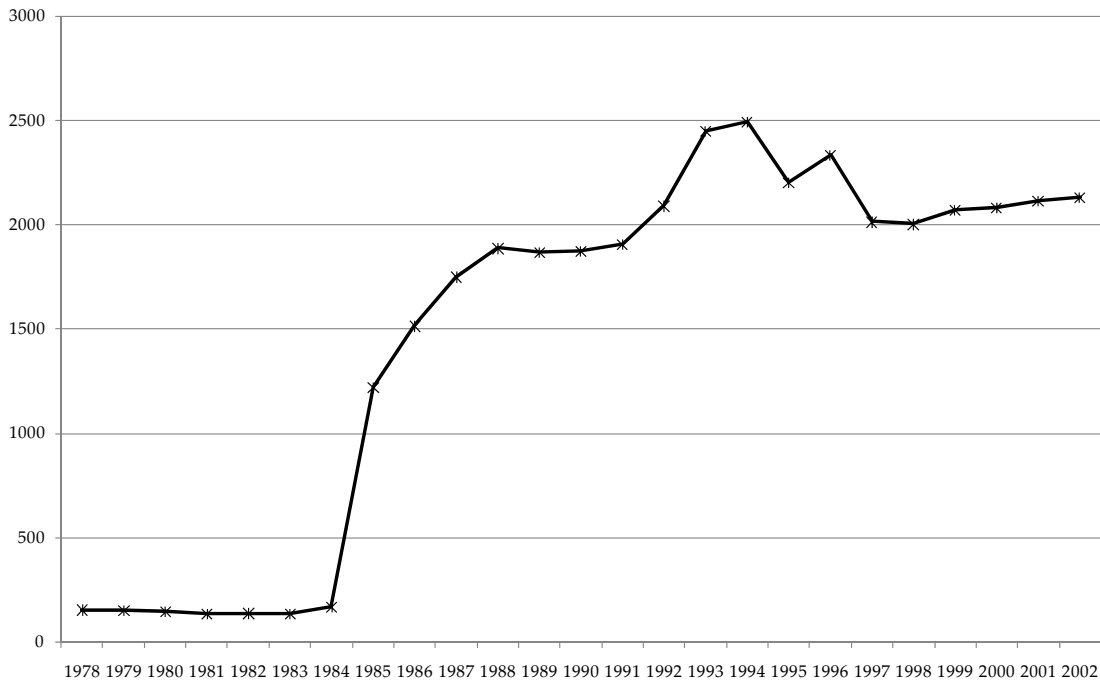


Figure 2.3: Percentage of Rural Labor in Non-agricultural Production

¹⁴ This does not necessarily mean that there was little migration in Chinese history. Actually, there were large-scale migrations in Chinese history, but they were primarily driven by natural disasters, military mobilization, and other administrative projects. For related information, see (He 1959)

As shown in Figure 2.3, the percentage of rural labor engaged in non-agricultural production increased steadily from around 9% in 1983 to around 41% in 2005. This unprecedented and large-scale transfer of rural labor in China has gradually evolved through different stages and shown some interesting patterns and features. Theoretically, the transfer of rural labor from agricultural to non-agricultural sectors does not necessarily mean that rural community members have to leave their residential communities and make a living as migrant workers, which actually might just be a second best choice. Locally available employment opportunities in non-agricultural sectors can be very attractive, or even more so, given the lower economic and emotional costs involved (Zhao 2002, 1999b; Guang and Zheng 2005). This was exactly the case at the incipient stage of this dramatic labor transfer when township and village enterprises (TVEs) absorbed most surplus labor in rural China in the 1980's.¹⁵

¹⁵ There have been numerous studies on the political economy of the origins and evolution of TVEs, as well as their implications for Chinese local politics. Most research taps onto the institutional features of the credit and loan system, embedded partial economic reforms, as well as local corporatism between local cadres and economic entrepreneurs. For me, the relevant aspect of TVEs lies in capacity of absorbing surplus labor released from agriculture production. For more information on the political economy of TVEs in rural China, see among others (Oi 1999; Oi and Walder 1999).



Source: Statistics on Township and Village Enterprises in China (1978-2002)

Figure 2.4: The Number of Township and Village Enterprises

As illustrated in Figure 2.4, the number of TVEs in China explosively increased from around 1.65 million in 1984 to 12.22 million in 1985, more than seven times. This momentum of growth was maintained until 1993, when the number of TVEs in China reached its peak at 24.52 million. Moreover, in the early 1980's, other institutional barriers, such as the household registration system, blocking labor mobility had not been removed yet. Therefore, most surplus rural labor took the strategy of *litu bu lixiang* (leaving the land without leaving villages). In other words, some rural residents no longer worked as peasants but lived on salaries, and worked in enterprises outside of their villages. Nevertheless, they still stayed in rural communities and even worked

together with their families, neighbors, and co-villagers. Compared with the situation under the commune system, peasants then had more freedom in choosing their occupations and work, but they were still tied to residential communities, with most social interaction geographically constrained to where they lived. Though this pattern of labor transfer was broken when some initial favoring socioeconomic environments for TVEs deteriorated, in some rural regions of coastal and eastern provinces, where TVEs continue to prosper, this is still the dominant pattern of rural labor transfer. It has different implications for local governance, as well as the evolution and change in different institutions for local governance, compared with subsequent rural-urban migration in which peasants leave their villages and work as migrant workers in urban areas.

Encountering severe competitions from state-owned enterprises (SOEs), joint ventures, and private enterprises, in the late 1980's and early 1990's, TVEs were forced to improve their quality and technology for better market shares, by investing more capital instead of employing more cheap labor. Moreover, a large number of TVEs closed down due to making fake and/or low-quality goods: as displayed in Figure 2.4, the number of TVEs in China dropped to 22.02 million in 1995 and further down to around 20 million in 1998. To further demonstrate this change in the pattern of rural labor transfer, the percentages of household population working in TVEs and as migrant workers have been plotted in Figure 2.5.

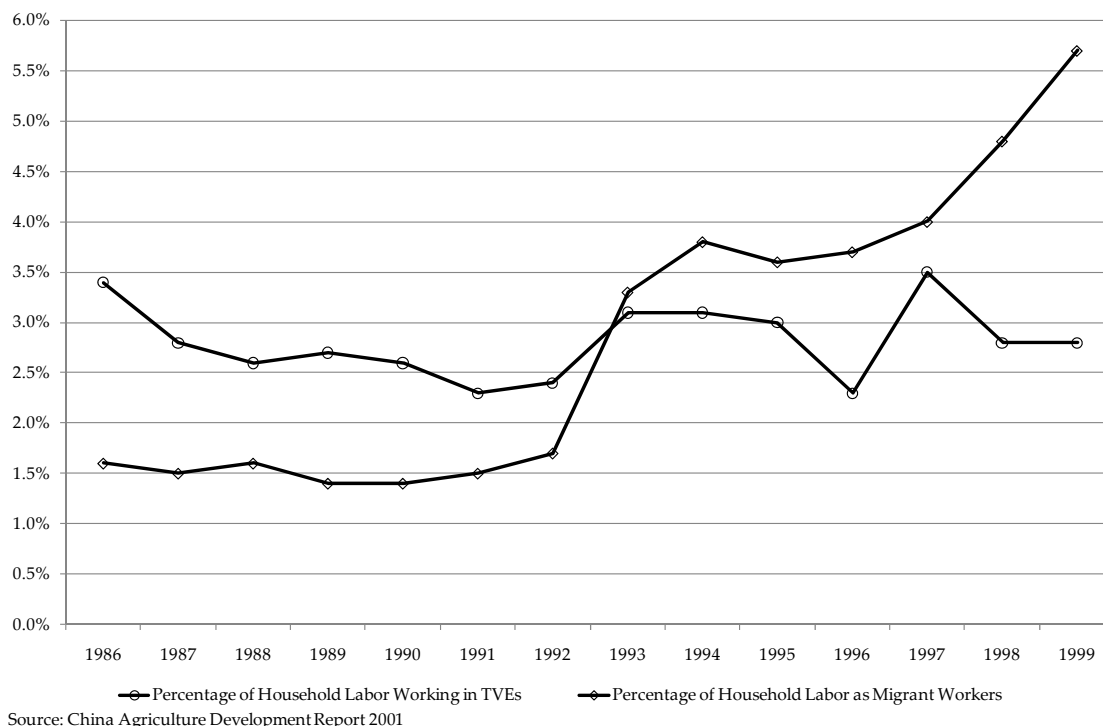
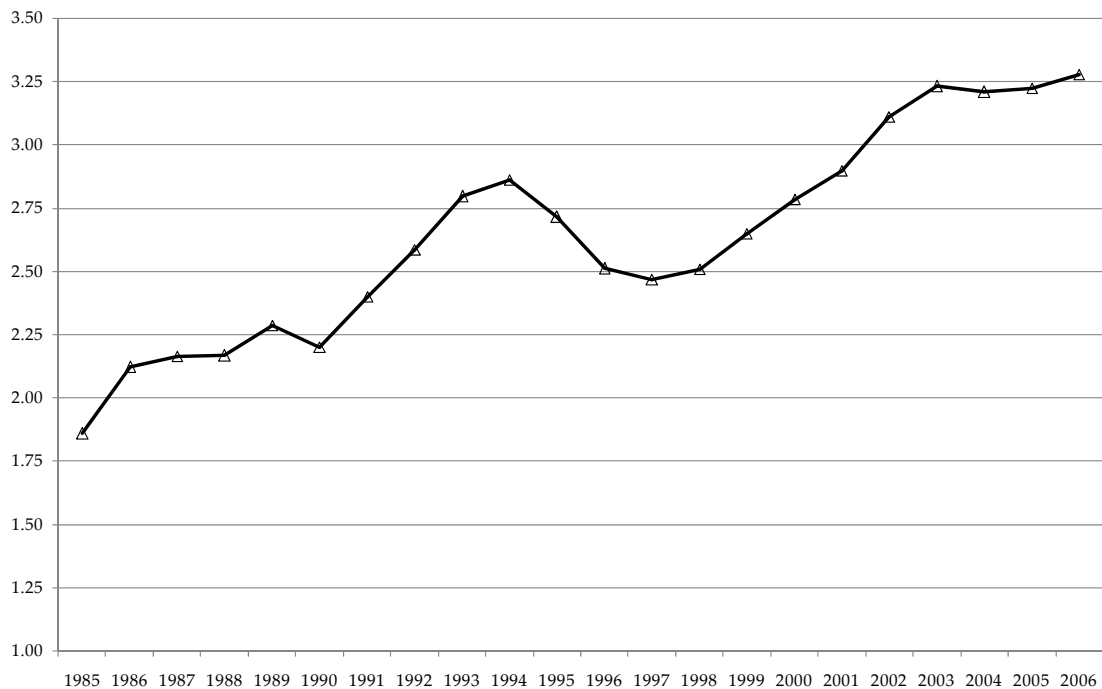


Figure 2.5: Household Population Working in TVEs and as Migrant Workers

Before 1993, the percentage of household population working in TVEs had been persistently higher than that working as migrant workers. However, the latter climbed from its relatively lower level in 1993, surpassed the former, and maintained this momentum of steady growth through the rest of the twentieth century. Now it is quite clear that when rural non-agricultural sectors could no longer provide enough employment opportunities for the surplus labor released from agriculture, the latter moved to urban areas for possible employment opportunities.

Similar to what has been observed in the histories of developed countries (e.g., Hagood and Sharp 1951; Hochstadt 1999; Patten 1973), as well as in contemporary

developing countries (e.g., Afsar 2000; Bhuyan et al. 2001; Joshi 2004; Kc 1998; Kutsche 1994; Mortuza 1992; Oberai et al. 1989; Yadava 1989), it is also primarily the disparity between sectors or regions, regarding economic opportunities and benefits, that drives rural-urban migration in contemporary China (e.g., Bakken 1998; Cai and Bai 2006; Day and Ma 1994; Hare 1999; Lall and Selod 2006; Yang 1996; Zhang 2003; Zhao 1999b). Under the rigid household registration system and discriminating policies favoring urban residents in terms of food, housing, medicine, education, and other social welfare, the inequality between rural and urban areas in terms of living standards had been dramatic. Unfortunately, this disparity actually has been further enlarged in the reform era.



Source: China Agriculture Development Report 2007

Figure 2.6: Ratio of Per Capita Disposable Income between Urban and Rural China

As Figure 2.6 shows, the ratio between the per capita disposable income in urban China and that in rural areas has been persistently larger than 2 since the beginning of the 1990's, which rose from around 1.86 in the middle of the 1980's. In spite of some temporary decline between 1994 and 1997 when reforms in the SOEs resulted in large-scale lay-offs in urban China, this ratio increases continuously as the economic reforms in China unfold.

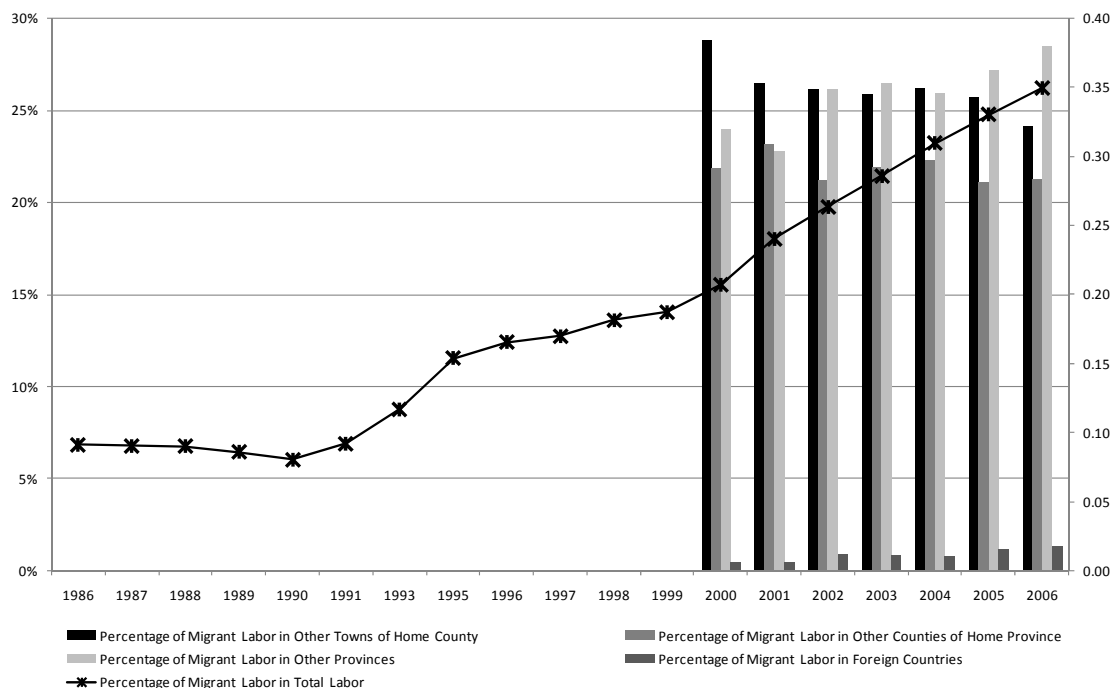
It is understandable that the industrialization program in China benefits urban China significantly more, given its better endowments in capital, technology, infrastructure, and human capital. Nevertheless, as the classic comparative advantage

theory predicts, this significantly expanded production capacity in Chinese urban industries, most of which are engaged in labor-intensive production, also generates significant demand for cheap labor with a moderate level of educational attainment, i.e., junior or senior high school graduates, that could not be fully accommodated by the labor supply in urban China. Thanks to the compulsory nine-year education program widely promoted in China, there is a large pool of such a kind of labor in rural villages for recruitment. Moreover, when high-quality urban labor moves upward along the value-chain in industries for jobs with higher requirements for education, skills, and human capital, there are also employment opportunities left in dirtier, more exhausting and labor-intensive jobs in urban areas.¹⁶ Due to the enormous economic benefits brought by rural migrant workers for both receiving and sending regions,¹⁷ as well as the critical impact of economic performance on Chinese government officials' careers (Bo 2002; Landry 2003, 2008), local governments gradually adopt various policies that facilitate migration from rural to urban areas, as well as migrant workers' settlement in urban regions. This further pushes for policy transformation at the central level with a

¹⁶ In addition to their prominent role in labor-intensive manufacturing industries, rural migrants are also widely found in urban areas working as cleaners, safety guards, waitress in restaurants, and housemaids.

¹⁷ In receiving regions, such as Guangdong, Fujian, and Zhejiang, migrant workers are the key support of local economy. In sending regions, such as Jiangxi, Sichuan, Chongqing, and Anhui, remittance from migrant workers plays a major role in boosting local income and sustaining expenditures. Some provinces, like Sichuan and Anhui, are actively engaged in the organized export of rural labor to coastal areas and urban areas for employment.

series of regulations regarding migrant workers promulgated.¹⁸ With such transformed and more favorable government policies, the transfer of surplus rural labor quickly takes the channel of rural-urban migration.



Source: China Agriculture Development Report 2001-2007 and National Rural Social-Economy Survey Data Collection (1986-1999)

Figure 2.7: Percentage of Total Rural Labor as Migrant Workers

As we can see in Figure 2.7, the percentage of total rural labor working as migrant workers, regardless of their destination, increased from 6.8% in 1983 to around 26.2% in 2006, a growth of almost four times in thirteen years. It is also clear that there were two periods with more significant increase regarding the number of migrant

¹⁸ Ever since the early 2000's, the central government has issued a series of rules and regulations to facilitate rural-urban migration and improve the situation for migrant workers in urban areas, such as eliminating various fees charged against migrant workers, and abolishing different restrictions on the recruitment of migrant workers.

workers: the early 1990's and early 2000's. This is compatible with previous arguments on the role of the TVEs in absorbing surplus rural labor released from agricultural production, and the impact of favorable official policies in channeling more surplus rural labor through rural-urban migration. In the early 1990's, due to the pressure from other competitors, TVEs' capacity in absorbing surplus labor released from agriculture declined, which made rural-urban migration a more attractive channel for such labor. A series of favorable government policies aiming at facilitating rural-urban migration and taking full use of surplus rural labor for economic growth in the early 2000's also contributed to further growth in rural labor's moving out of villages and working in urban areas.

With more rural residents joining the dramatic outflow of labor from rural to urban regions, the destination of migrant workers also changes significantly: more and more rural residents find their temporary or permanent jobs in urban areas that are further away from their home communities. Though there was no detailed information on the destinations for migrant workers in the 1980's and 1990's, we can still tell the trend and pattern with such information collected for the early 2000's. As shown in Figure 2.7, the percentage of migrant workers working in other towns of their home counties decreased from around 38.4% in 2000 to a little less than 32.3% in 2006. The percentage of migrant workers in other counties or cities of their home provinces was relatively stable between 2000 and 2006, hovering around 29%. On the contrary, the

percentage of migrant workers with jobs in other provinces or even foreign countries increased within this 7-year-span, with the former increasing from 31.9% to 38.0%, and the latter from 0.6% to 1.7%. Considering the costs involved in migration, rural residents are more likely to take jobs in proximate towns and counties, and gradually move to other cities and provinces when proximate opportunities run out. Given the increasing difficulty of the communication and deepened isolation between migrant workers and their home communities, as they move further away, this transformed pattern of rural-urban migration is expected to have considerable impact over the social environments of rural communities in which different institutions are embedded for operation and performance. This will be even more salient when we compare it with the situation in which most surplus rural labor works in TVEs and still lives in their home communities.

Though there have been some clear patterns in the transfer of surplus rural labor released from agricultural production, i.e., increasing transfer through rural-urban migration, and increasing rural labor working in urban areas that are far away from their home communities, as we see in national statistics, the distribution of migrant workers in China is not geographically balanced, particularly when it comes to inter-provincial migration. Generally speaking, inter-provincial migrant workers are more likely to come from Central and West China and work in East China.

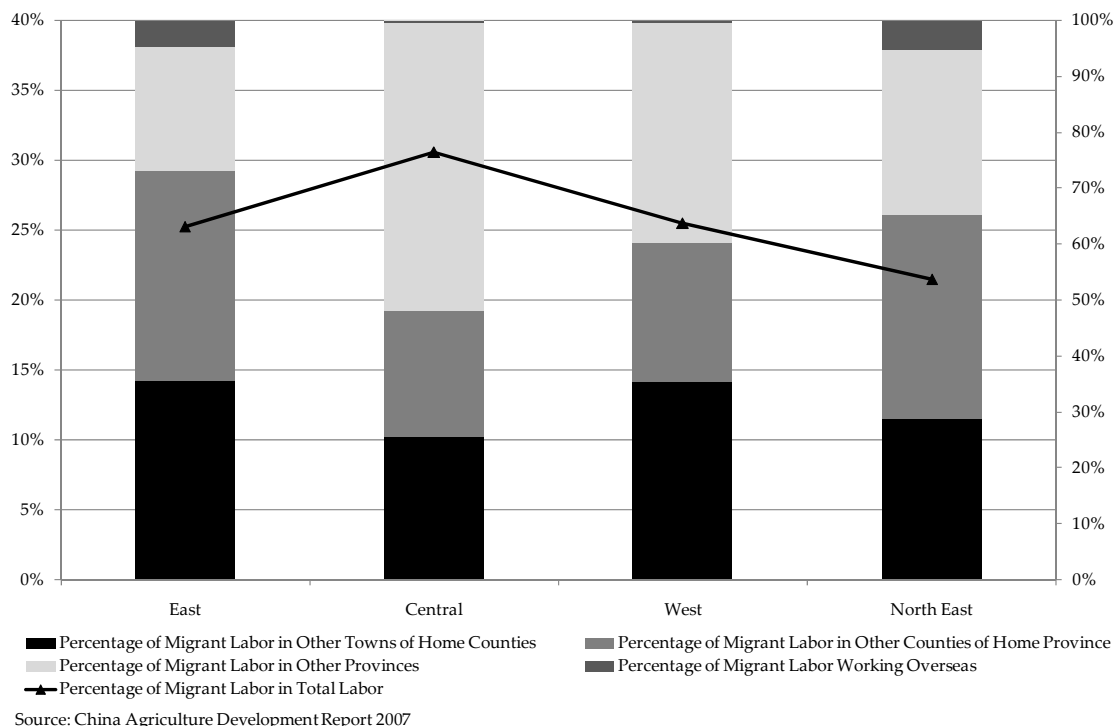


Figure 2.8: Composition of Migrant Workers in Different Regions

Figure 2.8 illustrates the percentages of rural migrant workers with jobs in other towns of their home counties, other counties of their home provinces, other provinces, and overseas respectively for East, Central, West and North East China in 2006. The percentage of rural labor working as migrants in urban areas is the highest in Central China, more than 30%. The percentage for West and East China comes close to each other, 25.5% for the former and 25.3% for the latter. North East China has the lowest percentage of rural labor leaving home communities through rural-urban migration, 21.5%. After further decomposing such figures according to the destinations of migration, it is easy to tell that the vast majority of rural migrant workers from Central

China, around 51.8%, find jobs out of their home provinces. This is also the case for West China, with around 39.3% of its rural migrant workers staying in other provinces. This situation changes substantively for East and North East China: only 22.6% of rural migrant workers from East China work out of home provinces and the number is 29.5% for North East China. With the information in Table 2.1, this pattern in inter-provincial rural-urban migration should become even clearer.

Table 2.1: Temporary Residents Working in Industries in Different Regions

	Total Number of Tempoeray Residents Working in Industries	Total Number of Tempoeray Residents Working in Industries from Cities of Other Provinces		Total Number of Tempoeray Residents Working in Industries from Counties of Other Provinces	
Beijing	2584907	592933	22.94%	1857968	71.88%
Tianjin	1204762	334375	27.75%	866745	71.94%
Hebei	811444	123739	15.25%	327564	40.37%
Shanxi	522553	70325	13.46%	263851	50.49%
Inner Mongolia	731334	53376	7.30%	206779	28.27%
Liaoning	729194	131701	18.06%	274166	37.60%
Jilin	222053	22661	10.21%	54945	24.74%
Heilongjiang	434425	38728	8.91%	111010	25.55%
Shanghai	4491424	616854	13.73%	3758297	83.68%
Jiangsu	6816938	947491	13.90%	3254311	47.74%
Zhejiang	10398032	1211497	11.65%	7871081	75.70%
Anhui	313704	39161	12.48%	63823	20.34%
Fujian	2637683	560502	21.25%	1181975	44.81%
Jiangxi	201864	16606	8.23%	51875	25.70%
Shandong	2156984	242094	11.22%	513755	23.82%
Henan	781818	69716	8.92%	178233	22.80%
Hubei	691777	68904	9.96%	148280	21.43%
Hunan	625242	33110	5.30%	91189	14.58%
Guangdong	20002931	5973261	29.86%	9934499	49.67%
Guangxi	483510	37811	7.82%	122963	25.43%
Hainan	125278	28040	22.38%	48741	38.91%
Chongqing	341356	22329	6.54%	61910	18.14%
Sichuan	1029017	73905	7.18%	152475	14.82%
Guizhou	506225	69103	13.65%	132113	26.10%
Yunnan	1074382	88860	8.27%	413315	38.47%
Tibet	101167	16654	16.46%	64660	63.91%
Shaanxi	640765	74365	11.61%	161804	25.25%
Gansu	166798	13547	8.12%	33673	20.19%
Qinghai	246393	27868	11.31%	65228	26.47%
Ningxia	57284	7611	13.29%	27174	47.44%
Xinjiang	526460	56219	10.68%	321789	61.12%

Source: National Compiled Statistics on Tempoeray Residents 2006

Table 2.1 lists information on temporary residents working in industries for all provinces and metropolitan cities for China in 2005. The first column gives the total number of temporary residents working in industries for each provincial unit. The second column lists the total number of temporary residents from the cities of other

provinces working in industries, with the third column showing the corresponding percentage. The fourth column identifies the total number of temporary residents from the counties of other provinces, which can be regarded as a proxy for rural migrant labor from other provinces. The fifth column gives the percentage of temporary residents working in industries that are from the counties of other provinces. For Beijing, Tianjin, Shanghai, Zhejiang, and Guangdong, more than 70% of their temporary residents working in industries are supplied through inter-provincial migration from the counties of other provinces.¹⁹ For Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei, Hunan, Guangxi, Chongqing, and Sichuan, less than 30% of their temporary residents working in industries are recruited from the migrant labor from the counties of other provinces. It is not coincident that the second group of provinces is also the sending regions of the majority of rural migrant workers in contemporary China.

As a summary, after the economic reforms since the late 1970's, particularly the establishment of the household responsibility system in rural areas and adjusted industrialization in urban areas, surplus labor released from agricultural production needed to be transferred to non-agricultural sectors. Before the early 1990's, TVEs were widely established in rural China and did absorb a significant portion of surplus rural labor, which made it possible for a large number of surplus labor to leave the land

¹⁹ Though this percentage is also high for Tibet (63.9%) and Xinjiang (61.1%), the underlying reason is different.

without leaving villages. When the economic situation of TVEs exacerbated due to increasing pressure from competitors in the early 1990's, surplus rural labor had to seek alternatives for economic opportunities. Expanded industrialization in urban areas offered increasing demand for cheap rural labor with some appropriate educational attainment. This opened the channel for rural-urban migration, which gradually became the dominant way of transferring surplus rural labor. Contemporary rural-urban migration in China shows the following two patterns: 1) more and more peasants leave not only their home communities, but even their home counties, or provinces for jobs, which significantly increases the difficulty of the communication between migrant workers and their home communities and leads to more isolation. Furthermore, 2) the geographical distribution of inter-provincial rural migrant workers is not balanced, with more rural migrant workers leaving Central and West China and making their living in East China. All such features of rural-urban migration are expected to generate significant impacts on the structural features of rural communities, which, in turn, transform the social environment for the operation of different institutions in local communities.

Conclusion

For the most of Chinese history, agriculture has played a dominant role in its national economy, with the overwhelming majority of its citizens living in concentrated rural settlements. Such close-knit local communities have attracted particular attention

from national leaders, for ensuring local stability and security, and efficiently extracting economic resources. Unfortunately, due to the lack of administrative resources, for the most of Chinese history, rural China had rarely been effectively and successfully integrated into the centralized political system, which made the role of intermediate agents indispensable for ensuring local governance. Therefore, various institutional solutions offered by different national leaders had been intentionally tailored to the structural features of rural communities and systematically incorporated various indigenous resources for governance.

Before the establishment of the CCP regime in China, particularly during the Ming and Qing dynasties, local gentries, and those with publicly recognized authority due to abundant economic resources, senior status in genealogical hierarchy, better learning, or other personal capacities, had been systematically recruited in an informal and semi-official way for assisting county-government (the lowest administrative unit) in collecting taxes through the *Lijia* system, ensuring local public security and defense through the *Baojia* systems, and cultivating and indoctrinating officially canonized normative orientations through the *Xiangyue* and later *Jiangxue* systems. Nevertheless, due to the embeddedness of such authoritative figures in local cultural nexus, such “protective brokers” might, under some conditions, promote the interest of rural communities at the cost of the national government. When administrative officials gradually shifted their dependence from “protective brokers” to “entrepreneurial

brokers”, brute force often prevailed in the governance of rural communities. The chaos and constant military mobilization under the KMT regime prevented the national government from implementing some effective and new institutional solutions to address this old but persistent problem in local governance in rural China. It was only after the establishment of the CCP regime that the governing capacity of the national government successfully penetrated into Chinese rural communities, with the help of widely established party branches and, later, the establishment of the commune system. Moreover, the CCP regime also transformed the hierarchical structure in rural communities to align the interest of local authoritative figures with that of the national government, with the help of ideological indoctrination and political mobilization. The new institutional solutions offered by the CCP regime for governance in rural communities, together with its industrialization program and other complementary institutions, such as household registration, actually reinforced the close-knittedness features of rural communities. Moreover, the “honey-comb” structure of rural China had also been well-maintained until the dramatic rural-urban migration unleashed by the economic reforms since the late 1970’s.

To address the deficiencies of the commune system in promoting economic growth, the CCP gradually retreated from its rural regions and recovered the self-governance status of Chinese rural communities. Confronted with various issues in rural China after the collapse of the commune system in the early 1980’s, grassroots

democracy was formerly introduced into rural communities as the officially sanctioned means for local governance. Quite different from the situation of previously imposed formal institutions, grassroots democracy was imposed onto rural communities that were significantly transformed by the large-scale and dramatic outflow of surplus rural labor through rural-urban migration.

Better economic opportunities and benefits are the key driving force under rural-urban migration. When TVEs were prosperous, most surplus rural labor left the land without leaving home communities to earn wages as workers in TVEs. In this situation, surplus rural labor was still closely associated with rural communities. However, when TVEs' production capacity shrank due to the competitions from other enterprises, surplus rural labor had to look for employment opportunities in urban areas further away from home communities: inter-province migration gradually became more salient in China's rural-urban migration. This also raises more challenges and difficulty for the communication and contact between migrant workers and their home communities. The distribution of inter-province migration is far from balanced in rural China, with dramatic surplus rural labor from Central and West China leaving for jobs in East China. Metropolitan cities and coastal areas are the most attractive destinations for villagers in the interior and West China with the hope of increasing their incomes as migrant workers. These patterns in Chinese rural-urban migration have generated significant

impacts on the communal structures of rural communities, which could be transformed to various extents by this unevenly distributed outflow of surplus rural labor.

In a nutshell, the governance of close-knit rural communities has been a persistent challenge for various regimes in Chinese history. Before the CCP, different institutional solutions that were tailored to the communal and social features of local rural communities had been adopted by national governments for this purpose. Indigenously cultivated and developed social resources had been systematically incorporated into such institutional solutions for effective results. Nevertheless, none of them had been successful and satisfying, particularly from the perspective of national governments. The CCP regime revolutionized the methods of local governance by dramatically transforming the socioeconomic hierarchy and administrative channels in rural China and thus had secured some achievements for its various programs. Rather than destroying close-knit rural communities, such policies and institutions had reinforced the “honeycomb” structure of rural China. How newly introduced grassroots democracy is going to perform in sustaining governance in rural communities has to be evaluated in the context of significantly transformed communal structures in rural China, due to the unprecedented and dramatic outflow of surplus rural labor through rural-urban migration since the early 1990’s.

3. Rural-urban migration, institutional change, and the provision of public goods in rural China

Since the economic reforms in rural China in the late 1970's, rural communities have been significantly transformed not only by changes in the control of social and economic resources arising from the collapse of the commune system and establishment of the household responsibility system, but also by the dramatic outflow of labor through city-ward migration. The latter has generated some uneven but significant impact on the communal structure in rural China, which, in turn, has shaped the social environment in which different institutions perform. Rural communities with different levels of outward migration offer varied environments for the performance of indigenously developed institutions or externally imposed ones for local governance. This chapter takes advantage of a village survey embedded in the 2008 national survey in mainland China to systematically examine how rural-urban migration has transformed the institutional foundations of local governance in rural China.

Governance is a multi-dimensional and fuzzy concept, which makes it difficult to operationalize in scientific social inquiries, particularly quantitative ones.¹ It is not a coincidence that many students of local governance primarily focus on the provision of

¹ There are numerous indicators developed for the quality of governance. The Kaufmann-Kraay-Mastruzzi worldwide governance indicators might have been the most widely used indicators of governance in comparative studies. Nevertheless, there are some serious problems with such indicators (Arndt et al. 2006).

public goods as the key indicator of the quality of local governance (Banerjee and Iyer 2005; Banerjee et al. 2005; Habyarimana et al. 2007; Hiroshi 2008; Luo et al. 2007; Miguel and Gugerty 2005; Tsai 2007a, 2007b; Zhang et al. 2004; Tsai 2002b). First of all, from a purely methodological perspective, some public goods can be concretely and objectively measured for rigorous analysis. A valid and objective measure is not only critical for systematic inquiries but also indispensable for effective comparative studies.² Secondly, the provision of public goods taps onto some crucial problems in local governance, particularly where the voluntary participation from local residents plays a major role: collective action and accountability.³ Therefore, in this chapter, I will follow the approach adopted by other scholars of local governance and focus on the provision of public goods, as the key indicator of local governance, to examine the impact of rural-urban migration on the governance in rural China.

3.1 Decentralized provision of public goods in contemporary rural China

Decentralization has been a major factor shaping the provision of public goods in contemporary rural China (e.g., Hiroshi 2008; Luo et al. 2007; Tsai 2007a; Zhang et al.

² For the negative impact of measurement errors on drawing valid inferences, see (Achen 1983).

³ The literature on various solutions to the problem of collective action in local provision of public goods has a very long tradition (e.g., Gibson et al. 2000; Ostrom 1990; Hardin 1982; Olson 1971; Hardin 1968). However, collective action is not the only issue that holds back the provision of public goods. Mechanisms that hold local leaders accountable to their constituencies or local residents are also critical for the provision of public goods (Tsai 2007a, 2007b).

2004). Its importance has increased since the collapse of the commune system in the early 1980's, the subsequent tax-for-fee reforms in rural areas since the early 2000's, and the abolition of agricultural taxes in 2006.

Under the commune system, especially before the economic reforms based on the household responsibility system were initiated in 1978, communes (equivalents of today's townships) were fully responsible for the provision of public goods in rural areas, given their comprehensive control over various resources in Chinese villages. Moreover, due to the lack of capital and the then national policy of subsidizing industrialization through agricultural surplus, most public goods, like irrigation projects and roads, were provided through compulsory participation from rural residents and contribution of in-kind labor. Despite its inefficiency in generating incentives for individuals' engagement in agricultural production and economic activities, this "totalitarian mode" had been quite effective in accumulating enough resources for building reservoirs, paving roads, and establishing village-wide medical networks (Wu 2002; Ye 1997; Zhang and Chu 2006; Lin 2003). This well-established infrastructural foundation later contributed to the economy booming in rural China after the economic reforms. Even today, many villages benefit from the irrigation projects established during the commune era.

Once the commune system was abolished, townships no longer bore the full responsibility for the provision of public goods in villages. Cadres of administrative villages had to figure their own ways to fund, at least partially, various activities related to local public welfare, such as maintaining irrigation projects, paving roads, getting running water, and improving local education facilities. Originally, village cadres could get some financial resources out of *tiliu* (village retained funds) and subsidies from townships out of *tongchou* (township coordination funds), both of which were levied upon villagers, for funding public goods.⁴ Nevertheless, those fees levied upon villagers, to some extent at village cadres' discretion, generated serious problems in Chinese villages, e.g., widespread corruption among village cadres, rising burdens on villagers, and exacerbated relationships and growing tensions between village cadres and villagers. These problems posed significant challenges for the legitimacy of the CCP regime and weakened the stability of its governance in rural areas, which finally led to tax-for-fee reforms in the early 2000's and the abolition of agricultural taxes in 2006 (Kennedy 2007; Hiroshi 2008; Li 2006; Yep 2004). Deprived of both economic and

⁴ *Tiliu* (village retained funds) was collected by administrative villages and supposed to be used for 1) maintaining irrigation projects, planting trees, and investing in collective enterprises; 2) subsidizing the poor and childless, public health, and other public welfare; and 3) paying village administration expenses and salaries of village cadres. *Tongchou* (township coordination fees) was collected by administrative villages but transferred to townships. It was supposed to be used for subsidizing village public goods, education, family-planning programs, militia training, and other public welfare. In addition to these fiscal resources, village cadres could also call for *yiwugong* (voluntary contribution of in-kind labor) from villagers.

political tools to extract financial resources and in-kind labor from villagers, many Chinese villages are left with limited capacity in providing public goods. According to the most recent statistics from the Ministry of Water Resources, among all 1.85 billion *mu* (around 124 million hectares) of arable lands, only 45% have adequate and functional irrigation systems.⁵ This deficiency in the provision of public goods has been clearly reflected in the 2008 national village survey, as shown in Table 3.1.

Table 3.1: Public Goods Provision in Rural China

Tap-water	213 (59.83%)
Paved roads within villages	255 (71.63%)
Maintenance of irrigation projects	186 (52.25%)
Maintenance of education facilities	145 (40.73%)
Provision of other public welfare	216 (60.67%)

Source: 2008 National Village Survey (N=356)

Among all sampled 356 villages in rural China, around 60% have access to tap-water. Around 72% of sampled villages have paved roads within villages. When it comes to the maintenance of irrigation projects and education facilities, the situation is less promising. Only around 52% of sampled villages have maintained their irrigation projects in the past three years; and around 41% of these villages have maintained education facilities in the past three years. Regarding the residual category, “provision

⁵ See the news at china.com.cn, the website link is (last time accessed, 2009 March 01): <http://news.china.com.cn/chinanet/07news/china.cgi?docid=13222187256769166494,16205639007151314479,5996430133170816331,9823350933552977000,0&server=202.108.4.70&port=5269>.

of other public welfare in the past three years”, only around 61% of interviewed village cadres and treasurers have offered positive answers. Given the size of rural China, which has more than 650 thousand administrative villages, and the survey results, it is reasonable to believe that there are a huge number of Chinese villages suffering from the under-provision of public goods.

Theoretically, there are three possible ways to address the lack of financial resources in the decentralized provision of public goods in Chinese villages: fiscal transfers from upper-level governments, economic resources from collective economies, and voluntary contribution from villagers.⁶ Though Chinese government has steadily increased its fiscal transfers for agriculture and rural areas, there are still not enough resources to fund the provision of public goods. According to a sampling survey administered in the late 2003, which covers 6 provinces, 36 counties, 216 townships and 2459 villages in China, around 36% of public projects in villages are fully funded from fiscal transfers from upper-level governments, nearly half (46%) are funded with matching funds from villages and respective upper-level governments, and the rest (18%) are funded by villages themselves (Luo et al. 2007). Similar results have been found by other scholars with local surveys (Zhang et al. 2004; Hiroshi 2008). Basically,

⁶ Administrative villagers in China do not have the right to levy taxes, which makes taxation, a conventional means for collecting resources for local public goods provision, no longer a feasible funding resource for administrative villages in China.

the provision of public goods in contemporary Chinese villages counts heavily on villages themselves. Unfortunately, previous studies do not provide enough information on how some villages manage to fund the provision of public goods. To systematically gauge the situation in rural China, during our survey, village cadres and treasurers were asked to provide information on how they had managed to fund the provision of public goods in their villages. Answers to this open-ended question have been coded and shown in Table 3.2.

Table 3.2: Funding Resources for Public Goods Provision

Maintenance of education facilities (145)	
Fiscal transfers from upper-level governments	40 (27.59%)
Village collective income	57 (39.31%)
Money collected from villagers	32 (22.07%)
Donation from some villagers	7 (4.83%)
Bank and Credit Union Loans	9 (6.21%)
Maintenance of irrigation projects (186)	
Fiscal transfers from upper-level governments	45 (24.19%)
Village collective income	59 (31.72%)
Money collected from villagers	68 (36.56%)
Donation from some villagers	5 (2.69%)
Bank and Credit Union Loans	3 (1.61%)
Providing other public welfare (216)	
Fiscal transfers from upper-level governments	128 (59.26%)
Donation from village-owned enterprises	11 (5.09%)
Money collected from villagers	53 (24.54%)
Donation from some villagers	32 (14.81%)

Source: 2008 National Village Survey (N=356)

Note:

Percentages do not add up to 100%. Answers mentioning different funding resources have been coded for all appropriate categories

Among 145 villages that have maintained education facilities over the past three years, around 28% count primarily on fiscal transfers from upper-level governments. A little more than 39% fund the provision of public goods out of village collective incomes, such as rents paid for collectively owned lands and profits from village enterprises. Except for a small number of villages (6%) that borrow money from banks and credit unions, the rest (around 26%) either collect money from all villagers or receive donation

from some villagers. The situation does not change much when it comes to the maintenance of irrigation projects over the past three years: among 186 villages that have maintained irrigation projects, around 24% get most of their money from fiscal transfers from upper-level governments. Almost 32% count on village collective incomes for such projects. And the rest (more than 39%) either collect money from all villagers or receive donation from some villagers. Though upper-level governments seem to have played a more active role in providing other public welfare, there are still around 44% (out of 216) that have to fund the provision of public welfare through donation from village enterprises or some villagers, or money collected from all villagers. Thus, in reality, Chinese villages are highly dependent upon themselves for funding the provision of public goods, either through collective incomes or voluntary contribution from villagers. Then a big question arises: confronted with the same decentralized provision of public goods and lack of adequate fiscal transfers from upper-level governments, how do some villages manage to collect enough resources for providing public goods, while the others fail? How do those villages solve the problem of collective action in the voluntary contribution from villagers? How can villagers hold cadres accountable once resources are collected and at the disposal of the latter?

3.2 Various institutional solutions to the decentralized provision of public goods

Both collective action and accountability problems can be solved as long as some appropriate institutions are available, regardless of whether such institutions are relatively informal or formal, and indigenously developed or externally imposed. The literature on collective action has abundant and different solutions, ranging from stable and reiterated interactions (Nachbar 1989; Axelrod 1984; Ostrom 1990), selective incentives (Olson 1971), internal hierarchical structure (Lichbach 1995), to community/social networks (Lichbach 1995; Grould 1993). The literature on accountability also has identified various institutionalized means of holding bureaucrats or leaders accountable: supervision of bureaucrats through meritocratic selection and evaluation (Moe 1984; Evans 1995), transparent and competitive democratic elections (Przeworski et al. 1999; Strom et al. 2003), and encompassing and embedding solidarity groups (Tsai 2007a, 2007b). Except for the varying weights assigned to roles played by personal stakes involved, social network structure, or some specific norms cultivated, all solutions to the problems of collective action or accountability count on, explicitly or implicitly, a crucial factor: the means of effective sanction, either against potential free-riders, or bureaucrats and leaders who should be hold accountable.

Effective sanction deters potential free-riders from deviating from collective action by either significantly reducing their future material benefits closely associated with the full membership of a community, or by imposing heavy reputational costs on

deviants that could handicap their socioeconomic activities, and even those of others who are closely related to them within a community. Effective sanctioning also plays a critical role in holding bureaucrats or leaders accountable: casting a ballot of no-confidence or voting for challengers is an undisputable powerful weapon of constituencies in a democracy to leave their imprints on public policies and officials' behaviors. Even in a social environment without strong democratic institutions, bureaucrats and leaders might still be concerned over their reputation and image among the governed, which, in turn, might shift their behaviors and policies toward the preference of the governed. Therefore, once some effective means of sanction can be established and sustained in a community, it is very likely that a decentralized provision of public goods can be achieved, due to their power in relieving the curse of collective and sustaining accountability.

Indigenously Developed Institutional Solutions

Villagers in rural China have had their own indigenously developed institutions for effective sanction for a very long time, either through gossips or some locally established organizations, e.g., villagers councils or lineage organizations. Community-shared and recognized criteria, which can be either written rules or widely shared norms, for evaluating average villagers' and community leaders' behaviors have been successfully enforced with the help of such community-based means of sanction (Cohen

2005; Kuhn 1975; Wakeman and Grant 1975; Xiao 1960; Tsai 2007a, 2007b; Fei 1939; Fei et al. 1992). Despite copious anecdotal evidence on the strength of these indigenously developed means of sanction in contemporary rural China (Zhao 2003; Chen 2008b, 2008c; Dong 2008; He 2003a, 2007c), however, there is little systematic and direct evidence available on this. One major challenge lies in the convergence with respect to the function of different means of sanction, i.e., both indigenously developed and externally imposed means of sanction might lead to similar constraints on individuals and shape their behaviors and attitudes in the same direction. This methodological challenge makes it difficult to identify an objective indicator that can be used as the proxy for the strength of indigenously developed means of sanction. Taking advantage of the features of the land-tenure system in rural China, I have developed an indicator for objectively gauging the strength of indigenously developed means of sanction: the difficulty of adjusting land allocation to accommodate demographic changes in a village.

China has a dual land-tenure system, with land ownership separated from land use rights. Land is either state-owned or collectively owned. According to China's Land Administration Law, drafted in 1986 and amended in 1998, the state owns all urban land, while farmer collectives own all rural land. During the commune era, all villagers worked on collectively owned land and were compensated following a work-credit system. To generate more incentives for agricultural production and villagers'

engagement in local economies, since 1978, collectively owned land has been contracted out to run by villagers independently for crop farming, forestry, animal husbandry and fisheries production. This practice was firstly officially endorsed in 1982 by the central government, and has been repeatedly emphasized in subsequent official documents and policies. In order to encourage peasants to make more investments in agricultural production by increasing the stability in land contracts, the central government officially stipulated that the term of land contracts should be at least 15 years, which was further extended to 30 years and became part of the Land Administration Law.⁷ Therefore, once land contracts are finalized, in a legal sense, no one can force villagers to give up any piece of their land without voluntary consent. Since most land contracts were re-negotiated around the middle 1990's, known as the second round of land contracting, most land contracts in rural China are under the protection of the 30-year contract term.

Nevertheless, these long-term land contracts have generated some problems in rural China, by depriving rural communities' flexibility and capacity in re-allocating land to accommodate demographic changes. The allocation of land in the middle of the 1990's was based on the then population size of each family. After years, allocated land may not be enough to support families with newborns and/or daughters (sons)-in-laws.

⁷ For detailed information on the land-tenure system in China and its evolution, please see (Dong 1996; Li et al. 1998; Liu and Chen 2007; Zhu and Jiang 1993; Brandt et al. 2002)

For some other families, with senior people passing away or family members permanently leaving, allocated land might be beyond their capacity of managing. Thus, there is an incentive and very strong demand for re-allocating land after some years to accommodate demographic changes in almost every village. In some villages, the traditional norm of “live-and-let-live” still works in shaping villagers’ attitudes on this. In a village of Henan Province that I visited in the summer of 2007, villagers always cite a local saying to express their recognition of the necessity for re-allocating land due to demographic changes: “*Changchong Tuibi, Wunian Yici*” (Snakes shed every five years).⁸ However, since re-allocating land surely indicates that someone has to give up some pieces of their land and some others can get more, it is critical to get those potential losers’ consent and achieve a consensus within a village. Given the legal stipulation and government policies, any discontented villager can veto the whole re-allocation process. It is really common to observe or be informed of stories of sabotaging land re-allocation by a single villager or a few in rural China. Here, only indigenously developed norms and means of sanction can help achieve the consensus indispensable for land re-allocation. Thus, if land re-allocation due to demographic changes can be easily implemented within a village, it should be relatively safe to conclude that indigenously developed means of sanction are still working effectively in this community. In our

⁸ This is based on my fieldwork in Henan Province, 2007 summer.

national village survey, villager cadres were asked to say how difficult it would be to adjust the allocation of land to accommodate demographic changes in their respective villages. Answers have been displayed in Table 3.3.

Table 3.3: Land Re-allocation for Demographic Changes

Is it possible to adjust land allocation among villagers to accommodate demographic changes?	
Impossible	146 (41.01%)
Very difficult	141 (39.60%)
Easy to implement	50 (14.05%)
Missing	19 (5.35%)

Source: 2008 National Village Survey (N=356)

It is clear that village cadres in around 41% of sampled villages find it impossible to adjust land allocation to accommodate demographic changes. Almost the same percent of villages have witnessed the difficulty in re-allocating land. This resistance to adjusting land-allocation seems to speak to the effectiveness of the 30-year long land contracts and related national policies in securing the contract stability. Nevertheless, there are still some village cadres in more than 14% of sampled villages claiming that adjusting the allocation of land due to demographic changes can be easily done, despite the high hurdles and widespread veto power created by government documents and official policies. Therefore, in some villages, indigenously developed means of sanction do re-orient rural residents' attitudes and collective behavior, which might be even powerful enough to counteract some government policies.

Given the newly developed literature on the role of solidarity groups in the provision of public goods in rural China (Tsai 2002b, 2007a, 2007b; Xiao 2002), it is reasonable to question whether such means of sanction is just an intervening variable bridging solidarity groups to the provision of public goods. Although the existence of solidarity groups might make collective action and accountability easier through the provision of social identities and/or cleavages for mobilization, they are just one out of many ways of enforcing effective sanctions against deviant behaviors. In some regions without the history of active solidarity groups, scholars still observe some powerful indigenously developed means of sanction regulating people's behavior and social interaction (e.g., Zhao 2003; He 2003a; Pomeranz 1993). I would further argue that indigenously developed means of effective sanction is a critical foundation for any indigenous institutions to perform, either taking the form of solidarity groups, or other possible forms. Table 3.4 gives the information on lineage organizations in all sampled villages. We have two different ways of identifying the structure of lineage organizations: 1) the number of ancestor halls with spirit tablets; and 2) village cadres' description of the clan structure within their villages.

Table 3.4: Lineage Organizations in Rural China

Power of clans before 1949		
	Almost no clans	238 (66.86%)
	Some but not powerful	102 (28.65%)
	Very powerful	13 (3.65%)
Number of ancestor halls with spirit tablets		
	None	287 (80.61%)
	One	37 (10.39%)
	Two	10 (2.81%)
	Three	3 (0.84%)
	Four+	19 (5.34%)
Clan structure		
	One clan	14 (3.93%)
	One dominant clan with several other small ones	23 (6.46%)
	Two clans with equivalent power	9 (2.53%)
	Three clans with equivalent power	4 (1.12%)
	Two major clans with several other small ones	15 (4.21%)
	Three major clans with several other small ones	12 (3.37%)
	Multiple surnames	229 (64.33%)

Source: 2008 National Village Survey (N=356)

It is clear to see that for the majority of Chinese villages, there is little history of active lineage organizations: 1) more than 66% of villages report the lack of clans before 1949; 2) more than 80% of villages do not have any ancestor hall with spirit tablets; and 3) village cadres in more than 64% of villages describe their villages as communities shared by people with multiple surnames. Moreover, lineage organizations have very strong built-in inertia and historical inheritance, which cannot be created out of nothing. If lineage organizations are the major players, if not the only ones, in Chinese villages addressing the problems of collective action and accountability, then the situation of

local governance in many Chinese villages is unlikely to be promising. Is there any systematic evidence linking the existence of encompassing and embedding solidarity groups with the existence of indigenous means of effective sanction?

Table 3.5: Land Re-allocation and Clan Structure

		Adjusting Land Allocation		
Number of ancestor halls		Impossible	Very Difficult	Easy
	None	119 (43.43%)	117 (42.70%)	38 (13.87%)
	One	12 (35.29%)	14 (41.18%)	8 (23.53%)
	More than one	15 (51.72%)	10 (34.48%)	4 (13.79%)
(Chi-square, DF)		(3.3223, 4)		
Clan structure				
	One dominant clan	95 (42.60%)	94 (42.15%)	34 (15.25%)
	Competing clans	18 (51.43%)	12 (34.29%)	5 (14.29%)
	Multiple surnames	19 (45.24%)	19 (45.24%)	4 (9.52%)
(Chi-square, DF)		(1.9593, 4)		

Source: 2008 National Village Survey (N=356)

Table 3.5 displays the results of the cross-tabulation of the difficulty of re-allocating land to accommodate demographic changes over the structure of lineage organizations: there is no significant relationship between these two variables, as indicated by associated chi-square statistics. Basically, the existence of encompassing and embedding solidarity groups does not necessarily ensure the existence of indigenous means of effective sanction. As I argue in Chapter 1, the latter should be more closely associated with the pattern of social interaction among community members, and communal structural features.

In some villages, indigenous means of effective sanction does seem to have effectively re-oriented people's attitudes and behaviors, contrary to what newly imposed land-tenure system and official policies should induce. However, as a proxy for indigenously developed institutional solutions, are they associated with better decentralized provision of public goods in reality, which requires not only solving the collective action problem but also holding local leaders accountable?

Table 3.6: Indigenous Means of Sanction and Public Goods Provision

	Tap Water	Paved Road	Irrigataion
Land re-allocation (proxy of IDIs)			
Impossible or very diffict	60.44%	74.55%	54.12%
Easy to implement	74.00%	78.00%	63.27%
(Chi-square, DF)	(3.3170, 1)*	(0.2698, 1)	(1.4108, 1)
Land re-allocation (proxy of IDIs)	Education	Other Welfare	
Impossible or very diffict	42.86%	64.64%	
Easy to implement	36.36%	75.00%	
(Chi-square, DF)	(0.6561, 1)	(1.9486, 1) ⁺	

Source: 2008 National Village Survey (N=356)

⁺ One-tail test significant at the 0.1 level

* p < 0.1 ** p < 0.05 *** p < 0.01 for two-tail test

Table 3.6 gives the results of the cross-tabulation of the provision of public goods over the difficulty of re-allocating land to accommodate demographic changes, as a proxy for indigenously developed institutions for local governance. It is clear that, with the exception of the maintenance of education facilities over the past three years, villages with greater ability to adjust land-allocation to accommodate demographic changes do have somewhat better access to tap water and paved roads within villages: around 13%

more for the former and 3.5% more for the latter. Such villages are also more likely to have maintained their irrigation projects and provide other public welfare in the past three years: around 9% more for the former and 10% more for the latter. Moreover, the difference in terms of access to tap water and the provision of other public welfare is statistically significant, though at different levels. Indigenously developed institutional solutions seem to be effective in enhancing the provision of public goods by relieving the curse of collective action and holding village leaders accountable. However, they are not the only institutional solutions available, particularly after villager committees were officially introduced into rural China as the officially sanctioned formal institution for local governance.

Externally Imposed Institutional Solutions

Grassroots election in rural China was originally adopted voluntarily by some villages to fill the vacuum of public authority caused by the collapse of the commune system in the early 1980's (O'Brien and Li 2000). This institutional invention of Chinese peasants, after some hot internal debates, was later recognized and adopted by the central government as the official formal institution for self-governance in Chinese villages.⁹ After some sophisticated reflection and discussion over its institutional form

⁹ For more information on internal debates about village elections, as well as stakes associated with different players involved, see (Kelliher 1997; Shi 1999b; O'Brien and Li 2000; Pastor and Tan 2000; Shi 2000c).

and features, the villager committee has been officially imposed in almost every village in China as the only sanctioned formal institution for village governance.¹⁰

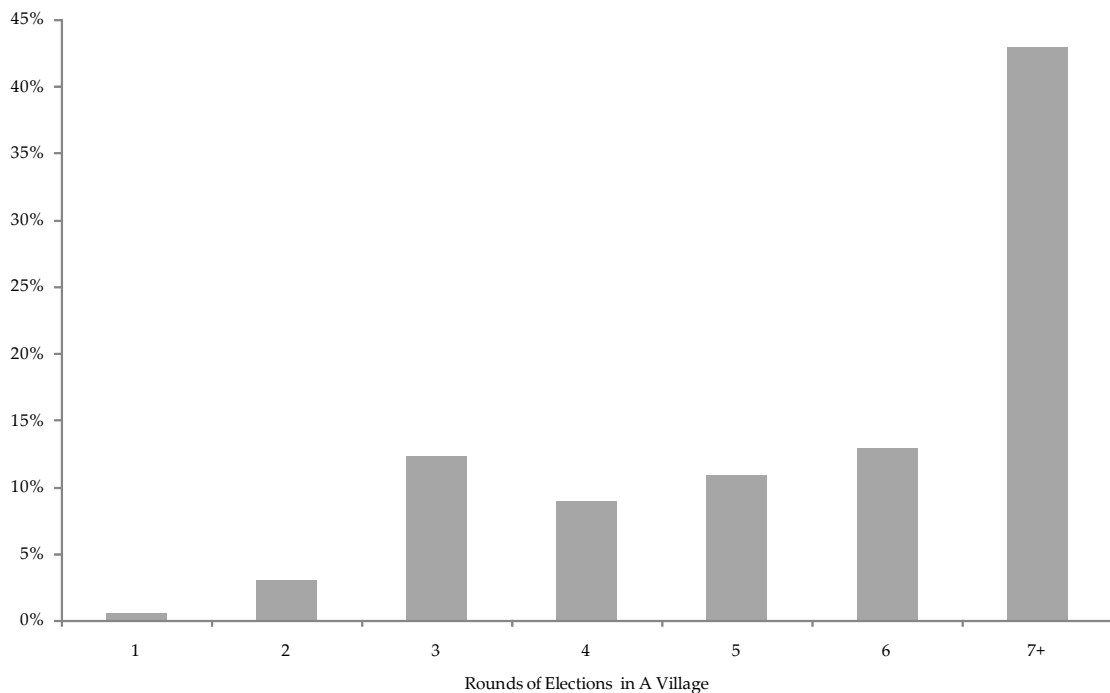


Figure 3.1: Rounds of Villager committee Elections

¹⁰ Actually, party branches in Chinese villages also play significant roles in local governance. According to the third article of the OLVC, “the primary organization of the Communist Party of China in the countryside shall carry out its work in accordance with the Constitution of the Communist Party of China, playing its role as a leading nucleus; and, in accordance with the Constitution and laws, support villagers and ensure that they carry out self-government activities and exercise their democratic right directly”. This article actually generates a blurring area in the role of party branches in village governance. Some scholars also find the problem of “dual-centers” in rural villages (e.g., Oi and Rozelle 2000; Dong 2005; Jing 2004; Guo and Bernstein 2004). However, in practice, some villages have adopted the *Liangpiao* (two-ballot system) of having candidates of the secretary of party branch elected by villagers and then CPP members of the village select one candidate to be the head through an anonymous election (Jing 2003; Li 1999; Bai and Zhao 2001). This system makes heads of party branches also accountable to average villagers. In 2002, the central government officially encouraged villages to have the chairman of villager committee and the secretary of party branch assumed by the same person when possible, which further increase the pressure of popular vote on the performance of party branches (Dong 2007).

Figure 3.1 displays the percentages of sampled village with different rounds of elections at the time of our survey. Around 43% of sampled villages had had 7 or even more rounds of elections by the time of our survey. Since villager committee election is supposed to be hold every 3 years, this information shows that around 43% of sampled villages had some democratic experience with local governance right after the promulgation of the Organic Law of Villager committee (OLVC) of the People's Republic of China (drafted in 1987 and amended in 1998). At the time of our survey, only around 4% of sampled villages had had less than 3 rounds of elections, which indicates that around 96% of sampled villages had followed democratic means for local governance after the amended OLVC was officially enacted. Villager committees, selected and organized on the basis of elections, have been widely established in rural China as the key formal institution for local governance.

According to the 111th article of the Constitution of the People's Republic China and the 2nd article of the OLVC,

The villager committee is the primary mass organization of self-government, in which the villagers manage 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. The villager committee shall manage the public affairs and public welfare undertakings of the village, mediate disputes among the villagers, help maintain public order, and convey the villagers' opinions and demands and make suggestions to the people's government.

Moreover, the 5th article of the OLVC also stipulates that,

The villager committee shall support the villagers and assist them in their efforts to set up various forms of co-operative and other economic undertakings in accordance with law, provide services and coordination for production in the village, and promote the development of rural production and construction and the socialist market economy.

Basically, villager committees are not only responsible for various aspects of the social and political lives of their respective communities, but even bear the responsibility for assisting cooperation among villagers and coordinating their behaviors. To ensure that villager committees do have the recognized authority that is indispensable for effective governance and also set up some mechanisms to supervise and constrain the behavior of villager committee, democratic and competitive elections have been identified as the only legitimate means of selecting and organizing villager committees.

According to 11th article of the OLVC,

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

Theoretically, villager committees organized based on democratic and transparent direct elections can take advantage of their publicly recognized authority in implementing various tasks assigned to them for effective local governance, i.e., managing public affairs and public welfare undertakings of the village, mediating disputes among villagers, and helping to maintain public order. Endowed with the popular mandate through democratic elections, they are also expected to be effective in

facilitating collective action among villagers and coordinating collective efforts for local public goods. Moreover, given the nature of regular and competitive democratic elections, villager committees are supposed to be accountable to their electorates. Villagers' evaluation associated with their ballots of confidence, as well as the possibility of being voted out of the office, is expected to channel village cadres' efforts toward the general will, rather than their own individual interests. Nevertheless, the implementation of village elections is far from even in rural China as many China scholars observed for various reasons, e.g., manipulation from upper-level governments (particularly township governments) for political and policy concerns (Kennedy 2002; Shi 1999b), and different levels of economic development in rural communities (Hu 2005; Shi 1999a, 2000c; Oi 1996). Some village elections have been implemented in accordance with the OLVC, ensuring competition among multiple candidates and the quality of the whole electoral institution. Nevertheless, other village elections have been manipulated to varying extents, which significantly weakens the embedded mechanism of accountability and associated public authority.

Table 3.7: Measures Adopted for Villager committee Elections

Means of Selecting Electoral Committee		
Selected by villagers' assembly		103 (28.93%)
Selected by villager representatives' conference		191 (53.65%)
Selected by villager groups		33 (9.27%)
Selected by party branch		13 (3.65%)
Selected by outgoing villager committee		6 (1.69%)
Selected by township government		3 (0.84%)
Means of Nominating Candidates^a		
Primary election		182 (51.12%)
Collective nomination by villagers		109 (30.62%)
Nominated by party branch		21 (5.90%)
Nominated by township government		6 (1.69%)
Nominated by villager groups or villager representative conference		99 (27.81%)
Nominated by electoral committee		21 (5.90%)
Self-nomination		36 (10.11%)
Means of Selecting Final Candidates^a		
Discussion and negotiation		45 (12.64%)
Primary election		153 (42.98%)
Selected by villager representatives' conference		173 (48.60%)
Selected by electoral committee		34 (9.55%)
Selected by party branch		7 (1.97%)
Selected by township government		13 (3.65%)
Multiple Candidates		
Chairperson		322 (90.45%)
Committee members		322 (90.45%)

Source: 2008 National Village Survey (N=356)

Note:

Highlighted cells represent measures compatible with the 1998 OLVC

^a Percentages do not add up to 100% due to the adoption of multiple measures

Table 3.7 lists different measures adopted by sampled villages in their most recent elections: from the very first step of selecting electoral committees, nominating candidates, selecting final candidates, to the last step of casting ballots. Only those

measures highlighted are in accordance with the OLVC amended in 1998. For example, the 13th article of OLVC stipulates that “members of villagers electoral committee shall be elected by a villagers assembly or by all the villagers groups”. Nevertheless, electoral committees of the most recent elections in around 60% of sampled villages were not selected in accordance with the OLVC. They were selected by villager representatives’ conferences, party branches, outgoing villager committees, or even township governments. In terms of the nomination of candidates in the most recent elections, around 38% of sampled villages adopted measures that left rooms for manipulation. When there were too many candidates for choice, around 57% of sampled villages used some methods that could damage the transparent and democratic nature of their elections. Even after around two decades since the draft of the OLVC, there were still around 10% of sampled villages did not have *cha’e xuanju* (multiple candidates for each position) for their most recent elections. Since the quality of electoral institutions is contingent upon each step of the whole process, any deviance from the stipulated procedure can impair the democratic nature of village elections. When the most recent elections in sampled villages are evaluated strictly against the stipulations of the OLVC, only those in 10.39% of sampled villages are truly competitive, transparent, and democratic.

Once such breaches are observed by average villagers, the authority associated with villager committees is less likely to be respected and villagers may no longer regard village cadres as local leaders with popular mandate. Thus, villager committees, due to rigged elections, may not be able to perform as effectively as expected in local governance. To systematically evaluate the quality of externally imposed institutions in Chinese villages, I will use the quality of electoral institution as the proxy. Table 3.8 gives the results of the cross-tabulation of the provision of public goods over the quality of election institutions in the most recent elections.

Table 3.8: Democratic Village Elections and Public Goods Provision

	Tap Water	Paved Roads	Irrigation
Village elections (proxy of EIIs)			
Manipulation to some extent	62.17%	72.46%	55.19%
Competitive and transparent	66.67%	91.89%	43.24%
(Chi-square, DF)	(0.2780, 1)	(6.5697, 1)***	(1.8989, 1)
Village elections (proxy of EIIs)	Education	Other Welfare	
Manipulation to some extent	41.47%	64.73%	
Competitive and transparent	36.36%	77.14%	
(Chi-square, DF)	(0.3206, 1)	(2.1490,1) ⁺	

Source: 2008 National Village Survey (N=356)

⁺ One-tail test significant at the 0.1 level

* p < 0.1 ** p < 0.05 *** p < 0.01 for two-tail test

As displayed in Table 3.8, except for the access to tap water and the maintenance of irrigation and education facilities over the past three years, a higher percentage of villages with competitive, transparent and democratic elections have access to paved roads within villages and the provision of other public welfare. Moreover, the difference

between villages where the most recent elections were organized strictly in accordance with the OLVC and those where the most recent elections were manipulated to some extent are statistically significant regarding the access to tap water and provision of other public welfare. Villager committees, as the key externally imposed formal institution for local governance, do play some positive roles in enhancing the decentralized provision of public goods in Chinese villages, as long as their democratic nature is not damaged by rigged elections.

As demonstrated, both indigenously developed and externally imposed institutional solutions can help sustain effective local governance and enhance the provision of public goods in Chinese villages given the decentralized nature. Therefore, any villages that have indigenously developed effective means of sanction deterring deviant behaviors and/or transparent and competitive elections for selecting its villager committee with publicly recognized authority and popular mandate should enjoy better provision of public goods. For villages without effective indigenous means of sanction and holding rigged elections, the provision of public goods is very likely to be inadequate, due to the curse of collective action and/or unsatisfying performance of village cadres who focus more on their personal gains rather than the public interest.

Table 3.9: Different Institutions and Public Goods Provision

	Tap Water	Paved Road	Irrigataion
Institutional solutoins			
Neither IDI nor EII	60.38%	71.65%	53.58%
Either IDI or EII	70.00%	83.95%	55.00%
(Chi-square, DF)	(2.4171, 1) ⁺	(4.9331, 1)**	(0.0495, 1)
Institutional solutoins	Education	Other Welfare	
Neither IDI nor EII	42.31%	63.60%	
Either IDI or EII	36.11%	74.03%	
(Chi-square, DF)	(0.8953, 1)	(2.8539, 1)*	

Source: 2008 National Village Survey (N=356)

⁺ One-tail test significant at the 0.1 level

* p < 0.1 ** p < 0.05 *** p < 0.01 for two-tail test

Table 3.9 shows the results of the cross-tabulation of the provision of public goods over villages with different institutional solutions to the problems of collective and accountability. Except for the maintenance of irrigation and education facilities over the past three years, a higher percentage of villages with either indigenous or externally imposed institutional solutions have access to tap water and paved roads within villages. They are also more likely to have provided other public welfare in the past three years. This difference is statistically significant in terms of access to tap water and paved roads, as well as the provision of other public welfare.

Bivariate analyses are helpful in showing possible relationships between the provision of public goods and various institutional solutions to the problems of collective action and accountability in rural China. Nevertheless, without taking other relevant variables into consideration, which might have significant impacts over both

the provision of public goods and the availability of different institutional solutions, those relationships established by bivariate analyses might be spurious. Thus, to comprehensively examine the roles of various institutions in improving local governance by enhancing the provision of public goods in rural China, we have collected a variety of socioeconomic information on sampled villages as control variables for multiple regression analysis.

The size of the population staying in villages, excluding those working as migrants in other cities or provinces, is used as a control for the impact of group size on collective action, as well as the possible demand for public goods.¹¹ Distance to township seats has been used as a proxy for possible influence from upper-level governments and villages' exposure to the outside world. As I argue and show in the first section of this chapter, the provision of public goods in rural China has been highly decentralized. Villages have to fund these public goods primarily through collective income or contribution from their villagers, given the limited fiscal transfers from upper-level governments. Therefore, economic resources available to villages and villagers should be of great significance in this decentralized provision of public goods. Annual income

¹¹ The size of the population staying in village could have different impacts over the provision of public goods. As a proxy for the impact of group size on collective action, a larger population size is expected to exacerbate the problem of collective action. However, as a proxy for the possible demand for public goods, a larger population size might generate more pressure for the provision of public goods. This difference will be systematically examined in subsequent path analysis with the help of structural equation modeling. Here, the regression result might show the combination of these two contrasting effects.

per capita for 2007 is an average within a village, which includes various incomes from agricultural production, sideline, and remittances from migrant workers. This should be a good indicator of the economic resources that villagers may have for funding the provision of public goods through their own efforts. Village collective income for 2007 consists of different incomes of a village, from rents collected for collectively owned land, profits from collective economies, and donation. This will be used as a proxy for the financial capacity of a village in funding local public goods provision. Subsequent statistical analyses will include the logarithmic transformations of all these continuous variables.

In addition, the existence of a dominant lineage within a village has also been included as a control for a key solidarity group in rural China (Tsai 2002b, 2007a, 2007b). If villager committees have signed “political contracts” with upper-level governments regarding the provision of public goods, they are under more pressure to fulfill these obligations. Moreover, the status of being a model of self-governance is also expected to be associated with the situation of public goods provision within a village, due to possibly more attention and fiscal transfers from upper-level governments.¹² Thus, two

¹² It is possible that those villages with good provision of public goods are more likely to be selected and rewarded as model villages of self-governance. Then the relationship between local public goods provision and the status of being a model village is endogenous. Nevertheless, it is also not rare in rural China that some village cadres try everything, e.g., personal connections, to get this status for more fiscal transfers from upper-level governments. For my regression analysis, this is just a control for possible extra fiscal transfers

dummies have been created for these two control variables. The pattern of housing and the dominance of rice in local agricultural production are two controls for ecological features within villages. In some villages, villagers' houses cluster together within a very small space; while, in some other villages, villagers' houses are scattered across a large area.¹³ Compared with other crops, rice needs much more water for cultivation, which makes irrigation facilities indispensable and the cooperation among villagers more critical.¹⁴ Different ecological features may have some impact over community members' social interaction, which can have significant consequences for their collective action (Zhao 1998).

Though in previous bivariate analysis different public goods have been treated as independent from each other, in reality, the provision of public goods is under the same budget and other socioeconomic constraints. Statistically, the error terms of the following regressions are not independent across equations. To fully accommodate these correlated error terms, we have adopted the more appropriate technique of seemingly unrelated regression (SUR) (Zellner 1962; Greene 2003, Chapter 14) and specified the

from upper-level government. The causal relationship between the status of being a model village and public goods provision is not the focus of this analysis.

¹³ The pattern of housing is an ordinal variable with three categories: scattered housing with significant distance in between (1), scattered housing with some distance in between (2), and clustered housing (3).

¹⁴ This is a dummy indicating whether rice is the dominant crop in local agricultural production.

statistical model in the tradition of structural equation modeling. Basically, the error terms of all five dependent variables are assumed to be correlated with each other and specified to be free parameters for estimation.

Table 3.10: SUR for Public Goods Provision in Rural China

SUR Analysis	Tap Water	Paved Roads	Irrigation Projects	Education Facilities	Other Public Welfare	Chi-square Test
Size of Population Staying in Village	0.093 (0.119)	0.489 (0.136)***	0.021 (0.115)	0.429 (0.122)***	-0.020 (0.118)	
Distance to the Township Seat	-0.383 (0.112)***	-0.093 (0.139)	-0.003 (0.112)	0.136 (0.116)	-0.155 (0.115)	
Annual Income Per Capita	0.258 (0.125)**	0.357 (0.138)***	0.169 (0.117)	0.007 (0.122)	0.363 (0.122)***	
Village Collective Income	0.015 (0.019)	0.059 (0.024)**	0.071 (0.021)***	0.048 (0.020)**	0.020 (0.021)	
Transparent and Competitive Village Election	0.253 (0.235)	1.282 (0.370)***	-0.233 (0.222)	-0.063 (0.225)	0.286 (0.229)	(16.918, 5)***
Easiness of Re-allocating Land	0.466 (0.249)*	0.290 (0.268)	0.224 (0.205)	-0.095 (0.244)	0.502 (0.307)*	(12.044, 5)**
A Dominant Clan	-0.216 (0.238)	-0.150 (0.261)	-0.328 (0.225)	0.141 (0.245)	0.667 (0.284)**	
Official Obligation on Public Goods Provision	-0.085 (0.210)	-0.118 (0.238)	0.130 (0.206)	0.043 (0.206)	0.011 (0.225)	
Model Village of Self-Governance	0.400 (0.158)***	0.464 (0.199)**	-0.038 (0.160)	0.048 (0.155)	0.015 (0.161)	
Clustered Housing	0.115 (0.118)	0.415 (0.140)***	0.207 (0.116)*	0.368 (0.122)***	0.066 (0.124)	
Rice as the Primary Agricultural Product			0.281 (0.153)*			
Covariance between Variance Components						
Paved Roads	0.309 (0.094)***					
Irrigation Projects	-0.017 (0.093)	-0.005 (0.101)				
Education Facilities	-0.033 (0.094)	-0.046 (0.104)	0.153 (0.092)*			
Other Public Welfare	0.180 (0.092)**	0.299 (0.107)***	0.074 (0.095)	0.212 (0.099)**		
Number of Observations	356					
CFI	Mean=0.997, Standard Deviation=0.003, MI=5					
RMSEA	Mean=0.013, Standard Deviation=0.010, MI=5					

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Source: 2008 China Village Survey

Notes:

WLSMV estimation in Mplus 4.2

Averaged coefficients in cells (five imputed data sets with the ICE procedure in STATA 9.0)

Averaged standard errors in parentheses

* p < 0.1 ** p < 0.05 *** p < 0.01

Table 3.10 gives the results of SUR with non-standardized regression coefficients and standard errors, both of which have been averaged over the results of five imputed data sets following the Rubin's rule (King et al. 2001; Rubin 1987; Muthen and Muthen 1998-2004). The overall goodness-of-fit of this model has been obviously confirmed by the large value of CFI and small value of RMSEA, both of which have passed conventional thresholds of statistical tests, i.e., 0.9 for the former and 0.08 for the latter (Bentler 1990; Browne and Cudeck 1993; Hoyle 1995; Kline 2005).⁷⁰ As expected, the errors terms are correlated with each other to various extents, some of which are statistically significant and positive.

Some control variables have performed as expected. Both annual per capita income and village collective income have played significant and positive roles in local public goods provision. The model village status also shows strong association with more access to public goods in Chinese villages. Ecological features, i.e., the pattern of housing and the dominance of rice in local crops, are also important in explaining the provision of public goods in Chinese villages. Villages where community members live close to each other perform better than those where houses are scattered around with

⁷⁰ If the value of CFI is larger than 0.9 and the value of RMSEA is less than 0.08, then the specified model has successfully recovered the variance-covariance matrix of the data. Moreover, the Chi-square statistic of the model ranges from (4.850, 4) to (2.752, 4), depending on which imputed data set is used. None of them is statistically significant, which further ensures that this specified model fits the empirical evidence well.

significant distance in between. Villages where rice is the key crop outperform others where wheat and corn are the key crops in terms of maintaining irrigation projects.

When we move to the core of this regression analysis, focusing on the sign and significance level of different regression coefficients, the roles of indigenously developed and externally imposed institutions in local public goods provision are mixed after controlling for other socioeconomic and ecological variables. Nevertheless, chi-square tests, shown in the last column, have been adopted to examine the following null hypotheses: 1) the coefficients of transparent and competitive elections, as a proxy for externally imposed institutions, are zero across all five equations simultaneously; and 2) the coefficients of the easiness of re-allocating land to accommodate demographic changes within villages, as a proxy for indigenously developed institutions, are zero across all five equations simultaneously. As expected, both null-hypotheses have been statistically rejected. In a nutshell, both indigenously developed and externally imposed institutions have played significant roles in the decentralized provision of public goods in rural China. When we examine the regression coefficients for each specific public good, it is clear that transparent and competitive elections are positively associated with access to tap water and paved roads within villages, and the provision of other public welfare in the past three years. This association is statistically significant for access to paved roads within villages. In terms of the impact of indigenously developed

institutions, the easiness of re-allocating land to accommodate demographic changes within villages is positively associated with access to tap water and paved roads within villages, maintenance of irrigation facilities in the past three years, and the provision of other public welfare in the past three years. Statistically, the associations are far from random regarding access to tap water and the provision of other public welfare in the past three years.

Any institutions that can help resolve the problems of collective action and accountability could contribute to the decentralized provision of public goods in rural China, regardless of whether they are indigenously developed or externally imposed. Strong and effective indigenous means of sanction can regulate and coordinate community members' behavior and hold local leaders accountable for the public interest. Transparent and competitive grassroots elections can also generate publicly recognized authority to relieve the curse of collective action and make elected cadres accountable to their electorates for the general will. The empirical evidence based on national village survey data systematically shows that both indigenously developed and externally imposed institutions can significantly enhance local public goods provision in Chinese villages. Nevertheless, it is also clear from the survey data that strong and effective indigenous means of sanctioning is not well sustained in every village; and externally imposed villager committee elections are also not universally implemented in

accordance with the OLVC to ensure its transparency and competitiveness. What can account for this variance in the institutional foundations of the decentralized provision of public goods in rural China?

3.3 A hybrid picture in transformed rural communities

Institutional change and evolution are embedded within socioeconomic environment. The performance and efficacy of different institutions are also contingent upon surrounding socioeconomic features. As I have argued in the first chapter, communal structural features significantly shape the performance of indigenously developed institutions in local governance: they are more likely to work effectively in close-knit communities with frequent and continuous social interaction and extended social networks, which ensure effective social sanction. Moreover, when newly designed institutions are imposed onto local communities, they are not transplanted into an institutional vacuum but a social environment with a long history of various indigenously developed institutions. When both institutional set-ups are available in local communities for similar purposes, their change and evolution are determined by community members' choices, which are further constrained by communal structural features.

The key communal structural feature of local communities, particularly those in rural China, is the extent to which their close-knittedness has been transformed due to

socioeconomic changes unleashed by the modernization process, e.g., more contact with the outside world, more exposure to different information and values, and more opportunities of leaving local communities for different, if not better, lives. Among all these socioeconomic changes, outward migration poses the most salient challenge for local communities' capacity in sustaining their indigenously developed institutions for governance. Decreased social interaction, loosened social networks, and easily available options of exit dramatically weaken the efficacy of social sanction and annul its deterrence against deviant behaviors. Confronted with weakened indigenous means of social sanction, externally imposed institutions have a better chance of being embraced by villagers and well-established in local communities. However, if the dramatic outward migration has ruined the capacity of collective efforts among community members to such an extent and even the minimally required capacity for coordination and collective efforts cannot be sustained, then even externally imposed institutions cannot find enough nutrition to spread their roots. That is why we expect to observe the variance in institutional foundations across Chinese villages with different levels of rural-urban migration: 1) the effectiveness of indigenously developed institutions declines as more villagers leave their home communities and work in cities far away as migrants; 2) externally imposed institutions are more likely to be well-established in village with a medium level of outward migration; 3) in villages with a very high level

of outward migration, due to the atomized social environment, neither institutional solutions can work effectively to sustain local governance. When we focused on the decentralized provision of public goods, they are more likely to be available in villages with a low or medium level of rural-urban migration, though sustained by different institutional solutions.

To capture the impact of outward migration on the communal structure of Chinese villages, for each sampled village, we collect the number of villagers working as migrants in places far away from their home communities in 2007.⁷¹ Then we divide this number by the population size of each village to get a percentage. We further divide all villages into ten groups, each representing an evenly divided interval of the distribution of the percentage among all sampled villages. For example, the first group includes villages with a percentage of migrant workers ranging from the lowest value (around 0.04%) to the 10th quantile of the distribution; and the tenth group includes villages with a percentage of migrant workers ranging from the 90th quantile to the largest value (around 57.8%). The percentage of villages within each group having access to tap water and paved road within villages, having maintained irrigation project and education

⁷¹ The criteria for qualified migrant workers are very specific in the questionnaire: 1) working as migrants for more than a month in 2007 (to ensure time endurance); and 2) working in other cities of home provinces or other provinces (to ensure geographical distance and difficulty in communication).

facilities, and having provided other public welfare in the past 3 years have been illustrated in Figure 3.2.

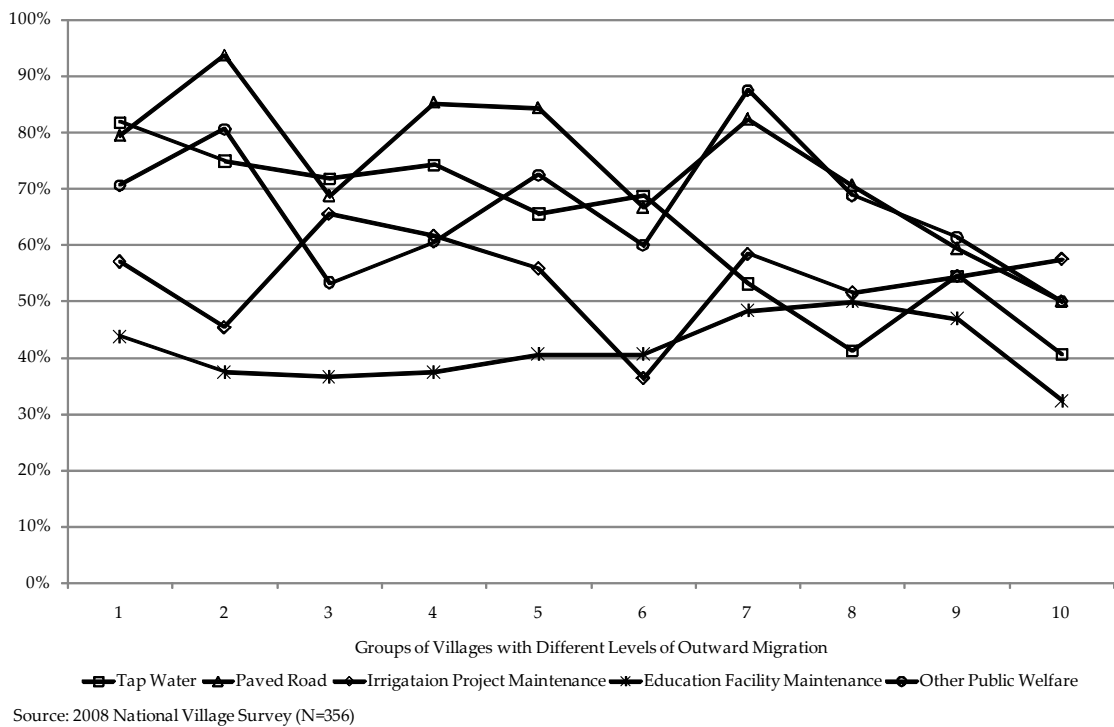
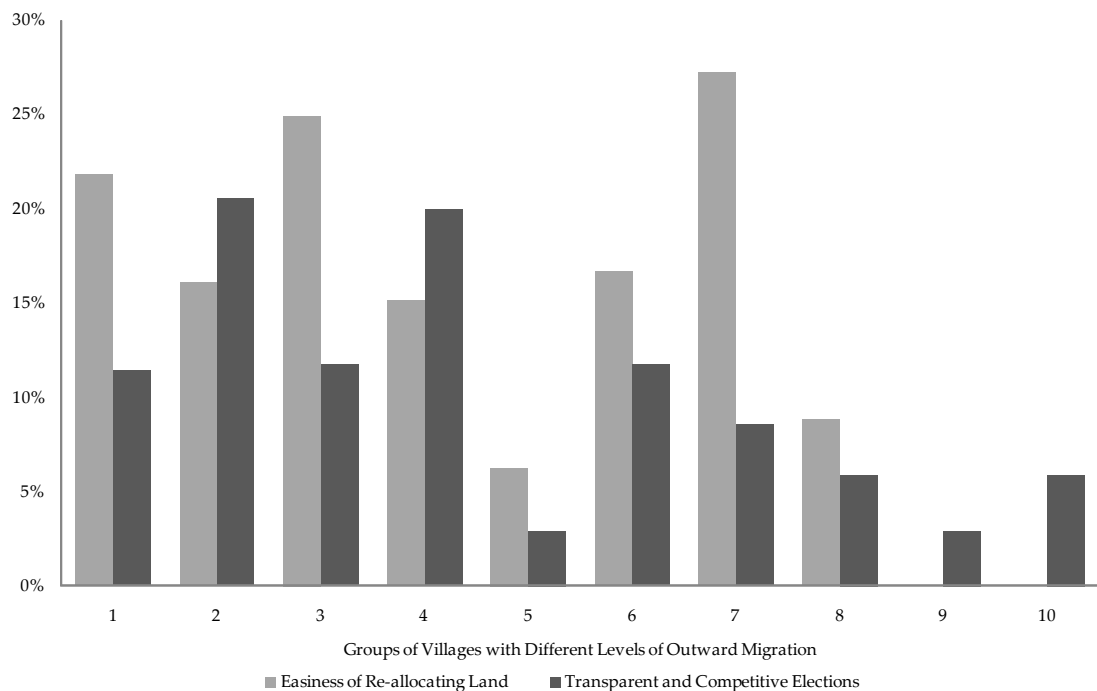


Figure 3.2: Outward Migration and Public Goods Provision

70% or so of those villages in the first six groups have access to tap water; but that percentage drops to between 40% and 55% when the percentage of migrant workers in a village further increases. The percentage of villages having paved roads within communities bounces between 65% and 90% for the first eight groups, but drops down to 50% for the groups with even higher percentage of villagers working as migrants. Similar patterns hold for the maintenance of education facilities and the provision of

other public welfare in the past three years: a relatively higher percentage of villages with a low or medium level of rural-urban migration enjoy better provision of such public goods, than those with a very high level of outward migration. Though the maintenance of irrigation projects seems to be equally likely across villages with either a low or high level of outward migration, on average, villages located at the lower end of the spectrum still have a higher propensity to maintain their irrigation projects.

As shown in previous sections, both indigenously developed and externally imposed institutions are positively associated with local public goods provision. More specifically, effective indigenous means of sanction, and transparent and competitive village elections both can enhance the decentralized provision of public goods in Chinese villages. Does the transformation, due to the outflow of community members through rural-urban migration, on the communal structure of rural communities work through different institutional solutions to exercise its influence on public goods provision in Chinese villages?



Source: 2008 National Village Survey (N=356)

Figure 3.3: Outward Migration and Different Institutions

Following the same strategy for Figure 3.2, I have illustrated the percentage of villages falling within each group enjoying the easiness of adjusting land allocation to accommodate demographic changes within villages, as well as those with transparent and competitive elections in their most recent villager committee elections. As displayed in Figure 3.3, it is clear that in the ninth and tenth group, villages with a high level of outward migration, none of them finds it easy to re-allocate land to accommodate demographic changes. Moreover, the percentage of villages with transparent and competitive elections is also low, hovering around 5%. On the contrary, in villages with

a relatively lower level of outward migration, the first group, more than 20% of these villages find it easy to adjust land allocation to accommodate demographic changes. In spite of some irregularities, the general trend is that as outward migration increases, indigenous means of sanction is less effective in regulating and coordinating community members' behaviors. The picture for establishing transparent and competitive elections is essentially different. Group 2 and 4, both with a medium level of outward migration, have higher percentage, around 20%, of villages holding their most recent elections in accordance with the OLVC ensuring the transparency and competitiveness. When outward migration further increases, the percentage goes down. The empirical evidence seems to confirm the theoretical expectation: indigenously developed institutions work better in close-knit communities and become less effective when outward migration changes the communal structure. Externally imposed institutions are more likely to be well established in communities with somewhat weakened indigenous institutions but less likely in atomized villages due to a very high level of outward migration.

To comprehensively and rigorously examine the complex relationships among local public goods provision, different institutional foundations of local governance, and transformed communal structure in rural villages, we have to count on the technique of structural equation modeling, specifically path analysis, to integrate all direct and indirect effects of exogenous variables on endogenous variables and evaluate the

intervening roles played by indigenously developed and externally imposed institutions in the decentralized provision of public goods in transformed rural communities.

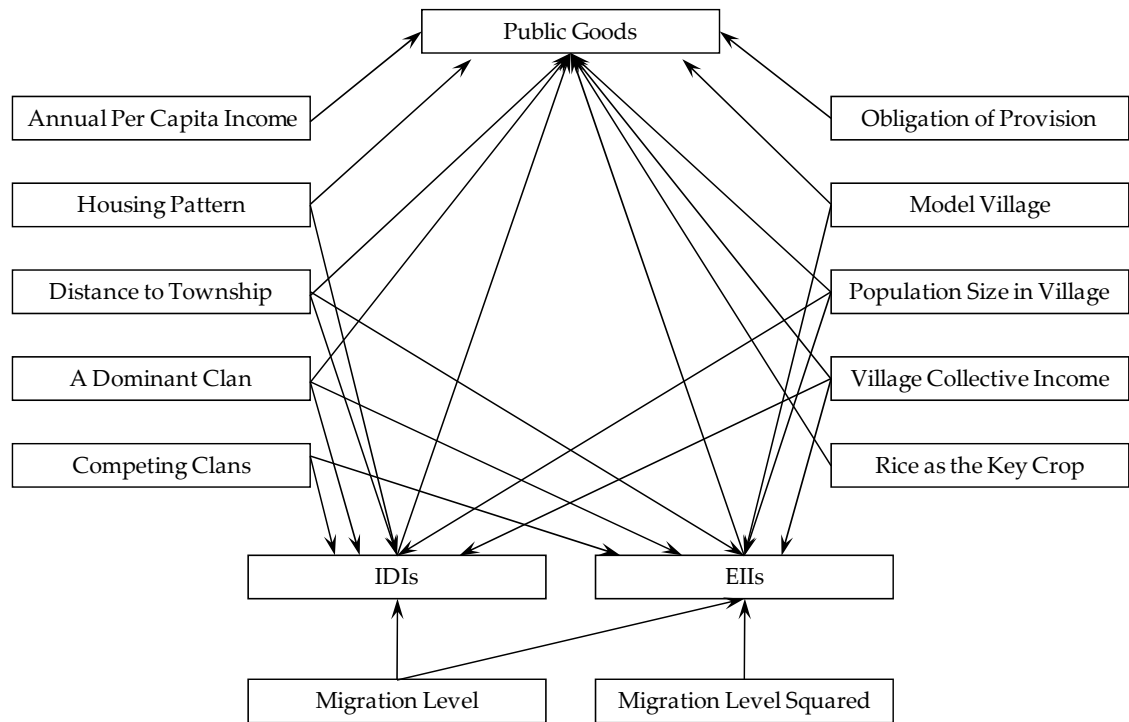


Figure 3.4: Path Diagram for the Theoretical Model on Public Goods Provision

As illustrated in Figure 3.4, I have specified seven endogenous variables and twelve exogenous variables. The key exogenous variables, the level of rural-urban migration and its squared term, have been specified to exert their impacts on local public goods provision indirectly through different institutional channels: indigenously

developed ones (IDIs) and externally imposed ones (EIs).⁷² The average annual per capita income of a village and its “political contract” with upper-level governments regarding the provision of public goods have been specified with only direct impacts on local public goods provision. All other exogenous variables have both direct and indirect impacts on the decentralized provision of public goods in Chinese villages. Their indirect impacts work through IDIs and/or EIs as specified in Figure 5.4. Since we theoretically expect a negative linear relationship between outward migration and the performance of IDIs but a curve-linear one between outward migration and the quality of EIs, we have specified direct paths from outward migration to both IDIs and EII but only one direct path from the squared term of outward migration to EIs.

Most exogenous variables follow the same operationalization adopted for the SUR analysis presented in Table 5.10. In addition, a dummy variable has been created for the existence of competing clans in villages. The percentage of villagers working as migrants in cities far away from their home communities has been used as the indicator of the level of outward migration in rural communities. For statistical analysis, it has been transformed through a natural logarithmic function. Due to similar statistical

⁷² To rigorously examine whether rural-urban migration only have indirect impacts on local public goods provision, I have also specified and estimated another structural equation model, with an extra direct path from outward migration to public goods provision. With the help of nested Chi-square test, I can tell that once all indirect impacts are specified, the direct path is not statistically significant. For the simplicity of presentation, I have dropped the direct path. But the statistical results have been attached to the appendix for reference.

concerns I have for SUR analysis, in this path analysis I have specified all error terms of different types of local public goods to be associated with each other, because of fiscal and/or socioeconomic constrains. Moreover, I have also specified the error terms of IDIs and EIIIs to be associated with each other due to the aggregated impact of villagers' institutional choice.⁷³

⁷³ I have also specified other different models to examine the dynamics between IDIs and EIIIs: 1) a direct path from IDIs to EIIIs; and 2) a bi-directional path between IDIs and EIIIs. Neither model gives significant coefficients for the paths(s) between IDIs and EIIIs, after controlling for outward migration and other variables.

Table 3.11: Path Analysis for Outward Migration, Institutional Change, and Public Goods Provision

Path Analysis	Tap Water	Paved Roads	Irrigation Projects	Education Facilities	Other Public Welfare	Village Election	Re-allocating Lands	Chi-square Test
Size of Population Staying in Village	0.084 (0.129)	0.532 (0.151)***	0.001 (0.119)	0.449 (0.138)***	0.097 (0.129)	-0.276 (0.138)**	-0.394 (0.163)**	
Distance to the Township Seat	-0.346 (0.130)***	-0.085 (0.165)	0.025 (0.114)	0.135 (0.123)	-0.160 (0.122)	-0.025 (0.163)	0.121 (0.172)	
Annual Income Per Capita	0.239 (0.128)*	0.304 (0.141)**	0.196 (0.115)*	0.043 (0.122)	0.357 (0.123)**			
Village Collective Income	0.009 (0.019)	0.051 (0.027)*	0.068 (0.020)***	0.045 (0.020)**	0.024 (0.021)	0.003 (0.026)	-0.007 (0.024)	
Transparent and Competitive Village Election	0.094 (0.107)	0.617 (0.147)***	-0.134 (0.113)	-0.058 (0.117)	0.164 (0.099)*			(24.148, 5)***
Easiness of Re-allocating Lands	0.186 (0.097)*	0.086 (0.133)	0.080 (0.094)	-0.074 (0.136)	0.241 (0.139)*			(12.234, 5)**
A Dominant Clan	-0.266 (0.269)	0.048 (0.305)	-0.309 (0.224)	0.202 (0.263)	0.746 (0.282)***	-0.276 (0.393)	0.042 (0.342)	
Competing Clans						0.162 (0.233)	-0.163 (0.369)	
Official Obligation on Public Goods Provision	-0.123 (0.208)	-0.113 (0.230)	0.096 (0.207)	0.034 (0.211)	0.022 (0.221)			
Model Village of Self-governance	0.418 (0.163)***	0.456 (0.221)**	-0.009 (0.158)	0.042 (0.157)	0.051 (0.162)	-0.024 (0.207)		
Clustered Housing	0.086 (0.127)	0.333 (0.135)**	0.194 (0.114)*	0.395 (0.125)***	0.013 (0.127)		0.139 (0.160)	
Rice as the Primary Agricultural Product			0.345 (0.153)**					
Village Level Migration						-0.552 (0.271)**	-0.886 (0.449)**	
Village Level Migration Squared						-0.062 (0.034)*		
Covariance between Variance Components								
Paved Roads	0.246 (0.112)**							
Irrigation Projects	0.002 (0.093)	0.063 (0.119)						
Education Facilities	0.012 (0.102)	-0.018 (0.116)	0.144 (0.094)					
Other Public Welfare	0.140 (0.096)	0.186 (0.119)	0.079 (0.098)	0.212 (0.106)**				
Re-allocating Lands						-0.005 (0.138)		
Number of Observations	356							
CFI	Mean=0.977, Standard Deviation=0.013, MI=5							
RMSEA	Mean=0.018, Standard Deviation=0.006, MI=5							

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Source: 2008 China Village Survey

Notes:

WLSMV estimation in Mplus 4.2

Averaged coefficients in cells (five imputed datasets with the ICE procedure in STATA 9.0)

Averaged standard errors in parentheses

* p < 0.1 ** p < 0.05 *** p < 0.01

Table 3.11 gives detailed results of the path analysis.⁷⁴ The overall goodness-of-fit is satisfying, given the large value of CFI (0.977) and the low value of RMSEA (0.018). Then we can draw some inferences about each variable with confidence.⁷⁵

First five columns give all direct impacts on local public goods provision from different variables. Similar to the results of SUR analysis shown in Table 5.10, socioeconomic features of villages matter in the decentralized provision of public goods. Economic resources, both individually and collectively owned, have significant impacts on the provision of public goods in rural communities. Both average annual per capita income and village collective income are statistically significant. The existence of a dominant clan in a village also helps increase the provision of other public welfare in the past three years. Villages with a large population staying in are also more likely to provide better public goods.⁷⁶ Villages' "political contracts" with upper-level governments do not seem to be very useful in enhancing the decentralized provision of public goods. Ecological characteristics of a village also play significant roles in local public goods provision. Villages where community members live close to each other are

⁷⁴ All missing values have been filled in through model-based imputation. And all results are averaged across five imputed datasets, following Rubin's rule.

⁷⁵ The Chi-square statistic of the specified model ranges from (19.400, 19) to (23.009, 19), depending on which imputed dataset is used. None of them is statistically significant, which further confirms the good performance of this specified model in recovering the variance-covariance matrix.

⁷⁶ This is only the direct impact of the size of population staying in village on local public goods provision. Since it also works through village institutional set-ups indirectly on the provision of public goods, which is negative, the total impact of population size should be the summary of both direct and indirect impacts.

also more likely to have better provision of public goods. In villages where rice is the primary crop, irrigation projects are more likely to be under good and regular maintenance. Last but not least, institutional set-ups in a village do matter in local public goods provision. The Chi-square tests shown in the last column tell that, statistically, the coefficients of both transparent and competitive village elections (a proxy for EIIs) and those of the easiness of re-allocating land for demographic changes (a proxy for IDIs) cannot be fixed to zero across all five types of public goods simultaneously. More specifically, effective indigenous means of sanction is significant in increasing villages' access to tap water; villages with transparent and competitive elections are more likely to have paved roads within villages; and both institutional solutions can help increase the provision of other public welfare.

The sixth and seventh columns present the direct impacts of various variables on institutional set-ups in Chinese villages. As expected, outward migration has a significant and negative impact on how well a village can adjust its land-allocation to accommodate demographic changes. Basically, controlling for other factors, as more and more villagers leave their home communities, indigenous means of sanction becomes less effective in regulating and coordinating community members' behaviors. When it comes to the quality of villager committee elections, the squared term of outward migration is negative and statistically significant, which indicates a curvilinear and

upward convex relationship. In other words, *ceteris paribus*, it is in villages with a medium level of outward migration that local elections are more likely to be organized in accordance with the OLVC ensuring their transparency and competitiveness. The size of population staying in villages also has significant but negative impacts over the institutional context in rural China: with a large number of people staying in villages, it is not only more difficult to re-allocate land to accommodate demographic changes, but also less likely to have transparent and competitive village elections. This is compatible with the conventional wisdom about the negative influence of group size on collective action.

When we examine the covariance among variance components of different types of public goods in rural communities, they are correlated to various extents: some are positive and some are negative. It is very interesting to observe the negative covariance between the variance components of two different institutional means, in spite of its insignificance. This negative covariance is compatible with the mechanism of institutional choice at the individual level, which will be systematically addressed in subsequent chapters.

To facilitate visualizing the complex relationships among all exogenous and endogenous variables, a simplified diagram with insignificant paths dropped has been presented in Figure 3.5 to summarize the results of regression analysis.

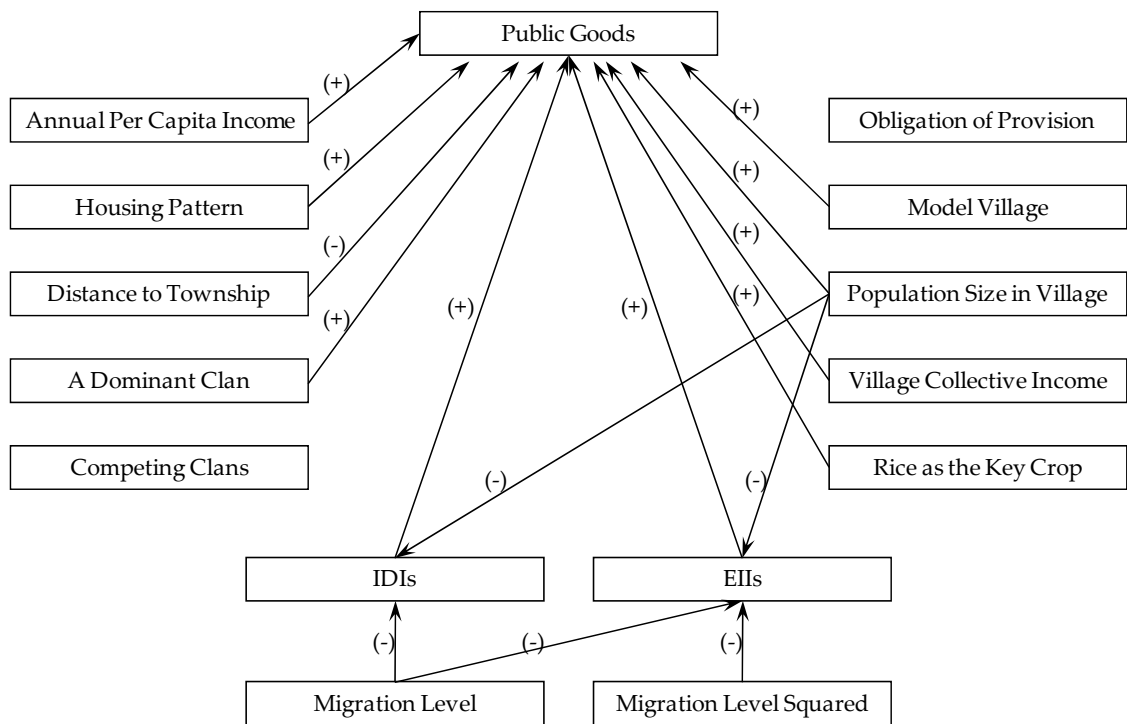


Figure 3.5: Simplified Path Diagram on Public Goods Provision

To sum up, different institutional solutions can help rural communities enjoy better local public goods provision; however, which institutional solutions can be effectively adopted in those communities is closely related to their respective communal structural features. In rural communities, where its close-knit communal structure has been well-maintained despite various challenges posed by the modernization process, indigenously developed institutions can still effectively address the problems of collective action and accountability to ensure the quality of local governance and enhance local public goods provision. Outward migration induced by the growing disparity between rural and urban areas in terms of economic opportunities and benefits

transforms close-knit communities in rural China: reduced social interaction and loosened social networks weaken the effectiveness of indigenously developed institutions in sustaining local governance. Villager committees elected out of transparent and competitive elections can also help relieve the problem of collective action and hold local leaders accountable to average villagers for the public interest. Due to the institutional history and inheritance in rural communities, village elections, as externally imposed by the central government, are more likely to be accepted by villagers and exercised in accordance with the OLVC where outward migration has made such externally imposed institutions more attractive and leaves somewhat friendly social environment for their operation, i.e., villages with a medium level of outward migration. In villages where dramatic outward migration has paralyzed local communities and atomized the relationships among villagers, neither institutional solution can work effectively. Thus, the quality of local governance is going to deteriorate and local public goods provision is likely to be limited and poor.

3.4 Some Qualitative Evidence

Objective and systematic quantitative exercises with survey data can help us draw a broad picture about the decentralized provision of public goods in rural communities, with different socioeconomic status, ecological features, communal structure and associated institutional environment. This can assist us reducing possible

bias and risks in drawing generalized conclusions based on selective, limited or even biased observations, which, in turn, increases the validity of our conclusions. Nevertheless, except for giving regression coefficients, as well as associated p-values, quantitative analysis, per se, cannot tell vivid stories of the reality of local public goods provision in Chinese villages. Here, I have selected three typical cases out of those villages I visited between 2004 and 2008 to tell what I have learned from average villagers and village cadres about the provision of public goods in their home communities.

Qianhouzhai Village in Shandong

Qianzhouzhai Village is under the administration of Qingzhou City, Shandong Province, which I visited in the summer of 2006. This is a village with two major surnames, ZHANG and CUI, and 700 people. Most villagers are engaged in agricultural production, particularly vinyl-tunnel vegetables. The average annual income per household is around 25,000 RMB (around 3,500 USD). Qianhouzhai does not have a very profitable collective economy: rents for collectively owned land and limited fiscal transfer from upper-level governments are the major collective income, around 50,000 RMB per year. Except for a dozen of young villagers commuting daily to work in Qingzhou city, which is just 10 miles away, Qianhouzhai has a very low level of outward migration, less than 1%.

Like many other villages in Shandong, family houses in Qianhouzhai have been built very close to each other, i.e., many families share side walls. Clustered housing with a very low level of outward migration has well-maintained the close-knittedness of this village, which has generated and maintained very effective indigenous means of sanction. During my visit, people sitting in groups in the public street for conversation were regularly observed, particularly in the late evening after their dinner. Different from the situation in some other villages where senior people dominate such street conversations, in Qianhouzhai, you can find a mixture of people from different age cohorts. The experience of a college student, Cui Min who came back for summer vacation and I interviewed, might reflect the power of social sanction in regulating people's behaviors in this village.

According to the custom of our village, villagers cannot use umbrellas except for rainy days, no matter how strong the sunshine is. Otherwise, people sitting on both sides of the street may reprimand you. I have to be very careful about my behavior when I come back, which makes me feel very uneasy. In this village, a young female walking together with a young male can easily generate villagers' unfounded suspicion. Even trivial issues of each family can be quickly spread and become public knowledge.⁷⁷

In Qianhouzhai, villagers' attitudes and behaviors can also be easily coordinated with the help of such effective indigenous means of sanction. Land in Qianhouzhai has been under regular adjustment every five years, to ensure that every household has

⁷⁷ Fieldwork in Qingzhou, Shandong Province, in the summer of 2006.

enough land for agricultural production. When approached for the reason of regular land adjustment, some villagers told me that “It would be terrible to imagine that your children will not have land. Everyone has to live, right?”

Such indigenous means of sanction is not only effective in regulating villagers’ behaviors, but also powerful in channeling village cadres’ behaviors toward the public interest, despite the reality that the candidates of villager committee in Qianhouzhai were appointed by its township government rather than nominated by villagers. Salaries for village cadres in Qianhouzhai are relatively low. The annual salary for the chairman of villager committee is 1,600 RMB and even lower for other committee members. In spite of such low salaries, many village cadres cannot even get their compensation paid in time. The honor and reputation associated are the key incentive for many village cadres. As the chairman, Cui Maode, told me,

I do not do this for money. My salary cannot even pay my phone bills. However, if you have worked as the chairman, people may still remember you as the ex-chairman after your retirement. They will greet you and call you *Laozhuren* (ex-chairman) on the street.⁷⁸

Villagers in Qianhouzhai also enjoy significant power in supervising village cadres’ performance. The ex-chairman of the villager committee in Qianhouzhai, who had a very close relationship with township officials, actually was thrown out of the

⁷⁸ Fieldwork in Qingzhou, Shandong Province, in the summer of 2006.

office by villagers, once they were told that this arrogant chairman had embezzled some collective income. According to a witness of the dramatic affair years ago,

Once knowing the chairman was engaged in embezzlement, many villagers went to the chairman's house. Some even brought away his belongings. I thought 80% of them were there just for fun, without any idea or opinion. If everyone went there and you did not, you might be picked up later. If everyone else thought he was corrupt and not good, my impression of him could not be good either.⁷⁹

Due to the lack of collective incomes, most public projects in Qianhouzhai have to count on voluntary contribution from villagers. In the early 2006, Qianhouzhai organized villagers to pave within village roads and successfully paved main roads with concrete. Though village collective income covered 70% of all expenses, each villager still paid 170 RMB for this. This is actually against the national policy on collecting money from villagers for public projects, which sets the upper-limit at 15 RMB per person. According to the chairman, after all village cadres paid their dues, it was very easy to collect money from villagers and no one complained.

Songzhuang Village in Henan Province

Songzhuang Village, with around 1300 villagers and multiple surnames, is located in the middle of Henan Province. Its closeness to both township and county seats has provided abundant opportunities for local business, as well as convenient access to transportation facilities for outward migration. Instead of cultivating crops like

⁷⁹ Fieldwork in Qingzhou, Shandong Province, in the summer of 2006.

rice and wheat, most villagers in Songzhuang are cultivating vegetables in their land. The farmers markets located in township and county seats offer a stable place for their business. In spite of locally available economic opportunities, there are still some villagers, particularly the youth, working as migrants in coastal cities like Shenzhen and Haikou after their graduation from junior or senior high schools for various reasons. However, this number of villagers consists only around 5% to 7% of the village population. Annual per capita income in Songzong varies across years due to weather conditions, which ranges from 3,000 to 4,000 RMB. Different from the situation in Qianhozhai Village, Songzhuang has a village owned enterprise, *Huanghe Guolu Fuji Chang* (Yellow River Boiler Accessory Factory). Ever since its establishment in 1966, this collectively owned enterprise has generated the major income for Songzhuang. Since 1983, taxes and fees levied upon villagers in Songzhuang have been partly covered by the income from this enterprise. Each year, the villager committee can claim 300,000 RMB from this enterprise as rents. Therefore, the expenditure of this village collective income has always been the focus of village politics in Songzhuang, which has also been the key issue for village elections ever since 1996.

Though houses in Songzhuang are also built close to each other and all villagers live in a clustered area, it is less likely to observe villagers sitting in the street in groups chatting. Even when such street conversations happen, it is more likely to see senior

people getting together for *majiang* (mahjong), with few young villagers involved. When I stayed in one of the villagers' home, the husband drove his tractor to farmers market every morning to sell freshly harvested vegetables and would not come back until the evening. The wife went to their land twice in the morning and afternoon and then spent the rest of the day at home watching TV or doing housework. Their only son was working in Zhenzhou, the capital of Henan, as a salesman. When I asked him if it was the same for most families, the husband told me that

This is very typical here. Vegetables cannot stay too long in the land. We are close to farmers markets, so we can make more money by commute every day, rather than selling vegetables to those merchants who come over to purchase. Vegetables are different from crops like rice, and you have to take care of them all the time. After those children left for work in cities, adults in very family are fully engaged in agricultural production. Basically, you just feel exhausted after a whole day's work, and you no longer have the energy to chat with your fellow villagers.⁸⁰

Infrequent social interaction among villagers and more attention shifted toward personal and family business have made villagers in Songzhong less enthusiastic about gossiping and paying attention to other villagers' issues. For most residents of Songzhuang, making money is the most important thing. This has made the communal structure in Songzhuang deviate from the ideal-type of close-knit communities, which, in turn, weakens the efficacy of indigenous means of social sanction. Though in the early 1990's Songzhuang still had the custom of adjusting land allocation every five years, this

⁸⁰ Fieldwork in Songzhuang, Henan Province, in the summer of 2007.

has never been done again ever since the second round of land contracting. As villager cadres reported, land re-allocation was no longer possible as long as one or two families were not happy about giving away some pieces of their land.

Generally, in Songzhuang, village cadres have played dominant roles in local governance: 90% of conflicts among villagers are resolved by villager cadres and they are definitely the first choice for conflict resolution among villagers. Moreover, villager cadres also control collective income that could be used for local public goods provision, which has made village elections in Songzhuang very competitive and transparent ever since the middle of 1990's. Since the 2002 election, voluntary campaigns regularly show up before elections and village election has become increasingly attractive to middle-aged people. The turnout rate in Songzhuang is very high: according to my interview, the turnout rate in the 2005 village election was almost 100%. Those who were working in cities nearby were also called back for voting. *Haixuan* (primary election) was the only way of nominating candidates and each family received multiple visits from different possible candidates for their votes. What kind of public projects would be built and how public welfare would be sustained were the key issues for all candidates in their campaigning in 2005. When I asked one villager whether he believed all those campaign speeches could be realized after election, he laughed at my question:

They are not doing this for one term, right? I am not that stupid to vote for him again if he just lies and does nothing. Every three years they have to show what

they have done. This is not something that you can cheat. With broken irrigation tunnels, muddy roads, and village income spent for nothing, they also *bu haohun* (cannot easily go away).⁸¹

One anecdote told about campaign activities is that when two possible candidates invited some villagers over for dinner and talked about what they would like to do for the villagers once elected, e.g., compensation for senior villagers and beneficial policies for school-age children, one villager approached them and raised his own questions:

Do not give those promises. I just want to know where the compensation for our villagers group's eight *mu* lands that were confiscated one year ago is. You two were in charge of this then. You should tell us what happened to the compensation.⁸²

As expected, this villager's question ruined the whole atmosphere of the campaign dinner. Nevertheless, that residents of Songzhong do care about elected cadres' performance and can hold them accountable has been an indisputable reality observed by both average villagers and cadres. Despite some beneficial policies villager committee established for villagers, such as a barrel of cooking oil for every family during the Spring Festival and compensation for senior people, what villagers really care about is the usage of collective income and provision of public goods. Due to this election based mechanism of accountability, public goods in Songzhuang has been

⁸¹ Fieldwork in Songzhuang, Henan Province, in the summer of 2007.

⁸² Fieldwork in Songzhuang, Henan Province, in the summer of 2007.

primarily funded by its collective income: within village roads are paved, irrigation projects and tunnels are regularly maintained, and even garbage has been collected and disposed by people recruited by the villager committee.

Su Village in Henan

Su Village is also located in Henan Province, but the northeast part. This is a village with around 1500 people and multiple surnames. Different from the situation in Qianhouzhai Village and Songzhuang Village, around 60% of Su Village's residents work as migrant workers in other provinces and coastal cities. Ever since the beginning of 1990's, salaries earned by migrant workers have been the major income resource in Su Village. According to my interview in 2007, on average, remittances from migrant workers contribute to around 60% of a household's annual income. The annual per capita income in Su Village is around 7,000 RMB. Contrary to the economic resources enjoyed by villagers, there is limited village collective income in Su Village, except for an annual fiscal transfer from upper-level government at 28,000 RMB.

The very first impression of Su Village is the great contrast between two- and three-story buildings built in clustered areas and the muddy roads in between. Local custom puts heavy emphasis on each family's capacity of building houses; and the

majority of each family's incomes have been spent on house building and decoration.⁸³ However, in 2005, when villager committee asked for donation for paving the main road within the village, few villagers responded. The only 5,000 RMB donation villager committee got was from a businessman who had moved out for years. Since the beginning of 2000, some migrant workers drove all the way back from where they worked, even cities far away like Guangzhou, for the Spring Festival. During the Spring Festival of 2005, villagers have found more than a dozen private cars parked in Su Village. Nevertheless, none of these people donated. Because of the dramatic influence of remittances from migrant workers, the focus of those staying in the village has also been shifted toward the outside world. Young people almost all leave and work as migrants after graduating from junior high schools. Even middle-aged villagers also work primarily as migrant workers rather than staying at home for agricultural production. Walking in the village, it is more likely to come across senior people and children and even difficult to find a young or middle-aged villager for an interview. Street conversation or group chatting is not something that can be regularly observed in Su Village. Even when villagers get together, they are more interested in talking about various opportunities outside, as well as their experience as migrant workers, rather

⁸³ In Su Village, it will be difficult for a male to get married if he or his parents cannot build a decent house for him. The decoration and quality of a house have been a critical indicator of a household's status in Su Village.

than anything related to the village itself. It is expected that indigenous means of sanction in Su Village is unlikely to regulate villagers' behaviors and coordinate their efforts, given the paralyzed communal structure and social network. In the late 1980's and early 1990's, land in Su Village was under regular re-allocation every three years according to the situation of demographic changes. After the second round of land contracting, no re-allocation has ever been initiated.

Village cadres in Su Village cannot even resolve the conflicts among villagers by themselves. About 80% of such conflicts have to be reported to the judicial organizations at the township seat. Though the compensation for village cadres in Su Village is similar to that in Qianhouzhai Village, around 2,000 RMB each year, few villagers are interested in those positions. The chairman of villager committee told me:

What can you do with so little money? If you want to do something, you just do not have money. Asking for money from villagers is like *tiegongji bamao* (getting feathers from iron roosters). To get money from upper-level governments, I have to spend my own money for banquets and gifts. Why should I do that? Do you know that if I work in the nearby city for one day I can get 50 RMB easily? If I had not needed to take care of my sick wife at home, I would have been in Shenzhen with a much higher and stable salary. I will definitely leave and go out after this term when my wife gets better.⁸⁴

Villagers in Su Village are also apathetic about local elections, since this village is not significantly related to their lives. All candidates are appointed by the township government. Even the final result is not purely based on the number of ballots, but the

⁸⁴ Fieldwork in Su Village, Henan Province, in the summer of 2007.

township government's decision, which may take popular votes into consideration. In the 2005 election, including proxy votes, less than 50% of villagers cast their ballots. According to the OLCV, this election should be invalid. However, after extra ballots delivered by the heads of villagers groups, the predetermined candidate won the election and past the double-majority threshold. When I approached villagers for questions on local elections, they usually just laughed and said

That was just *zuoxiu* (a show). Everyone knew what the township government wanted. Only people like us who cannot go out to make money stay here. If they had not promised to give each people 5 RMB for attending the election, I would not have been there. Who the chairman is has nothing to do with me. No matter who is elected, he will not give me extra money or benefits. I really do not care. It is just a joke.⁸⁵

Given the lack of any institutional foundations for local governance in Su Village, it is not difficult to understand why those villagers who walk onto the muddy road out of their beautifully decorated two-story buildings do nothing about the road, except for occasionally cursing at the road. It is also no longer a puzzle to see increasing conflicts among villagers during the season when the demand for water exceeds the capacity of irrigation projects but few people are willing to pay for maintenance and expansion. All related village information about Qianhouzhai, Songzhuang, and Su Village has been displayed in Table 3.12.

⁸⁵ Fieldwork in Su Village, Henan Province, in the summer of 2007.

Table 3.12: Case Studies on Public Goods Provision

	Qianhouzhai	Songzhuang	Su
Province	Shandong	Henan	Henan
Population Size	700	1340	1500
Collective Village Income	50,000 RMB	300,000 RMB	28,000 RMB
Annual Per Capita Income	6,500 RMB	3,500 RMB	7,000 RMB
Distance to Township Seat	5 KM	2 KM	5 KM
Outward Migration	Low	Medium	High
Clustered Housing	Yes	Yes	Yes
A Dominant Clan	No	No	No
Land Re-allocation	Easy	Difficult	Difficult
Village Election	Manipulated	Democratic	Manipulated
Public Goods Provision	Good	Good	Poor

Source: Fieldwork in Rural China between 2005-2008

Neither Qianhouzhai nor Su Village has enough collective income to fund local public goods provision. However, Qianhouzhai can still manage to collect money from villagers to pave the main roads within the village. While Su Village cannot collect enough money for the same purpose, in spite of its relatively higher per capita annual income. Songzhuang primarily counts on collective income for funding local public goods provision. It is transparent and competitive elections that have hold cadres accountable to the public interest, rather than embezzling collective resources for personal gains. Though indigenous means of social sanction is not as effective in Songzhuang as in Qianhouzhai, due to a relatively higher level of migration and its negative impacts on communal structure, its villager committee organized based on democratic elections has been well-established and performed as the key institutional

foundation for local governance. Confronted with the same unattractive economic compensation and intervention in local elections from upper-level governments, village cadres in Qianhouzhai still work industriously for the interest of their villagers, because of the honor and reputation awarded and valued within this close-knit community. On the contrary, village cadres in Su Village are not willing to do anything, given the lack of resources and the possibility of paying out of their own pockets for courting good relationships with upper-level officials for more fiscal transfers. As their co-villagers also do not care that much about village affairs and even less likely to reward them, they choose to govern by doing nothing. The poor quality of local public goods provision in Su Village should not be surprising

Conclusion

The provision of public goods in contemporary rural China has been significantly decentralized, particularly after the collapse of the commune system, subsequent tax-for-fees reform, and the abolition of agricultural taxes. Given limited fiscal transfers from upper-level governments, Chinese villages have to collect economic resources by themselves for local public goods provision, either counting on incomes of collective economies, or collecting money from villagers. To successfully and effectively fund local public goods provision, two problems have to be addressed: collective action and accountability.

Different institutional solutions can be used to address these two problems. Indigenously developed means of sanction can regulate and coordinate villagers' behaviors and relieve the problem of collective action. Village cadres can also be held accountable to the public interest, as long as such indigenous means of sanction can deter any deviant behaviors. Externally imposed institutional solutions can also be helpful in enhancing local public goods provision. Transparent and competitive elections can not only make elected officials accountable to their electorates and channel their efforts toward the public interest, but also generate publicly recognized authority to coordinate villagers' activities. National survey data do show some evidence of the efficacy of different institutional solutions in increasing the provision of public goods in Chinese villages.

Nevertheless, the efficacy of these institutional solutions is contingent upon some communal structural features, e.g., the level of outward migration. In rural communities with a very low level of outward migration, indigenously developed means of sanction can still perform effectively in the well-maintained close-knit environment. When the level of outward migration increases, externally imposed institutions are more likely to be well-established and perform, given the weakened capacity of indigenous means, and sustain local governance. In communities paralyzed due to a high level of outward migration, neither indigenous means nor externally imposed institutions can work

effectively to ensure the quality of local governance by relieving the curse of collective action and holding village leaders accountable to the public interest. Then the provision of public goods in these villages is likely to be limited and in poor quality. Both quantitative and qualitative evidence have confirmed the validity of this argument on the indirect impact of rural-urban migration on the decentralized provision of public goods in contemporary China, working through various institutional channels. In Chinese villages, we have a hybrid picture of local governance based on varying institutional foundations, which are closely associated with their communal structural features.

4. Rural-urban migration and the transformed social environment in rural China

Frequent and continuous social interaction, as well as dense and extended social networks, in close-knit communities can, theoretically, facilitate the cooperation among community members, help solve the problems of collective action and accountability, and ensure at least minimally effective local governance without the help of formal institutions. Empirically, students of legal studies, sociology, political anthropology, economic history, and political science, have widely observed the existence of order without law and governance without formal institutions in numerous regions and countries endowed with different cultural traditions and historical inheritances (e.g., Greif 1989; Ellickson 1991; Tsai 2002b, 2007a, 2007b). Moreover, students interested in similar topics have also observed the declining role of indigenously developed institutions in local governance, particularly when such close-knit communities are challenged and transformed due to socioeconomic and political changes unleashed by the process of modernization (e.g., Chen 2008b; Dong 2008; Gallin 1966). Our empirical examination on the decentralized provision of public goods in Chinese villages also confirms the negative and significant impact of outward migration on the efficacy of indigenously developed institutions in sustaining quality local governance.

All these observations at the community level do offer some important information for our understanding of the institutional foundations of local governance,

as well as institutional performance and change. Nevertheless, such macro-level analyses fail to show 1) the links that bridge community structural features to social environmental characteristics in which community members are embedded; and 2) the implications of the transformed social environment for community members' social interaction and the operation of indigenous institutions. This chapter will focus on the impact of outward migration on the social environment in rural communities, and explore its implications for community members' social interaction through the changes in community members' normative orientations.

4.1 Information environment, social sanctions, and public authority in transformed communities

Continuous and frequent interaction among community members and the existence of dense and extended social networks have been theoretically identified as critical features of close-knit communities, which make local governance based on indigenously developed institutions possible and effective. When 1) the information about community members' behavior can be easily accessed and shared within local communities and 2) local reputation and community membership play a significant role in people's daily lives, the reputation-based multilateral social sanction system can work with great efficiency and efficacy in regulating and coordinating community members' behavior and holding local leaders accountable (e.g., Greif 2006; Greif 1989; Platteau 2000; Clay 1997). These close-knit communities with rich and easily-accessible local information and powerful community-wide social sanctions closely resemble many

rural communities in China that have been portrayed as “societies of acquaintances” (Fei 1939; Fei et al. 1992; Smith 1899; He 2003a, 2003b), particularly before the economic reforms in the late 1970’s.

For most rural communities in China before the emergence of plentiful opportunities outside of villages for making a living, villagers’ economic and social activities were geographically restricted and primarily limited to their home communities, or some adjacent villages. The Information about most community members’ behavior and even some of their private issues could be quickly spread within local communities, through the mouth-to-mouth mechanism, which might have also played a major role in villagers’ daily entertainment of *jiangshifei* (gossiping about others). Thus, it was very difficult, if not impossible, for villagers to hide information from their fellow villagers in this close-knit environment. Embedded within this social environment, villagers cared lots about their reputations within local communities which were judged and evaluated by their fellow villagers.¹ “*Renhuo yikouqi; Shuhuo yizhangpi*” (reputation is as important to a person as the bark to a tree), a local saying that some villagers cited during my fieldwork further attests to the significance of

¹ Under the significant pressure of social sanctions within local communities, some villagers might resort to extreme measures, such as suicide, when they could not bear the pressure. A very famous example of the impact of social sanctions in Chinese villages that had generated significant debates among legal scholars on the relationship between local norms and modern judicial institutions has been well presented in a film, entitled “*Beigao Shangangye* (Defendant: Mr. Shangangye)”, in which a women committed suicide after a local leader, Mr. Shangangye revealed her maltreatment of her in-laws to the public and punished her following local custom. For more information on this, please refer to (Su 2000, 2002)

within-community reputations even in some of today's rural communities after decades of economic reforms.

This close-knit environment also favors the cultivation of publicly recognized authority, which is critical for maintaining social order (Arendt 1958; Easton 1958, 1955; Friedrich 1972, 1958), based on the attributes cherished and respected in local communities and sustained through social sanctions. The foundations of such publicly recognized authority may vary due to different cultural traditions and historical inheritances. In some Chinese villages with a long and active history of clan/lineage organizations, seniority in the clan/lineage hierarchy used to be a decisive factor in telling who enjoyed the publicly recognized authority in addressing socioeconomic and political issues in local communities (Qian 1994; Tang 2001; Cohen 2005; Freedman 1958, 1966; Potter 1970; Zhao 1999a). In other villages where there is no such rich tradition of clan/lineage activities, locally cherished and respected personal attributes, primarily moral characters combined with other resources,² have played a major role in shaping the foundations of public authority in these communities (Xiao 1960; Duara 1988; Li 2005b; Pomeranz 1993).

² It is critical to point out that economic resources and/or physical power alone could not ensure publicly recognized authority in Chinese villages in history. If such resources and/or power were combined with moral characters, such as uprightness, fairness, or generosity, they are more likely to ensure publicly recognized authority. Otherwise, these people would just be recognized as "*tuhao lieshen*" (local bullies and bad gentries).

However, when alternatives outside of villages became available and even more attractive, and villages opted for better economic opportunities in other cities or provinces and left their home communities, the close-knit environment based on frequent and continuous social interaction, and dense and extended social networks was under challenge. As specified in detail in previous chapters, when outward migration in local communities increases, the transformed social environment can no longer provide easy and convenient access to the information that is indispensable for effective and timely social sanctions against deviants, support the operation of indigenously developed institutions on the basis of efficacious social sanctions, and buttress public authority based on attributes cherished, respected, and sustained in local communities. Given the significant outflow of labor through rural-urban migration in Chinese villages, it is expected to observe the gradual erosion in the efficacy of indigenous institutions in these communities, as they no longer host the close-knit social environment that favors the operation of these indigenous institutions.

To empirically examine the changes in some key features of the social environment associated with close-knit communities and the performance of indigenously developed institutions, we asked our correspondents in rural China in a national survey for their perceptions of the information environment, social sanctions and public authority in their respective villages: 1) "What do you know about your fellow villagers?", 2) "Do you care about how your fellow villagers evaluate you?", and

3) "In your opinion, who has the highest publicly recognized authority in your village?"³ The frequencies of answers to these three questions have been presented in Table 4.1.

³ All three questions are close-ended questions with given response categories. It is reasonable to suspect some confusion in respondents' answers to the third question, "Who has the highest publicly recognized authority in your village?", since a people might enjoy publicly recognized authority for many reasons. This would make it difficult for us to differentiate among different foundations of the authority. For example, a villager might enjoy this publicly recognized authority because he is a village cadre and has a senior status in the clan/lineage hierarchy. That is exactly why I used a close-ended question, rather than an open-ended question, with given response category. By forcing respondents to choose between different categories, I hope villagers can tell which attributes are cherished and respected more in their communities. I do acknowledge the deficiency in this survey instrument, but it is the best we can have now.

Table 4.1: Information Environment, Social Sanctions, and Public Authority

What do you know about your fellow villagers?		
Basically nothing		28.25%
Something superficial		45.26%
Something		13.32%
Basically everything		9.77%
DK		3.40%
Do you care about how your fellow villagers evaluate you?		
Not at all		45.11%
Care		45.26%
Care a lot		2.69%
DK		4.57%
In your opinion, who has the highest publicly recognized authority in your village?		
Senior people in clan hierarchy		7.32%
Villagers with the best moral characters		44.38%
Village cadres		27.51%
Villagers making the most money		7.42%
Ruthless villagers with physical power		0.95%
DK		12.41%

Source: 2008 Mainland China National Survey Rural Subpopulation (N=4205)

In close-knit communities, members are supposed to be familiar with each other and have extensive information about their fellow members, which responds to the response category of “Basically everything”. Nevertheless, in contemporary rural China, only around 10% of interviewed villagers have chosen this category. Around 28% of our respondents in rural China say that they know nothing about their fellow villagers; and

around 58% of our interviewees suggest superficial or some knowledge about those who live in the same village. As one villager said,

As more and more people leave and the rest focus on their own business, we no longer care that much about other people's business. Moreover, *shebian de shiqing mei shenme liaotou* (there is nothing around worth talking or gossiping about).⁴

Therefore, most villagers in contemporary rural China no longer have access to sufficient information about their fellow villagers, which, in turn, prevents them from giving solid and effective evaluations of and predictions about the behavior of those who live in the same community. This transformed information environment offers more opportunities for deviants and impedes the performance of reputation-based multilateral social sanction system.

When it comes to the weight they assign to how fellow villagers evaluate them, a large number of rural respondents, around 48%, say they either care or care a lot about such evaluations. However, there are still around 45% of them saying that they do not care at all. Once villagers do not care about their fellow villagers' evaluations any more, the power of social sanctions is significantly weakened. The gradually dried information environment, together with the decreasing attention that villagers pay to how others evaluate them, is expected to paralyze the operation of indigenously developed institutions on the basis of easy access to local information and efficacious social sanctions.

⁴ Fieldwork in Henan Province, in the summer of 2007.

Villagers' perceptions on who has the highest publicly recognized authority in their respective communities also deviate from the situation prescribed by students of rural China for the "societies of acquaintances", as shown in Table 4.1. A majority of our respondents still endorse the conventional foundations of publicly recognized authority in local communities: around 7% associate the highest publicly recognized authority with those with senior status in the clan/lineage hierarchy; and around a little more than 44% choose "Villagers with the best moral characters". Nevertheless, it is also clear that some villagers no longer associate the highest publicly recognized authority with those attributes that used to generate the public authority working together with indigenously developed institutions in ensuring social order and sustaining local governance. Around 27% of interviewed villagers believe that villagers who have been selected or elected as village cadres have the highest publicly recognized authority in their villages. Villagers who make the most money or who are ruthless with physical power are also perceived by some villagers as the most authoritative figures in their communities, 7% for the former and 1% for the latter. In other words, the social environment in contemporary rural China, on average, has significantly deviated from that of close-knit communities: villagers know little, superficially, or just something about their fellow villagers; social sanctions play less important roles in people's daily lives; and the foundations of publicly recognized authority in local communities also gradually move away from what used to work together with indigenous means in sustaining local

governance. Is this, at least partly as theoretically specified, a consequence, of increasing outward migration in rural China?

Integrating the information collected on individual features, through mass questionnaires, and communal structures, through village questionnaires, for the rural subpopulation of a national survey in mainland China in 2008, I examine the role of outward migration in shaping 1) villagers' knowledge about their fellow villagers, 2) villagers' attention paid to fellow villagers' evaluations, and 3) villagers' perceptions of public authority in their respective communities.⁵ All communal structural features, including outward migration, the size of those staying in villages, village economic situation (both average individual income and collective income), and ecological characteristics, follow the same operationalization in previous analysis on decentralized public goods provision in rural China. At the individual level, key demographic features, and socioeconomic and political status are included as controls: age,⁶ educational attainment,⁷ gender,⁸ media exposure,⁹ migration experience,¹⁰ CCP

⁵ Instead of using hierarchical models here for regression analysis, I pool individual features and village-level information together for regression analysis. The methodological concerns are twofold: 1) the within village sample size, on average 11 respondents per village, is not large enough for accurate estimation of separate relationships for each village; and 2) the sample size varies significantly across villages, ranging from 2 to 30, that can lead to unreliable estimation at the second level. When matching individual level information with village level information, only 4127 cases within 350 villages are available for statistical analysis.

⁶ Age is measured with the real age of respondents.

⁷ Educational attainment is measured with an ordinal variable ranging from 0 (illiterate or incomplete elementary education) to 8 (post-graduate).

⁸ A dummy variable indicates whether the respondent is a male.

affiliation,¹¹ and economic situation.¹² Summary statistics are presented in the appendix for reference.

⁹ Media exposure is measured with an ordinal variable gauging how frequent a respondent listens to, read or watch news. It ranges from 1 (less than once a week) to 5 (several times a day).

¹⁰ A dummy indicates whether a respondent has the experience of working as migrants in other cities or provinces.

¹¹ A dummy indicated whether a respondent is affiliated with the CCP.

¹² Economic situation is measured with an ordinal variable gauging the extent to which the family incomes of a respondent can cover all expenditures. It has three values: 1 (family incomes cannot cover expenditures), 2 (family incomes can just cover expenditures without difficulty), and 3 (family incomes can sufficiently cover expenditures, with some extra money for deposit).

Table 4.2: Regression Results of Logit Models

	Konwing about Fellow Villagers	Caring about Villagers' Evaluations	Recognition of Traditional Authorities
Individual Features			
Age	0.066 (0.021)***	-0.030 (0.012)**	-0.005 (0.003)**
Age Squared	-0.0004 (0.0002)*	0.0003 (0.0001)**	
Education	0.011 (0.043)	0.002 (0.025)	0.137 (0.029)***
Male	0.207 (0.109)*	-0.098 (0.069)	-0.173 (0.077)**
Media Exposure	0.058 (0.045)	-0.017 (0.031)	0.066 (0.030)**
Migration Experience	-0.072 (0.177)	-0.129 (0.101)	-0.007 (0.108)
CCP Affiliation	-0.086 (0.196)	0.244 (0.125)*	0.104 (0.121)
Economic Situation	-0.101 (0.082)	0.113 (0.048)**	-0.036 (0.049)
Community Features			
Size of Population Staying in Village	0.006 (0.010)	0.177 (0.054)***	0.019 (0.058)
Village Level Migration	-0.967 (0.510)*	-0.886 (0.329)***	-1.559 (0.376)***
Annual Income Per Capita	0.040 (0.081)	-0.114 (0.052)**	-0.344 (0.052)***
Village Collective Income	-0.0003 (0.014)	0.016 (0.009)*	0.002 (0.009)
Distance to the Township Seat	0.285 (0.087)***	-0.068 (0.053)	-0.012 (0.056)
Clustered Housing	-0.313 (0.087)***	0.002 (0.053)	0.342 (0.058)***
A Dominant Clan	-0.077 (0.190)	-0.310 (0.109)***	0.144 (0.121)
Competing Clans	0.011 (0.163)	-0.026 (0.097)	-0.110 (0.101)
Constant	-4.624 (1.008)***	0.360 (0.617)	2.248 (0.562)***

Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Notes:

Coefficients are averaged results over the estimation of five imputed data sets

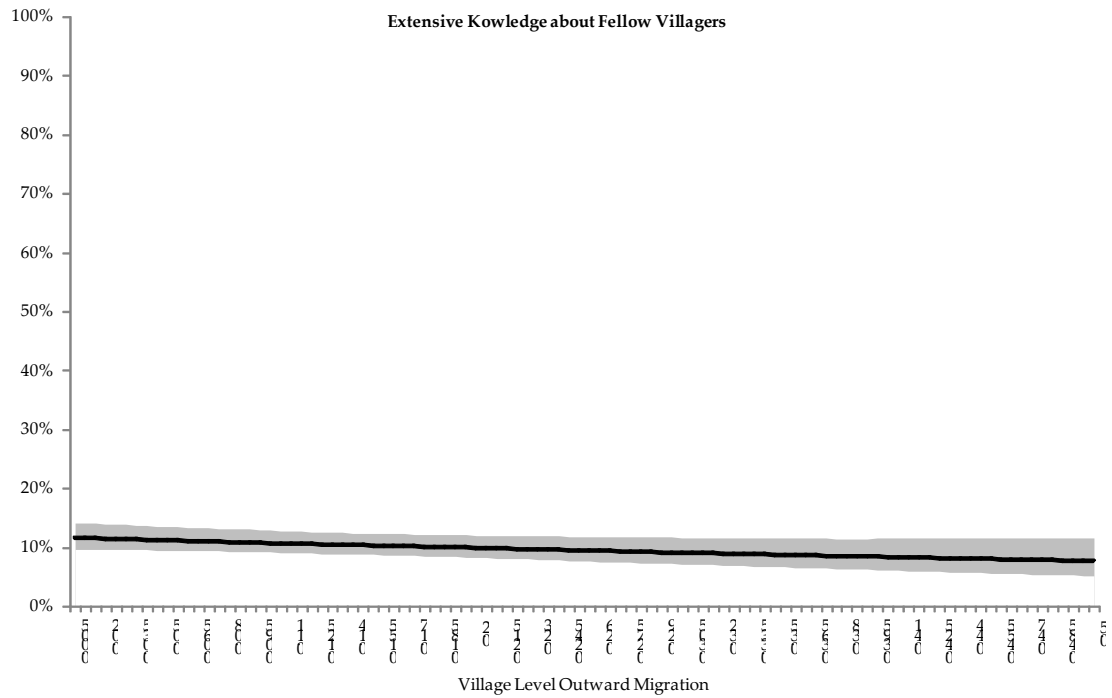
Averaged robust standard errors in parentheses

* p < 0.1 ** p < 0.05 *** p < 0.01

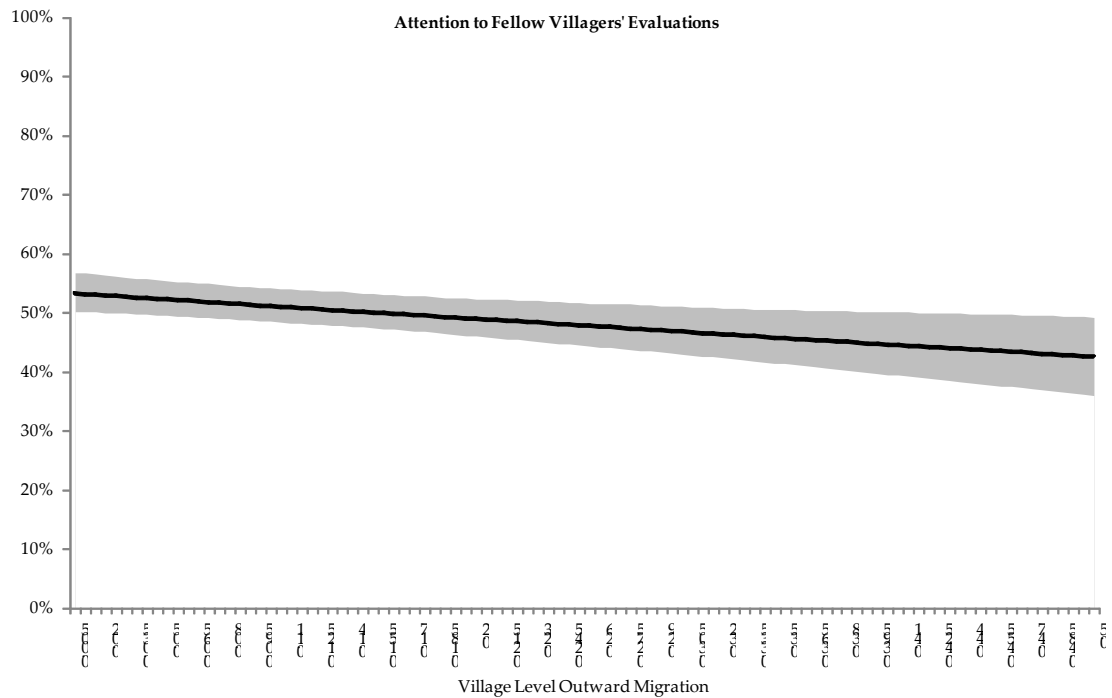
Table 4.2 presents the regression results based on logit models.⁹⁸ The only community feature with persistent and significant impacts on all three dependent variables is the village level outward migration. As more people leave for better economic opportunities and benefits in other cities and provinces, villagers are less likely to be well-informed about their fellow villagers, pay less attention to how other villagers evaluate them, and are less inclined to associate the highest publicly recognized authority within their communities with those who have senior status in clan/lineage hierarchy or the best moral characters. To help visualize the impact of outward migration, I have run simulations for the predicated probabilities and associated 95% confidence intervals for all three dependent variables as outward migration in a village grows, which are illustrated in Figure 4.1.⁹⁹

⁹⁸ To facilitate comparison across equations and focus on those features associated with close-knit communities, I dichotomize all three dependent variables. For villagers' knowledge about fellow villagers, those saying they know basically everything about their fellow villagers are coded as 1. For villagers' attention paid to other villagers' evaluations, those who saying they care or care a lot about other villagers' evaluations are coded as 1. For villagers' recognition of public authority, those who saying villagers with senior status in clan/lineage hierarchy or the best moral characters have the highest publicly recognized authority are coded as 1.

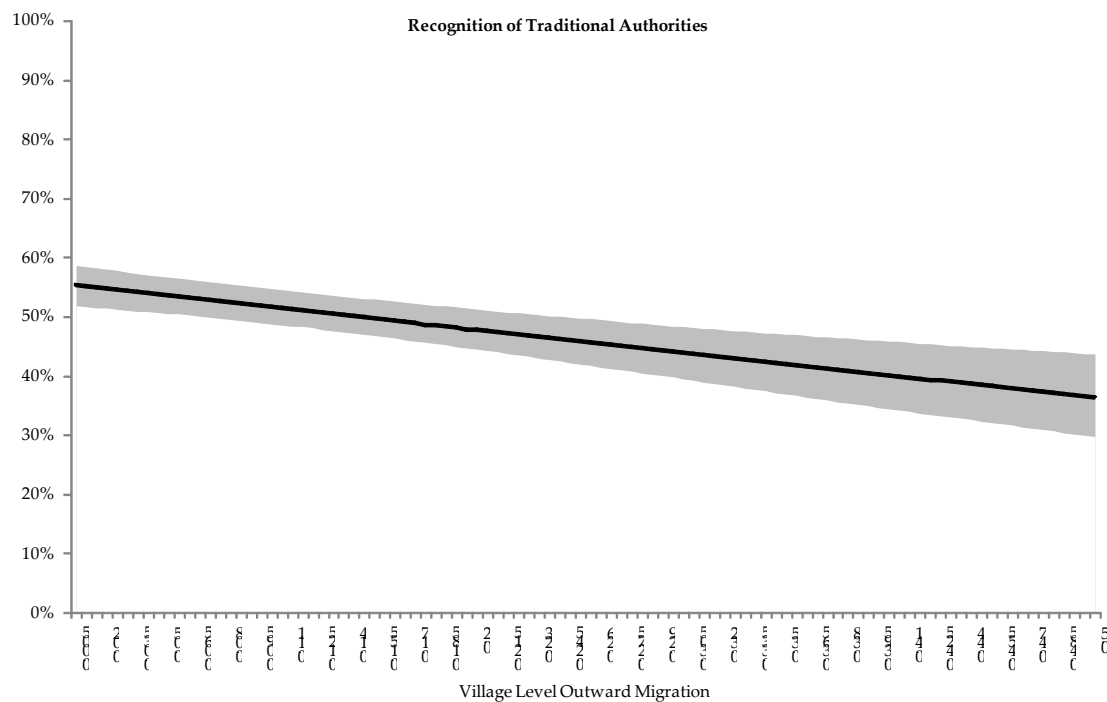
⁹⁹ For the simulation, all other continuous variables are assigned to their respective means and all ordinal and binary variables are assigned to their respective medians. Simulations are run through the package of CLARIFY. For more information on this, please refer to (King et al. 2000) and Gary King's website: <http://gking.harvard.edu/stats.shtml>



Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)



Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)



Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Figure 4.1: Predicated Probabilities on Villagers’ Knowledge about Fellow Villagers, Attention to Fellow Villagers’ Evaluations, and Recognition of Traditional Authorities

A steady declining trend has been displayed in all three figures. As outward migration at the village level increases from 0.5% to 50%, 1) the probability that an average villager has extensive information about his fellow villagers declines from around 12% to 7.6%; 2) he/she is 10% less likely to care about fellow villagers’ evaluations, dropping from around 53% to 42.6%; and 3) this villager is also 19% less likely, falling from 55.3% to 36.5%, to associate the highest publicly recognized authority with villagers who either have senior status in clan/lineage hierarchy or have the best moral characters within local communities. All changes are statistically significant and

substantively salient in either a relative or absolute sense. In a sum, when Chinese villages deviate further away from the ideal-type of close-knit communities due to growing outward migration, the local information environment, efficacy of social sanctions, and publicly recognized authority are also under transformation in the direction disfavoring the performance of indigenously developed institutions for local governance. However, the impact of outward migration on the social environment in Chinese rural communities is not limited to the transformed information environment, social sanctions, and publicly recognized authority; it even reshapes villagers' normative orientations on how some critical social issues should be addressed and how villagers should appropriately behave in local communities.

4.2 Transformed social norms induced by rural-urban migration

Although game-theoretic models have been adopted to explain why the structural features of close-knit communities have made the move from “default, default” to “cooperation, cooperation” in the Prisoners' Dilemma game possible, and shifted the equilibrium in the Specialized Labor game to a socially more optimal and efficient one, it does not necessarily mean that the impact of such communal features is limited to transforming the incentive structures of rational villagers in evaluating their respective strategies in social interaction. Through repeated social interaction and long-term and persistent intra- and inter-generational socialization, these structural features of close-knit communities can generate a very favorable social environment for the

cultivation and transmission of attitudes and norms ¹⁰⁰ that could further ease the cooperation among community members, facilitate the coordination and regulation of their social behavior, and, as a result, contribute to the efficacy of indigenously developed institutions in sustaining local governance.

This point has been systematically explored by Opp (1986) in his examination on the evolution of the Prisoner's Dilemma in the market. According to Opp, community cohesion, the extent and frequency of interaction, and the density of the structure of communication and interaction are critical for making cooperation possible. Nevertheless, their impact on the fate of cooperation actually works through 1) cooperation as a first move, 2) the formation of coalitions, 3) possible sanctions, and 4) cooperative norms. The first two intervening variables are related to incentive-structure and utility; while, the last two intervening variables are closely associated with attitudes and norms. ¹⁰¹ In addition to the norms of cooperativeness observed in small communities (e.g., Cook and Hardin 2001), which promote cooperation among community members directly, other norms also contribute to the quality of local

¹⁰⁰ Such norms might be the result of spontaneous responses from community members, based on their experience of social interaction. They could also be the result of intentional cultivation and indoctrination by governing regimes to reduce the cost of governance. Empirically it will be difficult to tell whether such norms are the result of continuous social interaction or intentional indoctrination from governing regimes. It is more likely to be the result of the interaction between these bottom-up and top-down processes. Regardless of the origins of such norms, they are more likely to emerge, and be diffused and internalized in close-knit communities, comparatively speaking.

¹⁰¹ The reason that I categorize possible sanctions as a norm-related intervening variable is that sanctions per se are baffled by the curse of collective action. Only with the help of internalized norms, can sanctions be more effective in deterring deviant behavior. This point will be further explored in the following analysis.

governance indirectly by facilitating sanctions against deviant behavior. It is recognized that social sanctions are also undermined by the curse of collective action, which is true for both heroic and incremental sanctions identified by Coleman (1990, 278-282). One effective way of solving this second-order collective action problem lies in the internalization of appropriate norms, which can lower the obstacles to sanctions and, indirectly, facilitate cooperation and regulation.¹⁰²

As Horne addresses the origin of norms,

Norms thus emerge when behavior produces externalities, when people recognize a right to sanction such externality-producing behavior, and when the group has the ability to enforce this decision (2001, 9).

Though this functional argument may no longer be that appealing to students of political science, more recent developments in cognitive science show that in dealing with the reality people do count on habitual responses, which are learned through trial-and-err processes, reinforced through similar experiences, transmitted and diffused among community members, and eventually transformed into norms guiding subsequent social interaction and behavior. Such insights have been systematically borrowed by students of institutions to explain the origins, evolution, and change of institutions (North 2005; Mantzavinos 2001). In close-knit communities, prevailing multiplex interaction among members makes the emergence of externalities unavoidable; in addition, the existence of extended and dense social networks actually

¹⁰² For more information on how norms work in solving the second-order collective action problem, please refer to (Coleman 1990, 282-289)

makes sanctioning against externality-producing and deviant behavior possible, given the easy access to information and the efficacy of reputation-based multilateral social sanction system. Therefore, it is expected that norms that facilitate cooperation and sanctions against deviant behavior are likely to be cultivated, diffused, and internalized within close-knit communities.

To facilitate and ensure the quality of local governance in rural communities, whether through intermediate agents recruited from local elites or gentries in ancient China (Xiao 1960; Qu 1962; Duara 1988), or widely established party branches embedded in the commune system under the governance of the CCP regime before the 1980's (Zhou 1996; Parish 1985), similar norms that contribute to the efficacy of indigenous institutions in sustaining local governance have been cultivated and diffused, despite the major differences in governing regimes. Among all these norms, three are critically relevant: 1) priority assigned to collective interest, 2) emphasis on long-term relationships, and 3) preference for the avoidance of conflict.¹⁰³ The norm that

¹⁰³ For students of political culture, these are not only some normative orientations that can be found in rural China, but some key features of Chinese and even some more general East Asian culture. For more information on this point, please refer to (Pye 1968; Pye and Pye 1985; de Bary 2004; Mote 1989; Antlov and Ngo 2000; Fingarette 1972; Shi 2000a, 2000b, 2001). Actually the cross-national survey project, Asian Barometer, has been focusing on the evolution and transformation in political culture in East Asian countries with some of these normative orientation systematically examined. For most recent results of this survey project, see (Chu et al. 2008). Tianjian Shi is working on a book-manuscript project examining the role of political culture in shaping people's political trust, understanding of democracy, as well as political participation in mainland China. Some normative orientations have also been systematically explored in his project. But for me, though these normative features might be salient for China or some East Asian countries as a whole, when compared with other countries under the influence of western history and culture, they might be even more prominent in rural communities of China, and more likely to be internalized and guide

emphasizes collective interest actually requires community members to avoid being overly self-centered in social interaction, by taking the public interest into consideration. To some extent, this norm resembles the principle that Rousseau recommended for good governance in a polity (Rousseau and Cranston 1968). The essence of the Prisoners' Dilemma game can then be changed into a cooperative one, if all involved players assign higher priority to collective interest than individual one. Furthermore, the socially optimal and efficient result in the Specialized Labor game can also be more easily achieved. As a consequence, better governance can be more effectively sustained. With the priority assigned to collective interest, this norm, once internalized, also provides an individualized mechanism of holding local leaders accountable and channeling their efforts toward the public interest.

The norm prioritizing a long-term relationship over immediate interest is also of critical value in inducing more cooperation among community members and reducing opportunistic behavior. In addition to the shadow of future in rational calculation, the internalization of this normative orientation prioritizing a long-term relationship over immediate interest further adds some weight to those benefits that could only be harvested through a long-term relationship. Opportunistic behavior that is primarily

people's social interaction, given the community structural features and related social environment in which they are embedded.

driven by the temptation of snatching short-term or immediate interest is also likely to be minimized given the “shadow of norm” cast upon social interaction.

The norm canonizing conflict avoidance also assists the operation of indigenously developed institutions in close-knit communities. Conflict is very likely to show up in frequent and continuous social interaction, which actually characterizes close-knit communities. How to deal with such conflict becomes critical for maintaining social order and consequential for subsequent and future social interaction. Since members of close-knit communities are involved in long-term and multiplex social relationships, once conflict grows out of control and cannot be resolved in a timely manner, future cooperation among them and others might be endangered, which could be detrimental to the whole community. Without the availability of abundant resources and personnel for addressing such issues, like the courts and police systems developed in modern societies,¹⁰⁴ constraining one’s demand and accommodating others during conflict should be of significant value for local governance dependent on indigenously developed institutions.

To measure aforementioned normative orientations, three questions have been used. Respondents were asked to say if they completely disagreed, disagreed, agreed, or completely agreed with the following statements: 1) “In contemporary society, people

¹⁰⁴ Though modernized courts and police systems have been widely established in developing countries, the resources available are just not enough compared with the possible demand, particularly in rural areas where access to such resources is even more limited and difficult. For some general information on how limited such resources are in rural China, please refer to (Su 2000, 2002; Chen 2008c).

should no longer sacrifice personal interest for collective interest”; 2) “When dealing with others, ensuring immediate self-interest should be more important than cultivating a long-term relationship”; and 3) “Once there is conflict, it should be critical to make it crystal-clear on who is right and who is wrong”. Respondents choosing “Completely disagree” or “Disagree” for these statements actually endorse the norms favoring collective interest, a long-term relationship and conflict avoidance. Frequencies of rural respondents’ answers have been displayed in Table 4.3.

Table 4.3: Different Normative Orientations

In contemporary society, people should no longer sacrifice personal interest for collective interest.	
Completely Disagree	4.38%
Disagree	50.68%
Agree	23.33%
Completely Agree	1.71%
DK	19.90%
When dealing with others, ensuring immediate self-interest should be more important than cultivating a long-term relationship.	
Completely Disagree	3.54%
Disagree	40.74%
Agree	35.70%
Completely Agree	2.02%
DK	18.00%
Once there is conflict, it should be critical to make it crystal-clear on who is right and who is wrong.	
Completely Disagree	1.93%
Disagree	29.63%
Agree	50.51%
Completely Agree	3.19%
DK	14.74%

Source: 2008 Mainland China National Survey Rural Subpopulation (N=4205)

After decades of market-oriented reforms and significant transformations happened in rural China, many residents in rural China are still attached to the normative orientations favoring the performance of indigenous institutions. Around 55% of interviewed villagers still believe in the necessity of sacrificing personal interest for collective interest; around 44% of rural respondents still normatively assign the

priority to a long-term relationship over immediate interest; and around 31% of them still prefer avoiding conflict and accommodating others. Nevertheless, we also see the changes in Chinese villagers' normative orientations, particularly when it comes to conflict. More than 53% of interviewed villagers make their preference clear in being crystal-clear on who is right and who is wrong during conflict, rather than following the traditional way of *huoxini* (mediating dispute at the cost of principle) or *geda wushi daban* (blaming both sides equally) for resolving conflict. Regarding the trade-off between collective interest and personal gains, and that between immediate interest and a long-term relationship, there are also around 25% of interviewed villagers assigning priority to personal gains and 37% preferring securing immediate interest at the cost of a long-term relationship. Once community members' normative orientations gradually shift away from the priority assigned to collective interest, long-term relationships and conflict avoidance, the social foundations for the performance of indigenously developed institutions are no longer solid.

To systematically examine whether outward migration plays a role in this erosion in the social norms that favor the operation of indigenous institutions in rural communities, multiple regressions are used. Rather than differentiating between "Completely disagree" and "Disagree", as well as between "Completely agree" and "Agree", I have collapsed this four-point Likert-scale into a dummy variable indicating whether respondents have offered positive or negative answers to those statements. All

individual level features and village level variables follow the same operationalization adopted for previous regression analyses. One methodological concern is that since all three dependent variables are normative orientations though on different dimensions, they might be correlated with each other due to some commonly shared underlying normative or psychological attributes. Then the error terms of these three statistical equations are no longer independent from each other, but correlated in some way. To produce a more rigorous and efficient examination, seemingly unrelated estimations (SUR) (Zellner 1962; Greene 2003, Chapter 14) have been adopted.

Table 4.4: SUR Results on Normative Orientations

	Collective Interest	Long-Term Relationship	Conflict Avoidance
Individual Features			
Age	-0.00003 (0.003)	-0.006 (0.003)	-0.006 (0.003)*
Education	0.169 (0.030)***	0.140 (0.025)***	0.055 (0.027)**
Male	-0.024 (0.077)	0.044 (0.067)	0.041 (0.072)
Media Exposure	-0.020 (0.027)	-0.061 (0.030)**	-0.197 (0.030)***
Migration Experience	-0.132 (0.110)	0.080 (0.106)	-0.158 (0.112)
CCP Affiliation	-0.085 (0.127)	-0.020 (0.121)	0.052 (0.113)
Economic Situation	0.064 (0.056)	0.020 (0.045)	-0.013 (0.046)
Community Features			
Size of Population Staying in Village	-0.148 (0.061)**	0.094 (0.055)*	0.095 (0.058)*
Village Level Migration	-0.528 (0.349)*	-0.914 (0.339)***	-1.572 (0.357)***
Annual Income Per Capita	0.100 (0.055)*	0.113 (0.049)**	0.121 (0.052)**
Village Collective Income	0.028 (0.010)***	0.016 (0.009)*	-0.003 (0.010)
Distance to the Township Seat	0.008 (0.063)	0.069 (0.053)	0.213 (0.056)***
Clustered Housing	0.115 (0.062)*	0.140 (0.059)**	-0.035 (0.061)
A Dominant Clan	0.203 (0.126)*	-0.099 (0.115)	-0.390 (0.125)***
Competing Clans	0.002 (0.118)	0.269 (0.113)	0.208 (0.100)**
Constant	0.270 (0.595)	-1.893 (0.542)***	-1.514 (0.563)***

Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

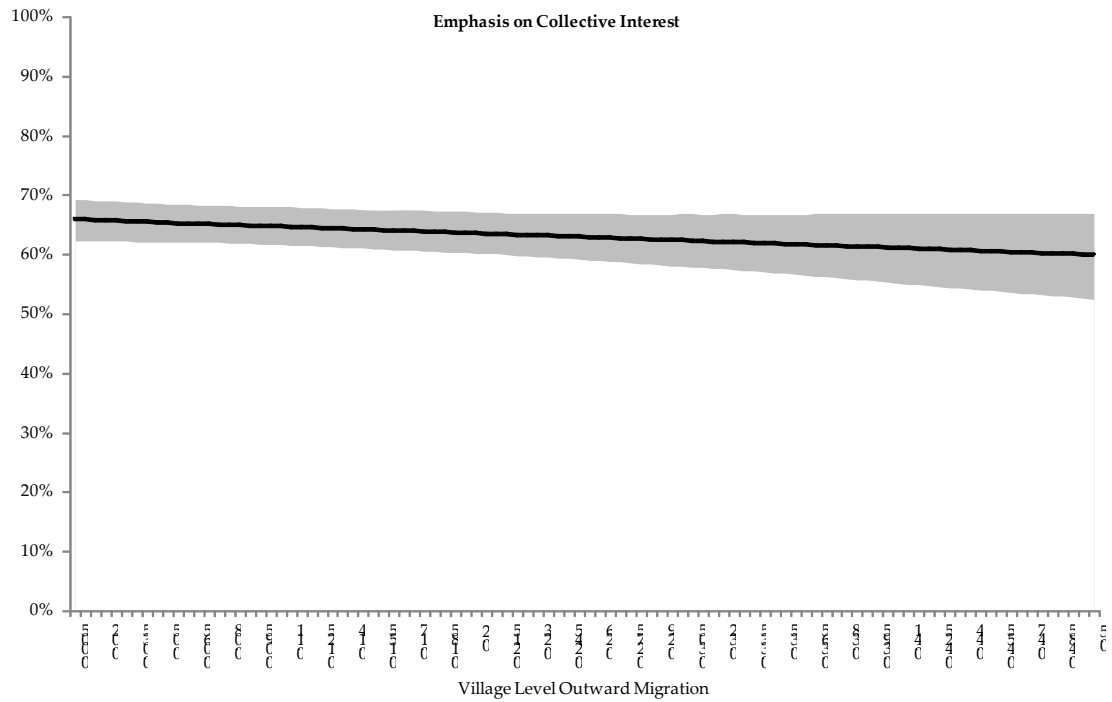
Notes:

Coefficients are averaged results over the estimation of five imputed data sets

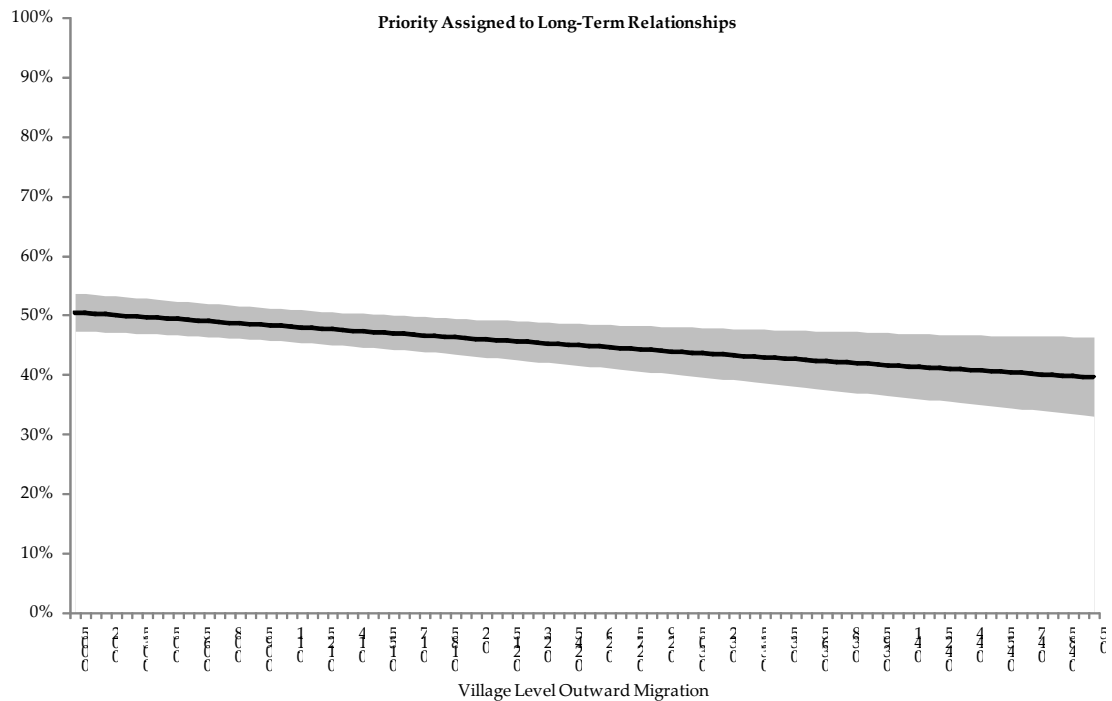
Averaged robust standard errors in parentheses

* p < 0.1 ** p < 0.05 *** p < 0.01

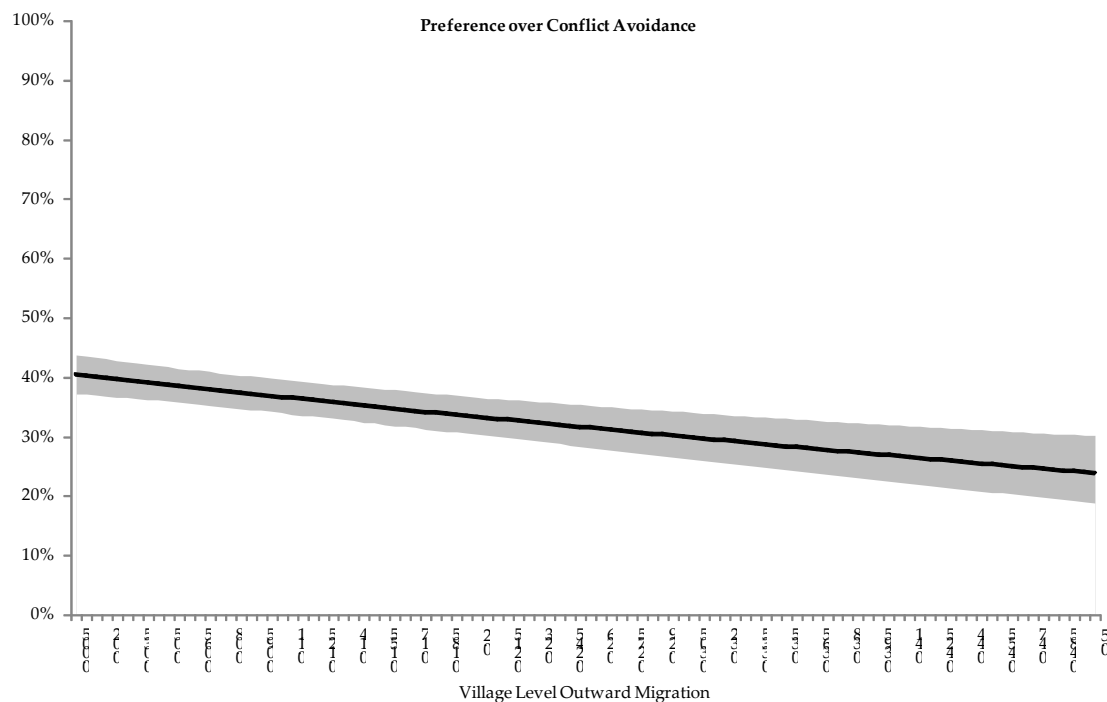
As displayed in Table 4.4, after controlling for demographic features, media exposure, as well as other individual level information, community structural features still play significant roles in shaping the normative orientations hold by community members. In addition to the persistent and positive influence of the average annual income per capita in a village in shifting villagers' normative orientations toward more emphasis on collective interest, long-term relationships and conflict avoidance, the outward migration at the village level is another one showing persistently significant impact on villagers' normative orientations, though in an opposite direction. With more co-villagers leaving for economic opportunities and benefits in other cities or provinces, those who stay in home communities are more likely to deviate from the normative orientations emphasizing collective interest, long-term relationships, and conflict avoidance. Figure 4.2 illustrates the impact of outward migration on different normative orientations hold by average villagers, following the same strategy of simulation adopted previously.



Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)



Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)



Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Figure 4.2: Predicted Probabilities on Different Normative Orientations

Similar to the patterns observed in previous sections on the impact of outward migration on the information environment, social sanctions and public authority in rural communities, a stable declining trend is shown in Figure 4.2. As outward migration at the village level increases from 0.5% to 50%, 1) the probability that an average villager in an average village normatively favors collective interest over individual one drops from around 66% to 60%; 2) the propensity that an average villager assigns priority to a long-term relationship over immediate interest falls by around 10%, from around 50% to 39%; and 3) average villagers are also about 16% less likely to avoid conflict through compromise but sticking to a crystal-clear arbitration on who is right and who is wrong,

with the probability plummeting from around 40% to 24%. All changes are statistically significant and substantively meaningful. In other words, in rural communities eroded by the outflow of villagers through rural-urban migration, community members are less likely to endorse the normative orientations that facilitate cooperation and improve the regulation of social behavior via indigenously developed institutions. With more emphasis gradually shifted toward individual interest, lower priority assigned to long-term relationships, and diminished importance attached to the harmonious relationship with fellow villagers, the propensity of cooperation among community members is diminished and social sanctions are lessened with less powerful deterrence against deviants. Moreover, non-cooperative and deviant behavior is contagious without timely and effective controls and constraints, which, if left unattended, is very likely to endanger the performance of indigenously institutions in local communities transformed due to outward migration.

4.3 A Case study of Three-Spring Village

With the help of cross-sectional survey data, we do find some empirical evidence supporting the argument that Chinese villages gradually move away from the ideal-type of close-knit communities as more and more villagers leave for better economic opportunities and benefits in urban areas. The social environment in these transformed local communities is no longer that favorable for the performance of indigenously developed institutions in sustaining local governance: information environment is

gradually dried, social sanctions are less powerful, and normative orientations shift away from emphasizing collective interest, long-term relationships and conflict avoidance. Nevertheless, these statistical exercises can only tell us that in villages with higher levels of rural-urban migration, the social environment is less favorable for the operation of indigenous institutions, without being able to show whether these changes in social environment are really caused by decreasing stakes attached to home communities from villagers and less frequent social interaction with their fellow villagers. With the help of semi-structured interviews and participatory observations in rural communities, we can better examine the underlying mechanisms that drive the empirical associations uncovered through statistical analyses. For this purpose, I intentionally select a typical Chinese village in which rural-urban migration has been a salient phenomenon since the early 1990's for detailed examination. I spent around three weeks in this village in the summer of 2006, interviewing villagers with different backgrounds for their impressions of changes in social environment, as well as observing their social behavior on various occasions.

Three-Spring Village, which is located in the northern part of Dongbao district of Jingmen city in Hubei province, is a very typical rural community primarily engaged in agricultural production without any local industries. It takes about one and a half hour to commute between the township seat, which Three-Spring Village belongs to, and the county seat by bus. From the village to the township seat, villagers have to walk or bike

– some rich villagers can afford a motorcycle – on a muddy road for about twenty minutes. With around 1680 villagers dispersed among eight village-groups, Three-Spring Village has around 1202 *mu*¹⁰⁵ farmland for agricultural production. Inhabitants of Three-Spring Village have multiple surnames, with more than ten surnames for each village group. Even the most widely shared surname, *Liao*, only accounts for less than 10% of the whole village population. Because of limited local access to economic opportunities other than agriculture, and the relatively convenient access to public transportation, most young and middle-aged villagers work as migrants in other cities or provinces. According to village cadres, villagers working as migrant workers in other cities or province account for more than 40% of the total population. Remittances from migrant workers have been playing increasingly important roles in the lives of the villagers since the middle 1990's. Comparatively speaking, the living standard in Three-Spring Village is slightly below the average among all villages in Dongbao district.¹⁰⁶

Before the collapse of the commune system and the initiation of economic reforms, the living standard in Three-Spring Village was relatively higher than many other villages in the same district. Two medium-scale reservoirs were constructed in the late 1960's, which provided abundant water resources for its agricultural production. Moreover, villagers also made profits out of fruits, herbs, and wild animals that could be

¹⁰⁵ One *mu* is roughly equal to 667 square meters.

¹⁰⁶ Fieldwork in Three-Spring Village, Hubei Province, in the summer of 2006.

harvested in nearby mountains. In the middle 1970's, the work points villagers earned each day in this village were worth around 0.8 RMB, which was more than two times that of most other villages at that time. As Mr. *Chengsha Liao*, the host of the family where I stayed during my fieldwork, told me,

Our village was a model village in the Commune era. Even during *sannian ziran zaihai* (the Three Years of Natural Disasters, 1959-1961), no one died of hunger. The two reservoirs built in the late 1960's further improved the conditions for agricultural production in our village. Member of other villages of the same township did envy us and our male villagers had not problem finding wives.¹⁰⁷

Nevertheless this kind of self-sufficient agricultural economy was no longer that attractive when other economic opportunities were available. Since the early 1980's, township and village enterprises (TVEs) were widely established in rural China, which offered much more attractive economic benefits as compared to agriculture. However, since Three-Spring Village is located in a mountainous area, local industries can not be easily established due to the lack of resources and geographical constraints. Some villagers of Three-Spring Village then began to work in some TVEs engaged in the production of lime and phosphate fertilizer in adjacent townships, and commuted daily. Mr. *Xiaosha Liao*, the oldest son of my host and the owner of a small-scale chemical plant specializing producing phosphate fertilizer, located in an adjacent township, used to work for a TVE in the early 1990's. According to him,

You had to compete for the jobs in those TVEs and bribe village cadres for a position. Working in a TVE was much better than *zaijia waniba* (digging dirt at

¹⁰⁷ Filed work in Three-Spring Village, Hubei Province, in the summer of 2006.

home). Basically, you biked to work in the day and came back in the evening. Though the salary was nothing compared to what the managers could get, it was much better than what my parents could get out of land. After that, I had the incentive to have my own enterprise to make more money. Agriculture cannot make you rich.¹⁰⁸

In the early 1990's, many of these TVEs were shut down because of low product quality, as well as the competition from a more effective large-scale chemical plant established in a town around an hour's drive from Three-Spring Village. At the same time, more economic opportunities were opening up in coastal areas and official constraints on the mobility across regions were also lessened. Then, most young villagers left their village after junior- or senior-high school and worked as migrant workers in coastal areas. Gradually, even middle-aged villagers began to find opportunities in big cities nearby, such as Wuhan and Xiangfan, for better economic opportunities. The income difference between that from agriculture and working as migrant workers now becomes even larger. In a year with wonderful weather and abundant water, the annual production for one-*mu* farmland is around 1,000 kilograms of rice and wheat, which generates a net profit of around 750 RMB (approximately 125 USD). As a migrant worker, it is not very difficult to get a monthly-salary of 400 RMB (approximately 67 USD) or even more. Now the pattern of rural-urban migration in Three-Spring Village is relatively stable: 1) most villagers between 16 and 25 are working in coastal areas; 2) they generally come back for marriage and to have children;

¹⁰⁸ Filed work in Three-Spring Village, Hubei Province, in the summer of 2006.

3) after that, most of the time, one member of most couples leave for a job in adjacent big cities and the other will stay at home taking care of the family and farmland; and 4) a few can move the whole family to cities, but most come back to the village when they are too old for laborious work in big cities. With a significant portion of villagers working in other cities or provinces, and the lower stakes and less intimacy they associate with their home community and fellow villagers, the social environment of Three-Spring Village has undergone some dramatic change.

A major difference lies in whom to socialize with. Under the commune system, the village was the most important space for socialization. In addition to collective work assigned by brigade cadres, *chuanmen* (dropping in) had been the primary or perhaps the only available social activity for most villagers. The interaction among villagers was frequent and continuous. Basically, then the village was a “community of acquaintances” where almost everyone knew extensively about everyone else. This situation changed a little after the initiation of the economic reforms based on household-responsibility-system, which shifted villagers’ attention more to their own farmland and agricultural production with less time left for socialization. Then socialization among extended family members and neighbors took a lion’s share of villagers’ social interaction, with much less time left for other co-villagers, particularly those who lived relatively further away. Nevertheless, those within the village were still the most important subjects for social interaction.

The situation changed dramatically after the 1990's when lots of people began to work in other cities or provinces as migrants. Even those who stayed in Three-Spring Village began to find some *linggong* (odd jobs) in adjacent townships, counties, or cities. Exploring economic opportunities outside of villages, other than agricultural production, became a key concern for most villagers. Then friends, particularly those in other places who might bring business and economic opportunities, gradually replaced fellow villagers as more important subjects for socialization. When I asked Mr. *Xiaosha Liao* what he usually did during the Spring Festival, which is the most important time for socialization in China, he told me that,

Except for paying visits to my parents, brothers, and in-laws, I usually take the bus to adjacent townships and counties to visit my friends. Networking is critical for making money. Only my friends can provide critical information and opportunities. Staying in the village can just starve you.¹⁰⁹

A twenty plus young man, Mr. *Chen*, who came back to Three-Spring Village and monopolized the sale of a local beer in the village with the money he accumulated when working in Shenzhen, even looked down on his fellow villagers for being out-of-date and under-educated.

What could you get out of dealing with them? They knew nothing but playing mah-jong. I mostly socialize with the friends I met in Shenzhen and those in Jingmen (the mother-city).¹¹⁰

As a consequence, the general comments from villagers are that dropping around is much less frequent now. Actually, during my stay in the village, only two

¹⁰⁹ Filed work in Three-Spring Village, Hubei Province, in the summer of 2006.

¹¹⁰ Filed work in Three-Spring Village, Hubei Province, in the summer of 2006.

people visited the house where I was temporarily staying. One happened to be the brother-in-law of the host, and the other was the village clerk collecting some fees the host had not paid in time.

This gradual shift in the locus of socialization from within-village to out-of-village has noteworthy consequences for the possible cooperation among villagers, their attitudes toward each other, the efficacy of social sanctions, as well as how people behave. Before the 1990's, mutual help was not uncommon among villagers, particularly when wedding or funeral ceremonies demanded extra hands. Generally, people who knew lots about ceremonial details and procedures would be invited over as *zhike* (emcee) to preside over the whole ceremony which might continue from four to five days; and these people would not be paid in cash for doing this, but rewarded through other means, e.g., voluntary help when needed or gifts during festivals. According to my interviews, the situation changed after 1995, when many qualified people were not in the village or not willing to sacrifice their time for such free work. Then paying qualified people to preside over ceremonies gradually became an accepted way of doing things, which costs around 50 to 80 RMB depending on how many days the ceremony lasted. Ms. *Mingying Deng*, who just got her son married before I came to the village, complained about the difficulty in finding someone who could help with her son's marriage ceremony:

My son wanted to do this his way, like those people in cities. But here you still have to follow the old tradition, since many friends and relatives would come

over. It was very difficult to find a qualified *zhike* especially who could help with everything and knowing the whole procedure. Those who are qualified for this do not want to waste four days for so little money. Finally, I had to ask for help from an old friend whose uncle knows everything about the ceremony and paid him 100 RMB and a large package of cigarettes.¹¹¹

Moreover, according to my interviews with villagers from different age cohorts, the efficacy of social sanctions within the village, which used to work primarily through public opinion or gossips, also decreased significantly after the 1990's when many villagers began to find jobs through rural-urban migration and left for better economic opportunities. When people are engaged in their own business or with more attention shifted to the outside world, public opinion within the local community is much less powerful in regulating people's behavior and enforcing traditional norms. The only case of suicide in the history of Three-Spring Village occurred in 1996: an old villager hung himself because of having been maltreated by his son and daughter-in-law. Though the abuse had been growing on for some time, unfortunately, no villager stood out and denounced the behavior in public. Though most villagers believed that the children had behaved badly in abusing their father and gossiped a lot in private about this, this covered "public opinion" did not have any effect in constraining and sanctioning deviant behavior. Pre-marriage pregnancy also became a big problem for village cadres after 1995, who would be held responsible for the violations of birth-control policies and even incur penalties when young females under their administration got pregnant

¹¹¹ Filed work in Three-Spring Village, Hubei Province, in the summer of 2006.

without official certificates and documents.¹¹² And most such cases happened among young women who worked as migrant workers. As one retired brigade cadres told me,

It would have been unimaginable for young people to *shui zai yiqi* (have sex) before marriage, even if they were engaged in the 1980's, not to say the 1970's. A woman committed suicide by drinking pesticide in 1975 out of shame and guilt when accused of adultery with another villager when I was the brigade cadre. Young people are working outside and beyond the reach of parents. They can *hulai* (behave recklessly) without incurring too much trouble. Some even are proud of this. *Shifeng rixia* (Morals are degenerating day by day).¹¹³

Due to the lack of powerful sanctions against deviant behavior, as well as the limited capacity of collective action, gangsters have gradually penetrated into Three-Spring Village since the middle of the 1990's. Hooligans from adjacent townships and counties have colluded with some ruthless villagers in taking over public assets at a very low price, monopolizing the operation of the bazaar by renting out booths, and dominating the local lottery. Village cadres tried every effort to stay away from dealing with these local bullies, instead of standing up for the public interest. While doing my fieldwork, I was surprised to find that the price of pork in Three-Spring Village is 4 RMB (approximately 0.7 USD) higher per *jin* (0.5 kilogram) than that in other townships that

¹¹² To have a baby in China, a couple has to apply for a certificate issued by local governments. In urban areas, residents' committees are responsible for this; while in rural communities, villager committees are responsible for this. This is a very serious issue for most villager cadres, since pregnancy without this certificate will be regarded as violation of the one-child-policy, which can result in penalties on village cadres.

¹¹³ Filed work in Three-Spring Village, Hubei Province, in the summer of 2006.

are only two to three miles away.¹¹⁴ It was gangsters' monopolization of the sale of pork that had driven the price up.

Clearly, Three-Spring Village is no longer a close-knit community, characterized by frequent and continuous interaction among community members and the existence of dense and extended social networks, but a gradually collapsed and atomized village with a large number of villagers working in other cities or provinces, and most villagers' attention shifted toward the outside world. With many villagers leaving for economic opportunities in other cities, the stakes that individuals attach with their home village and the intimacy among villagers have dwindled. The efficacy of social sanctions has also been significantly impaired because of lessened socialization and less weight assigned to the reputations among villagers. All these, in turn, have exacerbated the gradual collapse of traditional norms, and further deprived the residents of Three-Spring Village of the capacity for collective action and cooperation. Within this transformed social environment, the performance of indigenously developed institutions is unlikely to be satisfying, which leaves more space for negative social forces. Without addressing such problems with appropriate institutional solutions, the quality of governance in Three-Spring Villages is doomed to further degenerate.

¹¹⁴ Filed work in Three-Spring Village, Hubei Province, in the summer of 2006.

Conclusion

Communal features of close-knit communities, e.g., frequent and continuous interaction among community members and the existence of dense and extended social networks, not only change the incentive structures of community members in dealing with others by favoring cooperation and easing the achievement of socially optimal results; they also induce a favorable social environment for the operation of indigenously developed institutions in facilitating cooperation, enforcing social sanctions, holding local leaders accountable, and improving local governance. The easy and convenient access to local information quickly and widely spread through social networks ensures the efficacy of reputation-based multilateral social sanctions in regulating and coordinating community members' behavior, as well as channeling local leaders' efforts toward the public interest. The existence of dense and extended social networks not only buttresses indigenous means in sanctioning deviant behavior by providing information, but also eases the diffusion and socialization of normative orientations favoring the operation of indigenous institutions, such as emphasis on collective interest, priority assigned to long-term relationships, and preference over conflict avoidance.

Unfortunately, close-knit communities are not isolated but embedded within a macro-social environment that can be transformed due to economic and political changes unleashed by the process of modernization. When alternative economic

opportunities become available, and individual mobility is increased with convenient access to transportation facilities, close-knit communities might be transformed by the outflow of villagers, such as rural-urban migration in rural China. Stakes attached to home communities are likely to be reduced, given the access to other alternatives, which might be even more profitable. Intimacy among community members might also be impaired due to less frequent social interaction and increasing attention shifted to the outside world. Moreover, the efficacy of social sanctions might also be damaged, given the limited scope of the influence of multilateral sanctioning systems based on reputation, as well as loosened social networks that may no longer be able to provide necessary information in a timely manner. Such changes in information environment and social sanctions are also accompanied with the transformation in the foundations of publicly recognized authority in local communities

With deviant behavior repeatedly showing up without being effectively and duly punished, the collapse of traditional normative orientations and normative changes might be triggered and even follow a cascade pattern. As a consequence, transformed local communal structures, from close-knit ones to half-opened/full-opened ones, partly driven by rural-urban migration, are less encouraging for the cultivation and diffusion of attitudes and normative orientations that ease the operation of indigenously institutions in local communities. Outward migration in Chinese villages has significantly transformed the social environment in which indigenous institutions are

embedded and weakened the efficacy of these institutions in sustaining local governance. Thus, alternative institutional solutions have to be identified and established for rectifying such problems and re-constructing the institutional foundations of local governance.

5. Rural-urban migration and institutional choices in rural China

Evidence from both systematic survey data and a detailed case study has identified the significant impact of outward migration on the communal structures of Chinese villages, which, in turn, transform the social environment for the interaction among villagers, as well as that on some normative orientations closely associated with the operation of indigenous institutions on the basis of reputation-based multilateral social sanctions. Nevertheless, showing that community members' normative orientations, attitudes, and recognized public authority change along with the transformed communal structure, i.e., from close-knit communities to half-open or even atomized communities, only offers some indirect evidence for the possible impact of outward migration on the institutional foundations of local governance in rural communities at the micro level. Whether villagers living in rural communities with transformed social environment choose different institutions dealing with various issues as theoretically expected is something that should be directly addressed and examined. In this chapter, some direct evidence at the micro level on this regard will be presented.

Different from the focus of the analysis at the village level, i.e., decentralized provision of public goods in Chinese villages, this chapter looks at some other but equally important aspects of local governance, e.g., conflict resolution, crisis relief, small credits and loans, and different ways of supervising local political leaders. Due to the

lack of valid and objective measures of these issues at the village level,¹ such important issues in local governance have not been systematically and extensively examined in the same manner as the provision of public goods.² However, they are closely related to the daily lives of average villagers and constitute a critical component of local governance. With the help of national survey data on villagers' self-reported choices of different institutional solutions for their problems in various issue domains, this chapter tries to establish a micro-foundation for institutional change and performance at the community level, as well as the role of outward migration in it.

5.1 Local governance beyond the provision of public goods

Though the provision of public goods has been a key topic for the literature on local governance, few people would argue that it is the only or even the most important

¹ Researchers can count the number of cases of conflict between villagers resolved at the village level through villager committees, but it will be very difficult to tell how many similar cases have been resolved through the intermediation organized by other villagers with recognized authority, such as senior villagers. Scholars can also collect the amount of money villager committees distribute for crisis relief each year, but they will not know the amount of resources voluntarily contributed from villagers for similar purposes among themselves. The records of credits and loans from the collectively owned Rural Credit Cooperatives (RCCs) can also be secured, but little information on informal borrowing and lending among villagers for similar purposes can be easily recovered. Basically, the role of externally imposed institutions in these aspects of local governance can be relatively easily gauged and examined, but that of indigenously developed means might be hidden at the village level. To comprehensively evaluate the performance of different institutional solutions in local governance in rural communities, villagers' self-reported choices among different institutions for a variety of issue domains should be a more appropriate measure for examination.

² There has been some academic research on conflict resolution (e.g., Dong 2008, 2006a, 2006b; Michelson 2008, 2007; Zhao 2003), credit and loan raising (e.g., Hu 2007; Tsai 2002a; Li 2005a; He et al. 2005; Zhang 2003a), and crisis/disaster relief (e.g., Croll 1999; Hebel 2003; Wang 2004b; Zhang and Li 2000) in rural China. But most such research either is primarily descriptive or focuses on the operation and performance of one specific institution in a specific issue domain. Few have examined all different aspects under the local governance framework and even fewer have searched for some commonly shared underlying mechanisms that drive such phenomena.

issue in local governance. To ensure quality local governance, a stable and friendly social environment has to be maintained. Rather than aiming at a glorious but hardly achievable “harmonious community”, which presumes the elimination of interest conflict and the existence of commonly shared goals,³ as the CCP’s most recent propaganda has claimed and mobilized its citizens to make efforts for,⁴ effective local governance requires some institutional solutions that can sustain order, facilitate cooperation, uphold accountability, and improve the welfare of community members in the Pareto sense, in spite of possible interest conflict and divergent goals among community members. Thus, effective local governance is not a scheme for social optimization but an improved situation compared to the “state of nature” where anarchy dominates and everyone has to count on his/her own for various problems.

To ensure and sustain the quality of governance, communities have to find some effective ways of serving various functions, not just exclusively limited to the provision of public projects in a narrow sense: they need some means to resolve conflict among community members and prevent its possible negative spill-over effects in

³ Robert Keohane has an interesting but critical differentiation between “harmony” and “cooperation” though in the context of addressing the functions of international regimes. According to Keohane, “Cooperation must be distinguished from harmony. Harmony refers to a situation in which actors policies (pursued in their own self-interest without regard for others) automatically facilitate the attainment of others’ goals. When harmony reigns, cooperation is unnecessary. Cooperation requires that the actions of separate individuals or organizations – which are not in pre-existent harmony – be brought into conformity with one another through a process of negotiation” (1984, 51-54).

⁴ “Building a harmonious socialist society” was officially brought forward during the Party’s Fourth Plenary Session of the Sixteenth Central Committee of the Communist Party of China as an important aspect of its ruling capacity. For more information on this, please refer to a special issue, entitled “Building a Harmonious Society: A Sociological Perspective”, in *Social Sciences in China*, Vol. 28, No. 3, 2007.

contaminating other social relationships. When disasters or crises happen to some members, they also need resources for helping those people overcome the difficulty, which, in turn, can reinforce the cohesion within communities and thwart possible erosion in community identification. To increase the material resources available to community members and improve local living standard, communities should also identify some means to facilitate the cooperation among members in production and even help them raise capital that is necessary for more diverse economic activities. Similar to the situation of decentralized public goods provision in Chinese villages, there are different institutions available in rural China for dealing with problems in these different issue domains. Some of these institutions are indigenously developed and have been working in rural communities for a long time. Some are externally imposed into these villages for macro governance concerns.

Conflict Resolution in Rural China

Conflict is not uncommon in rural China. Some conflict happens within families, e.g., dispute over the division of family assets, quarrels between husbands and wives, and dissensions between mother-in-laws and daughter-in-laws. Some conflict happens between families or groups of families, such as dispute over land for housing, irrigation, and even adultery. Some conflict can be resolved by the parties involved through negotiation and discussion. However, some conflict, if not resolved appropriately and in

a timely manner, might lead to personal injuries, battle royals, or even death.⁵ Moreover, unresolved conflict, even if temporarily cooled down but without settlement, might still sour the relationships among community members, contaminate the social interaction within communities, trigger significant even disastrous events, and disrupt local social order. Thus, to resolve the conflict among community members effectively and minimize its possible negative impact on local social order that is necessary for community members' stable and peaceful lives, communities have to offer some institutional solutions, rather than leaving them all to community members' private efforts.

As students of sociology, cultural anthropology, legal studies and political science have observed, social order has long been sustained in some communities with the help of some community-based indigenous institutions (Abel 1974; Ellickson 1991; Felstiner 1974; Ginat 1997; Noland 1981). Similar situation has been found in rural China as well, particularly before the 1980's (Dong 2008; Zhao 2003; Huang 2001, 1996; Smith 1899; Xiao 1960; Fei et al. 1992). With the help of the authority of the seniors, locally cultivated and shared norms, and people's observance of local custom, most conflict can be effectively resolved within communities without being reported to administrative or legal agencies. According to some legal scholars, a so-called culture of *yansong* (anti-

⁵ Personal injuries and even death are regularly observed in some Chinese villages when serious conflict cannot be resolved appropriately and in a timely manner. In some villages, some senior villagers commit suicide after quarreling with daughters-in-laws; and some women commit suicide after serious arguments with their husbands (Chen 2008a).

litigation) could be widely observed in ancient China, particularly in rural areas, with its influence still lingering and perceivable in today's rural communities (Huang 2001, 1996; Liang 2008; Liang 2002, 1996). In a village of Jiangxi Province where I visited in the summer of 2004, most divisions of family assets are negotiated with the presence of the seniors with publicly recognized authority, who usually are those with higher status in the lineage hierarchy but from different families. Brothers⁶ and their parents can present their own proposals on how family assets should be divided as well as how the support of parents should be arranged, which usually diverge and build up the tension in between. If they are left alone for settlement, not only the relationship between siblings could be soured, but also the support for their parents might be avoided by all parties due to the estrangement and dissatisfaction seeded during the family division. Usually, with the mediation from the seniors, a compromise can be achieved, and an informal contract is drafted on-the-spot and signed by all parties and the seniors.⁷ Though this is not a legal document with binding power, few villagers would breach such contracts once signed. In some other villages, it may not be the seniors but some villagers, who have been publicly recognized as upright and fair in dealing with fellow villagers, play the role of chairing negotiation, mediating dispute, and resolving conflict (He 2003a; Zhao 2003; Dong 2008; Guo and Wang 2004).

⁶ Division of family assets in rural China usually has nothing to do with the daughters of a family. They are supposed to be married into other families and, therefore, are not entitled to any family assets except for the dowry prepared for them.

⁷ Fieldwork in Jiangxi Province in the summer of 2004.

Besides these indigenously developed institutions for conflict resolution, villagers in rural China also have access to some externally imposed institutions for similar purposes as a result of modernization and state building in China. Among all regimes, the CCP might have done the soundest job in penetrating into rural communities with the help of modern judicial and administrative institutions. Ever since the 1930's when the CCP was still in the competition against the KMT for the control of China, it has been intentionally building a new system of conflict resolution in local communities, including both rural and urban ones: the community mediation system. Rather than counting on the seniors and some locally recognized authoritative figures, the CCP has formalized the community mediation system by providing mediation services in communes (the rural part) and streets (the urban part) with specialized agents chairing mediation committees.⁸ After the administrative reforms and the promulgation of the Organic Law of the Urban Residents Committee (drafted in 1989) and the Organic Law of Villager committee (drafted in 1987 and amended in 1998), the service of mediation has been reassigned to villager committees in rural China and residents' committees in urban areas. Nowadays, village cadres are heavily involved in resolving conflict among villagers in rural communities. A critical source of the authority they enjoy for sustaining social order within their communities is their

⁸ For more information on the evolution of the mediation system in China, as well as its operation and efficacy, please refer to (Wall and Blum 1991; Lubman 1967)

officially endorsed and publicly elected office and associated power. Moreover, village cadres also work closely with the courts and police stations usually located at township seats for some conflict with serious consequences that have to be formally addressed through judicial procedures (Su 2000, 2002; Qiang 2003).

In spite of universally established villager committees in rural China, as well as the historical inheritances of indigenous means of conflict resolution in most rural communities, it is not necessarily the case that all conflict can be effectively resolved before incurring any major or significant negative impact on local social order. In some villages, villager committee and other judicial agencies cannot effectively fill in the vacuum left by dysfunctional indigenous means of conflict resolution and ensure the social order for local governance, because of the lack of authority and/or high transaction cost involved. Then community members have to count on themselves through private solutions. Sometimes, violence or death might be the only tool available to the strong or the weak to address the wrong that has been done to them (Chen 2005; Dong 2008). Then the social order could be disrupted and a stable and peaceful life might no longer be out of question, to say nothing of quality governance.

Disaster and Crisis Relief in Rural China

The multi-faceted welfare package in China has been referred to as *shuihui baozhang* (social security) which has three major and broad components: 1) *shehui baoxian* (social insurance) including protection arrangements for pensions and medical

treatment, 2) *shehui fuwu* (social services) referring to specialized support for the elderly, disabled and abandoned, and 3) *shehui jiuozhu* (social relief) involving assistance in cash and kind to the old and disabled, or those are in need of help due to unexpected disasters, crises, or emergencies. Unfortunately, as some China scholars incisively point out, the whole social welfare system in China has been quite restricted in rural communities, particularly compared with the subsidized services and insurance programs offered in its urban counterpart: except for some state subsidies for certain very poor categories of people, poor and remote communities, and people who are in need of help due to disasters and crises, there is limited systematically established schemes for social security and social services in rural China (Croll 1999; Hebel 2003; Wang 2004b; Zhang and Li 2000). Since the focus of this analysis is on the performance of different institutional solutions in various issue domains, I will focus on the third component of social welfare in China, which might be the most meaningful component for most rural residents: social relief.⁹

Similar to the situation in many local communities in other countries (e.g., Platteau 1994b; Platteau and Seki 2001), some indigenously developed institutions in

⁹ Chinese government has been making efforts to rebuild the social security system in rural China, including both medical insurance (New Cooperative Medical Scheme) and the insurance for guaranteeing the minimum living standard. Unfortunately, the empirical evidence on the effect of medical insurance is mixing (Wagstaff et al. 2007; Wang et al. 2005) and the insurance for guaranteeing the minimum living standard has limited coverage. A critical thing in rural China is that, after the abolition of agricultural tax and the initiation of subsidies for agricultural production, the insurance function of land for peasants has been further expanded, which can work as a substitute for the social security system to some extent in rural China.

rural China also offer social relief to their community members when the administrative capacity of the government could not effectively establish its presence in these communities. Granary systems were established in the Qing dynasty as an endeavor to alleviate the hardships confront peasants and help them make provisions against natural disasters (Xiao 1960, Chapter 5).¹⁰ Solidarity groups, particularly clan/lineage organizations and religious organizations, also contribute to disaster and crisis relief from their collective resources (Xiao 1960, Chapter 8; Qian 1994; Cohen 2005; Freedman 1958, 1966; Potter 1970; Liang 2004, Chapter 5). Another equally important indigenous means of disaster and crisis relief has been the voluntary contribution from fellow community members on an ad hoc basis, with either cashes/materials or in-kind labor. This locally observed custom of mutual help is a vivid reflection of the norms that have been repeatedly and explicitly emphasized in various village compacts (Niou 2005) and cultivated implicitly through the socialization and education for sustaining quality local governance: *shouwang xiangzhu, jibing xiang fuchi* (give mutual help and protection; and offer mutual assistance in case of sickness and crisis). A typical case of this community-based mutual help system for social relief happened while I visited a village in Shandong Province in the summer of 2006. Mr. Yao tried to make more money for his

¹⁰ The granary system was comprised of three related sets of granaries know respectively as: 1) *changping cang* (ever-normal granaries), 2) *yi cang* (charity granaries), and 3) *she cang* (community granaries). The first one was sponsored and managed by local governments as a sort of externally imposed institution. The last two were sponsored through voluntary contribution from community members and managed by themselves. For detail information on the operation and evolution of the granary system, please see (Xiao 1960, Chapter 5)

son's college tuition through a temporary job in a nearby brick yard for almost 12 hours a day. Unfortunately, he was struck one evening by a truck backing for loading bricks. Instead of making extra money for his son's forthcoming semester, Mr. Yao incurred a 4,000 RMB debt due to medical expenses. After knowing this accident and without any mobilization from villager cadres, most of his fellow villagers came to his house with eggs, pork, and cash to help him overcome the difficulty. All together, Mr. Yao got 5,275 RMB from around 250 households within the village, which might not be enough to cover everything but could significantly alleviate his burden for paying his son's tuition. Though Mr. Yao made a record for each amount of money from his fellow villagers and insisted that he would pay back after he recovered, rather than taking the money as donations, this in-time financial assistance (even just as an interest-free loan) from his fellow villagers did offer some great relief for Mr. Yao.¹¹

Before the economic reforms in the late 1970's, the state's involvement in the social welfare in rural communities was primarily and indirectly through the commune system, except for some residual relief work. By working collectively under the guidance of commune cadres, villagers' needs were taken care of from the allocation of various resources determined by brigade cadres. Stable membership in the communes guaranteed each community member's share in local resources even beyond active labor participation. However, the situation changed since the 1980's after the collapse of the

¹¹ Fieldwork in Shandong Province in the summer of 2006.

commune system and the institutionalization of independent economic activities based on the household responsibility system. Thereafter, villager committees, together with the agencies of civil affairs funded primarily by township governments and usually located at township seats, have borne the key responsibility in providing social relief to villagers in rural China. In addition to ensuring the in-time delivery of the allowances and compensation for specific groups of people,¹² and helping select qualified candidates for receiving money and resources as social relief from upper-level governments,¹³ villager committees might also use some of their collective incomes for such purposes when necessary. In the same village where I observed the experience of Mr. Yao in the summer of 2006, villager committee gave 500 RMB to Mr. Yao as a donation after knowing of his situation, and also helped his son file an application for possible reduction in tuition and education loans from the college.

When Hebel (2003) examines the “welfare pluralism” in rural China, four different types of institutions have been identified for comparison. In addition to the state and related agencies and intermediate organizations that have already been

¹² The elderly, the disabled or veterans with no ability to work, no income, and no family support are eligible for the “five guarantees” of clothing, shelter, medical care, and burial expenses. They are also eligible for subsidies for social services, and aids for establishing income-generating activities. This part of the money is guaranteed and comes directly from the fiscal transfers of upper-level governments.

¹³ To decide who should receive the social relief, in terms of money and resources, from upper-level governments, agencies of civil affairs have to count on villager cadres who are supposed to have more information about each individual case. Thus, villager committees are directly and heavily involved in the social relief from local governments and have the veto power in deciding the qualification of any possible beneficiaries in their communities.

addressed, kinship¹⁴ and market are the other two major institutions mentioned by Hebel. When it comes to social relief, except for some exceptional cases when villagers who can afford commercial insurance might get compensation from insurance companies, the support from families, relatives, and even friends plays a major role in times of disasters and crises. However, this means of social relief is primarily driven by private connections and obligations based on consanguinity. Moreover, given the limited number of people involved in such connections of intimacy, the capacity of these solutions in pooling resources for disaster and crisis relief is also constrained. After the enforcement and implementation of “one-child-policy” in rural China, the capacity of this private solution for disaster and crisis relief has been further constrained due to the less number of siblings one can have and the reduced size of families.¹⁵

Small Credits and Loans in Rural China

¹⁴ A key difference between Hebel and me lies in how to categorize clan/lineage organizations. For Hebel, clan/lineage organizations and relatives/families are similar in terms of providing assistance during disasters and crises. For me, they are essentially different. The working of clan/lineage organizations counts on effective social sanctions within communities; while the assistance from relatives/families is more based on internal sanctions due to consanguineous obligations. Communal structures matter for the former but less likely for the latter. That is why the assistance from relatives/families works in both urban and rural areas when social relief is asked for. But clan/lineage organizations only work effectively in rural areas for similar purposes. Thus, I have treated clan/lineage organizations like other solidarity groups as indigenous institutions for social relief. For me the assistance from relatives/families/friends is just some private solution for disaster and crisis relief.

¹⁵ This is part of the reason why “one-child-policy” has been quite difficult to implement and enforce in rural China, given the salient role of family-based private solutions in providing social welfare. This is less salient for social relief but more critical in the pension provision for the elderly. Inter-generational transfer has played a dominant role in providing support for the elderly. For more information on this, please see (Hebel 2003; Croll 1999; Lin 1995; Wong 1998)

Regardless of engaging in agricultural or non-agricultural production, villagers usually need some capital for investments, either for buying necessities such as fertilizers or seeds, or as a starting fund for small business. Most of the time they may count on personal savings, but they may also need some credits and loans when personal savings are not enough. If villagers cannot raise enough money through various channels, then local production activities are likely to be restricted.

According to the most recent estimation, only around 25% of the credits and loans in rural China are raised from banks and Rural Credit Cooperatives (RCCs); and more than 70% of the credits and loans in rural China are raised through other informal channels (He et al. 2005, 56). This finding is compatible with many scholars' observation on the role of indigenous means of capital raising in sustaining local economic activities, not only in rural China (Hu 2007; Tsai 2002a), but also in many local communities in other regions (Hayami and Kawagoe 2001; Besley and Levenson 1996; Besley et al. 1993, 1994). Among many informal channels of raising capital, such as usury, pawn-broking, and private money houses, rotating savings and credit associations (ROSCAs) have been a typical community-based indigenous means of getting small credits and loans in rural China for a long time (Smith 1899, Chapter 14; Yang 1961, Chapter 8; Tsai 2002a, Chapter 2; Wang 1935; Hu 2004). As Hu describes different forms of ROSCAs,

Financing-oriented ROSCAs take different forms. They include rotating savings and credit associations in terms of whose money is used by its members on a rotating basis ('rotating associations'); 'dice-shaking associations' that shake dice to decide the order of granting loans; 'bidding associations' that decide the order

of granting loans through bidding for the interest; and 'escalating associations' which are a mixture of large and small associations (2007, 103-104).

Basically, community members organize an association to pool their limited economic resources together and grant such accumulated loans to their association members following pre-determined rules. The loans that community members can get out of ROSCAs range from several thousands to even hundreds of thousands; and according to some detailed cases studies, few members default and bad debts rarely occur (Hu 2007, 104-117; He et al. 2005, Chapter 21).

In spite of its widely recognized deficiency in extending loans and credits to individual citizens in rural areas (He et al. 2005; Zhang 2003a; Li 2005a; Yan 2004; He and Hu 2000), the Chinese government has made extensive efforts in providing formal financial services in rural China, primarily through the Agricultural Development Bank of China (ADBC), the Agricultural Bank of China (ABC) and Rural Credit Cooperatives (RCCs). Nevertheless, ADBC is a policy-related bank and primarily engaged in loans for the procurement of agricultural products and infrastructure construction in rural areas, with little involvement in the small credits and loans for villagers. ABC has a few branches in townships and even fewer in villages and is primarily engaged in loans for poverty-relief, rather than production promotion. Moreover, some of these branches were withdrawn in the 1990's for operation cost concerns. Therefore, RCCs work as the major formal financial institutions in rural China in extending credits and loans to

villagers. By the end of 2002, around 90% of RCCs had extended small credits and loans to villagers.¹⁶

Due to the lack of a credit system in China, RCCs have to bear the risk of default if extending small credits and loans to villagers. To save the cost of information collection and minimize the risk of default, RCCs usually work together with villager committees in evaluating the applications from villagers for small credits and loans, given the latter's rich knowledge about each individual case.¹⁷ Moreover, villager committee's endorsement can save the provision of guaranty from villagers for small credits and loans, which is a big relief for many villagers. Once small credits and loans are granted, village cadres also are often entrusted with the obligation of dunning villagers to pay their loans in time.

Due to the risk involved in ROSCAs and the cost of applying for loans through RCCs, many villagers still prefer borrowing money from families, relatives and friends, which constitutes a majority of small credits and loans in rural China. Similar to the situation in the private solutions for disaster and crisis relief, these channels of capital-raising based on personal connections have limited capacity in pooling resources efficiently for local economic activities, particularly when the distribution of wealth in communities is highly unequal. Moreover, when most villagers are engaged in similar

¹⁶ For systematic reviews on the problems with RCCs in rural China working effectively in raising capital for peasants, please refer to (Ong 2009, 2006)

¹⁷ The similar procedure has been used by the agencies of civil affairs in delivering resources for social relief and social security in Chinese villages.

economic activities, their demand for small credits and loans are likely to be positively correlated, which further reduces the probability of getting enough loans in a timely manner if only asking families, relatives and friends for help.

5.2 Institutional choices in transformed rural communities

When it comes to other aspects of local governance, beyond the conventional focus on local public goods provision, we can still find the existence of different institutional solutions: indigenously developed means and externally imposed ones. Under some conditions, people may just rely on themselves to solve these problems, rather than resorting to any kind of institutional solutions. Then identifying the conditions under which community members are more attracted to a specific type of institutions for their problems should be of critical value for our understanding of the performance of different institutions in sustaining local governance. Moreover, people's preference over certain types of institutions in their daily lives also sheds some light on the micro foundation of the interaction between different institutions at the village level, which has been systematically examined in Chapter 3.

Similar to the arguments that have been repeatedly emphasized in previous chapters, the operation of indigenously developed institutions counts on the existence of effective social sanctions within local communities, which can help solve the problems of collective action and accountability. The efficacy associated with the seniors in resolving conflict and dispute, and maintaining social order does not come from official

endorsement or violence-based enforcement. The authority they derive out of locally cultivated custom and norms and effective social sanctions ensure the binding power of their arbitrations. Community-based mechanisms of social relief are also buttressed by reciprocal norms and the priority community members assign to long-term relationships. Those who dodge such obligations for no reasons might be distained by fellow villagers and are unlikely to get assistance when they need help. The efficacy of voluntary organizations like ROSCAs in raising capital for local economic activities also highly counts on effective social sanctions in deterring possible default and make such voluntary associations sustainable.

Nevertheless, when the close-knittedness of local communities is compromised and social sanctions are weakened due to increasing outward migration, such indigenously developed institutions may encounter difficulty in sustaining their performance. Then externally imposed institutions, primarily embodied through the performance of villager committees in Chinese rural communities, might become more attractive to villagers. Village cadres are directly involved in conflict resolution and dispute mediation for sustaining social order, which is one of their officially prescribed services. They are also heavily involved in the work of judicial agencies for some cases with serious consequences or high stakes involved. Without the assistance and work of villager committees, both the agencies of civil affairs and RCCs should incur insurmountable cost in identifying qualified candidates for delivering social relief

resources and extending small credits and loans respectively. Then the performance of these externally imposed institutions for social relief and small finance could have been significantly weakened, if not paralyzed.

To take advantage of these externally imposed institutions, community members need to get enough information on how these imposed institutions work and acquire necessary skills and knowledge in using them. Moreover, to ensure that externally imposed institutions work as expected in increasing the public interest and improving local governance, some minimum-level of coordination capacity among community members is also required, primarily for holding local leaders accountable and coordinate their own choices. Otherwise, village cadres' influence on the operation of judicial agencies, civil affair agencies, and RCCs might become a tool for their personal gains through bribes and even embezzlement.¹⁸ People's distrust in such village cadres is also unlikely to endow them with the authority in sustaining social order by resolving conflict and dispute. Thus, in rural communities where the coordination capacity among villagers has been significantly weakened due to a high level of outward migration, people are more likely to resort to private solutions for their problems. Neither

¹⁸ Village cadres' influence in deciding who can get social relief resources and endorsement in villagers' applications for small credits and loans from RCCs do offer them opportunities of taking bribes and even embezzling social relief resources. During my visit to a village in Hubei Province in the summer of 2006, I was told by several villagers that if anyone wanted to get loans from the RCC located at the township seat, he/she had to send village cadres gifts or money for endorsement. The stories of village cadres' favoring their families, relatives and friends in these processes were also heard during my fieldwork in this village.

indigenously developed institutions nor externally imposed ones can work effectively in an atomized social environment.

To evaluate Chinese villagers' institutional choices in different issue domains, all of which are critical for quality local governance, three questions have been asked for respondents' choices among listed institutions in a 2008 national mass survey in mainland China for its rural subpopulation: 1) "When there is conflict between you and your fellow villager(s), and you two cannot solve it through negotiation, who will you go to first for resolution?";¹⁹ 2) "If there is an economic crisis in your family due to some unexpected reasons, like sickness or disaster, who will you go to first for help?"; and 3) "When you need some capital for buying production necessities or starting a small business, who will you go to first for credits and loans?" Villagers' answers to these questions have been presented in Table 5.1.

¹⁹ There is some literature in legal studies on Chinese villagers' behavior in conflict resolution, particularly their inclination in climbing up the institutional hierarchy with increasing transaction cost for issues with different levels of stakes involved (Michelson 2008, 2007; Guo and Wang 2004). There is a major problem with this literature by assuming that all types of institutions for conflict resolution are available in most, if not all, Chinese villages, ranging from the mediation through the seniors or other authoritative figures, villager committees, to judicial agencies at the township seat, or even higher-level judicial agencies. The reality is that in many villages, neither the seniors/other authoritative figures nor villager committees have the capacity in resolving conflict. For me, the critical thing is to identify the first choice for villagers and examine whether some institutions with low transaction cost for conflict resolution work in Chinese villages. If they do work, they are more likely to be villagers' first choice, particularly for the conflict with their fellow villagers. Whether they will climb up the institutional hierarchy is not the concern for this work.

Table 5.1: Institutional Choices in Various Issue Domains

Conflict Resolution		
	Clan/Lineage council	1.02%
	Other upright and fair villagers with recognized authority	6.56%
	Villagers' council	4.00%
	Village cadres	65.33%
	Judicial agencies at township seat	8.18%
	Gang members	0.10%
	On my own	5.90%
	DK	8.92%
Disaster and Crisis Relief		
	Clan/Lineage council	0.50%
	Neighbors	2.47%
	Villagers' council	1.57%
	Village cadres	19.60%
	Agencies of civil affairs at township seat	6.14%
	Families, relatives and friends	63.33%
	DK	6.40%
Small Credits and Loans		
	Organizations like ROSCAs within village	0.38%
	Neighbors	3.19%
	RCCs	16.86%
	Families, relatives and friends	71.94%
	DK	7.61%

Source: 2008 Mainland China National Survey Rural Subpopulation (N=4205)

Among 4,205 interviewed villagers, around 70% say that they go to village cadres or villagers' council for help if they cannot resolve the conflict between them and fellow villagers through negotiation. Around 7.5% of our respondents still prefer some indigenous means, such as clan/lineage councils, and the mediation from other upright

and fair villagers with recognized authority.²⁰ Around 8% of villagers choose going to judicial agencies at the township seat. It is interesting to see that there are still around 6% of villagers resorting to private solutions either on their own, including fighting, or by asking for help from gang members they know. Externally imposed institutions seem to have been well accepted by Chinese villagers in dealing with daily conflict and dispute.

The picture changes dramatically when villagers look for disaster and crisis relief and try to get small credits and loans. When villagers need help due to disasters and crises, around 63% of them still go to their families, relatives, and friends for assistance. Around 27% of our respondents may contact village cadres, villagers' council, or the agencies of civil affairs at the township seat for help. Only around 3% of interviewed villagers may ask neighbors or clan/lineage council for assistance if struck by disasters or crises. Private solutions also dominate villagers' choices when they try to raise some capital for production activities: around 72% of our respondents say they would first ask families, relatives, and friends for small credits and loans when necessary. Around 17% of interviewed villagers prefer RCCs as their first choice in asking for small credits and

²⁰ The reason that only a few respondents chose clan/lineage councils for conflict resolution and disaster/crisis relief is compatible with my previous findings in Chapter 3: only a small percentage of Chinese villages have active clan/lineage organizations. This is a national sample covering both urban and rural China. Given the probability sampling, it is understandable that only a few villagers with access to active clan/lineage organizations were interviewed. This further confirms that argument that relying on clan/lineage organizations alone cannot widely improve the quality of local governance in rural China.

loans. And only around 4% may try to raise capital through community-based mechanisms: borrowing from neighbors or participating in organizations like ROSCAs.

These differences in villagers' choices of externally imposed institutions in various issue domains are understandable when transaction costs are taken into consideration. For either disaster/crisis relief or small credits and loans, working with externally imposed institutions needs extra time and even other resources, i.e., various documents and proofs. Regarding conflict resolution, villagers' access to externally imposed institutions is much easier and with significantly lower cost. It is the relatively higher transaction cost that has hindered the adoption of externally imposed institutions when villagers need help due to disasters or crises, or try to raise capital for production activities.

If Chinese villagers do choose different institutions for their daily problems in various issue domains, are their choices related to communal structures as theoretically expected? To systematically examine Chinese villagers' institutional choices in resolving conflict, alleviating unexpected and negative impacts of disasters and crises, and raising small credits and loans for production activities, we need information for both community members themselves, i.e., demographic features, economic status, media exposure, and so on, and communal structural features, like outward migration, clan structures, and other ecological features. Adopting the same strategy for empirical analysis in Chapter 4, we integrate individual-level information, collected through mass

surveys, and village-level information, collected through village-surveys, for multiple regression analysis. The operationalization of variables capturing village-level information is the same as that in Chapter 3 for the analysis on decentralized public goods provision in Chinese villages; and the operationalization of variables capturing individual-level information is the same as that in Chapter 4 for the analysis on transformed environment in rural communities.

Theoretically, as the level of outward migration increases, externally imposed institutions are more attractive than indigenously developed institutions. However, as outward migration grows to an even higher level, externally imposed institutions may no longer work due to the lack of a minimum level of cooperation among community members. A key difference between the first and the second statements lies in the benchmark for comparison. The first statement takes indigenously developed institutions as the benchmark for comparison and suggests a positive linear relationship between the probabilities of choosing externally imposed institutions over indigenously developed ones among villagers and the level of outward migration. However, the second one simply lumps indigenous institutional means and private solutions together as the benchmark for comparison, and suggests a curvilinear relationship between the probabilities of choosing externally imposed institutions among villagers and the level of outward migration increases. Given this difference, I will use multinomial models,

taking indigenously developed institutions as the base category,²¹ to test the first statement. Then logit models will be used to test the second statement.²²

²¹ The coding schemes of different types of institutions are simple. For conflict resolution, “clan/lineage council” and “other upright and fair villagers with recognized authority” are coded as IDIs. For disaster and crisis relief, “clan/lineage council” and “neighbors” are coded as IDIs. For small credits and loans, “organizations like ROSCAs” and “neighbors” are coded as IDIs. “Villagers council”, “village cadres”, “judicial agencies at the township seat”, “agencies of civil affairs at the township seat”, and “RCCs” are coded as EIs for respective issue domains. The remaining choices are coded as private solutions.

²² Due to the same concerns explained in Chapter 4, I do not use hierarchical models here for regression analysis: the within village sample size, on average 11 respondents per village, is not large enough and varies significantly across villages, ranging from 2 to 30, for reliable estimation at the second level.

Table 5.2: Multinomial Regression on Institutional Choices in Various Issue Domains

Individual Features	Conflict Resolution		Disaster and Crisis Relief		Small Credits and Loans	
	EIIs	Private Solution	EIIs	Private Solution	EIIs	Private Solution
Age	0.000 (0.005)	-0.008 (0.007)	-0.026 (0.017)	-0.041 (0.016)**	-0.003 (0.008)	-0.013 (0.008)
Education	-0.081 (0.047)*	-0.183 (0.071)***	-0.151 (0.153)	-0.090 (0.149)	0.226 (0.089)**	0.167 (0.086)*
Male	0.225 (0.126)*	0.493 (0.179)***	1.050 (0.484)**	0.772 (0.486)	0.223 (0.191)	-0.147 (0.174)
Media Exposure	0.313 (0.047)***	0.326 (0.073)***	0.327 (0.210)	0.290 (0.211)	0.046 (0.073)	-0.028 (0.065)
Migration Experience	0.410 (0.208)**	0.566 (0.271)**	-1.051 (0.683)	-0.814 (0.681)	0.426 (0.317)	0.261 (0.305)
CCP Affiliation	-0.345 (0.201)*	0.004 (0.297)	-0.680 (0.621)	-0.688 (0.618)	0.560 (0.396)	0.462 (0.390)
Economic Situation	0.109 (0.091)	-0.123 (0.121)	-0.349 (0.323)	-0.335 (0.316)	0.062 (0.130)	0.087 (0.127)
Community Features						
Size of Population Staying in Village	-0.359 (0.112)***	-0.492 (0.163)***	-0.680 (0.455)	-0.508 (0.456)	0.145 (0.141)	0.458 (0.141)***
Village Level Migration	1.732 (0.701)**	-0.376 (1.121)	15.41 (3.941)***	14.09 (43.939)***	2.109 (0.964)**	0.447 (0.966)
Annual Income Per Capita	0.356 (0.092)***	0.311 (0.130)**	0.007 (0.310)	-0.050 (0.456)	0.216 (0.114)*	0.150 (0.109)
Village Collective Income	-0.005 (0.015)	0.029 (0.025)	-0.026 (0.057)	0.032 (0.056)	0.014 (0.022)	0.034 (0.022)
Distance to the Township Seat	0.085 (0.097)	0.222 (0.132)*	0.157 (0.360)	0.188 (0.358)	0.399 (0.155)***	0.159 (0.146)
Clustered Housing	0.261 (0.096)***	-0.052 (0.130)	1.216 (0.424)***	1.213 (0.421)***	-0.072 (0.165)	-0.363 (0.158)**
A Dominant Clan	-0.360 (0.194)*	0.007 (0.263)	-0.842 (0.739)	-0.258 (0.735)	0.072 (0.362)	0.565 (0.357)
Competing Clans	-0.286 (0.178)*	-0.247 (0.261)	0.351 (0.795)	0.594 (0.784)	-0.469 (0.280)*	0.211 (0.241)
Constant	0.451 (0.975)	0.230 (1.429)	6.473 (3.602)*	6.790 (3.599)*	-2.702 (1.547)*	-1.118 (1.533)

Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Notes:

Base-category is the choice over indigenously developed institutions (IDIs)

Coefficients are averaged results over the estimation of five imputed data sets

Averaged robust standard errors in parentheses

* p < 0.1 ** p < 0.05 *** p < 0.01

Table 5.2 gives the results of multinomial regression for villagers' institutional choices in three different issue domains: conflict resolution, disaster and crisis relief, and small credits and loans.¹³⁷ For all three regression analysis, the base category is villagers' choices of indigenously developed institutions for each issue domain. It is important to keep in mind that regression coefficients in Table 5.2 give the impact of each variable on the probability that villagers might choose externally imposed institutions or private solutions over indigenously developed ones. It is clear from the table that the only persistent impact across all three issue domains is from the outward migration at the village level: it has positive and significant impact on villagers' choices of externally imposed institutions over indigenously developed ones in all three issue domains. Basically, as outward migration increases, externally imposed institutions are relatively more attractive, compared to indigenously developed institutions.¹³⁸

In addition to this comparison between externally imposed institutions and indigenously developed ones, villagers' choices of the former are also affected by their evaluation of private solutions in different issue domains. As the forth column of Table 5.2 shows, as outward migration increases, private solutions also become more attractive than indigenously developed institutions for disaster/crisis relief. Then I dichotomize

¹³⁷ Due to various reasons, some respondents do not have corresponding village-level information. And some villages do not have individual-level information. After matching individual-level and village-level information, we have 4127 respondents from 350 villages for statistical analysis.

¹³⁸ To examine the possibility of curvilinear impact from village level outward migration, I have also added the quadratic terms of outward migration. The quadratic terms are not statistically significant and do not change the pattern shown in Table 5.2.

dependent variables and run a series of logit models to examine villagers' choices of externally imposed institutions over any other options, both indigenously developed ones and private solutions. The results of these logit models are presented in Table 5.3.¹³⁹

¹³⁹ I have also created a series of binary variables for indigenously variables and run similar regression analysis. A significant and negative linear relationship has been found between the level of outward migration at the village level and villagers' choices over indigenously developed institutions. As outward migration increases, the villagers are less inclined to choose indigenously developed institutions for revolving their problems. Results have been attached to the appendix for reference.

Table 5.3: Logit Regressions on the Choices of Externally Imposed Institutions in Various Issue Domains

	Conflict Resolution	Disaster and Crisis Relief	Small Credits and Loans
Individual Features			
Age	0.003 (0.004)	0.015 (0.003)***	0.009 (0.003)***
Education	-0.002 (0.037)	-0.063 (0.030)**	0.065 (0.032)**
Male	0.012 (0.097)	0.282 (0.078)***	0.364 (0.088)***
Media Exposure	0.168 (0.038)***	0.040 (0.029)	0.076 (0.034)**
Migration Experience	0.075 (0.154)	-0.298 (0.112)***	0.135 (0.124)
CCP Affiliation	-0.351 (0.149)**	0.005 (0.132)	0.115 (0.147)
Economic Situation	0.180 (0.067)***	-0.006 (0.059)	-0.012 (0.060)
Community Features			
Size of Population Staying in Village	-0.163 (0.086)*	-0.224 (0.059)***	-0.323 (0.077)***
Village Level Migration	6.049 (1.093)***	6.126 (1.015)***	4.851 (1.077)***
Village Level Migration Squared	-11.70 (2.696)***	-13.13 (2.760)***	-8.419 (2.705)***
Annual Income Per Capita	0.230 (0.070)***	0.078 (0.051)	0.089 (0.062)
Village Collective Income	-0.016 (0.013)	-0.060 (0.009)***	-0.019 (0.011)*
Distance to the Township Seat	0.005 (0.072)	-0.021 (0.060)	0.254 (0.065)***
Clustered Housing	0.301 (0.074)***	0.037 (0.058)	0.290 (0.067)***
A Dominant Clan	-0.397 (0.146)***	-0.653 (0.135)***	-0.515 (0.154)***
Competing Clans	-0.151 (0.138)	-0.210 (0.114)*	-0.650 (0.156)***
Constant	-0.565 (0.766)	-0.374 (0.591)	-1.913 (0.784)**

Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Notes:

Coefficients are averaged results over the estimation of five imputed data sets

Averaged robust standard errors in parentheses

* p < 0.1 ** p < 0.05 *** p < 0.01

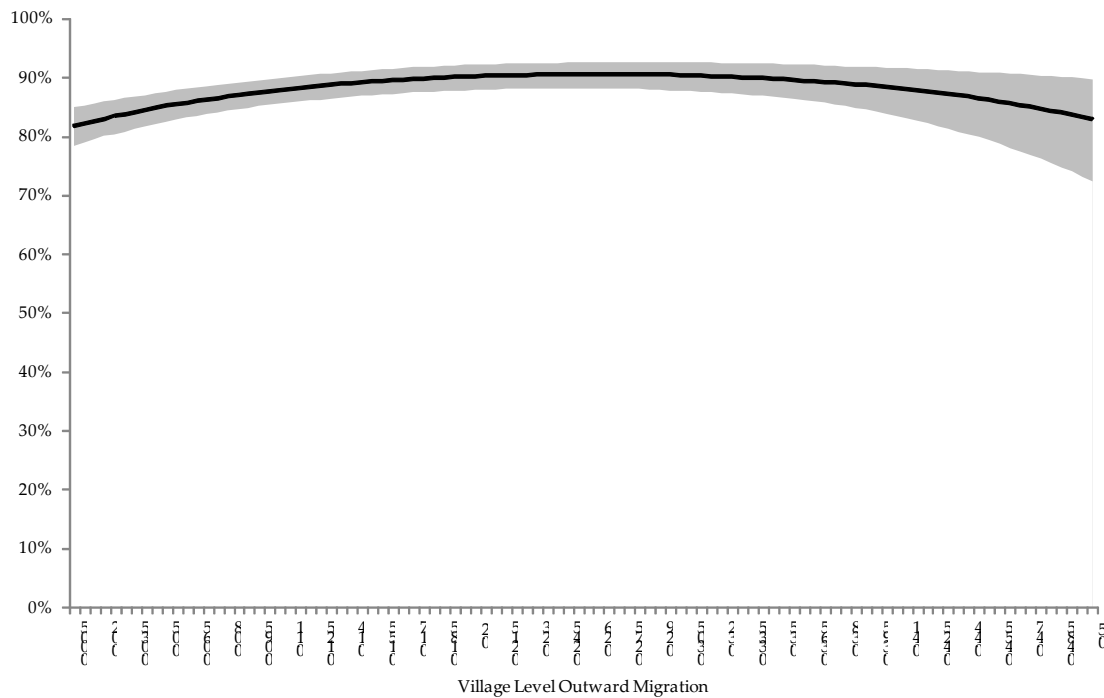
The specification of statistical models in Table 5.3 is similar to that in Table 5.2, except for the additional quadratic terms of outward migration at the village level. Again, village-level outward migration has shown persistent and significant impact over villagers' institutional choice: since both outward migration and its quadratic terms are significant, villagers in communities with a medium level of migration, *ceteris paribus*, are more likely to resort to externally imposed institutions for conflict resolution, disaster and crisis relief, and raising small credits and loans. As outward migration increases, externally imposed institutions become attractive. However, when rural communities are paralyzed due to a very high level of outward migration, even externally imposed institutions may not work effectively.

In addition to outward migration, the size of population staying in villages and the existence of a dominant clan also have persistent and significant impacts over villagers' propensity in choosing externally imposed institutions for solving their problems. A larger population size seems to generate more difficulty for the adoption of externally imposed institutions in villagers' daily lives, which is compatible with the conventional wisdom on the negative impact of group size on coordination and transaction (e.g., Olson 1971; Platteau 2000). The existence of a dominant clan seems to discourage the adoption of externally imposed institutions among villagers for various problems. Compatible with the conclusions of previous studies on the role of clan/lineage organizations in rural China for various issues (e.g., Tsai 2002b, 2007a,

2007b; Qian 1994), the existence of a dominant clan might offer an alternative solution to externally imposed ones with relatively lower transaction cost involved.

By setting other variables at their respective means and medians, I have run simulations¹⁴⁰ to demonstrate the change in an average villager's propensity in choosing externally imposed institutions for conflict resolution, disaster and crisis relief, and small credits and loans as the village level migration increases from 0.5% to 50%. The predicted probabilities and associated 95% confidence intervals have been illustrated in the following figures.

¹⁴⁰ Simulations are generated through the package of CLARIFY with five imputed data sets. For detailed information on CLARIFY and the method of simulation, please refer to (King et al. 2000) and Gary King's website at: <http://gking.harvard.edu/stats.shtml>

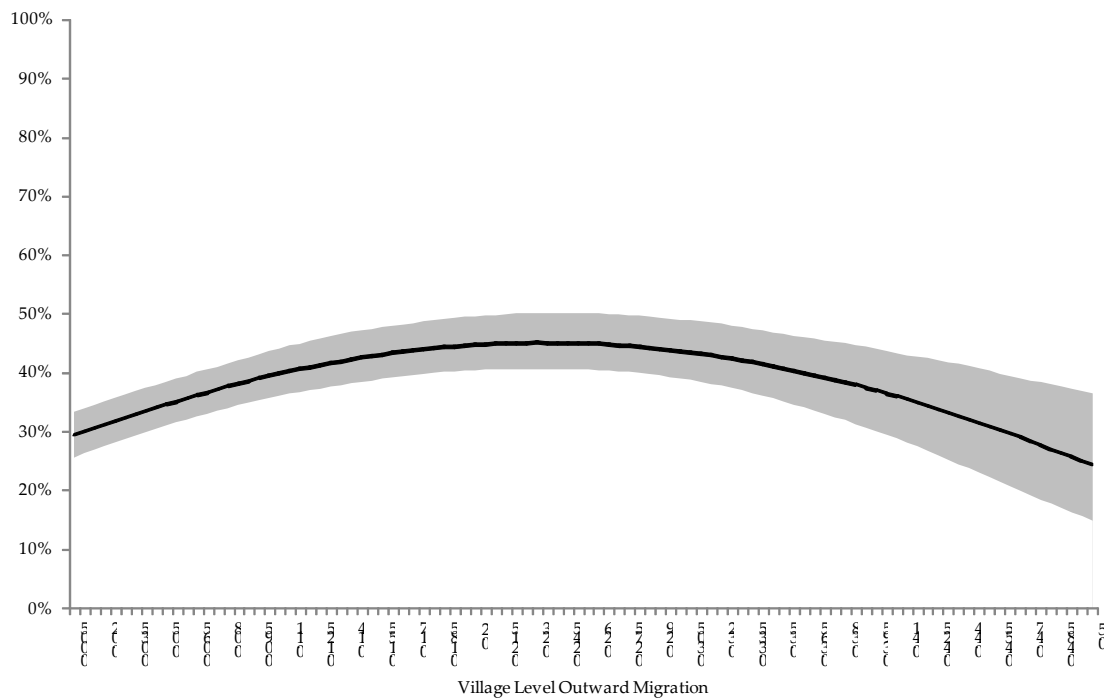


Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Figure 5.1: Predicted Probabilities of Choosing Externally Imposed Institutions for Conflict Resolution

Externally imposed institutions, as Figure 5.1 shows, have been widely accepted by villagers for resolving conflict in their daily lives. Even in an average village with a relatively lower level of migration, i.e., 0.5%, an average villager is very likely to have village cadres involved for conflict resolution, with the probability standing at around 82%. As outward migration increase, this propensity grows as well. It achieves its highest value at 90% when the village level migration is around 20%. However, further increase in outward migration reverses the trend of growth and reduces an average villager’s propensity in choosing externally imposed institutions. When the village-level

outward migration grows to 50%, the propensity of asking for village cadres' help in resolving conflicts is still high but drops to around 83%.

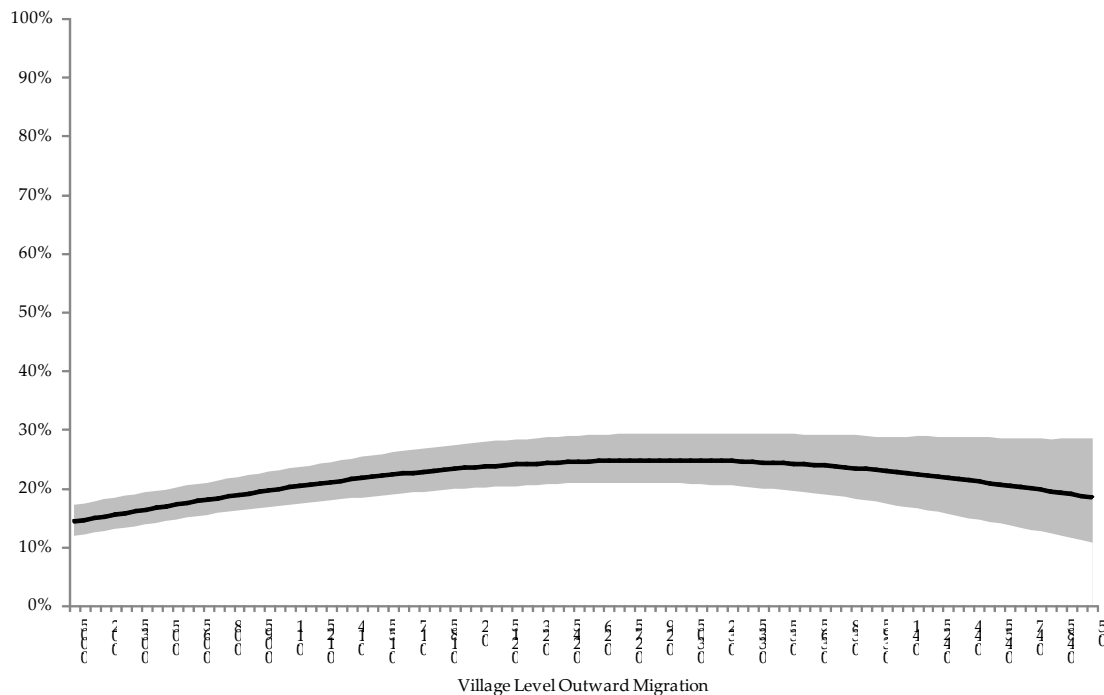


Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Figure 5.2: Predicted Probabilities of Choosing Externally Imposed Institutions for Disaster/Crisis Relief

Though villagers are more likely to take private solutions when it comes to asking for help in face of disasters and crises, as shown in Table 5.1, they are also likely to resort to villager committees and agencies of civil affairs when these externally imposed institutions are more attractive than indigenous means, and they can still afford the cost of coordination and transaction. As shown in Figure 5.2, in an average village with a low level of outward migration (0.5%), the propensity for an average villager to ask village cadres and agencies of civil affairs for help in alleviating disasters and crises

is just around 30%. When outward migration increases to around 23%, this propensity also grows and achieves its highest value at 45.4%. This 15% change in absolute sense, which indicates a 50% change in relative sense, is not only statistically significant but also substantively dramatic. Afterwards, an average villager's preference over externally imposed institutions drops as outward migration further increases. When almost a half of community members leave and work in cities and provinces far away, the propensity that an average villager asks villager committee for help in case of disasters and crises drops down to around 24%.



Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Figure 5.3: Predicted Probabilities of Choosing Externally Imposed Institutions for Small Credits and Loans

RCCs are definitely not the first choice for most villagers when they try to get small credits and loans for production activities, as illustrated in Table 5.1. In an average close-knit village, where the level of outward migration is as low as 0.5%, the propensity of an average villager applying for small credits and loans from a RCC is slightly less than 15% (14.5%). Under this condition, villagers either ask families, relatives, or friends for help, or organize ROSCAs for capital-raising. RCCs are not very attractive. As outward migration increase, indigenous means like ROSCAs are no longer effective in raising small credits and loans due to the transformed communal structures, RCCs then become relatively more attractive. An average villager's propensity of going to an RCC for small credits and loans increases to its maximum value at 24.7% when the level of outward migration reaches around 30%. Further growth in outward migration makes it difficult for villagers to get enough benefits out of working with RCCs to compensate the transaction cost. Private solutions then prevail and RCCs become less attractive. When the level of outward migration reaches 50%, an average villager's propensity of applying for small credits and loans from a RCC drops back to around 18%.

Regardless of whether externally imposed institutions play a dominant role, e.g., in conflict resolution, or a minor role, e.g., in disaster/crisis relief and small credits/loans, community members, on average, are more attracted to them when their communities move away from the close-knit type and closer to the half-open type. As outward migration increases from a low level to a medium level, externally imposed institutions

become more attractive than indigenous ones developed over years for similar purposes. However, when increasing outward migration further erodes the coordination capacity among community members and atomizes these communities, even externally imposed institutions become less attractive and villagers are less likely to resort to them for solving various problems. In these atomized communities, personal connections become the key resource in addressing various issues and community members have to count on themselves most of the time. Local governance then becomes *wugen zhimu, wuyuan zhishui* (a tree without root or a river without riverhead).

5.3 Accountability again

A key issue for local governance, particularly the operation of externally imposed institutions in rural communities, is how to hold local leaders accountable to the public interest. This is not only critical for the provision of public goods in rural China in the decentralized manner, in which collective incomes or resources collected from community members are at the discretion of village cadres, but also salient for issues like disaster/crisis relief and small credits/loans, in which village cadres' evaluation and endorsement have significant impact on how and where related materials and credits will be delivered. If village cadres are only interested in their self-interest and can abuse their power at their pleasure, they can easily channel these resources and credits to their families, relatives, and friends, or those who offer bribes. It is understandable that once average villagers observe such inside transactions, their

confidence in the efficacy of externally imposed institutions in solving their problems is likely to drop accordingly, and they are more likely to count on indigenous means or private solutions for help.

Grassroots democracy has been introduced into rural China for more than two decades. Nevertheless, the evidence on how efficacious village elections and other associated institutions are in holding village cadres accountable is mixing. Some scholars have found positive evidence on the efficacy of village elections in increasing local expenditures on public goods (Wang and Yao 2007; Luo et al. 2007; Zhang et al. 2004; Hiroshi 2008), reducing income inequality among villagers and benefiting the poor (Yao and Gao 2006; Yao and Shen 2006), increasing the convergence between villagers and village cadres in terms of policy preferences and even the former's trust in the latter (Manion 1996, 2006). But other scholars find little evidence for the effective operation of grassroots democracy in holding village cadres accountable to the public interest (Tsai 2007a, 2007b). A problem with these studies is that they all count on indirect evidence to infer whether grassroots democracy in rural China can hold village cadres accountable: if there is a positive and significant association between competitive and transparent village elections and other dependent variables like public goods provision, local expenditure on public projects, reduced income inequality among villagers, etc., they then infer that accountability has been created and well-maintained through grassroots democracy in rural communities. Otherwise, grassroots democracy fails in creating and

sustaining the accountability mechanism. Few have presented direct evidence on how villagers evaluate different means in holding village cadres accountable.

Rather than working with villagers' participation in village elections or campaigning activities like other students of Chinese rural politics have done (Shi 1999c; Chen and Zhong 2002; Lu and Shi 2008),¹⁴¹ this section draws on survey questions specifically asking for villagers' perceptions and evaluations of the efficacy of village elections and different means in regulating and supervising village cadres' behavior. In the mass questionnaire, two questions were raised for rural respondents' answers: 1) "Do you think village elections can select the right leader for better governance in your village?"; and 2) "Which of the following means and institutions do you think is the most effective in regulating and supervising village cadres' behavior?" The frequencies of villagers' answers to both questions have been presented in Table 5.4.

¹⁴¹ Previous studies on villagers' participation in village elections have failed to take into account various means used by villager committees, various candidates, and even upper-level governments in increasing villagers' turnout, like paying each 5 RMB for attending the meeting or using roving ballot boxes for collecting votes from those who do not want to make the effort to cast their ballot in a pre-specified location. Therefore, villagers' participation in local elections may not be an appropriate indicator of their perceptions and evaluations of the democratic accountability mechanism.

Table 5.4: Efficacy of Village Elections and Various Supervision Mechanisms

Do you think village elections can select the right leader for better governance in your village?		
	Yes, for sure	27.63%
	Most of the time	31.49%
	Occasional	15.55%
	Impossible	9.20%
	DK	16.12%
<hr/>		
Most Effective Means of Supervision		
	Clan/Lineage council	0.55%
	Gossip and public opinion	3.23%
	Villagers' council	19.67%
	Village election	27.49%
	Appealing to county or higher-level governments	11.22%
	Fighting	0.12%
	Other people with connections	0.36%
	DK	37.36%

Source: 2008 Mainland China National Survey Rural Subpopulation (N=4205)

Among 4,205 interviewed villagers, around 59% have chosen “Yes, for sure” or “Most of the time” when asked for their evaluations of the efficacy of villages elections in choosing the right leader for better governance in their communities. Even if the “DK” category is treated as a non-positive answer, there are still more than a simple majority of interviewed villagers endorsing the efficacious performance of village elections in choosing local leaders with publicly recognized quality in improving local governance. Villagers’ answers to the second questions further confirm this finding. When confronted with different means and institutions, around 47% of rural respondents believe that either “villagers’ council” or “village elections”, both of which

are critical components of grassroots democracy in rural China, are most effective in regulating and supervising village cadres' behavior. Indigenous means, like clan/lineage council or gossip/public opinion, gets the endorsement from around 4% of interviewed villagers as the most effective way to regulate and supervise village cadres' behavior. The rest may count on violence or personal connections, or appeal to county or even higher-level governments for help.¹⁴²

Before moving onto more sophisticated statistical analyses, it is critical to understand the "DK" category in villagers' responses to the second question on the most effective means of regulating and supervising village cadres, which accounts for more than 37% of all answers. "DK" could be the result of respondents' difficulty in retrieving relevant clues and information in forming an answer, like the situation in many other survey item non-responses (Tourangeau et al. 2000). Then we can proceed and deal with the "DK" category like ordinary item non-responses in subsequent statistical analysis (Rubin 1987). However, "DK", in this situation, can also be interpreted as villagers' apathy toward grassroots democracy in rural China: they think there is no way that they can effectively regulate and supervise village cadres' behavior, which is not something

¹⁴² I do not treat "appealing to county or higher-level governments" as an externally imposed institutional solution for holding village cadres accountable for two reasons: 1) asking for help from local leaders' supervisors has been used by Chinese for a very long time for addressing their grievances and correcting the wrong that has been done to them by local leaders; and 2) different from the operation of the agencies of civil affairs and RCCs, villager committees are not involved in the operation of this mechanism. Thus, I treat it as a private solution which any villager can take by himself/herself, or together with other villagers. For more information on villagers' appealing to upper-level governments and different channels involved, please refer to (Michelson 2007; Li and O'Brien 2008; O'Brien and Li 2006; O'Brien and Li 2005)

rare in rural China. Then “DK” is a meaningful answer and could be categorized as a special type of private solution backed up by a cynical attitude toward the operation of grassroots democracy in rural communities. To adjudicate between these two possibilities, I calculate the mean value of respondents’ trust in villager committees¹⁴³ for respondents giving different answers to this question, with “DK” coded as an independent group.¹⁴⁴ The results have been shown in Table 5.5.

Table 5.5: Trust in Villager committees for Different Groups

	Obs.	Mean	Standard Deviation
IDIs	155	4.477	0.983
EIIs	1934	4.565	0.880
Private Solutions	471	4.291	1.104
Missing	1387	4.458	1.040

Source: 2008 Mainland China National Survey Rural

Subpopulation (N=4205)

The number of observations does not add up to 4205 due to missings in respondents' trust in villager committees

If “DK” does indicate villagers’ apathy toward grassroots democracy, then the mean value of trust in villager committees for those giving “DK” as their answers should be low and close to those opt for private solutions as the most effective in regulating and supervising village cadres’ behavior. As displayed in Table 5.5, the mean

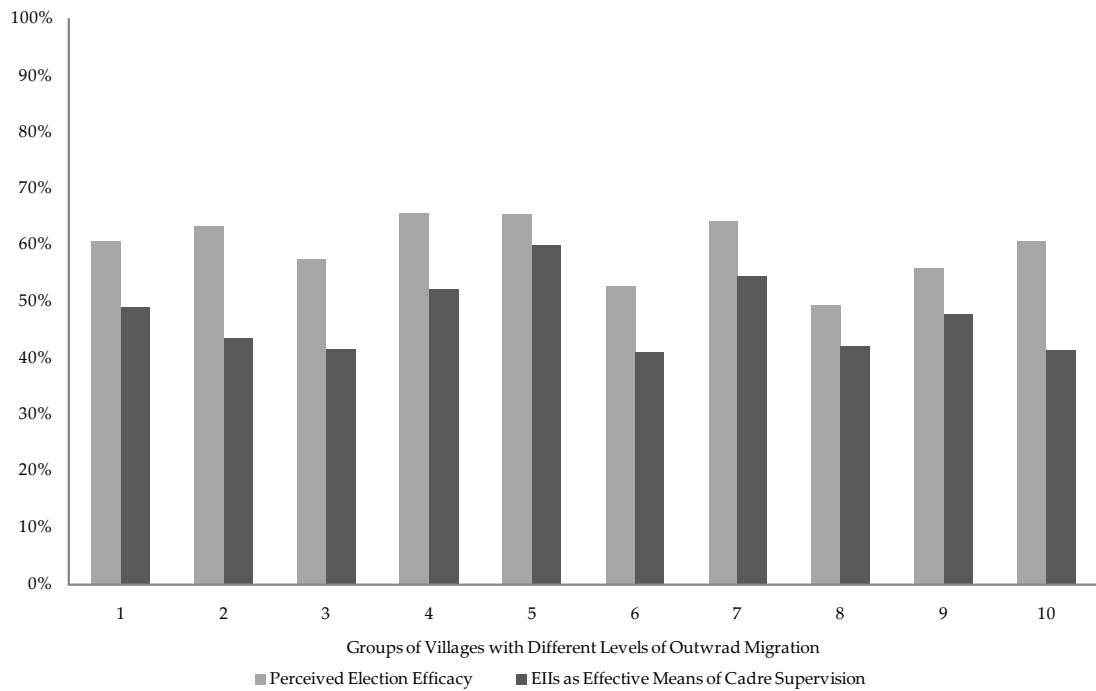
¹⁴³ Rural respondents were asked to give their trust in villager committee in a 6-point scale, with 1 indicating “no trust at all” and 6 indicating “a great deal of trust”.

¹⁴⁴ The coding of different choices is simple: “Clan/lineage council” and “Gossip and public opinion” are coded as indigenous means; “Villagers council” and “Village election” are coded as externally imposed institutional solutions; and “Appealing to county or higher-level governments”, “Fighting”, and “Other people with connections” are coded as private solutions.

value of respondents' trust in villager committees for the "DK" group is 4.458, higher than that for the groups of villagers preferring private solutions, 4.291. The difference between the mean values of these two groups is statistically significant ($t=2.88$, and $p\text{-value}=0.003$). Moreover, the mean value of the "DK" group, as expected, is less than that of the group believing in the efficacy of grassroots democracy in regulating and supervising village cadres' behavior ($t=3.125$ and $p\text{-value}=0.000$). This mean value is the same as that of the group believing indigenous means are the most effective in this regard ($t=0.234$ and $p\text{-value}=0.815$). It is safe to argue that "DK" is not the only result of villagers' apathy toward grassroots democracy in rural China, but might be the consequence of a complicated psychological process involved for various reasons. Thus, in subsequent analysis, "DK" will be handled with the conventional technique of dealing with missing values for survey item non-responses.

Theoretically, villagers' perceptions and valuations of externally imposed institutions in holding village cadres accountable to the public interest should follow the same logic presented in previous sections on community members' institutional choices in issue domains like conflict resolution, disaster/crisis relief, and small credits/loans. As outward migration in a village increases from a low level, externally imposed institutions for accountability becomes more attractive due to the weakened capacity of indigenous means in regulating and supervising village cadres' behavior. However, if the level of outward migration further increases to a higher level, atomized and

paralyzed communities cannot offer a minimally favorable social environment for the performance of externally imposed institutions either, which, in turn, may lead to the dominance of private solutions in rural communities. For a simplified eye-ball test, villages have been divided into ten groups each representing a tenth quantile of the distribution of outward migration at the village level. Then the percentage of respondents within each group choosing “Yes, for sure” and “Most of the time” for the question asking for villagers’ perceptions of the efficacy of village election in selecting qualified leader for better local governance, and that of those believing that externally imposed institutions are the most effective means for regulating and supervising villager cadres’ behavior have been presented in Figure 5.4.



Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Figure 5.4: Perceptions of the Efficacy of Grassroots Democracy in Selecting Qualified Cadres and Supervising Village Cadres

As illustrated in Figure 5.4, villagers in communities with a medium level of outward migration, i.e., group 4 to group 7, on average, are more likely to have higher confidence in grassroots democracy’s efficacy in both 1) selecting qualified leaders for better governance and 2) regulating and supervising village cadres’ behavior. This simple bivariate examination seems to support our theoretical conjecture on the curvilinear relationship between outward migration and community members’ confidence in the efficacy of externally imposed institutions in holding local leaders accountable to the public interest.

Similar to the strategy adopted for examining villagers' institutional choices in resolving conflict, alleviating disasters/crises, and raising small credits/loans, logit models are used to explore the conditions under which externally imposed institutions are more likely to be perceived by average villagers as the most effective means of holding village cadres accountable to the public interest. In addition to all individual features and village characteristics used in previous statistical analyses for villagers' institutional choices, another three variables capturing individual socio-psychological features have been included as controls: political interest,¹⁴⁵ internal political efficacy,¹⁴⁶ and dissatisfaction with the operation of democracy in China,¹⁴⁷ given the political nature of the accountability issue. The results of multiple regression analysis have been presented in Table 5.6.

¹⁴⁵ Respondents were asked: "How often do you talk about politics and national affairs with your families or friends?" Response categories are: "Often", "Occasional", and "Never". It is used as an ordinal variable with a larger value indicating more interest in politics.

¹⁴⁶ Respondents were asked to say if they "Completely Agree", "Agree", "Disagree", or "Completely Disagree" with following statement: "I think I understand well the major political problems our country faces". It is used as an ordinal variable with a larger value indicating higher level of internal political efficacy.

¹⁴⁷ Respondents were asked: "How satisfied are you with the performance of democracy in our country?" Response categories are: "Very satisfied", "Satisfied", "Dissatisfied", and "Very dissatisfied". It is used as an ordinal variable with a larger value indicating a higher level of dissatisfaction with the performance of democracy in China.

Table 5.6: Logit Regressions on Villagers' Perceptions of the Efficacy of Grassroots Democracy

Individual Features	Perceived Election Efficacy	EIIs as Effective Means of Supervision
Age	0.003 (0.003)	-0.001 (0.005)
Education	-0.094 (0.031)***	0.055 (0.033)*
Male	0.072 (0.081)	-0.058 (0.117)
Media Exposure	-0.033 (0.030)	0.015 (0.031)
Migration Experience	-0.249 (0.108)**	-0.300 (0.140)**
CCP Affiliation	0.049 (0.128)	0.296 (0.161)*
Economic Situation	0.299 (0.086)***	0.044 (0.072)
Political Interest	0.034 (0.072)	-0.098 (0.086)
Internal Political Efficacy	0.142 (0.074)*	0.079 (0.081)
Dissatisfaction with Democracy	-0.500 (0.086)***	-0.436 (0.100)***
Community Features		
Size of Population Staying in Village	-0.044 (0.064)	-0.155 (0.072)**
Village Level Migration	1.528 (1.003)*	3.086 (1.332)**
Village Level Migration Squared	-4.246 (2.556)*	-10.67 (3.602)***
Annual Income Per Capita	0.061 (0.056)	0.072 (0.060)
Village Collective Income	-0.021 (0.011)**	-0.012 (0.011)
Distance to the Township Seat	-0.020 (0.060)	-0.027 (0.070)
Clustered Housing	-0.039 (0.065)	0.029 (0.083)
A Dominant Clan	-0.297 (0.121)**	0.161 (0.138)
Competing Clans	-0.130 (0.107)	-0.168 (0.128)
Constant	1.198 (0.658)*	2.360 (0.954)**

Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Notes:

Base-category is the choice over indigenously developed institutions (IDIs)

Coefficients are averaged results over five imputed data sets

Averaged robust standard errors in parentheses

* p < 0.1 ** p < 0.05 *** p < 0.01

Some individual features do perform as expected in explaining villagers' perceptions of the efficacy of externally imposed institutions, e.g., grassroots democracy in rural China, in holding village cadres accountable to the public interest. Villagers' with the experience of working as migrants in other cities or provinces are less likely to

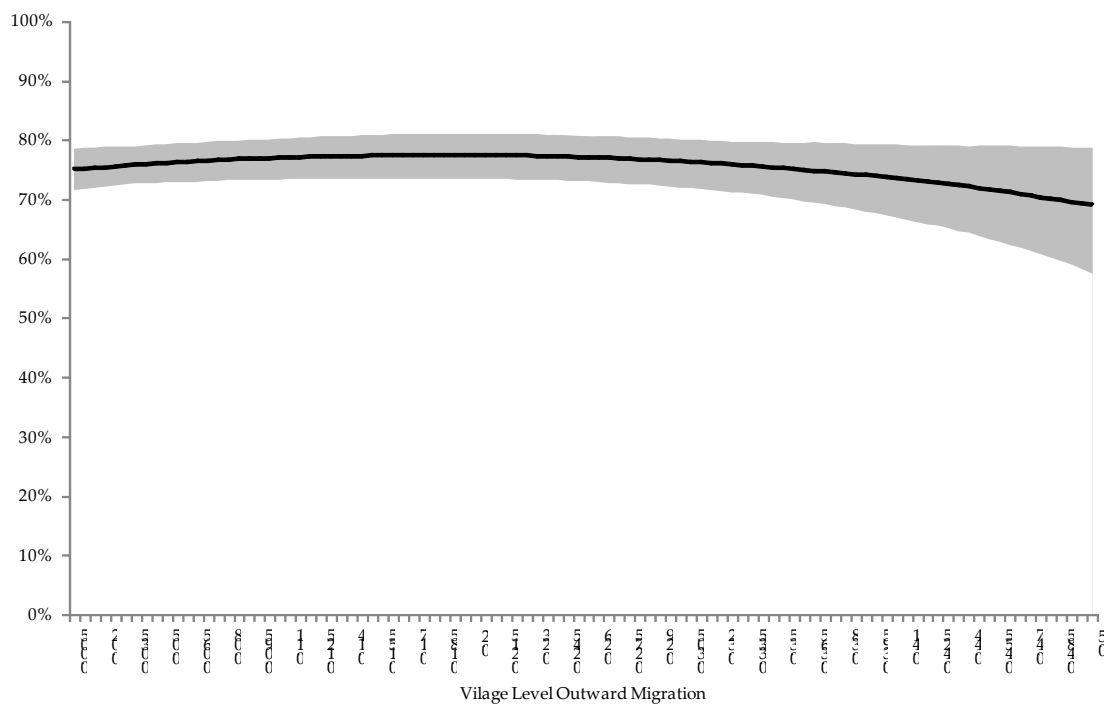
believe in the efficacy of grassroots democracy in selecting qualified village cadres and channeling their efforts toward better governance. As the emphasis of these villagers' lives has been gradually shifted away from their communities, they are also less likely to pay attention to the operation of these externally imposed institutions for local governance. Villagers who are less satisfied with the performance of democracy in China are also less likely to hold confidence in the efficacy of grassroots democracy in selecting qualified village cadres and hold them accountable.

After controlling for various individual-level and village-level features, outward migration still plays a significant role in explaining villagers' confidence in the efficacy of grassroots democracy on sustaining local governance and supervising village cadres' behavior. Moreover, both outward migration and its quadratic term are statistically significant with a negative coefficient for the latter: on average, villagers in a village with a medium level outward migration, *ceteris paribus*, are 1) more likely to believe in the efficacy of village elections in selecting qualified cadres for better governance and 2) regard the grassroots democracy as the most effective means in regulating and supervising village cadres' behavior.

Simulations have also been run to demonstrate the change in the perception of an average villager who lives in an average village¹⁴⁸ on 1) whether village elections are

¹⁴⁸ All other variables have been set to their respective means, if continuous, and medians, if ordinal or binary. Simulations are generated through CLARIFY with five imputed data sets.

usually efficacious in selecting qualified cadres for better governance, and 2) whether grassroots democracy is the most effective means in regulating and supervising village cadres' behavior, along the change in village-level outward migration. Predicated probabilities and associated 95% confidence intervals have been displayed in the following figures.

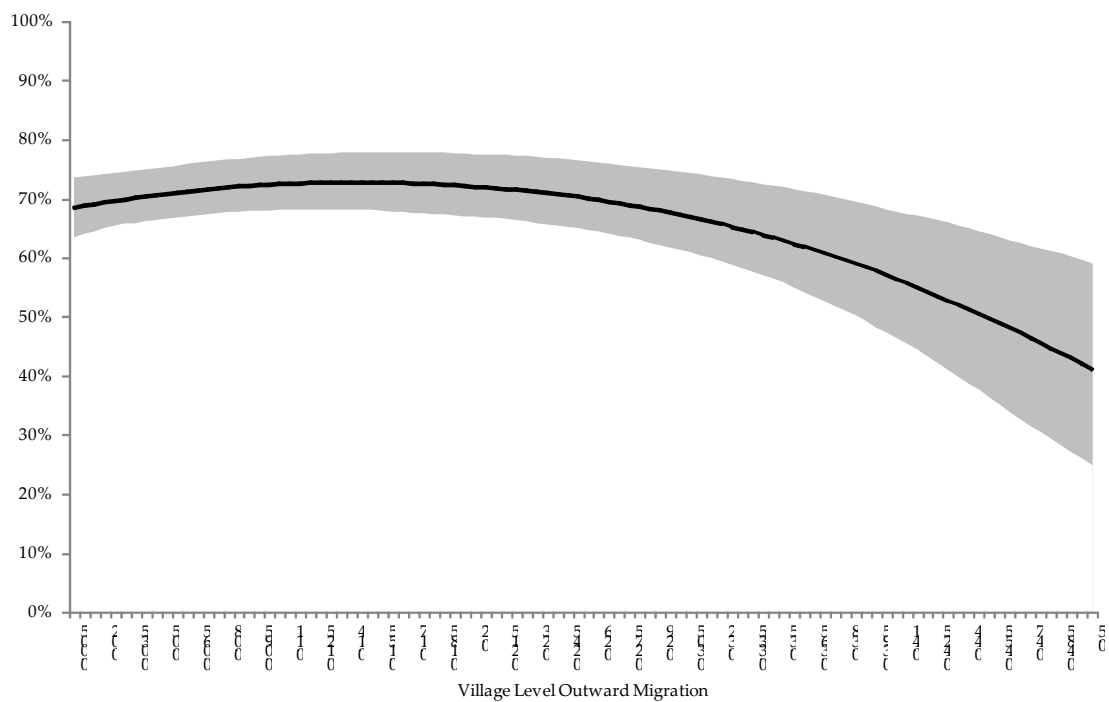


Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Figure 5.5: Predicted Probabilities of Perceiving the Efficacy of Village Elections in Selecting Qualified Village Cadres

As shown in Figure 5.5, the impact of village-level outward migration on villagers' perceptions of the efficacy of village elections is statistically significant but substantively moderate. In villages with a low level of migration, i.e., 0.5%, the propensity of an average villager holding confidence in the efficacy of village elections

in selecting qualified cadres for better governance is around 75%. Though this propensity increases as outward migration grows, the largest value is just around 77.6% when the village-level outward migration reaches 18%. Further growth in outward migration decreases this propensity, which drops down to 69% when outward migration increases to 50%.



Source: 2008 Mainland China National Survey Rural Subpopulation (N=4127)

Figure 5.6: Predicted Probabilities of Perceiving the Efficacy of Grassroots Democracy in Supervising and Regulating Village Cadres' Behavior

The impact of outward migration on whether villagers regard grassroots democracy as the most effective means to regulate and supervise village cadres' behavior is both statistically and substantively significant. As illustrated in Figure 5.6, in close-knit communities with a low level of outward migration, i.e., 0.5%, the probability

that an average villager is likely to perceive grassroots democracy as the most effective institution in holding village cadres accountable is around 69%. As more and more villagers leave and work as migrants in other cities or provinces, an average villager is more likely to regard grassroots democracy as the most effective means to regulate and supervise village cadres' behavior. And its maximum value (73%) is reached when the village-level outward migration reaches 14%. Even more villagers' leaving can exert negative impact on villagers' belief in the efficacy of grassroots democracy in holding local leaders accountable: this probability falls dramatically to around 41% when the village-level migration increases to 50%.

Rural residents' perceptions of the efficacy of grassroots democracy in 1) selecting qualified cadres for better governance, and 2) regulating and supervising village cadres' behavior compared to other possible alternatives offer some direct and systematic evidence on how efficacious externally imposed institutions, primarily embodied in grassroots democracy, can be in holding local leaders accountable for local governance; and the conditions under which such externally imposed institutions are likely to be effective in serving their functions. Basically, a majority of villagers in China believe in the efficacy of grassroots democracy in establishing and sustaining the accountability mechanism and channeling village cadres' efforts toward the public interest. Moreover, these subjective evaluations and perceptions are a non-linear function of village-level outward migration: it is in villages with a medium level of

outward migration that villagers are most likely to hold positive perceptions and better evaluations of the efficacy of externally imposed grassroots democracy in selecting qualified cadres and holding them accountable for better local governance.

Conclusion

Governance is more than the provision local public goods. Effective resolution of conflict among community members for sustaining social order, timely delivery of assistance and resources for alleviating disasters and crises, and convenient channels of raising credits and loans for various production activities all are important for quality local governance which implies prosperous and peaceful lives for community members. In spite of the methodological difficulty involved in evaluating how efficacious different institutions are working in local communities in resolving conflict, alleviating disasters and crises, and facilitating raising credits and loans, this chapter takes advantage of a national mass survey in rural China and systematically examines villagers' choices among different institutional solutions when confronted with various issues. Moreover, some micro-level direct evidence on people's perceptions and evaluations of the efficacy of grassroots democracy in selecting qualified village cadres and holding them accountable for better governance has also been scrutinized and presented.

The coexistence of indigenously developed institutions, externally imposed ones, and private solutions has been widely observed in all issue domains, i.e., conflict resolution, disaster/crisis relief, and small credits/loan, under examination. In addition

to asking for help from villager committees and other associated official agencies, people may also invite clan/lineage organizations and other upright and fair villagers with recognized authority over for resolving conflict; resort to clan/lineage organizations and neighbors for help in case of unexpected disasters or crises; and organize associations like ROSCAs for small credits and loans. They also count on themselves, families, and friends or other people they know based on personal connections for help to address their problems in aforementioned issue domains. Though externally imposed institutions seem to play a major role in resolving conflict in villagers' daily lives, but a less important role in alleviating disasters and crises, and facilitating capital raising, the impact of outward migration on the propensity that, on average, a villager prefers these externally imposed institutional solutions to other available alternatives is curvilinear in all three issue domains as theoretically expected: they are most likely to be villagers' preferred institutional solutions in villages with a medium level of outward migration. The competition from well-functioning and less costly indigenous institutions in close-knit communities with a low level of migration makes externally imposed institutions less attractive; while, the lack of a minimum level of coordination capacity among community members due to a high level of migration deprives the "social nutrition" for the effective performance of externally imposed institutions in atomized communities.

Villagers' perceptions and valuations of the efficacy of grassroots democracy in rural China in selecting qualified village cadres and holding them accountable to the

public interest are also examined with the help of survey data. Contrary to some China scholars' conclusions on the impotency of grassroots democracy in holding village cadres accountable, a large percentage of interviewed villagers believe that grassroots democracy is the most effective means of regulating and supervising village cadres' behavior. And more than a simple majority of survey respondents in rural communities believe that village elections can select the right leader for better governance in their respective villages. Further statistical analysis and simulations demonstrate that villagers' perceptions and evaluations of the efficacy of grassroots democracy in establishing and sustain the accountability in rural communities is also a curvilinear function of outward migration at the village level. Similar to the situation in other aspects of local governance, in close-knit communities, the efficacious performance of indigenously developed means of accountability, as well as its relatively lower transaction cost, makes grassroots democracy less appealing. In villages paralyzed or atomized due to a high level of migration, these externally imposed institutions cannot work effectively due to the hostile social environment which cannot even sustain a minimum level of coordination among community members. Relatively speaking, grassroots democracy is most likely to be endorsed by villagers in villages with a medium level of outward migration for its efficacy in selecting qualified village cadres for local governance and holding them accountable for the public interest. Such micro-level evidence corresponds to the patterns of the change and performance of externally

imposed institutions in transformed rural villages at the community level that we have found in previous analyses.

6. Conclusion

As widely recognized among scholars and policy-makers, institutions are critical for the quality of governance in local communities, the salience of which might be even more significant for decentralized systems. Nevertheless, in spite of similar sets of formal institutional arrangements promoted through national legislative and bureaucratic efforts, the variance in local governance is dramatic across villages in rural China, not only in terms of the quality but also with respect to the underlying institutional foundations. In some villages, indigenously developed institutions, e.g., reputation-based multilateral social sanction systems, have successfully coordinated and regulated community members' behavior and channeled local political leaders' efforts toward the public interest, some of which are even powerful enough to counteract some national policies and reinforce locally shared norms, e.g., land reallocation for demographic changes. In some other villages, externally imposed grassroots democratic elections have been organized and implemented in a regular, competitive and transparent way, strictly following the stipulations of the OLVC in spite of possible, and sometimes significant intervention from township officials, and serving as the institutional foundation of quality governance. Villagers' consciousness of their rights and capability through elections has significantly empowered them in supervising village cadres and holding them accountable through democratic means. The publicly

recognized authority of village cadres, derived out of democratic elections, has also equipped them with efficacious leverage in coordinating villagers' behavior and organizing collective efforts. Nevertheless, in some rural communities, not only village cadres successfully dodge and ignore their obligations and duties without incurring any penalties, but also average villagers care little about community affairs and focus exclusively on their private lives. Little attention is paid to and few resources are channeled into public projects and issues. Private solutions prevail in such villages, with everyone counting on himself/herself for a range of issues through individual efforts or personnel connections. It is also not surprising to find dilapidated public projects, e.g., irrigation projects and within village roads, frequent conflict and little cooperation among villagers, and even the dominance of negative social forces, e.g., local bullies or gangsters, in these paralyzed villages. This dissertation tries to understand the origins of such variance, the conditions under which different institutions are likely to perform efficaciously in sustaining local governance, as well as the role of community structural features in transforming the institutional foundations of local governance in rural China.

This dissertation argues that any institutions that can efficiently solve the problems of collective action and accountability should be able to uphold quality governance in local communities, regardless of their nature and origins. However, the performance of different institutions is contingent upon the social environments in

which they are embedded, which, in turn, are closely associated with the communal structures. Frequent and continuous social interaction and the existence of dense and extended social networks in close-knit communities favor the performance of indigenously developed institutions, primarily backed up by reputation-based multilateral social sanction systems. Externally imposed institutions, mostly rule-based with the assistance of specialized agents and complementary organizations, have the comparative advantage in half-open communities despite its relatively higher transaction cost. In atomized communities, neither indigenously developed institutions nor externally imposed ones can survive and perform efficaciously due to the lack of minimally required “social nutrition”, i.e., coordination capacity among community members. Therefore, quality governance can be sustained in villages with either efficacious indigenous institutions or functional institutions externally imposed. Among all possible socioeconomic and political forces that might have significant impacts over the social environments of local communities, outward migration has been identified as a key issue for examination in this dissertation.

6.1 Findings

The survey data collected from 357 administrative villages through probability sampling have shown that both indigenously developed institutions and externally imposed institutions can improve the decentralized provision of public goods in Chinese

villages that counts on villages' collective income and/or voluntary contribution from villagers, as long as they can efficaciously solve the problems of collective action and accountability. If reputation-based multilateral social sanction systems can successfully coordinate villagers' activities and help build a consensus among villagers on re-allocating land regularly to accommodate demographic changes, in spite of the veto power assigned to every family by pertinent national policies and the 30-year land contracts, they are also efficacious in significantly increasing villagers' access to tap-water and the provision of other public welfare in local communities. If village elections have been organized strictly following the stipulations of the OLVC ensuring their transparency and competitiveness, this genuine grassroots democracy can also significantly increase villagers' access to paved roads within villages. By facilitating the cooperation among villagers and channeling village cadres' efforts toward the public interest, efficacious institutions – both indigenously developed and externally imposed – can improve the quality of governance in rural communities. Moreover, whether social sanctions can effectively regulate and coordinate villagers' behavior and whether village elections can be organized in a transparent and competitive way are both partly determined by the structural features of local communities. Land is more likely to be re-allocated to accommodate demographic changes with the help of social sanctions in building required consensus in villages where the level of outward migration is low.

Village elections are more likely to be organized in a transparent and competitive way in villages with a medium level of outward migration. In villages with a high level of outward migration, neither indigenous institutions nor externally imposed ones can work effectively, which, in turn, deprives such villages of any functional institutional foundations for quality governance. Community structural features of Chinese villages, transformed to various extents due to the outward migration driven by the economic disparities between rural and urban areas, shape the institutional foundations of local governance in these communities and lead to a variety of governance in rural China. Three detailed case studies further illustrate the hybrid picture of local governance in Chinese villages.

After I combine the survey data collected from villagers and the information about their respective communities for analysis, more direct evidence on how outward migration remolds the social environments in rural communities, which, in turn, erode the social foundation for the performance of indigenously developed institutions has been uncovered. As more villagers leave rural communities for better economic opportunities and benefits in cities and provinces far away, social interaction within these villages is no longer as frequent and continuous as it used to be and social networks are loosened and even restricted. As a consequence, local information environment is also changed: villagers no longer have easy access to the information

about their fellow villagers' behavior and reputation, which is critical for the operation of reputation-based multilateral social sanction systems. As outward migration increases, fellow villagers' evaluations are also no longer that important and meaningful to villagers as they care increasingly less about how others behave and how others evaluate them. It is understandable that when fellow villagers' evaluations no longer count that much in villagers' lives, social sanctions cannot be efficacious in regulating their behavior any more. Accordingly, the foundations of publicly recognized authority that are critical for sustaining local order and governance also gradually shift away from those locally cherished and respected attributes, usually reinforced through social sanctions, e.g., seniority in clan hierarchy and locally respected moral characters. Such significant changes in the social environment also lead to dramatic transformations in some normative orientations that used to serve as internal sanction systems in facilitating cooperation and holding local leaders accountable. In rural communities with a higher level of outward migration, villagers are less likely to endorse the normative orientations that emphasizing collective interest over individual interest, prioritizing long-term relationships over immediate interest, and preferring conflict avoidance in dealing with others. As villagers gradually deviate from such norms, the future of cooperation among villagers dims and an efficacious regulation of villagers' behavior on the basis of indigenous institutions is much less promising. A detailed case

study on how the social environment in a village has evolved since the late 1970's offers some longitudinal evidence on the negative impact of outward migration in remolding communal structures, which, in turn, erode the social foundation for the performance of indigenously developed institutions in rural China.

Moving into other aspects of local governance beyond local public goods provision, systematic and robust evidence on the impacts of outward migration on villagers' choices among different institutions in addressing problems in various issue domains have also been identified with the help of survey data collected from both individuals and communities. In terms of conflict resolution, disaster/crisis relief, and small credits and loans, externally imposed institutions, primarily embodied through the performance of villager committees, are relatively more attractive than indigenously developed institutions as outward migration in a village grows. Moreover, it is in villages with a medium level of outward migration that villagers are most likely to 1) ask for help from village cadres, villagers' councils and agencies of judicial service for the conflicts with their fellow villagers that cannot be resolved through negotiation; 2) ask village cadres, villagers' councils and agencies of civil affairs for assistance and relief once unexpected disasters or crises hit; and 3) apply for small credits and loans from RCCs for agricultural necessities or starting small businesses. When I further examine villagers' perceptions and evaluations of grassroots democracy in selecting qualified

village cadres for better governance and holding them accountable, similar patterns are found. It is in villages with a medium level of outward migration that villagers are most likely to believe in the efficacy of grassroots democracy in selecting qualified village cadres and supervising their behavior. Given the indispensable and significant role of village cadres in the operation of various externally imposed institutions in addressing issues like conflict resolution, disaster/crisis relief, and small credits and loans, it is understandable that villagers who have more confidence in the efficacy of grassroots democracy in holding village cadres accountable are more likely to resort to externally imposed institutions for their problems in aforementioned issues. These people are also more likely to be found in villages with a medium level of outward migration.

All evidence on the impacts of outward migration on social environments and institutional choices of villagers in various issue domains provides critical links at the micro-level that bridge the changes in community structures and the existence of various institutional foundations of local governance in rural China. Transformed social environment changes the efficacy of different institutions in sustaining local governance, which, in turn, shapes and coordinates villagers' choices of different institutions for local governance. The aggregation of these contextualized institutional choices at the individual level results in a variety of governance supported by different institutional

foundations in rural communities, when outward migration challenges Chinese villages significantly but unevenly.

6.2 Contextualized institutional change and local governance

After decades of accumulated research efforts, students of institutions have gradually recognized the significant role of informal institutions as underlying constraints that drive the path-dependency observed in institutional change (e.g., North 1990; Roland 2004), a critical institutional component that contributes to institutional syncretism (e.g., Galvan 2004; Sil and Galvan 2007), some powerful responses against existing formal institutions (e.g., Helmke and Levitsky 2004; Tsai 2006), or functional substitutes of formal institutions (e.g., Tsai 2007a, 2007b). Compared with previous generations of research on institutions that usually isolates the targets of examination from their surrounding institutional environments, these efforts have pioneered a promising research avenue for some contextualized understandings of institutional change. Unfortunately, except for a few exceptions,¹ most scholars of institutions have not contextualized their understandings of institutional change “enough”. Such deficiencies have been systematically addressed in this dissertation with a focus on local governance.

¹ These studies with systematic examination on the contextualized interaction between formal and informal institutions are primarily found in legal studies, and economic history (e.g., Ellickson 1991; Greif 2006; Aoki 2001).

The possible dynamics between different types of institutions has been either absent or, at best partially captured in the literature. Contemporary research mostly treats different types of institutions as separate and isolated systems working simultaneously (Tsai 2007a, 2007b), or incorporate the possible dynamics among them in an incomplete way (Tsai 2006; Helmke and Levitsky 2004). Taking Helmke and Levitsky's well-received research agenda on informal institutions as an example, their typology captures four different types of informal institutions by differentiating them along two dimensions: 1) how effective related formal institutions are and 2) to what extent the outcomes of formal and informal institutions under examination converge or diverge (Helmke and Levitsky 2004, 728). This typology simply assumes that the efficacy of formal institutions has nothing to do with informal institutions and is purely exogenous. This assumption might be reasonable for their subsequent focus on the origins and changes of informal institutions that are endogenous to related formal ones but may not necessarily be the case for many other equally plausible situations. It is no wonder that Ledeneva (2006) criticizes Helmke and Levitsky's framework as prioritizing formal institutions in theoretical deductions and ignoring the role of informal institutions in shaping the performance of the former. This issue might have been even more salient when it comes to local governance, where indigenously developed

institutions, most of which are informal if following Helmke and Levitsky's definition,² have been working in local communities for a much longer history than those formal institutions that are "created, communicated, and enforced through channels widely accepted as official" (Helmke and Levitsky 2004, 727). The active role of solidarity groups that have helped sustain accountability without democracy in rural China (Tsai 2007a, 2007b), particularly clan/lineage organizations, can be traced back to times when bureaucratic influence was negligible in rural communities and informal institutions bore the most responsibility for local governance. In not only rural China but also many other regions of different countries, most of the time, formal institutions for local governance are imposed into communities with rich tradition and inheritances of indigenous institutions. Therefore, the performance and even establishment of these imposed institutions should be contingent upon how indigenous institutions work in local communities.

With the help of qualitative information and quantitative survey data, as well as second-hand empirical evidence from the literature, this dissertation not only shows the efficacy of different institutions in solving the problems of collective action and accountability in local governance, but also systematically demonstrates the dynamics

² For Helmke and Levitsky, informal institutions are "socially shared rules, usually unwritten, that are created, communicated, and enforced outside officially sanctioned channels" (2004, 727).

between formal and informal institutions under a different scenario when formal institutions are imposed into rural communities with a long tradition of governance with the help of indigenously developed institutions that are mostly informal. The dynamics between externally imposed institutions and indigenous institutions has been clearly reflected in community members' choices between them in dealing with various problems in different issue domains, such as conflict resolution, disaster/crisis relief, small credits and loans, as well as supervising and regulating local political leaders' behavior. The efficacy of different institutions, together with transaction cost including both switching and coordinating cost, determines the choices among community members regarding which institutional solutions are more likely to be adopted. Empirical evidence also suggests that externally imposed institutions are more attractive to community members in various issue domains when indigenously developed institutions are less competent in addressing local residents' concerns. When these individual choices are aggregated at the community level, externally imposed institutions are more likely to be well-established, e.g., village elections are more likely to be organized in a transparent and competitive way, in communities where the efficacy of indigenously developed institutions has been weakened due to the changes in community structures caused by outward migration. These results complement previous studies on the origins and changes of informal institutions that are endogenous

to formal institutions by showing an equally important but generally ignored fact that the performance and efficacy of formal institutions in some situations, particularly where the operation of informal institutions has a persistent and much longer history, are very likely to be shaped to some extent by how effectively related informal institutions perform. Different institutions do work simultaneously but not necessarily independently from each other; and the dynamics in between is very likely to be realized through numerous agents' rational evaluations of the cost and benefit involved in adopting different institutional solutions. Moreover, endogeneity is neither something that can be completely avoided by students of institutions, nor something that can be simply addressed through technical routines just for estimation concerns. Formal and informal institutions can be endogenous to each other depending on the issues, as well as the process under examination. Contextualizing our understandings of institutional change can not only help clarify the issue of endogeneity, but also derive some significant implications for possible theorization and conceptualization and even enrich our theory development.

Even after acknowledging the significance of institutional environment, i.e., the complex of various existing institutions, for the performance and changes of institutions, few students of political science have systematically incorporated social environment into their studies on institutional change, in which the institutional environment is

embedded, in spite of rich and thought-provoking studies on related but different topics in sociology, economic historian, anthropology, and legal studies. Bringing social environment back into political science should not be regarded as some opportunistic approach of borrowing and replicating what have been found in other disciplines, but an intentional push for deepened understandings on institutional change, as well as some fundamental and commonly shared mechanisms involved in the performance of different institutions, particularly informal institutions. It is because of this lack of “deepened contextualization” that contemporary research on informal institutions in local governance has been segmented into various isolated territories with their own pet variables, e.g., solidarity groups (Tsai 2007a, 2007b), local norms (Gibson et al. 2000; Ostrom 1990), or community-shared custom (Platteau 2000; Platteau and Seki 2001), without a unified framework for synthesizing all these empirical findings for a coherent explanation. Also because of this deficiency, this literature is relatively impotent in explaining the changes in informal institutions. What has been generally ignored is that the performance of all these different informal institutions actually counts on the same underlying mechanism – reputation-based multilateral social sanctions – for enforcing their rules, sustaining their performance, and ensuring their efficacy.³ How effective the

³ Internal sanctions also play a role in the performance of these informal institutions, e.g., moral obligations identified by Lily Tsai in her work (Tsai 2007a, 2007b). Without the help of social sanctions, however, internal sanctions have limited capacity in sustaining these informal institutions.

reputation-based multilateral social sanction systems can work, nevertheless, is highly contingent upon the surrounding social environment, which, in turn, can be transformed by various socioeconomic and political forces that are usually exogenous to the issues under examination. When social environment changes due to transformed communal structures, the efficacy of indigenous institutions changes accordingly, which further reshapes the institutional environment for the performance of externally imposed formal institutions.

This dissertation systematically specifies and examines the links bridging social environment, on the one hand, and the performance of indigenously developed institutions and externally imposed institutions, on the other hand, and the role of community structural features in shaping social environments and embedded institutional changes. Focusing on the outward migration in rural China primarily driven by the disparities between rural and urban areas in terms of economic opportunities and benefits that are primarily shaped by China's state-led industrialization program and various national socioeconomic and political policies, this dissertation systematically shows how this dramatic and unevenly distributed outward migration has significantly transformed the social environments in rural communities and challenged their close-knit communal structures that had been well-maintained before the 1990's, as well as how this dramatic transformation has been detrimental to

the performance of indigenously developed institutions on the basis of reputation-based multilateral social sanction systems. Both quantitative and qualitative evidence suggests that in communities eroded by outward migration, community members have less access to the information about others and attach less weight to others' evaluations of their own behavior. Moreover, they are also less morally obliged to prioritize collective interest over individual interest, cultivate long-term relationships at the cost of immediate interests, and avoid conflict in dealing with others. Weakened social sanctions and eroded moral obligations make indigenous institutions less competent and externally imposed institutions relatively more appealing. Nevertheless, atomized or paralyzed communities due to a very high level of outward migration cannot even provide the minimally required social nutrition, i.e., coordination capacity, for the operation of externally imposed institutions. As illustrated in my analysis on decentralized provision of public goods in Chinese villages, indigenous institutions perform well in close-knit rural villages with a low level of outward migration in improving villagers' access to local public goods. It is in villages with a medium level of outward migration that grassroots democracy has been well-established and increased the provision of public goods. In villages with a high level of outward migration, neither indigenous institutions nor imposed institutions can work effectively; and villagers' access to public goods is limited. Bringing social environment and community structures

back into studies on institutional change not only offers a unified framework for understanding how informal institutions work in local governance, but also identifies some exogenous forces that might drive the changes in informal institutions, which might trigger subsequent dynamics between formal and informal institutions.

Governance in local communities can be sustained as long as the problems of collective action and accountability can be effectively solved. However, what institutional solutions are available and effective in achieving this purpose is contingent upon local history, traditions, institutional inheritances, national institutional engineering, and local community structural features. Assisted by aforementioned contextualized understandings of institutional change, we can easily accommodate a variety of findings, some of which may seem contradictory to each other, on the institutional foundations of local governance. As long as we place the understandings on local governance back into its surrounding social environment, the lack of a universally applicable institutional solution to quality local governance should no longer be a puzzle but just the normality; and institutional transplanting in local governance should be examined from a more practical view and implemented with local communal structures and institutional inheritances in mind and systematically incorporated.

6.3 Epiphenomenal Institutions?

In a thought-provoking paper, Przeworski (2004) raises one of the most challenging questions for students of institutions – are institutions just epiphenomenal? The argument is logically persuasive: if similar institutions survive under some conditions but fail under others, do institutions have autonomous roles to play? Are they just transiting the causal effect of those conditions? Przeworski’s critique “perfectly” applies to this dissertation’s arguments, given the significant role of community structural features in shaping the social environment for the performance of both indigenously developed institutions and externally imposed ones in sustaining local governance. It seems that institutions are just epiphenomenal and what really matter are structural conditions. If this is the case, why should we bother examining institutions? Actually, what have been puzzling the students of institutions are various methodological barriers,⁴ particularly the counterfactual analysis,⁵ that have to overcome in differentiating the impact of institutions from that of conditions. As long as we can make valid counterfactual analysis and effectively isolate the impact of institutions from that of structural conditions, we should be able to shed some light on

⁴ In his paper, Przeworski has identified several biases that could affect the inferences on the impact of institutions: 1) baseline different, 2) effect of the treatment on the treated, 3) post-treatment effect, 4) distance effect, and 5) aggregate effect. For more information on these biases, please refer to (Przeworski 2004, 537-540)

⁵ For various pitfalls associated with counterfactual analysis in social sciences, please refer to (Przeworski 2004; Fearon 1991; King and Zeng 2006; Hawthorn 1991)

this million-dollar question. Fortunately, the experience of local governance in rural China can offer us some leverage on this.

Externally imposed institutions for local governance in rural China are not completely endogenous to rural communities. What type of institutions should be imposed and how such imposed institutions should be operated have been primarily determined by national and local leaders for concerns beyond local governance in rural communities. Rulers of the Ming and Qing dynasties had taken some structural features of Chinese villages into consideration when designing the *Lijia*, *Baojiao*, and *Xiangyue* systems and even systematically incorporated some indigenous means into their institutional design for not only local governance but also extracting resources from Chinese villages. Therefore, the performance and impacts of these institutions were not fully determined by surrounding social environment and structural conditions, but also shaped by how decision makers emphasized different functions of these institutions and who they might recruit for the operation of those institutions. The dramatic difference regarding local governance when “protective brokers” or “entrepreneurial brokers” dominated the operation of such institutions, which was primarily determined by different incentives of national leaders regarding extracting resources from rural communities, given the similar structural conditions of these villages (Duara 1988),

clearly illustrates the impact of institutions independent from that of structural conditions.

To deal with similar problems in governing rural China, the CCP regime adopted a set of institutions different from those chosen by the Ming and Qing dynasties and the KMT regime for historical and ideological reasons. As the statistics displayed in Chapter 2 show, structural conditions of rural communities at the beginning of the CCP regime were not essentially different from those during the late Qing dynasty. Nevertheless, the successful penetration into rural communities with the help with widely established party branches, which were backed up by the CCP's despotic power, land reform, and ideological indoctrination, ensured the efficacy of these institutions in aligning local interest with that of the national government. In spite of its negative and even catastrophic impacts on the lives of Chinese peasants, particularly during the Three Years of Natural Disasters (1959-1961), the commune system did contribute to the improvement in some aspects of local governance in Chinese villages, e.g., widely established and maintained irrigation projects for agricultural production and an effective health system for rural communities. The CCP regime has also been much more effective in extracting resources from rural areas for subsidizing the industrialization in China than any other previous regimes. The significant difference between the local governance under the CCP regime – particularly that in the early years after the CCP's

victory in mainland China – and that under the Ming and Qing dynasties and the KMT regime cannot be simply attributed to the impacts of structural conditions, which did not change dramatically in the 1950's.

Grassroots democracy, as the newly designed and imposed institutions for self-governance in Chinese villages since the late 1980's, has also been significantly driven by political dynamics at upper-level governments for various and even conflicting interests (Shi 1999b, 2000c; O'Brien 1994; O'Brien and Li 2000; Kennedy 2002). Given the widely observed rigged elections in rural China, it should not be too wild to imagine the picture of local governance in rural China if the system of having village cadres appointed by township governments had been maintained for the decentralized governance in Chinese villages. Then village cadres could have been held accountable to township officials rather than villagers. As increasing outward migration weakens the capacity of indigenously developed institutions in solving the problems of collective action and accountability, no alternative and effective institutional solutions could have been available to villagers for regulating and supervising village cadres' behavior. The latter's efforts for achieving upper-level government's policies and assigned tasks, rather than serving the public interest in their communities, could not have generated enough publicly recognized authority for coordinating villagers' activities. Thus, the quality of local governance in Chinese villages could have been even worse and worrying.

Grassroots democracy does offer an effective institutional solution for sustaining local governance in rural China, rather than simply transmitting the causal effect of structural conditions.

Moreover, in spite of the focus of this dissertation on the communal dynamics in shaping grassroots democracy in rural villages once it is imposed, which leaves bureaucrats at upper-level governments as actors behind the curtain, it does not necessarily mean that the performance of grassroots democracy in contemporary Chinese villages is independent from the socioeconomic and political forces foreign to rural communities. For example, some scholars have speculated about and tentatively shown the possible impacts of tax-for-fee reform and the abolition of agriculture tax on the performance of grassroots democracy in Chinese villages (He 2007b; Kennedy 2007). However, a systematic examination of these impacts needs much more than one wave of cross-sectional survey data, which is beyond the capability of this dissertation, since such national policies strike most Chinese villages simultaneously and cannot be captured with one snapshot cross-sectional analysis.

The experience of local governance in rural China, as well as the evolution of its institutional foundations, does show that the quality of governance in communities with similar structural conditions can vary significantly depending on what institutions are established and how established institutions perform. In spite of the significant influence

of surrounding structures on the performance of institutions and their possible change, institutions do have their independent impact that is not just passive reflections of the causal effect of structural conditions.

6.4 External inputs and new opportunities for the governance in rural China

Even if institutions are not epiphenomenal and can exert their independent impact on local governance, their performance and change are still significantly shaped by the structural conditions in which they are embedded. Are those communities atomized and paralyzed by a high level of outward migration doomed to fail? Are there any possible solutions for reviving atomized communities? Moreover, economic opportunities in urban areas might shrink once economic crises strike, just like the situation of China since 2008. When a large number of migrant workers return to their home villages due to the temporary economic downturn, are they able to help recover the loosened social networks within rural communities and restore the coordination capacity among villagers?

Despite the pictures of degenerating governance in atomized villages I have demonstrated, something can be done to help revive the atomized and paralyzed communities due to a high level of outward migration. However, this cannot be completely counted on voluntary efforts from villagers, but have to be assisted with some external inputs. The reason that neither indigenous institutions nor externally

imposed ones can work in atomized communities lies in the infertile social environments for some cooperation and coordination among villagers. If such collective effort cannot be voluntarily provided, some external inputs can help overcome the barriers and generate the initial momentum for its self-propelling growth. Experiments done by the Center of Rural Governance (CRG) at Huazhong University of Science and Technology in Hubei Province have shown the positive impact of such external inputs in reviving atomized rural communities.⁶ In 2004, the CRG selected three villages in Jingmen City, Hubei Province, all with a high level of outward migration, for experiments. Since the villagers left behind in those communities were either very young or old, the CRG worked with villager committees and provided 40,000 RMB for each village to establish a senior people association (SPA) including a center with entertainment facilities and finance their organized activities like yangko dance, drum dance, and even aerobics. The CRG wanted to see if these associations established upon external inputs could improve the life quality of the senior people in these villages and, if possible, generate some changes in local governance. Initially, the organization and operation of SPAs were very difficult and highly dependent upon the assistance from the CRG. Researchers from the CRG had to stay in these villages for weeks to guide the

⁶ I have also been involved in these experiments since 2005 and visited these villages interviewing villagers and local cadres. For more information on the experiments, please refer to (He 2007c).

organization and operation of SPAs in detail. After a half year's operation, all three SPAs could perform independently and effectively with regularly organized activities and frequent visits of senior people to the center. Originally, these experiments were aimed to improve the life quality of those senior people staying in villages through the provision of a public space, as well as more choices for killing their spare time. Gradually, these "organized" senior people exerted their influence in other aspects of village governance far beyond the original expectation.

In each village, the SPA worked as a hub of local information transmission. Plenty of information about fellow villagers was exchanged and spread among the senior people when they chatted in the center or danced together following a regular schedule. It was no wonder that even some village cadres visited SPAs often and talked to the activists and leaders of SPAs for some information that might have been hidden from them, e.g., violations of family-planning policy and abnormal deaths.⁷ Access to such information could have been much more difficult, if not impossible, if the SPA had not been established. Moreover, SPAs' initial occasional involvement in conflict resolution (particularly those between mother-in-laws and daughter-in-laws) and public sanitary services (collecting garbage and cleaning within village roads) also became regular and were even recognized with semi-official status in these villages. In the

⁷ Fieldwork in Hubei Province in the summer of 2006.

posters outside its center, one SPA publicly praised some young villagers who took good care of their parents and in-laws. Some even claimed to reveal the bad behavior of those who disrespected the seniors and did not support their parents and in-laws actively future posters. One SPA took over the public sanitary services in its village by charging nominal fees – used for its own activities – from the villager committee, with its members collecting garbage and cleaning within village roads by turns following a pre-determined schedule.⁸ An even more interesting and encouraging event happened when a villager committee tried to collecting extra fees for allocating homestead.⁹ When a SPA member told other members about his unpleasant experience of being asked for extra fees when applying for a homestead for his son, a group of around twenty SPA members went to the villager committee together, and asked the chairman to abolish these illegal fees. They even claimed that they would mobilize other villagers to vote this chairman out of his office in the forthcoming village election if their demand was not satisfied. This collective pressure forced the chairman to call the CRG for help and mediation; and the extra fees charged for allocating homestead were paid back.¹⁰

⁸ Fieldwork in Hubei Province in the summer of 2006.

⁹ Villagers in China are entitled to some homestead allocated by the villager committees for building their houses. This has been regarded as a kind of social welfare for villagers and should usually be free except for some nominal fees for related paper work.

¹⁰ Interviews of researchers affiliated with the CRG at Huazhong University of Science and Technology in the summer of 2006.

SPAs are definitely not the only possible and feasible means of cultivating the social foundations for the performance of various institutions in sustaining local governance in rural communities. However, the spill-over effects of SPAs in the governance of these villages selected for experiments clearly speak to the possibility of reviving rural communities that have been atomized or paralyzed due to a high level of outward migration. Though villagers staying in these communities do not have enough capacity to overcome the barriers all by themselves for voluntary cooperation and coordination, if assisted with external inputs, they still can revive their communities and cultivate the self-propelling momentum of equipping themselves with various institutional solutions available for better local governance. Then how to effectively use the 716.14 billion RMB (around 105 billion USD) budget allocated for *sannong* (agriculture, villages, and peasants) in 2009 from the national government and channel some resources for reviving rural communities, particularly those significantly eroded by outward migration, and cultivating the coordination capacity among villagers for the efficacious performance of various institutions should be on the top the policy agenda of national leaders for facilitating and improving decentralized governance in Chinese villages.

More recently, rural China has also witnessed a wave of returned migrant workers due to significantly reduced economic opportunities in urban areas, particularly

coastal cities in South and East China stroke by world financial crisis since the late 2008. According to the report from the Ministry of Human Resources and Social Security, by the end of November 2008, around 4.85 million migrant workers had returned to their home villages in ten major labor-exporting provinces including Sichuan, Chongqing, Hebei, Anhui, Jiangxi, Henan, Hubei, Hunan, Guangxi and Gansu. Because of the negative impact of the financial crisis, the double digit growth rate in China's GDP has also been reduced: the GDP growth rate in the first quarter of 2009 was 6.4%, which was 4.5% less than that in 2008. If this choked momentum of economic growth in China continues and labor-intensive industries in urban areas are forced to upgrade with more investments of technology and capital, the number of migrant workers who cannot find jobs in urban areas might further increase. It has also been reported that around 10 million migrant workers might lose their jobs due to the downturn in China's economic growth.¹¹ Will these returned migrant workers offer new opportunities for the local governance in rural China?

The answer can be "Yes" or "No", depending on how these returned migrant workers settle in their home communities, as well as how local governments are going to make use of these returned human resources with adequate educational attainment and

¹¹ News accessed at <http://cn.chinareviewnews.com/doc/1008/3/2/6/100832628.html?coluid=7&kindid=0&docid=100832628>. Last time accessed May 05, 2009

various working skills. According to a survey done in Guizhou, by the end of 2008, there had been 500 thousand returned migrant workers, two thirds of which were unemployed due to the strike of the financial crisis. Further estimation shows that around 1.37 million migrant workers might return to their home villages in Guizhou in 2009, which accounts for around 25% of the total number of migrant workers from Guizhou, even if the GDP growth rate of China could be maintained at 8% in 2009. Moreover, around 48% of interviewed returned migrant workers just dawdled without looking for temporary or permanent jobs; and around 75% held strong intentions of leaving again once the economic situation in urban areas gets better (Hu and Wang 2009). This information reflected in the local survey corresponds to what Mr. Jiantang Ma, the chief of the National Bureau of Statistics (NBS), revealed in a press conference that, according to the survey data collected by the NBS, around 80% of returned migrant workers would go to urban areas again for jobs when economic opportunities are available.¹² Some detailed qualitative evidence from villages in Henan, Hunan and Hubei shows that a majority of returned migrant workers are relatively young, who have got used to the life style in urban areas and generally hold negative attitudes toward agricultural production. Though these young migrant workers know there are fewer

¹² News accessed at http://www.gov.cn/wszb/zhibo301/content_1212373.htm. Last time accessed May 05, 2009.

choices in urban areas due to shrunk economic opportunities, they still regard the life in villages as *meiyisi* (boring). Most of them prefer staying in urban areas despite low salaries, as long as they can get jobs (Liu 2009).

Without strong attachment to their home villages, returned migrant workers might eventually leave again. Rural communities are just temporary shelters, which they do not pay much attention to and might even dislike. The reason that community members interact with each other frequently and continuously and local information can be quickly spread is that villagers care about their lives within their communities. This attachment and attention are indispensable for the performance of any institutions in sustaining local governance: the efficacy of social sanctions derives from the high stakes in villagers' lives attached to rural communities; and the operation of grassroots democracy also counts on the participation from villagers driven by their interest in community affairs. Thus, whether this large number of returned migrant workers can be successfully channeled back into rural communities and transformed into a main force for reviving local governance is critically depending on how to anchor their lives in Chinese villages, through expanding localized non-agricultural production, promoting industrialization in rural areas, or any other means. Though the TVE model may not be applicable to all Chinese villages, the possibility of keeping a larger number of villagers *litu bu lixiang* (leaving the land without leaving villages) and its positive impact on local

governance should be seriously examined in future government policies. Making rural communities meaningful homes for villagers, both who stay or temporarily leave, is vital for strengthening the social foundations for the performance of any institutions in sustaining quality governance in rural China. Exit may send valuable signals and offer new opportunities; nevertheless, exodus can be detrimental to any communities.

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Publications

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Anglo-American Special Relationship and British Policy toward China (1949–1954), (Xi’an: Xi’an Jiaotong University Press), 2003, with Mouhong Xue, (Chinese)

“China’s Environmental Diplomacy and Domestic Environmental Protection”, *China Population Resources and Environment*, Vol. 13, No. 5, 2003, pp. 11-15 (Chinese)

“New Economy and the Income Inequality in the United States”, *World Economics and Politics*, No. 2, 2001, pp. 41-45 (Chinese)

Fellowships and Awards

Graduate Fellow	American Academy of Politics and Social Science	2008
Graduate School Summer Research Fellowship	Duke University	2008
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