Property Rights and Economic Reform in China

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Contents

people who continue to express dedication to the future of the collective, such as another nephew of the Party secretary who recently completed study at a provincial institute for rural enterprise management, funded by a village scholarship.[61] The future of property rights and management practices in Qiaolou enterprises will be shaped by the relationships that develop between these administrative successors in the coming years.

Chapter 3

Local Institutions and the Transformation of Property Rights in Southern Fujian

CHIH-JOU JAY CHEN

To a large extent, China's dramatic economic growth since the late 1970s has been fueled by rural industry. The gross output value of rural industry (township, village, and private enterprises—TVPs) jumped from 9.8 percent of the country's total in 1980 to 44 percent in 1994, while employment climbed from 9.4 to 33 percent of the total rural labor force.[1] With the adoption of the household responsibility system and the consequent removal of agricultural assets from government control, local industrial enterprises have become the government's most reliable source of income and have also directly contributed to local development. The analysis of property rights arrangements and the evolution of TVPs therefore provides insight into China's rural transformation and the changing economic, political, and social dynamics of Chinese society.

As reform proceeds, the question of ownership becomes critical for understanding economic institutions and organizational features in China's rural economy. Eirik Furubotn and Svetozar Pejovich suggest that property rights include the right to use an asset, to appropriate the returns from an asset, and to transfer an asset to others. In essence, they refer to the use of, derivation of income from, and sale of assets.[2] Scholars also extend the notion of property to include all sorts of valued resources, ranging from objects (e.g., garments, machines) and assets to information and personal abilities.[3] Variations in bundles of property rights therefore serve to define important organizational differences among firms.

Studies of the Chinese economy have drawn different pictures of economic institutions and property rights in rural China. Oi and others, for example, stress the continuity of cadre power and redistributive corporatism in the rural reforms.[4] While the reforms decentralize power to re-

gions and localities, cadres have been able to retain power by controlling resource allocation and redistribution, playing a key role in economic decision-making. One of the most important institutional changes to buttress the continued authority and autonomy of local government is fiscal reform, which provides strong incentives for local government to become entrepreneurial.

Another perspective suggests that China's reforms can best be understood as a transition from a redistributive command system to a market system.[5] This means that power shifts from redistributors (i.e., cadres) to the direct producers (i.e., entrepreneurs). Meanwhile, human capital will be more salient than political capital in seizing economic gains, and thus inequality of opportunity and rewards will be reduced. This argument predicts a decline in the power of cadres, a corresponding gain in the power of producers, and lessening inequality in the distribution of resources and rewards.

A third view focuses, not on state bureaucracy or market penetration, but on indigenous social institutions.[6] Local institutions, based on such sociocultural elements as kinship, serve to shape the trajectory of change. Therefore, market transition and bureaucratic corporatism are not the only mechanisms that coordinate economies in Chinese reforms. The operation and legacies of native institutional arrangements should be taken into account as well.

Each of these perspectives, which represent different research emphases, provides useful insights into the process of institutional transformation. Nevertheless, their arguments and findings raise the issue of regional variation and highlight the necessity of examining local institutional arrangements in detail. Considering the fact that various types of property rights and economic institutions may coexist in different regions across China, the critical issues are: Why did state policies bring about different economic forms across rural regions? How should regional variation be explained? How do local variants evolve over time?

To address these questions, this chapter draws on field research in southern Fujian to provide insight into one type of economic organization in one of China's rapidly developing coastal areas. It first identifies the characteristics of economic organizations and property rights arrangements in an area where individual and joint-household management is widespread. Then it examines the local social institutions in which economic institutions are embedded. Finally, it studies the role of local government in reforms and shows how it both facilitates and benefits from the booming local economy. I argue here that while economic policies at the national level began the process of reforms, differences in social and political institutions in each locality dictate variations in economic organization

and property rights. Local officials in different regions adapt national policies to local social and economic realities. They are constrained by their respective local institutions and thus cannot fully implement policies passed down from above. On the other hand, open-door policies and market forces indeed promote economic production and market transactions, but these proceed within the institutional arrangements of bounded rural communities. If the particular characteristics of local institutions in each area are overlooked, one is likely to exaggerate the effect of market forces and central policies and thus misunderstand the reforms' transformative mechanisms.

Property Rights Arrangements in Southern Fujian: The Jinjiang Model

Jinjiang is located in southeastern Fujian, south of the estuary of the Jin River, which empties into Quanzhou Bay, an inlet of the Taiwan Straits. Before it was renamed Quanzhou prefecture in 1984, Jinjiang prefecture included today's Quanzhou, Jinjiang, and Shishi City. Shishi (Stone Lion) used to be one of Jinjiang's eighteen townships before it was amalgamated with three nearby townships to establish Shishi City in 1989. Although the administrative boundaries were redrawn several times, Jinjiang has long been known as the region of today's Jinjiang City (consisting of fourteen townships) and Shishi City (consisting of four townships), with a land area of 903 square kilometers and a population of 1.25 million.[7]

Located within the "Minnan Golden Triangle" (the prefectures of Quanzhou, Zhangzhou, and Xiamen), Jinjiang achieved fame as the "Jinjiang Model" (*Jinjiang moshi*) soon after reforms began in the late 1970s. It is one of the most developed areas in rural China. In the general achievement (*zonghe shili*) rankings of rural China's more than 2,000 cities and counties, Jinjiang City entered the top 100 (ranked fifty-fifth) in 1991. It jumped to twenty-fourth in 1992 and to fifteenth in 1995.[8] Per capita incomes of the rural populations of Jinjiang (Y3,358), the Shanghai suburbs (Y3,436), and Suzhou (Y3,090) are as much as 2.5 to 2.8 times the national average (Y1,223). In 1994, Jinjiang's per capita gross national product (GNP) reached Y13,040, slightly higher than Suzhou's Y12,639 and far ahead of the Shanghai suburbs' Y7,200 and Y3,679 yuan for China as a whole. Suzhou and the Shanghai suburbs each have a large industrial base, and the volume and value of their industrial products are much higher than those of Jinjiang, which tends to concentrate on low-value products such as garments, foodstuffs, and footwear. In 1994, the per capita gross value of industrial output (GVIO) in Jinjiang reached Y18,449, lower than the

TABLE 3.1

Per Capita Economic Indicators, 1994
(yuan)

	Jinjiang	Shanghai suburbs	Suzhou	Fujian	All China
Per capita net income, rural population	3,358	3,436	3,090	1,578	1,221
GNP per capita	13,040	7,200	12,639	5,454	3,679
GVIO per capita[a]	18,449	22,084	42,036	7,203	6,417

SOURCES: *Fujian tongji nianjian 1995* [Statistical yearbook of Fujian, 1995] (Beijing: Zhongguo tongji chubanshe, 1995), pp. 367–94; *1995 Shanghai jiaoqu tongji nianjian* [1995 Statistical yearbook of the Shanghai suburbs] (Shanghai: Statistical Bureau of Shanghai City, 1995), pp. 6, 19, 23; *Suzhou tongji nianjian, 1995* [Statistical yearbook of Suzhou, 1995] (Beijing: Zhongguo tongji chubanshe, 1995), pp. 18, 27, 198; *Zhongguo tongji nianjian, 1995* [Statistical yearbook of China 1995] (Beijing: Zhongguo tongji chubanshe, 1995), pp. 32, 279, 375.

[a]Gross value of industrial output.

TABLE 3.2

Scale of Rural Industrial Enterprises, 1984 and 1994
(average GVIO, Y 10,000, at original value)

	1984			1994		
	Jinjiang	Suzhou	Shanghai suburbs	Shishi[a]	Suzhou	Shanghai suburbs
Township-run	25	122	163	206	2,636	1,333
Village-run	19	28	49	99	809	428

SOURCES: Calculated from data in *Jinjiang xian guomin jingji tongji ziliao, 1984* [Statistical material on the national economy, Jinjiang County, 1984] (Jinjiang: Statistical Bureau of Jinjiang, 1985), p. 220; *Shanghai jiaoqu nianjian, 1949–1992* [Almanac of the Shanghai suburbs, 1949–1992] (Shanghai: Shanghai renmin chubanshe, 1994), pp. 655–56; *1995 Shanghai jiaoqu tongji nianjian*, pp. 111–12; *Suzhou nianjian, 1984* [Suzhou almanac, 1984] (Suzhou: File Office of Suzhou City, 1986), p. 383; *Suzhou tongji nianjian 1995* [Statistical yearbook of Suzhou 1995] (Beijing: Zhongguo tongji chubanshe, 1995), pp. 197–98; *Shishi shi shehui jingji tongji nianjian, 1994* [Yearbook of social and economic statistics of Shishi, 1994] (Shishi: Economic Bureau of Shishi City, 1994), pp. 193–95.

[a]Data for Jinjiang are not available for 1994, but Shishi was under Jinjiang's administration before 1987, and their industrial sectors shared similar characteristics.

Shanghai suburbs (Y22,084) and Suzhou (Y42,036), but still much higher than the national average (Y6,417) (Table 3.1).[9]

The different industrial structures of Jinjiang and the Yangtze Delta region are also reflected in the scale of local enterprises. The average firm size is small in Jinjiang, relative to Suzhou and the Shanghai suburbs. In 1994, the average GVIO of township- and village-run enterprises in the Shanghai suburbs was roughly five times that of Jinjiang, and Suzhou's was roughly ten times larger (Table 3.2).[10]

Since the 1970s, state-owned enterprises' share of industrial output in Jinjiang has declined sharply, from 38 percent in 1970 to 2 percent in 1992. On the other hand, enterprises run by villages and joint-household and

individual enterprises have increased their share of industrial output from 36 percent in 1970 to 91 percent in 1993 (see Table 3.3). It is clear that state-owned enterprises, mostly under the jurisdiction of the prefecture and the county, have been driven out of the picture. Equally important, the official statistics indicate that rural enterprises are overwhelmingly under the ownership and administration of village governments or lower (joint households or households), with little contribution from county- or township-run enterprises.

Nevertheless, the statistics tell only part of the story regarding property rights in Jinjiang industry and need to be interpreted with caution. It is clear that ownership of industrial assets has shifted downward in the hierarchy of government jurisdiction from county to village and household, but the actual property rights arrangements in different rural enterprises, mostly registered as village-run (*cunban*), joint-household (*lianhu*), or individual, cannot be divined from official statistics. Specifically, does classification as "village-run" necessarily entail cadre involvement and government intervention? If not, how are the bundles of property rights arranged? Also, "fake collectives" (*jiajiti*) and "wearing red caps" (private enterprises with collective licenses) have been reported in other regions,[11] suggesting that the property rights of "village-run" enterprises deserve closer examination.

The following data on economic organizations and local institutions in

TABLE 3.3

Sectoral Share of Industrial Output in Jinjiang, 1970–1993[a]
(Y million; percent of total GVIO)

		State-owned enterprises		Township-run enterprises		Village-run and below	
Year	GVIO[b]	Amount	Share	Amount	Share	Amount	Share
1970	45.9	17.4	38%	12.2	27%	16.3	36%
1975	60.8	17.9	29	19.8	33	23.1	38
1980	189.6	40.1	21	58.8	31	90.8	48
1985	636.1	66.4	10	91.3	14	478.4	75
1990	2,341.2					1,891.5	81
1991	3,595.6	115.8[c]	3			3,054.6	85
1992	7,064.0	134.1[c]	2	221.2[d]	3	5,499.8	78
1993	14,270.3			96.0[d]	1	12,996.3	91

SOURCES: *Jinjiang xian guomin jingji tongji ziliao*, various issues; *Fujian jingji nianjian*, 1991, 1992, 1993, 1994 [Economic yearbook of Fujian, 1991, 1992, 1993, 1994] (Fuzhou: Statistical Bureau of Fujian, 1991, 1992, 1993, 1994).

NOTE: The data for 1970–85 are at 1980 prices, and for 1990–93 are at 1990 prices. After 1990, some types of ownership (e.g., foreign joint ventures) are not included in any of the three categories, and thus the sum would be less than the total GVIO.

[a]Includes Shishi, unless otherwise indicated.

[b]Total gross value of industrial output, in million yuan.

[c]Shishi data are unavailable and not included.

[d]Calculated from related data.

TABLE 3.4

Basic Data on Field Sites in Fujian, 1994

	Population	No. of industrial enterprises	GVIO[a] (Y 10,000)	GVIO per capita (yuan)
Jinjiang[b]	1,245,500	—	2,297,822	18,449
Chendai Township	72,050	2,118	251,566	34,915
Yangcun Village	6,298	238	23,000	36,520
Pingcun Village	2,008	103	8,370	41,683
Hanjiang Township	46,931	754	111,500	23,758
Hancun Village	5,264	98	23,600	44,832
Fujian Province	31,268,700			7,203
All China	1,198,500,000			6,417

SOURCES: Information from fieldwork; *Zhongguo tongji nianjian, 1995* [Statistical yearbook of China, 1995] (Beijing: Zhongguo tongji chubanshe, 1995); *Fujian tongji nianjian, 1995* [Statistical yearbook of Fujian, 1995] (Beijing: Zhongguo tongji chubanshe, 1995).

[a]Gross value of industrial output.

[b]Includes the administrative divisions of Jinjiang City and Shishi City.

Jinjiang were collected during fieldwork in 1995–96. Research was mainly conducted in Yangcun and Pingcun villages of Chendai township, Jinjiang City, and Hancun village of Hanjiang township, Shishi City.[12] Chendai is the richest township in Jinjiang.[13] In 1994, the township had a population of 72,050, divided into 26 administrative villages. In 1984, it became the first township to produce an industrial output of more than Y 100 million in Fujian Province. Within Chendai, Yangcun is one of the most prosperous villages. In 1991, Yangcun became the first "Y 100 million village" (*yiyuancun*) in Fujian, and in 1994, its production value topped Y 230 million. In that year, Chendai's industrial production value grew to Y 2,515 million; of the 26 villages, 10 had production values above Y 100 million.[14] Although the production output of Pingcun village reached only Y 84 million in 1994, its per capita industrial output (Y 41,683) exceeded even Yangcun's (Y 36,520) (Table 3.4). The most developed village in Hanjiang township is Hancun village, about 25 kilometers from Chendai. Its production output grew rapidly from Y 18 million in 1991 to Y 236 million in 1994. Overall, Yangcun, Pingcun, and Hancun are among the most advanced and industrialized villages in Fujian, and in fact in all of China. The main features of the property rights in these villages are summarized below.

PRIVATE OWNERSHIP FROM THE OUTSET

During the later period of the Cultural Revolution, a number of Jinjiang's joint factories or partnerships (*hezuo qiye*) resumed operation, meeting pent-up demand for household commodities among urban residents.[15] By the end of 1978, Jinjiang had 1,141 township and village enterprises, of

which 143 were registered as township-owned and 998 as village-owned.[16] The output value of the 998 village-run enterprises amounted to Y 31.3 million, even higher than that of state-owned enterprises (Y 29 million).[17] Compared with other coastal regions, Jinjiang was still at a low level of industrialization in the later 1970s. In 1978, industry in Jinjiang accounted for 37 percent of its total social product, much lower than Suzhou's 65 percent.[18] Similarly, the Yangtze Delta region's industrial output largely outperformed Jinjiang's. In 1978, for example, Jinjiang's per capita GVIO (113 yuan) equaled only 10 percent of that in Suzhou (967 yuan) and 17 percent of that in the Shanghai suburbs (651 yuan) (Table 3.5).

Starting from a modest industrial base, the ownership of Jinjiang's rural enterprises was collective in name but private in nature. With few exceptions, most of these enterprises either adopted the "leaned-on" (*guakao*) strategy, namely, obtaining a false collective registration for individual or partnership business, or operated as cooperatives (*hezuo jingying*), jointly managed by the collective and peasants. It was rare for enterprises to be established by collective funds and run by government officials.[19] At the time, private business was still gravely prohibited, and local entrepreneurs therefore had no choice but to operate under the umbrella of the collective (i.e., township or village government).

In the early 1970s, Shishi, a harbor township of Jinjiang, experienced a revival of small factories and petty private businesses. During the Cultural Revolution, more than 30 household hardware factories were engaged in producing "Chairman Mao" pins.[20] In 1974, there were 918 vendors and shops in this small town, selling various articles smuggled from Hong Kong and Taiwan.[21] Most of the factories and shops were independently or jointly run by different households, which obtained business

TABLE 3.5

Gross Value of Industrial Output in Various Rural Regions, 1970–1980

(yuan per capita)

	1970	1975	1978	1980
Shanghai suburbs[a]	190	478	651	945
Suzhou[b]	373	677	967	1,419
Jinjiang[a]	55	68	113	191
Jinjiang[b]	60	69	98	196

SOURCES: Calculated from data in *Shanghai jiaoqu nianjian, 1949–1992* [Almanac of the Shanghai suburbs, 1949–1992] (Shanghai: Shanghai renmin chubanshe, 1994), pp. 589–601; *Suzhou shi shehui jingji tongji ziliao, 1949–1985* [Statistical material on society and economy, Suzhou City, 1949–1985] (Suzhou: Statistical Bureau of Suzhou City), p. 5; *Zhongguo guoqing congshu: Jinjiang juan* [Chinese national conditions: Jinjiang volume] (Beijing: Zhongguo dabaike quanshu chubanshe, 1992), pp. 50, 106–7.

[a]1998 prices.

[b]1980 prices.

licenses by "attaching" their businesses to the collectives. The booming market activities and household factories were attacked as the "restoration of capitalism" (*ziben zhuyi fubi*), periodically provoking crackdowns by the government in Beijing.[22] After 1978, as the political climate improved, the local economy regained its momentum and the once repressed commercial activities in this small township were revived and expanded. Shishi was called "little Hong Kong," attracting many outside traders, merchants, retailers, and vendors from all over the country, who came for goods unavailable or in short supply elsewhere, including electronic appliances, pornographic materials, and fancy clothes. The shops were surreptitiously run by individual households, either without any registration or with collective licenses issued by the government.[23] In the early 1980s, a booming garment industry developed, further increasing the scale of local market transactions in Shishi.

In nearby Chendai, Yangcun village first established factories for agricultural machine repair, grain processing, straw-weaving, and hardware processing in the mid 1970s, all in the guise of village-run enterprises. In fact, they were also individual or partnership enterprises run independently by villagers. Local cadres rarely participated or intervened in the day-to-day management of the firms. By the early 1980s, a large number of joint enterprises were registered under collective licenses, and such registration became the major organizing principle for township and village enterprises in Jinjiang. In 1980, Chendai had 20 enterprise licenses but more than 190 "leaned-on" factories. From 1978 to 1983, Yangcun village registered seven enterprises with the township's Office of Enterprise, but by 1983, there were actually 80 "leaned-on" factories, in which a number of firms shared one license under the collective.[24] Most of these enterprises were suboptimal in scale. In Jinjiang, the average value of industrial output per unit in 1984 amounted to 250,000 yuan for township-run enterprises and 190,000 yuan for "village-run or below" enterprises, less than half their counterparts' size in Suzhou and the Shanghai suburbs (Table 3.2).

In practice, the collectives (township and village governments) offered some conveniences to local enterprises. For example, Yangcun village implemented a "five uniform, six self-managed" (*wutongyi, liuzizhu*) policy.[25] The "five uniform" principle applied to uniformity in licensing, in invoices, in tax collection and administration fees, in seal-stamping administration, and in bank accounts.[26] The "six self-managed" principle applied to investment and partnership, production and marketing, leadership, management, labor employment, and profit distribution. In general, the administrative fee was about 3 percent of gross income, of which 2 percent was paid to the village, and 1 percent to the township. Since the village government controlled access to and use of bank accounts and invoices, it could monitor the businesses' cash flows, enabling it to assess management fees accurately. By 1990, each enterprise had received its own license, albeit a "fake collective" one, and the management fee was then changed to a fixed annual remittance.

In 1984, a set of state regulations was announced for rural individual businesses employing no more than seven workers; private enterprises employing more than seven workers were not granted legal status until as late as 1988, after the passing of a constitutional amendment.[27] The 1984 regulations legitimized individual and private enterprises in the countryside. Nonetheless, this policy did not substantially change the collective registration of private enterprises in Jinjiang. According to the 1994 records of the Chendai township government, among the 2,118 industrial enterprises, 1,241 (59 percent) were registered as township- or village-run, 646 (31 percent) as private or individual, and 231 (11 percent) as joint ventures.[28] In fact, the nominal category generally did not refer to any specific property rights arrangement, with the registration of enterprises as township- or village-run demonstrating conformity to older institutional arrangements. According to an enterprise manager in Chendai, when all village enterprises renewed their business licenses in 1992, despite the fact that all of the enterprises were privately run, higher-level authorities demanded that 60 percent of the enterprises be registered as collective and 40 percent as individual. "So," as the interviewed manager noted, "the township government grouped the enterprises with larger scope and assets as collective (township or village-run), and the smaller enterprises as individual or private."[29]

Local officials and enterprise managers have no doubt that the enterprises are privately owned. In interviews, local entrepreneurs showed no hesitation in labeling their factories as privately run (*siying*) or private individual (*siren*). Only asking specific questions such as "Under which ownership type is this enterprise registered?" would reveal the nominal ownership category.[30] It was also unthinkable for the local government to claim any kind of property rights over these "collective" enterprises. Instead of propagandizing about the collective economy, the government's materials and reports like to use the term "people-run" (*minying*) enterprises to describe the booming economy of the region.[31]

Among Hancun village's 98 enterprises in 1994, Lin Shuipong's factory was a typical household business. In 1982, Lin went into partnership with his nephew and started his firm. They bought local seaweed and transported it to Guangdong for sale. The business was operated under the umbrella of the Hanjiang Township Sea Products Collection Station, which received an annual administrative fee of 2 percent of the sales income. In

1987, Lin's wife became a partner with two other housewives and started a garment factory. Three years later, the partnership broke up and Lin started his own children's garment factory with a labor force of 20–30, licensed as a village-run enterprise.

SHAREHOLDING INVESTMENT AND FAMILY MANAGEMENT

Although labeled village- or township-run enterprises, rural enterprises in Jinjiang were organized with investments from the individual residents, with limited contributions from local government or collective investment. Inasmuch as household savings were limited, partnerships and shareholding came into fashion in the 1970s and 1980s. The four factories in Yangcun village that were originally set up in 1976 all obtained investments from and sold shares to villagers, who thus became the firms' shareholders. A firm's biggest shareholder usually served as the factory director. The shoe plant (originally a hardware-processing plant) was opened with an original investment of 20,000 yuan contributed by nineteen shareholders. On starting work at the factory, each worker also paid a deposit of 300 yuan, which was to be returned after one year of employment.

At the end of 1980, joint-household (*lianhu*) enterprises, along with township-run and village-run enterprises, became recognized as "nonprivate" enterprises by the county government.[32] Two or more households could organize themselves and register as a joint-household enterprise. By maintaining the "cooperative" form, these enterprises avoided the danger of being tagged as "tails of capitalism." This type of enterprise subsequently mushroomed in Jinjiang. One source states that in 1985 more than 34,600 households—16 percent of all households in Jinjiang—were engaged in such enterprises.[33] In 1984, joint-household firms in Jinjiang accounted for 44 percent of the employment and 52 percent of the output value of total TVPs. In that year, the share of joint-household enterprises in the national TVPs sector accounted for only 10 percent of employment and 7 percent of output value. By 1992, this gap had not narrowed significantly (Table 3.6).

In fact, village-run and joint-household enterprises had converged such that villagers individually or jointly invested in and managed their enterprises, periodically submitting management fees to the village. Joint-household management was intended to accumulate assets, particularly start-up capital, and to reduce risk. Over time, as assets increased, experience accumulated, and differences emerged in management and distribution of profit, these joint-household enterprises tended to collapse and be replaced by individual enterprises or regrouped households. In the late 1980s, Chendai showed an annual failure rate of 20 percent of joint-household enterprises, and marginally more in the case of new start-ups. Since the early 1990s, as individual households have accumulated assets, family enterprises have increasingly emerged.

TABLE 3.6

Ownership Structure of Rural Enterprises, 1984 and 1992

	1984		1992	
	Jinjiang	China	Jinjiang	China
Employment (percentage)				
Township-run	21%	36%	8%	25%
Village-run	24	40	34	24
Joint-household	44	10	45	7
Individual	11	14	13	44
Output Value (percentage)				
Township-run	13%	48%	16%	37%
Village-run	25	38	38	30
Joint-household	52	7	41	6
Individual	10	7	5	27

SOURCES: *Jinjiang xian guomin jingji ingji tongji ziliao, 1984; Jinjiang shi zhi*, pp. 307, 1434; *Zhongguo xiangzhen qiye nianjian, 1993* [China's rural enterprise yearbook, 1993] (Beijing: Nongye chubanshe, 1993), pp. 143–47.

A recent survey reports that 76 percent of the village households in Jinjiang operate their own family businesses, of which 37 percent manufacture garments, 29 percent produce shoes, and 34 percent engage in commerce or service.[34] About 29 percent of the sample enterprises involve partnership in investment and management, with cooperation primarily linked by kinship ties. In Yangcun village, which had 238 registered enterprises in 1994, one-third of them were run cooperatively by siblings.[35] Equally important, often all members of the family are mobilized in the management of these enterprises. A significant portion (81 percent) of village enterprises employ fewer than 30 workers and are usually located in the courtyards of the villagers' residences (Table 3.7).

Chendai Garment Company provides another model of shareholding management in Jinjiang. Originally the Yangcun Shoe and Hat Factory, the company was established in 1979 on a shareholding basis, licensed by Yangcun village. The original investment of 20,000 yuan comprised eleven local shares and another four shares from Hong Kong. The company hired eleven workers, all shareholders' relatives. In 1982, the village began to implement the household responsibility system in agricultural production. Some of the managers and workers were primarily occupied by their farmwork. Subsequently, the factory's production effi-

TABLE 3.7

Household Enterprises in Jinjiang, 1995

	Pingcun Village		Shantou Village		Total	
	Number	Share	Number	Share	Number	Share
Household Factory						
Yes	39	78%	37	74%	76	76%
No	11	22	13	26	24	24
n	50		50		100	
Partnership						
Yes	15	38	7	19	22	29
No	24	62	30	81	54	71
n	39		37		76	
Firm Size						
less than 10	14	36	22	59	36	47
11–20	7	18	5	14	12	16
21–30	10	26	4	11	14	18
more than 30	8	21	6	16	14	18
n	39		37		76	
Product						
Garment	12	31	16	43	28	37
Shoes	22	56	0	0	22	29
Commerce and service	5	13	21	57	26	34
n	39		37		76	

SOURCE: Data calculated from survey, "Economic Development and Women's Work in Jinjiang," conducted by Yu-hsia Lu, Institute of Sociology, Academia Sinica.

ciency decreased, even coming to a halt during the harvest. The factory eventually ceased operation, and all the assets were divided up among shareholders. The factory director, Lin Qiu, together with his brother, son, and son-in-law, then founded another factory. In 1984, with an investment of 60,000 yuan from the township government, which also provided the original license and appointed a cadre to help during the initial period, Lin's factory and three other village garment and leather factories combined to form a new Chendai Garment-Shoe-Hat Company, with Lin serving as "general representative" (*zong daibiao*). The company took the lead in negotiating with external parties for raw materials, in taking orders, and in handling financial matters. It also provided a business license, bank account, and seal for the subordinate factories, which operated independently and did their own accounting, while benefiting from the economies of scale provided by the amalgamation. By 1988, Lin Qiu's own factory was valued at 1,700,000 yuan. In 1990, Lin reorganized the company into the Dali Shoe Factory, with the other three factories contracted as its workshops, their original owners serving as managers and shareholders. So as to take advantage of reduced taxes for foreign investment, the new factory was registered as a foreign joint venture in the name of a relative of Lin's in Hong Kong.[36]

The foregoing discussion of organizational features of Jinjiang's rural enterprises highlights the dynamism of partnership, shareholding, and household management. The collective registration of private enterprises, along with investment by partnership and shareholding, is one of the strategies of individual households and entrepreneurs for gaining economic advantage within state-determined constraints. Individual households and entrepreneurs have earned substantial profits and, more important, have secured significant property rights over their enterprise assets, despite different ownership labels (township-run, village-run, joint-household, and individual) adopted. Also of note, these organizational configurations emerged as soon as reforms began, rather than evolving from preexisting collective ownership of local enterprises. There is no transfer of property rights in enterprise assets, because the original owners (individuals, families, or joint households) retain their control of and residual income from assets. In other words, there is no de facto *privatization* occurring in the course of Jinjiang's industrialization and development, partly because local governments had few collective enterprises available for contracting or leasing to individuals to start with.

Local Social Institutions: Family Coordination in Practice

The organizational features of Jinjiang's rural economy were not mandated by state reform policies, nor were they anticipated by policy makers. Instead, the local social context and institutional environment shaped the growth of enterprises in Jinjiang. What has propelled the development of the privately owned economy over the past two decades? What are the institutional forces underpinning these particular configurations of property rights (i.e., private, family-centered enterprises)? I suggest that Jinjiang's economic organizations, dominated by household and partnership management and investment, are embedded in the local institutions of family and clan. Family and clan enforce norms and standards of conduct centered on kinship principles and community identity. This promotes and constrains certain features of social relations and economic activities. Although such institutions were suppressed by the Chinese state in the Mao period, they have now revived.

LINEAGE IDENTITY AND KINSHIP PRINCIPLES

For centuries, social order and community solidarity in rural China were based on lineage organization and ancestor worship.[37] However, in communist China, the lineage group was divested of its role as a corporate group benefiting members through jointly owned property.[38] Lineage organization, ancestor worship, and regional religious cults were denounced as "feudal superstition" and banned for decades. However, in the reform era, Jinjiang's indigenous kinship institutions have gradually revived and fused with local political and economic institutions.

Since the late Qing dynasty, Hancun village has been divided geographically and socially into three neighborhoods, or "corners" (*jiaoluo*)—West Corner, East Corner, and Rear Corner. A number of *fang* (sublineage or lineage branches) occupy each "corner." In the West Corner, the major sublineages are four lines of the Lin surname, along with some other minority lineage groups, called *wei-cu-bian* in the local dialect (meaning "far behind the houses"). During the turmoil periods of the Great Leap Forward (1958–60) and the Cultural Revolution (1966–76), as elsewhere in rural China, a large number of Hanjiang's lineage halls and genealogies were destroyed. Some of them, however, were preserved. In the early 1960s, the brigade office was moved into Lin's lineage hall, preventing this ancestral shrine from being demolished. In the early 1980s, the ancestral shrine was refurbished for its original use again. One of Lin's preserved genealogies had been hidden by a *fang* member, then the father of the village Party secretary. Since the 1980s, most of the ruined ancestral shrines in Hanjiang township have been rebuilt, and the lost genealogies are being rewritten and revised.[39]

The quick revival of lineage identity and kinship principles in Hancun illustrates that, despite state suppression for three decades, these indigenous institutions are deeply rooted and were silently preserved. The kinship connections and lineage-centered social relations are most observable in social events such as weddings, the birth of children, birthday banquets, and funerals. As I observed in Hancun, these events are participated in jointly by relatives within the same sublineage and "corner" neighborhood. Kinship principles and lineage affiliation have resumed their former position as central to social norms and local institutions. They are now so deeply and widely practiced in the community that even young children were aware of the *fang* origin of each fellow villager.

Kinship networks and clan identity are particularly active and vivid in the seven Hui (Muslim) villages in Chendai. Overall, these Hui people were assimilated to southern Fujian culture as early as the Ming dynasty (1368–1644) and now no longer practice Islam or Muslim dietary restrictions or religious rituals.[40] But as verified by local genealogies and historical documents, they identify themselves as descendants of Muslims who arrived in Quanzhou—a Silk Road maritime port under the Yüan dynasty—in the thirteenth century. They organize their lineage affairs through a grass-roots Hui Affairs Association.[41] In fact, government recognition as a minority group offered the Hui community an advantageous position in consolidating its *lineage* identity (much more important than its *ethnic* identity) at no risk of political repercussion, and further mobilizing overseas resources through kinship connections. The Hui lineage successfully connected itself with overseas fellow lineage members in the Philippines, Indonesia, Singapore, and, finally, Taiwan. The mutual visits and communications between local and overseas lineage communities have been enthusiastically established and maintained.[42]

THE INFLOW OF OVERSEAS CAPITAL

Jinjiang and Shishi are among the major hometowns of overseas Chinese, particularly those in the Philippines, Indonesia, Singapore, Malaysia, and elsewhere in Southeast Asia. The massive emigration to Southeast Asia started under the Qing dynasty (1644–1912), and reached its peak in the 1930s and 1940s.[43] According to an official survey conducted in 1990, among the population of 1.25 million in Jinjiang and Shishi, nearly 70 percent were classified as either "returned overseas Chinese" (*guiqiao*) or "overseas Chinese dependents" (*qiaojuan*). Their fellow countrypeople (*xiangqin*) from Jinjiang and Shishi residing overseas numbered 1.5 million.[44] In this area, overseas connections are common in people's daily lives.[45]

Channeled through clan origin and kinship networks, the inflow of overseas Chinese capital has long been a driving force for Jinjiang's local development. Since the 1930s, overseas endowment has been a major financial source for public services (e.g., education, infirmaries, libraries, nursing homes, charity affairs, etc.) and local infrastructure (e.g., roads and bridges, tap water, electricity and street lights, etc.). The statistics in 1935, when the Nationalist government was still in power, show that the educational expenditures of Jinjiang County government amounted to 474,000 yuan, of which only 30,000 (6 percent) was derived from government allocation and the rest from overseas endowment.[46] During times of political repression, such as the Anti-Rightist Campaign (1958–61) and the Cultural Revolution, interactions between local residents and relatives abroad were limited, but foreign remittances (*qiaohui*) still continued.[47] Overseas connections and support have been a consistent and important source for household livelihood and local charity throughout most peri-

ods in communist China.[48] The reforms' open-door policies immediately saw a resurgence of homeward-bound financial assistance. For instance, up to the early 1990s, an overwhelming majority (97 percent) of today's educational institutes in Jinjiang, including 43 middle schools, 367 elementary schools, and 289 kindergartens, were originally established or partially financed by overseas donations, amounting to a total figure of 170 million yuan. In addition, another 60 million yuan was donated to finance local infrastructure, medical care, and lineage activities.[49]

Besides the financial support of local public services and individual households, the reforms further opened the door for overseas involvement in expanding foreign trade and foreign investment in Jinjiang. Since 1978, Jinjiang enterprises have enthusiastically engaged in "processing trade" and "compensation trade" in order to obtain overseas resources and business opportunities.[50] In the period between 1980 and 1987, more than 60 percent of local enterprises in Jinjiang had entered into subprocessing and assembly contracts with foreign businesses.[51] Most of these business opportunities were found through kinship or local connections with overseas fellow countrymen; contracts were signed by local government on behalf of the local enterprises.[52] In addition, between 1979 and 1987, 3,325 rural factories, accounting for 60 percent of 5,418 rural enterprises in Jinjiang, were operated by local "overseas Chinese dependents" through the investments of their overseas relatives.[53]

The early to mid 1980s saw a surge of local economic activities in processing and compensation trade, marking the first period of overseas participation in the local economic boom. From 1984 on, overseas capital began to make direct investments in the local economy by establishing joint ventures (*sanzi qiye*).[54] Again, most of the investment is linked by kinship. According to a survey of foreign-invested firms in southern China, foreign investment in Quanzhou, the prefecture in which Jinjiang is located, was overwhelmingly determined by local connections and kinship.[55] In 1993, the survey found, around 99 percent of foreign investors in Quanzhou were Hokkien speakers (the regional dialect), 88 percent were of local origin, and 86 percent still had relatives in the area. The investors were mainly from Taiwan and Hong Kong, who followed their local origins and kin ties in making investments and building joint ventures in the PRC. For example, most Hong Kong investors, the largest foreign venture group in this region, were not Cantonese but southern Fujianese.[56] These findings imply that the overseas Chinese found that dialect, kinship, a common origin in a clan, a village, or (if necessary) a county gave a sure footing of trust for an investment or business deal to be conducted.

Overseas connections also benefit local enterprises by offering access to

establishing joint ventures, even without any foreign investment. As with the collective registration of private enterprises, a number of local enterprises obtained the title of joint venture through a nominal joint investment from overseas relatives. Such a title allowed the enterprises to take advantage of tax and other privileges accorded to foreign joint ventures. For example, the Chendai Garment-Shoe-Hat Company in Yangcun village changed from a township-run enterprise to a joint venture in 1990, while actually there was no foreign capital invested. Overseas relatives merely provided the necessary documents for processing registration as a foreign joint venture.[57]

In sum, family ties and kinship principles have formed the core axes of local institutions in Jinjiang, particularly in the post-Mao era as state suppression has gradually loosened. Local family coordination is distinct from bureaucratic and market coordination. It shapes social relations while also coordinating economic activities in the community.

The Role of Government in Local Coordination

Elsewhere in rural China, local governments establish corporate forms of economic growth and dominate economic decision-making,[58] but Jinjiang's local government has acted less like a dominant corporate authority and more like a provider of administrative services, and for a certain period, a political shelter. During the early reform period, rather than intervening in day-to-day management, local government sheltered and created a more favorable environment for privately run (household and joint-household) businesses, which were still severely constrained by central government policies. After the state policies recognized and approved individual and private businesses, political shelter became less needed, but local government's role in providing infrastructure and social welfare came to be indispensable.

LOCAL POLICY INITIATIVES AND CENTRAL REPERCUSSIONS

As we have seen, in this locality, household and joint-household factories began to emerge as early as the late 1970s. To "legalize" these private-oriented factories in the locality, local governments in Jinjiang sidestepped state policy by designating these factories as township- or village-run enterprises. The township authorities in Chendai, which were said to be very much "mentally emancipated" (*sixiang jiefang*), took the initiative to mobilize villagers' savings in investing in household factories.[59] In nearby

Shishi, whose streets were filled with vendors and shops with smuggled commodities, the township government also issued a number of temporary regulations to license small shops and tax the commerce.[60]

Jinjiang County authorities, observing practices in Chendai and Shishi, decided to take extraordinary measures to institutionalize local economic activities without support from the central government. In 1980, the county's Communist Party committee announced a series of temporary regulations, allowing villagers to establish joint-stock household enterprises and partnerships, to employ wage workers, and to earn dividends according to the number of shares held.[61] At the time, the measure was considered drastic. Not until 1984, three years later, did the central government approve joint-stock investment and partnerships among rural households.[62] During 1980–81, the number of joint-household enterprises in Jinjiang increased by more than 500, and the investment value increased by more than one million yuan, contributing one-third of the county's production output.[63]

During the early reform period, the administrative assistance and protection offered by local governments also helped local enterprises to make deals with outside parties, particularly with state enterprises and government agencies. To cope with the hostility toward private and small rural enterprises, hundreds of Jinjiang's sales agents (*gongxiao*) had been traveling on the mainland, seeking market channels for local products. They carried official introduction letters, identification cards, and official invoice books issued by local governments. This army of salespersons, under the protection of the collective's umbrella, was vital for the success of local enterprises, particularly during the period of poor transportation and limited market information. Relying on social connections (*guanxi*), banquets, gifts, and, more important, bribery, they successfully found buyers in the bureaucratic system as well as in the free market.

The policy initiative and efforts of Jinjiang's local governments to "legitimize" and support the local private economy were impressive and attracted attention nationwide. But it paid a price for fame. On July 13, 1985, a crackdown on "practicing capitalism" in Jinjiang was initiated in Beijing and propagated nationwide.[64] It rebuked the Jinjiang County government for permitting the mass production of "counterfeit drugs" by local enterprises.[65] Several work teams were sent to the locality to make a thorough investigation, and all the local factories involved in the "crime" were shut down.[66] Eighteen local officials and enterprise managers in Chendai township, including its Party secretary, mayor, and the director of the Industry-Commerce Bureau, as well as local cadres in the villages, were sentenced to terms ranging from one to eight years.

The "counterfeit drugs" episode of 1985 reflects the fact that despite its limited intervention in day-to-day economic management, local government's interests are still tightly interwoven with local enterprises. Local government and local enterprises often form a coalition and coordinate their efforts to obtain resources and to bargain and negotiate with, and sometimes to conceal information from, the central state.

THE MUTUAL DEPENDENCE OF LOCAL GOVERNMENTS AND ENTREPRENEURS

As the national political environment has become more permissive in the 1990s, local enterprises are being granted more latitude in production and market transactions. Although political protection is less necessary, the role of local government in promoting local infrastructure and public expenditures has been strengthened. Because local governments (particularly township and village governments) are not adequately funded by higher jurisdictions, they can play a significant role in rural development only if they have sufficient revenues. Local enterprises and related economic activities have become the principal sources of these revenues.

Villages in Jinjiang extracted sizable revenues from village enterprises by collecting enterprise remittances and land-contracting payments (Table 3.8). In 1994, household factories in Hancun village employing fewer than 20 workers and registered as village-run paid annual management fees ranging from 100 to 500 yuan to the village government. Medium-sized and large enterprises, whether registered as joint ventures or village-run, paid significantly higher fees for land use (ranging from 2,000 to 20,000 yuan), based on their occupation of more land than the maximum allowed for a village household.[67] In order to satisfy an increasing land demand for private residences and factory buildings, the Hancun village administration redrew the village's land plan in 1993, converting half of its farmland to industrial and housing uses. At the same time, the village government built 150 residential and commercial units and sold them to the villagers, for a total net profit of nearly Y 3,500,000. With the development of the local economy and a corresponding rise in villagers' expectations, there have also been fresh demands for housing and factory land. As a result, since the early 1990s the Hancun village government has used its control of village lands to act as a real estate and land-contracting company and so far has obtained a substantial fund from this source for the village coffers.[68]

In Yangcun village, the primary sources of revenue were also enterprise remittances and asset management fees.[69] In 1992–93, the village government raised Y 3,200,000 by "selling" lands to the villagers for housing and factory buildings.[70] As of 1994, Yangcun village collected more than Y 1,000,000 from enterprise management fees for license registration,

TABLE 3.8

Receipts and Expenditures of Village Governments in Jinjiang
(yuan)

	Hancun Village, Hanjiang Township, 1995	Yangcun Village, Chendai Township, 1994
Receipts	4,036,357	3,293,336
Township allocation	38,315	0
Village enterprise remittances	16,700	1,084,450
Agricultural land contract payment	—	220,000
Village collective enterprise profit	—	102,522
Village management income	3,712,562	1,834,138
Factory land and buildings	1,126,125	—
Residential land	2,152,404	—
Other land income	434,033	—
Other revenues	268,780	52,226
Expenditure	619,225	3,563,435
Special construction project	—	1,593,777
Infrastructure	44,757	35,000
Tap water	1,717	—
Seaside dike	38,498	—
Tree planting	4,542	—
Public restroom construction	—	35,000
Village administration costs	98,385	235,000
Cadre wages	42,800	165,600
Official travel	4,080	—
Official receptions	51,505	—
Welfare, culture, and education	402,691	451,000
Pension payments	183,450	—
Public safety	31,483	145,000
Sanitation	44,062	130,000
Village elementary school	6,580	150,000
Family planning	36,168	12,000
Subsidies for military dependents	21,841	—
Remittances to town government	0	605,690
Other	52,584	642,968
Village assets	869,447	9,560,231
Real estate	—	6,988,220
Cash and bank deposits	—	791,824
Other	—	1,780,187
Funds from overseas donations	4,355,080	1,500,000

SOURCE: Fieldwork.

land use, and public services. The village government also built and leased commercial buildings to villager-merchants, making an annual profit of more than 1,000,000 yuan.

Revenues collected in the villages are used for village infrastructure (e.g., road and bridge construction, tap water, farmland irrigation, etc.), the administration of village governments (e.g., cadres' salaries, hospitality, etc.), and social services (e.g., pensions, education, sanitation, public safety, family planning, etc.) (Table 3.8). These two rich villages spent considerable sums on infrastructure and social services. In 1994, Yangcun village spent 1,563,435 yuan to replace tap water pipelines connected to each village house. In 1992–93, it spent 3,700,000 yuan paving a village road and building 30 public rest rooms. Between 1982 and 1992, Yangcun invested more than 5,000,000 yuan in constructing village school buildings and hiring more teachers. It is also interesting to note that part of Yangcun's income was turned over to the township.[71] In contrast, Hancun obtained financial support from the township government.[72] Finally, both villages hold large sums of village funds received from overseas villagers' donations for social services.[73]

This self-reliance in village affairs emphasizes the centrality of village government in supplying social services and infrastructure construction to the community, using financial resources drawn from village enterprises and related rent payments, as well as donations by overseas villagers. Village governments can profit considerably by transferring use rights over land and buildings to entrepreneurs in return for rents. Consequently, a "secondary market" in use rights and rights to income over productive assets is created.[74] As the local economy prospers, the role of village government as collective property manager and provider of administrative services continues to expand.

Conclusions: Property Rights in the Villages

This analysis of economic development in Jinjiang suggests an evolving process of change in property rights. In the course of development, the main actors in property rights arrangements—local governments, private entrepreneurs, and overseas investors—hold various rights. There has been literally no privatization in which assets previously owned by communes or brigades were transferred to individuals. Early in the reforms, local government's chief asset was bureaucratic facilitation (e.g., license registration, provision of official business documents, and transaction services, such as banking and invoicing), which enabled local enterprises to participate in direct production and market transactions. Meanwhile, for-

eign relatives and fellow villagers offered their financial resources, information, and technology to their families and clan members. With these facilities and resources, local entrepreneurs and households established individual or joint-household firms, with property rights to these enterprise assets under their control.

As reform proceeds and the local economy expands, the property rights arrangements in local society also change. As the local economy prospers, local government benefits from the growing revenue base. The local government can draw income by controlling access to the most valued productive asset, land, thereby improving its capacity to offer services and resources to the community. Local enterprises have been participating in direct production with limited intervention from government; however, they rely on the infrastructure facilities and administrative services provided by the local government.

It is worth emphasizing that property rights arrangements in Jinjiang have been rooted in a local environment in which family ties and kinship principles play the core role. This points to the importance of local history and indigenous institutions. Owing to its location on the front line in any potential conflict with Taiwan, Jinjiang was earlier starved of central government investment and, consequently, had only a modest industrial base. Kinship principles and clan consciousness survive to this day and provide a basis for the expansion of the local economy. This family and clan coordination also constrains the operations of local government, which has enabled but not directed the development of the economy.

State policies and market penetration may account for some aspects of the reform process, but local institutions shape the local economy's organizational features and power structure. While the Jinjiang model is not typical of the Chinese countryside, it does illustrate how local family coordination (displayed in clan identity, community solidarity, kinship networking, etc.) provides a foundation for economic organization and property rights.

It is reasonable to speculate that more diverse and heterogeneous variations of property rights arrangements and economic organizations will develop in the future. Such variations, I have argued, result from variations in local social structure and institutions. Research documenting such variation and change will continue to provide valuable data and inform theoretical analyses of the ongoing transformation of China's society and economy.

Chapter 4

The Role of Local Government in Creating Property Rights: A Comparison of Two Townships in Northwest Yunnan

XIAOLIN GUO

Regional differences, economic diversity, and local politics across China have yielded a great variety of property forms, only some of which are compatible with what is conventionally perceived as public or private ownership. This is related to what has been referred to as the "real world variability in the assignment and exercise of each of a number of relevant rights," allowing for a variety of forms.[1] The local contexts of various property rights and the social and political constraints that shape them are at the center of this study. It examines the role of local governments in the formation of property rights in two townships—Jinguan and Yongning—in northwest Yunnan. As is typical of this part of China, in both townships there is little local industry; land is still the main source of livelihood. Yet each exhibits different property rights regimes in land and in township enterprises.[2]

Government interference in the economic activities of peasants has been greatly reduced since the shift to household agriculture and the development of household enterprises. Because they still control the land and economic enterprises upon which peasants depend to varying degrees, however, local governments in northwest Yunnan continue to have substantial potential to control local production and property management. Under these circumstances, the more dependent peasants are upon land for their livelihood, and the more developed township industry is, the more powerful the local government is.

Yet the power of local government is not necessarily manifest in its interference with production. Study of these two townships shows that government behavior does not follow a single pattern. The local govern-

odds with those of their parents, and they have occasionally clashed. Note also that formal family partitions (*fenjia*) now regularly occur soon, if not immediately, after a son's marriage, a trend widely noted throughout China.

60. This is similar to trends in urban areas, particularly along the eastern coast where the phrase "diving into the sea" (*xiahai*) has become a euphemism for leaving the security of state work units to seek one's own fortune in private business. Perhaps not surprisingly, the metaphor has not gained currency in the hills of Baimapu.

61. Shortly before Lunar New Year 1995, this man was married in grand fashion to a woman from a neighboring county whom he had met at school. His wedding was one of the largest and most elaborate in memory.

CHAPTER 3 *Chen, Property Rights in Southern Fujian*

1. Calculated from data in *Zhongguo tongji nianjian, 1995* [Statistical yearbook of China, 1995] (Beijing: Zhongguo tongji chubanshe, 1995), pp. 85, 375.

2. Eirik G. Furubotn and Svetozar Pejovich, eds., *The Economics of Property Rights* (Cambridge, Mass.: Ballinger, 1974), p. 3; Andrew G. Walder, "Corporate Organization and Local Government Property Rights in China," in Vedat Milor, ed., *Changing Political Economies: Privatization in Post-Communist and Reforming Communist States* (Boulder, Colo.: Lynne Rienner, 1994), pp. 53–66; and id., "Evolving Property Rights and Their Political Consequences," in David S. G. Goodman and Beverley Hooper, eds., *China's Quiet Revolution: New Interactions Between State and Society* (New York: St. Martin's Press, 1994), pp. 3–18.

3. See, e.g., János Kornai, *The Socialist System: The Political Economy of Communism* (Princeton, N.J.: Princeton University Press, 1992), pp. 63–83.

4. Jean Oi, *State and Peasant in Contemporary China: The Political Economy of Village Government* (Berkeley and Los Angeles: University of California Press, 1989); id., "The Fate of the Collective After the Commune," in Deborah Davis and Ezra Vogel, eds., *Chinese Society on the Eve of Tiananmen: The Impact of Reform* (Cambridge, Mass.: Council on East Asian Studies, Harvard University, 1990), pp. 15–36; id., "Fiscal Reform and the Economic Foundations of Local State Corporatism in China," *World Politics* 45, 1 (Oct. 1992): 99–126; Andrew G. Walder, "The County Government as Industrial Corporation," in id., ed., *Zouping in Transition: The Process of Reform in Rural North China* (Cambridge, Mass.: Harvard University Press, 1998), pp. 62–85.

5. Victor Nee, "A Theory of Market Transition: From Redistribution to Markets in State Socialism," *American Sociological Review* 54, 5 (Oct. 1989): 663–81; id., "Social Inequalities in Reforming State Socialism: Between Redistribution and Markets in China," *American Sociological Review* 56, 3 (June 1991): 267–82; id. and Rebecca Matthews, "Market Transition and Societal Transformation in Reforming State Socialism," *Annual Review of Sociology* 22 (1996): 401–35.

6. Nan Lin, "Local Market Socialism: Local Corporatism in Action in Rural China," *Theory and Society* 24, 3 (June 1995): 301–54.

7. The name Jinjiang will be used throughout this chapter to denote the current administrative divisions of both Jinjiang City and Shishi City. Unless otherwise indicated, the statistical data referring to Jinjiang also combine Jinjiang City and Shishi City.

8. Wu Luhe, Lin Zhenping, and Yu Daowang, "Jinjiang shi xiangcun chengshihua de fazhan yu qishi" [The development and revelation of Jinjiang's urbanization in the countryside], *Zhongguo nongcun jingji* [China's rural economy] 2 (1995): 56–60.

9. While per capita GNP is higher in Jinjiang than in the Shanghai suburbs and Suzhou, its per capita GVIO is much less. According to Chinese statistical measures, GNP counts only the newly created value in the process of producing goods and services and excludes the value of inputs of intermediate goods and services. It focuses on the value added in the production process. GVIO refers to the total volume of industrial products sold or available for sale in value terms that reflect the total achievements and overall scale of industrial production. GVIO, calculated from the original value of the products, is very much determined by the industrial structure of the locality. In addition, Jinjiang receives more contributions from the tertiary sector (e.g., commerce and services) than do the Shanghai suburbs, which in turn increases the gap in per capita GNP between these two regions.

10. For a comparative study of the property rights transformation in Jinjiang and the Yangtze Delta, see Chih-jou Jay Chen, *Markets and Clientelism: The Transformation of Property Rights in Rural China* (London: Routledge, forthcoming).

11. See, e.g., Yia-Ling Liu, "Reform from Below: The Private Economy and Local Politics in the Rural Industrialization of Wenzhou," *China Quarterly*, no. 130 (June 1992): 293–316; Kristen Parris, "Local Initiative and National Reform: The Wenzhou Model of Development," *China Quarterly*, no. 134 (June 1993): 242–63; Susan Young, *Private Business and Economic Reform in China* (Armonk, N.Y.: M. E. Sharpe, 1995), pp. 96–97.

12. To protect the anonymity of the villages and my interviewees, I have changed the names of all the villages, enterprises, and people mentioned in this chapter. Real names are used for administrative divisions above the village level (e.g., township and county) and for public figures at the national level.

13. Of the 26 villages in Chendai township, 7 are recognized by the government as belonging to the Hui (Muslim) minority. In 1994, the Hui community accounted for 28% of the population and 40% of the industrial output in Chendai. For a study on the prosperous economy and ethnic revitalization in Chendai's Hui community, see Dru C. Gladney, *Muslim Chinese: Ethnic Nationalism in the People's Republic* (Cambridge, Mass.: Council on East Asian Studies, Harvard University, 1991), pp. 261–92, and id., "Economy and Ethnicity: The Revitalization of a Muslim Minority in Southeastern China," in Andrew G. Walder, ed., *The Waning of the Communist State: Economic Origins of Political Decline in China and Hungary* (Berkeley and Los Angeles: University of California Press, 1995), pp. 242–66.

14. Of the ten villages with production values exceeding Y100 million, five are Hui villages and the rest, including Yangcun, are Han villages.

15. Information from fieldwork, Apr. 1995. See also *Zhongguo guoqing congshu: baixianshi jingji shehui diaocha, jinjiang juan* [Chinese national conditions: A

socioeconomic survey of 100 counties and cities: Jinjiang book] (Beijing: Zhongguo dabaike quanshu chubanshe, 1992), p. 31.

16. *Jinjiang shi zhi* [Jinjiang municipal gazetteer] (Shanghai: Sanlian Shudian, 1994), p. 306. Before the commune and brigade were replaced by township and village in 1984, the township- and village-run enterprises were termed commune- and brigade-run enterprises. In this chapter, for convenience, township and village are also used to denote their predecessors, the commune and the brigade.

17. *Zhongguo guoqing congshu*, p. 31.

18. Calculated from data in ibid., p. 50; *Suzhou shi shehui jingji tongji ziliao, 1949–1985* [Statistical materials on society and economy in Suzhou Municipality, 1949–1985] (Suzhou: Statistical Bureau of Suzhou City, 1986), p. 5.

19. Information from fieldwork, Sept. 1995. See also *Jinjiang shi zhi*, p. 304.

20. Since wearing a "Chairman Mao" pin was then an overwhelming fashion nationwide, production of such pins, even by private factories masquerading as collectives, was thought patriotic and deserving of special treatment from the government. See Gao Mingqun, ed., *Shishi shanggong wenhua yanjiu* [Research on the commercial and industrial culture in Shishi] (Xiamen: Xiamen University Press, 1995), pp. 299–301.

21. *Zhongguo guoqing congshu*, p. 31.

22. In 1971, a work team was sent to Shishi to clean up "underground black factories." As a result twelve private factories were torn down and five owner-proprietors were jailed. In 1975, Chen Yonggui, then the vice-premier, inspected Fujian and criticized the market activities of Shishi as showing "everything but a Kuomintang flag." In 1977, in a national campaign to clean up "the restoration of capitalism," the factory production and commodity markets in Shishi experienced an unprecedented setback when more than 150 private owner-proprietors were arrested and charged with "speculation" (*toujidaoba*). See Guo Biliang, *Shishi: Zhongguo minban tequ* [Shishi: A people-run special zone in China] (Fuzhou: Fujian renmin chubanshe, 1993), pp. 10–70; *Zhongguo guoqing congshu*, pp. 538–40.

23. The Third Plenum of the Eleventh Central Committee of the CCP in 1978 announced that products from sideline activities could be sold directly to end-users. In effect, with this change, local government gave official sanction to the return of individual entrepreneurship and of private production and commerce. The central government did not permit rural residents to transport and sell selected goods until 1984.

24. Information from fieldwork, Sept. 1995. See also *Zhongguo guoqing congshu*, p. 470.

25. Similar practices were also found in Wenzhou during the early reform period. See Liu, "Reform from Below."

26. Since a single collective license was shared by ten or more factories, all the official documents, such as bank accounts, invoices, and stamps, were also shared. For example, the outside buyers remitted fees or payments to the shared bank account for the factory involved to receive.

27. For the laws and regulations regarding individual and private enterprises in the reforms, see *Zhongguo siying jingji nianjian* [Almanac of China's private economy] (Hong Kong: Jingji daobaoshe, 1994), pp. 1–42. See also Willy Kraus, *Private Business in China* (Honolulu: University of Hawaii Press, 1991), pp. 16–24; Young, *Private Business*, pp. 105–11.

28. Township records, obtained from fieldwork, May 1995.

29. Author's field interview, Mar. 1995.

30. In Wenzhou, at least in the late 1980s, few private enterprises were willing to be identified as "private," but preferred to be called "local collective enterprises" or "partnership enterprises." See Liu, "Reform from Below," p. 302. This preference did not appear in Jinjiang during my interviews, probably because after fifteen years of reforms, people feel more secure about private ownership.

31. See, e.g., *Zhongguo yanhai touzi huanjing zonglan: Shishi* [A comprehensive review of investment environments in China's coastal cities: Shishi] (Shanghai: East China Normal University Press, 1989), p. 16; *Shishi shi shehui jingji tongji nianjian* [Statistical yearbook of social and economic statistics, Shishi City] (Shishi: Economic Bureau of Shishi City, 1994), pp. 81–85.

32. The central government did not officially approve the new joint-household (*lianhu*) ownership forms until 1984, but the Jinjiang County government had issued a regulation mandating similar arrangements at the end of 1980. The category of "joint-household enterprise" first appeared in the internal statistical materials of Jinjiang in 1981. State statistical materials did not list such a category until 1984.

33. *Zhongguo guoqing congshu*, p. 390.

34. The data, drawn from the survey on "Economic Development and Women's Work in Jinjiang," are kindly provided by Yu-hsia Lu, Institute of Sociology, Academia Sinica. The survey was conducted in two villages in Jinjiang in August 1995. The author served as a survey supervisor in the field. This research employed a systematic sampling method to select 50 households each from one village in Chendai township and one village in Jinjiang township. The questionnaire was used to interview housewives regarding their family members' working conditions, family businesses (if any), share of housework, and personal background.

35. Author's interview, Mar. 1995.

36. The role of the township government in the company's development deserves closer examination. What happened to the role of the township government and its original investment when the company was transformed into a foreign joint venture? Unfortunately, the information is not complete as this report is being written. One of the author's speculations is that the original investment from the township was taken as a loan, instead of a share. A loan involved in a project was usually termed an "investment" (*touzi*). It is possible that the township "invested" in this firm by offering a loan, to be repaid after a certain period.

37. See Maurice Freedman, *Lineage Organization in Southeastern China* (London: Athlone Press, 1958); Myron L. Cohen, "Lineage Organization in North China," *Journal of Asian Studies* 49, 3 (Aug. 1990): 509–34. For lineage and kinship relations in rural villages in the reforms in Fujian and Guangdong, see

Anita Chan, Richard Madsen, and Jonathan Unger, *Chen Village Under Mao and Deng* (Berkeley and Los Angeles: University of California Press, 1992); Yuen-fong Woon, "Social Change and Continuity in South China: Overseas Chinese and the Guan Lineage of Kaiping County, 1949–87," *China Quarterly*, no. 118 (June 1989): 324–44; Huang Shu-min, *The Spiral Road: Change in a Chinese Village Through the Eyes of a Communist Party Leader* (Boulder, Colo.: Westview Press, 1989).

38. For discussions of lineages and collective property in traditional South China, see Maurice Freedman, *Chinese Lineage and Society: Fukien and Kwangtung* (London: Athlone Press, 1966); Jack Potter, "Land and Lineage in Traditional China," in Maurice Freedman, ed., *Family and Kinship in Chinese Society* (Stanford, Calif.: Stanford University Press, 1972), pp. 121–38; and James L. Watson, "Chinese Kinship Reconsidered: Anthropological Perspectives on Historical Research," *China Quarterly*, no. 92 (Dec. 1982): 589–622.

39. The Quanzhou Maritime Museum has been collecting and compiling local genealogies in southern Fujian since the late 1980s. A research fellow confirmed that most of the genealogies were burned during various campaigns, but on the other hand quite a few were concealed and successfully preserved. Most of these recovered genealogies were maintained by old local gentry or retired cadres, whose social prestige and political position enabled them to conceal their lineage genealogies, despite some risks involved.

40. Zhuang Jinghui, "Chendai dingshi huizu hanhua de yanjiu" [Research on Han assimilation of the Ding lineage in Chendai], *Haijiaoshi yanjiu* [Research on maritime history] 34 (1993): 93–107.

41. For more detailed descriptions of the ethnic politics and economic prosperity in Chendai's Hui villages, see Gladney, *Muslim Chinese*, pp. 261–92, and "Economy and Ethnicity."

42. In August 1995, a lineage delegation from Taixi, a town on the west coast of Taiwan, visited its ancestral hometown for the first time since 1949. This lineage delegation, which the author joined, received such an enthusiastic reception in Chendai that a number of members burst into tears. According to one Taiwanese lineage member, "The reception was so intense and honorable that it could only happen to Lee Teng-hui [the president] in Taiwan."

43. According to a 1987 census of overseas Chinese, those who originated from Jinjiang number 944,500, of which 651,700 (70%) reside in the Philippines, 95,000 (10%) in Indonesia, 75,000 (8%) in Malaysia, and 45,000 (5%) in Singapore. Between the 1950s and the 1980s, about 270,000 people had emigrated from Jinjiang to Hong Kong. Also, more than a million Taiwanese residents are descendants of Jinjiang emigrants. See *Jinjiang shi zhi*, pp. 1184–1224.

44. *Quanzhou shi huaqiao zhi* [Annals of Quanzhou overseas Chinese] (Beijing: Zhongguo shehui chubanshe, 1996), pp. 295 and 300. These statistics on overseas Chinese include those living in Hong Kong and Macao, but exclude those in Taiwan.

45. A coastal village in Xiamen also shows a similar pattern of overseas connections. See Huang, *Spiral Road*, pp. 25–40.

46. *Zhongguo guoqing congshu*, p. 382.

47. According to a statistical record, the foreign remittances from overseas Chinese to Jinjiang from 1950 to 1980 reached a low between 1959 and 1962. However, the lowest offering in 1962 still amounted to more than Y 20 million, around one-third of the average amount in other years.

48. Thanks to ceaseless support from overseas relatives and fellow villagers, even during the national famine of 1959–62, Jinjiang escaped the starvation that struck other rural regions across China. Most aid from abroad was delivered in the form of such foodstuffs as rice, wheat flour, and cooking oil.

49. *Quanzhou shi huaqiao zhi*, p. 295. See also *Jinjiang shi zhi*, pp. 1209–15. When I conducted field research in Jinjiang in 1995, I was amazed by the fact that *every* school I visited in the countryside had a number of memorial tablets on which the benevolence of donations from overseas fellow villagers was recorded and praised.

50. In September 1979, the State Council formally promulgated the "Regulations on External Processing and Assembling and Small- and Medium-Sized Compensatory Trade." The processing and compensation trades are called *sanlai yibu* ("three comings-in and one compensation"), referring to the processing of imported materials (*lailiao jiagong*), the processing and assembling of supplied materials, parts, and components provided by overseas firms (*laiyang jiagong* and *laijian zhuangpei*), and the compensation trade (*buchang maoyi*), in which the foreign investors provide equipment, technology, and management support in return for exported output. The materials, parts, and production equipment imported into China, and the finished goods exported, are free from duties.

51. *Zhongguo guoqing congshu*, p. 157.

52. All special trade arrangements required government approval, but a division of control over foreign trade and investment had been delegated to the local authorities, particularly in Fujian and Guangdong. Local governments sometimes took orders and subcontracted the business to local enterprises. In most cases, the business was first acquired by local enterprises through their social ties. Then local governments would sign the contracts with foreign parties on behalf of local enterprises and transmit the foreign remittances to the local producers in renminbi. Through their mediating role, local governments were entitled to receive a fixed amount of compensation and were able to control foreign exchange.

53. *Jinjiang shi zhi*, p. 1219; *Zhongguo guoqing congshu*, p. 384.

54. From 1984 to 1988, in Jinjiang there were 154 joint ventures, but none of them were wholly foreign-owned enterprises. See *Jinjiang shi zhi*, p. 306.

55. Australia, Department of Foreign Affairs and Trade, East Asia Analytical Unit, *Overseas Chinese Business Networks in Asia* (Canberra: Australian Govt. Pub. Service, 1995), pp. 219–27. For a related study on diaspora investors in China, see Constance Lever-Tracy, David Ip, and Noel Tracy, *The Chinese Diaspora and Mainland China: An Emerging Economic Synergy* (London: Macmillan; New York: St. Martin's Press, 1996).

56. Approximately 2% of Hong Kong's residents are Hokkien; 90% are Cantonese, with their ancestral origins in Fujian's neighboring Guangdong Province.

57. In practice, the foreign parties had to remit the investment payment to local banks to verify the arrival of foreign capital, but in fact the capital was sometimes provided by local enterprises beforehand.

58. See, e.g., Jean Oi, "Fiscal Reform," and "The Role of the Local State in China's Transitional Economy," *China Quarterly*, no. 144 (Dec. 1995): 1132–49; Nan Lin, "Local Market Socialism"; Chih-jou Jay Chen, *Markets and Clientelism*.

59. *Zhongguo quoqing congshu*, pp. 31, 393.

60. Guo, *Shishi*, pp. 25–27.

61. *Jinjiang shi zhi*, p. 304; Guo, *Shishi*, pp. 41–44. The policy was reconfirmed the next year by the prefecture and provincial authorities. See *Quanzhou shi xiangzhen qiye zhi* [The annals of township and village enterprises in Quanzhou] (Quanzhou: Quanzhou wanbao, 1993), p. 18.

62. In Central Document No. 1 of 1984, the government openly approved new ownership forms such as joint-household enterprises (*lianhu*) and joint ownership by different administrative units (*lianying*). It stated that governments at all levels should encourage collectives and peasants to pool their funds and jointly establish various kinds of enterprises based on voluntary participation and mutual benefit. See "Zhonggong zhongyang guanyu 1984 nian nongcun gongzuo de tongzhi" [Circular of the Central Committee of the CCP on agricultural work during 1984], in *Zhongguo nongye nianjian, 1984* [Agricultural yearbook of China, 1984] (Beijing: Nongye chubanshe, 1985), p. 2.

63. *Zhongguo guoqing congshu*, pp. 393–94.

64. On July 13, 1985, the evening news report of the Chinese Central TV Station broadcast "An open letter from the CCP Central Committee Discipline Inspection Commission to the Jinjiang Prefectural CCP Committee and the Jinjiang Administrative Office," which was reprinted in newspapers across the country on July 14. For example, see *Renmin ribao* [People's daily], July 14, 1985; and *Fujian ribao* [Fujian daily], July 14, 1985.

65. In fact, the "counterfeit drugs" were canned comestibles such as *yin er* (silver ear), a type of semi-transparent white fungus believed to be highly nutritious. The problem was that local manufacturers labeled the products "medicine for lowering blood pressure" or "flu and cold relief" so that they could be prescribed by medical institutes to their patients, whose medical costs would be fully paid by the state.

66. According to an investigation report, among the 57 enterprises charged with producing "counterfeit drugs," 45 were located in Chendai. During 1983–84, the output value of "counterfeit drugs" in Chendai amounted to Y20 million. See *Fujian ribao*, July 13, 1985. Another source reports that more than 200 enterprises were shut down in the aftermath of the crackdown. See *Zhongguo guoqing congshu*, p. 395.

67. The management fee could be seen as payment for use of the village label. But the underlying norm is that each firm has to contribute to the village, and the amount of the remittance is primarily determined by the firm's scale rather than its registration title. The fee is collected once or twice a year, generally as a lump-sum payment. For bureaucratic convenience, the payments from large firms were categorized as land and building fees, not management fees.

68. Basically the terms and treatment of land contracting discriminated between villagers (including overseas villagers and relatives) and outsiders, but in any case, village cadres retain the power to make the final decision over the terms of the contract. The village can retain all the income from residential land but has to share the rent payment of industrial land with the township government. In an earlier work, Oi points out that the reforms up to the mid 1980s have transformed the primary function of village government from implementing government policies and managing agricultural production to being the general contractor of collective property. See Jean Oi, "Commercializing China's Rural Cadres," *Problems of Communism* 35 (Sept.–Oct. 1986): 1–15.

69. Yangcun combined management fees with land rent for enterprises registered as village-run. The basic terms were similar to those in Hancun, although Hancun categorized the land rent as village management income rather than enterprise remittances. The charge for a household factory was relatively low (say Y500 per year), but once the factory exceeded the land quota of a household, it was asked to contribute a much higher rent for land use.

70. According to law, land belongs to the state, and what the villagers purchased was actually the "use right" (*shiyongquan*). But in practice, local residents used the term "sell" for the transaction. The land purchased is allowed to be traded to other villagers, but not outsiders, at a mutually agreed price.

71. The income shared with the township mainly derives from payments of village enterprises (including 35 enterprises entitled joint ventures). Since Yangcun village developed early and has a large number of enterprises, it has maintained the "custom" of sharing part of its enterprise remittances with the township. The flow of money between township and village governments should not be seen as part of the revenue-sharing system between higher levels of government. Villages are not part of the national fiscal system and do not receive any allocation from the national budget.

72. The township shared part of the expenditure on infrastructure maintenance (e.g., roads, parks, and street lights).

73. Hancun village has overseas-donated funds for the elders (Y1,500,000), for education (Y250,000), for farmland irrigation (Y2,500,000), and for Party members (Y100,000). In 1993, Yangcun established an endowment of Y1,500,000 to subsidize the wages of schoolteachers.

74. See Walder, "Corporate Organization and Local Government," p. 59.

CHAPTER 4 *Guo, Local Government and Property Rights*

1. Louis Putterman, "The Role of Ownership and Property Rights in China's Economic Transition," *China Quarterly*, no. 144 (Dec. 1995): 1047.

2. Based mainly on my field research in 1992, with some data updated in 1996.

3. The "state" in this chapter specifically refers to the higher, policy-making levels of government, from which state financial subsidies emanate.

4. For example, "*de facto* private agriculture" as used by Putterman in "Role of Ownership and Property Rights in China's Economic Transition," 1048; "land