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Xueguang Zhou¹

Abstract

Focusing on the episodes of the government's Paved Road to Every Village (PREV) project in an agricultural township in northern China, this article examines two research issues: First, the role of state policies, government bureaucracies, and village cadres in the provision of public goods, especially the unintended consequences that led to huge collective debts and the erosion of the collective basis of governance and second, the role of local institutions and social relations in resource mobilization, problem solving, and response to crises, especially in the aftermath of the PREV project. The episodes provide an occasion to rethink the role of governments in economic development and the lessons learned from, to borrow an expression by James Scott, "seeing like a state."

Keywords

bureaucracy, collective debt, public goods, rural governance

¹Stanford University, Stanford, CA, USA

Corresponding Author:

Xueguang Zhou, Department of Sociology, Stanford University, Stanford, CA 94305, USA

Email: xgzhou@stanford.edu

“Roads, more roads and always roads,” wrote the prefect of Loiret in September 1867, “this sums up the political economy of the countryside.”

—Eugene Weber, *Peasants into Frenchmen*

Paved Roads Coming to Villages: Government in Action

At the beginning of *The Sun Shines over the Sanggan River*, novelist Ding Ling depicts a scene of road conditions in a region in northern China:

The heat was sweltering. Although it was only about four miles from their starting point, Pali Bridge, to the river Yang, White Nose’s chest and flanks were soaked with sweat. However, she was Hutai’s best mule, and pulled well, though the cart track was so muddy. The sun hanging in the west was hidden by a clump of roadside willows, but the heat was still intense, and the muddy water splattered into the cart from the wheels felt warm against bare legs. At last leaving the flooded road, the cart came to a dry place. Only then did Old Ku, who had been urging on White Nose continuously, relax. Sitting up straight, he reached for the tobacco pouch behind him.

“What a downpour there must have been, Dad! Look at the state this road is in, like a muddy stream!” Da, his elder daughter with her son on her knee, was sitting to the right of the old man, a little further back. (Ting Ling, 1954: 1)

This scene was portrayed against the background of economically backward rural China in the mid-1940s, but I encountered similar scenes in the summer of 2004, when I first arrived at FS Township, an agricultural town in the same region of Hebei province where Ding Ling situated her novel. After more than half a century, the condition of roads in rural areas had not improved much. The dirt road into FS Township was a washboard of ruts and ridges, scarred by heavy usage and lack of maintenance. When it rained, the road turned into a muddy stream; even motor vehicles were often stuck in the mud and could not get out, let alone a cart pulled by a mule.

These were typical conditions on roads off the main highway, within and across villages, or between villages and commercial centers. By the early twenty-first century, highways of different grades—built with funds from national, provincial, or local governments—were running through this area, across or near the main centers of government or economic activities. But

villages scattered across this region were left on their own, as a consequence of decades of inattention to secondary roads and a viable road network. Villages that happened to be close to a highway or had a highway running through them enjoyed the economic prosperity brought by convenient transportation. But villages that were not close to a highway seemed to be impossibly remote from nearby commercial centers. In the harvest season, it was difficult for large vehicles to drive to these villages; the produce—grapes, apples, and other fruits—had to be first transported in small vehicles to the side of the main roads. Or, if arbitrageurs managed to get their vehicles into such a village, the price they paid was considerably lower than what they paid in a better situated village just one or two kilometers away.

Against this background and as part of a national program launched by the Ministry of Transportation in Beijing, in early 2004 the provincial government initiated the “Paved Road to Every Village” (PREV) project in this region. The goal of the PREV project was to build concrete-paved roads linking the center of every village to a main road, thus expanding the transportation capacity in the rural areas and facilitating the integration of isolated villages into regional economic centers. At long last, the government efforts to provide public goods had reached this underdeveloped area.

The significance of road construction reaches far beyond these rural localities. Historically, road construction has been closely related to rural development, the rise of national markets, and nation building. In his study of the transformation of rural France between 1870 and 1914, Eugene Weber (1976: 206) likened road building to nation building:

So, roads and rail lines that were secondary in name but primary in fact brought the isolated patches of the countryside out of their autarky—cultural as well as economic—into the market economy and the modern world. . . . The conjunction of secondary lines and of the roads built to serve them resulted in a crash program of national integration of unparalleled scope and effectiveness; economic and technological conditions offered the possibility for radical cultural change. Before culture altered significantly, material circumstances had to alter; and the role of road and rail in this transformation was basic.

In the early twenty-first century, on the eve of the PREV project, rural China had already gone through more than half a century of nation building and integration into the People’s Republic. Thus, paved roads in rural China do not take on the kind of critical role in nation building as they did in nineteenth-century France. Nevertheless, the PREV project provided a special occasion for state

policies, government bureaucracies, and villages to interact intensively in the area of public goods provision. And it took place on an occasion of utmost interest to all parties involved: In a region where financial capital was scarce and local governments and village collectives survived on meager resources and were heavily in debt, the PREV project provided a precious occasion for bureaucrats and local cadres to have access to, and mobilize for, financial resources. Therefore, the PREV episodes provide an equally precious occasion for our study of public goods provision in rural China.

In this article, I report on and examine selected episodes in the implementation of the PREV project in FS Township and their aftermath, which I have tracked for the past five years. As the stories in this article will show, the implementation at the local level of the well-intended effort to provide public goods incurred huge collective debts, led to tremendous strains on the social fabric of rural life, and undermined the basis of collective governance. The main theme of this study is to reexamine the role of the state and local social institutions in the provision of public goods and their unintended consequences for rural governance.

I situate my study within two literatures on the provision of public goods: One is related to the role of the state and its bureaucratic organizations in economic development and the other to the role of social institutions in local problem solving and “informal accountability.” Since the intellectual movement to “bring the state back in” of the 1980s, social scientists have highlighted the important role of the state in institutional change and societal transformation. Within this analytical framework, research in political science and sociology has developed a large literature on the role of bureaucracies in economic development and societal transformation (Johnson, 1982; Migdal, Kohli, and Shue, 1994; Wade, 1990). Sociologist Peter Evans (1995) developed arguments about the role of Weberian bureaucracy—merit-based recruitment and promotion and rule-following behaviors—in facilitating economic development in third world countries. Using a cross-national sample of 35 developing countries over a twenty-year period, Evans and Rauch (1999) demonstrated that the Weberian bureaucratic forms of the state “significantly enhance prospects for economic growth” (748). Nowhere is this role better exemplified than in the Chinese central and local governments. As China scholars have argued, the central and local governments have been the leading force propelling economic growth and institutional transformation in China in the past three decades (Cai and Treisman, 2006; Che and Qian, 1998; Landry, 2008; Naughton, 1996; Oi, 1992; Oi, 1999; Qian and Weingast, 1997; Walder, 1995; Whiting 2000). For example, the township and village enterprises (TVEs) of the 1980s were seen as the main engine driving

economic growth in the countryside, which to a large extent was credited to the active role of local governments.

Other scholars have emphasized the pitfalls of the interventionist state. Collusion between bureaucratic agencies and interest groups in the form of rent seeking have long been discussed in the public choice literature (Bates, 1981; Buchanan, Tollison, and Tullock, 1980; Mueller, 2003; Tullock, 1967). Problems associated with the planned economy were well recognized in research on state socialist societies (Kornai, 1959; Kornai, 1986). This critique does not always come from market-centered advocates. More recently, political scientist James Scott (1998) assembled wide-ranging historical episodes to illustrate his critique of state policies and programs that, intended for public goods provision, led to disastrous consequences. Though the intellectual connections are not always made, these ideas and arguments are parallel to and supported by a large literature in organization research that has documented bureaucratic behaviors in contemporary societies from turf wars and collusions, to goal displacement (Cyert and March, 1963; Lipsky, 1980; Pressman and Wildavsky, 1984; Wilson, 1989).

In the field of China studies, the role of local bureaucrats in the implementation of state policies has often been questioned and seen as problematic. On the one hand, China's elaborate bureaucratic evaluation system has provided strong incentives for local bureaucrats to follow directives from above in order to get promoted; on the other, local officials are asked to take the initiative in carrying out unfunded policy mandates. The Chinese state and its local governments are often seen as predatory, captured, or acting like brokers in the midst of societal transformation and entrenched in bureaucratic logic (Edin, 2003; Huang, 2003; O'Brien and Li, 1999; Oi, 1989; Shirk, 1993; Shue, 1988; Zhou, 2010). The PREV episodes provide us with the opportunity to take a close look at the political process in action and the role of the Chinese bureaucracy in implementing state policies and in the provision of public goods—both are key issues in economic development and local governance.

Alongside formal institutions such as government bureaucracies, informal social institutions—village kinship, network ties, and communal trust—also play an important role in resource mobilization, local problem solving, interaction with local governments, and providing a basis for rural governance (Duara, 1988; Huang, 1990; Ostrom, 1990; Putnam, 1993). Peng (2004) has argued that kinship institutions are important in entrepreneurship and economic development in Chinese villages. Tsai (2007) has proposed a model of “informal accountability” based on local social institutions that embed members of the local community. The key insight here is that local institutions

provide effective norms, expectations, and sanction mechanisms to discourage free-rider problems, and a basis for collective action in public goods provision. In this sense, formal and informal institutions complement and facilitate each other in the public sphere.

As the discussion below shows, two interrelated themes run through the episodes reported in this article: First, these are stories of the political—the implementation of state policies through bureaucratic agencies, especially interactions among state policies, government agencies, and village cadres. Second, at the same time, these are also stories of the social—how social institutions, network ties within and across villages, were involved in resource mobilization, problem solving, and responding to crises. These two processes reflect two distinct institutional logics: the bureaucratic logic that dictates local bureaucrats' behaviors in implementing state policies, and the logic of social institutions for resource mobilization and local problem solving. The episodes discussed below reveal how these two logics interact and, in this process, transform each other and exert a significant impact on rural governance. As we see below, the implementation of the PREV project and the subsequent response to its aftermath involved intensive interactions among local agents on the basis of social networks and institutions. Therefore, these episodes provide an occasion for looking into social processes and mechanisms in resource mobilization, through which the social fabric of rural institutions were sorely tested, renewed, and transformed.

The rest of the article first delves into specific events, episodes, and micro-processes to understand the issues, mechanisms, and dynamics involved in the local implementation of the PREV project. It then moves to the macro level and considers their broad implications for understanding the role of the state, government bureaucracy, and social institutions in economic development and societal transformation.

The Road Leading to Collective Debt: A Tale of Two Villages

The PREV Project from the Villagers' Point of View

Like many other public projects, the PREV project sounded wonderful when one first read the high-minded principles and public rhetoric in official documents and the media—replete with official speeches, stories, and statistics—when the project was launched.¹ Of course, no public project is without constraints. For the PREV project, the authorities recognized that a financial constraint—insufficient funding—was a serious problem from the very beginning. “Through extensive studies and thorough evaluations,” an official

announcement declared, “the provincial government has decided to fund the PREV project from three sources: (1) funds directly from the Provincial Bureau of Transportation; (2) matching funds subsidized by government budgets at lower levels; (3) additional funds raised in society” (*Hebei ribao*, Aug. 12, 2004). This sounded like a great plan that would mobilize resources from multiple channels so as to ensure the provision of public goods to those who are least able to afford them.

As it was pushed through various bureaucratic levels—provincial, municipal, county—and finally reached FS Township, the PREV project took a tangible, concrete form: For every kilometer of designated road construction, the government would provide RMB 70,000, in the form of cement to be used for road pavement, which had to be purchased at the county government-owned cement factory and be charged at an above-market price.² But, in this region the average cost of building a paved road—even after taking into consideration free labor from villagers and cheap, low-quality materials—was estimated to be around RMB 240,000 per kilometer. This means that for every kilometer of road built in the PREV project, the villages had to self-finance at least RMB 170,000 or, more likely, to incur that amount of collective debt. This was a colossal figure for a region where per capita annual income was less than RMB 3,000, and where almost all villages had already accumulated a collective debt in the hundreds of thousands or even in millions of yuan. Even this cost estimate was conservative, because road construction may involve the use of additional land, which required considerable compensation for both land use and the loss of crops planted on it.

Not surprisingly, many villages were unenthusiastic about the PREV project. This did not mean that they did not want better roads—in fact, they longed for them—but they did not have much faith in government initiatives. More than that, feelings of resentment ran very deep. Having witnessed numerous government-initiated projects over the years—promoted by higher-level authorities and implemented by local governments—which ended badly, villagers were deeply suspicious of both the intention and the feasibility of government policies and projects. Many vividly recalled that not long ago local governments’ fervent promotion of township and village enterprises had left their villages heavily in debt and with diminished collective assets.

The county government clearly foresaw that the PREV project would be unpopular and would face other problems as well. A township official observed,

The municipal government is now pushing the PREV project. The chief executive officer of the county government (*xianzhang*) launched the PREV project in person. At a preparatory meeting he declared,

“First, this is a political task—we must resolutely get it done; second, it can’t cause any problems or [result in] petitions; third, villagers can’t be forced to share the costs.”³

Similarly, as we will see below, township officials also pushed hard for this project, in full recognition that it was not beneficial, certainly not in the short run, for the villages. They thus faced the formidable task of persuading—or imposing on—selected villages to take on the task.

Embracing an Opportunity or Avoiding a Trap?

In the early summer of 2004, two villages—Uphill Village and Downhill Village—were chosen by the township government to participate in the PREV project. The two villages are adjacent to each other—it is only a 15-minute walk from the center of one village to the center of the other. Both villages grow similar crops—grapes for wine, other fruits, and corn—and their fields lie side by side or, in some places, crisscross each other. And legends weave these two villages together into colorful episodes in ancient Chinese history.

But the similarities end there. In many other respects, these two villages could not be more different. For a long time, Uphill Village took the lead in introducing many innovations, whereas Downhill Village was merely a follower. Uphill Village was the first to begin growing grapevines on a large scale, greatly expanded collective irrigation facilities to cover almost all the fields of the village, actively participated in the Sloping Land Conservation Program (SLCP),⁴ and rebuilt its temple into a local attraction. In all these, Downhill Village followed suit, to a lesser extent, on a smaller scale, and, in some instances, many years later. One does not have to look far to find the causes of these differences—they coincided with, and indeed can be attributed to, the distinct governance structures in the two villages. For the past twenty years, Uphill Village had one stable center of authority, with only one person, Mr. Kang, serving as both the Party secretary and village committee chair, together with essentially the same group of village cadres. In contrast, there had been frequent changes of village leaders in Downhill Village, not because of contentious politics but because, even worse in a way, few were interested in these positions.

On the eve of the PREV project, collective assets in the two villages were markedly different. To be sure, like almost all villages in this region, both villages were in debt. That was largely the legacy of predatory state policies and irresponsible government micro-management in the past that unwittingly led to disastrous consequences. But in terms of tangible collective assets,

Uphill Village was in an envious position. It had two motor-pumped wells that irrigated more than 2,000 mu of grapevines, both of which were leased to private management in return for a total of RMB 20,000 per year, a stable source of revenue for the village collective.⁵ Even amid the decollectivization process, Mr. Kang was able to carve out a piece of village-owned land, about 260 mu, that was then leased to the villagers. The leasing fee, again, provided an ongoing source of revenue to the village collective. In addition, by 2004, nearly 2,000 mu of the land was dedicated to the government's SLCP program, which brought in RMB 300,000 each year to the families in the village. The spacious village courtyard consisted of two rows of rooms—one row for an elementary school, and another row housing the village committee and an exhibition room—proudly showing off the political achievements and economic prosperity of the village, a rare scene of a collective stronghold on display in this region.

Now contrast Downhill Village. With a weak, high-turnover government, collective assets were minimal. By 2004, there was no land in the village in the SLCP program, “because,” as Mr. Long, who became the village Party secretary in 2003, put it, “the former village head felt it was too much trouble to do it.” The village courtyard was dirt-covered and rugged, the rooms there shabby and unattended. By 2004, the village had only 500 mu of irrigated land, the lease fee for the two aging motor-pumped wells was about RMB 10,000 per year, with the lease fee already spent in advance by the former village head. Mr. Long recalled,

When I became the Party secretary last year [2003], the village accountant told me that there was not a cent in the collective account. At Chinese New Year, there is a tradition in our region to hang ‘Chinese posters’ (对联) on the gates of every house. The village collective didn’t have money to buy red paper for the posters on the gates in the village center. I had to borrow 15 sheets of red paper for this.

So, it came as no surprise that the two villages had very different dispositions toward the PREV project. In fact, the same leader-follower pattern reemerged: the head of Uphill Village, Mr. Kang, jumped at the opportunity, while the head of Downhill Village dragged his feet and was grudgingly pushed into this project by the township government. Thus began the tale of the two villages, as we will see below, with markedly different experiences and consequences.

Our story begins one morning in early June of 2004, when two township officials paid a visit to Mr. Long’s home and I tagged along. The purpose of

the officials' visit was to persuade Mr. Long to take part in the PREV project. A few days before, when the township Party secretary Jin demanded that Downhill Village participate in the PREV project, Mr. Long refused. In the ensuing confrontation, Mr. Long's resignation as village Party secretary was demanded and submitted. But it was difficult to find another person to take on the job. So, the two officials were sent to reconcile with Mr. Long and persuade him to continue on as the Party secretary and to take on the PREV project.

In his mid-50s, Mr. Long looked older than his age, his face browned by years of sunlight, deep lines carved into his cheeks and curving beside his mouth. He had been involved in village governance intermittently in the past and became the Party secretary the year before. He and his wife lived in an old, shabby adobe house with a dirt-paved courtyard, crowded with a pile of firewood and debris, and carpeted with a thick layer of dust. Inside, the two small, low-ceiling rooms were plain and barely furnished; piled up in the corner of the living room were several long grain bags with patches one over another. Following the tradition here, the couple spent all their savings to build a new brick house in the village so their son could get married, while they remained in this old house, most likely for the rest of their lives.

Sitting around on stools improvised by stacking two bricks together, the two officials began their difficult conversation. They were fully aware of the unpopularity of the PREV project and the consequences it would entail for the village. That is, any village that undertook this project would surely incur a considerable collective debt. Instead of convincing Mr. Long about the merits of the project, they tried first to show their sympathy:

We know the burden that you as the Party secretary have to shoulder. From above, the township officials pressure you; among your peers, the village head may undermine you; and from below, the villagers complain about you; and at home, your spouse also drags you backward.

Then, they pleaded their case:

... let's not even talk about the principles of being a Party member [that you should follow the Party line]. Now that we, your two brothers, have come here to help you address this problem, you have to let us save our face, right?

And they also tried to persuade Long by painting a rosy picture of what he could gain personally. They talked about the prospects of other collective

projects—raising fish in ponds, growing grass to raise cows—that would not only contribute to the village’s economic prosperity but also benefit village cadres personally. “A long tenure in office will surely make one rich,” one official concluded emphatically.

After several hours of conversation, with no better alternatives and perhaps captivated by the elusive but tempting picture of the future, Mr. Long grudgingly agreed to stay on and undertake the project.

Mr. Long’s great reluctance was in sharp contrast to the enthusiasm of Mr. Kang. In his early 40s, Mr. Kang was medium-built, with a straight back and a steady gait, traces of his military service many years before. With his piercing eyes and loud voice radiant with energy and confidence, Mr. Kang was full of ideas, imagination, and infinite hope, and he was eager to talk to whoever cared to listen to his ambitious plans for his village. Two decades in the role of village head had furnished him with all the familiar political rhetoric and official scripts such that he could step on stage to perform whenever the occasion arose. And his attitude toward the PREV project could not be more different from Mr. Long’s. He embraced it as soon as he heard about it and insisted that Uphill Village be part of it. In fact, Kang’s plan was so ambitious that the county government held an onsite demonstration meeting in Uphill Village, attended by cadres from all over the county, including the chief executive officer of the county as well as the head of the county’s Transportation Bureau. This was a rare achievement and recognition for any village.

To my question “Are you worried about how to pay for the project?” Mr. Kang did not answer directly but responded as follows:

We cadres have to take a long-term view about this. We can’t wait to begin the project when all the resources are in place. This is like building a house in the village. If you wait until you have saved fifty thousand yuan before you begin, you’ll never build your house. When you have over ten thousand yuan, it’s time to begin. You make do by borrowing from here and there, and incur a debt of about thirty thousand to forty thousand yuan, and you have your house built. Then you spend the next three or four years to pay off the debt.

Excitedly or grudgingly, then, by the summer of 2004 both villages were on the verge of undertaking road construction projects. Before we track these actors and their PREV projects over the next few months and years, let us turn our analytical lens to the research questions emerging from the depictions thus far. Considering the scarcity of resources in this region and the

heavy collective debt the villages had already accumulated, how did the villages make up the huge gap in financing the project? What mechanisms were involved in mobilizing resources? With the collective debt accumulated by this project, as we shall see below, what were the processes and mechanisms involved in the mobilization of resources in response to the problems and crises that ensued?

“We just cheat, cheat, cheat . . .”:

Mobilizing for Collective Debts

The next time I saw Mr. Long, one month later, the road construction project had already begun. Amid roaring trucks and crowds of villagers busy working on the road, he invited me into his office, where he was eager to pour out his anxieties and complaints:

We have a huge gap in financing the road construction. . . . We asked the villagers to contribute. They all said this was a good project, but no one was willing to contribute. [Is it because they do not want to contribute, or because they cannot afford to contribute? I asked.] Mainly because they can't afford it. This is the most financially demanding period of time for farming activities. We collected contributions of only RMB 300. . . . We have to continue to cheat, cheat for sand, cheat for macadam. . . . As long as we put sand and macadam in the pavement, there's not much they [the suppliers] can do next year when we can't pay off the debt. . . . For example, the guys in a transportation team asked me for RMB 5,000 to fill their gas tanks. I told them that we didn't even have RMB 5 for them. “Brothers, if you want the job, just go ahead and get the job done, and pay for the gas yourself.” They have no other choice but to do so.

As Mr. Long's account suggests, there were mainly two ways to fill the gap in financing the road project: donations and debt financing. Let us trace the villages' efforts in resource mobilization on both fronts.

Both villages took the first step to get some start-up funds ready for the project. Since the PREV project funds came only in the form of cement, both villages needed some initial funds to get the project started. In Downhill Village, Mr. Long requested advance payment from the lease of the irrigation facility (RMB 16,000), and received a donation of RMB 5,000 from a source outside of the village. In addition, he got approval to sell some collective-owned trees for another RMB 5,000.⁶ In total, Mr. Long had about RMB

30,000 in hand on the eve of undertaking the PREV project. Uphill Village did a much better job. The village Party committee advocated that each villager donate RMB 100 to the project, which was well received by the villagers, who collectively came up with RMB 60,000. And Mr. Kang traveled to all those places where his village ties might lead and got donations from several people who worked in the cities but had family ties in the village. In total, Uphill Village raised RMB 220,000 in donations for the project. And villagers in both villages volunteered their labor for the construction.

The initial mobilization was indeed impressive for a poor region; but it was far short of filling the financial gap. By the time the projects were completed, Uphill Village had built 4.5 kilometers of paved road, and Downhill Village about 1.5 kilometers. After spending the donations, the former incurred a collective debt of about RMB 630,000, and the latter about RMB 200,000—both, piled up in just a couple of months, were astronomical figures for a village in this region.⁷

After the donations were spent, the rest of the gap had to be debt-financed through borrowing from various sources. Before they begin to worry about whether and how the villages would be able to pay for huge debts, the village heads faced a question: How was it possible for the two villages to debt-finance on such a large scale in the first place?

To appreciate how daunting the job was, some background is in order. In this region and nationwide, a large proportion of villages were already heavily in debt (Oi and Zhao, 2007). A major source of collective debt stemmed from state policies in the earlier years that encouraged villages to set up collective enterprises (TVEs) through funds borrowed from government banks (or local credit unions). Another source was the agricultural taxes that a village owed the government or owed some well-to-do villagers from whom the village collective borrowed money to pay agricultural taxes. As TVEs collapsed one after another and peasants resisted taxes and fees over the years, collective debts piled up in these accounts, accumulating interest, with no solution in sight. As a result, the village collective became notorious for its inability to pay back its debt to the government, to the banks, and to its own villagers. In this context, it appeared to be an insurmountable challenge for a village collective to ask for additional credit to debt-finance the PREV project.

It turned out this was not the case. One word that I heard frequently around this time was *she* (赊) a special term used in economic transactions, meaning “take the goods first and pay later.” Both villages adopted this strategy. *She* was analogous to the debt-financing strategy for economic development or public projects. But, unlike typical debt finance where one incurs debt from a

single source or a limited number of sources (i.e., borrowing from a bank, or issuing bonds) with a clearly specified payback schedule, both villages had incurred debts to a large number of parties, with no clearly specified payback schedule. This is because road construction involves a variety of materials and technical work: it requires equipment to compact the base, to pave the road; it requires oil/gas for this equipment, a cost that is often separate from hiring the equipment. It requires materials such as sand, macadam, and cement, a construction team to lay down the concrete surface, and vehicles to transport these materials. And it also requires cash for food for those who work on the project on a daily basis. To make things worse, for both villages it was often the case that there was more than one supplier for each type of material. For example, for the transportation of sand, oftentimes more than a dozen owners of small vehicles were hired. Debt financing means that the village had to incur debts to all the parties that provided these materials, equipment, transportation, or construction labor. As a result, on the completion of the project, each village had several dozens of creditors. How was it possible, then, that such mobilization for resources was accomplished, and in such a short time?

The main mechanism in obtaining credit was *informal social relations*. Much of the *she* was based on informal social ties and communal trust, which provided the basic materials and transportation for road pavement. Social relations also allowed the villages to reach to other areas and mobilize resources such as donations from well-to-do persons who live and work in urban areas but have family ties in the village. However, the use of social networks here is drastically different from the typical social ties discussed in the literature characteristic of time-tested, reciprocal, and mutually beneficial social/economic exchanges. Rather, these were weak and transient ties. That is, the village cadres knocked on all the doors that their social ties might reach. For example, Mr. Kang paid a visit to a senior manager in an oil company, hundreds of miles away, through an indirect tie with the village, which landed him ten tons of gasoline, at a market value of RMB 25,000, and no returns were expected. As for those strong ties, they were exploited to the fullest extent. As Mr. Long recounted sometime later:

At that time, what I really was thinking about was to cheat. Everywhere we went we asked for a delay in payment. I dared to take in as much as they dared to lend us. . . . At that time, we needed gas to operate the equipment. I went to a gas station run by a relative from my mother-in-law's side of the family. I asked for three drums of gas and a delay in payment. Later when we ran out of gas, I couldn't do the same thing

Table 1. Sources of Debts/Cash Payment for Materials, Equipment, and Labor (Uphill Village)

Items	Sources	Relationship	Percentage Cash Paid on Completion
Cement	Government provided	Bureaucratic	0
Macadam	Local owners	Strong	0
Sand	Local (indirect ties)	Strong	0
Equipment for pressing road	County transportation bureau	No	100
Equipment for flattening road	Military base	No	100
Transportation	Local villagers	Strong	0
Road pavement	Local construction team	Strong	0

at that gas station, so I went to another one. When you cheat, you can only cheat your relatives or friends, they trust you; you can't cheat strangers.

This account was borne out by the actual expenditure activities. If we look at the sources of debt-finance, a pattern clearly stands out: For various parties who contributed to the road construction project, those who were most distant or had no social ties invariably demanded immediate cash payment and were paid as such. In contrast, most debts were incurred from parties whom the village cadres knew well or had relatively strong ties with, directly or indirectly. Table 1 depicts Uphill Village's main expenditures for the road construction project and how they were paid/debt-financed.

As one can see, most materials were debt-financed. The two items that were paid in full were related to parties with whom the village had no social relations, hence no *she* was allowed. The pattern for Downhill Village was similar. Where there were differences in specific items, these differences also followed the same principle: when the village employed a county construction team—with which it had no social ties—for road pavement, Mr. Long had to make more than half of the payment before the team began to work on the project. When an outside company transported the cement, because of the lack of social ties, the company insisted on cash payment and the village had to oblige.

The second source of resource mobilization was the active involvement of the township government. After all, this was the township government's project and its successful completion would be considered an "administrative

achievement.” Mr. Jin, the township Party secretary, was pushing hard for this project from the very beginning. He led a group of township officials in a visit to a military base in the area. As friendships were renewed and the atmosphere warmed up by binge drinking, he asked for, and was granted, the privilege of renting heavy equipment owned by the military base, together with the personnel to operate that equipment. He also asked (unsuccessfully) the local bank to provide loans for this project and pressured (successfully) suppliers of raw materials—sand and macadam—to let these two villages *she* their materials, throwing the township government behind these deals. The township government also sent in township officials to these two villages to help facilitate resource mobilization and to make sure that the project was on track and on pace with the government plan.

The township government was careful not to commit its own financial resources to the PREV project. But on a couple of occasions, Mr. Jin did go out of his way to mobilize resources for Mr. Kang, because in both ambition and energy, he and Mr. Kang were well matched. In the early phase, Jin even directly provided funds to Uphill Village in the amount of RMB 10,000—a rare, generous move from a financially stricken township government that tended to grab, rather than give, as much financial resources as it could. In another case, the head of the country bureau of transportation promised RMB 50,000 for Uphill Village. With this pledge in hand and in the face of pressing expenses, Kang took out a short-term, high-interest loan from a source rumored to be associated with underground society. Later the bureau head reneged on his pledge and Kang was stuck with this short-term loan, with interest accumulating with each tick of the clock. Mr. Jin came to his rescue at this critical moment and instructed the irrigation office, a well-financed office in the township government, to make a loan to Kang so that he could pay back the high-interest loan immediately.

We may also ask the same question about the “suppliers” side: Why were these suppliers willing to take the risk and offer credit to debt-laden villages? These *she* transactions were intertwined with dense social relations, as economic sociologists (Granovetter, 1985; Uzzi, 1999; Zelizer, 1994) have shown in other contexts. The head of a local construction team put it this way: “I’ve known Mr. Kang for many years. When he asked me for help, I certainly had to lend a hand.” Of course, one important factor is the expectation that the credits will be paid eventually. Again social institutions played an important role in smoothing these transactions. Suppliers had an intimate knowledge of these villages and the heads of these villages, Kang and Long, in terms of their mobilizational capacity as well as the collective assets available, which could be used as collateral. Another reason is that, in this

underdeveloped area, there were few opportunities for the alternative use of these facilities or materials; the PREV project provided valuable opportunities that they did not want to miss. This was clearly illustrated in the case of the transportation team for Downhill Village described above: after their request for prepayment for gas was not met, they still decided to take part in the project because their vehicles would be idle otherwise. Moreover, they have enforcement mechanisms at their disposal to ensure that debts would be paid. Not long after the completion of the project, the transportation team, led by its bullish leader, blocked the main road to Downhill Village with large vehicles to exact payment—he was paid soon afterward. In the other instance, as we saw before, the high-interest short-term loan was paid back promptly in anticipation of effective enforcement by the underground society.

But what happened to other creditors that were too bound by dense social relations to be bullish in the local community? As often taught in public finance, debt is a common way to finance the provision of public goods, as long as there is assurance that it will be paid in some predictable way. Yet, the most astonishing aspect of the episodes I observed here was that no one involved in these deals had the faintest idea, let alone a clear plan, about how to pay back these debts. First, there was no legal or formal basis to guarantee that the two villages would pay back the debts. Lawsuits or other legal action were rarely heard of in this region. Indeed, if history was any guide, both villages already had a collective debt in the tens of thousands yuan for many years now. Second, even for those who incurred such huge debts, no one had a clear idea how to pay them off. In the midst of the PREV project, I asked Mr. Jin how the villages would pay off the debts. He replied,

I have no idea. But even with these gaps you have to launch the project. If you keep waiting there will never be a good time to get it done. We can use all the channels of borrowing, debt financing, fundraising, and loans to mobilize resources.

I witnessed a scene where a township official in charge of implementing the PREV project openly coached Mr. Long: “Don’t tell them [the material suppliers] that you don’t have money. Just say that they will get paid when the project is completed. After all, cheating isn’t punished with the death penalty. . . .” Then, without a pause, he added his own little lie:

The authorities at the municipal and county governments have already made clear that they won’t let those who take the initiative [in the PREV project] be penalized. They know that a village can’t afford this kind of project and they’ll provide subsidies in the future.

When I asked him what would happen to these debts down the road, with a wry smile, he said, “We can only wait and see. We just jump-start the project; no one knows how the debts will be paid off in the future.”

Indeed, amid all this pleading, bargaining, and promising, one got a sense that everyone played his or her part in the game and acted recklessly, as if there was no tomorrow; hence, no one cared about the consequences of incurring these huge debts. Or, maybe unconsciously they knew better—that somehow something would eventually work out in some way sometime down the road.

Dealing with the Aftermath: Social Institutions in Problem Solving and Responding to Crisis

With the concrete-paved road completed and opened for transportation, and after the initial excitement and appreciation had dissipated, the pressure to make good on the collective debt began to mount as waves of creditors rushed to the villages. Looking back, the first round of debt financing seemed so easy; now came the second, much more challenging round of mobilizing resources to deal with the aftermath of the PREV project. Both villages embarked on a long journey to pay off their debt over many years. Turning now to the aftermath of the PREV project, we ask the same set of questions as these episodes continued to unfold and evolve: What were the mechanisms and channels by which resources were mobilized to pay off the debt?

“The cart will find its way around the hill when it gets there”: *Struggling to Pay off Collective Debts*

This is another Chinese expression I heard frequently from the village cadres who struggled in the face of mounting pressure to deal with the debt generated by the road construction project. Let us begin with some glimpses into the scene of living in debt. While the village heads stood tall in the middle of the PREV project, directing, coordinating, and mobilizing for the road construction, they were desperate to dig a hole and hide underground as soon as the construction was completed. Suppliers had turned from the role of needed facilitators to demanding creditors. The pressure was especially high as the Chinese New Year holiday season approached. In this region, it is a tradition for all parties to settle their debts before the Chinese New Year. And it is also a legitimate occasion to openly and actively demand the settlement of debts. On the eve of the Chinese New Year in 2005, all creditors converged on these two villages. They came to the homes of the Party secretaries, and

stayed there day and night pleading for payment; some stayed for many days. As a custom in this region, the host family had to treat them as guests, providing accommodations and food and even cigarettes. Mr. Long recalled,

On the eve of the Chinese New Year, the creditors came to our house and slept on the floor. Sometimes more than ten parties came in one day. One creditor even brought his own creditor to stay in our house. For those few days, we could barely breathe because of the heavy cigarette smoke in the house.

The pressure had taken its toll, especially on Mr. Kang. Although the debts were collectively owed, the responsibility was largely personal, as most deals were struck on the basis of interpersonal relationships. As a result, Kang had to shoulder all the pressure. A few months after the project was completed, he had lost weight and his face had darkened. It even seemed as if his personality had changed: He became dispirited and reticent, no longer eager to tell others about his dreams for the future of the village. There were many stories swirling in conversations in FS Township about Kang's situation and even his mental health. At that time, Kang's cell phone would ring incessantly with calls from creditors asking for payment. On one occasion, Kang got so mad that that he threw away his cell phone. When I inquired about his debt situation, he said,

As the Chinese New Year approached last year, the village office and my house were crowded with creditors, who stayed there day and night. We, the Party committee members, went to seek help from Party secretary Jin, to no avail. Then we went behind his back to seek help from the head of the county administration. But his secretary stopped us and we didn't have a chance to see him. So, three days before the Chinese New Year, the three of us [Party committee members] had to flee our home to hide from the creditors. We only returned home after 10 o'clock at night on the eve of the Chinese New Year. Some creditors came back the next day.

In what ways did the two villages respond to and manage this looming crisis? Let us first take a look at Downhill Village. In the midst of constructing the road in the summer of 2004, Mr. Long requested and received the SLCP quota for his village, 750 mu in total, which infused extra resources from outside into the village. This was a significant gesture of support from

the township government to reward the villages that participated in the PREV project. The SLCP policy stipulated that the special-purpose fund be used only for its designated purpose and that the transfer of these resources to other areas was strictly prohibited. Although the fund's ultimate destination was to reach villager families who participated in the SLCP program, all the resources (in cash) had to pass through the hands of the village head, which provided an opportunity for him to divert part of the funds in response to the debt crisis. And the township government acquiesced to this practice. By the end of 2004, Mr. Long retained half of the SLCP funds that flowed into his village, about RMB 50,000, under the pretext of deducting villagers' debts to the village collective from their agricultural tax dues in previous years.⁸ Mr. Long was lucky that there was relatively little resistance from the villagers. When some families refused to accept the deduction, Mr. Long mobilized village cadres to persuade them (Zhou, 2008). He preempted some villagers' threat of petitioning by declaring over the village's loudspeakers that he would stand up to any intervention from the authorities: "I'm not afraid of you reporting me to the authorities. I'm doing this for the good of all villagers." Mr. Long continued deducting from the SLCP fund in subsequent years, but at a reduced rate—40 percent in 2005, and 30 percent in 2006. Even after Mr. Long stepped down as the Party secretary in 2006, the new secretary followed the same course of action to pay off the debt.

By the end of 2008, four years after the completion of the PREV project, only about RMB 25,000 remained unpaid from the PREV project in Downhill Village, and the entire debt was expected to be paid off in a couple of years. "Finally, next year there will be some revenue left for us to plan on new projects," Mr. Jun, who succeeded Mr. Long as the village head in 2006, said to me with relief. For Downhill Village, then, the collective debt was dealt with largely through the "illicit" transfer of resources provided by the central government for a different policy arena. Above all, it was the relatively small size of the collective debt that made it manageable, even with the village's limited mobilizational capacities.

Compared with Downhill Village, Mr. Kang and his Uphill Village have embarked on a much longer and arduous odyssey, with long-lasting consequences. On the completion of the road project, Mr. Kang's initial effort was also to put his hands on part of the SLCP fund that was infused into the village annually. Uphill Village had nearly 2,000 mu of land that benefited from the SLCP program, with an inflow of RMB 300,000 each year to the households in the village. Mr. Kang's plan was to deduct part of that and transfer it to pay off the road debt. No sooner had Kang devised the plan than an anonymous call was made from his village to a higher authority at the provincial

level to complain about the illicit transfer. Soon the township government received an inquiry from higher authorities; as a result, township Party secretary Jin had to stop Kang's attempt so as to avoid further complications. Thus, Uphill Village was unable to raise any additional funds within the village to ease the debt burden and was fully exposed to the flood of creditors as the 2005 Chinese New Year approached.

Among the many village cadres I came to know in FS Township, Mr. Kang stood out in several ways, one of which is his outward thinking: whenever asked about the future of his village collective, he always talked, at times fantasized, about potential resources from outside. Now was no exception: the search for outside opportunities came to his mind instinctively. In October 2005, one year after the completion of the road, Kang sent a letter to the chief executive officer of the county government, pleading for financial support. In his wishful thinking, if the county government could provide him with RMB 200,000, his debt burden would be largely dealt with. But even some RMB 20,000 or 30,000 would be of great help, he told me. The letter was sent to the county government, but no reply was ever received. It was obvious that Kang was left alone to struggle with the aftermath of the PREV project. In this struggle, he has moved heaven and earth, as we shall see below.

Early in 2006, as the second Chinese New Year approached, Kang became restless. This time, he learned from his earlier mistakes and devised other ways to legitimately claim part of the SLCP funds from the villagers. Following the example of Downhill Village, Jin legitimized a transfer of resources under the pretence of settling old debts that the villagers owed the village collective. Toward the end of 2005, he went through an elaborate process of gaining approval at a villagers' meeting, with signatures of all households, such that this became an entirely "voluntary" agreement among the villagers to pay back their debts to the village collective, mostly through deductions from the SLCP fund. In addition, he also persuaded villagers to give RMB 5 per mu to the village collective as a "management fee," which amounted to RMB 10,000 per year. But, with villager-owed debts dwindling fast—only about RMB 20,000 was left by early 2006—it became obvious that this well of resources would dry up soon and would not be a viable source of funds for paying off the road debt.

The township government offered a helping hand here and there, when doing so did not hurt its own financial well-being. In 2006, a brick maker was looking for a manufacturing site in this township. Mr. Jin used his authority to persuade the investor to set up his site in Uphill Village, which infused RMB 50,000 to the village collective in exchange for a 20-year lease of a large piece of waste land. According to Kang, Mr. Jin was supportive throughout

the process and let the project operate under the name of the township government, which facilitated the processing of permit applications and the satisfaction of other government regulations. The township government helped in other ways. Designating Uphill Village as a “model village” in the government-sponsored “ecological village” program opened the door for the infusion of RMB 15,000 in 2006.

By 2006, two years after the completion of the PREV Project, outside funds dribbled in only occasionally and unpredictably. Helpless and desperate, Kang turned inward to the remaining collective assets for a solution. Kang had set his eyes on the two motor-pumped wells for a long time. In Uphill Village, as mentioned earlier, irrigation facilities were leased to two private individuals for management and operation. The leasing fee—RMB 10,000 per well per year—was an important, stable source of collective income. But the two wells were already leased out for ten years, with two more years on the lease. Desperate for cash to pay off the debt, in 2006 Kang renewed the lease of one well for another ten years before the current lease had expired, gaining RMB 100,000. For the second well, Kang arranged to have it leased for twelve years to the head of the construction team, as payment for the debt of RMB 100,000 for his road pavement work. In other words, both irrigation facilities were mortgaged out ten years into the future. A regular source of revenue would no longer be available to the village collective over the next decade.

But this was still far from enough. The next year, 2007, Kang set his eyes on the two rows of houses at the village center. As it turned out, the row of rooms housing the village committee was already mortgaged to a local bank as the collateral for previously unpaid loans. But this did not stop Kang. Unable to sell that row, he moved the elementary school into it, and relocated the village committee offices to an old house abandoned many years before. This maneuver allowed Kang to sell the row of rooms that previously housed the elementary school for RMB 100,000. In the same year, the renewal of the lease on the village’s collective land for another five years yielded another RMB 75,000.

Let us now conduct an accounting check on both villages. For Downhill Village, debts incurred in the PREV project were being paid off largely by the villagers, drawn from a single source—the SLCP fund. Because the SLCP fund was an unexpected infusion of resources from the government, the burden on the village collective was manageable and collective assets, small in scale in the first place, remained largely intact: The village center’s courtyard was rented out for 20 years—for the seasonal use as a grain-drying ground—to cover a debt of RMB 3,000. Village offices were used as collateral for

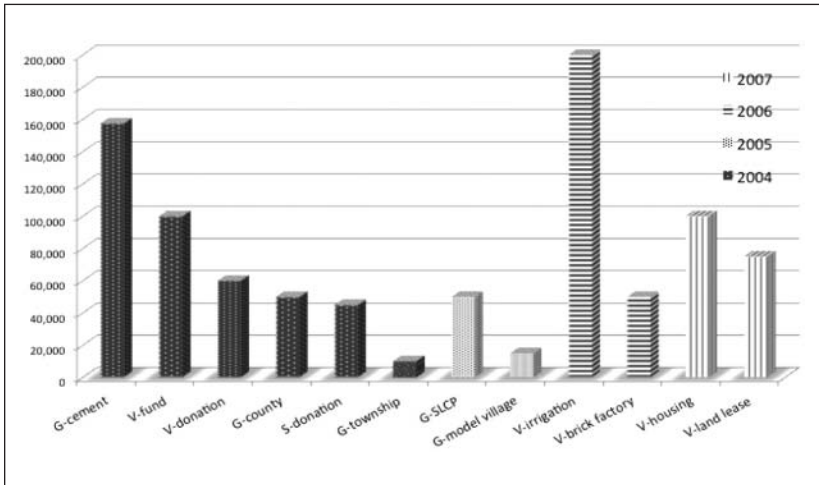


Figure 1. Debt payment schedule in Uphill Village
Note. “G-” stands for “government”; “V-” for village; and “S-” for “society (outside).”

unpaid loans, but given the progress made in debt payment, it is unlikely that these offices will change hands.

The picture for Uphill Village was much bleaker. Figure 1 shows the various sources of revenue over the years. These items added together would come close to paying off the entire road debt. But not all these funds were used to pay off that debt; other collective business had to be taken care of as well, such as the interest on previous loans, the renovation of the relocated village offices, etc. In the course of paying off the debt, almost every collective asset was used—and such assets were almost all exhausted: The two motor-pumped wells—the main source of revenue for the collective—were mortgaged for at least a decade into the future. Collective land was re-leased for another five years, with the lease fees spent on debt payment. The row of collective-owned rooms was sold off. A large piece of land was given to a brick maker for the next twenty years. And the debts that villagers owed the village almost dried up, making it no longer a potential source of resources to draw from in time of need. All the income from these projects was drained into paying off the huge debt incurred by the PREV project. By 2008, there was still a staggering RMB 300,000 incurred by the PREV project that remained unpaid, according to Mr. Kang.

Rippling Effects Beyond the PREV Episodes

What we have seen in the tale of the two villages are two distinct attitudes and dispositions toward government-promoted public projects, with drastically different experiences and consequences for collective assets. One village was laden with a heavy collective debt and its collective assets were hollowed out, but collective assets in the other village were preserved relatively intact. The PREV project, the distinct responses of the two villages toward it, and the aftermath of the project have cast a long shadow on the bases of collective governance in these two villages.

Mr. Kang has suffered from not only tangible losses—in the form of the depletion of collective assets and the burden of collective debt—but also the intangible weakening of his mobilizational capacities. Mr. Kang's capacity to engage in any other collective project in the near future has been seriously constrained. Moreover, his judgment was questioned and his reputation as an innovative and able leader has been seriously tarnished. As the village head in another village commented, "Mr. Kang dares to take risks. Sometimes he becomes reckless and makes big mistakes. The village collective can't afford the consequences of such missteps." Villagers became reluctant to participate in collective projects and resisted Kang's attempts to mobilize resources to pay off the debts. One instance illustrates this well. In the most difficult year, 2006, of debt pressures, Kang tried to lure an outside investment into the village at the site of an old, abandoned temple. On hearing this, villagers mobilized themselves and, overnight, donated RMB 200,000 to rebuild the temple. The spontaneity of collective efforts in temple building was in sharp contrast to the villagers' passive attitude toward the tremendous pressure of collective debt and an implicit rejection of Mr. Kang's effort to meddle with the temple site to pay off collective debts.

Relationships between village cadres and the township government have also evolved over time, and the PREV project was a critical turning point. On the completion of the project, those who had actively implemented what the government advocated were rewarded and those who did not comply were pushed aside. Mr. Long was removed from the post of village head in 2006. In contrast, Mr. Kang was selected as a "model Party secretary" by the township government and was showered with praise. But such relationships were fragile and changed along with the turnover of chief officers in the township government. After Mr. Jin left the township government in 2007, the new township head saw the PREV episode in an entirely different light, as he told Mr. Kang:

If I had been the township head then, I wouldn't have encouraged you to undertake this project. You don't want to be the last one, but you should not always want to be among the first few. For your own good, don't compete for "the model cadre" every time.

Indeed, now the new township leaders treated Kang as a marginal player and a liability to be jettisoned.

Before we leave the details of these episodes behind and turn to their implications in a broader context, we need to address a question: To what extent are these episodes accidental, isolated, or idiosyncratic to this particular location and time? My assessment is that the episodes discussed here were by no means isolated incidents that happened to have taken place in FS Township. Similar instances were reported in other areas as well. Even in as late as 2008, a delegate to the National People's Congress from a different province complained,

Presently, there is a serious problem of insufficient funding in the PREV project in underdeveloped areas. . . . In underdeveloped areas, the per capita income is low, and it's impossible for local villages to have enough resources for a PREV project by drawing from the local government budget and self-finance by the villagers. The lack of funds will affect the quality and progress of road building in rural areas, increase new collective debts, engender social tensions, and undermine social stability.⁹

As one can see, these complaints echoed the episodes in FS Township four years earlier. In other words, similar bureaucratic behaviors were observed across different localities and different administrative jurisdictions hundreds of miles away.

Especially alarming is that the pattern of government behaviors in promoting the PREV project and its aftermath echoed other disastrous government-promoted programs in this region and elsewhere in the not-too-distant past. In my fieldwork during this time, village cadres and villagers frequently evoked stories about how the township government, not long ago, pushed villages to start up TVEs one after another, financed by collective assets or borrowing from banks. Eventually, none of these TVEs survived, with huge collective debts piling up in the process. In the midst of the PREV project, a village cadre likened the present government push for the PREV project to the TVE episodes of the 1980s:

At that time [the 1980s], the project for TVEs was similar to the present PREV project; they were both political tasks that you had to carry out as long as you were a village cadre. One day we would start a cobblestone manufacturing site with an investment of some RMB 200,000; and the next day we would open up a brick maker, with another investment of some RMB 300,000. In its heyday, there were seven or eight enterprises in our village. None was profitable and all closed eventually. All these were pushed by the township government, as part of the policy advocacy for rural enterprises.

Moreover, the consequences could have been on a larger scale and much worse. In the 2004 round, the government mercifully limited the imposed task—the length of road construction that was allocated to each township—because it had to chip in part of the funds for the road to be built. Also, as we have observed, the burden of collective debt incurred in the PREV project was greatly softened or effectively dealt with by the “illicit” transfer of resources from another government program, the SLCP. This observation raises questions about the counterfactual: What would have happened if the SLCP program were not in place at the time or on a smaller scale (as it is scheduled to be scaled back in the second phase starting in 2010)? One distinct possibility, as often happened in the past, was that the PREV project would have been imposed on a larger number of villages, with a more serious impact, such that collective debt would hang over these villages for a much longer time, with collective assets depleted to a greater extent, and public trust eroded even further.

Since 2004, there has been an increasing trend of infusing resources into rural areas through earmarked funds and government projects, and the role of governments has become more salient in this process, inducing new changes in rural governance (Chen, 2007). Some were merely symbolic with little substance in terms of resources, labor, or attention. Others infused substantive resources into the villages, or required substantive resources by the villages in response, or both, as in the case of the PREV project. After years of being neglected and marginalized, villages have been experiencing a new era of reintegration into the national political and economic system through resource infusion and public projects promoted through government policies. As a more resourceful, assertive state and its bureaucratic apparatus re-enter the rural areas and take on an active role in rural development and transformation, what lessons have we learned from the episodes in the PREV project?

The Weberian State Meets the Mertonian Bureaucracy: Seeing Like a State and Its Perils

In his *Seeing Like a State*, James Scott offered his indictment of grand schemes of the state that, intended to improve human conditions, led to disastrous consequences. Scott (1998: 4–5) wrote,

The most tragic episodes of state-initiated social engineering originate in a pernicious combination of four elements. All four are necessary for a full-fledged disaster. The first element is the administrative ordering of nature and society. . . . The second element is what I called a high-modernist ideology. . . . The third element is an authoritarian state that is willing and able to use the full weight of its coercive power to bring these high-modernist designs into being. . . . A fourth element is closely linked to the third: a prostrate civil society that lacks the capacity to resist these plans.

In many respects, what we have learned in the episodes in the PREV project fits Scott's critique well. Here we observed an active role of the state and government policies, with both the "high-modernist ideology" and organizational capacity to impose and enforce its ambition in the "administrative ordering of nature and society," and a weak society—villages and local communities—unable to resist state imposition or to protect their interests.

Moreover, social engineering efforts do not take place in a vacuum; rather, they interact with local social institutions. Indeed, there are two intertwining themes running through the episodes discussed in this article. The first is the story of the political—the processes of state policy implementation and the role of state bureaucracies in this process; the second is the story of the social—the role of social institutions and social relations in resource mobilization, problem solving, and response to crises. It is obvious that these two processes intertwined throughout these episodes. We need to consider the interactions between these two themes and, broadly, between government bureaucracies and social institutions in the large societal context in order to understand the role of the bureaucratic state in economic development and societal transformation. Indeed, an assessment of the role of the state and its bureaucracy in socioeconomic life would be incomplete and misleading if we ignore the mediating role of social institutions, which may intensify, redirect, dampen, or buffer the impact of state intrusion.

How do we make sense of the role of the state and government bureaucracies in the PREV episodes? Since the intellectual wave of “bringing the state back in” in the 1980s, the active role of the state and government policies in economic development and institutional change has been widely recognized in the social science literature (Evans, Rueschemeyer, and Skocpol, 1985). Indeed, what we observed in the PREV episodes was a bureaucratic state in action, in which the paramount task of the local bureaucracies is to implement administrative fiat from above.

But an efficient and effective bureaucratic state for whom and to what end? Here, we need to consider Merton’s critique of bureaucracy (Merton, 1968), especially the effect of bureaucratic structures such as routines and patterned interactions in inducing corresponding bureaucratic behavior. Unlike the image of the Weberian bureaucracy where bureaucrats follow rules and procedures and strive for efficiency, in the Mertonian bureaucracy, the behavior of the officials is governed by the bureaucratic logic reflected in the organizational design of incentives and authority relationships. In the Chinese context, a key component of the bureaucratic logic is that upward accountability, incentive designs, and task environments induce Mertonian bureaucrats to be extremely sensitive to directives from their immediate supervisors and to focus on short-run “administrative achievements” often at the expense of long-term economic development. As a result, bureaucratic deviation and collusion in policy implementation are rampant (Sun and Guo, 2000; Wu, 2007; Ying, 2001; Zhang, 2000; Zhao, 2010; Zhou, 2006; Zhou, 2005). Instead of treating such behavior as accidental, we need to address the following questions: What motivates the behavior of the local officials? What are the implications of their behavior for long-term rural development?

In the recent rise of the bureaucratic state in China, an important behavioral consequence is the shift of the role of governmental officials from ideologically zealous revolutionary cadres to methodical bureaucrats who often single-mindedly aim to get the job done at any cost. In the Chinese bureaucracy, an oft-stated expression by higher authorities to their subordinates is, “I don’t care about the process, just show me the results.” This is especially so during the episodes of heightened mobilization when different parts of the bureaucracy become temporarily and tightly coupled for selective policy implementation. The PREV episode is such a case. Evidence abounds in the PREV episodes that local bureaucrats implemented these policies in order to rack up “administrative achievements,” which would advance their career, rather than to promote local development. In FS Township, the Party secretary, Mr. Jin, may have had good intentions in pushing for the PREV project. It is also true that his efforts led to personal gain: in a few months, FS

Township was awarded the first prize in the PREV project—an impressive “administrative achievement” for the chief township official. I followed township government cadres on numerous trips to observe their efforts to mobilize for the project, and to respond to various problems and crises in this period. Throughout, I found little evidence that local officials cared about the burden of public debt on the villages. Rather, their primary goal was simple—*get the job done so as to meet the demands of their superiors*. To accomplish this, local officials pushed through the project using all means at their disposal, showing little concern about the consequences for the villages. This was clearly shown in the following year, 2005, when even after the tremendous debt pressures of the PREV project for the two villages were in full view, the township government was again actively pushing the PREV project. At the preparatory meeting for the PREV project, an official of the township government insisted,

No matter what means you use, make sure that these villages start the project in the next few days. You can promise them that the township government will take this into consideration in allocating the SLCP fund. And we [the township government] can help them gain resources through other channels.

Fortunately, this project was abruptly called off by their superiors in a few months, before it got started.

The episodes in FS Township raise issues about the perils of state policies that aim at social engineering, and the role of the state, state policies, and government bureaucracies in China’s transformation. To be sure, the PREV project was far from the sort of disastrous social engineering described in Scott (1998) or in some other episodes in China (Friedman, Pickowicz, and Selden, 1991; Yang, 1996). Even in Uphill and Downhill villages, the benefits of the road construction were evident. Motor vehicles and motorcycles can have a smooth ride in and out of the village, merchants can drive all the way to the village center to purchase and transport produce, and the villagers can enjoy better prices.

These merits notwithstanding, there are serious pitfalls that are less tangible but have a long-lasting impact beyond these episodes. First, there may be better, alternative ways of using these resources. Resources put in the PREV projects are resources taken away from other projects. Political pressures forced local officials to transfer resources from areas that may have been more urgently needed to areas where the higher authorities demanded action. In another township in the same region, the government head decided

to transfer the irrigation budget of RMB 200,000 to the PREV project because the latter was a political task that had to be completed, even though irrigation facilities were badly needed in this township. Second, the implementation of such policies has important implications for the bases of rural governance. Failures in government-sponsored public projects undermine the basis of public trust. Over time, this creates a chasm between the villages and the government, and suspicion and distrust loom ever larger. As was shown in the episodes discussed above, through these interactions the relationship between the township government and village cadres also evolved. The burden of collective debt and the ensuing crises led to strains and confrontations between the township government and village cadres.¹⁰ Third, the PREV project also greatly undermined the basis of collective authority, as we have seen in the case of Uphill Village. Moreover, active government intervention may have discouraged the rise of an autonomous public sphere for self-governance, undermining the institutions of informal accountability in the provision of public goods (Tsai, 2007). Therefore, irresponsible government programs have inflicted pain on these villages not once, not twice, but several times—by inflicting a huge collection debt on the villages and straining the village collective, by eroding the social fabric of public trust and social relations, and by undermining the bases of rural governance.

Thus far, our discussion has focused on the implications of the tales of the political, on how government policies and public projects were imposed and implemented, and on their impact on the foundation of collective governance. We now turn to the second theme—tales of the social, and the logic of social mobilization for resources and problem solving.

As we have seen, these episodes provide valuable information about the role of social institutions in problem solving and in responding to crises. Social institutions and network ties based on kinship and the village collective played a critical role in mobilizing resources in debt financing the project, as clearly evidenced in the episodes reported above. But, these relations are by no means instrumental in the sense of “reciprocal” exchange or mutual benefits; instead, they are to a great extent exploitative. For example, if we look at how these debts were being paid off, it turns out that they reflect a pattern of “caving in to the strongest pressure.” In contrast, payment to those with strong social relations tends to be postponed again and again. In this context, social relations were used to buffer or alleviate such pressures. One interpretation is that such delays amount to taking advantage of social relations; therefore, these types of irresponsible borrowing or cheating, as it was bluntly put, undermines the social fabric of trust and social relations in the countryside.

Unless, of course, we can entertain an alternative interpretation, that is, to be in debt to another party is itself a social relation. Consider Mr. Kang in Uphill Village. As soon as he recovered from the initial pressure of dealing with the debt, Mr. Kang tried to make the best of a terrible situation. In his usual, self-important way, he fondly recounted the various strategies he devised to fend off creditors. "I turn these pressures into initiatives," he said proudly,

one guy we were in debt to was a person in our village who sold us macadam before. I told him: "If you wait for me to pay off what you're owed, it'll take many years. If you can help us get a project from outside, I can pay you back immediately." Now this creditor is actively helping us introduce an iron-mining project in the village. If successful, we can pay off his debt.

Kang also learned lessons from the wave of creditors on the eve of the Chinese New Year in the first year. As the next Chinese New Year approached, Kang gathered his Party committee members and, with gifts in hand, visited the main creditors ahead of time, explaining their financial situation and making loose promises for future payment. In so doing, they eased the debt pressure for a time. Kang quoted a local adage: "When you're rich, money can help you smooth relations; when you're poor, words can help you smooth relations." Are social relations exploited, and hence undermined, or are they renewed, reinforced, and transformed through these interactions? This critical question remains to be answered.

In any case, we can see clearly the intertwining of the political and the social in the provision of public goods in these episodes. In particular, the logic of social institutions has played a critical role in making it possible to carry out political tasks, to deal with the aftermath of poor policy making and implementation, and to absorb the disastrous consequences in this process. It would be difficult to imagine that the villages, hence the township, could have carried out the PREV project without effective social mechanisms for mobilizing resources for debt finance. In other words, the stories of the political would not have played out in the ways that we have observed without the active participation of social mechanisms throughout the entire process. In this light, to assess the role of government bureaucracies in economic development and societal change, we need to place them in the larger social context and in the context of their interactions with social mechanisms and institutions.

It may take many years for the PREV episodes and their consequences to unfold. Consequently, our understanding of the forces at work can, for now, only be tentative. But it is clear that the microprocesses in these episodes have important implications for understanding the role of public policies aimed at public goods provision, the bases of collective governance, and the evolution of social institutions. To reflect on the significance of these episodes and events, let us contrast them one more time with the role of road construction in rural France. Looking through a long-distance historical lens, Eugen Weber (1976: 220) could observe admiringly,

If, as Maurice Bedel would have it, the roads “have forged the profound sensibility of France and, above all, its patriotic feelings,” then it is in the later part of the nineteenth century with macadam and steel rails that these feelings were hammered out.

Considering the episodes reported in this article, one wonders: Has the road construction in FS Township, with macadam, sand, cement, and collective debt, in some way added to the psychological distance between the village and well-intended state policies? Or are we too close to the pain inflicted by the ongoing process to see the historical significance of these road construction episodes in a different light?

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Notes

1. A Google search of the PREV project in March 2009 generated about half a million media items in Chinese on the Internet, mostly official reports about nationwide achievements of government projects in this arena.
2. At the time, the market price was RMB 270 per ton, whereas the official price charged for the PREV project was RMB 350 per ton, a 30 percent increase.
3. Unless otherwise noted, all quotations in the text are drawn from interviews and conversations in my fieldwork and recorded in my fieldnotes.
4. The Sloping Land Conservation Program (SLCP 退耕还林) is an ambitious ecological conservation program initiated by the central government that committed RMB 337 billion (US\$40 billion) over eight years to subsidize peasants in selected regions in exchange for their conversion of cultivated fields to growing trees and wild grasses. The first phase of the program in FS Township started in 2002.
5. 1 mu \approx 0.165 acre.
6. It is a common practice in this region for village collectives to grow trees for the purpose of selling them for cash when they are mature. Government regulations on forestry protection in recent years require that villages need to apply for special permission to cut down trees.
7. The figures of collective debts given by the village heads varied from time to time, partly depending on what items were included in the calculation. For example, the labor provided by the villagers in the PREV project was free but could be calculated in monetary terms. It may be added to the total cost to impress an outsider or to plead for help. Also, the expenses of various items may be renegotiated informally at a later time. Certain items—such as compensation for land use—may be added to the road project, or paid from a different source (i.e., the SLCP program), hence excluded.
8. Since the late 1990s, many villager families refused to pay agricultural taxes. As is a common practice in this region, the amount they owed in taxes was recorded as their debt to the village collective, under the assumption that the village collective paid agricultural taxes on their behalf. In fact, the village collective was in debt to the township government in a similar manner.
9. http://www.gov.cn/2008lh/content_921913.htm.
10. For example, the selling of the row of rooms that housed the elementary school in Uphill Village led to tensions between the township officials and Mr. Kang, who desperately struggled to pay off the village's debts.

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Biography

Xueguang Zhou is the Kwoh-Ting Li Professor in Economic Development, Professor of Sociology, and Senior Fellow at the Freeman Spogli Institute for International Studies, Stanford University. His current research projects focus on state building and bureaucratic behaviors in China and rural governance.