

VARIETIES OF  
GOVERNANCE IN CHINA  
*Migration and Institutional Change  
in Chinese Villages*

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## CHAPTER 1

# Introduction

It is not surprising to China scholars that the quality of governance in Chinese villages varies dramatically. As soon as I set foot on the well-maintained roads that connect the families within Qianhouzhai Village of Shandong Province, I was reminded of my experience in Su Village of Henan Province, where, on a rainy day, I trudged along a muddy road to interview villagers and found myself cursing when my brand-new sneakers were ruined by a mixture of mud and livestock excrement. In terms of local governance, the contrast cannot be any more dramatic between communities such as Su Village and Qianhouzhai Village. Although residents of both villages have a similar level of average annual per capita income (i.e., 6,500 to 7,000 RMB [around 970 to 1,044 USD]) and most villagers can afford to live in decent one- or two-story houses, the differences in their access to local public goods and projects, as well as other aspects of local governance, are too obvious to ignore.

In fact, neither Qianhouzhai Village nor Su Village has sufficient collective resources, except for some limited fiscal transfers from upper-level governments, to cover the expenses of paving their roads. Village Committee Elections (VCEs) in both villages are rigged, with township officials imposing their preferred candidates. There also are no encompassing and embedding solidarity groups (e.g., lineage or religious organizations) in either village. Nevertheless, local cadres of Qianhouzhai Village have managed to collect enough from their villagers, despite the per capita quota's far exceeding the prescribed upper limit on raising funds from peasants, to improve the condition of its within-village roads and to pave its main road with concrete. In Su Village, in contrast, neither local cadres nor average villagers have ever made any serious efforts to improve the condition of

village roads, despite their dissatisfaction with them. A pair of rubber boots becomes a daily necessity for most villagers in Su Village, which is their inexpensive but private solution to the problem.

Despite the lack of collective resources and the existence of flawed formal institutions in both Qianhouzhai Village and Su Village, the residents and cadres of each village differ in their attitudes toward how their fellow villagers perceive and judge them. In Qianhouzhai Village, powerful reputation-based social sanctions have a significant impact on various aspects of people's lives. However, in Su Village, residents and cadres care only about their own material benefits, with little attention paid to how other people in the community judge them. It follows that, in Qianhouzhai Village, it is very common for villagers to help each other out during busy seasons, as well as pooling money for renting trucks to transport their agricultural products. And local cadres in Qianhouzhai Village are significantly more attentive to the demands of those under their jurisdiction.

Different from the situations of Su Village and Qianhouzhai Village, transparent and competitive VCEs are regularly held in some Chinese villages. After the Commune system, initially established and sustained by the despotic power of the Chinese Communist Party (CCP), was abolished to accommodate market-oriented reforms in the early 1980s, village committees, organized on the basis of regular, competitive, and transparent democratic elections, were proposed as an officially endorsed institution of governance in rural China (e.g., O'Brien and Li 2000; Shi 1999b). This grassroots democracy was introduced and imposed upon Chinese villages mainly, if not solely, for the purpose of improving the quality of local governance, in a decentralized and democratic way, as the authoritarian state withdrew its political control and bureaucratic influence from rural communities.

Theoretically, village committees with publicly recognized authority based on democratic elections should be able to perform effectively and decisively in sustaining local governance. Moreover, the accountability mechanism embedded in grassroots democracy also should help improve the governance in Chinese villages by making local cadres more attentive to villagers' demands and interests. This is exactly the case in villages such as Songzhuang Village of Henan Province, where grassroots democracy has become the powerhouse of local governance. For example, the village committee of Songzhuang has channeled the lion's share of its collective incomes (i.e., 300,000 RMB [around 44,800 USD]) into public projects such as paving village roads, rather than into the village cadres' personal bank accounts. Unfortunately, VCEs in a large number of rural communities, such as Su Village and Qianhouzhai Village, have not been

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organized in a transparent and competitive way, following the Organic Law of Village Committees, drafted in 1987, amended in 1998, and further revised in 2010. Further, serious manipulations and interventions primarily from township officials at different stages of VCEs have been widely reported (e.g., J. Lu 2012; L. Tsai 2010). It is obvious that rigged VCEs cannot work as originally designed to sustain local governance in rural China, as they are unable to provide publicly recognized authority or hold local cadres accountable.

Compared with the residents of villages like Qianhouzhai and Songzhuang, members of villages like Su are at a disadvantage: Neither powerful social sanctions nor high-quality grassroots democracy is available for sustaining their local governance. In most cases, they have to rely on themselves: They buy rubber boots for trudging along the muddy roads, solve conflicts with their fellow villagers on their own, take care of their families when financial crises strike, and use their own savings or borrow money from family and friends for small business ventures. Conversely, in villages like Qianhouzhai and Songzhuang, villagers can pool their resources to maintain irrigation projects and within-village roads; they can ask for mediation or arbitration from village cadres or some fellow villagers with publicly recognized authority to resolve conflicts; they can get assistance and secure relief from their fellow villagers or the village committee during crises; and they are also able to raise loans from their fellow villagers or apply for credit from local Rural Credit Cooperatives to finance their entrepreneurial activities. The dramatic differences between villages like Su, on the one hand, and those like Qianhouzhai and Songzhuang, on the other hand, give rise to a question with both theoretical and practical value: What are the underlying factors that drive such differences?

Most of the existing research on China's rural governance focuses on one specific institution or type of institution, like village elections (e.g., R. Luo et al. 2007; S. Wang and Yao 2010; X. Zhang et al. 2004), solidarity groups (e.g., Jie Chen and Huhe 2013; L. Tsai 2002, 2007a), rural credit associations and cooperatives (e.g., B. Hu 2004, 2007; Ong 2006, 2009, 2012), nongovernmental social organizations (e.g., Y.-t. Chang and Wu 2011; L. Tsai 2011; Xia 2011), and so forth. Together, such research strongly suggests the existence of varieties of institutional foundations of local governance in rural China; nevertheless, few scholars have tried to establish a coherent framework that can help us effectively understand rural China's varieties of governance. Instead of focusing exclusively on the performance of a specific institution or type of institution in decentralized governance in rural China,<sup>1</sup> this book examines the operation

and effectiveness of a variety of institutions of local governance in Chinese villages. It further explores the potential dynamics among different institutions and uncovers the conditions under which some institutions can outperform others and play a dominant role in upholding the quality of governance in rural China. A series of interesting and interrelated questions are addressed in this book: When close-knit communities undergo gradual transformation into loosely coupled communities,<sup>2</sup> as pressured by economic modernization and the technology revolution, are indigenously cultivated relation-based institutions able to sustain governance in the transformed communities? Will rule-based institutions imposed, for whatever reasons, by national governments be enthusiastically accepted by average citizens as the new institutional foundation that upholds local governance? Under what conditions are these externally imposed rule-based institutions more likely to be well established and accepted within transformed communities and to perform effectively as the new institutional foundation of local governance?

These questions are of significance not only to China but also to other countries that aim to improve local governance through institutional innovations. Understanding how to ensure that newly imposed institutions perform as expected in sustaining local governance is a critical component for such innovations. But this is much more than just making the institutions right, as it requires systemic understanding of the social environment in which such institutions are embedded.<sup>3</sup> This is particularly the case for developing countries including China that face constant pressure to reform their socioeconomic and political institutions. Many of these countries (though for different reasons) are engaged in transplanting and imposing rule-based formal institutions into their societies for better governance.<sup>4</sup> Since many of these institutions have been crafted and practiced in societies with different socioeconomic backgrounds (e.g., developed countries) and many of the developing countries have rich histories of governance based on indigenous informal institutions (especially for local governance), the significance of understanding the interactions between the imposed and indigenous institutions, as well as their implications for governance, cannot be overemphasized for the policymakers in these countries.<sup>5</sup>

In addition to resonance with what is at the top of the agenda of policymakers in both developed and developing countries, changes in the institutional foundations of local governance also are of great interest to social scientists who examine the origins and consequences of institutional change (e.g., Fukuyama 2011; Greif 2006; Knight 1992; Kuran 2010; Mahoney and Thelen 2010b; North 1990; North et al. 2009; Parthasarathi 2011; Pomeranz 2000; Rosenthal and Wong 2011).

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In particular, this topic is of value to the newly growing literature on informal institutions, the interactions between formal and informal institutions, and their implications for governance (e.g., Aoki and Hayami 2001; Greif 2006; Helmke and Levitsky 2004; Helmke and Levitsky 2006; MacLean 2010; Platteau 2000; Platteau and Peccoud 2011; Skarbek 2011; Tabellini 2008; K. S. Tsai 2006; L. Tsai 2007a).

Empirically, we have accumulated rich, though sometimes contradictory, findings on the performance and relative effectiveness of different institutions in sustaining local governance from a variety of regions, through both large-N statistical analyses (e.g., Manion 1996, 2006; L. Tsai 2007a, 2007b; Y. Yao and Gao 2006; Y. Yao and Shen 2006) and detailed case studies (Galvan 2004, 2007; Platteau 1994a, 1994b, 1995, 2000). Nevertheless, until now, only limited theoretical tools have been made available for resolving contemporary empirical debates, integrating different theoretical arguments, and uncovering some general and widely shared underlying mechanisms.<sup>6</sup> Drawing on the most recent developments in political science, political anthropology, sociology, economic history, and legal studies on institutional change and local governance, this book suggests a new and contextualized theoretical framework that, firstly, helps synthesize contrasting empirical findings on the performance and effectiveness of both indigenously developed and externally imposed institutions in upholding decentralized local governance.<sup>7</sup> By focusing on the influence of the surrounding environment on the performance of different types of institutions, this framework reveals the conditions under which the varying institutions can perform effectively in sustaining local governance. Secondly, this framework also allows an understanding of the potential interactions between indigenous institutions and imposed institutions that are moderated by community structural features in local communities, as well as their implications for governance in transformed communities. By bringing community structural features to the center of analysis, this framework sheds some light on critical questions like why institutions that follow the same design vary significantly across countries or even across regions within the same country in regard to their performance.

### 1.1 VARIETIES OF GOVERNANCE, INSTITUTIONAL FOUNDATIONS, AND INSTITUTIONAL CHANGE

Governance is conventionally understood as the exercise of power to structure, regulate, and coordinate the relationships among the populace

in the management of their public affairs.<sup>8</sup> Good governance, if defined simply as resulting in prosperous and peaceful lives for the majority of those concerned, has been normatively prescribed and actively pursued by students of politics for centuries. This is part of the reason why Leviathan was suggested as a possible way out of the miserable situation characterized as the “nature of war” (Hobbes 1982 [1651]). This is also why “social contract” was conceived as a critical institutional innovation to channel the power of Leviathan toward the public good (Locke 1980 [1689]). Furthermore, this is 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 people, regardless of their skin color, language, or religious beliefs (Samuel P. Huntington 1991). “Good institutions,” particularly those set down on parchment, have been widely recognized as the key to good governance (Acemoglu and Robinson 2012; Greif 2006; North 1990; North et al. 2009; M. Olson 1982; Rodrik 2007). As a consequence, institutional design and change, since the late twentieth century, have been examined with unprecedented interest and enthusiasm by both academics and policy-oriented researchers.

After decades of research, it has been widely acknowledged that institutions do matter and that “good institutions” are critical for good governance.<sup>9</sup> Nevertheless, when we observe the world through a comparative lens and temporarily discard the relatively parochial interest in parchment institutions, it should be easy to see the lack of a universally applicable institutional template or formula for good governance.<sup>10</sup> Institutions that follow the same design vary significantly across localities in regard to their performance.

Perhaps the most famous and well-analyzed example is the difference between South and North Italy in terms of institutional performance, as Putnam and his colleagues documented in their seminal work (Putnam et al. 1993).<sup>11</sup> Less well-known but equally thought-provoking cases can be found in many developing countries engaged in the complex project of “institution formalization and modernization” for the sake of potentially facilitating both their social transition and economic development. For example, nationally promoted land-tenure systems, widely believed by new institutional economists to be capable of securing property rights and facilitating economic growth, have generated unexpected results in African countries, some of which have been catastrophic for local communities. Specifically, in some African communities, the state-endorsed land-tenure system runs against community-shared norms of fairness and reciprocity. Resulting conflicts have led to unrest and even ruined harmonious relationships cherished by local residents (Chimhowu and

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Woodhouse 2006; Daley 2005a, 2005b; Galvan 2004). Therefore, in these communities, newly imposed land-tenure systems have not been as effectively adopted as expected. Even in those communities where the state-endorsed land-tenure system has been established as designed, the resulting enormous inequality in land ownership has become a serious challenge for local governance and to economic prosperity (Platteau 1995, 2000).

In addition to numerous examples of the uneven establishment and performance of formal institutions despite the same design and settings, contemporary literature provides abundant evidence of how good governance, conventionally assumed to be closely associated with well-designed and properly performing formal institutions, has been effectively maintained in some communities without resorting to the parchment institutions that most academics and policymakers have in mind.

In the history of Europe and North America, indigenously developed informal institutions had been critical for local economic growth and prosperity as well as for the maintenance of social order (Fukuyama 2011; Greif 1989; Greif and Kandel 1995; Greif et al. 1995). Even in some rural communities of the United States in the 1990s, locally shared norms and conventions played dominant roles in resolving conflicts among residents, despite contradictions between formal legal stipulations and these local norms and conventions. In these communities, order was achieved without law (Ellickson 1991). Similar cases of good governance without formal institutions are widely available in developing countries. Blood revenge rather than criminal law has been a key deterrent against felonies in some East European and Middle Eastern underdeveloped regions (Boehm 1984; Ginat 1997). People in Indian villages still go to traditional leaders for conflict resolution (Krishna 2002). Informal money-raising organizations have played an indispensable role in facilitating local marketing in Indonesia (Hayami and Kawagoe 2001). In sum, we have varieties of governance, many of which rely not on externally imposed formal institutions but rather on indigenously cultivated informal ones.

When it comes to local governance and its associated institutional foundations, China is similar to the rest of the world. Reviewing the existing literature on China's rural governance clearly shows the salience of different and even contrasting findings on the performance of different types of institutions in Chinese villages.

Grassroots democracy in Chinese village has been evolving in a highly uneven way. VCEs have been regularly held in a transparent and competitive way in some villages but seriously and persistently manipulated in others (Kennedy 2002; Landry et al. 2010; J. Lu 2012; O'Brien 1994;

Tan 2004). Moreover, even in villages with democratic and transparent grassroots elections, VCEs' impacts on local governance are far from clear. In some communities, grassroots elections have successfully aligned villagers' and elected officials' policy preferences, increased community members' positive evaluations of local cadres' performance as well as their trust in the latter, reduced income inequality among villagers, and increased expenditures on local public projects (Manion 1996, 2006; Sato 2008; S. Wang and Yao 2010; Y. Yao and Shen 2006; X. Zhang et al. 2004).<sup>12</sup> However, in other villages, there is no significant relationship between the democratic nature of VCEs and the provision of local public goods.

Instead, it is solidarity groups (e.g., clan/lineage or religious organizations) that have coordinated villagers' collective activities and regulated elected officials' behaviors by creating accountability without democracy (Jie Chen and Huhe 2013; L. Tsai 2007a, 2007b; Xia 2011).<sup>13</sup> Institutional pluralism has also been documented in other aspects of China's rural governance, like resolving conflicts among villagers (B. Chen 2011a, 2011b; Michelson 2008; Michelson and Read 2011) and raising financial sources for entrepreneurial activities (Bislev 2012; B. Hu 2007; Nee and Oppen 2012; Ong 2012; K. S. Tsai 2002).

These fascinating but puzzling findings raise the following questions: Why could the same designed and imposed rule-based institutions, working as the foundation of local governance, be effectively established in some regions but not in others? Why are indigenous relation-based institutions still the foundation of local governance in some communities, despite the availability of externally imposed rule-based institutions? Confronted with both indigenous relation-based institutions and imposed rule-based institutions, which institutional channels are community members more likely to use in dealing with various issues? Under what conditions do the coexistence of and interactions between indigenous institutions and newly imposed ones favor one over the other as the institutional foundation of local governance? Moreover, what are the implications of the answers to the aforementioned questions for contemporary literature on institutional change and local governance?

Before I present the central arguments of this book and lay out the framework for subsequent analyses, two key concepts need to be defined: indigenously developed institutions (IDIs) and externally imposed institutions (EIIs).<sup>14</sup> IDIs are systems of social factors, which emerge endogenously, with the potential to enable or constrain community members' behaviors. These institutions, including clan/lineage organizations, religious solidarity groups, rotating saving and credit associations, and local norms, are primarily produced out of continuous social interaction and

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transmitted through socialization. EIIs are exogenously designed systems of social factors with the potential to enable or constrain community members' behaviors. These institutions, including local elections, police, and judicial and banking systems, are primarily produced out of the intentional efforts of external forces and transmitted through institutionalized bureaucratic channels. Generally speaking, IDIs are primarily relation-based, more informal in the sense that they are not mandated by forces exogenous to communities such as national governments, and widely observed in traditional societies. EIIs are primarily rule-based, more formal in the sense that they are imposed through institutional bureaucratic channels and backed by forces foreign to communities, and widely practiced in modern societies.

This book makes four central arguments. Firstly, regardless of its nature, any institution can perform effectively in sustaining local governance, as long as it can effectively solve the two fundamental problems in decentralized governance: collective action and accountability. Historically, indigenously cultivated relation-based institutions have a much longer and richer tradition than do externally imposed rule-based institutions of serving the governance of local communities by addressing these two problems.

Secondly, the effectiveness of different institutions—indigenous relation-based versus imposed rule-based—in solving these two fundamental problems is, at least to some extent, contingent upon the social environment in which they are embedded. A close-knit social environment—more specifically, frequent and continuous social interaction and the existence of dense and extended social networks—favors the operation of indigenous relation-based institutions, while imposed rule-based institutions enjoy an advantage in loosely coupled communities. In contrast, in atomized communities,<sup>15</sup> neither can work effectively as the institutional foundation of local governance.

Thirdly, local communities' social environments are closely tied to their structural features. When communal structures are transformed to various extents due to factors such as significant outward migration, the social environments of these communities are accordingly reshaped along the spectrum that ranges from the close-knit environment at one end, through the loosely coupled one, to the atomized environment at the other end.

Finally, confronted with the coexistence of different institutions embedded in transformed social environments and serving similar functions, community members are more likely to choose the efficacious one with the lowest transaction costs, which include both switching and

coordination costs in their institutional choice. Therefore, given unevenly transformed social environments in local communities, as well as community members' contextualized choices among different institutional solutions, varieties of governance can be observed under similar sets of externally imposed formal institutional arrangements. In sum, this book argues that changes in the structures of local communities, something that contemporary literature on local governance and institutional change has generally ignored or only tentatively touched upon, play a central role in explaining the existence of varieties of governance in local communities as well as transformations in the institutional foundations of decentralized governance.

## 1.2 CASE SELECTION, METHODOLOGY, AND DATA

China scholars generally have agreed that a “honeycomb” is an appropriate representation of the communal structures of rural China before the initiation of market-oriented reforms in the late 1970s and early 1980s (Parish 1985; Shue 1988).<sup>16</sup> The social environment associated with this honeycomb community structure favors the cultivation, consolidation, and operation of indigenous relation-based institutions for local governance.<sup>17</sup> Not surprisingly, historical studies on local governance in pre-modern China, particularly those on rural governance in the Song, Ming, and Qing dynasties, have provided numerous examples of indigenous institutions (including clan/lineage organizations, community granaries, and local norms) that effectively regulated and coordinated people's behaviors to sustain social order and promote local development (Kuhn 1975; A. H. Smith 1899; Wakeman and Grant 1975; Watt 1972; G. Xiao 1960; L. Yang 1961). To fulfill its ambition of modernizing governance in China, the CCP centralized its administration after its military victory in the late 1940s, oppressed the operation of various indigenous institutions in local governance, and penetrated local communities through the use of newly imposed party and mass organizations between the 1950s and 1970s. Nevertheless, the CCP's various imposed rule-based institutions, including the household registration system, the Commune system, and government-controlled urbanization and migration, actually reinforced the honeycomb structure in rural China (Bislev and Thøgersen 2012; H. Li 2009; Yep 2003).<sup>18</sup> Furthermore, these undisrupted, well-maintained, close-knit communal structures in rural China provided the necessary social environment for the resurrection and operation of many indigenous institutions in the early 1980s, as the CCP steadily decentralized its

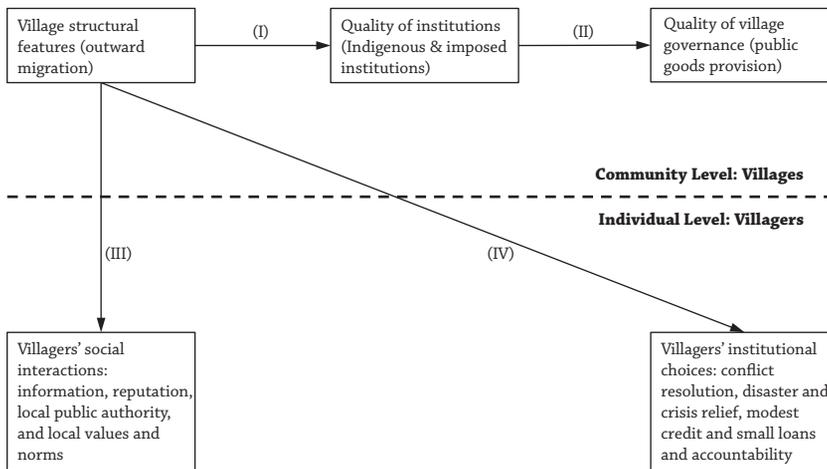
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administration and loosened its bureaucratic control of rural communities. Later, accompanying a national program of institutional modernization to promote economic reforms and improve macro-governance, a large number of newly designed rule-based institutions, including grassroots democracy, were introduced into various aspects of rural life, beginning in the late 1980s.

Meanwhile, China's market-oriented economic reforms have significantly challenged the honeycomb structure of Chinese villages in an unprecedented way: Many villagers leave rural communities for economic opportunities and associated benefits in urban areas. According to China's most recent official statistics, more than 158 million rural laborers worked and lived in urban areas (other than their home townships) as migrant workers at the end of 2011.<sup>19</sup> Also, the geographic distribution of rural China's cityward migration is highly uneven.<sup>20</sup> As a result, the social environments of Chinese villages have been substantively transformed, *inter alia*, by rural-urban migration, and in a very uneven way. Although these villagers migrate cityward without deliberately challenging the performance of indigenous relation-based institutions within their home communities, their leaving per se has significantly reshaped the institutional and political landscapes of Chinese rural communities (Murphy 2002; Pesqué-Cela et al. 2009; Roberts 1997; Y. Xu 2000; Y. Xu and Xu 2003).

When these three things—(1) revived indigenous relation-based institutions in rural communities with a rich and deep-rooted tradition of self-governance based on such institutions, (2) the ongoing national project of modernizing and formalizing institutions for decentralized governance in rural communities, and (3) unevenly transformed rural communities due to the significant outflow of labor through rural-urban migration—come together, students of institutional change, institutional performance, and local governance are offered a rare opportunity to examine a series of interesting questions whose answers have significant implications for both policymaking and theory development. This book focuses on the particular questions of whether a variety of institutional foundations have been working in sustaining the decentralized governance in Chinese villages with transformed social environments, and why different institutional foundations have been adopted and consolidated for governance in these communities.

In addition to examining the correlations between various institutions established and adopted in Chinese villages and the quality of governance in these communities at the community level, this book goes one step further, following the methodological framework suggested by Coleman



**Figure 1.1:**  
A Multilevel System of Propositions

(1990, pp. 5–23), to examine a multilevel system of propositions, including some interesting dynamics at the individual level (Fig. 1.1).

At the community level, as illustrated in Figure 1.1, this book examines two relationships. Like most existing research on China's rural governance, this book explores the relationship between the quality of different institutions (i.e., indigenous relation-based institutions and imposed rule-based ones) and local public goods provision in Chinese villages, as indicated by Path II. However, different from contemporary pertinent research, this book traces one step back, as indicated by Path I, and examines how village communal structures (which are captured primarily by varying levels of cityward migration) shape the quality of different institutions, thus providing a contextualized understanding of institutional change and governance in rural China.

Beyond such community-level dynamics, this book further explores some micro-dynamics at the individual level that could have driven the institutional changes in rural China. More specifically, this book tries to understand how changes in communal structures shape the information environment, social sanctions based on local reputation, public authority, and cooperative norms among villagers, as indicated by Path III. All these factors are closely tied to the performance and effectiveness of indigenous relation-based institutions. Furthermore, this book also examines how the transformed social environment affects villagers' choices between different institutions (i.e., indigenous relation-based institutions vs. imposed rule-based ones) to address their variety of issues within home

communities, as indicated by Path IV, like conflict resolution, disaster and crisis relief, modest credit and small loans, and accountability.

To achieve these goals, I need pertinent information on both villages, as the environments in which socioeconomic and political activities are embedded, and villagers, as the agents of contextualized decisions and consequential behaviors. Therefore, in addition to objective measures of the quality of governance in Chinese villages, their villagers' perceptions, evaluations, and normative orientations also are critical to the exploration of the micro-foundations of the operation and performance of different institutions in upholding local governance. Given such requirements, sampling surveys are the most appropriate research tool for examining the propositions of this book. The 4,205 rural respondents of the 2008 Asian Barometer Survey II Mainland China Survey (ABSMCS) and 356 administrative villages where these rural respondents lived and that were covered in the 2008 National Village Survey (NVS) are the key subjects of this book's empirical examination.<sup>21</sup>

To be able to design appropriate survey instruments, I spent three months in the summer of 2006 immersed in the villages of Hubei, Henan, Shandong, and Shanxi provinces to (1) familiarize myself with the substantive issues that could offer the most analytic leverage when examining the performance of different institutions and (2) identify valid but not region-specific proxies that could be used to measure such performance. Partnered with students and faculty from the Center of Rural Governance (CRG) at Huazhong University of Science and Technology, I worked as part of a team comprising three or four groups living in three or four adjacent villages.<sup>22</sup> Following an outline that I prepared, with cues and potential questions on various aspects of local governance and villagers' perceptions and evaluations of different institutions, each group worked independently in a preselected village, interviewing village cadres and villagers and closely observing relevant activities. Every other night, all groups met for a two-hour 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 effective collaboration, I not only became knowledgeable about more cases but also built a deeper understanding of each individual case through comparison. This collaboration based on group efforts helped to maximize the validity of proposed survey instruments when later applied to villages that I did not visit in person.

A pilot survey was conducted in the summer of 2007 in the villages of Hunan, Anhui, and Jiangxi provinces. Partnered again with the CRG, I tested two sets of questionnaires designed for both villagers and their villages.<sup>23</sup> After further revising the survey instruments based on pilot

survey results and securing permission from the principal investigators of the Asian Barometer Surveys (ABS),<sup>24</sup> I included some key survey instruments in the mass questionnaire of the 2008 ABSMCS. I also worked with the ABS II to incorporate the village questionnaire that I tested into its community questionnaire for the 2008 NVS as a means to collect socioeconomic, political, and structural features of the sampled Chinese villages. Moreover, to ensure that this survey could cover as many temporal and seasonal migrants in rural areas as possible, it was scheduled between December 2007 and March 2008, with the Chinese Spring Festival (*chunjie*) in between, when most temporal and seasonal migrants go home for family reunions. Nevertheless, an unexpected and unprecedented snowstorm attacked more than twenty provinces in central, south, and northwest China in early January 2008 and significantly delayed the implementation of this survey, which was not completed until late May 2008.

To offset the widely recognized deficiency of quantitative analyses in uncovering underlying causal mechanisms and fleshing out theoretical arguments, I also compiled qualitative evidence, based on rounds of fieldwork in rural China between 2006 and 2008, through semistructured interviews, participant observation, and documentary studies.<sup>25</sup> The value of these qualitative data in this book is twofold. First, snapshot survey data can only offer cross-sectional information on the correlations among key variables of interest, with exclusive 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 are interested in the impacts of evolving outward migration on communal structures and local social environments. For this research, despite my lack of access to longitudinal survey data, process tracing within a rural community, based on villagers' recall and memories, could offer some extra analytic leverage in understanding the impacts of transformed communal structures on local social environments from a longitudinal perspective as well as how the performance of different institutions changes as evolving national socioeconomic and political policies drive the outflow of villagers.

Secondly, following most-similar and most-different research strategies (King et al. 1994; Przeworski and Teune 1970; Ragin 1989), comparative case studies also offer a further advantage in addition to isolating the influence of the variables of interest. Average villagers' and local cadres' reflections on social sanctions, village politics, local governance, and the performance of different institutions, as well as their answers to how they prefer some institutions over others, provide vivid examples of the

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“contextualized rationality” that is critical for understanding the logic of decentralized governance and institutional change in rural communities. All such rich information cannot be recovered simply through statistically analyzing survey data.

It is important to remind readers that although this book’s quantitative and qualitative evidence comes primarily from rural China, its theoretical framework and arguments are not just valid for and relevant to decentralized governance in Chinese villages. Instead, this book offers a contextualized understanding of changes in the institutional foundations of local governance in any community that faces the coexistence of indigenous relation-based institutions and imposed rule-based ones and simultaneously witnesses the transformation of community structures driven by external socioeconomic and political forces. As local communities move away from the close-knit type to the loosely coupled type or even the atomized one, the institutional foundations of governance in such communities change accordingly. Thus, identifying the social environments in which different institutions operate and perform, and bringing the transformation of social environments back into our theorization of institutional change and local governance, can significantly deepen our knowledge of how institutions change, perform, and affect local governance. Moreover, it can enrich our understanding of the conditions under which institutional modernization or engineering may succeed or fail.

### 1.3 OVERVIEW OF THE BOOK

Chapter 2 establishes the theoretical foundation and offers a coherent framework to guide subsequent empirical analyses. After reviewing contemporary literature on the origins of and changes in institutions and local governance, I raise the key research questions of this book. Subsequently, both macro- and micro-views of the origins of indigenously developed relation-based institutions and externally imposed rule-based institutions in local communities are presented as critical background information. Building upon stylized game-theory models, I show the effectiveness of reputation-based multilateral social sanctions, which I argue are the linchpin of most indigenous institutions, in solving the problems of collective action and accountability in close-knit communities. Juxtaposing externally imposed rule-based institutions and indigenous relation-based ones, I also demonstrate the advantage of the former in sustaining governance in loosely coupled communities. I then lay out the framework for a contextualized understanding of institutional choices in

local communities confronted with the coexistence of different institutions and unevenly transformed social environments. In the end, major hypotheses regarding how the institutional foundations of local governance may undergo transition because of the changes in communal structures (primarily driven by outward migration) are derived for subsequent empirical examination.

Chapter 3 offers a broad historical review of the evolution of local governance in China, as well as its institutional foundations, and the evolution of rural–urban migration since the late 1970s. One focus of this chapter is how structural features of Chinese villages have moderated the performance of various institutions imposed by central governments in Chinese history. A brief review of institutions adopted by the Ming and Qing dynasties and the Kuomintang regime for governing rural China offers some examples of how indigenous relation-based institutions were intentionally and effectively incorporated by the central governments into their respective institutional designs to uphold the governance in Chinese villages. An introduction to the totalitarian and later authoritarian institutions imposed upon Chinese rural communities by the CCP before the late 1970s, as well as the grassroots democracy introduced into rural China after the 1980s, provides the necessary background for understanding villagers’ institutional choices and the existence of varieties of governance in contemporary rural China. The other focus of this chapter is the evolution of the outflow of villagers through rural–urban migration in contemporary China. With the help of national statistics collected from different sources, I present the uneven distribution of rural–urban migration in Chinese villages. These statistics attest to the plausibility of uneven transformation in the social environments of the rural communities examined in subsequent chapters.

Chapter 4 focuses on the decentralized provision of local public goods (i.e., Paths I and II in Fig. 1.1), a critical aspect of local governance in rural China, using empirical evidence collected at the village level from the 2008 NVS. After establishing the validity of the proxies used for indigenous relation-based and imposed rule-based institutions, this chapter presents an examination of the data on local public goods provision in 356 administrative villages, with the help of structural equation modeling. I first show that, regardless of its nature, any institution that can solve the problems of collective action and accountability is capable of sustaining the provision of local public goods in a decentralized way, wherein required resources come primarily from the collective incomes of villages and/or voluntary contributions from villagers. I then demonstrate that changes in communal structures, caused primarily by outward migration,

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have a significant impact on whether and how public goods in Chinese villages can be provided in a decentralized way. As confirmed by statistical results, this structural feature exerts its influence primarily and indirectly via shaping the performance of different institutions, thus providing empirical support for theoretical Paths I and II. Three case studies, with anecdotal and qualitative stories, are presented to show the validity of the causal stories uncovered by statistical modeling.

Chapters 5 and 6 provide some micro-level evidence for the macro-picture presented in Chapter 3. Chapter 5 shows how outward migration at the village level has transformed the close-knit social environment and eroded the social foundations for the operation and performance of indigenous relation-based institutions in some Chinese rural communities (i.e., Path III in Fig. 1.1). Outward migration, albeit unintentionally, induces changes in villagers' information environment, their responses to possible social sanctions, and perceptions of public authority as well as normative orientations toward collective interests, long-term relationships, and conflict avoidance. Such changes are systematically examined by the use of discrete choice models that combine both individual characteristics collected from the 2008 ABSMCS and community features collected from the 2008 NVS. In addition to cross-sectional evidence, a case study on changes in the social environment of a village since the People's Commune era is presented. This case study offers some qualitative and longitudinal evidence of how the social foundations for the effective performance of indigenous relation-based institutions in the village have gradually eroded due to the transformation in the village's community structure driven by increasing outward migration, which in turn supports theoretical Path III.

Chapter 6 moves beyond the induced changes in social environments and focuses on villagers' choices among different institutional solutions for handling a variety of issues as well as on their assessment of different institutions for monitoring village cadres and holding them accountable (i.e., Path IV in Fig. 1.1). As such, imposed rule-based institutions are the focus of this chapter. Villagers' evaluations of imposed rule-based institutions for conflict resolution, disaster/crisis relief, modest credit and small loans, and regulating village cadres' behaviors are systematically examined using discrete choice models that combine individual characteristics collected from the 2008 ABSMCS and community features collected from the 2008 NVS. As expected, in loosely coupled villages, characterized by a medium level of outward migration, imposed rule-based institutions, *ceteris paribus*, are more likely to attract villagers' attention and become their choice for addressing local governance issues. Imposed rule-based

institutions are also more likely to be used for supervising village cadres and holding them accountable. This not only supports theoretical Path IV but also emphasizes the influence of structural features on the villagers' choice to use imposed rule-based institutions, an important point for policymakers.

Chapter 7 provides a conclusion and comprises summarized findings. In addition, I address a serious challenge that faces most students of institutions: Are institutions epiphenomenal? I argue that rural China's experiences under the CCP regime confirm the significant influence of institutions on its governance, which cannot be fully attributed to the institutions' simply transmitting the impact of structural conditions. I also provide suggestions on how to adequately contextualize our understanding of institutional change and its consequences. Particularly, I emphasize the necessity of establishing a comprehensive framework to examine the possible dynamics among different types of institutions and moving beyond the institutional environment by bringing in the pertinent social environment. I further discuss the broader implications of this research for the literature on formal and informal institutions, institutional change, local governance, and social capital.

The epilogue (Chapter 8) contains some reflections on whether the increasing number of migrant workers returning to rural China due to the 2008 financial crisis and China's efforts to upgrade its economic structure might offer some opportunities to revive China's rural governance, particularly that in those villages atomized or paralyzed due to a high level of cityward migration. I argue that whether returned migrant workers can contribute to reviving these communities' governance depends on whether they can be attracted to resettle in their home villages and whether their attachment to these villages can be regenerated and strengthened. Furthermore, I also discuss how to effectively use China's increasing budget for *Sannong* (agriculture, villages, and peasants) to revive its rural communities for better institutional performance and improved governance. I particularly emphasize the salience of channeling critical resources into rural communities and intentionally cultivating the cooperation and coordination capacity among Chinese villagers for Chinese leaders.