
RURAL CADRES AND GOVERNANCE IN CHINA: INCENTIVE, INSTITUTION AND ACCOUNTABILITY

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The tax-for-fee reform and the abolition of the agricultural tax in the early 2000s have drastically altered village cadres' prioritizing of their responsibilities. Tax and fee collection used to be the most important responsibility.¹ With the abolition of the agricultural tax, village cadres are expected to pay more attention to the provision of local public goods. Whether they do so is crucial for the governance of China's 640,000 administrative villages, where 70 per cent of the country's population lives.

Village cadres' ability to serve village communities is influenced by both the financial resources that they have at their disposal and by the incentive structure under which they operate. This paper examines the factors that affect Chinese village cadres' performance, based on a national survey of 400 villages. We focus on two questions: how village cadres juggle their commitment to state responsibilities, community needs and family income-generation, and what kind of villages tend to spend more on village public goods. We find that salaries (as opposed to bonuses) drastically affect village cadres' commitment to community needs and village expenditure on public goods. Our study also shows that the Party-state has retained significant influence over village cadres. When village cadres face competing demands from their families, the village community and the state, they tend to give priority to state tasks first, seeing these as "hard responsibilities",² and they put community needs last.

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¹ Thomas Bernstein and Xiaobo Lü, *Taxation Without Representation in Contemporary China* (New York: Cambridge University Press, 2003), p. 91; Chen Guidi and Chun Tao, *Zhongguo nongmin diaocha* (Surveys of Chinese Peasants) (Beijing: Renmin Wenxue Chubanshe, 2004).

² Kevin O'Brien and Lianjiang Li, "Selective Policy Implementation in Rural China", *Comparative Politics*, Vol. 3, No. 2 (1999), pp. 167-86.

Village Cadres and Rural Governance

The provision of local services is an important aspect of village cadres' work. A survey of 345 villages conducted in Guangdong Province in 2008 found that, while 35 per cent of the public projects provided in those villages were funded by township or higher-level governments, the remaining two-thirds were provided by the villages themselves.³ The extent to which village cadres facilitate such projects is crucial.

Like state agents elsewhere, Chinese village cadres are accountable to both formal and informal institutions. The CCP imposes a top-down accountability system to check on local officials. It is common for upper-level authorities at the city and county levels to specify a checklist of responsibilities for lower-level cadres to fulfill, and to link bonuses to the fulfillment of these responsibilities. Township governments also assign tasks to village cadres.⁴ This mode of monitoring can be effective in achieving particular policy or developmental goals, such as implementation of the family-planning policy.⁵

Chinese village cadres also face constraints arising from village elections. Although village elections may not be meaningful for some villages, they do act as a constraint upon village cadres in many places.⁶ To facilitate policy implementation, elected village cadres need to reach consensus with villagers on certain issues.⁷ Not surprisingly, the development of village democracy has remained uneven,⁸ and village democracy may not always lead to good

³ This survey was conducted jointly by Zhongshan University and the Hong Kong University of Science and Technology in Guangdong Province in 2008.

⁴ Yongshun Cai, "Between State and Peasants: Local Cadres and Statistical Reporting in Rural China", *The China Quarterly*, No. 163 (2000), pp. 783-805.

⁵ Maria Edin, "State Capacity and Local Agent Control in China: CCP Cadre Management from a Township Perspective", *The China Quarterly*, No. 173 (2003), pp. 35-52; Susan Whiting, *Power and Wealth in Rural China: The Political Economy of Institutional China* (New York: Cambridge University Press, 2001); Kevin O'Brien and Lianjiang Li, "Selective Policy Implementation in Rural China".

⁶ Melanie Manion, "Democracy, Community, Trust: The Impact of Elections in Rural China", *Comparative Political Studies*, Vol. 39, No. 4 (2006), pp. 301-24; Lianjiang Li, "The Two-Ballot System in Shanxi Province: Subjecting Village Party Secretaries to a Popular Vote", *The China Journal*, No. 42 (July 1999), pp. 103-18.

⁷ Melanie Manion, "The Electoral Connection in the Chinese Countryside", *American Political Science Review*, Vol. 90, No. 4 (1996), pp. 736-48; Kevin O'Brien, "Implementing Political Reform in China's Villages", *Australian Journal of Chinese Affairs*, No. 32 (July 1994), pp. 33-67.

⁸ Baogang He and Youxin Lang, *Xunzhao minzhu yu quanwei de pingheng* (Striking a Balance Between Democracy and Authority) (Wuhan: Huazhong Shifan Daxue Chubanshe, 2002); Robert Pastor and Qingshan Tan, "The Meaning of China's Village Elections", *The China Quarterly*, No. 162 (2000), pp. 490-511.

governance or make cadres accountable.⁹ However, constraints arising from village elections can no longer be neglected.

Chinese village cadres also face constraints associated with informal institutions, such as community pressure arising from their ties with the village community. Lily Tsai finds that, in less democratic villages, such informal institutions as religious organizations and solidary groups can influence the provision of local public goods.¹⁰

What is not adequately addressed in the current research is how economic incentives influence village cadres' behavior. Chinese village cadres are not civil servants, and their terms are usually limited—to no more than eight years, according to our survey. They generally do not enjoy the benefits offered to civil servants, such as retirement pensions. In recent years, the state has made an effort to meet the needs of village cadres, for instance by introducing new insurance schemes. However, it is also common practice that local governments do not pay for village cadres' insurance premium once they leave their positions.¹¹ Given that village cadres have to depend upon their own resources after retirement, economic security is important to them. We conjecture that, as a consequence, some capable villagers are reluctant to take up village cadre positions and instead choose off-farm jobs, particularly in the less-developed areas.¹²

It is not a novel idea to suggest that economic incentives influence village cadres; previous research has described how local cadres were enthused about rural industrialization because it brought huge economic benefits to both rural communities and themselves,¹³ and how bonuses were implemented by higher levels of government to influence cadre behavior.¹⁴ These studies have ignored, however, the interlinked issues of how regular salaries affect cadre behavior and how village cadres balance the competing or conflicting needs of their families, the village community and the state. With the abolition of the agricultural tax, village cadres are now paid by the government instead of by villagers, increasing the importance of regular salaries in the overall incentive structure.

⁹ Village elections may also create conflicts among the villagers. Melanie Manion, "Democracy, Community, Trust"; Lianjiang Li, "The Two-Ballot System in Shanxi Province".

¹⁰ Lily Tsai, "Solidary Groups, Informal Accountability, and Local Public Goods Provision in Rural China", *American Political Science Review*, Vol. 101, No. 2 (2007), pp. 355-72; Lily Tsai, "Cadres, Temple and Lineage Institutions, and Governance in Rural China", *The China Journal*, No. 48 (July 2002), pp. 1-27.

¹¹ Ning Zekai, Liu Hailiang, Wang Zhenbing and Cai Haofang, "Cun ganbu xiang he chuqu" (How to Select Village Cadres), *Zhongguo nongcun guancha* (Observations of Rural China), No. 1 (2005), pp. 58-71.

¹² An Chen, "The Failure of Organizational Control: Changing Party Power in the Chinese Countryside", *Politics and Society*, Vol. 35, No. 1 (2007), pp. 145-79.

¹³ Jean Oi, *Rural China Takes Off* (Berkeley: University of California Press, 1999).

¹⁴ Maria Edin, "State Capacity and Local Agent Control"; Susan Whiting, *Power and Wealth in Rural China*.

This paper examines how village cadres' salaries have affected their prioritizing of various responsibilities. It is based on a national survey (China General Social Survey 2005) of about 400 villages in 23 provinces, which includes eight provinces in the east, nine provinces in central China, and six provinces in the west (see Appendix). We find that village cadres may sacrifice community needs, but not state-assigned responsibilities, when they need to generate more family income than their salaries provide.

Incentives and the Prioritization of Responsibilities

Chinese village cadres are state agents, representatives of village communities, and breadwinners for their families. They need to balance these different responsibilities. How they balance these needs reveals their commitment to the state and the village community.

The minimum requirement for village cadres is the fulfillment of state tasks. The specific responsibilities assigned to village cadres have varied over the years, but they were always hard-set requirements. Since the 1980s, the enforcement of the family-planning policy has been a priority for village cadres and township officials. This responsibility was especially difficult during the 1980s because of strong resistance from villagers. From the early 1990s to the early 2000s, the collection of taxes and fees was the most time-consuming and difficult assignment for village and township officials in agricultural-oriented areas, since local governments in these areas relied heavily on agricultural revenue. This particular task was a "hard target" for the township and village cadres, and its fulfillment was often directly linked to salary payment.¹⁵

Peasants' financial burdens were seen as a major source of social conflict in rural China during the late 1990s. Partly because of widespread resentment among peasants, the central government introduced the tax-for-fee reform nationwide in 2002 and then abolished the agricultural tax in 2004, thus reducing village cadres' responsibilities.

Village cadres are also representative of their communities. They both represent their communities to external parties and assume the responsibility of providing public services to their communities. Township authorities may intervene in community affairs when villages are required to meet the criteria set by upper-level authorities for being labeled an "affluent" village (*xiaokangcun* 小康村) (as, for example, in the case of construction projects). However, upper-level authorities generally do not intervene in village affairs, and do not provide public goods for the community.¹⁶ Village cadres are expected to assume this responsibility. Needless to say, whether village cadres are willing to make a commitment to community affairs is affected by community pressure and the availability of resources.

The community pressures cadres through both formal and informal mechanisms. The introduction of village democracy or the election of village

¹⁵ Kevin O'Brien and Lianjiang Li, "Selective Policy Implementation in Rural China".

¹⁶ Lily Tsai, "Cadres, Temple and Lineage Institutions".

heads and representatives have placed more pressure on cadres.¹⁷ The presence of these formal democratic institutions can induce village cadres to accommodate community needs. Village cadres also face pressure from clans and other informal groups.¹⁸

Nevertheless, this pressure is meaningful only when village cadres have an incentive to stay in their jobs. Like other people, village cadres tend to maximize their own income.¹⁹ Unlike upper-level government employees, village cadres face limited career prospects. Most remain temporary employees of the Party-state. In our sample, about 65 per cent of the village cadres stayed in their positions for less than eight years. Such cadres have limited incentive to work for the Party-state or the community if they have to sacrifice family income. It is for this reason that local authorities, especially those in less developed areas, have much difficulty in recruiting capable villagers into the village institutions. A survey of the villages in a Shaanxi Province county conducted in the early 2000s found that 28 per cent of the villages did not have village heads for three to four years, because they could not find acceptable candidates. This county is not an isolated case.²⁰

In our 2005 survey, village cadres were asked to estimate their time allocation among the following activities: farming, off-farm income-making activities, collecting taxes and fees, enforcing the family-planning policy, managing collective enterprises, resolving neighborhood disputes, receiving inspections, organizing agricultural production, providing community services, and other. On the basis of their answers we divide village cadres' responsibilities into four categories: (1) tasks assigned by upper-level authorities, including tax and fee collection, enforcement of the family-planning policy, and reception of upper-level inspections; (2) community affairs, including organizing agricultural production, providing community services, and addressing neighborhood disputes; (3) family income-generating activities, including both farm and non-farm activities; and (4) miscellaneous activities, which are not discussed in this paper.

We measure village cadres' priorities by examining the proportion of time that they spent on each of these responsibilities. Our survey shows that family income generation was accorded top priority by village cadres. This is not surprising, because village cadres, like ordinary farmers, need to ensure family income. According to the survey, 31 per cent of the cadres' time was allocated to generating income (21.6 per cent to family agricultural production and 9.4 per

¹⁷ Melanie Manion, "Democracy, Community, Trust"; Kevin O'Brien, "Implementing Political Reform in China's Villages".

¹⁸ Lily Tsai, "Solidary Groups, Informal Accountability, and Local Public Goods Provision".

¹⁹ Jean Oi and Scott Rozelle, "Elections and Power: The Locus of Decision-making in Chinese Villages", *The China Quarterly*, No. 162 (2000), pp. 513-39.

²⁰ Ning Zekai, Liu Hailiang, Wang Zhenbing and Cai Haofang, "Cun ganbu xiang he chuqu".

cent to off-farm work). The time allocated to these activities was followed by enforcement of the family-planning policy (15.4 per cent), organizing community agricultural production (10.3 per cent), addressing community members' disputes (9.4 per cent), tax collection (8.3 per cent), community building (7.7 per cent) and receiving upper-level inspectors (6.7 per cent).²¹

Based on how they allocate their time, we used factor analysis to divide village cadres into three categories: state-task-oriented; community-oriented; and family-oriented. Each type of cadre spent the greatest proportion of their time on the type of activity named by their category.²²

Table 1: Time Allocation of Village Cadres

Type of Village Cadres	N	Time Allocated (%)		
		State Tasks	Community Affairs	Family income
State task-oriented	129	34.0	26.8	28.2
Community affairs-oriented	130	31.6	40.7	12.3
Family income-oriented	129	25.6	14.5	52.7
Total	388	30.4	27.4	31.0

Source: China General Social Survey 2005.

Factors Influencing Cadre Time Allocation

If being a cadre fails to bring reasonable income or other benefits, then cadres incur an opportunity cost. In general, cadres give state tasks and community needs priority only if they believe that the opportunity cost of doing so is small. An obvious factor affecting village cadres' behavior is the income generated through their positions, which includes salaries and subsidies.

In China, village cadres' salaries are generally regulated by upper-level authorities. In our survey of 393 villages, 337 (85.8 per cent) reported that their salaries were determined by the township or county government.²³ The survey

²¹ Less than 2 per cent was spent on collective enterprises, and the remaining 9.3 per cent was spent on miscellaneous work.

²² To be sure, there are regional variations. Whereas village cadres in the east were equally divided between pursuing family-oriented activities (35 per cent) and fulfilling state responsibilities (36.3 per cent), those in the western part of the country were disproportionately involved in community-oriented affairs (44.2 per cent), and spent the least time in performing state tasks (25.3 per cent). Village cadres in central China appeared to have divided their time more or less equally among the three sets of responsibilities/activities (35.3 per cent state tasks, 31.6 per cent community tasks and 33.1 per cent family economic activities).

²³ As for the subsidies, 57.3 per cent reported receiving them from the township or county government, 11 per cent reported receiving them from the village authority, 12.5 per cent reported others, and 19 per cent could not tell.

shows that the average annual salary of village cadres in the 374 villages was 3,030 yuan in 2004, and they received 276 yuan in subsidies. Village cadres' salaries were generally determined by both the level of economic development and the size of the village. However, what determines the opportunity cost incurred by village cadres is not the absolute income generated by their positions but their income relative to other villagers in the same community. For this reason, we use the ratio between a cadre's income and the mean income of villagers in the same village as a proxy for village cadres' economic incentive to work for the state and the community: the larger the ratio, the stronger the incentive.

In our analysis, the amount of land per capita, the proportion of plain areas in overall cultivable land in a village, and the proportion of rice paddy in a village are included as proxies for the amount of time a village cadre is likely to devote to satisfy basic family needs. The underlying assumption is that proportionately more time needs to be devoted to farming in favorably endowed villages (those with more land per capita and/or more plain land and/or rice paddy). It is thus expected that village cadres in these villages spend less time on state tasks and community affairs and more time on family income generation. We include, in addition, several other control variables. One is distance from the county seat. Since most village cadres are now directly paid by upper-level authorities, they have to accommodate the interests of the state in order to stay in power. We assume that villages close to the county seat are likely to be subjected to greater state influence. The other control variable pertains to regional location; namely the east, the centre and the west. We assume that village cadres in the less-developed western region will tend to allocate more time to family income generation to offset the opportunity costs of being village cadres in villages with few, if any, alternative off-farm income sources.

Table 2 presents the outcome of a Multilogit Analysis of cadres' behavior, with the family-oriented cadre serving as the reference group for comparison against the other two cadre types. As expected, economic incentive is indeed a significant factor in shaping village cadres' behavior. The positive coefficient of cadres' income ratio supports the hypothesized reasoning that higher salaries tend to increase the time that cadres spend on both state tasks and community affairs. After the tax-for-fee reform and the abolition of the agricultural tax, village cadres' salaries are now covered by the state budget. Existing reports suggest that local governments have taken into account variations in villages' level of economic development when deciding the size of salaries for village cadres. In a county in Gansu Province, for example, the average annual salary of village cadres in 2006 was 1,461 yuan, or 1.3 times that of 2002. However, there is wide variation. The highest was 2,730 yuan and the lowest was 896 yuan. In this county, the level of salary was based on both the level of economic development and the population of the village.²⁴

²⁴ Zhang Junkang, "Gansu cunganbu nianxin duoshao?" (How Much is the Salary of Village Cadres in Gansu?), *Gansu jingji shibao* (Gansu Economic Daily), 1 February 2007.

Table 2: Multilogit Regression of Village Cadres' Behavior on Selected Variables

	State Task-oriented ¹	Community Affairs-oriented ¹
Cadres' income ratio	0.002** [0.001]	0.001* [0.001]
Land per capita [log]	-0.221 [0.182]	-0.431** [0.187]
Plain area ratio [%]	0.004 [0.004]	0.005 [0.004]
Rice paddy ratio [%]	-0.002 [0.004]	-0.003 [0.004]
Distance to county seat	-0.007 [0.007]	-0.005 [0.007]
Region [= central] ²	0.153 [0.291]	0.309 [0.306]
Region [= west] ²	-0.073 [0.361]	0.760** [0.345]
Constant	-0.342 [0.446]	-0.500 [0.462]
Observations	386	386

Note: * <.1; ** <.05; *** <.01;

¹The base group is family-oriented cadres;

²The base group is the east.

The (negative) significance of the land variable in the community affairs-oriented column further demonstrates the notion that economic rationality plays a crucial role in affecting cadres' time allocation among the various competing priorities. Specifically, in villages where arable land per capita is high, village cadres tend to spend less time on community affairs, presumably because they allocate more time to agricultural production. This takes us to our most important finding: to spend more time on farming, cadres in land-rich villages reduce the time devoted to community-oriented obligations but not to state tasks (the pertinent coefficient is not statistically significant). Fulfilling state responsibilities is fundamental if village cadres are to maintain their position, whether or not they are elected. Upper-level authorities at the township or county levels are unlikely to tolerate village cadres, including elected cadres, if they fail to perform assigned responsibilities satisfactorily. Regardless of whether one is elected, state authority retains the power to remove "disqualified" cadres from office without the villagers' participation or agreement.²⁵ The Party-state retains control over its agents despite the introduction of village elections.

Compared with their counterparts in the eastern region, village cadres in the west are more likely to serve the community than to maximize their own family income. As we have already controlled for differences in land resources between

²⁵ Also see Yongshun Cai, "Between State and Peasants: Local Cadres and Statistical Reporting in Rural China", *The China Quarterly*, No. 163 (2000), pp. 783-805.

the two regions, the significant difference in cadres' behavior between the two regions is probably attributable to the greater off-farm income opportunities available in the eastern part of China—a difference that renders the opportunity cost of serving the community higher. Apart from the difference in per capita arable land, other dimensions of natural resource endowment—be it topography (plain area ratio), cropping pattern (rice paddy ratio) or location (distance to nearest county seat)—all are statistically insignificant.

Incentive, Institution and the Provision of Local Public Goods

In rural China, the provision of local public goods is a particularly important issue because it affects a vast number of residents. The Chinese Party-state has traditionally paid inadequate attention to the provision of public goods in rural areas, leaving the responsibility to the villages themselves. Villages vary considerably in their provision of these goods. Tsai's research on the provision of public goods in rural areas in four Chinese provinces shows that the existence or absence of solidary groups or village temples is a significant factor in this.²⁶ Our surveys cover more provinces and provide an even more comprehensive picture of the determinants of local public goods across China.

Our analysis measures a village's expenditure on public goods in three ways. The first is the total expenditure spent on local public goods in 2004; the second is expenditure per capita for that year; and the third is the proportion of funds spent on public goods in a village's total expenditure that year. We define public expenditure as the amount spent on village schools, road or bridge construction, irrigation infrastructure, medical care, clean drinking water, communication, electricity and other public facilities.

Taking expenditure on public goods as the dependent variable, we analyze the effects of four sets of independent variables. The first is type of village cadres. As mentioned above, we divide village cadres into three categories: family-oriented, state-task-oriented and community-oriented. Earlier analysis shows that economic incentive is an important factor affecting village cadres' time allocation. Given that relatively highly paid village cadres are more likely to allocate more time to state and community affairs, we similarly expect state-oriented or community-oriented cadres to be more likely to commit public funds to local public goods.

A second set of variables measures village democracy. The introduction of village democracy affects village cadres' behavior. Though most villages (93.7 per cent in our survey) have introduced village elections, some of these elections are relatively meaningless because of interventions by local officials at the village or township level. In some places villagers see village elections as largely ritual.²⁷

²⁶ Lily Tsai, "Solidary Groups, Informal Accountability, and Local Public Goods Provision", pp. 364-67.

²⁷ For example, a survey of about 1,000 villagers in Jiangsu Province in 2005 suggested that 45 per cent doubted the effectiveness of village elections, 30 per cent were indifferent, and

One method for measuring the degree of democracy requires examining the nomination and election procedures for village directors. However, our survey did not include questions on these procedures, because villagers tend to be reluctant to answer such questions in a survey format. Instead, we asked villagers about the mode of nomination and selection of village representatives.²⁸ We included four modes of selection of village representatives: (1) they are chosen by township officials; (2) they are chosen by the village Party secretary or the village head; (3) they are nominated and elected by villagers; and (4) they are chosen in other ways. We used the proportion of village representatives who are chosen under the third method *vis-à-vis* the total number of village representatives as the indicator of the degree of democracy. We hypothesize that, in villages with greater democratic representation, village cadres face greater pressure to spend more time on community affairs.

The presence or absence of the “one issue, one decision” (*yishi yiyi*—一事一议) method of making collective financial decisions is included as a “dummy” variable (that is, a “yes” answer is coded as 1, and 0 otherwise). This system was first introduced by peasants in Anhui Province after the adoption of the tax-for-fee reform. In 2001, 40 peasants in a village in Anhui Province were asked to vote on a project—the remodeling of a reservoir—that required their contributions.²⁹ This method was also adopted elsewhere and was later promoted by the central government. What the *yishi yiyi* arrangement implies is that any decision that requires financial contributions from the villagers has to be discussed thoroughly and eventually approved by them as a whole. Adoption of such an arrangement is taken to imply that a greater degree of democracy has been introduced into a village.

The third set of variables measures the presence of solidary groups. Our survey used three measures of this variable. One is the proportion of the largest group of villagers sharing the same family name (*di yi da xing*—第一大姓) in a village’s total population. Since villagers sharing the same surname do not necessarily belong to the same family, we also include a dummy variable to denote the presence (or absence) of clans in a village. The third measure focuses on whether there are villagers who participate in religious activities in the village,

only 25 per cent were active. See the Web site of the provincial People’s Congress of Jiangsu Province, <http://www.jsrd.gov.cn/jsrdportal/portal>, accessed 5 May 2007.

²⁸ Our experience in fieldwork suggests that villagers tended to be cautious in talking about how incumbent village cadres were elected in their villages. In addition, there were more inconsistencies in villagers’ reports on the selection of the village director than in their reports on the selection of village representatives. But also see Renfu Luo, Linxiu Zhang, Jikun Huang and Scott Rozelle, “Elections, Fiscal Reform, and Public Goods Provision in Rural China”, *Journal of Comparative Economics*, Vol. 35, No. 3 (2007), pp. 583-611.

²⁹ *Renmin ribao*, 25 July 2007.

which is also coded as a dummy variable.³⁰ It is expected that the presence of solidary groups pressures village cadres to spend more on local public goods.

Finally, we include several control variables. Village population is included because a bigger population could imply more expenditure, with other factors held equal. We also control whether a surveyed village consists of more than one “natural” village or hamlet (*ziran cun* 自然村). Village revenue per capita is included to measure a village’s financial resources, and villagers’ income per capita is included as a proxy for differences in the level of economic development.

Table 3: Summary of Explanatory Variables Used in the Regression Analysis

Variables	Obs.	Mean	S. D.	Min.	Max.
Elected village representatives [ratio]	399	0.62	0.30	0.00	1.00
One issue, one decision (“ <i>yishi yiyi</i> ”) [yes=1]	399	0.51	0.50	0.00	1.00
Religious activity [yes=1]	399	0.23	0.42	0.00	1.00
Clan [yes=1]	399	0.27	0.45	0.00	1.00
Group of largest surname [%]	379	41.69	23.03	3.00	96.00
Population [log]	393	7.41	0.71	5.03	9.39
Natural villages [two or more=1]	393	0.59	0.49	0.00	1.00
Revenue per capita [thousand <i>yuan</i>]	354	152.02	529.14	0.67	5374.33
Income per capita [<i>yuan</i>]	399	1479.50	996.26	144.65	8826.19
Households with tap water supply [%]	393	46.66	44.51	0.00	100.00

Source: China General Social Survey 2005.

Some villages in our sample did not spend funds on local public goods provision in 2004. We therefore include the proportion of households with access to running water in a village as a variable to control for existing public goods provisions (namely, the initial stock). In other words, if a village had spent more on local public goods in the past, it may not have spent much in 2004. We also control for different regions by dividing villages into three categories: those in the east, in the centre and in the west. A summary of the explanatory variables is

³⁰ The presence of clans may create tension among villagers during village elections (Melanie Manion, “Democracy, Community, Trust”; John James Kennedy, “The Face of ‘Grassroots Democracy’: The Substantive Difference between Real and Cosmetic Elections in Rural China”, *Asian Survey*, Vol. 42, No. 3 [May–June 2002], pp. 456–82), but they may also make village cadres more responsive at least to big clans.

presented in Table 3. Since up to 31 per cent of our surveyed villages did not make any public good investments in 2005, we use the Tobit Model (or censored linear regression) to examine the impact of these explanatory variables on our dependent variables, and the results are reported in Table 4.³¹

Our first key finding is that the economic incentive hypothesis is indeed proven: villages with state-oriented or community-oriented cadres spend more on local public goods. This is true regardless of whether the expenditure is measured in terms of the amount of total expenditure, expenditure per capita, or its share in overall village expenditure. This finding implies that village cadres who value their positions not only allocate more time to state or community affairs but also try to deliver by improving community welfare.

The effects of formal institutions suggest that village democracy does have a decisive impact on village governance.³² First of all, villages with more directly elected representatives tend to spend more on public goods in both total expenditure and expenditure per capita. The same applies to villages that have introduced the issue-based decision-making mechanism of “one issue, one decision”. All three measures suggest that “accountability downwards” contributes positively to public goods provision. However, it needs to be pointed out that there exist significant regional variations in the adoption of this system across the 24 surveyed provinces, ranging from a 100 per cent adoption of “one issue, one decision” by surveyed villages in Jilin Province to none in Hainan Province.

As far as informal constraints are concerned, our analysis shows that there is more spending on public goods in villages with a sizeable group sharing the same surname, but that the more religious villages spent less. Since we did not include questions concerning the funding sources of all public goods in our survey, we cannot tell if there were any projects being (partly or fully) funded by non-public sources, including religious groups. If the religious groups themselves provide some public goods, the need for official village expenditure is less.³³

We also find that the more resourceful villages (those with higher revenue and income per capita) tend to spend more on public goods as regards both total expenditure and expenditure per capita. Given that villages have to rely upon themselves for public goods provision, this is not surprising. This also explains why villages in the western provinces spent less on public goods than do their counterparts in the east. However, none of the village characteristics account for variations in terms of our third dependent variable measure—the share of public goods expenditure in overall village expenditure.

³¹ We have also performed Ordinary Least-Square Regressions (OLS) as our “baseline” estimation and the results are basically similar but with smaller coefficients than those in the Tobit regressions. We thus do not report them separately.

³² Renfu Luo, Linxiu Zhang, Jikun Huang and Scott Rozelle, “Elections, Fiscal Reform, and Public Goods Provision”; see also Yan Shen and Yao Yang, “Grassroots Democracy and Income Distribution: Evidence from Village Elections in China”, manuscript, 2006.

³³ Lily Tsai, “Solidary Groups, Informal Accountability, and Local Public Goods Provision”, p. 365.

Table 4: Tobit Regressions on Public Goods Expenditure of Villages

	Total expenditure	Expenditure per capita	Expenditure / village expenditure (%)
<i>Economic Incentive</i>			
State task-oriented cadres ¹	0.730** [0.344]	0.618** [0.304]	9.777* [5.872]
Community-oriented cadres ¹	1.013*** [0.356]	0.900*** [0.314]	15.745*** [6.062]
<i>Formal Institutions</i>			
Elected village representatives	0.804* [0.465]	0.730* [0.410]	11.684 [7.925]
One issue, one decision	0.639** [0.293]	0.516** [0.258]	9.628* [4.995]
<i>Informal Constraints</i>			
Religious activity	-0.748** [0.345]	-0.742** [0.305]	-14.159** [5.896]
Clan	-0.414 [0.320]	-0.420 [0.283]	-10.143* [5.478]
Group of largest surname	0.014** [0.006]	0.013** [0.006]	0.229** [0.109]
<i>Village Characteristics</i>			
Population	0.611*** [0.218]	-0.096 [0.191]	1.656 [3.702]
Natural villages	-0.121 [0.306]	-0.073 [0.270]	3.511 [5.224]
Revenue per capita	0.716*** [0.263]	0.688*** [0.232]	5.486 [4.486]
Income per capita	0.000*** [0.000]	0.000*** [0.000]	0.003 [0.003]
Households with tap water supply	0.006 [0.004]	0.005* [0.003]	0.065 [0.060]
<i>Regional Dummy</i>			
Central ²	-0.151 [0.352]	-0.221 [0.311]	-7.927 [6.010]
West ²	-1.060** [0.411]	-0.926** [0.363]	-15.425** [7.010]
Constant	-5.224*** [1.766]	0.090 [1.551]	-17.973 [30.031]
Observations	336	336	336

Notes: * <.1; ** <.05; *** <.01;

¹The reference group is family-oriented cadres;²The reference group is the east.

Discussion

The above analysis shows that economic incentives, formal institutions of accountability, and informal constraints all affect the behavior of village cadres. Our focus on salaries adds to the existing literature. Highly paid cadres are more likely both to spend more time on state or community affairs and to allocate more financial resources to local public goods provision. Highly paid cadres have an incentive to perform in order to stay in their jobs.

By the same token, a high opportunity cost not only deters capable village cadres from assuming official positions but also renders them less committed to community affairs. In less-developed areas, many village cadres are both older and less educated and also have less access to off-farm opportunities.³⁴ For example, in a county in Jiangxi Province, the 360 administrative villages had 1,185 village cadres in 2006, with an average age of 46.4. Those younger than 40 years old accounted for only 14.2 per cent, those between 40 and 50 years old 37.4 per cent, and those aged 50 or older 48.4 per cent, with the oldest cadre aged 67. Old age *per se* is not a problem, but older village cadres—as a cohort—tend to be less educated. More than 68 per cent of the village cadres surveyed received education to junior middle school level or lower. Younger and more capable villagers in less developed areas are more interested in taking off-farm jobs. Conversely, precisely because older village cadres have difficulties finding off-farm income opportunities, they value their positions more. In this county, the average annual pay of village cadres was only about 2,200 yuan, or 183 yuan per month, in 2006. Hence, being a cadre there provided no more than a good sideline activity or part-time job.³⁵

The Party-state recognizes that the shortage of capable village cadres is a problem. It has recently started to introduce a series of measures to recruit and maintain capable village cadres. These measures include increasing salaries, selecting civil servants from among village cadres, paying retirement insurance and attracting college graduates from outside the village to work for village authorities. Sichuan Province decided to send 10,000 cadres from Party and government agencies and non-administrative public agencies to the countryside in 2007, with 90 per cent of them being sent to villages.³⁶ These measures can bring financial resources, technologies and information down to the villages, but it remains to be seen whether they can be institutionalized on a larger scale.

³⁴ For example, in a city in Gansu Province, by 2004 rural Party members and cadres who were 60 years old or older accounted for 33 per cent, and those who had received an education to the level of junior high school or lower accounted for 79.3 per cent. *Gansu jingji ribao* (Gansu Economic News), 28 November 2004.

³⁵ Zhai Xinlin, “Xiushui xian cun ganbu chuxian laoling hua wenti de yuanyin ji duice (Reasons for Village Cadres Being Old People in Xiushui County and Some Countermeasures), the website of Xiushui County, http://www.xs-dj.gov.cn/Article_Show.asp?ArticleID=118, accessed 24 December 2007.

³⁶ *Zhongguo qingnian bao* (China Youth Daily), 21 August 2007.

Our findings also suggest that informal institutions can enhance the accountability of village cadres. We showed that community pressure makes village authorities more accountable. Our findings confirm those of Tsai, who argues that, in the absence of effective formal institutions, the presence of solidary groups enhances the provision of local public goods.³⁷ As we have shown earlier, villages rather than upper-level governments assume greater responsibility in funding local public goods.³⁸

Manion writes that “grassroots electoral democracy has progressed and is flourishing, affecting the lives of ordinary Chinese villagers in important ways, for the better”.³⁹ Our study’s findings support Manion’s argument by showing that the introduction of village democracy directly affects the provision of local public goods. More democratic villages spend more on public goods.⁴⁰ Democratic institutions are likely to play an increasingly important role in China in the near future. While the Chinese Party-state remains suspicious of religious activities, it tolerates and even encourages village democracy.⁴¹ In our sample, 92 out of the 399 villages (or 23 per cent) reported the presence of religious activities. Village democracy is more likely than religion to be a practical choice for both the Party-state and villagers in making village cadres more accountable.

Conclusion

Economic incentives shape village cadres’ efforts for rural governance significantly. Anthony Downs’ conclusion about politicians in general holds true for rural cadres in China: “Every official acts at least partly in his own self-interest, and some officials are motivated solely by their own self-interest”.⁴² Because Chinese village cadres are only temporary employees of the state, they must consider the opportunity cost of being cadres *vis-à-vis* other employment opportunities.

Our research shows that the Party-state retains significant influence over village cadres. When village cadres face competing demands from their families, the village community and the state, they tend to accommodate family needs at the expense of community needs but not at the expense of state-assigned responsibilities. This means

³⁷ Lily Tsai, “Solidary Groups, Informal Accountability, and Local Public Goods Provision”, pp. 355-72.

³⁸ See the survey by Zhongshan University and the Hong Kong University of Science and Technology, 2008.

³⁹ Melanie Manion, “Democracy, Community, Trust”, p. 319.

⁴⁰ Renfu Luo, Linxiu Zhang, Jikun Huang and Scott Rozelle, “Elections, Fiscal Reform, and Public Goods Provision”.

⁴¹ Kevin O’Brien and Lianjiang Li, “Accommodating ‘Democracy’ in a One-Party State: Introducing Village Elections in China”, *The China Quarterly*, No. 162 (2000), pp. 465-89; Tianjian Shi, “Village Committee Elections in China: Institutional Tactics for Democracy”, *World Politics*, Vol. 51, No. 3 (1999), pp. 385-412.

⁴² Anthony Downs, *Inside Bureaucracy* (Glenview: Scott, Foresman and Company, 1967), p. 83.

that it is clear both to the state and to village cadres that the essential task for the latter is to meet the requirements of the state. This finding has important implications for understanding state capacity in China in the post-tax reform era. With economic development, state capacity can be strengthened because the state can remunerate its agents better.

In today's China, Party and government officials are seen to have benefited the most from the reforms of the past two decades.⁴³ This largely explains why the recruitment of civil servants in China is highly competitive.⁴⁴ Although village cadre positions are not as attractive in some parts of the country, the situation seems to be changing. With the abolition of the agricultural tax, village cadres are now directly paid by the state. In addition, with the merging of some villages, the number of villages has declined (by 13 per cent, from 734,700 in 2000 to 640,100 in 2006), leading to a reduction in the number of village cadre positions.⁴⁵ Against this background, greater financial resources will allow the state to recruit and maintain qualified state agents at the grass-roots level.⁴⁶

Appendix: Data Source

This research is based on the 2005 China General Social Survey (GSS 2005), which covered 10,372 households in 28 provinces. Based on the information of the fifth census in 2000, this GSS used a four-stage probability proportional to size (PPS) sampling (county/county-level district, township/street, residents' committee/village, and household). There were 4,274 rural households included in the survey, which were chosen from 401 villages in 24 provinces or provincial-level regions. The 24 provinces include nine eastern provinces (Hebei, Liaoning, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Guangxi and Hainan), nine in the central part (Shanxi, Inner Mongolia, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei and Hunan) and six western provinces (Chongqing, Sichuan Guizhou, Yunnan, Shaanxi and Gansu). In each of the more than 400 villages, 10 to 11 villagers were randomly selected for interview, and the village cadres in these villages were also surveyed. Therefore, the data include both village-level information and household information. In our analysis, we combine these two

⁴³ Li Peilin, Zhang Yi, Zhao Yadong and Liang Dong, *Shehui chongtu yu jiejiyishi* (Social Conflict and Class Consciousness) (Beijing: Shehuikexue Wenxian Chubanshe, 2005), pp. 203-07.

⁴⁴ For example, the ratio between the number of applicants and the opening was 48.6 to 1 in 2006, 42 to 1 in 2007, and 46 to 1 in 2007. In 2007, the ratio was 162 to 1 for those who applied to central public agencies. In one case, 3,592 people competed for one opening in the Ministry of Agriculture. *Jinghua shibao* (Jinghua Times), 9 December 2007.

⁴⁵ *Chinese Statistical Yearbook 2007*, p. 23.

⁴⁶ While the merger of villages may reduce the number of village cadres, it does not necessarily imply that the delivery of public services will be seriously affected. One reason is that many of the responsibilities, such as tax collection and the enforcement of the family-planning policy, have also been reduced.

types of data. Villages in Hainan were excluded from our analysis because of incomplete information, such that the sample size is 399 villages. The survey was conducted by a survey company in China. In each surveyed village we interviewed either the village head (*cunzhang* 村长) or village secretary (*cunzhishu* 村支书) for a number of questions pertaining to village governance, in particular their allocation of time among up to 10 activities. We also collected information pertaining to their personal and career background, including salaries and subsidies. For more detailed information about this dataset, see: http://www.cssod.org/show_survey.php?SurveyId=26.

Distribution and Socio-Economic Characteristics of 2005 CGSS Villages

Province	Sample size	Population	Land per capita (<i>mu</i>)	Income per capita 2004 (<i>yuan</i>)
Hebei	22	1632.2	1.3	2426.8
Shanxi	8	1824.4	2.6	1992.5
Inner Mongolia	8	1862.1	2.6	2098.8
Liaoning	18	2065.3	2.6	2441.1
Jilin	4	2204.5	3.8	2075.0
Heilongjiang	6	1341.7	13.4	850.0
Jiangsu	30	2443.1	1.2	3116.6
Zhejiang	18	938.7	0.7	2706.5
Anhui	24	2766.4	0.9	1892.5
Fujian	12	2300.8	1.4	1677.1
Jiangxi	12	2535.1	0.7	1443.6
Shandong	32	909.0	1.6	2513.7
Henan	36	1846.7	1.3	1224.8
Hubei	24	1668.6	1.6	1616.9
Hunan	20	1045.3	1.0	1412.5
Guangdong	15	4594.7	0.4	2960.8
Guangxi	15	2969.5	1.2	1341.6
Hainan	2	937.5	-	-
Chongqing	4	3207.0	0.9	3050.0
Sichuan	35	1921.2	1.4	1147.0
Guizhou	18	2055.3	0.9	1330.9
Yunnan	16	5010.4	0.7	2035.4
Shaanxi	12	1716.5	0.9	877.5
Gansu	10	1322.5	1.3	1478.8
Total	401	2093.8	1.5	1899.2