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The Significance of Variation in Local States

The Case of Twentieth Century China

Elizabeth J. Remick

When I was conducting fieldwork on post-Mao taxation and public finance in China during the early 1990s, I was surprised to discover that county officials in Tianjin in the north were still using Maoist mass campaign tactics to deter tax evasion. I was even more surprised to discover that county officials in Guangdong in the south said they had never heard of such a thing, were appalled by it, and relied instead only on persuasion and nonconfrontational methods. In Tianjin county tax officials dragged convicted tax evaders onto a stage and detailed their crimes to an audience of a thousand fellow entrepreneurs and anyone else who cared to watch the “criticism session” on local television. Meanwhile, in Guangdong entrepreneurs attended small study sessions where they read about a few egregious cases of tax evasion. The two localities’ methods of countering tax evasion illustrated that officials were dealing with social groups and with resistance in different ways. How could two such different approaches to the same problem of tax evasion exist side by side in the same governmental system, especially one that is usually assumed to have a powerful, homogenizing central government? In fact, such differences in local state practice are common across many policy areas, not simply taxation, in China. What are the sources of this variation in local state structure and practice, and what are its overall consequences for the implementation of central policy, for state-society relations, for state capacity, and even for the survival of the central state?

Variation in local state structure and practice—local state variation, for short—is a neglected topic in political science. Local state structure is defined as the organization of local government, and local state practice is defined as the way local governments implement central policy and make and implement their own policy in the absence of higher-level guidance. In political science, local state structure and practice have until recently been discussed only as the objects of central government standardization efforts. For example, the classic studies of the formation of central states examine why and how patterns of intrastate difference were suppressed or erased rather than how they developed.¹ The standard narrative of state formation emphasizes processes of bureaucratization, centralization, and homogenization that eliminated local differences of many kinds.² This approach loses sight of the ways

local governments may maintain or even increase variations in their structure and practice in the face of strong central institutions.

More recent works have begun to acknowledge the existence of local state variation but do so without recognizing the importance of local states as local states. Studies by Atul Kohli, Robert Putnam, and Richard Locke compare local variations in policy outcome as a substitute for cross-national comparisons of the same policies.³ Their research design creates the methodological advantage of being able to control for a broad range of cultural and political factors that can not be controlled in cross-national comparisons. Putnam, for example, asks what general national lessons can be learned about the prerequisites of democracy, and therefore of good governance, from the experiences of local governments in Italy. This approach assumes that local governments function in the same ways as central states. However, the two operate in vastly different environments. Central states have sovereignty within a (mostly) anarchic international system, while local states are enmeshed in power relations with central and regional governments. As Judith Tandler's work on Brazil illustrates, central state actions can be crucial in determining local political outcomes, while there is no analogous power affecting central political outcomes.⁴ Equating local states with central states therefore ignores an important aspect of what is unique about local states.

Moreover, studies acknowledging local state variation usually focus on variation within democratic regimes and assume that this regime type inherently produces regional variation. They ignore factors endogenous to local states as states, regardless of their regime type. For example, Atul Kohli's *The State and Poverty in India* argues that local variation in the effectiveness of local poverty alleviation programs is determined by the political party elected to power in each locality. Similarly, Putnam argues that the variation in effectiveness of local governance in Italy is determined by regional political cultures and traditions of local democracy. But the exclusive focus on democracy and democratic practice in creating local state variation even in democratic regimes becomes suspect in light of studies such as Richard Snyder's.⁵ He argues that in Mexico not only societal forces but also the local institutional structure and policy repertoire created variation in the ways that subnational governments reregulated the coffee industry in the era of neoliberal reform. This analysis rightly points out that factors endogenous to the state can also help create variation.

The importance of such endogenous factors in creating local state variation becomes even clearer in the context of authoritarian regimes. Frances Hagopian has shown that during the period of military rule in Brazil, and indeed after the transition to democracy, local politics remained fundamentally "traditional," that is, based on "clientelism, regionalism, and personalism."⁶ She implies that in an authoritarian context variation in the practice of local politics depends very much on the political style and activities of local political leaders. Similarly, in twentieth century China local state variation was unrelated to the practice of democracy; instead, it was deter-

mined by how superordinate levels of the state, local social contexts, and local officials' preferences and ideologies shaped the process of local state building. If local state variation can result from these endogenous factors even under conditions of rather centralized authoritarian rule, then they might also be important in more democratic polities. For example, in India local historical administrative capabilities, not just party identity, might have influenced the variation in effectiveness of poverty alleviation policies. In Italy variations in the quality of local governance might be explained in part by the ideas, ambitions, and constraints faced by local administrators, as well as by levels of social capital and democratic political culture.

Work that acknowledges the existence of local state variation incidentally demonstrates that conceptions of state-society relations and state capacities as uniform across national states are, as Elizabeth J. Perry has argued, empirically untenable.⁷ The state-centric revival of the 1980s, exemplified by *Bringing the State Back In*, developed important analytical tools to explain how states and societies interacted but was almost exclusively concerned with central states.⁸ The essays in that book acknowledged that states might have differing capacities across policy areas but did not consider the possibility of regional variation. In fact, local states may have varying kinds of relations with their local societies and have equally varying local state capacities. A good example is found in Rebecca Abers's study of Porto Alegre, Brazil, which illustrates how local government efforts to involve citizens in the municipal budgeting process created a more democratic, participatory system that very successfully delivered public goods.⁹ Other Brazilian localities did not follow Porto Alegre's model but instead continued to have clientelistic, authoritarian local politics and ineffective local governance. Yet such encounters between local states and local populations constitute the majority of state-society interactions. For farmers living in isolated areas far from their national capitals, the local state's actions in implementing central policy more often than the central state's are likely to determine how they interact with the state: the bargains they strike, the concessions they make, and the coercion the local state exercises on them. Local analysis throws into relief subtleties of state-society relations and state capacities that are obscured when viewed only from the center.

The term "state" here refers to an organization made up of discrete parts, functional (for example, ministries) and territorial (for example, provincial governments). Each of these discrete parts is under more or less control by the center, depending on the organization of the state. For example, local governments in federal systems constitutionally have more autonomy than those in unitary systems where the local governments are more or less the agencies of the center. In fact, most states lie somewhere in between these two poles. For example, in formal design China has always been closer to the unitary end of the scale but in practice allowed for considerable amounts of local decision making. Regardless of the formal constitutional framework, the parts of the state are in constant conflict with each other and con-

stantly jockey with the center for power and over the implementation of policy. The local segments of the state apparatus, or more simply the local states, have their own institutional interests to protect and are not merely weaker or diluted versions of the central state on the periphery. Their ability to promote local interests is limited by the ability of the center at any given time to enforce its will.

The intermediary position of the local state between the center and the local population gives it a crucial role in determining whether central policies are implemented and whether central state building efforts are effective. Central governments issue many directives to local governments, but the success or failure of the central directives ultimately depends on the localities implementing them. The same applies to the process of state building itself. State building is the process by which state actors make a state organization grow in size, extend its reach, and increase its functions. Growing in size means increasing the number of employees and suborganizations within the state organization. Extension of the state's reach refers to its ability to exert influence through organizational presence at lower and lower levels of the administrative hierarchy. Increasing the state's functions means that it takes on new tasks that had not previously been the state's responsibility. This definition of state building may be applied independently to different levels of the state organization. For example, it might be possible to discern that central institutions were growing but that local institutions were not. This phenomenon is important because the central government can establish elaborate institutions in the capital, but, until those institutions have their agencies at the local level, they are isolated and powerless and have little hope of control outside the capital. Of course, creating local institutions does not mean that central intentions will be carried out automatically; to the contrary, it establishes a new dimension of central-local tension. How local state institutions are built thus has important consequences for the power of the central state.

Local State Variation in China

I will compare local states in two Chinese regions during two time periods, 1927–1937 and 1980–1994. This cross-temporal comparison between the Chinese Republic and the post-Mao reform period of the People's Republic demonstrates that local state variation can occur in two different types of authoritarian regimes: capitalist and market socialist. I focus on taxation and public finance activities to argue that in both periods central policies, local social context, and the preferences of local officials shaped the process of local state building, creating local state variation. Analysis of local state variation can be similarly applied to other polities.

On China, cross-regional societal and economic variation has received attention, but little notice has been paid to local state variation as an important issue in its own

right.¹⁰ Recent studies on the nature of the post-1949 Chinese state and its relations with society have, however, demonstrated that such variation exists. Studies focusing on the local level, where the state meets society most directly, have concluded that Mao-era local states were either predatory or protective and that post-Mao local states were developmental, regulatory, or authoritative.¹¹ Each characterization has different consequences for the portrayal of state-society relations: clientelist, corporatist, open to the formation of a civil society, or closed to it. Each therefore draws different conclusions about the capacity of local states to implement central state policies. Implementation was either rather full and automatic or remolded by localism, either aided by statist developmental “corporations” or rendered ineffective by corruption. The different interpretations are usually framed as being mutually exclusive, but they are not. In fact, they illustrate the existence of local state variation since the revolution of 1949.

A conventional explanation of much local state variation in contemporary China is regime type. However, when placed in historical and comparative context, it becomes clear that the phenomenon is not simply the product of a postcommunist political system. The regime-type explanation argues that the variation results from the “transitional” character of the post-Mao political system, that is, a system in the process of moving from centrally planned Communist to free market quasi-capitalist. In the transitional phase the post-Mao reforms have intentionally shifted economic and fiscal decision making from the center to the localities in order to create incentives for economic growth. However, local state variation predates the transitional regime. Precommunist Nanjing Decade (1927–1937) Chinese local states exhibited at least as much variation as post-Mao local states. Studies of Republican-period local states characterize them, for example, as either dominated by local bullies or managed by civic-minded elites.¹² As a result, these states’ relationships with local society have been seen in turn as either exploitative or cooperative. Again, these interpretations probably accurately describe local states in different places. Since regime type can not explain the variation, it is necessary to look for a more general explanation.

The Argument

In twentieth century China, local state variation was the product of three major factors: central or provincial policy; limitations imposed by local social context; and local officials’ preferences about and ideologies of local state behavior. Together, these factors determined the form of local state building—the process by which local states grew in size, took on new tasks, and extended their reach—and produced varied outcomes in local state structure and practice. As noted earlier, the dependent variable, local state structure and practice, is defined as, first, the organization of

local governments and, second, the actual daily business of local states: implementing higher-level policy and making and implementing local policy in the absence of central/provincial policy in a particular area.

All three of the independent variables are important sources of variation, but the third deserves additional discussion because the agency of local officials has been underexplored. In twentieth century China local officials adopted ideologies of modernization that led them to engage in particular forms of local state building. In the 1920s and 1930s both local and national leaders concerned about China's "backwardness" went to great lengths to "modernize" the Chinese people's culture, daily habits, religious practices, and methods of agricultural production.¹³ They also strove to reorganize local state structures in order to make them more modern. This reorganization entailed elimination of state "brokers," such as tax farmers, who would be replaced by modern bureaucrats, and it also entailed the provision of public services such as education, basic health care, and infrastructure to help regulate social life and to protect the needy and the upright.¹⁴ The local state building that resulted bore the stamp of this modernizing impulse. In the post-Mao period (since 1976) the Communist Party central leadership's slogan of the four modernizations similarly focused on upgrading technology to promote economic growth through depoliticized bureaucratic administration. At the local level this general goal translated into specific modernization goals very similar to those of local Republican-era leaders. Local leaders wanted to develop industry, scientific agriculture, education, infrastructure, environmental protection, social services, and, most important, a higher standard of living for their local residents.¹⁵ These desires motivated local governments to implement state-building policies handed down from the center. However, local officials' aspirations also caused them to go beyond what the center told them to do and to engage in their own modernizing state-building projects without permission from above. The local leaders' preferences and ideologies about local state behavior, along with regionally specific central policies and limitations imposed by local social forces, help explain the emergence of local state variation in both Republican and post-Mao China.

The focus of this article on development of the local tax and public finance apparatus, rather than on the development of the state as a whole, follows the example of Tilly.¹⁶ Tax and public finance administration is the key internal state function.¹⁷ Without effective means to extract revenues or to allocate the revenues as desired, states can not perform their other functions. Analysis of a single policy area can not tell us everything about state building in all other policy areas, but the effects of tax and public finance administration cross over into many other areas. In short, if a state can not tax and spend, then it is unlikely that it can do anything else. Therefore, tax and public finance administration is a good, though not exhaustive, indicator of state building as a whole.

The comparison of two regions illustrates regional patterns of variation in each time period.¹⁸ The two regions are, in the most general of terms, north China and south China. North China is represented in the Republican comparison by Hebei province and in the PRC comparison by Tianjin municipality. South China is represented by Guangdong province. Tianjin is the port city closest to the capital, Beijing. While it is now administratively separate from Hebei province, historically it was part of that province. Guangdong abuts Hong Kong on the South China coast, a location that has often allowed it political and economic liberties unthinkable in other parts of the country. Since the two regions have had historically divergent relationships with the center, they are well suited to illustrate variation due to that cause. The two time periods under study are the Nanjing Decade of the Republic of China (1927–1937) and the first fifteen years of the reform period after Mao's death in the People's Republic of China (1980–1994). Comparison of the two periods illustrates that local state variation is not a result of a particular regime type.

Republican-Era Local Tax and Public Finance Administration

Tax and public finance organizations at the provincial and subprovincial level in Hebei and Guangdong came to differ substantially from each other during the Nanjing decade, 1927–1937, even though the weak central government gave them the same parameters for reforming this policy area. The variations in local state structure and function came about because local state building took place in an environment where, first, the central government was unable to enforce its policies evenly across regions, second, local state builders faced different local social contexts, and, third, local state officials had different preferences for, and ideologies about, local state behavior.

Central, Provincial, and County Context After over a decade of rule by feuding warlords, China was mostly reunited by the new Nationalist (KMT) regime in 1927–28. The new central government, controlling about two-thirds of China, went about building a new set of modern central state institutions and also tried to remold local state institutions.¹⁹ Among its most difficult tasks was enforcing the compliance of the remaining warlords, who now became regional powerbrokers in the new regime. Outside of the areas under the immediate control of the Nationalist army, compliance with central directives was more a goal than a reality. Still, by the time of the Japanese invasion in 1937, the new government had succeeded in forcing many provinces to send revenues to the center, to think about reforming county government and finance, and to comply with cultural-ideological campaigns like the New Life Movement.

In principle, leaders in both regions embraced the central regime's state-building, modernizing ideology, but they also had their own goals in implementing the center's

and their own state-building agendas. Neither Guangdong nor Hebei was under direct KMT control during most of this period, though they were influenced by the KMT's goals. Zhang Xueliang, warlord of Hebei, had close relations with the KMT government and usually observed central policy on fiscal issues, while regularly contributing to central coffers. In contrast, warlord Chen Jitang maintained much more independence in Guangdong, even briefly establishing a rival KMT central government in Guangzhou in 1931.²⁰ In 1936 Chen Jitang's troops lost several important battles to the KMT army, and Guangdong reverted to Nanjing's control.

Under these warlord provincial governments during the 1920s and early 1930s counties in Guangdong and Hebei provinces underwent a process of local state building, shaped by both the desires of local elites to establish "modern" public institutions and the orders of the provincial governments to establish more bureaucratic administration. The warlords of both provinces made efforts to establish "modern" state and economic institutions. For instance, Chen Jitang's regime established large state-owned factories, electric power plants, public roads and telephones, and other basic infrastructure.²¹ The Chen government also wrote a five year plan for bureaucratizing and rationalizing the provincial and county administrations from top to bottom and carried out a considerable part of it.²²

At the same time, the provincial governments in Hebei and Guangdong also began to exhort the counties to be modern and to require local governments to spend increasing amounts of their own money on modernization projects. For example, in the late 1920s in Hebei county governments were required to pay for new militias, ward self-government offices, and township government offices. Guangdong counties took on a growing array of new tasks related to public health and social welfare at the behest of the provincial government and also began to spend small but increasing amounts on pensions, education and culture, construction, and administration.²³ For instance, between 1933 and 1936 sixty of ninety-five Guangdong counties established provincially mandated public hospitals (*pingmin yiyuan*) or clinics, and fifty-five opened either a poorhouse (*jiuji yuan*), an orphanage, or an old folks' home.²⁴

Another factor shaping the form of local state building after the turn of the twentieth century was pressure from subprovincial elites, such as merchants and landowners, for local states to become more modern and "state-like." As scholars have shown, elite activism all over China led to quasi-official social service projects funded locally, particularly targeting education, but also including public health, welfare, and infrastructure.²⁵ These activities were public in that they were community-oriented and publicly financed, but they were not at first state activities in the sense of being directly operated or funded by the state. In short, local elites founded new public institutions and then in the 1920s and 1930s urged local states to take them over.

Local state builders' own preferences combined with these central and provincial policies and pressure from local social groups to shape how local state building was

carried out in each locality. One result was variation in the structure and practice of local tax and public finance administration.

Local State Variation during the Republic The first variation that emerged in the Nanjing decade was structural: there came to be a noticeable disparity in the different regions' levels of reform and bureaucratization. Guangdong's county governments were more successful than Hebei's in bureaucratizing tax collection, particularly for the land tax, and in restructuring the taxation and public finance organizations. After 1931, when its separatist government was established, the Guangdong provincial government established new powers to train and appoint county finance heads, resurveyed the land to compile new land tax registers, and established a new bureaucracy reaching down to the township to collect a newly reorganized and farther-reaching land tax.²⁶ In Hebei the counties established new bureaucracies to administer tax and public finance during the late 1920s and early 1930s and regularized their bureaucratic procedures, but the provincial and county governments were not as successful in these ventures as Guangdong localities were.

In the process of bureaucratization local social organizations contributed to the creation of tax and public finance bureaucracies that looked significantly different in the two regions. In Guangdong many counties bureaucratized through incorporation of lineage groups into township government and then reliance on townships to collect taxes for them.²⁷ Given their chronic funding shortages, the Guangdong counties could not afford to maintain township-level offices, but lineages already existed as hierarchically organized institutions of local governance that were easy to fit into the state bureaucracy. In contrast, there is no evidence of such incorporation in Hebei, where in the absence of strong lineages localities tended to rely informally on merchant groups to collect taxes. Furthermore, the village councils and other village organizations that made up the "cultural nexus of power" increasingly worked against the interests of local states.²⁸ Hebei's local officials could not rely on existing social organizations to aid their state-building efforts. Local state builders' abilities to construct effective structures and practices were in this way limited by local social contexts.

A second variation, this time in local state practices, was the means local state actors came to use for tax collection. The collection apparatus in Guangdong became significantly larger and more complex than that of Hebei. This difference is surprising because Guangdong's tax base was largely commercial, while Hebei's was dependent largely on land taxes. Tilly argues that land-based states in Europe grew larger and "heavier" than commerce-based ones because they had to use more collectors, more coercion, and more supporting structures to collect land taxes from a wide area, while commerce was conveniently concentrated in cities.²⁹ However, Republican China does not conform to this argument. Guangdong's counties had more trade than the less commercialized Hebei, so it makes sense that they derived more revenue from commerce. Guangdong

counties chose to levy vast numbers of commercial taxes—for example, Daoist priest levies and mushroom and pressed duck taxes—each contracted out to a different tax farmer. This approach made for a profusion of tax collectors, though not for a profusion of tax bureaucrats. If tax farmers are thought of as agents of the state (if not as bureaucrats), then the more commercialized region, not the less commercialized one, had a larger and more complex tax collection system. In fact, contrary to what Tilly would argue, if there is a proliferation of commercial taxes and if each one is subcontracted out to multiple collectors, commercial taxes can produce big, “heavy” collection apparatuses. Local officials envisioned and built “heavier” or “lighter” tax collection apparatuses in the two provinces based on their assessments of how best to extract from their local economies.

Finally, in a second variation in local state practice, Guangdong and Hebei provinces developed different kinds of revenue sharing relationships with their counties. The Guangdong provincial government found effective ways to prevent counties from siphoning off their revenues, while the Hebei government did not. In both provinces, counties contracted out most of their own commercial tax collection; in Hebei, the counties contracted out many provincial taxes as well. That is, county governments farmed out provincial taxes, received revenues from tax farmers, and were supposed to pass the revenues up to the province. In practice, counties often usurped provincial revenues. In contrast, the Guangdong provincial government directly contracted tax collection to merchants throughout the province.³⁰ In this way, even though Guangdong’s very active county elite groups (lineages and merchants) pushed county government to do their bidding, the province still exercised some control over county government finance. Interestingly, the Hebei provincial government, which had to deal with merchants but not with lineages, could not make any headway in directly farming out or otherwise controlling provincial tax revenues.³¹ In this case, provincial policy determined how local state building took place, resulting in very different local state structure and practice.

Each of these variations in the local states’ organization and practice of taxation and public finance had a significant impact on state-society relations and local state capacity. First, variations in local state structure and practice created variation in local state capacities. The bureaucratization of tax and public finance in Guangdong made it possible for the counties to centralize their finances, to survey and reform the land tax, and to enlist the aid of local elites in doing so. Furthermore, through their centralized system of tax farming the Guangdong provincial government had direct access to tax revenues outside the provincial capital, bolstering its fiscal position and ability to circumvent the engrossment of county governments. Both the bureaucratization and the tax farming arrangements improved the local governments’ capacity to collect revenue and to allocate it more effectively. Hebei counties were never able to centralize funds as effectively or to reform the land tax. Hebei province was completely at the mercy of the county governments in tax collection,

compromising the tax collection capacity of the Hebei provincial government and therefore of the central government. Second, the variations in local state structure and practice had consequences for state-society relations. In Guangdong province the tax policies had to be implemented through local lineage organizations, which sometimes chose not to cooperate with the local state but at other times greatly facilitated policy implementation and reform. Viewed from the bottom up, the lineage organizations' participation could ease the harshest demands of the local state's extractive arm for ordinary people. In the Hebei counties, these intermediate social groups were much less powerful. As Duara argues, rather than soften the blows of the state, they became more predatory over time. In short, depending on whether the local social organizations were working with or against the local state, they could facilitate or impede policy and reform efforts and in either case could shape state-society relations and local state capacities. The two provinces created substantially different tax and finance administrations. Where they performed badly, the provinces jeopardized the central government's capacity to govern, since it depended in part on provincial revenue collection to govern effectively.

Local State Variation during the Post-Mao Period

The variation in local state structures and practice produced during the first part of the post-Mao period, 1980–1994, is more surprising. Local state building took place in the context of the relatively homogeneous local states created by the once revolutionary regime, and local states had broadly similar objectives: to promote economic development and to build new tax collection and spending structures. Yet Guangdong and Tianjin officials did not choose similar methods to achieve these goals; they developed significant differences in tax and public finance administration. In the post-Mao period both higher-level policy and local officials' preferences and ideologies about the role of the local state shaped the local state-building process; this process during this period was influenced to a lesser degree by local social context. The outcome was variations in local state structure and practice.

Central, Provincial, and County Context During the post-Mao period the central government was instrumental in creating a series of incentives for local states to engage in state building. In the interest of generating the wealth necessary to modernize, the post-Mao reforms encouraged local economic development through decentralization of fiscal and economic powers. The center made it worthwhile for provinces and their subordinates to foster their economies and to improve their extractive capacity by letting them keep more of the revenues collected in their areas. It also withdrew some of the subsidies and services it had previously supplied, asking localities to assume those responsibilities.

But within this context the localities often went beyond the centrally approved decentralization of powers. As a result, the changes were more complex than a simple reallocation of existing central or provincial tasks. Counties had great modernizing ambitions and dreams of prosperity. They built new sports pavilions, new schools, roads, bridges, public buildings, parks, wholesale and retail markets, and hospitals. Below them, townships and some villages built much of the same, as well as irrigation works and other agriculture-related infrastructure and services. They obtained the revenues to do so by developing their own distinctive forms of tax and public finance organization.

The demands of decentralization, combined with local officials' desires to undertake their own modernizing projects, shaped the form of local state building particularly at the subcounty level. By 1983 the communes were disbanded; for several years thereafter local states in rural China were in disarray. But beginning in 1985 township and village governments were established, and they began to take on many new tasks and to reach downwards in ways that communes and villages before them had never done. They went beyond simply scrambling to make up for lost subsidies and county allocations to include the provision of services and goods that township and village governments were not required to provide.³² However, townships could also choose to pay for activities that were not on their list of responsibilities. The townships used their above-quota discretionary revenues to supplement county funds (for instance, to hire extra workers for the township finance bureau), and discretionary funds often went to investment in or support of township enterprises and to social services. For instance, in 1987 townships in one Guangdong county used above-quota revenue to invest in township enterprises and to build modern clinics, retirement facilities, tobacco roasting facilities, schools, a printing plant, and a water processing plant.³³ The townships were not required to do these things but rather viewed them as local state-building goals. How the different localities paid for them however, varied considerably from place to place.

Variation in Post-Mao Tax and Public Finance Administration Central policy and local officials' preferences and ideologies shaped the local state-building process to produce three important variations in the structure and practice of local tax and public finance administration. Each variation had important impacts on local state-society relations and local state capacity. First, central policy was crucial in determining the overall fiscal environment: the two regions negotiated very different revenue sharing contracts with the center and with their localities, affecting the ways that localities approached economic development. Second, these different contracts resulted in differences in local state structure and practice below the county level. Finally, the regions developed disparate styles of preventing tax evasion and of supervising enterprises.

First, local economic development strategies, including the practice of taxation

and public finance administration, were shaped by how the provincial governments acted upon central revenue sharing policies. Guangdong and Tianjin shared revenues with the center in the post-Mao period in different ways. Until the early 1980s revenues were mostly controlled by the central government, which took the majority of the revenues collected by provincial governments and left the provinces with only a small amount to spend as they chose.³⁴ As the economic reforms progressed, however, it became clear that provinces needed additional incentives to promote local economic development. The center therefore struck new bargains with the provinces to give them larger shares of any increased revenues derived from economic development. Guangdong (along with Fujian) negotiated the best contract of all: in 1980 it received a five year contract wherein the province remitted a billion yuan every year to the center and kept everything else.³⁵ In subsequent plans, the yearly quota was raised substantially, in part through “loans” to the center but provincial revenues still increased astronomically.³⁶ Tianjin was not so lucky. Every year from 1976 until 1984 it was permitted to keep a low, fixed amount of revenue (81 million yuan), and when total revenues exceeded an agreed-to quota, the region could also keep a percentage of over-quota revenues. After 1985 Tianjin was permitted to keep only about 40 percent of “shared” tax revenues.³⁷ Thus, over this period Tianjin remitted as much as 69 percent and as little as 35 percent of its revenues to the center, while Guangdong remitted as much as 26.8 percent and as little as 8.1 percent.

Consequently, Guangdong’s revenue contract with the central government created strong incentives for local states to do everything they could to encourage local economic development, while Tianjin’s was considerably more conservative. Guangdong replicated its fixed-quota sharing relationship with the center in the counties below it. Even though the center broke its part of the bargain by asking the province for additional “contributions,” and the provinces in turn broke their bargain with the counties by asking for “contributions” from them, this arrangement still created incentives for local governments to enliven the local economy as well as to intensify their tax collection efforts. Tianjin also created revenue sharing relationships with the counties below it that mirrored its contract with the center. Counties kept a fixed, low percentage of the revenues collected in their territories.³⁸ Therefore, Tianjin counties still benefited if they built up the local economy and increased tax collection efforts, but not as much as their Guangdong counterparts did. Below the counties, townships were still on the unified income and expenditure system, whereby they handed up all their revenue and received all their expenditure funds and goals from the county. They therefore had much less incentive to promote economic development. Interestingly, both Guangdong and Tianjin leaders chose to replicate their fiscal relationships with the center at the county level; they were permitted to make whatever arrangements they chose. Because of these differences, Guangdong had much more revenue at its disposal.

The second type of local state variation deriving from central policy was structural in nature: the different revenue sharing practices described above produced more complex structures of tax and public finance organizations at the subcounty level in Guangdong than they did in Tianjin. Because Guangdong's sharing arrangement gave townships some fiscal independence, they each were rewarded with their own finance offices. And because this independence created incentives for townships to collect as much revenue as they could, they also demanded their own tax offices. In contrast, townships in Tianjin did not demand tax offices, because their sharing regimes gave them no incentive to ask for them. Instead, taxes were collected by district offices spanning several townships. In Tianjin, the tax collection system was not as differentiated, nor did it reach as far down, as Guangdong's system. The center's different revenue sharing policies in Guangdong and Tianjin thus ultimately created structural differences in local tax and finance administration.

An additional effect of the centrally set economic incentives and revenue sharing system was unofficial township revenue collection practices that varied greatly from place to place and were often conducive to abuse by local officials. In Tianjin, to supplement their development needs, townships were permitted two sources of revenue that were not controlled by the county: extrabudgetary funds from both a 15 percent agricultural surtax and the agricultural special products tax and "self-raised" funds (*zichou zijin*).³⁹ The self-raised funds included a percentage, up to 50 percent in some places, of township enterprises' profits, plus various other fees that villages and townships might levy on the households in their areas for things like irrigation projects or old folks' homes.⁴⁰ The county governments did not really know the extent of these fees, though they tried to regulate them.

Guangdong townships relied on even more extrabudgetary sources than their Tianjin counterparts. Extrabudgetary revenue sources included the profits of township-owned enterprises, a 10 percent surtax on the agriculture tax collected in their area, over-quota collections plus a 10 percent surtax on the agricultural special products tax, and self-raised funds. The latter came from three main sources: management fees, mandatory grain levies on villages, and a few temporary, county-approved "special funds from society" (*shehuishang de yixie zhuanxiang kuan*), or levies on farmers. Mainly poorer agricultural townships relied on these sources, as wealthier ones could count on the revenues from industrial enterprises. The county tax bureau reserved the right to be told how much of each the townships had collected, and the bureau was supposed to have exclusive right to grant the townships permission to collect new types of revenues.⁴¹

Obviously, there was potential for these special funds in both Tianjin and Guangdong to become very burdensome. Since these fees were semiillegal and poorly regulated from above, their collection and administration were idiosyncratic. The likelihood of abuses in this area had major effects on local state-society relations. Some townships in other parts of China, especially poor ones that did not have much

township enterprise revenues, imposed very high levies and collected them extremely coercively, inciting farmers to revolt and the central government to criticize them for making the “peasant burden” too heavy. Clearly, these levies were a major source of conflict in local state-society relations.⁴²

A final local state variation was in practices of preventing and detecting tax evasion. When local officials constructed tax evasion control mechanisms, they were influenced by their preferences and ideologies about how modern local states should behave. The result was a more coercive, intrusive approach in Tianjin than in Guangdong. As described earlier, Tianjin tax officials pursued tax evading small entrepreneurs with methods of mass mobilization, denunciation, and mutual surveillance. They used such tools as “democratic assessment small groups,” where groups of entrepreneurs were asked to review the records of their competitors and to denounce tax cheats, and televised mass meetings, in which entrepreneurs were subjected to criticism and humiliation in front of hundreds of people. They did so because Tianjin municipal leaders encouraged them to take an interventionist approach in local economic life. In contrast, Guangdong officials found these methods abhorrent because they were so reminiscent of the politically volatile periods of the revolution and the Cultural Revolution.⁴³ Influenced by Guangdong provincial leaders’ relatively hands-off ideology about the limited role of the local state in economic development and the economy more generally, they preferred to use investigation and small group study sessions to detect and prevent tax evasion.⁴⁴ Perhaps not surprisingly, county officials in Tianjin told more stories about officials facing incidences of tax resistance and physical attack than Guangdong officials did. They were certainly the mark of very different state-society relations and had consequences for state capacity.⁴⁵ While Tianjin officials clearly found it hard to implement central and local tax policy as a result of the adversarial atmosphere they created, Guangdong experienced several major tax evasion scandals in the 1990s.

In addition, the localities took quite different approaches in preventing tax evasion in larger enterprises, such as state-owned enterprises. In Tianjin the county tax bureaus assigned agents to supervise and work closely with key local enterprises (including state-owned enterprises and large collectives).⁴⁶ Guangdong officials generally made no such assignments, except for tax bureau participation in and supervision of tobacco production in tobacco-growing counties. The Tianjin officials, it seemed, had a rather proprietary feeling toward their enterprises, while the Guangdong officials did not, except for the lucrative tobacco monopoly. In interviews, the Tianjin tax officials were much more vocal in their worry about supervising the thousands of household enterprises they could not control in the same way as the larger ones. The Guangdong officials barely mentioned this supervision as a problem. Thus, local ideas about the proper degree of state involvement shaped tax bureaus’ supervision of enterprises to prevent tax evasion. This difference in state-society relations in the two localities in how tax bureaus and the enterprises interacted was significant.

In summary, in the post-Mao period local officials in Tianjin and Guangdong developed fundamental differences in the ways they organized and carried out tax and public finance work. Guangdong tax bureaus had a presence in every township, whereas Tianjin bureaus did not; Tianjin actually stationed tax officials in large enterprises and had what appears to be a rather tense relationship with smaller enterprises, while Guangdong did not. All in all, state-society relations were different in these two regions. Tianjin tax and public finance officials directed, fought with, and embarrassed entrepreneurs from a distance, while Guangdong officials kept their hands off while trying to encourage economic development from a closer location, the township tax office. These different state-society relations affected local state capacities as well. Tianjin officials met resistance with coercion and were therefore less effective than Guangdong officials, who used more institutionalized, noncoercive methods. In turn, this difference affected the ability of the central government to collect provincial revenues. Furthermore, Guangdong's more elaborated system of public finance allowed lower levels of government to promote development more effectively than Tianjin's. These regional variations are ultimately traceable to how both central tax and public finance policy and local officials' preferences and ideologies about appropriate local state behavior shaped local state building.

Conclusion

During the twentieth century the Chinese central government spanned a wide range of regime types: monarchy, constitutional republic, tiny warlord regimes, authoritarian capitalist state, Communist state with a centrally planned economy, and finally authoritarian market-socialist state. An examination of two of these regimes reveals that, regardless of central regime type, local states developed a high degree of variation in the structures and practices of tax and public finance administration. These variations emerged from the state-building strategies adopted by local officials. These strategies were shaped by a combination of particularistic central policies, local social contexts, and the different preferences and ideologies of local state officials about the kinds of modern local states that they desired. Consequently, state-society relations in different parts of China varied considerably. Without a local approach, it would not be possible to have as nuanced or as accurate a picture of the Chinese state's structure and practices or of state-society relations in China. It would clearly be misleading to take either of the localities as being representative of the entire country in these respects. Further, the important variation in local states would be missed if the homogenizing, difference-erasing aspect of central state building was viewed as the only important aspect of state formation.

The variation in local state structure and practice described here has important con-

sequences for the effectiveness and capacity of China's local and central states and by extension for the persistence of the current regime. First, in the reform era local governments have been charged with implementing many of the policies on which the central government stakes its reputation and its future. Localities are responsible for providing social services and implementing politically volatile policies such as unemployment, family planning, and pension plans. When localities implement these policies harshly or unfairly, the population rebels, and the locality and center both lose.⁴⁷ Second, in the post-Mao era economic development has replaced ideology as the main legitimating tool for the center. Meeting the population's basic needs is seen as the key to stability, and it has fallen in large part to localities to create economic development. If local states create antagonistic, rather than cooperative, economic relations with local society, then localities may fail in this task, and the regime's stability may be threatened. Why are some localities better equipped to promote economic development and to carry out difficult policies than others? This approach lays out the groundwork for specifying more precisely the success or failure of local states and for explaining why their success or failure is crucial to the central state.

This lesson is relevant to the study of states other than China, as well. Particularly in larger polities where central governments have uneven success in implementing their policies across regions or where state-society relations have differed radically across regions, this approach might help explain why. For example, local state variation might explain why in some parts of Indonesia conflict has arisen between ethnic groups and the local state, but not in others where there are just as many ethnic divisions. It might help explain why local politics are much more democratic in some parts of Brazil than in others, or why indigenous people in Chiapas, but not in other parts of Mexico, engaged in the uprising that began on January 1, 1994.⁴⁸ Analysis employing local state variation might also help explain additional dimensions of the problems of maintaining a federalist system in countries like Nigeria, where northern local leaders have chosen to implement an Islamic legal system rather than to maintain the postcolonial one. These issues of regional variation in policy outcomes, state capacity, and state-society relations are less relevant in smaller countries where the central government may have less difficulty in imposing uniformity in policy implementation, but for large, complex polities the consequences of local state variation may be profound, indeed.

NOTES

Interviews by the author are cited according to location bureau number, where JX is Jixian, JH is Jinghai, KP is Kaiping, and NX is Nanxiang; TX is tax bureau; and FN is finance bureau. A complete list of interviews is available from the author upon request.

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13. On the New Life Movement, see Lloyd E. Eastman, “Nationalist China during the Nanking Decade, 1927–1937,” in Jerome Chen, Lloyd E. Eastman, Suzanne Pepper, and Lyman P. Van Slyke, eds., *The Nationalist Era in China 1927–1949* (New York: Cambridge University Press, 1991), p. 31; on mod-

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15. A good example of county leaders' clear enunciation of their aspirations is a book published and written by the Nanxiong county, Guangdong, government, Chen Feng and Fan Ying, eds., *Nanxiong Tese Yanjiu* [Research on Nanxiong's Special Characteristics] (Shaoguan: Renmin Chubanshe, 1987).

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17. Margaret Levi, *Of Rule and Revenue* (Berkeley: University of California Press, 1988); Gabriel Ardant, "Financial Policy and Economic Infrastructure of Modern States and Nations," in Tilly, ed., *The Formation of National States*, pp. 164–97; and Rudolf Braun, "Taxation, Sociopolitical Structure, and State-Building: Great Britain and Brandenburg-Prussia," in *ibid.*, pp. 243–327.

18. The work is based on interview and archival research in Kaiping and Nanxiong counties in Guangdong province and Jixian and Jinghai counties in the Tianjin/Hebei region from 1991 to 1993. For the Republican period, it also draws on secondary research on Dingxian county, Hebei.

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33. *Nanxiong Caishui Zhi Bianzuan Lingdao Xiaozu*, p. 49.

34. Michel Oksenberg and James Tong, "The Evolution of Central-Provincial Fiscal Relations in China, 1971–1984," *The China Quarterly*, 125 (March 1991), 1–32; Christine P. W. Wong, "Central-Local Relations in an Era of Fiscal Decline: The Paradox of Fiscal Decentralization in Post-Mao China," *The China Quarterly*, 128 (December 1991), 691–715; Christine P. W. Wong, ed., *Financing Local Government in the People's Republic of China* (Hong Kong: Published for the Asian Development Bank by Oxford University Press, 1997).

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37. *Dangdai Zhongguo Congshu Bianjibu*, ed., *Dangdai Zhongguo de Tianjin* [Modern China's Tianjin] (Beijing: Zhongguo Shehui Kexue Chubanshe, 1989), pp. 465–66; Li Kejian, ed., *Tianjin Quan Shu* [Tianjin Encyclopedia] (Tianjin: Tianjin Renmin Chubanshe, 1991), p. 328.

38. The percentages of retained revenue in the late 1980s varied considerably, from 53 percent of all revenues in richer Jinghai county to 86 percent in poorer Jixian. Interviews JH-FN-01 and JX-FN-01.

39. Extrabudgetary funds are revenues raised by an enterprise or government office for its own use, not subject to sharing with, or sometimes even reporting to, superordinate levels. Usually acceptable sources are specified by the superordinate level.

40. Interviews JX-FN-01 and JH-FN-06.

41. Interview KP-TX-02.

42. For more discussion of the "peasant burden" and the central government's attempts to limit it to 5 percent of annual peasant incomes, see Xiaobo Lü, "The Politics of Peasant Burden in Reform China," *Journal of Peasant Studies*, 25 (October 1997), 113–38; Wong, *Financing Local Government*; Andrew Wedeman, "Stealing from the Farmers: Institutional Corruption and the 1992 IOU Crisis," *The China Quarterly*, 152 (December 1997), 805–31.

43. Interview NX-TX-01.

44. Guangdong provincial leaders emphasized a professional, laissez-faire ideological approach to local state administration as they sought to become the most politically and economically "liberated" province. See Vogel. This ideological difference is a better explanation of the different levels of coercion in the two localities than is levels of wealth, because Jinghai county, Tianjin, relied heavily on coercion in spite of the fact that it was a wealthy county, containing at that time the wealthiest village in the whole country, Daqiu Zhuang.

45. Interviews JX-TB-02 and JH-TB-06.

46. Interviews JH-TB-01 and JH-TB-06.

47. See the essays in Elizabeth J. Perry and Mark Selden, eds., *Chinese Society: Change, Conflict and Resistance* (London: Routledge, 2000).

48. See Abers.