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The 'credibility thesis' and its application to property rights: (In)Secure land tenure, conflict and social welfare in China☆

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ABSTRACT

Debates over tenure insecurity have been divided between those favoring private, marketable, and formalized property rights versus champions of grassroots' customary and communal arrangements. By positing the "credibility thesis", this article argues that it might be more insightful to move beyond concepts of formal and informal, private and common, or secure and insecure institutions, to leave the discussion about institutional form for a discussion about function. The notion of credibility does so by drawing attention to institutional function over time and space rather than to a desired form postulated by theory or political conviction. Apart from furthering the theoretical foundations on credibility and institutional functionalism, this article aims to develop its methodology and empirical study by taking China as a case study, with particular reference to its rural land-lease system, which is perceived to be highly insecure due to forced evictions and government intervention. Paradoxically, the study finds significant social support for the rural land-lease system and a low level of conflict. These findings might indicate that the form of the Chinese rural lease system (insecure tenure) is the outcome of its present function (provision of social welfare). Simultaneously, it was also found that when conflict does occur expropriation is a prime cause for it.

Introduction: the credibility thesis

According to those adhering to principles of the neo-liberal "property rights school" – or neo-classical position, for that matter – tenure insecurity and "fuzzy property rights" will only lead to market inefficiencies, rent dissipation, and economic instability (see e.g., Dorner, 1972; Johnson, 1973). China's emerging economy might be a case in point. Despite its double-digit economic growth over the past decades, it has become clear that Chinese capitalist development also comes at a price: the eviction of farmers from their land without adequate financial compensation, housing, and alternative employment (Guo, 2001; Ho, 2010; Yu et al., 2006). As the value of rural land is significantly lower than that of urban land, there is a strong incentive for local authorities to strike illicit deals with real estate developers. The forced evictions have led to the resurfacing of one of the central government's specters from the revolutionary past – landless peasants (Li and Bruce, 2005). For this reason, the rise of forced evictions is regarded as an issue of serious concern (Guo, 2001; Cai, 2003; Deininger and Jin, 2009).[1] It has also led neo-liberal economists and development practitioners to argue that China has arrived at a crossroads. Providing more secure tenure through titling has become imperative if the nation wants to sustain economic growth (Palomar, 2002; Liu and Han, 2006; Zhang, 2002).

Yet a word of warning is appropriate as the picture is far more complicated than the axioms of neo-liberal economics maintain. For one, *insecure* property rights are not tantamount to socially contested or *non-credible* property rights. Tenure security and formal title might rally social support in some cases; yet exactly the same thing could be said for insecure and informal property rights. Against this backdrop, this article posits that what ultimately determines the performance of institutions is not their *form* in terms of formality, privatization, or security, but their spatially

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[1] In a remarkable speech (delivered at the Chinese Communist Party Central Rural Work Meeting on 29 December 2005), former Chinese premier Wen Jiabao issued a sharp warning that the land question urgently needs solving. He stated that the "reckless occupation" of farmland "creates large numbers of landless farmers and presents a grave problem for the sustainable development of the countryside and the whole economy and society" (Wen Jiabao cited in NRC, 2006).

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and temporally defined *function*. In different wording, institutional *function presides over form*; the former can be expressed by its credibility, that is, the perceived social support at a given time and space. This postulate has here been dubbed the "credibility thesis".

To substantiate the argument in an empirical sense, the article zooms in on the Chinese case, with particular reference to its rural land-lease system, or the Household Contract Responsibility System (*jiating chengbao zerenzhi*) as it is officially termed. The potential theoretical ramifications of its empirical reality should not be neglected as the rural land-lease system[2] is a crucial institution in China's development: (1) it provided a sustained source of livelihood for the rural populace[3]; (2) it allowed for the gradual transfer of the agricultural surplus labor to other sectors of the economy – over 1979–2011 steadily decreasing from approximately 80 to 49% (FAO, 2006; Shan, 2011); and last, (3) it served as a launching platform that enabled China's impressive industrialization[4] which was rooted – and throughout the 1990s continued to be rooted – in the rural sector.[5]

Detached from the popular awe and marvel that the emergence of the Chinese economy, rightly or wrongly, inspires among foreign observers, there might be several compelling scientific reasons why its study could be valuable for our understanding of property rights. For one, China's rural land-lease system is by neo-classical standards notoriously *insecure*, not only because of expropriations, but also due to land reallocations in response to demographic change. Paradoxically, as will be demonstrated with data from a nationwide survey among over 1100 farm households, the land reallocations have been, and still *are*, deemed credible by the majority of the Chinese rural populace. Apart from the introduction, this article is divided into four parts. It begins with a theoretical review of the concept of credibility. A brief explanation of the methodology of the survey used to study credibility, and the basic features of the survey sample, follow. The third section discusses the survey results and is followed by a concluding discussion of the survey's possible theoretical implications, while charting the various issues for future research on credibility.

Rethinking form and function

Why economically "perverse" institutions persist

In a purely neo-liberal, neo-classical economic view, institutional structure is seen as crucial for enabling new economic activities while minimizing transaction costs, that is, the costs for enforcement, contracting, and information. It is maintained that institutions ill-equipped to respond efficiently to shifting economic opportunities should or will evolve into new institutional arrangements due to the discipline of the market – for example, the prospect of unexploited net gains will compel economic agents to push for new property rights structures that can accommodate changes in relative prices and technology.[6] For one thing, due to its informal feature, customary land tenure is generally regarded as irreconcilable with a modernized, industrialized economy that needs clearly titled assets with secure property rights to allow for efficient market transactions. Neo-liberal scholars will put forth the argument that the informality, communality, and fluidity of customary land-tenure arrangements are equal to tenure insecurity and will lead to market failure and inefficiencies (Dorner, 1972; Miceli et al., 2000). The principles of the neo-liberal school can be traced back to the writings of influential scholars (e.g., Coase, 1960; Alchian and Demsetz, 1973; Cheung, 1970; Gordon, 1954). Their writings legitimized privatized land ownership as the sole most efficient and secure institutional arrangement. Thus, in the restructuring of markets, secure private property should be among the ultimate objectives of development. Or, as Miceli et al. (2000, pp. 370 and 387) asserted: "One of the least controversial principles in the economics of land markets is the notion that the more clearly defined the property rights, the greater the land market efficiency. (. . .) Registration may be the preferred choice for developing countries that are in transition to market economies and private property systems." The ambitions of national governments to establish private and secure property rights have justified numerous land titling projects undertaken by bilateral and multilateral aid agencies around the globe (e.g., World Bank, 1974; Johnson, 1973).

However, empirically speaking, the alleged relationship between institutional form (formal, secure, and private) vis-à-vis institutional performance (i.e., economic efficiency, stability, and growth) is less unequivocal, not in the least in a developing context.[7] Research in diverse developing environments has repeatedly shown that there are no straightforward relations between institutional form and performance (Sjaastad and Cousins, 2009). For instance, studies on African countries have demonstrated that formal title has had a negligible impact on investment and farm income (see, e.g., Atwood, 1990; Pinckney and Kimuyu, 1994). In another study on urban Ecuador, it was demonstrated that informal customary arrangements *can* function with significantly lower transaction costs than formal arrangements (Lanjouw and Levy, 1998), while recent research on Mexico has disproven a correlation between land value and formalization (Monkkonen, 2012).[8] Institutional formalization under conditions of high land dependency of the rural populace has frequently led to the creation of non-credible and "empty" rather than "credible" institutions.[9] In other words, the new institution remains a paper agreement or

[2] The rural land-lease system allows farmers to lease land (in Chinese this is euphemistically called "contracting land") for a period of 30 years from the rural collective, which is divided into the natural village, the administrative village, and the township. However, the administrative village acts as lessor in the majority of the cases. The rural, agricultural land-lease system began in the late 1970s, and was, over time, extended to forest, grassland, fisheries, and wasteland. For more info see also Chapter 1 in Ho (2005). Lin (2009) also provides a very interesting and systematic discussion of the rural land-lease system (Chapter 6, pp. 148–165).

[3] As Peng writes: "Rural reforms since 1978 have allowed Chinese peasants to retain a larger share of agricultural surplus to be transferred into rural industries" (1995, p. 1). Lin (1999: p. 95) also noted that from 1978 to 1984, the rural land lease system was one of the main factors for the rapid agricultural development and the rise in farmers' income. He calculated that its highest contribution to the agricultural output value hit 46.89%.

[4] Svejnar and Woo maintain that the rapid development of the township and village enterprises is a direct consequence of the rural land-lease system (Svejnar and Woo, 1990).

[5] By the mid-1990s, the output value of the township and village enterprises alone accounted for approximately a quarter of China's GDP (Mukherjee and Zhang, 2007).

[6] Having said this, it needs to be noted that the crucial element in the neo-classical approach is competition and not property rights per se. Of course, because there is greater control over firm performance, neo-classical thought has a certain preference for private, decentralized property rights, but this is subordinate to the necessity for competition. For this reason, neo-classical thought has often neglected the debate on property rights and concentrated on the notion that, regardless of the allocation of property rights, they should at least be well defined (so responsibilities are clear and competition can be given full rein).

[7] As, for instance, Sjaastad and Bromley wrote in relation to informal, customary tenure: "the conventional propositions that indigenous tenure provides insufficient investment incentives, and at the same time leads to rent dissipation, are contradictory. Each may have some merit on its own, but both cannot hold at the same time. The very act of rent-dissipating capture is largely analogous to over-investment – in the extreme case, an investment which yields no direct returns but only more secure rights to land. (. . .) The key to understanding this is to see that many of the activities related to farming have a dual function – one that is productive and one that is tenurial" (Sjaastad and Bromley, 1997, pp. 549–562).

[8] As Monkkonen (2012, p. 271) wrote: "That more valuable land will have a higher rate of regularization – is rejected."

[9] For a theoretical discussion of the terms "empty" versus "credible" institutions, see also Ho (2005).

a hollow shell with little or even negative impact on the behavior of social actors and economic agents. In some cases, formalization and titling have acted as a justification for the concentration of land assets in the hands of a mighty few (Zweig, 2003), or as Thorpe (1997: p. 55) aptly remarked, have "merely modernized insecurity." As a result, the developmental drive to "get institutions right" has oftentimes led to violent and protracted land disputes (Everingham, 2001; Andre and Platteau, 1998).

When reviewing the studies above, the confounding enigma that surfaces is why economically inefficient institutions and "perverse" property rights arrangements are still "adopted and tenaciously persist, despite inhibiting aggregate economic growth," as Libecap phrased it (1989, p. 7). In other words, why do the teleological underpinnings of a neo-liberal reading of institutional evolution from informal, common, and insecure towards formal, private, and secure property rights not result in greater economic efficiency, stability, and development? Or, perhaps, why is there such a multitude of empirical evidence to the contrary, regardless of whether we look at Eastern Africa, Honduras, Mexico, or urban Ecuador?

This article argues that the key to understanding the enigma might lie in looking at the *credibility* of institutions: a refocusing of our analysis from form to function, detached from any normative, political, or theoretical assumptions about form. The credibility thesis posits that when certain institutions or property rights persist, they perform a certain function in society or a community. In so doing, they rally a given level of *perceived* support and are deemed credible by social actors or economic agents. Labeling such institutions as "inefficient," "irrational," or "perverse" clouds rather than explains their existence and persistence. In effect, the study of property rights and land-based institutions would perhaps benefit more from the study of institutional function instead of form. This line of thought flows from what will be labeled here as "institutional functionalism" or a functionalist[10] approach in institutional theory. For instance, Aron (2000, p. 128) argues that we should move away from institutional analyses in which we "merely describe the characteristics or attributes" of institutions (i.e., form variables), when instead it is the "performance or quality measures" (i.e., function variables) that might be more important. In a similar vein, Chang (2007) pointed out that a "big problem that dogs the current orthodox literature on institutions and development is its inability to clearly distinguish between the forms and functions of institutions," while Rodrik (2002: p. 5) used the example of Chinese property rights, and said these represent "functional equivalents" of other successful property rights arrangements elsewhere.[11]

The functionalist debate on property rights and institutions has recently centered on the concept of "credibility" (in Chinese translated as *kexindu*)[12] as a key determinant of success (e.g., Haber et al., 2003; Chen, 2007). Similar to other theoretical concepts, there is considerable scholarly confusion about what credibility denotes, as Blackburn and Christensen (1989, p. 2) noted: "the concept of credibility is not well defined (. . .) and has received different interpretations by different authors". For economists, credibility is a measure of the commitment of the state to ensure efficient and effective economic policies vis-à-vis private agents (Kydland and Prescott, 1977; Fellner, 1976; North, 1993). According to political scientists, institutional credibility has to be understood as founded in political power. In this regard, a policy that pushes for institutional change needs sufficient social and political support – that is, credibility – to be effective (e.g., Altheide and Gilmore, 1972; Martin, 1993; Brands, 1998). Others have studied the credibility of property rights (Frye, 2004; Buckley, 1994), and pointed out that property rights as institutions "are credible to the extent that people believe that they are not subject to arbitrary change" (Diermeyer et al., 1997, p. 20). There has also been debate on the role of the state in establishing and safeguarding credible institutions, and whether that should be done in a "shock therapeutic" or "gradualist" fashion (Grabel, 2000).

However, if the Chinese developmental experience has proven one thing it is that the credibility of institutions hinges on *facilitating* successful local institutional innovation regardless of its form, rather than on the *establishment* of newly desired institutions by the state, a development agency, or a company as prescribed by theory or political doctrine. Put differently, in the change of institutions *function supersedes form*. The prime example of this is the emergence of the Household Contract Responsibility System, or China's rural land-lease system,[13] which grew from a local experiment in a south Chinese village in the late 1970s and over time was nurtured into a national institutional model with local characteristics.[14] Research on the credibility thesis might form an important addition to our understanding of property rights and institutions because the concept inherently has the potential to move beyond widely debated dichotomies of formal versus informal, private versus common, or secure versus insecure tenure.

The concept of credibility was initially coined as an *explanandum* for the success and failure of Western monetary, anti-inflationary policies in the 1970s (Kydland and Prescott, 1977; Fellner, 1979). The widely flaunted idea was that the success of economic policy ultimately depends on the (state's) credible commitment to free markets, trade liberalization, the privatization of government-owned enterprises and resources, and legal security for property rights. In this sense, the initial reading of the notion of credibility has a distinct neo-classical, neo-liberal signature. However, in her critique of the neo-liberal interpretation of credibility, Grabel (2000, p. 1) hit the nail on the head when she stated that "the credibility criterion is used to privilege neo-liberal economic policies and associated institutions." Yet, at the same time, she made the crucial observation that: "credibility is always secured endogenously (. . .) rather than exogenously by virtue of the epistemological status of the theory that promotes it." If we conceptualize credibility along this dimension – an *endogenous* feature tied to the nature of institutions, instead of something that could be accomplished

[10] The principles of functionalism go back to the theory of evolution developed by Lamarck and published in seven volumes as Histoire naturelle des Animaux sans Vertèbres from 1815 to 1822, as well as the ideas of functionalism represented by Émile Durkheim and social Darwinism by Herbert Spencer.

[11] Rodrik noted: "What is relevant from an economic standpoint is whether current and prospective investors have the assurance that they can retain the fruits of their investments – and not the precise legal form that this assurance takes. China, to take an extreme but illustrative example, has managed to provide investors with this assurance despite the complete absence of private property rights. Institutional innovations in the form of the Household Responsibility System or the Township and Village Enterprises, it turns out, have served as functional equivalents of a private-enterprise economy (2002: p. 5)."

[12] As opposed to the Chinese word xinren or trust (Ho, 2008).

[13] The other textbook example of Chinese local institutional innovation is the emergence of the Township and Village Enterprises as the main driver of rural industrialization. Noteworthy is former Chinese President Deng Xiaoping's reaction to the start of rural industrialization: "[E]nterprises boomed in the countryside, as if a strange army appeared suddenly from nowhere. This is not the achievement of our central government. (. . .) This was not something I had thought about, nor had the other comrades" (Deng, 1987, p. 5).

[14] For instance, Sichuan province (then under Zhao Ziyang, the later Party Secretary, who became famous for his support to the student protests at Tian'anmen square in 1989), reacted to the rural lease system with "Four Don'ts" (sibu) policy: "don't publicize, don't oppose, don't support and don't stop them" (Wang, 1989, p. 16). Xiaogang's institutional trial was also not a stand-alone experiment. There were various forms in which rights over land and agricultural operation were returned to the household, many of which originated in the mountainous regions of provinces such as Anhui, Sichuan, Shanxi, and Zhejiang (see Chen, 2002). Also Lin maintains that Chinese land rights have evolved from the bottom up and thus functioned not as a bundle of standardized and uniform legal prerogatives but rather as a diverse set of local practices adaptable to regional conditions (Lin, 2010).

exogenously, the notion becomes devoid of neo-liberal axioms and political convictions.

Defining credibility

For our purposes, study of the credibility thesis can be insightful on various accounts. First, credibility is different from actors' "trust" in institutions that emphasizes the relationship between social actors,[15] as for instance, Farrell and Knight, state in an interesting article: "If institutions may exert an independent effect on trustworthiness, and thus on how social actors trust or distrust each other, then it follows that the evolution of institutions may be expected to have an impact on trustworthiness, and thus on trust, and thus on cooperation among individuals (Farrell and Knight, 2003, p. 539)."[16] Credibility, on the other hand, draws attention to the *nature* of institutions and property rights, and to how they are perceived. To understand that nature, one needs to go beyond form and assess the rules in use, what they represent, and what function they fulfill.

Second, neither is credibility about legitimacy – a notion more strongly associated with political rule and power (e.g., Mattei, 2003). Legitimacy, derived from the Latin *legitimare* (i.e., to make lawful) inherently bears the connotation to externality and rational agency – either on the part of the governors (who allegedly can actively establish a certain rule), or on the part of those governed (who allegedly can actively change that rule).[17] By contrast, the focus on institutional function rejects axioms of externality and rational agency, as credibility is a measure of how institutions are formed and perceived as a result of autonomous, endogenous patterns of interaction and power differences. Furthermore, although credibility is undoubtedly related to distributional conflict, it does not posit that a "fully credible institution" – if that ever exists – would also be free from conflict. Instead, credibility assumes that distributional conflict is part and parcel of any property rights arrangement. Therefore, whereas legitimacy is perhaps more mono-dimensionally related to social conflict and discontent,[18] credibility by definition presupposes a wider array of indicators by which it could and should be measured, depending on the temporally and spatially determined functions of institutions. This article aims to operationalize these indicators in that direction.

Against this backdrop, credibility is here defined as "the perception of endogenously, autonomously shaped institutions as a common arrangement." Therefore, credibility is a measure of how actors' perceive institutions as a jointly shared rule. There are various critical dimensions to this definition. First, credibility can be best conceptualized as a theoretical continuum that varies between "fully" or "partially credible" to "non-credible", or even "empty institutions", which exist on government, non-governmental, or firm paper only. That continuum is temporally and spatially determined, that is, an institution perceived as *credible* at one given time and location could well be entirely *non-credible*, thus empty, at another time and location, and vice versa. The non-credible and "empty institution" embody new rules that are not perceived as common. As a result, the newly created institution is generally ineffective. Non-credible institutions can be heavily contested and are formed when more powerful actors attempt to engineer social change through the imposition of new rules. Empty institutions, on the other hand, often emerge as symbolic compromises over sensitive social issues in order to avoid conflict.[19]

Having said this, empirical reality will prove that there is no such thing as an ideal-type conflict-free, harmonious and frictionless equilibrium at which institutions are fully credible. Neither will we be able to find fully contested "empty institutions" riddled with distributional conflict and inefficiency. What empirical research probably *will* find are different institutional structures in a continuous state of flux, with various grades of credibility and levels of conflict. In this sense, the assumption of credibility as a continuum is different from the "equilibrium view" on institutions (Kingston and Caballero, 2009). Instead of representing equilibrium (or even various equilibriums on a trajectory)[20] at which the interaction and power divergences of actors have led to a negotiated balance over the distribution of resources, does the credibility thesis posit that credibility not necessarily equals a balance of power. In fact, one might argue that a steady status is never reached, as the notion assumes that conflict is present in any institutional arrangement or change. In contrast to a Demsetzian efficiency argument, which postulates that a change in property rights will lead to a frictionless improvement of the situation for all players in the game (Demsetz, 1967), the credibility thesis concurs with the view that distributional conflict is "inherent in any property rights arrangement, even those with important efficiency implications" (Libecap, 1989, p. 2).

Another critical dimension of a definition of credibility as the perception of institutions as a common rule is related to the game that is played. Economic agents' and social actors' "game" is not one in which institutions can be *intentionally* formed by an external agency, such as a ministry, a non-governmental organization or a consulting company. Contrarily, the game knows no external agency because *all* are in the game, be they state, civic, or corporate actors, while the institutions that govern the game are the *autonomous* results of *endogenous* power differences and interactions between actors. This assumption follows Grabel's critique of the neo-liberal reading of the credibility concept and concurs with the premises of spontaneous order expounded by pioneering scholars such as Hayek (1976),[21] Schotter (1981), and, more recently, Knight (1998).

Finally, credibility is not about the *individual* acceptance of a rule. Instead, it relates to the *aggregate* perceptions of institutions as a common arrangement. For example, if an individual believes that others will behave in a certain way and have no incentive to deviate from the rule by which they are governed, that rule (institution) will be perceived as credible. It is thus not whether an individual actor – be it a farmer, entrepreneur, or state official – personally accepts

[15] In this regard, Knack and Keefer, for instance, also talk about "interpersonal trust" as a "significant predictor of various participatory attitudes and behaviors" (Knack and Keefer, 1997, p. 1255).

[16] The same relationship between social actors' trust and institutions is evident in Knack and Keefer's argument when they state: "Societies characterized by high levels of trust are also less dependent on formal institutions to enforce agreements. (. . .) Interpersonal trust can also provide an imperfect substitute for government-backed property rights or contract enforcement where governments are unable or unwilling to provide them" (Knack and Keefer, 1997, p. 1253).

[17] For instance, Stillman (1974, p. 32) defined legitimacy as "the compatibility of the results of governmental output with the value patterns of the relevant systems, that is, those affected by these results".

[18] As Stryker (1994, p. 847) wrote: "From the classics to today (. . .) sociologists have presumed that in some way, legitimacy processes are important to maintaining social order and to mobilizing discontent."

[19] The "empty institution" is what Meyer and Rowan's termed the "decoupling" of activities from institutions (1977, p. 357). The concept is here defined as [institutional] compromises over sensitive political issues. The interests opposed to them ensure that they are established in such a way that they cannot achieve their aims, whereas the interests supporting them win a pyrrhic victory as their rules, as represented by the new institution, have no practical impact on social actors' behaviour (Ho, 2005a, p. 73). Typical studies on empty institutions are those by Aubert (1966) on the Norwegian Housemaid Law; Aalders (1984) on the Dutch Nuisance Law; and Ho (2000) on the Chinese Rangeland Law.

[20] Also seen as an "equilibrium path allowing for endogenous formation of common knowledge" (see Aoki, 2007, p. 7).

[21] Note that at this point, the credibility concept adopts Hayek's notion of "spontaneous order", yet, not his arguments about free markets, privatization and deregulation as pre-conditions for economic growth.

a rule, but whether an actor expects that other actors will abide by that rule. Aoki (2007, p. 7) described it as "rules that every agent knows and are incorporated as agents' shared beliefs about how the game is played and to be played." Consequently, credibility is not about changing rules but about shifts in expectations, while institutions are only credible to the extent that actors *expect* others to act accordingly.[22]

Methodology

Axioms and hypotheses

This article starts from the basic axiom that the form of China's rural land lease can be explained by the function that it currently fulfills. Put differently, its alleged tenure insecurity is, in fact, the result of its institutional function. The function that it most likely fulfills has already been repeatedly pointed out by various students of development, and Chinese development in particular: it is an institution for the provision of rural social welfare rather than for the commercial transaction of land assets. For instance, in one study it was noted that "[t]he example of China shows how access to land can provide the fundamental basis for social security in an agrarian economy" (Guhan, 1994, p. 40), while Wen Tiejun, one of China's leading agronomists in an interview stated: "If you talk about land being a means of social security for the farmers, you are actually speaking about its dual function: it is a means of production, as well as a security for farmers' livelihood" (quoted in Deng, 2001, p. 3). If we define tenure insecurity as the likelihood of losing one's access to land, it is important to recognize that China's tenure insecurity is reflected at two levels: through land redistributions by the village collective as well as through the loss of land due to expropriations.

As a result of China's rapid urban sprawl, reports over illegal evictions and land disputes have increasingly made international media headlines. Chinese websites frequently report land disputes over rural evictions in places ranging from Xiayang in southern Fujian province to as far as Fujin in northeastern Heilongjiang (Li, 2006; Yu et al., 2006). Many land disputes have attracted worldwide media attention and high political concern from within China, the most recent perhaps being the protests in Shuikou village (Dongguan) in Guangdong Province (So, 2013). As early as 2005, it was already estimated that over 66 million Chinese farmers had lost their land due to evictions (Li and Bruce, 2005; Griffiths, 2005). At the same time, and despite repeated government attempts to title the land (Secretariat of the CCP Central Committee, 1997; CCP Central Committee and State Council, 2010, 2013), China's rural land-lease system has also been prone to redistributions by the village collective.

In the absence of alternative risk-avoidance arrangements and sufficient employment outside agriculture, the redistributions are sheer necessity to ensure that everyone in the village has equal access to land.[23] When, for example, someone in a household dies while a newborn is welcomed in another, the village collective faces substantial social pressure to redistribute land among the two households (Ming, 2012; Han, 2005).[24] This type of land distribution is referred by Chinese farmers as "minor land redistribution" (*xiao tiaozheng*), as opposed to "major land distribution" (*da tiaozheng*) which involves rescission of the entire village's agricultural lease rights and their subsequent reallocation. In case of minor land redistribution – which is the focus of this article – village land is thus *not* redistributed among all households (Zhao, 2004), but only between those that have undergone demographic change or, as Kung (2000, p. 702) phrased it: "reallocations are partial in nature, involving only households that have experienced a change in membership."[25]

In effect, the agricultural lease system thus functions as a social welfare net for the vast surplus of China's rural labor, but has also resulted in a high degree of land fragmentation (Tan et al., 2005, pp. 204–205; Yang et al., 2008, p. 55). However, China is no exception, as elsewhere in the world land redistributions and the resulting fragmentation are a logical outcome of farmers' risk-avoidance strategies when alternative social welfare mechanisms are unavailable or more costly (Charlesworth, 1983; Ilbery, 1984). In this regard, Guhan (1994, pp. 40–41) made the important observation that "[i]n the agricultural economy, land is the primary asset from a subsistence point of view: it provides food security, enables utilization of family labor, and reduces vulnerability to labor and food markets." China's rural land-lease system's role as an institution for the distribution of social security services, rather than for the distribution of land as a commodity, thus touches at the heart of the credibility thesis and underscores the need to forego institutional form in lieu of function.

Two hypotheses have been formulated to validate the credibility thesis expounded here. First, insecure tenure leads to low institutional credibility. This hypothesis has been formulated to validate the neo-liberal axiom that insecure tenure is tantamount to a low level of perceived social support. The hypothesis would be validated if it was found that a majority of the interviewed farmers do not support the current institutional setup for rural land lease. The second hypothesis posits that a credible institution will feature a low level of perceived distributional conflict.[26] One of the arguments for titling China's land – and in fact, *all* rural land; a daunting undertaking that should be completed by the end of 2013, but was again postponed to 2015[27] – is the rise in land disputes.[28] For this reason, the second hypothesis tests whether credibility is associated with the extent to which institutions generate

[22] In a way, it boils down to recognizing the duality of form versus function or "rules in form" versus "rules in use." Yet, in fact, the credibility argument even discards that duality.

[23] This principle of egalitarianism has been noted by many authors (e.g., Prosterman et al., 2000, p. 546).

[24] Based on a village case-study (second villagers' group of Quankou village, Xianyang municipality, Shaanxi province) Han (2005: p. 25) found that of the average land readjustments (5.8 times), all the minor readjustments (3.8 in total) had been demanded by the farmers, whereas the major readjustments (2.0) had been conducted according to central government policies. Ming (2012) found that villagers in Huang Village (Chengdu municipality, Sichuan province) were inclined to sacrifice the security of lease in order to safeguard egalitarian principles of the collective.

[25] Based on regression analysis of panel data of 824 households from Hebei, Shaanxi, Hunan, Sichuan, Anhui and Zhejiang, Zhao (2004, p. 29) concluded that "there is no clear relation between major land redistributions and demographic change, whereas minor land redistributions are very clearly influenced by demographic change." Liao (2003) ran a regression analysis using panel data of 90 villagers' groups (no information on the number of sample households) from the same provinces, excluding Hebei, and found that demographic change was a direct cause for minor land redistributions, while it was not a main cause for major land redistributions.

[26] "Distributional" as defined in relation to the allocation of resources over individual social actors and social groups (see also Knight, 1998); and "low" defined as "few" or "sometimes" in social actors' perceptions. See also the presentation of the results later in this article.

[27] In its annual rural policy ambitions for 2010, the Number One Document, the Chinese state determined that land titles had to be issued to "all rural collective economic organizations with ownership rights within a period of three years" (CCP Central Committee and State Council, 2010, p. 5). However, it is unlikely that this goal will be achieved. In fact, the Number One policy document of 2013 had extended the completion date to a total of five years (CCP Central Committee and State Council, 2013, p. 2).

[28] In 1993 China experienced 8709 incidents related to peasants' (i.e., land disputes) and workers' unrest. By 1999, these conflicts had quadrupled to over 32,000. Six years later, they had again tripled to reach 87,000 (Chinese Academy of Social Sciences, 2005).

distributional conflict over resources. It would be validated if the majority of farmers perceive a high degree of conflict over land.

The operationalization of credibility

One of the main challenges to operationalize the institutional analysis on credibility is how to measure it. In attempting to measure credibility, it will not suffice to go into the field and simply ask an interviewee whether he or she finds a specific institution credible or non-credible. Instead, proxies are needed that can indicate the level of institutional credibility. For the Chinese rural land-lease system one potential, important proxy to measure credibility might be farmers' perceived support for land readjustments by the village collective.

There is a dual reason why the perceived support for land reallocations could be a suitable proxy for the credibility measurement. First, out of (neo-liberal) concerns over the (in)security of the rural land lease, students of Chinese rural economy have followed and documented farmers' perceived support for land readjustments ever since the start of the economic reforms in the late 1970s. As a result, a vast body of scientific literature is present on which institutional analysis may draw (e.g., Yang et al., 2008, 2001; Kung, 2000; Wang, 1998; Kung and Liu, 1997). The most interesting feature that surfaces from that literature is the relative stability of farmers' support for land readjustments over time, which is coupled with a concurrent failure of the Chinese state to enforce a policy of secure and titled rural land lease.[29]

Second, the perceived support for land reallocations transcends individual actors' interests for the larger benefit of the collective and sets this proxy apart from other proxies. It namely resonates with the definition of credibility as a measure of individual actors' aggregate perceptions of an institution as a jointly shared arrangement. It would be an over-simplification to interpret the Chinese state's failure to register rural land lease as straightforward rural resistance, as it is not a mono-linear relation of state versus society, nor is it a simple clash of statutory versus customary systems, as one might perhaps read it from a legitimacy perspective. Instead, the Chinese state's failure to establish a secure, formal, and registered lease system tells us something about the collective perception of an institutionalized, *insecure* land tenure that needs to be upheld, even when going against *individual* interests. We will see below, that exactly this divide between collective versus individual interests is also shown in the answers of the respondents.

As an institution is here regarded as an endogenously, autonomously shaped "rule of the game", finding proxies to measure credibility will be no sinecure, because they are bound to differ between various institutions and contexts. It is expected that more research is needed to determine the proxies for, for example, housing, forest and grassland tenure, urban land, mining rights, and so forth. However, apart from the institution-specific proxies (of which land readjustments is probably but one option), another proxy might be more generally used: the level of conflict that institutions generate, hence the second hypothesis. In other words, the lower the credibility, the higher the level of conflict (Kumar and Kerr, 2013; Ho, 2006),[30] but with the understanding that conflict is present in any property rights arrangement – be it a credible or non-credible one.

It is posited that social conflict can be expressed on a scale varying from civil disobedience (e.g., vandalism, roadblocks, occupation of buildings and facilities, and demonstrations) to acts of open violence (such as beatings, kidnappings, and murders). Yet, due to logistical reasons and time constraints, the proxy has here been dealt with in a fairly straightforward manner: by looking at the incidence, frequency, and timing of conflict.[31] Finally, the survey also asked other questions that can possibly be linked to institutional credibility, such as whether conflicts in the village had been resolved or not and during which period conflicts had occurred most frequently. Last, and apart from the views on conflict, respondents were asked about the role of law and (collective) village institutions in land management, as well as to what extent they felt that evictions had affected their faith in the state to protect their land rights.

The survey sample

The survey has been setup to validate the dual hypotheses along the lines set forth in the previous section. It contains three main components in the measurement of credibility: (1) farmers' perceptions of land redistributions by the collective; (2) their awareness of legal rules; and (3) their views on land disputes. The research started with a pilot survey to test the questionnaire among 50 farm households in two counties around Jinan City, Shandong Province.[32] The full survey of 1140 farm households covered 24 Chinese provinces, autonomous regions, and municipalities directly under the State Council: Beijing, Hebei, Henan, Hubei, Hunan, Heilongjiang, Jilin, Liaoning, Shanxi, Shaanxi, Inner Mongolia, Qinghai, Shandong, Jiangsu, Zhejiang, Fujian, Anhui, Jiangxi, Guangdong, Guangxi, Guizhou, Yunnan, Sichuan, Chongqing (see Table 1). Approximately 40–50 questionnaires per province, autonomous region, and municipality were executed through interviews with individual farmers (one farmer per household). The survey was carried out by a team of specially trained undergraduate students, with two students per province, and supervised by senior research staff. Interviews were carried out by going from household to household, consistently avoiding village-organized meetings during which farmers could collectively fill in (and influence) the questionnaires.

It should be noted that this is a non-representative sample of the Chinese countryside in geographical terms (as certain areas have not been included),[33] as well as in socio-economic terms. The villages were primarily selected on the basis of each student's existing family connections to ensure research access and overcome local linguistic and cultural barriers. The data were not read in absolute terms as representing China's geographical areas and socio-economic contexts, but rather in relative terms reflecting potential trends in farmers' views on property rights and institutions by comparing the parallels and differences in the data.

Despite these constraints, some level of representation was attempted. Generally, the selected villages were located approximately 5–10 km away from the nearest town, while the sample

[29] Yang et al. (2008) compared two surveys conducted before and after the proclamation of the 1997 "30 years' no-change-policy" (which signaled the first nation-wide effort to title agricultural land lease). From these two surveys – respectively carried out in 1995 among 432 villages, and in 1999–2000 among 437 villages – they concluded that "readjustments of rural land are forbidden but not halted" (nongcun tudi tiaozheng jin er bu zhi, p. 60).

[30] For instance, the study by Kumar and Kerr (2013, p. 885) looked at "how imposition of formal land tenure in forested areas failed to recognize rights and led to exclusion, contestation and conflict." A similar relation between credibility and conflict in forest tenure was established in a study on China (Ho, 2006).

[31] Incidence defined as the occurrence of a certain type of conflict, frequency defined as the number of times a particular type of conflict appears during a given period, and timing defined as the chronological period during which conflict occurs. Thus, other variables such as the intensity (e.g., measured in terms of economic costs), the length (in time), and the nature (e.g., violent/non-violent) have not been examined.

[32] Carried out in the spring of 2006; the full survey was conducted in the fall of 2006.

[33] The following provinces and autonomous regions were not included: Hong Kong, Macao, Tibet, Xinjiang, Shanghai, Tianjin, and Ningxia.

Table 1
Provincial and regional distribution of survey samples.

Beijing Municipality	40	3.51%	Zhejiang	60	5.26%
Guangdong	40	3.51%	Chongqing Municipality	60	5.26%
Hebei	40	3.51%	Anhui	60	5.26%
Henan	120	10.53%	Guangxi Autonomous Region	20	1.75%
Heilongjiang	20	1.75%	Jiangxi	20	1.75%
Hunan	80	7.02%	Shanxi	20	1.75%
Jilin	60	5.26%	Sichuan	60	5.26%
Jiangsu	40	3.51%	Shaanxi	60	5.26%
Inner Mongolia Autonomous Region	40	3.51%	Hubei	60	5.26%
Qinghai Autonomous Region	20	1.75%	Fujian	20	1.75%
Shandong	80	7.02%	Liaoning	40	3.51%
Yunnan	40	3.51%	Guizhou	40	3.51%
Total				1140	100%

Source: Survey by author.

Table 2
Characteristics of survey sample.

Gender composition	Gender type	Number	Percentage of total
	Male	902	79%
	Female	238	21%
	Missing	0	0%
	Total	1140	100%

Age in years	Age cohort	Number	Percentage of total
	<30	108	9.47%
	31–50	665	58.33%
	>50	365	32.02%
	Missing	2	0.18%
	Total	1140	100%

Education	Level of education	Number	Percentage of total
	Illiterate	106	9.3%
	Primary school	360	31.6%
	Lower grade	462	40.5%
	High school or vocational school	203	17.8%
	University (incl. key and secondary/tertiary institutions)[1]	9	8%
	Missing	0	0%
	Total	1140	100%

Migrant labor	No. people in household	Rural labor	Non-rural labor
Average	4	2	1
Mean	4	2	1
Minimum	1	0	0
Maximum	20	16	10
Total persons	4974	2627	956
Missing	0%	0%	0%

Source: Survey by author.

[1] Note there is a large difference in educational quality between the so-called "key" (*zhongdian*) universities versus the "secondary" (*erben*) or even "tertiary" (*sanben*) universities.

included flatlands, hilly and mountainous areas, forest, and grassland roughly distributed according to their importance in economic terms. The survey sample included 79% male respondents and 21% female respondents. The majority (58.3%) was between 31 and 50 years, while 9.5% were younger than 30 years, and 32% older than 50 years. In terms of the educational level, 9.3% were illiterate; 31.6% had received a primary school education; 40.5% had attended junior high school; 17.8% had finished high school; and 8% had a higher education degree. Through the survey it was found that the average number of persons per household is four, with two able workers and one person as a rural migrant working outside the agricultural sector (see Table 2 below).[34]

Survey results

Disputes: few but concentrated

As stated above, credibility is *by definition* context-dependent; therefore, it is critical to distinguish between the peri-urban areas vis-à-vis the rural inland areas. The majority of land-related grievances are most likely to be concentrated in the peri-urban areas where the commercialization of the countryside has caused a rise in the economic value of land, with expropriations and urban sprawl as the result. Some, but not all, of the empirical findings

[34] Last, total average household income was measured by asking one representative of each farm household questions on their total income per year. The various sources of income that were examined included: income from grain cultivation, oil and cash crops, fruit growing, animal husbandry, aquaculture, petty commercial activities, migrant labor, salary from a village committee, village subsidies, and other. Farmers were also asked to specify the various costs and sources of income. It was found that the total average household income was 16,520 yuan with 75% of the respondents at 6400 yuan and 25% at 18,500 yuan.

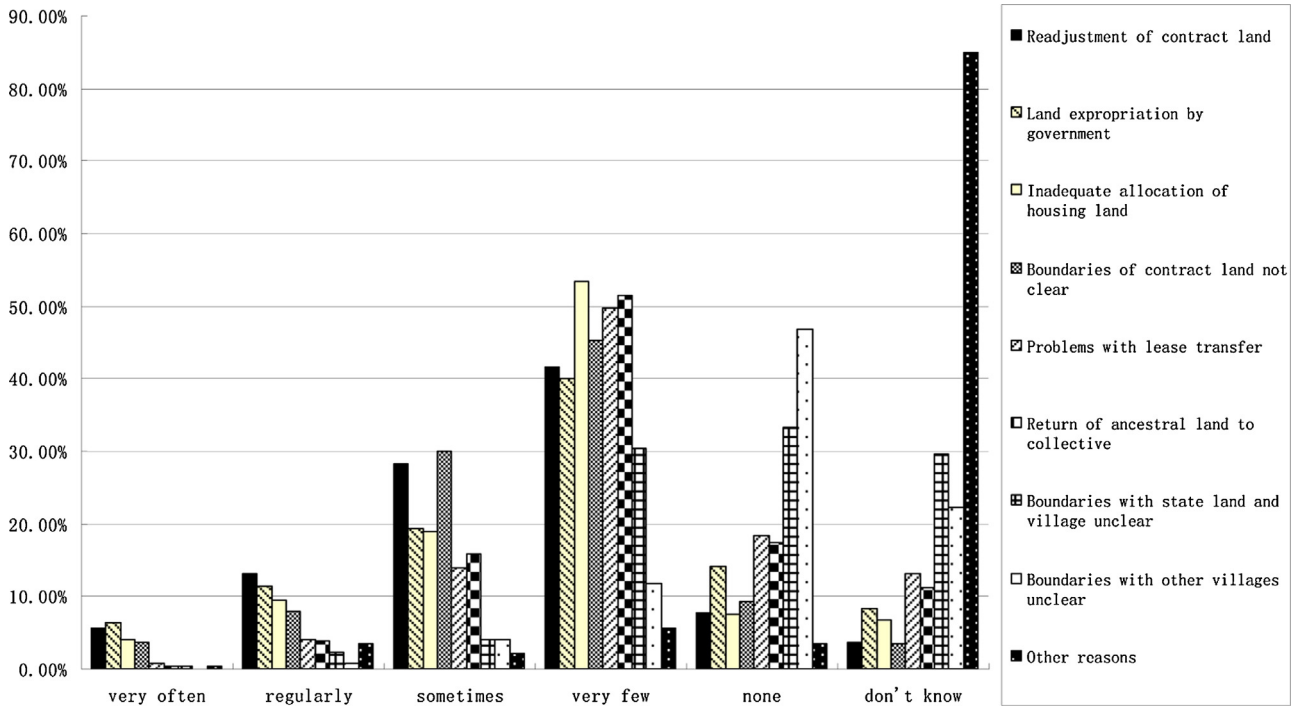

Fig. 1. Incidence and frequency of land conflicts.

Source: Survey by author.

of the survey lend support to such a hypothesis, although further research is needed.

The survey's first, and perhaps most surprising, finding is that the majority of farmers interviewed stated that there are *few* land conflicts *regardless* of the cause of conflict. As is abundantly clear from Fig. 1, most farmers indicated "sometimes" and "very few" to describe the frequency of the various types of conflict in their village.[35] The finding was confirmed when we asked whether or not land disputes in their village had been resolved. To this question, 41% said that disputes had mostly been solved, 32% that some individual disputes had not yet been solved, while approximately 15% deemed land disputes difficult to solve. Zooming in on illegal evictions, the survey yielded the surprising result that the majority of farmers (77%) had never had any land expropriated.

This is not necessarily a reason for optimism, because when land disputes do occur, a main source[36] is expropriations by the state – with almost one-fifth of the respondents stating that conflicts over expropriation occurred "regularly" or even "very often".[37] Expropriations due to urban sprawl are a fairly new phenomenon that has picked up in intensity since the start of the housing reforms in 1998. This is confirmed by the responses to the question "when did land conflicts occur most frequently?" to which 30% stated it is a current problem, 19% that it occurred mainly in the early reform period (1978–1998), and less than 16% indicated it was something of the past.[38] A relatively high percentage (34%) did not indicate a period.

If it is indeed the case that the majority of expropriations take place as a result of urban sprawl, this finding might also point to the need to differentiate between the perceived credibility of agricultural land tenure in the inland rural regions versus that of the peri-urban region. The distance to the urban center was not specifically built into the design and sampling of the survey. However, a logistic regression analysis between the average farm household income from agriculture (hypothesized to be higher in the less-urbanized regions) versus the perceived frequency of land disputes due to government expropriation detected a positive relationship between the two. More specifically, it was found that if the proportion of agricultural income is lower, the likelihood that farmers perceive conflicts due to government expropriations actually rises by almost one-fifth ($n = 721$; Odds Ratio = 1.18, see also the Appendix).

Those who had their land expropriated were probed further regarding their experiences with it. Under the current laws and regulations, the state – instead of an independent land-appraising agency – sets the standards for the compensation of expropriated land.[39] Local authorities have a stake in keeping the costs for expropriation low, thus maximizing the potential profits that can be legally earned to lard government's coffers or that can be unlawfully appropriated for private gains. Therefore, it can be expected that the current expropriation procedures often do not arrive at a fair compensation, that is, one that also takes the long-term loss of the farmers' employment into account. The survey corroborated these suspicions. Only a minor proportion (15%) of financial

[35] With only two exceptions: the categories "land disputes due to unclear boundaries with other villages" and "land disputes due to unclear boundaries between state and collective." But for these two categories, the number of respondents that answered "don't know" is relatively high.

[36] The other main source is discord over readjustments in contract land. It was reported that this type of conflict sharply increased during the start of the sub-prime credit crisis in 2007 and 2008, when many migrant farmers became unemployed and subsequently returned to their villages (see Yang cited in Huang et al., 2011, p. 797).

[37] Disagreements over the allocation of housing land ended in third place with 13.5% of the respondents thinking that this happened either regularly or very often, while 11.6% found that boundary disputes between households occurred regularly or very often.

[38] The exact percentages for "the past" are 6.1% before 1949, 6.0% during Land Reform, 2.0% during the restructuring of commune ownership (the 1962 Four Fixes movement), and 1.8% during the Cultural Revolution (1966–1976).

[39] Articles 45–47 of the 1998 Land Administration Law. At the time of writing, the Land Administration Law is being revised, it is not known yet what the implications will be for the agency responsible for land appraisal during expropriations.

Table 3
Views on land readjustments (n = 1140).

Statements	Strongly agree	Agree	Disagree	Strongly disagree	Neutral	No response	Total
Village committee should reallocate land during family changes (e.g. death, birth, divorce)	29.0%	42.7%	17.5%	7.5%	3.0%	0.3%	100%
Village's land must be allocated to farmers in egalitarian way	37.1%	41.7%	13.2%	5.9%	2.0%	0.1%	100%
Land of ancestral house can not be reallocated	29.4%	29.0%	22.0%	6.3%	12.3%	1.0%	100%
Land readjustments must be agreed upon by two-third of villagers'	40.5%	38.1%	10.3%	5.4%	5.6%	0.1%	100%

Source: Survey by author.

compensations for expropriation is determined through mutual consent; most of the compensations (52%) are fixed by the local authorities,[40] while more than one-fifth of the farmers did not even know how the compensation had been determined. Of those whose land had been expropriated, the greater proportion (58%) indicated that they were neither satisfied with the compensation they received nor with the way it had been determined.[41]

With regard to the question of institutional credibility, we see that the expropriations also undermine farmers' support for the prime institution that governs the rural tenure system – the village collective. Directly after respondents were asked whether they were satisfied with the financial compensation, a further question was asked about who could best represent farmers' interests in land. Only 12% put their faith in the village collective, an even lower 3% in the state, while an overall majority of 65% stated that they deemed lawyers best for protecting their land rights.

Credibility of insecure land tenure

A second main finding of the survey is that there is a large perceived support, or high credibility, for *insecure* land tenure. Seventy percent of the interviewed farmers felt that when there are demographic changes in the family, the village committee has a right to reallocate contract land (Table 3 below). In a different part of the survey, the issue was double-checked with the question: "do you think that the village's land resources must be allocated to farmers by the village committee in an egalitarian way?" to which an even higher percentage of the respondents (78.8%) answered that they "agreed" or "very much agreed." In general, agricultural land has been within the family of respondents for 20 years on average (and 30 years for 75% of the respondents), yet is still subject to frequent readjustments: around five times for 75% of the farms, while in one case it was found that there had been 19 readjustments since the start of the lease (see Table 4).[42]

There is one notable exception to the institutional credibility of insecure tenure: approximately 60% of the farmers feel that the land on which the ancestral house (*zufang* in Chinese) is built should not be subject to readjustments by the village collective. Through additional interviews it was found that this principle is generally respected by village authorities. When readjustments in ancestral land do occur, these mostly result from situations where farmers have illegally occupied housing land, for example, by secretly expanding the land on which their house is built, or by refusing to return housing land after a new plot has been allocated. As Table 3 also shows, there is also a clear consensus for a certain "village democracy" among farmers when it comes to land readjustments. Approximately 80% of the respondents agreed to the legal stipulation,[43] that land readjustments need to be approved by two-thirds of the villagers'.

The land readjustments have a downside, because the land per household has become increasingly fragmented. The extent of land fragmentation, measured by plots per household, is still high but has remained stable over the past few years with around six plots per household, which is consistent with other research.[44] The total agricultural acreage per household has not significantly changed since the last major readjustment,[45] which confirms the general trend that the size of agricultural land tilled by Chinese farmers hovers around 0.4–0.5 ha (see Table 4).[46]

Legal awareness in relation to conflict

The final part of the survey probed farmers' views on legal awareness in relation to conflict. By and large, farmers appear to be relatively conscious of their legal rights and seemed to have a fair degree of trust in the law. Moreover, an overwhelming majority (91%) feels that their lease is protected by law. Should anyone violate their lease rights, most (63%) are certain they would take the case to court. Interestingly, the greater majority (60.1%) deemed contracts useless during land disputes and would rather rely on mediation through the village committee.[47]

At this point, the survey also indicates a paradoxical distinction between collective versus individual interests. Whereas we saw earlier that the overall majority of farmers support an insecure tenure as a means of collective social security, a certain proportion also hopes for more secure tenure for themselves. Table 5 shows that 41% of the farmers find that the current lease term is too short;

[40] These financial compensations are determined by the county (24.1% of the cases), the land departments (6.9%), and the Village Committee (21%). Finally, 12.2% was determined through "other means."

[41] Only a minority was satisfied (36%), while 6.1% responded that they did not know.

[42] By 1997, in 66% of 274 fixed sample villages, land had been readjusted twice or more (see Wang, 1998, pp. 56–57).

[43] Article 15, 1998 Revised Land Administration Law.

[44] Tan et al. (2005, pp. 204–205) furnished national, empirical data demonstrating a relatively high degree of land fragmentation directly after the first round of lease readjustments during the mid-1980s (8.4 plots in 1986), which decreased in the following years and finally stabilized at approximately six plots. For the case of Shandong province alone, Yang et al. (2008, p. 55) found that the average number of plots had remained stable at 4.4 in 1995 as compared to 2008.

[45] The last readjustment took place during the "second round of leases" between 1995 and 2000 in 34.3% of the cases; for 14.8% of the cases it occurred during the period from 2001 until 2005; 14.5% were reallocated the last time before 1995; and 36.4% did not know when the last readjustment was done in their village.

[46] The current study found that the average national acreage for agricultural land per farm household is 6 mu or 0.4 ha (1 mu = 1/15 ha). Other studies reported similar figures. Tan et al. (2005), found a national average acreage of 7.95 mu (0.53 ha) in 1999. In addition, Yang et al. (2008: p. 55) found for Shandong province (sample of 437 households) the following figures in mu: 5.1 (0.34 ha) for 1995; 5.8 (0.39 ha) for 1999/2000 and 5.43 (0.36 ha) for 2008. The current study and the ones by Tan et al. and Yang et al. have all found a substantially higher average acreage per household than the official figure of 0.13 ha or 1.95 mu measured in 2002 by the National Bureau of Statistics (2003: p. 424). We have no explanation for this exceptionally low figure.

[47] Several studies have pointed to the important role of village cadres in land matters; for instance, Yang et al. (2008: p. 57) found that 50.8% of the sample households stated that land readjustments were decided by village cadres versus 38.7% that stated "decided by the villagers" and 10.6% "by the township government". For similar conclusions, see also Qian (2003) and Mao and Wang (2004).

Table 4
Overview of agricultural tenure ($n = 1140$).

Distribution	Area (in mu = 0.067 ha)	Number of plots	Period property in family (in years)	Number of readjustments since 1978	Size prior to latest readjustment
		0	1	0	0
25%	2.4	2	9	2	2.7
50%	4	4	23	3	4.3
75%	7.2	6.5	30	4.8	7
Maximum	204	300	100	19	144.6
Average	6	6	20	3	6
% Non-response	2.1	2.2	6.8	17.1	26.3

Source: survey by author.

Table 5
Views on legal rights and conflict ($n = 1140$).

Statements	Strongly agree	Agree	Disagree	Strongly disagree	Neutral	No response	Total
My lease right is protected by law, nobody can infringe upon it	59.7%	31.4%	4.0%	0.7%	4.0%	0.2%	100%
If anyone violates my lease right, I will surely go to court	34.8%	28.6%	24.7%	4.0%	7.9%	0.0%	100%
Contracts useless during conflicts, must be mediated by village committee	18.7%	41.4%	26.8%	11.2%	1.8%	0.1%	100%
Lease term not long enough, don't want to make long-term investments	11.8%	29.1%	40.8%	11.7%	6.5%	0.1%	100%
What farmers need is ownership and not land lease	28.3%	31.8%	19.0%	9.9%	10.9%	0.1%	100%

Source: survey by author.

the result is that they shirk from making long-term investments,[48] while a little over 60% would rather own their land than the right to lease. At this point, we can clearly see a distinction between farmers' perceptions of the social need for readjustments by the *collective* versus the legal protection of their *individual* rights. In other words, the land readjustments might at the individual level lead to discontent, yet, at the collective level they are still perceived as a credible, common arrangement as the readjustments guarantee that everyone has equal access to land.

Why some institutions work and others don't: a research agenda

Empiricism versus theory

In the scholarly and political debates over tenure security, those who favor private, freely marketable property rights protected by the state have been pitted against those who champion bottom-up, informal, or common institutional arrangements for land governance.[49] This article has argued that it might be more helpful to move beyond dichotomies of private and common, secure and insecure, or neo-liberal versus critical theoretical solutions, and refocus the discussion about institutional *form* towards a discussion about institutional *function*. The credibility thesis postulated here might chart a way out, as it draws attention to institutional function at a given time and space, rather than to a necessary or desired form postulated through theoretical or political conviction. Put differently, if institutions persist, they perform a certain function regardless of whether or not they appear as inefficient, insecure, or ineffective. The spatial-temporally determined function that institutions fulfill can be expressed by their credibility, that is, the perceived level of social support that institutions garner among a group of social actors and economic agents. The article has sought to validate a dual hypothesis regarding the credibility thesis: (1) insecure tenure leads to low institutional credibility, and (2) a credible institution features a low level of perceived distributional conflict.

Almost a quarter century ago, Blackburn and Christensen – although coming from a neo-liberal background – noted with foresight about the notion of credibility: "The area that offers the greatest scope for future research is undoubtedly empirical" (Blackburn and Christensen, 1989: p. 41). This is a first attempt to further a theoretical *and* empirical basis for the study of institutional credibility with particular reference to property rights. It does so by taking China's rural land-lease system as a case study, while measuring perceptions of credibility through a nationwide survey of over 1100 farm households. Three critical findings came out of it. First, despite its inherent tenure *insecurity* – a result of land readjustments in response to demographic change – the perceived support for the rural land-lease system remains high.[50] Second, despite concerns over widespread illegal evictions and expropriations, the level of land-related conflict is actually low. Third, when social conflict over rural property rights *does* occur, discord over evictions due to urban sprawl is one of the main drivers.

[48] This seemingly contradicts previous research by Kung and Cai who found that farmers are willing to preserve the soil fertility of lease land. However, one should be careful not to equate fertilization, which can be done relatively easily, with long-term investments such as leveling of land, construction of irrigation systems, and drainage. In a study of 135 households, Kung and Cai (2000, p. 279) claim that the "allegation of farmers neglecting to preserve the soil fertility of their contracted plots is wholly unfounded".

[49] Some of the classical works that advocate bottom-up or grassroots approaches in this regard are, for example Stöhr (1981), Chambers et al. (1989), Brokensha et al. (1980). The argument for bottom-up development is still frequently put forward (see, e.g., David, 2004, Chapter 12). In terms of common property arrangements, see the extensive body of literature on common property (e.g., Ostrom, 1990; Bromley, 1992; Wade, 1987).

[50] Three separate studies have independently from each other found that demographic change remains the main factor for land readjustments. Han (2005: p. 27) found that in 55.6% of the sample households this was the case, while Yang et al. (2008: p. 60) stated this was the situation in close to half of the sampled villages. Zhao (2004: p. 29) stated demographic change was of evident influence on minor land redistributions. However, it needs to be noted that each of these studies is based on different samples from different regions.

Insecure tenure ≠ non-credible tenure

What can we conclude from these three findings? For one, the first finding demonstrates that insecure tenure should not be equated with non-credible or socially contested tenure. It implies that the first hypothesis "insecure tenure leads to a low institutional credibility" should be rejected. The fact that 70% of the respondents agrees that the collective should reallocate land in response to demographic change is a demonstration of the institutional credibility of what can be termed a "socially supported *insecure* tenure." The credibility of the rural lease system also becomes apparent through the examination of the level of conflict. Despite the widespread image of the Chinese countryside being ripped by conflicts over land, this survey found that the overall perceived level of conflict was low.

Interestingly, the level of social support for an insecure tenure has by and large remained unchanged since the end of the 1990s. In 1997, the Central Policy Research Office found that 62.8% of the sample villages advocated redistribution of cropland (Wang, 1998, p. 57), a figure that has been confirmed through other studies as well.[51] In the current absence of sufficient alternative employment outside agriculture, and in the absence of a state-supported social welfare system, the agricultural land-tenure system effectively continues to function as a safety net for farmers. Its level of institutional credibility stems from that.

Conflict as a measure of credibility

As this study argues, actors' perceived level of conflict might be used as a proxy for measuring institutional credibility. When applying this principle, it was found that the degree of perceived conflict generated by the rural land-lease system is strikingly low, which seems in line with farmers' support for land redistributions. Therefore, we may conclude that the second hypothesis – "a credible institution features a low level of perceived distributional conflict" – can be validated.

However, it would be a mistake to simultaneously conclude that a credible land-lease system implies that it is also *conflict free*. As stated in the introduction, credibility does not necessarily equal a balance of power or social equality, as it posits that conflict is inherent to any institutional arrangement and its changes. Thus, even though institutions may be credible, it does not exclude the possibility that certain individuals and social groups are marginalized, although the overall system features stable development and economic growth over the long term.[52]

Secure, democratic, and participatory institutions do not imply that they *are* credible. Contrarily, neither do insecure, autocratic, and (semi)authoritarian institutional arrangements mean that they are by definition *non-credible* or empty. In fact, democratic and transparent institutional arrangements, such as codes of good conduct or regulations for Corporate Social Responsibility (or CSR), might actually be disruptive in certain contexts, while autocratic, authoritarian, and non-transparent ones might not.[53] Or, as Inglehart, writing on political structures (1997, p. 208) noted in a similar vein: "There is no obvious reason why democratic regimes would necessarily be more successful than authoritarian regimes in producing high levels of subjective well being for their citizens. History indicates that they sometimes do and sometimes do not."[54] The credibility thesis makes no prediction of institutional teleology, nor does it pass moral judgment on institutional form, as it is concerned with function alone. Yet, the thesis *does* postulate that one might be able to gauge the extent to which institutions are credible or contested, as indicated – among numerous other indicators – by the level, incidence, and source of generated conflict.[55]

In this regard, it is important, when looking at sources of conflict, to determine if expropriations are seen as a major cause for disputes are rising. Approximately one-fifth of the farmers surveyed claimed that conflicts over expropriation happened "frequently" or even "very frequently." As illegal evictions are generally concentrated in the peri-urban areas[56] – where the pressure on land is highest due to urban sprawl – it might also be at this locus where current institutions governing rural land will be most challenged. As a result, it might be here where the credibility for certain institutional arrangements is likely to change, and we might witness the emergence of new institutions.

The survey's findings point in this direction: among the expropriated respondents, a substantial part (57.5%; $n = 262$) is dissatisfied about the financial compensation and the way lands have been expropriated. This could have been expected, as only a small percentage of the evicted farmers had a say in the calculation of the compensation, while one-fifth had no inkling of how compensation was determined.[57] Furthermore, trust in the state is low: only 3% said they had faith the state would protect their interests in land. What the "credibility thesis" presumes is that beyond a certain level of conflict, new institutional arrangements are likely to emerge; however, further research is needed to validate whether such a postulate can also be grounded in empirical facts. Such a critical moment would be signaled by a turning point in perceived institutional credibility.[58]

Apart from urban sprawl, there might be another parameter that could drive institutional change of the rural-lease system: the *land dependency* of the rural populace, i.e. the need for land as a means of social welfare. With the gradual decrease of agricultural surplus labor due to rural-urban migration, the introduction of health care

[51] In a survey of 800 households in four provinces, Kung and Liu (1997, p. 34) discovered that 62% of the respondents preferred the village policy "that periodically reassigns land among farm families in response to changes in the composition of their families." See also Yang et al. (2008, 2001).

[52] This touches on the issue of inequality. For instance, Beetham (2002, p. 8) disagrees with the notion that in a democratic society citizens would be politically equal because, as he puts it, "people are not manifestly equal." It is against this backdrop, that we could read Chinese studies on the control and even possible abuse of power over land by township and village cadres (Zhang, 2013; Mao and Wang, 2004; Qian, 2003).

[53] Similarly, the notion of a fully autonomous and free civil society leading to democracy can be contested. In the Chinese case one can discern the opposite, an "embedded activism" that due to its close proximity to the state can effectively reform the state from the inside out, with a smaller chance for social conflict and instability (see Ho and Edmonds, 2008).

[54] In a similar vein, Dowding et al. (2004, p. 25) noted: "Democratic procedures and just outcomes are clearly not the same thing." It is also clear, in light of Dowding's quote, that we need to critically review and rethink proposals for pro-poor, participatory, and democratic institutions to ensure good land governance. For instance, see Ribot (1999) and World Bank (2003).

[55] Of course, as also set out in the introduction, most likely different proxies need to be found to measure the credibility of different institutions, which task still looms ahead for further investigation.

[56] The exception perhaps being large-scale infrastructural projects in the countryside, such as for roads, high-speed railways, and bridges.

[57] The value of agricultural land and the investments made in it (e.g., the irrigation systems, shelterbelts, and/or agricultural buildings) are currently fixed by the local authorities, instead of by an independent valuation agency. This arrangement is one of the main causes for inadequate compensation since it generally neglects the fact that farmers also lose employment along with their land.

[58] As Stiglitz (2000, p. 64) stated: "Typically, institutions (...) develop an internal coherency that is not too dissonant with the external environment they must face. When it becomes too dissonant, then institutions must change." Note, however, that such an institutional turning point is dissimilar to the notion of a turning point in the level of conflict that can be absorbed by an institution. For example, as Huntington (1968, p. 264) posed: "Revolutions occur because the scale of forces newly participating in politics and the capacity of political institutions to assimilate or contain them is exceeded." In the latter view, the level of conflict is seen as a driver of institutional change, whereas the credibility thesis regards conflict as an indicator of it.

(*xinnonghe*) over the period of 2003–2010, and pilot programs for a rural pension system (*xinnongbao*) underway since 2009,[59] it could be expected that the dependency on land for social security will decrease. As a result, it could be hypothesized that the level of credibility for land reallocations, as well as the actual reallocations themselves might decrease as well.

A few recent studies point in this direction, the most interesting of which is carried out by Shang and Ye (2013).[60] Based on a study in the relatively affluent provinces of Guangdong and Hunan,[61] they found a clear negative correlation between willingness to reallocate land versus a household's rate of landless people (p. 133). In other words, the higher landlessness is, the lower the wish to reallocate land. The importance of this finding lies in the fact that the landlessness in these regions is not caused by impoverishment, eviction or population pressure, but by rural-urban migration, and thus, a lower dependency on land.[62] Or as Shang and Ye write (2013, p. 29): "Landless farmers (. . .) will leave home to seek jobs elsewhere (. . .). This proves that the existence of landless farmers does not pose a serious problem for rural society. It also explains why land is no longer redistributed, because the expected returns are low and the organizational costs are high. Thus, the 30 years' no-change policy will evolve from an externally imposed (*waibu qiangzhixing*) institutional arrangement into an endogenous (*neisheng*) institutional arrangement."

Credibility versus modernization

The evictions of farmers due to urban sprawl have rekindled fierce debates in China on tenure security, once more fueling the arguments of proponents' for the formalization of property rights and titling of land ownership. However, if this article and its empirical findings could underscore one point, it is that the understanding of institutional credibility requires a multi-layered, multi-dimensional perspective. Accounting for temporal and spatial variation is crucial. Thus, China's less urbanized and commercialized inland rural regions should be viewed and analyzed in a different light than the industrialized peri-urban zones. Seen from this angle, isn't the credibility thesis after all still about modernization, referring to the possibility of institutional convergence towards a teleologically predetermined form?[63] In other words, the more modern and developed, the higher the credibility is for private, secure, and formalized institutions.[64] Ironically, we seem to have come full circle to a neo-classical, teleological property rights argument. However, there are two *crucial* differences in the premises of the neo-liberal interpretation of credibility versus the credibility thesis posited here.

First, as repeatedly argued, the credibility thesis is not about any desired or predetermined institutional form necessary for economic growth and development, but it is about institutional function in its temporally and spatially determined context.[65] It is also not about the necessity of formal, private and secure, or informal, common and insecure property rights to make the economic clock tick. Credibility is about finding out what works in a *given* space and time-dependent context *before* the question of form is even asked. Therefore, the research on credibility would not focus on validating whether institutions are more formal, as the economy becomes more developed, but it would turn the question around and ask what levels of credibility institutions command in a particular context. In an institutional functionalist view, China's heated discussions about the necessity to ban (Liu and Han, 2006; Zhang, 2002), or to allow land redistributions (Chen and Meng, 2007; Xu and Zhang, 2005; Tian and Jia, 2004) would have no real significance.[66]

The second crucial difference that sets the credibility thesis apart from the premises of the neo-liberal reading is that it is *not* about the state being committed to protect property rights, nor is it about *any other* actor, for that matter. This issue is tied to the question "credible to whom?" The neo-liberal reading presupposes a mono-linear relation between the state on the one hand, and market and society on the other hand, and regards credibility as dependent "on the perceptions of economic actors regarding the commitment and capacity of the government both to preserve [property rights] in laws, regulations, and other formal rules, and to implement these rules effectively" (Newman and Weimer, 1997, p. 252).[67]

By contrast, the credibility thesis precludes rational agency as a postulate. As such, it is the *autonomous* and *endogenous* result of the interaction and power divergences between various actors – be they state, corporate or civic. Credibility is merely the expression of the degree to which institutions are perceived as accepted by those whom they govern. This implies there is no conscious, rational actor that can establish or bring about credible institutions by following certain theoretical or political principles. Credibility has its own momentum and dynamics and is formed through a context-dependent *interaction* between state, civic, and corporate actors. While at one time and space it might hinge on a "hands-off approach", at another time and space it might emerge when the state actively helps to mediate conflict or to channel processes of institutional change that are already taking shape at the grassroots, through policy, law, and regulation.[68] Certain, however, is that the state – as merely one of the actors – can not engineer, let alone, impose credibility, but could contribute positively to it by facilitating and nurturing grassroots' institutional innovation. Even more

[59] For a short introduction to these two systems see Feng (2006), Wang and Wang (2013).

[60] In another study, Yang et al. (2008: p. 57) found that compared to 2000, the rate of farmers in 2008 who supported a ban on land redistributions had slightly increased (from 30.8 to 38.6%), while those who opposed such a ban had decreased (from 36.9 to 29.8%).

[61] Their study was carried out amongst 378 farm households in nine villages from January to April 2011.

[62] In this regard, their choice for the term "landless farmers" is a bit misleading, and perhaps "rural migrants" would be more appropriate.

[63] The third section of Nee and Swedberg's edited volume focuses attention on the issue of convergence stemming from the global transformation of capitalism. See, for example, Davis and Marquis (2005).

[64] In certain ways similar to Granovetter's (1984, p. 485) argument of embeddedness and the evolvement of "thin" impersonalized relations of trust in formalized conditions, versus "thicker" relations of interpersonal trust in informal conditions.

[65] This comes close to Campbell's (2004, pp. 69–74 and 180–181) counterargument of "bricolage" or the local adaptation of institutions as opposed to institutional convergence.

[66] For instance based on a survey in Jiangsu province (Chen and Meng, 2007) found that land redistributions had a negligible effect on the application of fertilizer, as well as on farmers' investment behavior over the period 2000–2005. They therefore concluded that there was no need to ban land reallocations. Likewise, Tian and Jia (2004) conducted a survey of 1083 farm households in Jiangsu, and concluded (p. 118) that land redistributions stimulate rural-urban migration and increase the demand for the transfer of rural land use rights. Moreover, land redistributions had not at all decreased tenure security of the land that was rented out by the collective [after farmers' had migrated, PH]. A similar conclusion was also reached by (Xu and Zhang, 2005).

[67] As North and Thomas (1973, p. 7) also wrote: "[G]overnments were able to define and enforce property rights at a lower cost than could voluntary groups, and that these gains became even more pronounced as markets expanded. Therefore, voluntary groups had an incentive to trade revenue taxes in return for the rigorous definition and enforcement of property rights by government."

[68] This view comes close to Rodrik's (2007) argument that there are many different ways how "first order economic principles" (and property rights arrangements is one of them) map into distinct policy packages, and that detailed and careful analysis of institutions is imperative to identify the most binding of the constraints facing a given country at a given time.

likely is that also the description here is an over-simplification in itself, and that we are actually looking at a confounding mix of formal and informal institutional arrangements that dynamically alternate and vary in time and space as the interaction between state, society, and market evolves.

To many keen to act – be they government officials, businessmen, or NGO practitioners – the implications of the credibility thesis as expounded here might seem unsatisfactory, vague, or even downright uncomfortable as they strive and ask for plans, ambitions, or worse, institutional blueprints. It is perhaps for this reason that some – albeit agreeing with a more functionalist approach to institutional theory – ultimately depart from it again. As, for instance, Chang noted, the "emphasis on functions over forms should not be taken too far. While a particular form does not guarantee the fulfillment of a particular set of functions, a complete neglect of forms makes it very difficult for us to make any concrete policy proposal. If we did that, it would be like a dietician who talks about eating a 'healthy, balanced diet' without telling people how much of what they should have" (Chang, 2007, p. 20).

However, institutional functionalism in itself does not preclude policy recommendation. On the contrary, it aims to speak to decision-makers and warn against obsession with form – be it through demands for predictions, or for grand schemes to design, establish and enforce new institutions. It asks for a different mindset and paradigm in our thinking of policy-making, planning, and implementation. Opposed to form, institutional functionalism posits caution over intervention when institutions exist and persist, even, or perhaps particularly, when these institutions contradict what one at first sight might deem morally, theoretically or politically right. In such cases, it might be wise first to probe into the question what institutions do in a certain context, and why they do so; to weigh institutional interventions carefully, and only to do so grounded in evidence-based knowledge of the specificity of time and space; and lastly, to continuously remind ourselves that policy recommendations exist by the grace of the uniqueness of localities, and *not* on the basis of general theory. If, amidst the complicated and contradictory processes of modernization, globalization and development, we ever hope to make sense of the question what institutions might work at which locus and time, we need to start by leaving behind the discussion about form, and focus on institutional function. That quest perhaps starts with the question of credibility.

Appendix A. Results of the logistic regression analysis

Variable 34 = Perceived frequency of land disputes due to government expropriation

Variable 10 = Average farm household income from agriculture in village

Iteration 0 : log likelihood = −1043.8359

Iteration 1 : log likelihood = −1040.7755

Iteration 2 : log likelihood = −1040.7713

Ordered logit estimates					Number of obs = 721 LR chi2(1) = 6.13 Prob > chi2 = 0.0133	
Log likelihood = −1040.7713					Pseudo R^2 = 0.0029	
Var 34	Odds ratio	Std. Err.	z	$P>\|z\|$	[95% conf.	interval]
Var 10	1.180192	.0798293	2.45	0.014	1.033657	1.3475

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