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Crisis in the Hinterland: Rural Discontent in China

ABSTRACT: This Special Report containing three essays explores social discontent and crisis in China's rural areas. Jean C. Oi of Stanford University observes that most peasant protests have been directed largely at corrupt village cadres, not the regime itself, thanks to the central government's efforts at reducing peasant burdens. Xiaobo Lü of Columbia University predicts that continuing rural discontent, particularly in grain-producing central China, may pose a genuine threat to the regime and initiate substantial democratization in China. Yawei Liu of the Carter Center argues that the rural crisis will not disappear until free elections are regularly held at the village and township levels. This Special Report highlights China's potential rural crisis and points to democratization as the best means of forestalling serious upheaval.

Introduction

Gang Lin

Despite China's two-decade modernization, rural China, accounting for 70 percent of the country's total population, is still beset by economic difficulties and political instability. While decollectivization of agricultural production in the 1980s created opportunities for greater rural prosperity and released millions from agricultural labor, farmers' net incomes began to plummet in the mid-1990s, due to declining prices for grain and rising prices for farm tools and fertilizer. Meanwhile, the size of governments at the township level expanded dramatically. In recent years, hundreds of thousands of farmers have engaged in organized demonstrations and protests, because their incomes have declined steadily and corrupt village officials have increasingly exacted illegal taxes, fees, and levies from the powerless farmers. The combination of a tightening rural economy and exploitative officials has begun to reach a crisis point. As Beijing's official media acknowledged recently, rural discontent is a serious threat to national stability. In fact, in its 2000 year-end review of domestic affairs, the Party singled out rural unrest as the biggest threat to

its rule. To maintain political control over rural areas, Beijing has strengthened the role of Party branches at the grassroots, promoted village elections, and permitted some autonomy. However, it is questionable to what degree village committees are democratically elected and held accountable by their constituencies.

As a follow-up to a November 12, 2002, seminar titled "Crisis in the Hinterland: Rural Discontent in China," hosted by the Woodrow Wilson Center's Asia Program, this Special Report examines the social crisis in China's rural areas. Questions explored in the following three essays include: What are the roots of economic poverty and social instability in rural areas? To what extent has farmers' discontent toward the government shaken the legitimacy of the communist regime and China's national stability? Can village elections and autonomy prevent official corruption at China's grassroots? What have been the results of village autonomy? Is village autonomy meaningful for encouraging China's political democratization at higher levels?

The first essay, by **Jean C. Oi** of Stanford University, observes the overall increase of peasant burdens, discontent, and unrest in China's rural areas. However, most peasant protests have been isolated, and directed

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largely at corrupt village cadres, not the regime itself. This reflects efforts by the central government to reduce peasant burdens by limiting fees collected by village and township officials, and, most recently, implementing the tax-for-fee reform in a number of provinces. Meanwhile, township governments have reasserted economic and political control over village affairs, making village cadre corruption more difficult. According to Oi, the legitimacy of the regime may have been enhanced in the process.

However, the basic problem of adequately funding township and village administration remains unresolved. Oi believes that local officials at the township and village levels will find ways to squeeze needed revenues from the peasants, regardless of the new regulations. Moreover, the return by townships to direct control of village affairs occurred at the same time as the central government issued the 1998 Organic Law of Village Committees, which guarantees the right of all villages to hold competitive elections. While the Party has recently decided that anyone who wants to be village Party secretary must first stand for election to the village committee, the question is whether such an official has the autonomy to run the village without interference from the newly strengthened township.

In the second essay, **Xiaobo Lü** of Columbia University argues that rapid industrialization in rural areas of coastal provinces has dramatically improved the lives of farmers, while township and village enterprises grew more slowly in the central provinces and even more slowly in the western belt.

The grain-producing provinces in central China are the areas where farmers suffer the heaviest tax burdens and thus protest more frequently than in the other rural areas. Peasant violent and non-violent collective actions against township officials increased in the 1990s. These actions included group visits to higher authorities above the township, evasion of taxes or fees, demonstrations, sit-ins, blockades of roads and railroads, sacking of Party-government compounds, and the beating and killing of local cadres. But rural protests have not turned into nationwide social movements. Rather, many peasants believe that central authorities are on their side with regard to excessive burdens.

The root of rural discontent in China, according to Lü, is the authoritarian nature of China's regime, under which taxpayers tend not to comply voluntarily, requiring the government to maintain large numbers of tax collectors and monitoring devices. Lü is skeptical about the effectiveness of village-level elections and autonomy in significantly enabling peasants to hold officials accountable, because village committees have very limited power over taxes. The continuing rural discontent, particularly in the grain-producing provinces in central China where the tax burdens are most severe and farmers' consciousness of their rights is fast growing, may swell to the point of posing a genuine threat to the regime and initiating substantial democratization in China.

Yawei Liu of the Carter Center, in the third essay, agrees with Oi and Lü that there is no nationwide turmoil in China's rural areas. According to Liu, several factors have contributed to the deescalation of the rural crisis. First, some local officials are keenly aware that the growing discontent of the peasants is destabilizing the situation in the countryside. Second, the central government has adopted several measures to increase peasants' incomes and reduce their tax burdens. Third, the restless Chinese peasants, being totally separated from the industrial workers and the urban elite, do not have visionary leaders for a cross-regional rebellion. Fourth, village elections and self-government have provided a channel for villagers to vent their complaints and protest against social unfairness.

While the Party may use grassroots democracy to keep simmering anger from boiling over, peasants can also use such a channel to question the authori-

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ty of the Party cadres—who are not elected—in the village. Because the government has not given up its monopoly of rural affairs, it is not only facing potential rural revolts, but also confronting a legitimacy crisis. These two crises will not disappear until real village self-government is realized, which in turn requires the establishment of free choice and political accountability at the township level.

In her commentary at last November's seminar, **Melanie Manion** of the University of Wisconsin at Madison highlighted social instability in rural China, an issue that cannot be resolved simply through reforming the tax system or monitoring village/township officials by higher levels of government. According to Manion, the fundamental solution for monitoring local officials and preventing a rural crisis is to develop real democracy in China's countryside, and expand democratic practices from villages to townships as well as to higher levels.

While none of the three essayists perceives immediate national turmoil in China's rural areas, they all keenly observe growing rural discontent and the potential of a crisis in the future. Apparently, China's new leadership also has realized the threat, and has given priority to dealing with the rural issue by industrializing rural townships, developing China's western regions, institutionalizing village elections, and expanding local autonomy. As the three essays implicitly or explicitly suggest, however, economic solutions alone cannot alleviate widespread rural discontent. Grassroots democracy, limited as it is to the village level, is not sufficient to resolve the rural problem either. It is unclear whether the new leadership in Beijing has a vision to seriously practice democracy in China's countryside—the only solution to relieving China fundamentally from the growing rural crisis.

State Responses to Rural Discontent in China: Tax-for-Fee Reform and Increased Party Control

JEAN C. OI

Decollectivization of agriculture created opportunities for greater rural prosperity, but it also resulted in the increasing peasant tax burden that has fueled discontent and unrest. There is an economic rationale for the increase of the peasant burden; it is not all cadre greed. Decollectivization has eliminated the right of village authorities to income from agricultural production—the income now belongs to individual households under the land system. While townships and counties enjoy the benefits of the revenue-sharing system, villages have no right to state or local taxes. The village-retained fees have become the only legitimate income that villages have if they have no profits from village enterprise. The poorer the village, the greater is the dependence on such exactions.

The challenge facing the post-Mao leaders has been how to maneuver this institutional disjuncture without making villages a part of government, which would then entitle them to a budget allocation and a share of tax revenues. The increasing peasant discontent and unrest suggest that the government has not handled this well. However, the existence of peasant demonstrations is an insufficient indicator of the loss of control by the government. It is inadequate to measure the legitimacy of the regime. One needs to examine closely the nature of the protests, who and what the targets of protest are, and, perhaps most importantly, the responses of the state. The latter more likely determines whether a serious situation turns into a crisis and whether the regime can maintain its legitimacy.

RIISING PEASANT BURDENS AND PEASANT DISCONTENT

Peasants have been demonstrating, petitioning the upper levels, engaging in “rightful resistance,” and even taking violent actions to seek retribution.¹



One source of peasant discontent is the rising fees assessed by township and village officials. These levies cut into already decreasing or stagnating peasant incomes as the reforms have progressed.

The central state has long been aware of the dangers of this situation. Initially, it responded simply by issuing directives to reduce peasant burdens. Directives ordered that fees collected by the village (*tiliu*) and those collected by the township (*tongchou*), together not exceed 5 percent of peasant incomes.

The effectiveness of the state's efforts was mixed. Some types of peasant burden did decrease, or at least did not increase. While there were exceptions, overall, fees collected by villages or townships went down from the late 1980s to 1995. The problem, however, is that other peasant burdens continued to increase. Taxes and other fees that were previously nominal went up during this same period. The agricultural tax, for example, which was minimal and stagnant

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during the Mao period, increased. Land contract fees were another source of increasing peasant burdens.²

The determinants of peasant burdens are embedded in the local political economy, its resource endowments, and the political pressures that circumscribe the behavior of local authorities.

- Fees collected by villages or townships went down because of heavy political pressure from Beijing to cut these two fees.
- No such political pressure or restrictions were placed on agricultural or special product taxes or on land contract fees.
- Institutional changes made the agricultural tax “a local tax,” which excluded sharing with the center, and thus created additional incentives to increase collection.
- In agricultural as well as industrialized villages, land contract fees became increasingly attractive as other sources of revenue declined.

A CRISIS OR CRISIS MANAGEMENT?

While the situation had become increasingly serious by the mid-1990s—something that has been acknowledged by both central and local authorities—a number of factors argue against a scenario of large-scale uprisings against the regime or loss of control over the countryside.

First, protests and demonstrations have been local. Most instances of peasant unrest have been isolated. Most importantly, the protests have been directed largely at *local* cadres, *not* the regime itself. The center has shifted the blame to corrupt local cadres and presents itself as the protector of peasants. As early as the late 1980s, the regime was instituting new policies designed to provide peasants greater oversight of their cadres and village affairs. Village elections were instituted as a state-sanctioned safety valve and mechanism to help clean out corruption and monitor cadre performance. The continued increase in overall peasant burdens and discontent suggests that these policies were of limited effectiveness, but they helped the state’s claim to legitimacy.

Second, in the last few years, the regime has stepped up its efforts to effectively reduce peasant burdens and cadre corruption in the use of village funds. The regime has begun to exert much tighter control over the peasant burden problem and village affairs than at any time since decollectivization.

TAX-FOR-FEE REFORM

The tax-for-fee reform (*feigaishui*) policy explicitly acknowledges the arbitrary and increasing burdens that have plagued China’s peasantry. Unlike earlier directives that simply urged local officials to keep fees in check, the tax-for-fee reform abolishes all of the previous fees and taxes and instead levies only two taxes on peasants: a reformulated agricultural tax and a surcharge on the new agricultural tax.³ Instead of paying fees to the village and township, and paying a land contract fee and various other ad hoc charges, peasant households will be assessed only one tax, either the agricultural or special agricultural products tax, and its associated surcharge. Preliminary fieldwork indicates that this new policy has substantially reduced peasant burdens. In one village, peasant burdens have been reduced by 38 percent from the previous year.⁴ In another village, this new policy has resulted in a 40 percent drop.⁵ That is the good news.

The problem is that the tax-for-fee reform also substantially cuts revenues of villages and townships. The new agricultural tax goes to the township; the surcharge on the agricultural tax goes to the village. However, neither will equal the earlier fees that villages or townships collected. Areas are left unable to pay their expenses, including cadre salaries. The revenue shortfalls created by the tax-for-fee reform policy were so severe (or feared to be so severe) that the nationwide implementation of this policy in 2001 had to be stopped shortly after it was announced because of opposition from the localities.

In 2002, the leadership decided to forge ahead with the implementation of the tax-for-fee reform policy in a number of provinces. Preliminary research reveals that where the policy is currently being implemented, the revenue declines dramatically. In one township, there is a 2 million yuan loss of revenue; 6 of its 34 villages will not be able to pay their village cadre salaries and another 5–6 villages will be able to pay their cadre salaries but have no money left for any other expenditure.

The hope is that localities can recover lost revenue with increased economic development. In some areas where there are relatively abundant development possibilities, the decreased revenues from *tiliu* do not seem like much of a problem. Some richer villages never depended on *tiliu*; some

villages paid the *tiliu* for the peasants—but those types of villages are in the minority.

The difficulty is in those areas that don't have easy development opportunities. Is the same syndrome that drove cuts in one levy but increases in another going to re-emerge? Anticipating such problems, the regime is further restricting additional peasant levies to try to ensure that the new tax-for-fee policy will not be undermined. If a village needs more funds for a project, it must convene a village meeting. But even if the village as a whole decides to go forward with a project and raise additional funds, the amount levied on each peasant cannot exceed 15 yuan per person per year.

To stem political opposition from the localities and thus facilitate the tax-for-fee reform, the central state is providing some fiscal safety nets, as it did when it implemented its 1980s fiscal reforms.⁶ The center is providing subsidies to make up for some of the revenue shortfalls, which will allow more localities to ease into the transition. The center allocates funds to provinces that then funnel funds to counties and eventually to townships. Townships will then use the money to help their villages and to supplement township revenues. For example, one county received more than 39 million yuan for its 30 townships. Of that amount, approximately half was used to subsidize villages.⁷

REASSERTING ECONOMIC AND POLITICAL CONTROL

As we all know, in China it is one thing to legislate a policy and another to effectively implement the policy. The key is the effectiveness of local levels of government. Beginning in the mid-1990s, large numbers of townships were merged. This was done to cut administrative costs, but according to county and township officials, it also made many townships too large to manage effectively. In response, some townships have since subdivided the management of villages under their jurisdiction and strengthened their subordinate organizations to carry out much of the detailed work of monitoring. The result is a system of control over villages that has not been seen since the collective period.

On the fiscal side, a new practice called *shuang daiguan* (double substitute management), takes power away from villages to control their books and

money. Townships, through their newly beefed-up economic management stations (*jinguan zhan*),⁸ now keep village accounts. These stations also keep village cash. Villages are only allowed to have on hand a bare minimum in circulation funds. All other cash must be deposited with economic management stations. For unexpected expenses not covered by the circulation funds, villages must submit a budget and cash withdrawal request to economic management stations and obtain various approvals before the money can be granted.

The accountants at these management stations do detailed checks throughout each month of receipts and expenditures against budgets to prevent fraud by village cadres. In addition, each village now has an elected “fiscal oversight small group” to verify the accuracy of village receipts and expenditures. This small group, which consists of representatives of the villagers as well as the Party, must be present when receipts are submitted and expenses are reimbursed and recorded into the village books. This process culminates in a public posting of village accounts, with all expenditures and revenues listed, i.e., the open accounting that the center has demanded that villages provide in the wake of the peasant protests.

To ensure the effectiveness of the new economic accounting controls, townships have added a Party arm, called a Party General Branch (*dang zhongzhi*), to their administrative sub-offices. As explained by a township official, the addition of the Party General Branch allows the economic management stations to be able to tell the villages what to do. The secretary of the Party General Branch has power to assess village officials, set village cadre salaries, and approve village budgets.

NEW CONTRADICTIONS: INCREASED PARTY CONTROL AND MORE DEMOCRATIC VILLAGE ELECTIONS

In conclusion, I would argue that with the implementation of the tax-for-fee system, the central state can effectively cut peasant burdens in the short run. The new open accounting, supplemented by economic and political control, will certainly make village cadre corruption more difficult. These measures go a long way toward averting a crisis. In the process, the legitimacy of the regime may be enhanced.



However, the basic problem of how to adequately fund township and village administration has not been solved. How much can the center provide in fiscal transfers and how long can this last? Fixing the new tax arrangement will likely quickly present problems, as expenditures continue to increase. This will likely bring back the pressures I described earlier that shaped the pattern of peasant burdens. Local officials at the township and village levels will find ways, regardless of the new regulations, to squeeze needed revenues from the peasants.

Moreover, there is the question of how these various control measures will affect the concurrent state policies that give villages increased autonomy and greater democratic decision-making authority. Paradoxically, the return to direct control of village affairs by townships is occurring at the same time that new laws better guarantee the right of all villages to hold competitive village elections. The law mandating competitive elections for all village committees was officially passed only in 1998. The obvious question is how the two trends can co-exist. Has the regime over reacted in trying to prevent cadre corruption? How does taking away the right of villages to keep their own books and money square with the supposed autonomy of village committees? Doesn't the new double substitute management system essentially turn village committees into an administrative arm of the township? To whom do village cadres owe their loyalty—to the township that assesses their performance or to villagers?

More generally, these questions point to the tension that has been playing out since the Organic Law of Village Committees was first implemented in draft form in the late 1980s. What is the core (*hexin*) of the village? Is it the Party or is it the elected village committee? The answer still seems to be the Party. However, the advocates of democratic village elections won a victory this summer with the issuance of Central Document No. 14, which mandates that all who want to be a village Party secre-

tary must first stand for election to the village committee. This is a definite step forward in subjecting all village officials to the electoral process. The issue is whether village officials—whether they be the village committee head or Party secretary—have autonomy to run the village without interference from the newly strengthened township.

ENDNOTES

1. See, for example, the work of Kevin O'Brien and Li Lianjiang, David Zweig, and Tom Bernstein. The most developed treatment is Tom Bernstein and Xiaobo Lü, *Taxation Without Representation in Contemporary Rural China* (Cambridge University Press, forthcoming).

2. Jean C. Oi and Kaoru Shimizu, "Political Institutions and Peasant Burdens in China, 1984 to 1995," paper prepared for a conference on "Grassroots Governance in Contemporary China," Shizuoka University, Shizuoka, Japan, August 30 to September 1, 2002.

3. For those areas that have special agricultural products, there is a special agricultural products tax and a surcharge on that tax. Peasant households pay either the agricultural or the special agricultural products tax and its associated surcharge, but not both.

4. Interview by author, China, October 12, 2002.

5. Interview by author, China, October 13, 2002.

6. See Jean Oi, *Rural China Takes Off: The Institutional Foundations of Economic Reform* (University of California Press, 1999), chapter 2.

7. Interview by author, China, October 10, 2002.

8. The formal name is *jingji guanli tongji shenji zhongxin*.

Taxation, Protest, and (In)stability in Rural China

XIAOBO LÜ

China's countryside has undergone tremendous change in the last two decades, but the benefits that came with change were not distributed evenly.¹ Rapid rural industrialization in the coastal provinces under the aegis of local governments dramatically improved the lives of farmers. In contrast, township and village enterprises (TVEs) and farmers' incomes grew much more slowly in the central belt and still more slowly in the western belt. Because agriculture is the major resource for rural governments, they have to rely on extraction of taxes and fees from peasants in order to meet their expenses and carry out developmental programs. Predatory state agents impose heavy tax burdens on peasants. The result is a long festering crisis in relations between peasants and the local government. In a recent *Newsweek* article, Li Changping, famous for his daring letters to the premier of China complaining about the plight of peasants, wrote clearly that rural China still faces a crisis today. The root of the crisis, Li argued, lies in the exploitation of peasants—who pay more taxes than the city folk and spend more for production input. Indeed, both reported and internal statistics show that heavy taxation (the so-called “burden problem”) has been a major source of discontent and a trigger for protests in China's countryside. But how widespread are these protests? Are they threatening the regime? How unstable is the Chinese rural society?

This essay will try to answer these questions by examining the interaction among the three most active players involved in rural taxation and protests: the central government, the local government, and peasants, as each of them employs certain strategies to advance its course. I will also evaluate some of the attempts by the Chinese government to reduce peasant burdens, and the impact of taxation on future prospects of democratization in China.

THE THREE RURAL CHINAS—WHERE DO THE PROBLEMS LIE?

In order to understand the complexities of the countryside, it is essential to differentiate between



“industrializing rural China” and “agricultural rural China.” Policies of fiscal decentralization allow localities to retain more revenues and thereby stimulate local development. This has worked well in some parts of the country but not so well in others. Hence, our distinction between “industrializing rural China” and “agricultural rural China.” The former is mainly located in the eastern provinces and around major cities in the other parts of the country, and is characterized by the spectacular, even miraculous growth of TVEs from the 1980s to the mid-1990s. This success naturally aroused the attention of scholars who sought to explain the mushrooming of TVEs and understand their evolution over time. These scholars addressed important puzzles, such as how rapid growth was possible in the absence of well-defined property rights. But the success was confined to only a part of rural China.

Industry grew much more slowly if at all in “agricultural rural China,” the great agricultural regions of central China, including, among others, Hebei, Henan, Shaanxi, Shanxi, Hubei, Hunan,

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Anhui, Jiangxi, northern Jiangsu, and parts of Sichuan. In these areas, TVEs had less propitious conditions for development. They lacked market access, availability of investment funds, especially from overseas, and favorable natural endowments. Hence, promotion of rural industrialization and other developmental projects was much more difficult there. While scholars have rightly devoted much attention to “industrializing rural China,” the problems of the less favored regions have not been highlighted in the literature. Our study of the peasant tax burden issue, which focuses primarily, but not exclusively, on “agricultural rural China,” endeavors to contribute to scholarly understanding of these relatively neglected areas.

In contrast to most of “agricultural rural China” are the poor western and southwestern provinces. We call these provinces “subsistence rural China,” which includes, among others, Gansu, Ningxia, Qinghai, Inner Mongolia, Tibet, Guizhou, and part of Sichuan. These provinces benefited from central redistribution and now benefit from the Western Development Program.

We have not come across reports of food riots or plunders, as often took place in the pre-revolution periods. This suggests that physical survival is not the main issue and that subsistence is more or less guaranteed, at least in most of China. This is also reflected in the fact that instead of “subsistence rural China,” the grain-producing “agricultural rural China” is the area where tax burdens are the heaviest and peasant protests are most common. The reason why there have been no food-related riots as in the pre-revolutionary past lies in the entitlement of the household responsibility system under which land is collectively owned and cannot be sold. China’s residual socialist system continues to treat land as a collective rather than a private good. Each household is entitled to a plot of land, leased on the basis of contract with the village committee. The use rights to land provide the major form of social security for China’s peasants and prevent the rise of an immense landless proletariat. The land-use rights, however minuscule, mean that mere survival is possible. I do not say that extreme hardship does not exist and that people are not driven to desperation, having witnessed suicides and the sale of blood in such provinces as Henan. But there is something of a “floor” for China’s peasants.

Although peasant tax protests in the past were by no means confined to “agricultural rural China”—in industrializing rural China, for instance, villagers protest inadequately compensated land confiscation as well—the highest incidence of protest activity was found in provinces such as Hunan, Jiangxi, Anhui, and northern Jiangsu. These provinces, it is worth noting, are also the ones in which numerous pre-modern peasant riots took place and the communist revolution got its start, suggesting that repertoires of protest have roots in pre-1949 practices. We do not claim that the small-scale tax riots of the 1990s will inevitably evolve into major regime-threatening movements. In the 1990s, all were essentially localized outbreaks. For its part, the regime strove to maintain barriers that made the expansion of local protests as well as coordinated cross-group mobilization very difficult. Peasants might hope for a new Chen Sheng or Wu Guang (leaders of rebellions in ancient China), but thus far, at best, only a few local counterparts to these two figures have emerged. Protests are not “nationalized.”

PEASANTS AS ACTIVE PLAYERS

Peasants are a set of important players, who tend to resist compliance, necessitating the use of force by the government. Peasant violent and non-violent collective actions, especially against township officials, increased in the 1990s. In the eyes of peasants, the tax and fee collecting of officials was arbitrary, predatory, and brutal. This, to a significant extent, explains the sharp deterioration in cadre-peasant relations in the 1990s, which were so severe that some observers used the word “enmity” to describe them.

Excessive taxes and fees combined with brutal collecting methods led to protest and violence. Forms of resistance fell into two categories, legal efforts to seek redress of grievances, and actions that were considered illegal. Legal and illegal protests overlapped if only because the rules were ambiguous. Illegal resistance occurred at both the individual and collective levels. Peasant strategies included evasion of taxes or fees, attempts to delay and postpone payment, demonstrations, sit-ins, blockades of roads and railroads, sacking of Party-government compounds, and beating and killing of cadres.

A subset of the protest involved spontaneous eruptions of anger, rage, and despair. Other protests

had a clear strategic goal, calling the attention of higher-level officials, especially the center, to the peasants' plight, in the expectation that officials would act to resolve their grievances. This was one reason why illegal protests often grew out of what had begun as "collective petitioning" (*jiti shangfang*), or group visits to higher authorities—which were more or less legal but were frowned upon by officials—especially to levels of Party and government above the township. In terms of a principal-agent model, peasants, as clients, appealed to the principals over the heads of local officials, the agents, on the grounds that these agents were violating the policies and directives of the principals.

Trends toward greater coherence of collective action raise the question of whether rural actions are turning into a social movement. Acts of illegal protest and violence, both at the individual and collective levels, have occurred on numerous occasions. By all accounts, they have risen in frequency during the past decade. But as of 2002, rural tax protests had not turned into a broadly based social movement as generally understood, especially because of the absence of linkages between rural and urban protests.

LOCALIZATION OF PROTESTS

While we have found constituent elements of social movement in some collective actions, such as the presence of leaders and organizers, they fall far short of qualifying for the term "social movement." This is particularly true in terms of coordination across space (finding allies) and the broader ideological frame of grievances. A striking phenomenon of contemporary Chinese collective actions, including rural protests, is that these actions tend to be localized and dispersed. There has not been a linkage between urban protesters—e.g., the large number of recently unemployed state workers—and their rural counterparts. Most of the collective petitions in the countryside have been limited to one or several villages, often lacking coordination and organization. The significance of collective protests grows in proportion to its horizontal spread beyond a village or a township. The deliberateness of coordination among protesters in more than one village or even township is often quite unclear. In many cases, it may well have been that news of protests spread to nearby vil-

lages and townships, resulting in a contagion effect. Such an effect was more likely if peasants heard that grievances were addressed without protests being punished.

Several factors make such localization, hence overall stability, possible. First, the institution of "letters and visits" (*xinfang*) functions as a safety valve for the regime, through which complaints against officials can be lodged. *Xinfang*, as the system is known, has its own rules that prohibit visits to government offices of a certain level—so called "jump-the-level visits." Using such regulations, the government has been able to limit the spread of collective actions. Second, the central government has adopted a strategy that has proven effective in preventing popular discontent from spilling over to Beijing and targeting the regime. By often siding with the local population on their grievances (over issues such as tax burdens, salary arrears, unemployment benefits, arbitrary administrative decisions and, of course, corruption), Beijing in effect shelters itself from large-scale, upward discontent from the citizens. Indeed, surveys have found that local governments actually suffer from lower legitimacy than that of the central government in China. This suggests that if the central government continues to use the strategy of "I-am-not-them and I-am-with-you," it may be able to maintain stability and limit the damage caused by local protests. More recent surveys have provided evidence that this strategy still works.

Many peasants have learned that the higher the administrative level of authority, the greater the sympathy for their plight. They believe that central authorities are on their side with regard to excessive burdens. Indeed, new evidence has strengthened the finding that peasants tend to trust the Center while distrusting basic-level authorities.² The central authorities harshly criticized local officials for abusing their power and attempting to irregularly extract fees from peasants. Peasants, hoping to secure redress, increasingly made use of the letters and visits system, individually or collectively, some even going up all the way to Beijing. In many collective actions, peasants used regulations issued by the central government as their weapon against local agencies. Some sought assistance from Beijing media in publicizing their plight. One manifestation of this alliance was a conflict between peasants and local authorities over access to information about the



national rules and regulations. The central government, the principal, attempted to disseminate information about tax rates and regulations in order to give peasants “the imperial sword” against local agents. However, local governments tried to hide such information from peasants to minimize possible resistance to taxation.

Though always in a weaker position vis-à-vis the state, villagers increasingly used some modes of redress that were supported by the central authorities. On balance, these proved insufficient. Still the center’s siding with peasants was an important fact, contributing to the emergence of a center-peasant alliance in which both sides targeted abusive local authorities. The center sought to lighten peasants’ burdens, presenting itself as a “clean and upright king,” as opposed to the corrupt “lords.” Peasants directed their protests and revolts at local officialdom, but not at the regime itself. This is a very important limitation to rural protest, and will remain so, assuming that it is possible to extrapolate from the present to the future.

At the same time, the central authorities have to maintain a delicate balance between supporting peasants and inciting them to rebel. This unanticipated consequence of siding with peasants has the potential of disrupting the regime’s local organizational base, thereby posing a dilemma for a regime obsessed with the maintenance of stability. As rural disturbances have increased, the regime seek to balance increased repression with the expansion of peaceful avenues for redressing grievances.

Even though peasant protests have so far not turned into a large-scale, regime-threatening movement, it is worthwhile to note the staying power of some collective protests that occurred in recent years due to sustained networks of contact among activists and leaders. Such cases were characterized by continuity in leadership, even though collective actions themselves were only intermittent, as indeed one would expect in communities bound by the agricultural work cycle. In April 2001, a village in Yuntang, Jiangxi, having sustained a tax boycott for three years, fended off at least one police invasion. The increased staying power seemed to be an important new feature of rural protests in the late 1990s. Rapid improvements in communications facilitated the building of larger networks. As rural discontent became chronic because a solution to the

burden problem was not found yet, broader circles could well become involved.

TAXATION AND DEMOCRATIZATION

Ever since the mid-1980s, when the burden problem first appeared, the central government has attempted to reduce peasant burdens with various measures. But none was successful. The future will undoubtedly see continued efforts by the regime to press forward with various kinds of incremental reforms. Although these reforms have not, thus far, made much of a dent in the tax burden problem, they should not be dismissed out of hand. Some are promising and may in due course show real effects. After all, there is a sense of urgency that something has to be done about farmers’ plights and burdens, propelled by rising rural unrest. It is not inconceivable that as village democracy becomes more entrenched, townships will feel increasing pressure to reduce both abuses and arbitrary fee collection. The legal system will no doubt make further inroads into rural areas. Bureaucratic rationalization and streamlining could in due course cut the township bureaucracies, making possible significant burden reduction. In early November 2002, in an apparent attempt to address another major source of discontent, Beijing issued a new policy, allowing peasants to transfer land user rights (under valid land lease).

It seems clear that more profound institutional changes, both formal and informal, are needed, changes that would alter the rules of the game that govern the behavior of the main set of actors—peasants, local officials, and central authorities. The focus of such institution-altering reforms has to be the redefinition of central-local relations. As some Chinese scholars argue, the main formal institutional reform has to come from “*lishun zhongyang yu difang guanxi*”—rationalization of central-local relations. Take the issue of subsidizing agricultural China. Simply pointing to an irrational public finance system misses the important role played by the constitutional relationship between central and local governments.

Underlying the issue of peasant burden are the relations between state and society and those between taxation and democratization. Giving the central government greater power, as suggested by some, does not by itself insure that misuse of power

will not recur. Similarly, giving provinces greater power over finances and policies raises the possibility that provinces might abuse their powers vis-à-vis peasants. There is, after all, no logical reason why, in an authoritarian regime, provinces should be any more sensitive to the interests of ordinary people than is the center. Financial and politico-administrative decentralization that would really benefit the local population would seem to require making all levels of local government more accountable.

Thus, the foundation of China's arbitrary tax collection system in the rural areas, namely the authoritarian nature of China's regime, shows no signs of disappearing, so there will always be opportunities for renewed abuses. Even if the peasant tax problem is eventually resolved, the regime may still arbitrarily impose new exaction or programs on its citizens without securing their consent. Of course there is a price tag. Even though authoritarian regimes are able to decide the tax rates and extract revenues, collecting taxes tends to be more costly than in democratic regimes. This is so because under an authoritarian regime, taxpayers tend not to comply voluntarily, requiring the government to maintain larger numbers of tax collectors and monitoring devices. Our study of Chinese rural taxation confirms this point.

We have been skeptical about the effectiveness of village-level democracy in significantly enabling peasants to hold officials accountable. To be sure, democratization is a moving target, and its potential has not been exhausted. The main reason for its small impact on rural China is that village committees have very limited power over taxes and fundraising. It is, after all, the township officials and their superiors who are the main extractors of funds but who are not touched by democratization, except in a few townships where democratic election is practiced on a trial base.

More research on the relationship between democratization and taxes is needed. One of the weaknesses of the growing body of studies on grassroots democratization in rural China is its primary focus on electoral processes and institutions and the lack of adequate attention to the role of taxation. The relationship between taxes and democracy is an age-old one, as the slogan "no taxation without representation" suggests. It is therefore appropriate to speculate further on the relationship between these

two variables in rural China. Although the evidence is not conclusive, one can hypothesize that the major mass impetus for democracy in China would come from those rural areas where the tax burdens are most severe. The distinction between the three rural Chinas comes into play here. In richer provinces, ordinary people don't feel the weight of tax and fee burdens as strongly as those in other provinces. In the poorer, western provinces, there is less to be extracted. In both cases, we may postulate, the consciousness of being a taxpayer is less strong than where the direct tax burden is high, visible, and arbitrary.³ So it is in middle-income agricultural China, where the burdens are most keenly felt, that the impetus for democratization is likely to be the strongest, beginning with a growing rights consciousness.

Will such rising consciousness lead to fundamental changes? More than seventy years ago, Thomas Millard made this sobering observation about the relationship between taxation and revolutionary change in China: "It has been said that revolutions start with the tax collector. Taxation may bring about the completion of the revolution in China. Taxes may be the straw which finally breaks down the patience of the Chinese under present misrule...Therefore it is conceivable that China's ancient evil, official 'squeeze,' as applied through the tax collector, eventually will arouse among the people the spirit and the will to accomplish national reconstruction."⁴ No doubt China's leaders are well aware of this point.

It is widely assumed in the literature that the impulse for democratization originates in cities, where levels of education are higher and where democratic discourse is likely to flourish—"Stadt Luft macht frei"; in the city, one can breathe freely—and where the middle class provides the mass base for political change. If this hypothesis is accurate, China would seem to be an anomaly. As some enthusiastic officials of China's Ministry of Civil Affairs have put it, in China the revolutionary pattern is replicating itself. Just as the Communist revolution took hold first in the countryside and only in its end liberated the cities, so democracy will first grow in the villages and ultimately surround and bring democracy to the cities. This is not the place to analyze the potential for democratization in the cities, but simply note that the Marxist contempt for



the “idiocy of rural life” does not tell the whole story. The full potential of rural pressures for democratization has not been exhausted.

FUTURE PROSPECTS

As of late 2002, the prospects for rural China were uncertain but with some signs of improvement. The tax-for-fee reform had been implemented in twenty provinces, covering three fourths of the agricultural population. According to a recent official report, the initial results of the reform were successful in reducing peasant tax burden by as much as 30 percent in some areas where the reform was carried out. According to a November 5, 2002 *Xinhua* report, the overall peasant tax burdens declined by 3.9 percent that year as a result of the new reform. Peasants generally welcomed the reform and reportedly praised the central government for pushing for the new tax system. According to Xiang Huaicheng, China’s finance minister and member of a three-person leading group on rural taxation reforms, by the end of 2003 all provinces in China will have implemented the tax-for-fee reform. With a successful reform in the rural taxation system, the Chinese regime may be able to maintain stability in the countryside and even reduce the occurrence of local protests, defusing a long-existing crisis in the immediate future.

Still, the government warned that with lagging downsizing of township governments and heavy debts by local governments, there was no guarantee that local public service such as education would not suffer and the burden would not bounce back in some other ways. There have been reports that even with the financial transfer from the higher level of government to the lower, the budget shortfall at the township level still poses a serious problem. As China has joined the World Trade Organization, some people estimate that foreign competition will

drive millions of peasants off the land. At the same time, rising unemployment in the cities and the consequent shrinking of opportunities for peasants are making the “exit” option for peasants less plausible. Unless other opportunities emerge, e.g., from new, job-creating industrialization in small towns in the interior, the pressure on China’s farming population is likely to increase. Whether the resulting increase in discontent will swell to the point of posing a genuine threat to the regime, or whether it will become a source of more substantial democratization, are questions for the future. They are definitely on the list of serious challenges the new leadership under Hu Jintao will face.

ENDNOTES

1. This essay is based on the forthcoming book co-authored by the author and Thomas Bernstein, *Taxation without Representation in Contemporary Rural China* (Cambridge University Press).

2. A recent survey found that the majority of the villagers surveyed in two provinces had greater trust in higher levels of government than in lower ones, particularly those of the townships and villages. Nearly half of the respondents reported a high level of trust in the central government, but less than 15 percent thought the same of village Party branches and township Party committees. Only one percent did not trust the central government at all.

3. In China, due to the elimination of the personal income tax during the Maoist period, there was a lack of *nashui ren yishi* or “consciousness of a taxpayer.” The term did not even exist in the political vocabulary in the past. Now such consciousness has begun to form in a limited way, as the term is being increasingly used in China.

4. *New York Times*, April 4, 1926.

Crisis without Turmoil: The Chinese Countryside in the Era of Self-Government

YAWEI LIU

At the threshold of the new century, China faces many long-term crises. Among the major challenges confronting its new leadership, the issue of the peasants, agriculture and the countryside, or the “*sannong* issue,” is the most harsh and grim.

THE EXPLOSIVE SANNONG ISSUE

China is still a nation with close to 900 million rural people. To a large extent, rural stability, peasants' happiness, and sustained agricultural growth determine the overall social, economic and political health of China. According to Chinese Premier Zhou Rongji, the issue of how to raise the income of peasants has been the biggest headache for him throughout his tenure.¹

The average income of Chinese peasants has been either stagnant or has declined in recent years, forcing millions to migrate into urban areas in pursuit of available jobs. While the farmers account for 50 percent of the total national labor force, the output of agriculture is down to only 15.2 percent of China's gross domestic product (GDP). The ratio of the income gap between the countryside and cities stood at 3.53:1 in 1999. Furthermore, peasants have to assume a much heavier burden of taxation, and tolerate unregulated and often rampant fees imposed by grassroots governments whose operation is not funded by national or provincial governments. The heavy-handedness of local officials in dealing with peasants' discontent and protests has given birth to sharp popular resentment. Many rural elites are turned into local heroes, leading increasingly vocal demands (through peaceful or violent means) for justice and the rule of law on behalf of the peasants.

The chairman of the Chinese People's Political Consultative Conference, Li Ruihuan, hearing of serious rural suffering, reportedly said in 1999, “This is our failure; this is our crime. We must pay more attention to disadvantaged groups.” A popular story in China illustrates the explosiveness of the



rural situation. When asked by government inspectors what they needed most, a peasant looked hard into the eyes of the officials and said, “We do not need anything but Chen Sheng and Wu Guang.”² Chen Sheng and Wu Guang were the ringleaders of the first peasant rebellion in China that overthrew its first dynasty (Qin) 2200 years ago.

At the most recent conference on rural affairs convened by the central leadership, the *sannong* issue was designated as the primary focus of the Party's work.³ There is undoubtedly a deepening crisis in China's countryside due to a stagnant economy and deteriorating income, and involving millions of angry peasants. However, there is no turmoil. The government's control of the countryside and its inhabitants is not facing an imminent meltdown. Many factors have contributed to the deescalation of the Chinese rural crisis. This essay will focus on three primary factors: 1) tension-reducing efforts made by some local officials, 2) policy initiatives by the central government, and 3) the orderly participation of peasants in the political arena.

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TENSION-DEDUCING EFFORTS MADE BY LOCAL OFFICIALS: GUI XIAOQI, LI CHANGPING AND MA YINLU

China is still a country whose governance relies heavily on personalized politics. Despite systematic problems in rural China, some grassroots officials have sensed an impending crisis and have done all they can to slow it down. Furthermore, these officials are either unconsciously or deliberately launching a vigorous campaign to inform the decision-makers and the populace of the possible catastrophe if the countryside and its residents are left unattended. Among these local officials are Gui Xiaoqi, Li Changping and Ma Yinlu.

In 2000, Gui Xiaoqi, a junior official in the Jiangxi provincial government, compiled and published a collection of documents on reducing the rural burden, issued by the central government in the past few years. It became an instant bestseller and was widely circulated among peasants. The government eventually banned the booklet and disciplined Gui. Gui quit his job and now works as the editor-in-chief of the rural edition of an influential journal, *China Reform*.⁴

Li Changping, Party committee secretary of Qipan Township, Jianli County, Hubei Province, wrote a letter to Premier Zhu Rongji in 2000, describing the seriousness of the *sannong* issue. Zhu was allegedly moved to tears by the letter and dispatched an undercover team to investigate the problems identified by Li. The popular *Southern Weekend* later published the letter and turned Li into a national hero whose whistle blowing was widely praised.⁵ Li was understandably resented by his superiors and colleagues in Jianli and became a migrant laborer in Shenzhen. He was later recruited by the *China Reform* journal and now works as its roving celebrity/journalist. Li wrote a book titled *Telling the Truth to the Premier*. It was published by the prestigious Guangming Daily Press in early 2002. Close to half a million copies of the book have been sold.

Ma Yinlu retired from the military in August 1999, and was assigned director of the Baishui County Organization Department in Shaanxi. In November 2000, after some villagers were wrongly arrested on charges of "tax evasion," peasants from Qixiu Village staged a violent protest and partially

destroyed the facilities of the town government and the public security office. On April 9, 2001, Ma Yinlu and a working group moved into Qixiu Village to find out what had triggered the violence and what could be done about it. When Ma and his group first entered the village, they were greeted by hostile shouts, angry stares, cold indifference and deliberate avoidance, being called "a bunch of dogs." When Ma's group left the village three months later, however, the peasants launched a spontaneous farewell ceremony with traditional drum and cymbal playing, wept and showered the group with all kinds of gifts, including bed sheets, eggs, apples, peaches, and manually made shoe pads. Ma kept a diary of his experiences in Qixiu Village and entitled it *Apologizing to the Peasants*. The Shaanxi Organization Department first published and distributed it internally among over 100 county-level governments in the province. It was later made into a television series and published by the Northwest University Press in Xian. It was recently nominated for the national book award.⁶

The story of these three men and their books reveal several significant things:

- Some local officials are keenly aware of the growing discontent of the peasants;
- They are trying to alert the top leadership that the discontent is serious enough to destabilize the situation in the countryside, while correcting problems within their jurisdictions; and
- It has dawned on more and more urban dwellers that the Chinese countryside can become a time bomb if the government continues to neglect the *sannong* issue

SHARP ATTENTION FROM THE TOP

China's economic reform began in the countryside in the late 1970s. This amazing reform, however, can be derailed by many factors, including market competition, bureaucratic intervention, WTO entry, and agricultural stagnation. The Chinese central government is very much aware of this. Most decisions by the central government have been focused on creating an environment to sustain agricultural growth, increase peasants' income, and reduce social discontent.

In October 1998, the Party dedicated its Third Plenum of the 15th Party Congress to deliberating

on rural issues and producing solutions to solve the problem of the stagnation. A month later, the National People's Congress (NPC) promulgated the Organic Law on Village Committees, launching village self-government in earnest. The Party issued a notice at the end of 2001 on the lease and transfer of land that had been contracted to peasants. On August 29, 2002, the NPC adopted the Land Contract Law to implement the Party's policy. On October 30, the State Council issued a circular "Resolution to Strengthen the Rural Public Health Work." A national conference was held on this occasion to address rural public health issues. In his report to the 16th Party Congress on November 8, Jiang Zemin made rural industrialization the second highest item on the economic agenda. The long-term goal is to increase peasants' market competitiveness, reduce their tax burden, and create more job opportunities through urbanization. Shortly after the 16th Party Congress, the central leadership held a meeting on rural development.

To bolster economic growth, a series of reform measures have been either tried or implemented. In a recent interview, Chen Xiwen, deputy director general of the Research and Development Center of the State Council, declared that in order to support and protect agriculture, particular attention has been paid to improve the taxation system for reducing peasants' burdens, augment the government's investment in agriculture for increasing productivity and technology research, reform the rural financial infrastructure, and build an insurance system that will reduce market and natural risks for peasants.⁷

As of now, the most far-reaching and costly move by the central government is its tax-for-fee reform. It was first launched in March 2000 with Anhui as the pilot. The high cost and resistance by the local government at various levels had grounded the campaign to a halt in 2001. However, Zhu and others at the center were not going to let this important reform slip away. They declared in April 2002 that the reform would be expanded to 20 provinces and municipalities. It is now a national drive that no one can stop. Since the beginning of the reform, the center has allocated a total of 41 billion Chinese yuan to support the provinces and municipalities that have introduced the reform, an amount more than the total agricultural tax revenues collected by all the pilots before the reform. In places where the

reform has been completed, peasants' burdens go down by 20 to 30 percent.⁸

It is these initiatives that have contributed to the alleviation of the crushing pain suffered by hundreds of millions of Chinese peasants. These efforts have at least made peasants believe that the center is applying all means available to bail them out. In fact, Chinese officials and journalists have reported repeatedly that peasants have no grudge and resentment against the top leadership. Peasants attribute their agony and direct their anger toward unruly local officials. When possible, they also direct their vandalism and violence against the local government and its facilities.

Nevertheless, the angry and restless Chinese peasants have not ever been able to pose a viable threat to the regime, despite widespread frustration, difficulties and setbacks in their lives. When asked about the possibility of a national unrest or rebellion with peasants as the backbone, Dang Guoying, a scholar known for his research on rural issues, commented that while the social, economic and political conditions seem to be ripe for mobilization of a cross-regional revolt, Chinese peasants lack several key factors. They do not have potent ideologies or charismatic and visionary leaders; they are totally separated from industrial workers and the urban elite; and they are not allowed to form horizontally interconnected organizations like the farmers unions in Japan, Taiwan or Mexico.⁹ In brief, peasants seem to be a leaderless crowd.

DIRECT VILLAGE ELECTIONS AND VILLAGE SELF-GOVERNMENT: A DOUBLE-EDGED SWORD

Moreover, the peasants are allowed to participate in the decision-making process in their villages experimentally after 1988 and on a mandatory basis ten years later. As acknowledged by officials in China's Ministry of Civil Affairs (MCA), direct village elections and village self-government have proven to be an effective safety valve that has significantly stabilized the rural political and social situations. When peasants have complaints, they can vent them through electing people they trust to the village committee, or recalling those who do not perform in accordance with their expectations. Elections have made it possible for peasants to have an orderly participation in political affairs.



Many skeptics do not think the Chinese government has launched the village self-government movement and ordained direct village elections because of a change of heart and desire for bottom-up political reform. These critics think that the so-called village self-government is either a conspiracy to deflect Western condemnation of China's opaque political system or a sinister mechanism to co-opt peasants' desire to have sufficient representation in the government. These criticisms are somewhat correct, because to a certain extent direct elections and village self-government have endeared the Party and government to the peasants and sustained the Party's legitimacy. However, while the Party may use the weapon of grassroots democracy to restore order in the countryside and keep simmering anger from boiling and spreading, the peasants can also use the weapon to "blackmail" the Party.

IMPACT OF THE POLITICAL OPENING

As a result of village elections and self-governance, peasants are becoming more aggressive and questioning the authority of the Party since Party cadres in the villages are not elected by them. Peasants now want to be informed of how village finances are managed, why roads should be built, when the village office building can be constructed, and what pay village leaders will get. They complain and even file lawsuits if their rights to self-government are violated.

Peasants' growing awareness of their political rights has resulted in some significant changes. First, electoral and self-governing procedures that were missing initially have been gradually introduced, experimentally implemented, and eventually written into the Organic Law on the Village Committees in November 1998. As argued by many reform-oriented Chinese officials, "No democracy is possible without procedures."

Second, the enforcement of the Organic Law has made it possible for ordinary peasants and the rural elite to protest in an orderly fashion against the unfair tax burden, the lack of social justice and due process, and inequitable access to education and other social services. As reported by civil affairs officials across the nation, many peasants use elections to facilitate pursuit of justice.

Third, they have forced the Party to painfully confront the legitimacy issue. When peasants see

that members of the village committee they have directly elected always play second fiddle in village affairs, they begin to question why a small group of Party members can assume more power than those who are trusted by most of the villagers. The Party has fought hard to stifle this challenge and has slowly begun to subject its members to the popularity test before giving them the whip of power.

Lastly, with each round of village committee elections getting more competitive and the administration of village affairs getting more transparent, peasants have grasped the power of ballots and overseen village cadres. They are now demanding to have a voice in the selection of township/town officials, and to know how the township/town budget is produced, how funds are collected and expended, and why they have to pay tuition for their children whose education is supposed to be free and mandatory.

MONOPOLY STILL UNBROKEN

This is not to say that the Chinese government has given up its monopoly of control in the countryside. The reality is far from the desirable situation in which peasants can indeed pursue their happiness without much interference from various levels of officials of the suppressive government. In fact, the current Chinese political system is such that in the halls of local and central power, the tax-paying peasants have no real representatives to speak and monitor the government on their behalf. A recent study of a county people's congress indicated that out of 264 people's deputies there were only eight who represented peasants. Of the 15 townships/towns in this county, only four had true peasant deputies in their people's congresses.

It is apparent that the government's monopoly is still entrenched. Direct village elections and the consequent village self-government have only drilled a small opening into the cocoon of power and control. Whether this opening will be expanded to allow true representation and participation hinges on reform of the township/town government in the next few years.

Township/town governments, totaling about 45,000, are the battleground for two titanic campaigns in China: tax-for-fee reform and village self-government. The tax reform is designed to lower the

financial burden on the peasants. Township/town governments impose this crushing burden to ensure their very existence. Many scholars now advocate the idea of eliminating the township/town government altogether.¹⁰

Village self-government poses a two-pronged attack against the township/town government. Village self-government cannot move forward without removing the hurdles erected by the township/town government, and it won't claim victory until free choice and political accountability are established at the township/town level.

The township/town government will be fundamentally changed if either of the two campaigns deepens as anticipated. Direct elections and village self-government cannot be reversed since they are stipulated by national law. Tax-for-fee reform will not be aborted either, since its termination would affect the largest interest group—peasants—in the country. When the silent majority begins to make noise, it will be heard.

CONCLUSION

China's countryside is facing two potential crises. One is a regime-shattering revolt—peasants are angry because their lives are going nowhere. Another is a value crisis that may uproot the Party. Local officials are running scared because they can no longer exercise power without proper procedures and monitoring. They may even face direct or indirect elections by the very people they govern.

The first crisis is yet to escalate into nationwide social turmoil, as local officials and the central government are intervening to reduce the tension. It can still be contained. The second crisis is a blessing to peasants. It is a minor ailment at the present, but it will threaten the conventional ways of governance and force the Chinese Communist Party to wake up and secure the consent of the governed.

These two crises will not disappear until real peasant self-government is realized. This autonomy will not emerge unless several key pieces come into place: 1) the peasants are allowed to form their own associations and truly decide their own affairs; 2) the township/town government is either eliminated or trimmed to such an extent that it won't have to collect revenues from peasants in order to operate; 3) if

the township/town government exists, its leadership is subject to direct or indirect elections; and 4) as tax-payers of the country, peasants are represented at all levels.

ENDNOTES

1. Text of Zhu Rongji's remarks at the press conference of the 5th Session of the 9th National People's Congress, see <http://www.npcnews.com.cn>, March 16, 2002.

2. Anonymous Chinese officials, interview by author, Beijing, August 2002.

3. See the *Xinhua* report on the conference of rural affairs at www.chinaelections.org, January 8, 2003.

4. The booklet was called *Jianqing nongmin fudan shouce* (*The Manual on Reducing the Peasants' Burden*). It came out as an extra edition to the journal *Nongcun fazhan luncong* (*On Rural Development*), published by the Commission on Rural and Industrial Affairs of Jiangxi Province.

5. *Nanfang zhoumo* (*Southern Weekend*), August 24, 2000.

6. *Xiang nongmin daoqian* [*Apologizing to the Peasants*] (Xian, China: Northwest University Press, 2002)

7. *Zhongguo jingji shibao* (*China Economic Times*), October 7, 2002.

8. Chen Xiwen, "Nongcun shuifei gaige ruhe yingxiang nongmin de mingyun" ("How Tax-for-Fee Reform Will Influence the Fate of the Peasants"), *Caijing* (*Finance and Economy*), at <http://www.chinaelections.com>.

9. Dang Guoying, interview by author, the Carter Center, Atlanta, GA, May 2000.

10. For an assessment of township/town government operation, see "Xiangzhen caizheng wenti tanxi" ("An Analysis of the Township/Town Financial Status") in the internal newsletter *Sannong yanjiu cankao* (*Reference on the Sannong Issue*), November 15, 2002.



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