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Introduction

FOR more than fifteen years China's top leaders called for the "lightening of the peasants' burden," a term that referred to the imposition on villagers of "unreasonable" ad hoc fees, fines, local taxes, assessments on peasant households, or apportionment of governmental expenses among them. Some of these were authorized; many were not; most had at best a dubious basis in law and official regulations. Most were bitterly resented by the peasants for their unpredictability and open-endedness and the coercive manner in which they were collected. Year after year, central leaders and agencies sent edicts, directives, injunctions, exhortations, and pleas down the administrative hierarchy demanding that action be taken to lighten peasant burdens, but to no avail. In 1985 the Central Committee (CC) of the Chinese Communist Party (CCP) and the government's State Council warned that excessive burdens were damaging the authority of the regime and were causing rural unrest and instability. Similar warnings, often in somber tones, have been issued in the years that followed. In the most recent period, rural disturbances arising from burdens and other abuses have become even more worrying to the central leadership. So impressive a record of ineffectuality calls for investigation, analysis, and explanation.

We believe that examination of peasant burdens illuminates two fundamental problems of contemporary Chinese political development. The state faces major challenges in building administrative capacities appropriate to governance in the post-Mao reform era. Just as great a challenge for the state is to develop the means of accommodating the increased assertiveness of society, including demands for accountability, the rule of law, and a voice in policy making.

LOCATING THE CHINESE STATE

A State in Transition. The burden problem has to be seen in the context of China's continuing efforts to reconstruct its state. The Communist Chinese

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state was established in 1949 for the purpose of building an industrialized socialist society run according to plan and premised on the absolute primacy of the collectivist over the individual interest. In the reform period, which began in 1978, although the goal of industrialization remained, the regime gradually adopted fundamentally new approaches aimed at the establishment of a “socialist market economy,” in which emphasis would be placed much more on the stimulation of individual incentives. This new orientation required extensive redefinitions of the role of the state away from its primarily transformative, redistributive, command, and managerial roles during the Maoist era. Redefinitions were required to enable the state to lead, guide, and regulate the transition to a market economy.

With regard to the economy, the state’s dominant role in production and distribution was to be gradually curtailed, and reliance on administrative commands gradually replaced by fiscal, monetary, and regulatory instruments. A legal system was to be established that would provide security of contracts in horizontal business transactions, as well as an infrastructure that could sustain ever more complex market relations. The pursuit of development measured more or less exclusively in terms of high aggregate growth rates gave way to more complex goals that would not only promote growth but also pay greater attention to welfare, education, health, and other aspects of human development.¹

Numerous decisions had to be made about how far to go in jettisoning Maoist patterns of governance and administration and about how far the state socialist system would have to retreat: how much of the planning system should be retained; how much of a private capitalist sector should be allowed to compete with state industry; and how much inequality a “socialist” market economy could tolerate. These fundamental directional questions, which impinged not just on the economy but on the very nature of the political system and its relations with society preoccupied the policy makers and, as might be expected, caused quite a lot of conflict among them.²

The reforms signified a conscious retreat from the pursuit of all-embracing transformative goals imposed by the political system on society and hence a reduction in the state’s autonomy from society. Implementing the goal of radical transformation of society by means of ideologically based mass mobilization had entailed the development of extraordinary organizational capacities on the part of both the Communist Party and the government. These assets were badly disrupted and damaged during the Cultural Revolution (1966–76). Reform leaders wanted to continue to make full use of their organizational

¹ See the extended and informative analysis of these issues in Riskin et al. (1999).

² Fewsmith (1994).

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strength to meet the new challenges ahead, but to do so in modified form. Mass mobilization, campaigns, and class struggle were to be replaced by a less disruptive, law-based administrative style, above all one that would allow societal forces greater scope to take initiatives of their own.

As was the case with the economy, the negative goal of repudiating radical Maoism opened up the question of how far political reform should go. The most important answer to this question was given early on, namely that the Chinese Communist Party would retain its monopoly of political power. Within that fundamental constraint, there was considerable flexibility for political reforms that fell short of political liberalization. The latter would have entailed, for instance, the legalization of autonomous interest groups under the one-party umbrella. Chinese society changed very rapidly under the impetus of rapid economic growth and of “reform and opening up to the outside world.” New social interests arose, as did demands, grievances, and claims on the state. Yet, political reform lagged consistently behind the societal changes and observers looking at China around the turn of the century widely agreed that there was a deepening disjunction between societal and political development. The state in reform China continued to be shaped to significant degrees by the institutional legacies of the Mao era, a point that will emerge again and again in the chapters that follow.

The process of redefinition and state building was in progress throughout the period that our book covers. Formidable and complex, the tasks were by no means completed during the two decades of reform. This meant that some of the institutions of the old command economy continued to exist, exerting continued powerful influence. For instance, in agriculture the state continued to impose compulsory purchase quotas even after the restoration of family farming. Sowing targets were retained for critical crops. The way the one-child policy program was enforced during the reform era closely resembled the mobilizational approach of the Mao period.³ Most important for our discussion, rural administrative behavior continued to be strongly conditioned by deeply entrenched old ways. Local officials were free to impose ad hoc charges on peasant households without the authority of law, a legacy from the time of the Maoist campaigns, in which peasant resources were freely appropriated (*yi ping er diao*) in pursuit of developmental or ideological objectives. The structural incompleteness of the transformation of the Chinese countryside was a major factor responsible for the burden problem.

Chinese leaders wanted a strong and powerful state, one able to guide, lead, and shape the country’s course so that by the middle of the twenty-first century

³ White (1990: 53–77).

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China could take its place among the advanced countries of the world. This goal, to which the Chinese were passionately committed, must be understood in historical context. From the mid-nineteenth century on, when China was weak internally and unable to defend itself effectively against imperialist aggression, the Chinese dreamed of their country once again becoming “wealthy and powerful” (*fuqiang*). There was strong consensus that attainment of this goal required a strong state, for without a powerful integrative force, China, in the words of Sun Yat-sen, resembled “a dish of loose sand.” Regimes, beginning with the imperial one in its waning days, various local governments, and the Nationalist government in the 1930s sought to restructure the state to enable it to lead the country out of its backwardness and weakness. Communist China also adopted this approach, and for a time, especially the first ten years of the PRC’s existence, it seemed as if an effective state had been created that could systematically attain development goals such as industrialization. Much was achieved, but Mao Zedong’s successors were deeply chagrined by the disappointing and enormously costly outcome of Mao’s utopian efforts to break through to an egalitarian, yet more advanced developmental level. It was this disappointment that prompted them dramatically to change course by gradually turning to the market as a more effective and faster route to wealth and power.

This dramatic turn in strategy did not mean, however, that the state would not play a central role. Markets were important but they could not by any means be left to their own devices. State guidance would go significantly beyond that of interventionist states such as Japan or in Western Europe. The entire state apparatus continued to be oriented to the achievement of rapid development within the new framework of “reform and opening up to the outside world.” It continued to exhibit a sense of urgency, impatience, and anxiety about its capacity to catch up with the advanced countries that has always been characteristic of Leninist regimes.⁴ In this sense, the reform era represented a path-dependent continuity with the Maoist “Great Leap Forward” mentality. Shorn of its utopian component, the Great Leap slogan of “bigger, better, faster, with more economic results” continued to describe the motivational basis of the Chinese state.

When they changed direction in 1978 China’s leaders had in front of them the successes of the East Asian miracle states, the “five tigers” – Japan, South Korea, Taiwan, Hong Kong, and Singapore – whose rapid development in the 1960s and 1970s had left China far behind, mired in revolutionary Maoism. Implicitly at least, they sought to emulate their neighbors in establishing an “East Asian developmental state,” in a fully authoritarian variant. The concept

⁴ See Jowitt (1992: esp. 76 ff) and Jowitt (1970: 233–63).

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of the developmental state is useful in appraising the nature of the Chinese state. Abstracted from reality, the model of such a state had the following properties: (1) a powerful, highly autonomous state, which defined the goal of achieving rapid development as the major national interest; (2) guidance by a meritocratically recruited bureaucratic elite imbued with an ethic of public service; (3) authoritative administrative guidance of the economy and close cooperation between public and private sectors, using financial levers and market incentives to implement the state's industrial policies; (4) relative insulation from society so that the state did not have to accede to demands that would undermine growth, but was able to decide by itself how far living standards could be raised in light of the overriding goal of development. At the same time, to reduce the chances for social unrest, the state sought to avoid the creation of huge disparities in incomes; (5) heavy and continued investment in education; and (6) capacity to effectively implement policies.⁵

At the center of the developmental state was the bureaucratic elite, which forged close, usually informal, ties with business but nonetheless retained its autonomy and capacity to play a directing role. These state linkages with outside networks, as Peter Evans suggests in his *Embedded Autonomy*, were "the key to the developmental state's effectiveness . . . combining Weberian bureaucratic insulation with intense connection to the surrounding social structure."⁶

Evans proposes a continuum on which states may be placed with the "predatory" state at one end and the developmental state at the other. Zaire under Mobutu approximated the predatory state, one that "preys on its citizenry, terrorizing them, despoiling their common patrimony, and providing little in the way of services in return." In one sense, the Zairian state was strong in not being constrained by social forces. It was able to penetrate society for the purpose of appropriating resources. In another sense, it was weak in that it could not achieve any developmental goals. And it was wholly incoherent in that "any slice of public power consists of a veritable exchange instrument, convertible into illicit acquisition of money or other goods."⁷ Needless to say, Zaire's GNP steadily declined as Mobutu ran the country into the ground.

In between the predatory and developmental states were intermediate cases such as Brazil and India which contained elements of both. These countries grew, sometimes substantially, but less rapidly and with lower effectiveness than the East Asian newly industrialized countries (NICs). Their state capacities were sapped by dependence on landed classes and, in India, by a general

⁵ For a succinct statement, see Johnson (1987:136–64) and Amsden (1989).

⁶ Evans (1995: 50). This model is applied by Solinger (1991) to the Chinese case.

⁷ Evans (1995: 45–6).

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orientation of social actors toward securing “particularistic advantage” from the state, especially for favored established industrialists. India’s “vast and sprawling state apparatus was even more ambiguously situated in space between predatory and developmental states.” It was in part meritocratic and in part deeply corrupt and tied to diverse social interests. There was a lack of the kinds of constructive linkages between the state and business elites that Evans labels “embedded autonomy” which were central to the emergence of a developmental state. India’s part-socialist heritage, including the expansion (prior to the 1990s) of state-owned enterprises put “intense strain on state capacity and may well have contributed to the ‘erosion of state institutions.’”⁸

In terms of these criteria, China was an intermediate state with both predatory and developmental elements. That this should have been so is suggested simply by size. Evans juxtaposes the two huge states of Brazil and India with the small East Asian development states. He rightly suggests that their size and the consequent greater likelihood of loss of control plus the complexity of very large societies stand in sharp contrast to the compact and cohesive societies of Japan, Korea, or Taiwan. “Given the diseconomies of scale inherent in administrative organizations, it would take a bureaucratic apparatus of truly heroic proportions to produce results comparable to those achieved on an island of twenty million people or a peninsula of forty million.”⁹ China’s population of 1.2 billion people, its sheer size, and the diversity of its economic, social, and ethnic conditions (non-Han minorities inhabit two-thirds of the country’s territory) created immense problems for policymakers and administrators, which were aggravated in China because it is a unitary rather than a federal state, and hence the central government shoulders more tasks than would otherwise be the case. The peasant burden problem, mainly found in “agricultural China” in the central and western provinces but far less so in “industrial rural China” in the eastern provinces, was strongly shaped by the state’s difficulties in devising and administering suitable policies for both sectors, compounded by the deficiencies of China’s vast bureaucracy. The ubiquity of corruption – defined by President Jiang Zemin as a matter of life and death for the Party – together with pervasive clientelism in business-government relations also suggests that China should be located more toward the Zairian end of the continuum.¹⁰

Yet, in crucial respects, China had the characteristics of a developmental state, if only because under governmental auspices it experienced steady growth

⁸ Ibid., 69.⁹ Ibid., 68.¹⁰ Wank (1999) and Lü (2000a: esp. ch. 6).

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rates of between 7 to 10 percent per annum for more than 20 years.¹¹ It is not accurate to say that this immense success was achieved simply by the state relinquishing control and letting market forces take over, although this was an important factor. This achievement suggests that policymakers were able to conceptualize, plan, and pursue a consistent goal-directed set of policies for very long periods of time, despite numerous “twists and turns.” And they were able to implement these policies in at least a broad directional sense and in the face of much evasion and obstruction. Evans notes that in Brazil, there were “pockets of efficiency” in the bureaucracy and in the policy-making process that enabled top leaders to play a strong shaping role in development. In his recent study of the new Chinese leadership, Cheng Li points to the “meteoric rise of Chinese technocrats. . . . There was a massive turnover of Chinese leaders at all levels in the 1980s, with a significant number of the promoted elites being technocrats.” This change took place at all levels of administration, down to the counties and even to some extent to the townships.¹² Amidst widespread corruption, there were talented and highly motivated technocratic bureaucrats and bureaucrat-politicians – Premier Zhu Rongji comes to mind – who had an increasing impact in the 1980s and 1990s.

THE CENTRAL AND LOCAL STATES

Given the size and complexity of China, one would expect to find sectors where the model of state-led development fits better than in others. One such sector during the reform period was rural industry. “Township and village enterprises” (TVEs), mostly collectively owned by township or village governments, grew at phenomenal rates, came to provide employment for over a 100 million peasants, and enabled the villages in which they developed to achieve modest, sometimes spectacular, levels of prosperity. Their growth was rooted in adapting the East Asian development model to the local level.¹³ These industries were able to grow in part because the central government allowed localities to keep and reinvest a larger proportion of their revenue. Jean Oi observes that at the heart of rural industrialization:

the central state has had to minimize rather than maximize its claim to revenues generated from the growth process. . . . Localities were allowed to

¹¹ The relationship between corruption and economic growth is complex. As Andrew Wedeman shows, a crucial distinction is whether corrupt money stays in the country and is invested productively or is squirreled away abroad. See Wedeman (1997a: 457–78).

¹² Cheng Li (2001: 35–41).

¹³ Oi (1999: 3).

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benefit disproportionately from local economic growth. . . . the Chinese reforms succeeded in generating local economic growth because the central state did not get the taxes right.¹⁴

The fiscal revenue-sharing arrangements that permitted retention of funds locally also required local governments to provide public goods out of local resources. A cadre evaluation system, that rewarded rapid growth and fulfillment of a range of social indicators, motivated local officials to initiate and promote industrialization programs.¹⁵ In these locales, government and Party played critical guiding, entrepreneurial, and managerial roles, for which the term “local developmental state” is appropriate. In this process, resources were generated that could be invested in local infrastructure, used for the provision of a range of services, and for the improvement of living standards. In these areas, local authorities usually did not need to impose burdens directly on the peasants in order to pay for administration or services.¹⁶

The conditions propitious for the growth of TVEs – market access, availability of skills, proximity to large cities, availability of overseas Chinese investors – were not, however, equally distributed across the Chinese landscape. In the coastal provinces, conditions for the rapid growth of TVEs were favorable, but this was far less the case in the central and western parts of the country where the rate of growth of rural industries was much slower and where their profits and taxes made a far smaller contribution, if any at all, to local development. For our purposes, we distinguish broadly between three parts of the countryside: industrial rural China, mainly concentrated in the eastern provinces, agricultural China, primarily in the central belt of provinces, and subsistence China, located mostly in the western and southwestern provinces.¹⁷

Our focus is on those parts of the countryside, largely in the central and western provinces, that were far less successful in rural industrialization and that have received less attention in the literature on rural political economy. In these areas, the local authorities often played a predatory role vis-à-vis ordinary peasants in the pursuit of developmental goals. Local authorities in agricultural China, as everywhere, came under intense pressure from their superiors to modernize and develop their localities – to build roads, schools, irrigation installations – but there was never enough money because resource-generating TVEs were few or nonexistent. Hence, local authorities felt compelled to turn to the peasants to

¹⁴ Oi (1999: 57). “Not getting taxes right” is a play on Alice Amsden’s explanation for Korea’s success, namely, that it didn’t get the prices right.

¹⁵ Whiting (2001), esp. ch. 3, which analyzes the incentives under which local officials labored.

¹⁶ In addition to Oi and Whiting, see Zweig (1997) and Walder (1998).

¹⁷ The distribution of TVEs in the eastern provinces was also uneven. See Chapter 3.

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raise funds for a variety of projects, which provided opportunities for predation. A major theme of this study is that developmental and predatory behaviors were interrelated.

This is not to claim that TVE China was not also subject to predation. TVEs, and indeed all businesses in China, urban and rural, had to pay onerous ad hoc fees and exactions. The fee problem was a national one, besetting state enterprises, TVEs, and other profit-making entities alike, and its sources were a similar combination of “constructive” and predatory motives, in particular undisciplined state entities badly in need of revenue. As the Minister of Finance observed in 1999:

At present, numerous charges and fees (or funds) are being levied arbitrarily. This puts heavy financial burdens on all sectors of society, arouses great resentment among the people, leads to irrational and chaotic distribution, and causes a drain on revenue and results in failure to prohibit unauthorized departmental coffers.¹⁸

The burdens placed on TVEs also had developmental and corrupt roots, but what is important from our perspective is that they served to reduce and even eliminate the burdens which otherwise would have been placed on villager households and which became an enormous source of conflict in agricultural China.

A set of institutions – revenue sharing, reliance on localities to supply public goods, an evaluation system to reward successful industrialization – proved dysfunctional when transferred to large parts of China where the prospects for rural industrialization were bleak. When TVEs were few or nonexistent, as in much of agricultural China, peasants directly bore the brunt of the local state’s need for resources, which were extracted from villagers in the form of miscellaneous taxes and assorted fees. The process of extraction often turned predatory because of a lack of standardized, legally enforceable procedures limiting the demands of officials for the peasants’ money. According to Margaret Levi, “rulers are predatory in the sense that they are revenue maximizers.”¹⁹ In these localities maximums were sometimes reached, as illustrated by cases of peasant households that had to borrow money or even sell blood to pay their taxes. In such locales, severe tensions arose between peasants and officials; tensions aggravated by gross abuses of power and widespread corruption. Lack of accountability deepened peasant distrust, since they usually had no way of

¹⁸ *Xinhua*, March 6, 1999, in FBIS, no. 305, March 9, 1999. For an article on TVEs and state enterprise fees, see *RMRB*, September 9, 1997, in *SWB-FE*, no. 3056.

¹⁹ Levi (1988: 3).

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knowing what proportion of their levies was actually used for a constructive, developmental purpose and what proportion was used to enrich officials.

One answer to this dilemma of inadequate funding could have been for superiors to reduce performance demands on their local subordinates and to provide funds from higher-level governments, especially Beijing. One obstacle was inadequate administrative capacity to calibrate programs to fit different circumstances, despite the stated principle that this should be done (*yin di zhi yi*). Another obstacle was the prevailing developmental ethos of self-reliance, a legacy of Maoism, which rewarded officials for using their ingenuity to achieve results with local resources. Most important, the Center's capacity to redistribute resources to needy provinces was sapped by its own policies of fiscal decentralization adopted in the early 1980s, which, as noted, allowed localities to retain more funds, sharply reducing the flow of revenue to the Center. In 1978, the wealthiest provincial-level entity, Shanghai, turned over a surplus equal to half its GDP to the Center; by 1993, this proportion had shrunk to less than 9 percent.²⁰ Increasingly wealthy coastal provinces thus benefited from a virtuous developmental circle. Localities acquired "small treasuries" in the form of "extrabudgetary funds" held separately from the regular revenue streams and not subject to appropriation for general government expenditures. This was one source of the chronic revenue shortages that afflicted the central government as well as many local governments. Total regular government budgetary revenues dropped from 31 percent of GDP in 1978 to 12 percent in 1994; the proportion that went to the Center "fell from 60% in the 1970s to 37% in 1993."²¹ Furthermore, as Susan Whiting shows, the institutionalization of the revenue-sharing system provided incentives for local officials to evade state taxes levied on collectively owned industry, thereby contributing to the national revenue shortage.²²

As the redistributive capacities of the central government declined, the financial problems of the poorer provinces worsened. The differentiation in provincial wealth was a product of Deng Xiaoping's dictum that "some can get rich ahead of others" and of a deliberate policy of building on the strong, in this case on the coastal provinces that had the greatest potential to achieve rapid growth. As one part of the country appeared to have fared very well, the other two-thirds languished. The disparity in economic growth reflected a policy approach that deferred dealing with the adverse consequences of the coastal development strategy that sought to make the most of immediately available opportunities

²⁰ Wang and Hu (1999: 189–90).

²¹ Gang Fan (1998: 210).

²² Whiting (2001: 94–5, 265–6).