

Two Local Regime Types in China's Rural Industrialization: A Comparative Study of Four Townships in Fujian and Jiangsu

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This paper describes two different types of local political regimes in four coastal Chinese townships during the process of rural industrialization in the 1980s and 1990s. The two types of local regimes represent at least two different evolutionary directions for the role of the local state bureaucracy in Chinese marketization era. These two local regime types stem from the differences in the property ownership type of rural industrial enterprises. These divergent types require different functions of their local government, which in turn entails different institutional arrangements of the state-society relationship. Recognizing different local regime types in today's rural China helps us to analyze possible future changes in both the Communist regime and state and society in the PRC.

KEYWORDS: Chinese local politics; local regime; township and village enterprises (TVEs); local bureaucracy; rationalization

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The most outstanding characteristics of Deng Xiaoping's reforms are the unparalleled changes in China's economic and political systems. The Chinese Communist regime is one of the few Communist regimes that, in

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the 1980s and 1990s, have been able to implement successful economic reform without experiencing major regime transition. There has, however, been some degree of change in the political power of the Chinese Communist regime in the post-Mao era. The problems lie in characterizing this political change and understanding its implications for the Chinese Communist party-state in the post-Mao era. Many scholars believe the most important political change in the post-Mao era is the changing central-local relationship.¹ Literature on this issue emphasizes that local state agents (local governments at various levels and state organizations of various functions) gained power at the expense of central government capacity. Actually, pendulum-like power shifts between the central and local governments have a history as long as that of the PRC. However, what makes the post-Mao reforms different is that this reform period is accompanied by a transition process from a command to a market economy. Therefore, the question to be studied becomes the following: What is the impact of the transition from a command to a market economy on the changing political power of different state agents?

This paper will address this issue in a limited manner. It will focus on the rural areas of coastal China to see how the development of rural industrialization (or township and village enterprises, TVEs)² influences another less successful goal on Deng's political reform agenda—the rationalization of the local state bureaucracy. A comparative study of four townships undertaken in this paper finds at least two local regime types, or two types of relationship between the local state agents and the local economic com-

¹James Tong, "Fiscal Reform, Elite Turnover, and Central-Provincial Relations in Post-Mao China," *Australian Journal of Chinese Affairs*, no. 22 (July 1989): 1-28; Michel Oksenberg and James Tong, "The Evolution of Central-Provincial Fiscal Relations in China, 1971-1984: The Formal System," *The China Quarterly*, no. 125 (March 1991): 1-32; Christine Wong, "Central-Local Relations in an Era of Fiscal Decline: The Paradox of Fiscal Decentralization in Post-Mao China," *ibid.*, no. 128 (December 1991): 691-715; Jia Hao and Lin Zhirmin, eds., *Changing Central-Local Relations in China* (Boulder, Colo.: Westview Press, 1994).

²Township and village enterprises here refer to enterprises in a rural township or village. TVEs in this study include the following categories of property ownership type: collective enterprises owned by townships or villages; joint-household or joint-stock cooperative enterprises composed of several private citizens, private enterprises, and joint ventures by foreigners or overseas Chinese; cooperative companies by any Chinese partners and foreigners or overseas Chinese; and enterprises owned solely by foreigners or overseas Chinese.

munity represented by TVEs and civil society. In localities where party existence is strong and TVEs are institutionally controlled by the local state/party cadres, the economy and the local government's capacity may also grow rapidly, but the local government as a part of the state bureaucracy is less rationalized. The strong collective power of the local state agent is built more on its despotic power (using Mann's definition)³ over local civil society. On the contrary, in localities where party existence is relatively weak and the local party/state cadres have no direct control over TVEs, the local government as a state bureaucracy tends to be more rationalized. The local state agents do not have strong despotic power over civil society, yet they still have strong collective power based on both their coordinating role and accessibility to local civil society. Thus local state agents are better able to build infrastructural power "through" society.

Furthermore, this study holds that the so-called "local state corporatism" suggested by some scholars (which fits more closely with the first type of local regime mentioned above)⁴ is not the only available model of local state agent development possible in the process of marketization. A local government with strong local state corporate characteristics may have the capacity to reach a high speed of economic growth without sacrificing the distributive power of the local state over society. But the expansion of the collective power of the local state agents does not have to be achieved at the expense of society. Another approach to expanding the collective power of the state is to transfer the power base from despotic power to infrastructural power by making the local state agents a more rationalized bureaucracy. Moreover, this study finds that to promote economic development by strengthening the despotic power of the local state agents may hinder further rationalization of the state apparatus as a whole. In addition, the process of further marketization eventually would undermine the overall collective power of both the state apparatus and civil society.

³Michael Mann, *The Sources of Social Power* (Cambridge: Cambridge University Press, 1992), 59.

⁴Jean C. Oi, "Fiscal Reform and the Emergence of Local State Corporatism in China" (Paper presented at the Colloquium Series "State-Agrarian Relations" for the Program in Agrarian Studies, Yale University, February, 28, 1992); idem, "Fiscal Reform and the Economic Foundations of Local State Corporatism in China," *World Politics* 45 (1992): 99-126.

In the first section, I will review relevant literature on China's rural politics in the post-Mao era. Then the second section will introduce the concepts of state rationalization and its relationship with state power. The third section will introduce the hypotheses, research design, and research methods of this study. The fourth section will discuss the major research findings. These findings will be used for comparative analysis in section five. In the last section, some theoretical implications will be drawn.

Literature Review

In this section, relevant literature on China's rural state power and the local government's relationship with society will be reviewed, with an eye toward building an analytical framework.

Literature on Local State Power in General

Although some scholars studying China's rural politics in the early 1980s have observed the undermining of local state power through the process of decollectivization,⁵ others argue conversely that the power of the local state is actually strengthened through the process of marketization and industrialization. The latter group of scholars argue that the local state agents actually benefit from the process as they have tapped more resources for their own interests.⁶ In addition, fiscal decentralization in the 1980s

⁵Gordon White, "Riding the Tiger: Grass-Roots Rural Politics in the Wake of the Chinese Economic Reform," in *The Reemergence of the Chinese Peasantry*, ed. Ashwani Saith (Kent: Croom Helm, 1987), 250-69.

⁶See note 4 above; Jean C. Oi, "The Fate of the Collective after the Commune," in *Chinese Society on the Eve of Tiananmen: The Impact of Reform*, ed. Deborah Davis and Ezra F. Vogel (Cambridge, Mass.: Harvard University Press, 1990), 15-36; Jean C. Oi, "The Shifting Balance of Power in Central-Local Relations: Local Government Response to Fiscal Austerity in Rural China" (Paper presented at the Annual Meeting of the Association for Asian Studies, New Orleans, April 11-14, 1991); Victor Nee, "Peasant Entrepreneurship and Politics of Regulation in China," in *Remaking the Economic Institutions of Socialism*, ed. Victor Nee and David Stark (Stanford, Calif.: Stanford University Press, 1989), 169-207; Victor Nee, "A Theory of Market Transition: From Redistribution to Markets in State Socialism," *American Sociological Review* 54 (October 1989): 663-81; Mayfair Mei-hui Yang, "Between State and Society: The Construction of Corporateness in a Chinese Socialist Factory," *Australian Journal of Chinese Affairs*, no. 22 (July 1989): 31-59; Yasheng Huang,

also contributed to both the increasing autonomy and the strengthening of the local state.⁷ However, these writings do not provide other more nuanced information concerning the change of local state power such as whether there is a difference between the nature of the decreased and increased power of the local state agents in post-Mao China.

*Literature on the Roles of the Local State and
Cadres in Marketization and Local Industrialization*

Local state corporatism: Echoing their colleagues proposing state corporatist studies of industrial politics,⁸ some scholars of China's rural political transition have observed a similar trend: the local state and local enterprises tend to form a corporate entity which uses the local state as the central institution to define the local economic interests.⁹ Questionable, however, is how universal this phenomenon may be in rural China and whether they all operate based on the same pattern, given that there are various types of property ownership of enterprises.

Mixed multiple roles of local cadres: Scholars have argued that local Chinese cadres may, in order to retain their personal power during the transition from the Maoist economy, change their role into that of a multiple-role actor. These cadres can be state bureaucrats, party cadres, and entre-

"Web of Interests and Patterns of Behavior of Chinese Local Economic Bureaucracies and Enterprises during Reforms," *The China Quarterly*, no. 123 (September 1990): 431-58; David Zweig, "Internationalizing China's Countryside: The Political Economy of Exports from Rural Industry," *ibid.*, no. 128 (December 1991): 716-41; Tyrene White, "Political Reform and Rural Government," in Davis and Vogel, *Chinese Society on the Eve of Tiananmen*, 37-60; Marc Blecher, "The Contradictions of Grass-Roots Participation and Undemocratic Statism in Maoist China and Their Fate," in *Contemporary Chinese Politics in Historical Perspective*, ed. Brantly Womack (Cambridge: Cambridge University Press, 1991), 129-52.

⁷Oksenberg and Tong, "The Evolution of Central-Provincial Fiscal Relations"; Tong, "Fiscal Reform, Elite Turnover, and Central-Provincial Relations"; Christine Wong, "Fiscal Reform and Local Industrialization: The Problematic Sequencing of Reform in Post-Mao China," *Modern China* 18, no. 2 (1992): 197-227; Wong, "Central-Local Relations in an Era of Fiscal Decline"; Audrey Donnithorne, *Central-Provincial Economic Relations in China* (Canberra: Australian National University, 1981).

⁸Peter Nan-shong Lee, "The Chinese Industrial State in Historical Perspective: From Totalitarianism to Corporatism," in Womack, *Contemporary Chinese Politics*, 153-79.

⁹Yang, "Between State and Society"; Huang, "Web of Interests and Patterns of Behavior"; Oi, "Fiscal Reform and the Economic Foundations."

preneurs all at the same time.¹⁰ Marketization reforms also enable cadres to use their power to extort fees from the ruled, which can thus cultivate corruption.¹¹ Unclear, however, is how the mixed roles of local cadres will change the power of the local state agents in localities with different institutional settings. Unclear also is how this role change will affect the collective power of the party-state in general.

Literature on the Autonomy of the Local State

Decentralization is an important feature of socialist reform and has taken place under the command economy system in Mao's era several times. Scholars have argued that during the Mao period decentralization produced a trend of the cellularization of the localities.¹² The post-Mao reform is one that transforms the command economy into a market-oriented economy. However, some scholars contend that the tendency of locality cellularization has been strengthened rather than weakened¹³ and the efforts of the central state to control the local state during Deng's bureaucratic reform period have also failed.¹⁴ In short, these empirical studies find that the autonomy of the peripheral state vis-à-vis the central state has increased.

In contrast, Shue, making a historical comparison, argues that Deng's reform was intended to dissolve the "unitary political, economic, and social authority of the local cadre elite and the relative self-containment of the economic units over which they presided."¹⁵ Although Shue's argument is more a theoretical remark (drawn from Weberian themes), it provides us

¹⁰Dorothy Solinger, "Urban Entrepreneurs and the State: The Merger of State and Society," in *State and Society in China: The Consequences of Reform*, ed. Arthur Lewis Rosenbaum (Boulder, Colo.: Westview Press, 1992), 121-42.

¹¹Connie Squires Meaney, "Market Reform in a Leninist System: Some Trends in the Distribution of Power, Status, and Money in Urban China," *Studies of Comparative Communism* 22, no. 2/3 (1989): 203-20; Nee, "Peasant Entrepreneurship and Politics of Regulation."

¹²Donnithorne, *Central-Provincial Economic Relations in China*; Vivienne Shue, *The Reach of the State* (Stanford, Calif.: Stanford University Press, 1988), 123-52. Shue called it the "honeycomb" structure.

¹³Oi, "Fiscal Reform and the Economic Foundations."

¹⁴White, "Political Reform and Rural Government."

¹⁵Shue, *The Reach of the State*, 120.

with an alternative angle for observing the vicissitudes of state power in rural China.

These two contrasting perspectives leave us wondering what the critical conditions are for the strengthening or weakening of the local cellularized power structures in post-Mao China.

*The Debate of Clientelist Politics
vs. Marketized Politics*

Neo-traditionalist scholars¹⁶ studying rural China argue that patron-client relationships between local cadres and peasants or entrepreneurs have persisted in the post-Mao reform era and kept peasants and entrepreneurs dependent on local cadres.¹⁷ They also argue for the persistence of social networks on which new market activities have to develop.¹⁸ However, clientelist accounts of state-society relations in rural China have been criticized as tautological by arguing that all politics in rural China is always clientelistic, especially in an epoch of economic transition.¹⁹ Challengers have contended that the old power base of local cadres has declined and

¹⁶Kenneth Jowitt, "Soviet Neotraditionalism: The Political Corruption of a Leninist Regime," *Soviet Studies* 35, no. 3 (July 1974): 275-97; Andrew G. Walder, *Communist Neotraditionalism: Work and Authority in Chinese Industry* (Berkeley and Los Angeles: University of California Press, 1986); Jean C. Oi, *State and Peasant in Contemporary China: The Political Economy of Village Government* (Berkeley and Los Angeles: University of California Press, 1989).

¹⁷Oi, "The Fate of the Collective after the Commune"; Oi, "The Shifting Balance of Power in Central-Local Relations"; David Zweig, "Rural Industry: Constraining the Leading Growth Sector in China's Economy," in *China's Economic Dilemmas in the 1990s: The Problems of Reforms, Modernization, and Interdependence* (Study papers submitted to the Joint Economic Committee, Congress of the United States) (Washington, D.C.: U.S. Government Printing Office, 1991), 418-36.

¹⁸For example, Dorothy Solinger raises the concept "relational contract" to describe the social embeddedness of the market activity in China. See Dorothy Solinger, "Urban Reform and Relational Contracting in Post-Mao China: An Interpretation of the Transition from Plan to Market," in *Reform and Reaction in Post-Mao China*, ed. Richard Baum (New York: Routledge, 1991), 104-23. See also note 4 above.

¹⁹Victor Nee criticizes Jean C. Oi by saying: "If clientelism in villages has not been eroded by the collapse of collective agriculture in the village and by the expansion of transactive market exchanges, then what would constitute a theory of clientelism in rural China?" And "if all politics is clientelist, as Oi contends, then what explanatory power remains in this concept?" See Victor Nee, "Book Review of *State and Peasant in Contemporary China*," *Contemporary Sociology* 20, no. 2 (March 1991): 205-7.

that, thanks to the emerging market, has even yielded to a new redistribution of power favorable to non-cadres.²⁰ New connections engendered by the reform and opening-up policy, such as networks with businessmen from Hong Kong or Taiwan, have also been viewed as a force to challenge the control of the local state.²¹ This debate over clientelism in rural China leaves unsolved the question of under what conditions we should expect clientelism in rural China to persist.

Theories of State Power

One of the problems that caused much confusion in the above-mentioned debates is the use of different definitions of state power. As argued by Michael Mann, there are two kinds of state power: "despotic power" and "infrastructural power." Mann refers to "despotic power" as "the distributive power of state elites over civil society. [Despotic power] derives from the range of actions that state elites can undertake without routine negotiation with civil society groups." "Infrastructural power," moreover, is referred to as "the institutional capacity of a central state, despotic or not, to penetrate its territories and logistically implement decisions. This is collective power, 'power through' society, coordinating social life through state infrastructures."²²

In Mann's definitions of these two concepts, there is another variation in power type that he cites from Talcott Parsons, that is, the difference between "collective power" and "distributive power." "Distributive power" refers to "the power of actor A over actor B. For B to acquire more distributive power, A must lose some." And "collective power" is "the joint power

²⁰Nee, "Peasant Entrepreneurship and Politics of Regulation"; Nee, "A Theory of Market Transition"; Victor Nee, "Peasant Entrepreneurs in China's 'Second Economy': An Institutional Analysis," *Economic Development and Cultural Change* 39, no. 2 (January 1991): 293-310; idem, "Social Inequalities in Reforming State Socialism: Between Redistribution and Markets in China," *American Sociological Review* 56 (June 1991): 267-82; idem, "Organizational Dynamics of Market Transition: Hybrid Forms, Property Rights, and Mixed Economy in China" (Paper presented at the Annual Meeting of the Association for Asian Studies, Washington, D.C., April 4-6, 1992).

²¹Meaney, "Market Reform in a Leninist System"; Zweig, "Internationalizing China's Countryside."

²²See note 3 above.

of actors A and B cooperating to exploit nature or another actor, C."²³

These two types of power provide the first key to clarifying some of the confusion in the debates over local state power in rural China. Another key is to distinguish the subject that wields power. One must distinguish between central versus local state power and the individual power of the state cadre from the corporate power of the state apparatus. The increase of one does not necessarily imply the increase of the other.

With a more nuanced view of the nature of power and the wielder of power, we can better analyze the literature reviewed above. In the literature on local state power, decollectivization may undermine distributive power, but may also increase collective power. In the literature on the roles of the local state and cadres in both marketization and local industrialization, local state corporatism may increase the collective power of the local state, yet the micro foundation of this power may be very despotic. Moreover, the mixed role of the local state cadres may maintain or even increase the individual distributive power of the cadres, but very likely will do so at the expense of the collective power of the state apparatus. In the literature on the autonomy of the local state and on the debate of clientelist politics vs. marketized politics, marketization is said to have caused the weakening of the despotic power of the local state agent, but believed to have also increased its infrastructural power. Additionally, the increase of the despotic power of individual cadres caused by the clientelistic relationship does not necessarily imply the increase of the collective power of both the local state apparatus and civil society as a whole.

This article intends to point out directions of the evolution of China's rural local governments in terms of their changing power base by presenting ideal types based on empirical studies of local societies and local states in the four townships. Different from the literature reviewed above, the ideal types in this study will be developed by using the comparative method to spell out institutional factors which differ in the manner in which they affect the evolution of the local state. These ideal types provide a more bal-

²³Talcott Parsons, *Structure and Process in Modern Societies* (New York: Free Press, 1960), 199-225.

anced conclusion on the local government of contemporary rural China.

State Rationalization and State Power

Based on the previous literature, marketization has been identified by scholars of various perspectives as the most important factor that has changed local state power in rural China. But how does marketization affect the power of the local state? The transition from the command economy to marketization is an effort at pursuing rationality in economic life. It requires dismantling some functions of the state that are incompatible with the market economy. The most important effort is to demarcate the economic ownership and the administrative functions of the state agents. This paper, following the Weberian tradition,²⁴ holds that the rationalization of the state bureaucracy is the most significant factor through which marketization affects the change of local state power in post-Mao rural China.

As observed by neo-traditionalist scholars of Chinese politics, the Chinese Communist regime consists of numerous small "neo-traditionalist," feudalistic-like power blocks as its micro power foundation at the grass-roots level.²⁵ These include work units in the cities and small townships or villages in the rural areas. These small blocks of local authority have gathered economic, social, and political power. As the power structure of such a regime is highly fragmented by the existence of these small blocks and given, moreover, that each state agent's power is rather arbitrary, the nature of the bureaucracy under such a regime is at odds with a "rationalized" model of modern bureaucracy described by Weber.²⁶ Since the early 1980s, however, there have been efforts made by the central political elites to change this honeycomb structure of local authority. These efforts

²⁴Shue, *The Reach of the State*; Nee, "Peasant Entrepreneurship and Politics of Regulation" and "A Theory of Market Transition."

²⁵Walder, *Communist Neo-Traditionalism*; Oi, "Fiscal Reform and the Emergence of Local State Corporatism in China" and "Fiscal Reform and the Economic Foundations."

²⁶Max Weber, *The Theory of Social and Economic Organization* (New York: Free Press, 1947), 330-32.

include the decollectivization of the people's communes and the reestablishment of the people's government at the grass-roots level, as well as the request for clearly demarcating the boundaries between the party, state organizations, and enterprises.²⁷ Therefore, from a Weberian perspective, we can see the post-Mao years as an era of transition from the traditionalistic local political order toward a more rationalized modern state bureaucracy in China's rural politics.²⁸

Any successful rationalization of the local state will also have the effect of changing the overall state structure from despotic to infrastructural. The rationalization of the local state bureaucracy would seek a new legitimacy of state power in increasing state power "through" society. This would have the effect of increasing the state's overall infrastructural power, to replace its despotic power as its old legitimacy base. The relationship between the state and civil society in a regime based on despotic power is more like a zero-sum relationship, while the relationship between the state and civil society in a regime based on infrastructural power is a non-zero-sum one, or a cooperative one between the state agents and society.²⁹ Deng's "four modernizations" project can be seen as an effort to build a modern state with stronger infrastructural power through a more rationalized state apparatus. Therefore, in rural China, to find out both how and to what degree local state agents are rationalized is key in understanding the cause and process of local state power change.

This paper uses the term "rationalization of state agent" drawn selectively from Weber:

- (a) The extent to which a state bureaucracy has the necessary competence to carry out its functions
- (b) The extent to which a state bureaucracy has its autonomous and well marked-off authority in the division of labor within the entire state apparatus

²⁷Deng Xiaoping, "On the Reform of the System of Party and State Leadership" (August 18, 1980), in *Selected Works of Deng Xiaoping, 1975-1982* (Beijing: Foreign Languages Press, 1984), 302-25.

²⁸Shue, *The Reach of the State*, 73-121.

²⁹Mann, *The Sources of Social Power*, 58-59.

- (c) The extent to which a state agent is subordinated to the hierarchical order within the state apparatus³⁰

This definition of the "rationalization of the state bureaucracy" includes three elements: bureaucratic competence, autonomous authority of bureaucratic office, and bureaucratic subordination. Hypotheses in this study will be formed on the basis of these three elements.

Based on the above theoretical discussion as well as definition of the rationalization of the state bureaucracy (agent), this study assumes the following relationship:

- H1:** The more rationalized a state agent, the more likely its power will be based on an infrastructural (collective) power *through* society instead of a despotic (distributive) power *over* society

This hypothesis, however, does not imply that a state agent cannot have both despotic and infrastructural power at the same time. Mann gave a two-dimension typology of state power based on these two powers (see table 1). This study holds that rationalization of the state bureaucracy would have the effect of changing the local state agent in rural China from a feudal or imperial/absolutist regime toward a more bureaucratic-democratic regime at best, or toward an authoritarian one at worst.

Hypotheses, Research Design, and Method

Two Contending Factors behind Local State Power in Rural China

For the purpose of selecting cases for this study, this author chose two

³⁰These three parts of the definition of "state rationalization" are drawn from Weber's accounts of rational legal authority. See Weber, *The Theory of Social and Economic Organization*, 330-32. Weber spelled out eight characteristics of rational legal authority. Element (a) of my definition is drawn from his point part 2-(b): "The provision of the incumbent with the necessary authority to carry out these functions"; element (b) is drawn from his point 2-(a): "a sphere of obligations to perform functions which has been marked off as part of a systematic division of labor"; and element (c) is drawn from his point 3: "The organization of offices follows the principle of hierarchy."

Table 1
Two Dimensions of State Power

Despotic Power	Infrastructural Power	
	Low	High
Low	Feudal	Bureaucratic-Democratic
High	Imperial/Absolutist	Authoritarian

Source: Michael Mann, *The Sources of Social Power* (Cambridge: Cambridge University Press, 1992), 60.

other factors that could cause change in China's rural power structure. The first is the strength of the collective economy (TVEs) under the leadership of local party/state cadres. This is based on an opinion popular among the current Chinese Communist leadership: strengthening the collective ownership economy under a strong local party/state leadership is the best way to guarantee economic development without sacrificing both state power and socialist value at the same time. This view actually emphasizes the strengthening of the old power base of the local state agent, that is, the distributive power of the cadres, and the old way of economic development, that is, mobilization. With this power base, the local cadres can have the despotic power to mobilize resources in the local community without having to consult societal groups. In such a local regime, collectively-owned TVEs under the direct control of the local party/state cadres have become the institutional leverage through which the cadres maintain their distributive and despotic power over the local community.

Another factor is external, that is, foreign investment. There are two views regarding this factor: one is a typical liberal view that foreign trade and investment in the economy will bring political liberalization. For example, some scholars have argued that in rural China foreign investors are forming a new group of elite and because they have their own business network, advanced technology, and independent source of capital, they form a challenge to the distributive power of local cadres.³¹ Another view

³¹ Meaney, "Market Reform in a Leninist System"; Zweig, "Internationalizing China's Countryside."

is based more on empirical study and holds that foreign investment has strengthened the financial localism (the despotic power) and thus the fragmentational tendency of the state bureaucracy.³² Local state power is therefore increased at the expense of the central state. Alternatively, foreign investment at the local level will have the effect of undermining the rationalization of the state bureaucracy. However, this view on foreign investment does not spell out whether the increased power of the locality is despotic or collective in nature.

The following four additional hypotheses can thus be formed:

- H2:** The stronger the local TVEs are in collective ownership and the more they are under the control of the local state agent, the more likely that the power of the local state is based on despotic power
- H3:** The more the foreign investment in a locality, the more likely the power of the local state agent would be based on infrastructural power
- H4:** The stronger the local TVEs are in collective ownership and the more they are under the control of the local state agent, the less rationalized the local state agent tends to be
- H5:** The more the foreign investment in a locality, the more rationalized the local state agent tends to be

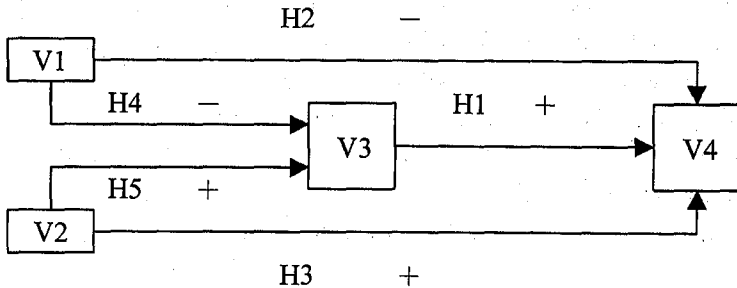
A Tentative Explanatory Model

From the above discussion we can draw a tentative explanatory model composed of the following variables and hypotheses:

- V1:** Strength of collectively-owned TVEs (the more the local cadre-controlled collective TVEs, the higher the value)
- V2:** Foreign investment (the more the foreign investment, the higher the value)
- V3:** Rationalization of local state agent (the more rationalized, the higher the value)
- V4:** Power base of local state agent (infrastructural power base equals a higher value and despotic power base equals a lower value)

³²Zhang Amei and Zou Gang, "Foreign Trade Decentralization and Its Impact on Central-Local Relations," in Jia and Lin, *Changing Central-Local Relations in China*, 153-77.

Figure 1
A Tentative Explanatory Model



The arrows represent causal relations between variables. the "+" and "-" signs refer to the directions of the causal effects.

Accordingly, the hypotheses are:

$$H1: V3 \xrightarrow{+} V4; H2: V1 \xrightarrow{-} V4; H3: V2 \xrightarrow{+} V4; H4: V1 \xrightarrow{-} V3; H5: V2 \xrightarrow{+} V3$$

Figure 1 presents a tentative explanatory model this study seeks to test.

Comparative Cases and Research Strategy

One of the problems of the literature reviewed in the previous section is that most were based on observations in different locations having different institutional and historical conditions. Therefore, to acquire a more generalized conclusion, the comparative method should be applied. The best way to do this is to find many townships with variances in V1 and V2, and then measure their variances in V3 and V4. Due to limited time and resources, this study chooses typical cases for comparison. The result of this study therefore can only be viewed as a preliminary test of our explanatory model. If we treat V1 and V2 as two independent variables, then the least number of cases for comparison would be four. Therefore, four townships were selected according to V1 and V2 as mutually-controlling variables.

To select cases with variance in V1 (ownership types of TVEs), townships were selected from two areas with the most developed TVEs

Table 2
Four Cases Decided by Two Independent Variables

	More Foreign Investment	Less Foreign Investment
More non-collective ownership (Jinjiang, Fujian)	TW1: Kaifang Township	TW2: Zili Township
Collective ownership (Wuxi, Jiangsu)	TW3: Jinbu Township	TW4: Fazhan Township

in China—southern Fujian and southern Jiangsu. These two areas represent respectively two models of TVE development in rural China: the "Jinjiang Model" in southern Fujian and the "Sunan Model" in southern Jiangsu. In southern Fujian, the dominant property ownership type of local TVEs is the joint household and private enterprises (TVEs not controlled by the local government). In southern Jiangsu, the dominant property ownership type is the collective enterprises. Most of the TVEs there are not only controlled by the local government, but also managed by local cadres.

To select cases with difference in V2 (foreign investment in TVEs), townships with different degree of foreign investment were selected in each area of southern Fujian and southern Jiangsu: one township with more foreign TVE investment and another with less.³³ Table 2 shows the selection of the four townships according to V1 and V2.

Methods and Operationalization

In the tentative explanatory model, the data collected from the survey can only test the following correlations:

$$H2: V1 \rightarrow V4; H3: V2 \rightarrow V4; H4: V1 \rightarrow V3; H5: V2 \rightarrow V3$$

The correlations between V3 and V4 hypothesized by H1 can only be inferred by the test consequence of the other hypotheses. According to the

³³In 1993, the number of foreign-invested enterprises in Kaifang and Zili was seventy and three respectively; in 1992, the number of foreign-invested enterprises in Jinbu and Fazhan was seventeen and five respectively. This data is drawn from author's field research.

Table 3
Township Interviewees, by Categories

	Kaifang	Zili	Jinbu	Fazhan	Total
Residents	76	88	96	98	358
Entrepreneurs	49	51	50	50	200
Workers	113	130	139	144	526
Cadres	50	50	50	50	200
Total	288	319	335	342	1,284

tentative explanatory model, there should be positive correlations between V3 and V4.

To measure the variances of V3 and V4 in these four cases, this research relies on two major methods: surveys and field interviews. The fieldwork was conducted in Fujian Province (February to June 1993) and Jiangsu Province (July to September 1993). A survey of 1,284 respondents was conducted in these four townships. In each township, surveys with different questions were conducted for four categories of interviewees: local residents, local entrepreneurs of TVEs, workers of local TVEs, and local cadres (including twenty-five township and twenty-five village cadres in each township). The cases in each category for the four townships are shown in table 3.

A total of seventy-one face-to-face interviews were conducted in Fuzhou, Quanzhou, and Jinjiang of Fujian Province, and in Wuxi and Nanjing of Jiangsu Province. Most of those interviewed were governmental officials, local cadres, entrepreneurs, and scholars.

Variables V3 and V4 were operationalized via the following questions.

V3: Rationalization of local state agent

a) Bureaucratic competence: "The extent to which a state bureaucracy has the necessary competence to carry out its functions" was operationalized by the following question posed to township cadres in each township:

In the past five years, what has been the change of difficulty in policy implementation for your bureau (or government) in general?

1. Much more difficult than before

2. Somewhat more difficult than before
3. Same as before
4. Somewhat easier than before
5. Much easier than before

The higher the number of the response, the higher the bureaucratic competence.

b) Autonomous authority: The following two questions posed to township cadres in each township operationalized "the extent to which a state bureaucracy has its autonomous and well marked-off authority in the division of labor within the entire state apparatus." These two questions involved the intervention in township authority from horizontal power of various departments at the county level. This has long been one of the most important problems for the grass-roots administrations in China.

- (1) What has been the change in the autonomy of your township vis-à-vis higher administrative authorities since the reform and opening-up policy?
 1. Decreased autonomy
 2. Same as before
 3. Increased autonomy

The higher the number of the response, the more autonomous the authority of the township government.

- (2) Given your bureau's role in the local government, what do you think is the most important policy implementation difficulty for your bureau?
 1. There are too many *popo*'s; there is too much administrative intervention from higher-up, resulting in the division of the grass-roots government's authority.
 2. Remuneration for us local cadres is too meager, thus lowering our morale.
 3. Society has been more and more complicated and interests and opinions are getting more pluralistic.
 4. There are too many policies that cannot fit the local situation and therefore difficult to implement.
 5. There have not been enough laws and regulations so that we are not equipped with enough implementation power.
 6. There is great fiscal difficulty.
 7. Duties are too heavy.

The lower the percentage of township cadres choosing answer number 1, the higher the autonomy of the authority of the township government.

c) Bureaucratic subordination: "The extent to which a state agent is subordinated to the hierarchical order within the state apparatus" was op-

erationalized by the following question posed to township cadres in each township:

In the process of policy implementation for the state, if a certain policy made by the state has been found as not fitting the local situation and therefore is hard to be concretely implemented, what would your bureau (or government) do about it?

1. Reflect our difficulties to the higher authorities and defer the implementation temporarily
2. Make our own local regulations that fit the local situation and are consistent with the spirit of the policy
3. Observe the situation for a while, follow the original policy, but implement it in a gradual way
4. Insist on implementation strictly according to the original policy

The higher the number of the response, the higher the bureaucratic subordination.

V4: "Power base of local state agent" (infrastructural power base as higher value and despotic power base as lower value) was operationalized by the following questions and observations on the institutional relationship between the township party/state leadership and the local TVEs acquired in the fieldwork:

a) If the power of a township government is based more on "infrastructural power" through society, the township government should be more accessible to the local society and therefore should have put more emphasis on mass opinion. The following question was asked to all the non-cadre respondents in each township:

Since the reform and opening-up policy, what is the change in the extent to which the opinions of the masses are thought highly of in your locality?

1. Opinions of the masses have been thought less highly of since the reform
2. Almost the same as before
3. Opinions of the masses have been thought more highly of since the reform

The higher the number of the response, the more likely the power base of the township government is infrastructural.

b) As pointed out by Mann, despotic power is a power belonging to state elites³⁴ and thus tends to be a kind of individual power. Infrastructural

³⁴See note 3 above.

power, as a power of institutional capacity, in turn, tends to be a corporate power of governmental organizations. Accordingly, we can infer that if the individual power of the cadres is strong but the office power of the bureaucracy is weak, the power of this state agent is based more on despotic power. If the individual power of the cadres is weak but the office power of the bureaucracy is strong, the power of this state agent is based more on infrastructural power. When both powers are strong, however, or both powers are weak, we cannot make an inference. The following question was first asked to all non-cadre respondents in each township:

- (1) Since the reform and opening-up policy, what is the change in the power of party and government cadres in your locality (at and below township level)?
 1. Smaller than before
 2. Almost the same as before
 3. Greater than before

The higher the number of the response, the stronger the individual power of the cadres. The second question asked to all the township cadres in all four townships was:

- (2) What has been the change in the power of your bureau since the reform and opening-up policy?
 1. Weakened
 2. Same as before
 3. Strengthened

The higher the number of the response, the stronger the corporate power of the bureaucracy.

Statistical Findings of the Research

According to the research design, there are four hypotheses to test: H2, H3, H4, and H5. The consequences are as follows. Since four indicators (in its three definitional elements) measure V3 (rationalization of state agent), H4 and H5 will be separated into four subhypotheses respectively:

- H4a: V1 (ownership type of TVEs) → V3a (bureaucratic competence)
- H4b-1: V1 (ownership type of TVEs) → V3b-1 (autonomous authority-1)
- H4b-2: V1 (ownership type of TVEs) → V3b-2 (autonomous authority-2)
- H4c: V1 (ownership type of TVEs) → V3c (bureaucratic subordination)
- H5a: V2 (foreign investment) → V3a (bureaucratic competence)
- H5b-1: V2 (foreign investment) → V3b-1 (autonomous authority-1)
- H5b-2: V2 (foreign investment) → V3b-2 (autonomous authority-2)
- H5c: V2 (foreign investment) → V3c (bureaucratic subordination)

And since three indicators (mass opinion, cadres' individual power, and the state bureaucracy's power) measure V4, H2 and H3 will thus also be separated into three subhypotheses respectively:

- H2a: V1 (ownership type of TVEs) → V4a (emphasis on mass opinion)
- H2b-1: V1 (ownership type of TVEs) → V4b-1 (cadres' individual power)
- H2b-2: V1 (ownership type of TVEs) → V4b-2 (bureaucracy's corporate power)
- H3a: V2 (foreign investment) → V4a (emphasis on mass opinion)
- H3b-1: V2 (foreign investment) → V4b-1 (cadres' individual power)
- H3b-2: V2 (foreign investment) → V4b-2 (bureaucracy's corporate power)

The result of statistical test of correlation with Chi-square coefficient at a confidence level of 95 percent is presented in table 4. According to table 4, all the subhypotheses for H5 (V2 → V3) are proved insignificant. That is, when we put the townships with higher foreign investment in one group and the other townships with less foreign investment in another, we find that there is no significant correlation between foreign investment and either index of the "rationalization of state agent." Therefore, H5 ("more foreign investment will cause better rationalization of state agent") is rejected by the statistical test.

In the four subhypotheses of H4 (V1 → V3), only one (H4a) was found to be insignificant. That is, ownership type of TVEs in one township does not correlate with the competence of its township government. Therefore, the hypothesis that "the less collective enterprises in one township, the better the necessary competence the township government would have to carry out its functions" is rejected by our statistical data. The other three subhypotheses, however, are all proved statistically significant and the directions of the correlation are also the same as the hypothesized ones: the

Table 4
Results of Statistical Test of Hypotheses*

Hypotheses	Significance/Direction	Degree of Freedom	Chi-square Value	Townships	Means of Dep. Variable	N	Scale Range of Variable
H2a	Yes/(-)	2	46.03049	TW1 & TW2 TW3 & TW4	V4a: 2.2522 V4a: 1.9409	456 541	1-3
H2b-1	Yes/(+)	2	43.61174	TW1 & TW2 TW3 & TW4	V4b-1: 2.404 V4b-1: 2.628	448 543	1-3
H2b-2	No	2	5.06056	TW1 & TW2 TW3 & TW4	V4b-2: 3.1957 V4b-2: 3.1836	46 49	1-4
H3a	No	2	9.82203	TW2 & TW4 TW1 & TW3	V4a: 2.1546 V4a: 2.0082	511 486	1-3
H3b-1	No	2	1.62748	TW2 & TW4 TW1 & TW3	V4b-1: 2.5156 V4b-1: 2.5486	512 479	1-3
H3b-2	Yes/(+)	2	12.86443	TW2 & TW4 TW1 & TW3	V4b-2: 3.0 V4b-2: 3.4	50 45	1-4
H4a	No	4	10.59684	TW1 & TW2 TW3 & TW4	V3a: 2.9574 V3a: 2.14	47 50	1-5
H4b-1	Yes/(-)	2	12.25096	TW1 & TW2 TW3 & TW4	V3b-1: 2.5745 V3b-1: 2.4	47 50	1-3
H4b-2	Yes/(-)	1	5.82751	TW1 & TW2 TW3 & TW4	V3b-2: 0.12 V3b-2: 0.32	50 50	0-1
H4c	Yes/(-)	3	17.91334	TW1 & TW2 TW3 & TW4	V3c: 2.898 V3c: 2.28	49 50	1-4
H5a	No	4	6.52564	TW2 & TW4 TW1 & TW3	V3a: 2.62 V3a: 2.4468	50 47	1-5
H5b-1	No	2	7.23574	TW2 & TW4 TW1 & TW3	V3b-1: 2.3 V3b-1: 2.6809	50 47	1-3
H5b-2	No	1	0.23310	TW2 & TW4 TW1 & TW3	V3b-2: 0.2 V3b-2: 0.24	50 50	0-1
H5c	No	3	6.39934	TW2 & TW4 TW1 & TW3	V3c: 2.8 V3c: 2.3673	50 49	1-4

*At a confidence level of 95 percent.

more the collective TVEs are controlled by the local government in one township, the less autonomous is the township government's authority from the intervention from other horizontal governmental departments, and also the less is its subordination to hierarchical order from higher authorities. These two elements of state rationalization are not contradictory. This is so because if a state bureaucracy is well rationalized, the state agent at the lower level should be given well-defined authority which should not be arbitrarily interfered with by other state agents. At the same time the local government should be subordinate to the hierarchical order in the state bureaucracy and carry out the order with the autonomous authority of its own. When a state bureaucracy is not rationalized, as the authority of the state agent at the lower level is not clearly defined and thus less autonomous from intervention, the bureaucracy would also have stronger incentives to defend its own parochial interests by not being subordinated to the hierarchical order. To summarize the statistical test consequence on H4: $V1 \rightarrow V3$, a smaller number of collective enterprises controlled by a local government can contribute to the rationalization of the local state agent, except for increasing the local government's competence to carry out its functions. In our cases, TW1 (Kaifang) and TW2 (Zili) in Jinjiang of southern Fujian appeared to have a higher degree of rationalization of their local state agent (township government) than did TW3 (Jinbu) and TW4 (Fazhan) in Wuxi of southern Jiangsu.

Among the three subhypotheses of H3 ($V2 \rightarrow V4$), only one (H3b-2) was proved statistically significant and with the expected direction of correlation: the more the foreign investment in the TVEs in one township, the stronger the power of the bureaucratic offices of the township government. Foreign investment, moreover, does not seem to make any change in the cadre power, nor does it change the extent to which township governments put emphasis on mass opinion. In this study, in townships with more foreign investment (Kaifang in Jinjiang of southern Fujian and Jinbu in Wuxi of southern Jiangsu) township cadres have felt the increase in the power of their offices to a greater degree than have those in the other two townships. However, based only on this, we cannot make any inference regarding whether foreign investment will contribute to change in the power base of these township governments based more on despotic power or on infra-

structural power. In general, H3 is proved to be weak.

As for H2 ($V1 \rightarrow V4$), two subhypotheses (H2a and H2b-1) are proved significant and with the expected direction of correlation, while H2b-2 is not. That is, townships with more collective enterprises under the control of the township government have been proved to put less emphasis on mass opinion than other townships. Cadre power also has been thought to have been increased more than those in the other two townships. But since there is no significant difference in the increase or decrease of the power of governmental offices between townships with more collective enterprises and townships with less, we cannot make inferences regarding whether the increase and decrease of cadre power and office power would change the power base of the township government. To sum up, we at least have evidence from the variance in V4a (emphasis on mass opinion) that the township government with more collective enterprises under government control tends to base its power less on infrastructural power.

Generally speaking, H3 has not acquired much support from our statistical test and H5 has been rejected. It seems that V2 (foreign investment) as an independent variable does not make much difference on V3 (rationalization of the local state) and no difference at all on the change of V4 (power base of the local state agent) in townships with different ownership types of enterprises.

If we control V1 and look into the group of townships with more collective enterprises (TW3-Jinbu and TW4-Fazhan), we find that there are significant correlations between V2 and V4, but still not much between V2 and V3. If we limit our test of the variable groups of V3 and V4 only between Jinbu (which has more foreign investment) and Fazhan (which has less foreign investment), we find that there is significant difference in the distribution of V4a (emphasis on mass opinion), V4b-2 (cadre power), and V3b-1 (authority autonomous-1). What is interesting is that in V4a the significant relationship has the opposite direction of correlation to what was expected by the hypothesis. That is, the cadres in the township with more foreign investment (Jinbu) actually gave less emphasis on mass opinion. More foreign investment also actually increased the despotic power base of the township government.

In V4b-2, the power of township government offices of Jinbu is much greater than that of Fazhan. In Fazhan, the average view from the township cadres actually held that the power of their offices had decreased instead of increased.³⁵ In both townships, citizens thought cadre power had increased.³⁶ Although we cannot directly infer that foreign investment has contributed to the change to despotic power base in Jinbu, the lack of emphasis on mass opinion and the great increase in the power of township government offices imply that the power base of Jinbu is very likely to be despotic.

In V3b-1, there is significant difference between Jinbu and Fazhan. Jinbu, as the township with more foreign investment in its TVEs, has gained higher autonomy. But this alone cannot lead to any conclusion regarding bureaucratic rationalization. In V3a (bureaucratic competence) and V3c (bureaucratic subordination), Jinbu ranks the last among all four townships. Although enjoying more foreign investment, Jinbu still remains a local state agent with a very poor record of bureaucratic rationalization.

To conclude, according to the statistical tests, only H2 and H4 survived. Ownership type of TVEs has been a more significant variable in influencing a state agent's rationalization and power base. TW1 (Kaifang) and TW2 (Zili), with less collective enterprises under local government control, appear to have a significantly higher degree of rationalization of their township government than do state agents. The power base of these two township governments also tends to be less despotic. On the contrary, in TW3 (Jinbu) and TW4 (Fazhan) with more collective enterprises, the rationalization of their local state agent is comparatively lower and their power base is built more on despotic power. The statistical research thus finds that the less the collective TVEs under local government control in one township, the better the township government is rationalized as a local state agent. Moreover, the township government's power would be more

³⁵If we treat the three numbers of the response as a three-score scale, with 1 representing a decrease, 2 representing the same, and 3 representing an increase, the average score of Jinbu is 2.5471 (N = 25), and that of Fazhan is 1.84 (N = 25).

³⁶With the same scale as V4b-2, the average score of Jinbu is 2.68 (N = 275), and that of Fazhan is 2.5745 (N = 268). Citizens in both townships thought the power of cadres had much increased.

likely based on infrastructural power rather than despotic power. Foreign investment does not appear to be a significant variable in general, but is important in strengthening despotic power among townships with more collective TVEs. Nevertheless, the results of the statistical tests do not provide any concrete analysis of why and how ownership types of TVEs influence the rationalization and the change of power base of the local state agent. In the next section, I will present a comparison of two local regimes based on different ownership types of TVEs and power bases of the local state agents, based on the data and observations collected in the fieldwork in these two regions.

A Comparative Analysis of Two Local Regimes

From the statistical tests, we learn that ownership type of TVEs is an important factor that influences both state rationalization and change in state power. In this section, two local regime ideal types in rural China will be elaborated upon according to different types of TVE ownership patterns in the four townships. The term "local regime" here is used to refer to a set of relationships between the local state agent (township government in this study) and its economic community and civil society. This paper also intends to describe the role of the local state agent in the process of rural industrialization and marketization.

The first type of local regime is "collaborative local." This term refers to a local regime in rural China in which the local government does not own most of the TVEs (at behest of the whole township community), nor do the local party/state elites. The state elites and the economic or social elites thus are not the same group of people. The priority of their interests may not be congruent, but they tend to collaborate to promote the development of the local economy as well as their mutual interests. Kaifang and Zili in Jinjiang of southern Fujian are representatives of this type of local regime.

The second type of local regime is "involutionary local." This term refers to a local regime in rural China in which the local government owns most of the important TVEs (at behest of the whole township community)

and thus the local party/state elites usually are able to exert direct control over the TVEs. The managers of the local TVEs and the bureaucrats in the township government may not be the same group of people, but both these two groups of people are under the unified direction of the local party/state top elites and therefore are subordinated to the leadership of the local state agent. The first priority of the local state agent is to maximize the political power and economic interests of the local state agent vis-à-vis both society and other state agents, including the central government and other administrative authorities at various levels. Thus, under such a local regime, the whole state apparatus and society form an interest- and power-pursuing entity. The more the local economy develops under the leadership and promotion of such a local regime, the more it consolidates its parochial power and economic interests at the expense of the central state and society. Such a local regime thus has an involutory tendency of power and interest consolidation.

The following subsections will compare these two local regimes by their various characteristics: the institutional relationships between the local state agent and the TVEs; the bureaucratic rationalization and power base of the local state agent; the paths of their economic development; and their corruption and ideological profiles. The discussion below is based primarily on the data and observations collected from field research. Some other statistical data will also be applied. The description of these two local regime ideal types will also help to account for some of the causal relations between TVE ownership type and bureaucratic rationalization, between TVE ownership type and power base of the local state agent, and most importantly, between local state agent bureaucratic rationalization and power base.

Institutional Relationship between the Local State Agent and the TVEs

a) Collaborative local regime: In the "collaborative local regime," as pointed out earlier, the local government does not own most of the TVEs. The very few government-run collective enterprises left are also usually contracted out to private entrepreneurs. In Kaifang and Zili, the most important ownership type of TVEs is joint-stock cooperative enterprises

(JSCEs, *gufen hezuozhi qiye*). These enterprises are usually organized by several individual shareholders. These could be family members, relatives, close friends, or others. These enterprises also have the title of "collective enterprises" and enjoy the corresponding privileges. They are not really owned by the collectivity of the whole village or township community, but by the small collectivity of a few shareholders. The nature of JSCEs actually is very similar to a family business or partnership company. Although sometimes called "pseudo-collective enterprises," they are legally collectives.³⁷ The real "collective enterprises" are composed of two categories: township-run enterprises (*xiangban qiye*) and village-run enterprises (*cunban qiye*). The former is theoretically owned by the collectivity of the township community, and the latter by the collectivity of the whole village. Although important township governments and village committees are supposed to manage them for the community, most have been contracted to individual entrepreneurs, and therefore their relationship with the government is very much like that of JSCEs. Another type of enterprises is foreign-invested enterprises. In Kaifang and Zili, very few foreign investors open joint ventures or cooperate with the real collective enterprises. These foreign investors are mostly from Hong Kong and Taiwan, or are overseas Chinese from Southeast Asia. Tables 5-1 and 5-2 show the constitution of TVEs of different ownership type in Kaifang.

The relationships between the local state agent and the TVEs therefore are administrative and regulatory (see figure 2). In the township government, there is a TVE Administration Office which is in charge of the relevant administration of TVEs. Except for administrative relations, TVEs also organize themselves to deal with the government. In Kaifang, for example, there is a local chamber of commerce, under which there are several local trade associations. These chambers of commerce and trade associations were not merely para-statist transmission belt organizations;

³⁷ According to Article 3 of the "Temporary Regulations on Rural Joint-Stock Cooperative Enterprises" promulgated by the PRC Ministry of Agriculture on February 12, 1990, the "JSCEs are . . . economy of collective ownership type of the socialist laboring masses." See State Council Bureau of Legalistic Affairs, ed., *Jiti, geti, siying jingji kaiye jingying zhengce fagui xuanbian* (Selected laws and policies for the management of collective, individual, and private economy) (Beijing: Zhongguo minzhu fazhi chubanshe, 1993), 42.

Table 5-1
Enterprise Numbers by Ownership Type of TVEs in Kaifang

Year	Township-Run Enterprises	Village-Run Enterprises	JSCEs	Foreign-Invested Enterprises
1980	33	111	0	0
1981	52	163	0	0
1982	62	188	0	0
1983	46	78	156	0
1984	53	72	248	0
1985	39	66	391	3
1986	41	66	408	3
1987	38	59	487	7
1988	33	53	513	10
1989	34	41	485	18
1990	N.A.	34	489	N.A.
1991	27	35	611	35
1992	32	35	626	43
1993	27	33	641	70

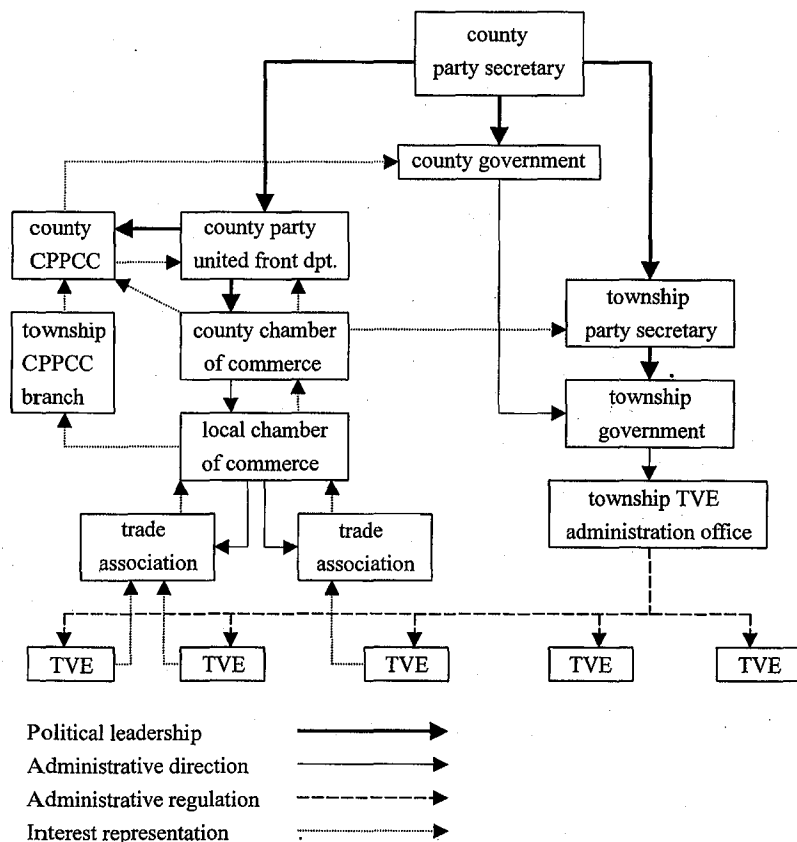
Table 5-2
Total Output Value of TVEs in Kaifang

Unit: 1,000 yuan				
Year	Township-Run Enterprises	Village-Run Enterprises	JSCEs	Foreign-Invested Enterprises
1980	3,610	5,580	0	0
1981	5,240	6,740	0	0
1982	5,210	7,770	0	0
1983	5,180	3,170	5,620	0
1984	6,670	4,320	15,950	0
1985	7,120	4,240	19,790	2,190
1986	7,880	4,100	23,570	3,470
1987	8,630	3,550	31,910	10,990
1988	22,650	4,980	53,400	32,610
1989	38,460	4,800	33,250	60,700
1990	24,000	5,120	55,640	97,830
1991	29,440	4,010	105,960	141,760
1992	62,350	9,210	275,390	231,620
1993	22,580	10,390	647,120	585,000

Sources: Data provided by officials of the TVE Administration Office of the Kaifang Township Government.

Figure 2

Institutional Relationships Between TVEs and the Local State Agents in the "Collaborative Local Regime"



they were instead organized voluntarily by the local TVE entrepreneurs themselves. These chambers of commerce and trade associations have their own constitutions and also have, to a certain extent, a self-regulating function via the making of their own rules. The chamber of commerce at the county level was transferred from the former federation of industry and commerce (*gongshang lianhehui*, or *gongshanglian*), which was under the control of the United Front Department of the county CCP committee. But in the collaborative local regime in southern Fujian, the transmission belt

function of the federation at the grass-roots level has been weakened. One piece of supporting evidence is that the staff of the county chamber of commerce (county federation) is no longer on the state payroll. By the same token, the finance of all chambers of commerce and trade associations at the township level is also self-supplied, basically through membership and service fees. The local state agents welcome these chambers of commerce and trade associations because, on the one hand, the development of these organizations of the nonstate sector is encouraged by central state policy,³⁸ and on the other, these organizations also help the local government regulate these enterprises over which the government has little direct leverage.

These trade associations and chambers of commerce not only have, to a certain extent, a self-regulating function, they also have a certain function of interest representation or articulation. Some entrepreneurs are also representatives of the local Chinese People's Political Consultative Conference (CPPCC). In addition, these organizations also create many other public goods that cannot be supplied by the state. For example, the constitution of the Kaifang Toy Trade Association stipulates the following organizational functions: "safeguarding the legal interests of our members; uniting members of the trade association; advancing our friendship; exchanging information; promoting business activities; coordinating relationships among member enterprises; and serving for the development of the toy manufacturing in Kaifang and the prosperity of the locality."³⁹

Under such an institutional relationship between the TVEs and the local state agent, the management of TVEs is totally controlled by the entrepreneurs. The most important aspect of management is the decision-making power of investment. The local state agent cannot decide for the TVEs specifically what to invest. The local state agent can, however, provide administrative incentives or disincentives to influence the general direction of TVE investment and development. By controlling the issuing or renewing of licenses to TVEs, for example, the Jinjiang County Government TVE Administration Office successfully removed several hundred

³⁸CCP Central Committee Document No. 15 of 1991.

³⁹*Kaifang wanju gonghui zuzhi zhangcheng* (Organizational constitution of the Kaifang Toy Trade Association). Document obtained during author's field research.

highly polluting chimneys from Zili's tile-producing TVEs. All the tile-producing TVEs intending to expand in Zili therefore were forced to spend more money to install less-polluting rolling kilns.

In Kaifang, there has already been the appearance of some kind of conglomerate in the TVE sector. The holding company is a joint venture by Hong Kong investors and a township-run enterprise located in Kaifang. The holding company is located in Kaifang, together with four other subsidiary companies. There are seven additional subsidiary companies located in different provinces all over the country, making the holding company the largest enterprise in Kaifang. Among thirteen members of the holding company's board of directors, however, the Chinese side only accounts for three seats (assigned by the township government) and the remaining ten seats are held by Hong Kong members.

This institutional relationship between the local state agent and the TVEs also affects the way the local state agent shares profits with TVEs. Except for the regular taxes and other administrative fees (such as the education fee), the TVEs share their profits with the local state agent by paying a "TVE administrative fee" to the TVE Administration Office of the township government. In Kaifang, every TVE, regardless of ownership type, pays one percent of its annual total sales to the township government as administrative fee. In Zili, as most of the TVEs are in the tile industry, administrative fees are calculated by the number of kilns per enterprise, with a fixed fee per kiln. This administrative fee has constituted a major part of the available funding for the township government. This way of sharing profits with the TVEs is very much like local taxation.

b) Involutionary local regime: In the involutionary local regime in southern Jiangsu, most of the TVEs are either township- or village-owned. In Jinbu, for example, the total output of township- and village-owned enterprises together accounted for more than 90 percent of the total industrial output of the whole township in 1986, 1990, 1992, and 1993 (see table 6). The average size of township-owned TVEs is much larger than that of the village-owned ones, and the total output of the former also gradually outgrew the latter in the 1990s. The strong collective economy in this type of local regime is inherited from the years of agricultural collectivization before the 1980s. In those years, the commune leadership, in order to solve

Table 6
The Township- and Village-Owned Enterprises in Jinbu in Selected Years

Year	Total Industrial Output (1)	Industrial Output of Township- Owned TVEs (2)	Industrial Output of Village- Owned TVEs (3)	% of (2+3)/1	Number of Township- Owned TVEs*	Number of Village- Owned TVEs
1986	154.74	62.58	81.04	92.81	N.A.	N.A.
1990	453.27	190.81	236.26	94.22	51	190
1992	1,438.76	652.24	694.22	93.58	38	186
1993	2,371.58	1,065.74	1,106.28	95.80	31	192

Notes:

(1) Values in columns 1, 2, and 3 are in million *yuan* at nominal prices.

(2) *Including joint ventures with foreign investors.

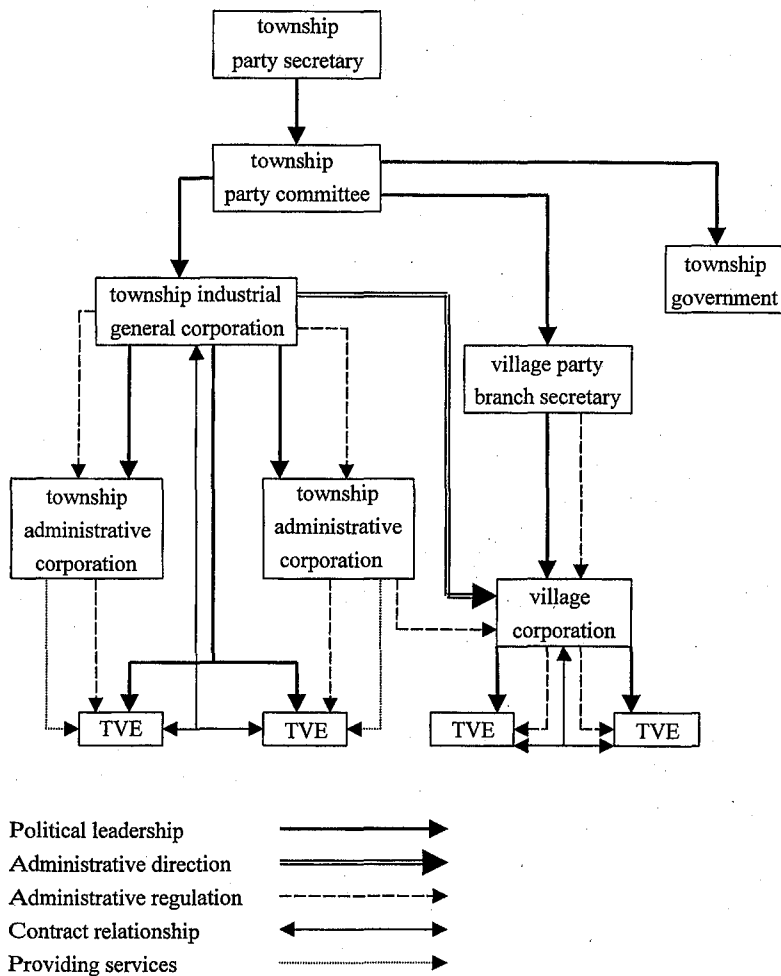
Sources: Statistical Bureau of Wuxi County, ed., *Wuxi xian tongji nianjian* (Statistical yearbook of Wuxi County) (1986, 1990, 1992, and 1993 editions); Wuxi internal circulated material.

the problem of surplus labor from the agricultural sector, took political risks to run against the state policy to develop commune or brigade enterprises. Their practical efforts helped solve the problem of surplus labor in the localities and accumulate much capital at the collective level. These commune and brigade enterprises later became TVEs when the people's communes were dismantled in the early 1980s.

Since most of the enterprises are collectively-owned, the township government and the village cadres have the responsibility to manage these TVEs. After the grass-roots people's government was established to replace the people's communes in 1984, the township government could not directly manage these TVEs. The township governments in southern Jiangsu therefore established a system of "administrative corporations" (*xingzheng gongsi*) which were separated from the township government offices. The administrative corporations are responsible for managing (*jingying*) and administratively regulating (*xingzheng guanli*) the TVEs. The governmental offices and the administrative companies are formally separated institutionally. It is said that this arrangement is made to respond to the demand for separation of government and enterprises (*zhengqi fen-kai*). However, these two systems of institutions are actually a more ef-

Figure 3

Institutional Relationships Between TVEs and the Local State Agents in the "Involutionary Local Regime"



efficient division of labor under an even stronger unified leadership of the township party secretary (see figure 3). This efficient division of labor under the party secretary not only has not separated economic and political power, but also has actually strengthened their combination at the centralized leadership of the local state agent.

There is no doubt concerning the direct political leadership of the party secretary of the township CCP committee over the township government. The township party secretary in townships with an involutory local regime usually is also the general director of the General Corporation of Agriculture, Industry, and Commerce (*Nong-gong-shang zonggongsi*). Under this Corporation, there are three divisions: the Industrial General Corporation, Agricultural General Corporation, and Commerce General Corporation. All the township-owned enterprises, mostly industrial ones, are under the control of the Industrial General Corporation ("general corporation" hereafter). For the village-owned enterprises, usually there is also a Village Corporation, which controls all village-owned enterprises. There are at least three relationships between the TVEs and the administrative corporation. First, all general managers of the TVEs, although recruited by the general corporation, still must sign a contract with the general corporation. Some townships even ask the managers to put personal property in as a deposit to strengthen their sense of responsibility. The contract usually stipulates, among other things, the assigned quota of annual minimum output or profit the manager has to achieve, the amount of enterprise profit to be submitted to the general corporation, the manner of bonus distribution, and the penalties for the manager if the quota is not achieved. Therefore, there is a contractual relationship. Second, the administrative corporations are responsible for carrying out the functions of administrative regulation that were originally exercised by the government. Third, the general corporation not only owns these TVEs, it also tries to develop its own commercial service enterprises in some townships and stipulates that these service enterprises have to be the sole supplier of the services to the TVEs under its own control. The general corporation in such a case is actually internalizing its relationship with the TVEs as if these TVEs belonged to the same conglomerate. This conglomeratization of TVEs under the general corporation is in direct opposition to the goal of making the TVEs independent economic entities in the market as required by the "separation of government and enterprises." The spirit of the adopted contract system (*chengbaozhi*) is also in opposition to the spirit of making enterprises independent companies in the market.

The managers (contractor entrepreneurs) of these TVEs are all con-

sidered "cadres." The general corporation, whose boss is the party secretary, decides on the recruitment of these managers. For those who want to become an elite in the township, this is one of the two major paths he/she must go through. Another is through the governmental system. Although these managers are given heavy responsibility to make the established quota, they do not necessarily have the equivalent decision-making power even regarding the internal affairs of the enterprise. Most importantly, the township general corporation usually hands down the quota leaving very limited space for these managers to bargain. In addition, production of new products has to be permitted by the general corporation. Except for these two "lame" powers, the accountant of each TVE is assigned by the "financial service corporation" of the township general corporation. All these measures undermine the independent authority of TVE managers within their enterprises and make them very dependent on the general corporation.

The merit of this institutional relationship is that the general corporation has great power to concentrate and mobilize resources within the territory of the township community and thus can spur rapid economic growth in a short period of time. However, this relationship bears strong features of the command economy and concentrated personal power. The financial relationship between the general corporation and the township government provides another example. As the general corporation collects the profits submitted from all TVEs, it becomes the richest cash supplier in the township. Where does the cash flow to and who makes cash flow decisions? If the township government needs money, how does the money transfer from the general corporation to the township government? These channels are not all institutionalized. A general manager of the Fazhan General Corporation said the party leadership of the township makes these kinds of decisions. This implies a formidable concentration of power in the hands of the party secretary, a concentration of power not checked by any other agent within the township.

With such institutional controls, the system of administrative corporations should be treated also as a part of the local state agent. When the administrative regulations of the local state agent over TVEs are combined with contractual and conglomerate relations, it can hardly be expected that the local state agent would apply a universalistic manner in its administra-

tion on these TVEs. For example, the profit-sharing mechanism between the TVEs and the local state agent under this involutory local regime is not like that under the collaborative regime regarding taxation, but it is "profit-submission," a measure of the command economy.

Lastly, under such an institutional arrangement, all foreign investors who intend to invest in such townships almost have no choice but to cooperate or open joint ventures with either the general corporation or a collective TVE under its control. Hence, foreign investment not only cannot challenge this kind of institution, but could have the effect of strengthening this monopoly by providing more resources to it.

Rationalization of the Local State Agent and Its Power Base

Having explained the institutional relationships between TVEs and the local state agents, we now can explore the positive correlation between V3 and V4 (rationalization of the local state and its power base) in the institutional context just discussed.

The involutory local regimes in TW3 (Jinbu) and TW4 (Fazhan) have relatively lower rationalization of their local state agents. The autonomous bureaucratic authority and bureaucratic subordination of Jinbu and Fazhan have all been proved significantly lower than those of the other two townships with a collaborative local regime. Although there is no significant difference between their bureaucratic competence, analyzing the response to the test question in each township may give us more clues to their competence respectively. In evaluating the difficulty in policy implementation over the past five years, the township cadres of Jinbu gave an average response of 1.92 ($N = 25$).⁴⁰ It was the only township that has an average response lower than 2, and thus ranks lowest among the four townships. This is not hard to understand, since between the two townships with an involutory local regime, Jinbu is the one with higher economic development and higher local state agent capacity. Thus, we can imagine that

⁴⁰Response 1 represents "much more difficult than before" and response 2 represents "somewhat more difficult than before."

its local state agent must have the higher concentration of economic and political power. Therefore, the stronger involutory tendency would naturally cause more tensions between the local state agent and local society. The township ranked first is TW1 (Kaifang), with an average response of 3.0455 ($N = 22$).⁴¹ It is the only township that has an average response greater than 3. That is to say, Kaifang was the only township in which the cadres felt that policy implementation had not become easier.

The reason why the local state agents with an involutory local regime would have a lower bureaucratic subordination (V3c) is that the system of administrative corporations has subordinated the interests of all TVEs to the first priority of the local agent. A local state agent with such a structure is bound to weigh the parochial local interests much greater than the interest of the state as a whole. In comparison, a local state agent collaborating with a local regime does not have such a strong incentive to be not subordinate. Since the development of TVEs is less confined within the local community and the local government does not have a direct share in these enterprises, a state policy contradictory with parochial interests may help the TVEs develop in a more reasonably broader economic environment.

As for V4 (power base of different local regimes), the statistical test proves that townships with an involutory local regime put less emphasis on mass opinion. This supports the argument that the power base of these townships is more despotic than that of the townships with a collaborative local regime. However, no conclusion can be drawn from the comparison of cadre power and the power of bureaucratic offices on the differences in power base of the two local regimes. But if we look into the response of each township, we can find that in TW4 (Fazhan) average citizen evaluation of the change in individual cadre power since the reform was 2.5745.⁴² The average evaluation of the power of governmental offices by the township cadres in Fazhan was only 1.84, however.⁴³ Fazhan is the only town-

⁴¹Response 3 represents "same as before" and 4 represents "somewhat easier than before."

⁴²Response 2 represents "same as before" and 3 represents "strengthened."

⁴³Response 2 represents "same as before" and 1 represents "weakened."

ship in which cadre evaluation of the change of their power is less than 2. The citizens have thought the individual power of cadres has strengthened but the township cadres believed the power of their offices had been weakened. This is evidence to support the view that the power of Fazhan's local state agent is based more on despotic power.

The reason why townships with an involutory local regime tend to have a more despotic power base is also easy to see from the institutional context.⁴⁴ In Jinbu and Fazhan, civil society is weak because the local state agents have absorbed almost the whole economic community and leave little independent economic space for civil society. In Jinbu, for example, 88 percent of local labor is in the rural industrial sector. In Wuxi County, in the average annual net income of local resident in 1991, 61.8 percent was from "collective enterprises."⁴⁵ In comparison, for Jinjiang, the figure was only 13.76 percent.⁴⁶ The local state agent of an involutory regime therefore becomes the sole power center that can allocate resources through the system of administrative corporations. The TVEs not only become the most important economic community for the local residents, but also an instrument for the local state agent to enforce other binding rules or to distribute public services in the community's social lives. For example, birth control penalties can be realized through TVEs. If the birth control rate of the employees of a certain TVE is higher than the official standard, both the TVE and its employees will be fined together. Actually, in terms of social functions, the TVEs under an involutory local regime have a tendency toward "*danwei*-ization," that is, becoming more and more like a work unit (*danwei*) in the city. There is no need for the local state agent to go "through" society as society has been almost completely absorbed into the local state-dominated domain. In contrast, in townships with a collaborative local regime, as the economic community has been very much decollectivized, the local state agent's power of distribution without having to

⁴⁴The labor force of Jinbu at the end of 1993 was 18,114, among which 14,184 were in the rural industrial sector. *Wuxi xian tongji nianjian* (Statistical yearbook of Wuxi County) (1993 edition), 166.

⁴⁵*Wuxi xian tongji nianjian* (1991), 378.

⁴⁶*Jinjiang shi jingji tongji ziliao* (Economic statistical materials of Jinjiang City) (1991), 600.

consult with the local community has been greatly undermined. But if the local state agent is able to provide administrative services with a more universalistic manner and manage a better environment for enterprises of various ownership types to develop, economic development will create a great collective power for both society and the local state agent.

Paths of Economic Development

All the four townships have a much more developed economy in comparison with the average standard of townships across the country. For example, the national income per capita in Wuxi in 1991 was 4,037 *yuan* and that of Jinjiang was 1,836 *yuan* in 1992.⁴⁷ Both areas are rich, but they have quite different paths of economic development. The economic development under the Sunan Model of TVEs was basically initiated by the local government through the means of high percentage of reinvestment in the rural industrial sector. But in the Jinjiang Model, the development of TVEs was based on the initiation of cooperative efforts by citizens to put their money together or seek the foreign investment necessary to form the capital for rural industrialization. Local governments with an involutionary local regime were already able to concentrate a huge amount of capital in the beginning of the 1980s because the collective economy was maintained in the form of collective TVEs. In addition, after they furthered the concentration of their mobilization power by establishing the administrative corporation system, they were able to suppress distribution to individual citizens as TVE employees and then reinvest the profit created by TVEs back into further expansion. For example, as mentioned above, the macro data of Jiangsu and Fujian provinces shows that the national income per capita of Wuxi and Jinjiang in 1991/92 were 4,037 *yuan* and 1,836 *yuan* respectively, with the former being almost 2.2 times the latter. But according to the county survey on rural residents in each county, the average real income of rural household per capita of Wuxi and Jinjiang were 2,041.84 *yuan* and 1,214 *yuan* respectively, with the former only as 1.68 times the latter. If based on the survey of this study conducted in 1993, the picture is

⁴⁷*Fujian sheng tongji nianjian* (Statistical yearbook of Fujian Province) (1992), 486; *Jiangsu nianjian* (Jiangsu yearbook) (1991), 847.

the opposite. The average personal and household incomes of surveyed Jinjiang residents were both higher than those of Wuxi. The average personal annual income in 1992 of 160 residents in Jinjiang was 8,238.4 *yuan*, and that of 190 residents in Wuxi was only 3,123.7 *yuan*. The average annual household income of 1992, according to the same group of respondents, was 150,140.1 *yuan* in Jinjiang and 9,571.8 *yuan* in Wuxi. Even if we only consider the official data, the comparison still suggests that in Wuxi much national income was not distributed to the individuals but rather retained at the level of the collectivity.

If we trace the power base of the two local regimes from the paths of their economic development, we can summarize the interaction between economic development, the power base of the local state agents, and their bureaucratic rationalization in figure 4.

Which Regime is More Socialist?

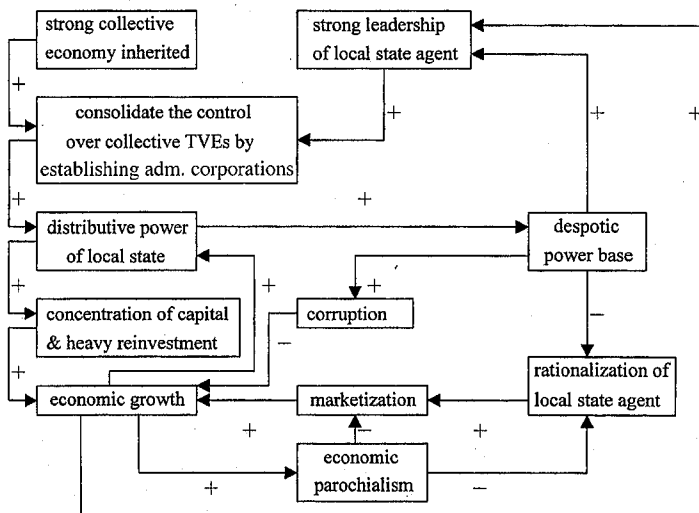
Corruption, Social Welfare, and Egalitarian Values

The despotic power base of the involutory local regime is the root of many other problems, including corruption. The survey found that there are significant differences between citizen appraisal of governmental efforts to eradicate corruption in the two types of local regime. Citizens (all the non-cadre respondents) were asked to give a 5-score evaluation on the efforts of the township government to eradicate corruption, with 1 representing "very unsatisfied" and 5 representing "very satisfied." The average score of TW1 (Kaifang) and TW2 (Zili) in Jinjiang together was 3.0124 (N = 323), while that of TW3 (Jinbu) and TW4 (Fazhan) in Wuxi was 2.3094 (N = 488). The statistics show there is significant difference.⁴⁸ If we assume medium 3 as the partition point between citizen attitude, then the average attitude of citizens in Jinjiang was a little higher than 3 and that of citizens of Wuxi was lower than 3. The same conclusion can be reached from the responses of township cadres to the same question. Township cadres in the two townships of Jinjiang gave an average response score of 3.5227 (N = 44), higher than that of their citizens, and that of the two townships in Wuxi

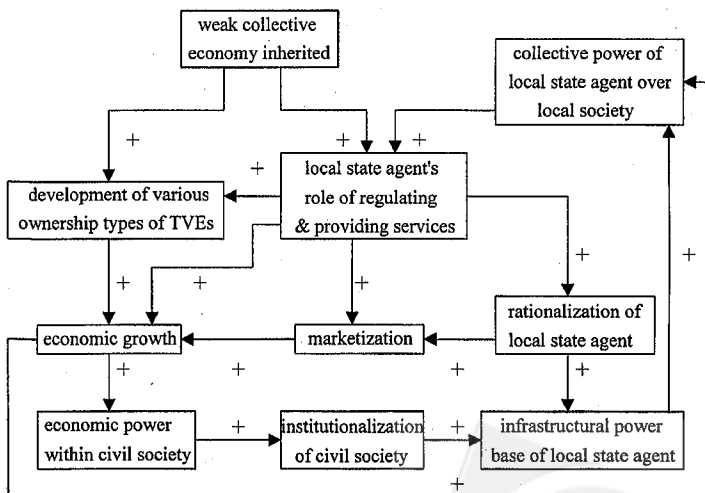
⁴⁸When the degree of freedom equals 4, the Chi-square value is 54.12902, at a confidence level of 95 percent.

Figure 4
The Local State Agents and Economic Development in the Involuntary and Collaborative Local Regimes

Involuntary Local Regime



Collaborative Local Regime



The arrows represent causal relations between variables. The "+" and "-" signs refer to the directions of the causal effects.

was 2.2195, lower than that of their citizens. The difference between the township cadres of the two types of local regimes is even greater than that of the difference between their citizens. Township cadres in Wuxi appeared to be even more unsatisfied with their own efforts to eradicate corruption. Both comparisons suggest that corruption is more serious in the two townships of Wuxi than those of Jinjiang.

Citizen responses to another question again lead to the same result. When township residents were asked to choose the most serious of six issues needing reform,⁴⁹ only 4.4 percent of the residents (N = 164) in Jinjiang chose "corruption of local cadres." In comparison, there were as many as almost a quarter—24.5 percent (N = 194)—of the residents in Wuxi chose "corruption of local cadres." There is again statistically significant difference in these two areas.⁵⁰ Corruption has become an apparent problem of the involutory local regime. Among these two townships, corruption in the more developed township Jinbu appeared to be even more serious. The percentage of residents recognizing cadre corruption as the most serious problem needing reform in Jinbu, 30.2 percent, was the highest among the four townships. The satisfactions of township government's eradication of corruption in Jinbu by both citizens and cadres are also the lowest among all townships, with average response scores of 2.195 (N = 241) of citizens and 2.2292 (N = 48) of township cadres.

Although our statistical test did not answer why corruption is more serious in Jinbu and Fazhan, it is not hard to imagine why. Since the highly unified concentration of power at the hands of the local state agents in an involutory local regime is almost unchecked by any other power in the community, these cadres are bound to be more corrupt.

Scholars observing "local state corporatism" with strong collective enterprises once appreciated the good quality of such a regime in maintaining community social welfare and thus a more egalitarian social value.⁵¹

⁴⁹The six issues are: (1) unequal distribution of the usage of land; (2) poor emphasis on agriculture; (3) illicit fees from government (*tanpai*) and heavy taxation; (4) bad public order; (5) the rich get richer, the poor get poorer; and (6) corruption of the cadres.

⁵⁰To test the response as a dummy variable, when at a confidence level of 95 percent, the Chi-square value is 26.62427 with the degree of freedom at 1.

⁵¹Oi, "Fiscal Reform and the Economic Foundations."

However, according to the survey in this study, townships of an involutionary local regime appeared to have provided less satisfactory social welfare to their citizens than townships of a collaborative local regime. When citizens (all non-cadre respondents) were asked to give a 5-score evaluation (1 representing "very unsatisfied" and 5 "very satisfied") on the township government's performance in providing social welfare, those in the townships of Jinjiang gave an average score of 3.2088 ($N = 464$), and those in the townships of Wuxi gave an average of 3.0789 ($N = 507$). Statistical test shows there is significant difference between them.⁵² Although the difference is not very great, at least this research finds that townships with a strong collective economy are not necessarily able to provide more satisfactory social welfare to their residents.

As to whether the involutionary local regime is better at maintaining egalitarian values in the community, this study again does not find any supporting evidence. Among the six most serious issues needing reform in the community mentioned above, there is no significant difference in the percentage of residents who chose "the rich get richer, the poor get poorer" in Jinjiang and Wuxi. The difference is found to be statistically insignificant.⁵³ In addition, there were higher percentages of residents in the two townships in Wuxi (25.5 percent, $N = 194$) than in the townships of Jinjiang (18.9 percent) that chose this issue. The myth that townships with a strong collective economy can achieve fast economic development without sacrificing the social value of egalitarianism is proved not necessarily true in our four cases.

Conclusion and Theoretical Implications

Why does this study raise these two ideal types of local regimes in the process of rural industrialization in post-Mao coastal China? The comparison of these two ideal types of local regimes illustrates at least two dif-

⁵²When at a confidence level of 95 percent, the Chi-square value is 18.79362 with the degree of freedom at 4.

⁵³To test the response as a dummy variable, when at a confidence level of 95 percent, the Chi-square value is 2.50695 with the degree of freedom at 1.

Table 7
Comparison of Two Local Regime Rural Industrialization Types in China

Regime Types	Collaborative Local Regime	Involuntary Local Regime
1. Predominant TVE ownership type	Collective	JSCES and foreign-invested
2. Party's role	Weaker	Stronger
3. Power base of local state agent	More based on infrastructural power	More based on despotic power
4. Rationalization of local state agent	Higher	Lower
5. Role of local state agent in economic development	Regulator, administrator, service supplier	Owner, manager, regulator, administrator, service supplier
6. Role of foreign investment	Contributing to economic development	Contributing to economic development and the despotic power of local state agent
7. Cellularization of social and economic structure	Less; less economic parochialism	Strong; more economic parochialism
8. Corruption	Less serious	More serious
9. Clientelist dependence of TVEs on local state agent	Weaker	Stronger
10. Economic development	Good	Good
11. TVEs as local state agent's financial sources	Important	Important
12. Social control functions through TVEs	Weak	Strong
13. Effect on further marketization	Advantageous	Disadvantageous

ferent paths of rural industrialization, and also highlights the two different directions of the evolution of the role and power base of local state agents in post-Mao rural China. As the experiences of both southern Fujian and southern Jiangsu have become two models of economic development of TVEs for the rest of China, it is also important to learn the different political implications of these two models. Table 7 summarizes some important aspects of the two types of local regimes discussed in this study.

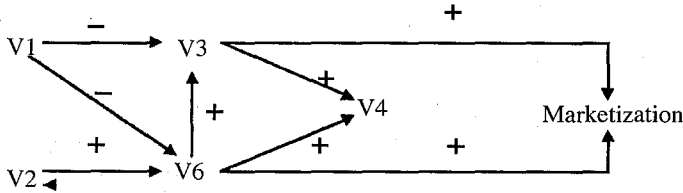
In this final section, the empirical findings of this study will be shown to shed some light on the following theoretical questions. First, according to the research findings, the tentative explanatory model must be revised. Relationships between variables will be briefly summarized in the institutional context of the cases. Second, a comparison between the two local regime types will point out many problems for the "involutionary local state corporatism" as a development model for rural China. Third, based on the comparison of the two models of local regime, this study suggests that the institutional choice of a better local political regime is of pivotal importance to achieve a sustainable industrialization for rural China. That is, a local regime that resists rationalization of the local state agents will make, in the long run, rural China pay a higher price of economic development.

Revising the Tentative Explanatory Model

In the tentative explanatory model, ownership type of TVEs and foreign investment were treated as two independent variables explaining the differences of bureaucratic rationalization of the local state agent and its power base. This tentative model also assumes that the power base of a local state agent is affected by its degree of bureaucratic rationalization. The comparison of the four townships in this study rejects "foreign investment" as a significant independent variable for bureaucratic rationalization of the local state agent and its power base. But in townships with stronger collective TVEs, foreign investment can contribute to strengthening the despotic power base of the local state agent. Different ownership types of TVEs have been proved to be significant in affecting both the rationalization of the local state agent and its power base. Townships with two different ownership types are treated as two models, or ideal types, of local regimes: the ones with more collective TVEs under the direct control of the local state agent are called the "involutionary local regimes," while the ones with less the "collaborative local regimes."

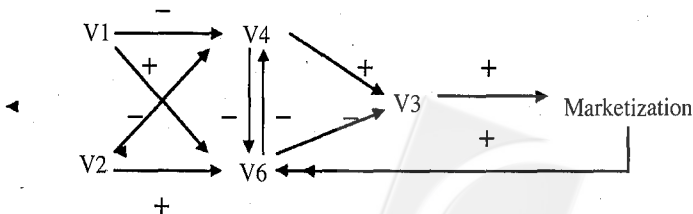
However, in the comparative analysis based on their institutional arrangements, the economic development history of townships with different local regimes suggests different causal links between the variables. If we treat economic development as a new variable, V6, then the following two diagrams briefly summarize the causal links between variables in these two

local regimes. In the collaborative local regime, the causal links appear to be as follows:



In townships with a collaborative local regime, enterprises are less based on collective ownership type (have a low value of V1), have flexible management mechanisms, and the role of their township government is to regulate and provide services. These factors allow the collaborative local regime to achieve good economic development (V6) (therefore $V1 \rightarrow V6$). Foreign investment contributes to economic development ($V2 \rightarrow V6$), but does not appear to have a direct effect on the rationalization of the local state agent (V3) or its power base (V4). A weak collective economy that affects the local state's role as well as economic development also contributes to the rationalization of the local state agent (V3) (therefore $V1 \rightarrow V3$ and $V6 \rightarrow V3$). Moreover, the rationalized local state agent (V3) and the contributions to economic power (V6) shared by the local state agent and local society cause a change in the power base of the local state agent in the direction of infrastructural power (V4) (therefore $V3 \rightarrow V4$ and $V6 \rightarrow V4$). Meanwhile, the rationalization of the local state agent is beneficial to an environment of marketization, which in turn fosters further economic development.

In the involutionary local regime, the causal links appear to be somewhat different:



Strong collective enterprises (a high value of V1), through the highly concentrated institutionalization by the local state agent to strengthen its despotic power (V4), contribute to a high speed of economic development (V6) (therefore $V1 \rightarrow V6$, $V1 \rightarrow V4$, and $V4 \rightarrow V6$). Foreign investment not only contributes to economic development ($V2 \rightarrow V6$), but also to the increase of the despotic power base of the local state agent ($V2 \rightarrow V4$). The fortune created by this economic development can roll back to strengthen the despotic power base of the local state agent (V4) (therefore $V6 \rightarrow V4$). Under such a local regime, not only does the strong despotic power (V4) hinder the rationalization (V3) of the local state, so too does the economic development (V6) due to its effect of fostering economic parochialism (therefore $V4 \rightarrow V3$ and $V6 \rightarrow V3$). When not well rationalized, the local state agent in the involutory regime would also tend to hinder any further marketization that requires a rationalized state apparatus, which in return would hurt the economic development of the whole area in the long run.

There are several different causal relationships between variables in these two economic development/local regime type paths. The first difference concerns ownership type (V1) and economic development (V6). In China, localities with different TVE ownership types have all successfully achieved economic development. There does not need to be a fixed model. The second difference is the role of foreign investment (V2). In a collaborative regime, foreign investment was proved not to have any effect on either the rationalization of the local state agent (V3) or its power base (V4). It is undeniable, however, that foreign investment contributes to the development of the local economy (V6). But in an involutory local regime, foreign investment, in opposition to what was expected by liberal theory, is found to have the effect of strengthening the despotic power of the local state agent (V4). The third difference is between economic development (V6) and the power base of the local state agent (V4). This has important significance to the theoretical debates introduced in the literature review. Economic power is neutral. The local state agent can use economic power to strengthen their power base, depending on the role the local state agent plays and the interests it develops in the process of economic development. The fourth difference is between economic development

(V6) and bureaucratic rationalization (V3). In a collaborative local regime, economic development helps bureaucratic rationalization of the local state agent because it demands a stronger and more efficient governmental role, in order to regulate the market and provide more universalistic public goods. But in an involutionary local regime, economic development strengthens the parochial interest structure in which the local state agent plays the dominant role. Being subordinate to a broader interest structure therefore hinders the local state agent and is harmful for its bureaucratic rationalization. The last difference, also the most important relationship in our tentative explanatory model, is between V3 (bureaucratic rationalization) and V4 (power base of the local state agent). Unlike the previous differences in positive or negative correlation between the two variables, this difference is in the sequence of variables, that is, in the causality. In a collaborative local regime, the infrastructural power base of the local state agent is not achieved directly through economic development. In the beginning stages of economic development, the local state agent loses its despotic power from decollectivization. But when the local state agent chooses to stick to its own path of economic development by limiting its interference with the management of TVEs but rather focusing on regulating and providing services, the local state agent gradually acquires a new power base indirectly through a positive interaction with a stronger civil society. In contrast, the local state agent in an involutionary regime strengthens its despotic power as the engine of local economic development. The more developed its economy, the stronger its despotic power base. And the stronger its despotic power base, the more the local state agent is entrenched in its parochial interests, and the less likely it would be rationalized as a part of the modern state bureaucracy.

Challenging "Involutionary Local State Corporatism"

What is the implication of the two types of local regimes for further marketization in rural China? Marketization always requires a more rationalized state bureaucracy. Marketization will also contribute to economic development in the localities regardless of local regime type. But in the involutionary local regime, the nature of the parochial interests of the despotic local state agent can be hostile to further marketization. The de-

velopment of their local economy tends to be achieved at the price of a wider rationalized market order. This is the first problem of an involutory local regime.

The lack of bureaucratic rationalization of the local state agent also is reflected in the power relationship between the party, enterprises, and the township government. In an involutory regime, the administrative corporations together with the TVEs are the ones that supply cash for the township government. Therefore, township government officials are usually less powerful than the managers in the administrative corporations. The party is a more powerful organ than both the enterprise system and the government, however. The party secretary is the big boss of both. Therefore the power of the party overrides all other institutions, and the government's position ranks last. This provides the best example of the failure of Deng's effort to "separate the party from the government" and to alleviate the "over-concentration of power in the hands of the first secretaries."⁵⁴

The second problem of an involutory local regime is corruption. The despotic power base and centralized economic institutions provide a rich soil for corruption of the local state cadres in an involutory local regime. Economic development has given the newly created fortune at the collectivity level to the arbitrary disposal of local cadres. Local cadres with increased economic and political power tend to put less emphasis on mass opinion. Tension not only grows between the ruler and the masses, it also grows between the power elite in the party and administrative corporations and the subordinate entrepreneurs in TVEs.

The Role of the Party/State in China's Rural Industrialization

Since decollectivization, the distributive power base of the local state agent has been eroded. For those localities that successfully develop their rural industry, the wealth has also empowered the local state agent with new authority. This study finds that in townships that have successfully developed their rural industrialization with a "collaborative local regime," the

⁵⁴See Deng, "On the Reform of the System of Party and State Leadership," 311.

local state agents tend to be better rationalized as a part of the state bureaucracy and their power bases also tend to be built on "infrastructural power" instead of "despotic power." In contrast, townships with an "involutionary local regime" develop their own institutions to strengthen their despotic power to concentrate local resources and were therefore able to pursue a high speed of local economic development. But this path of rural economic development under the leadership of local party/state cadres has its own problems, the most serious of which is the relatively low rationalization of the local government as a part of the state bureaucracy, a phenomenon which is harmful to further national marketization.

However, in China, the Sunan Model, with its strong characteristics of an involutionary local regime, seems to be more in favor by the CCP leadership than other models. The reason is obvious: in the Sunan Model, the leadership of the party is asserted, the collective economy is sustained, and socialist ideology is "believed" to prevail. However, this study suggests that there is a price for the Sunan Model. The party's leadership does not have to be based on despotic power; collective ownership predominating over other types of ownership brings about corruption of local cadres and tensions between state and society. Moreover, the socialist values may not necessarily be better preserved either. The party may find a power base (that is, infrastructural power) better suited for both further marketization and rationalization of the state bureaucracy. If other townships have a choice of their political institutions, this study at least has provided evidence to contend that the collaborative local regime could be a better alternative path of economic development for China's rural economy.

