

Electoral Accountability and the Provision of Public Goods in Rural China

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(This version, June 2010)

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* The authors acknowledge the National Science Foundation of China (Project number 70633002), the Ford Foundation, Chinese Academy of Sciences (KSCX2-YW-N-039), the Sixth Framework Programme of the European Commission (contract number: 044255, the CATSEI project) and the Caja Madrid Foundation for financial support. The authors are grateful to Mingxing Liu, Yongdong Liu, Zhigang Xu, and CCAP survey team for their contributions to the survey work.

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Abstract

This article examines the impact of electoral accountability on the level of public goods provision in Chinese villages. By conducting a nationwide village-level survey and estimating two simultaneous equations, we find that in villages where Villagers' Committee elections are implemented more in line with the rules and procedures stipulated in the 1998 Organic Law of Villagers' Committees, where the elected villagers' committee and/or its chair is conferred with more authority to manage and allocate village public funds, and where there is a democratic election of the party branch secretary, the levels of village government investment in public goods provision are higher. Our findings also pinpoint the tension in reconciling the empowered participatory local governance with Party-state control.

JEL Classification Codes: D02, D71, H41, P35.

Key Words: Village elections; structure of power; public goods provision; rural China.

1. Introduction

International experience indicates that public services often fail to work for those with fewer private resources. *World Development Report 2004*, entitled *Making Services Work for Poor People*, adopts an analytical framework of actors and accountability and identifies the key interactive relationships of power and accountability between four groups of actors – citizens/clients, politicians/policymakers, organizational providers, and frontline professionals. In the ideal situation, citizens participate in political processes that define collective objectives and direct public/political actions in accomplishing those objectives; policymakers can effectively convey their policy decisions to service delivery organizations and monitor their performance; organizations effectively manage frontline providers; and clients are sufficiently motivated and feel able to provide feedbacks on the performance of service delivery (World Bank, 2004).

With its authoritarian political system, China should score badly against the above expectations. However, it is widely acknowledged that rural China has among the best social indicators in comparison with its peers in the developing world. Two factors have been attributed to China's relative success. First, the strong socialist state can launch and sustain vertical programmes of logistical delivery of those services that are less discretionary and less quality-sensitive. Second, China's villages, despite not being a formal level of the Party-state apparatus, are responsible for financing and providing a substantial share of public goods within their boundaries, where the vast majority of the rural population lives. This feature of China's villages is not present in many other developing countries today, where the national and sub-national governments are the major driving forces (Zhang et al., 2006).

The role of public goods provision and the election of local officials at the village level make it possible to examine the interactive relationship of power and accountability between villagers/voters/clients, village officials and the Party-state apparatus. A number of publications have emerged with this attempt and two lines can be distinguished. One strand of the work indicates that the introduction of direct elections for villagers' committees (VCs), since the late 1980s and especially after the late 1990s, has exerted a largely positive impact on village government investment in public goods. Electoral institutions seem to provide elected VC members with strong political incentives to be responsive to their constituencies' demands and this mechanism appears to increase the transparency and efficiency with which village public funds are managed and allocated.

This strand suggests that, despite the authoritarian nature of the macro-political environment, there can be accountability *through* democracy in Chinese villages (Zhang et al., 2004; Luo et al., 2007; Wang and Yao, 2007). The other strand points out that it is the (re-)emergence of “encompassing” and “embedding” solidary groups with shared moral obligations and ethical standards – such as local temples and village-wide lineages – in the post-Mao period that has enhanced village officials’ responsiveness to their fellow villagers in the delivery of public goods (Tsai, 2007a, 2007b). Thus, the positive relationship suggested in the first strand above might be driven by such informal institutions of accountability and could be a reflection of “accountability *without* democracy”.

Such discrepancy suggests that focusing on “access to power” alone may oversimplify the local configuration in the “exercise of power” and turn village governance into much less than it is (O’Brien and Han, 2009). In fact, the majority of existing works do not examine the quality of electoral processes and, most importantly, do not analyze the post-election distribution of power between the VC, whose members are more or less directly elected by villagers, and the village Party branch, whose officials have traditionally been appointed by the Party committee at the township level.

In this paper, we examine the relationship between VC elections and village government investment in public goods by taking into account both the procedural quality of VC elections and the post-election actual ability of the VC in exercising the power to allocate village public funds. We pay attention to the impact of the “target responsibility system” imposed to village leaders by the township government on the quality of electoral procedures and the political power structure at the village level. We also examine the impact of village Party branch elections, although they are bound to be restrictive, on village’s public goods provision and control for an array of social forces. We specify and estimate two simultaneous equations based on a unique dataset from a national survey conducted in 2005, which covers 115 villages, 58 townships and 30 counties across 6 provinces in China.

Our econometric estimations indicate that in villages where VC elections are implemented in accordance with the rules and procedures stipulated in the 1998 Organic Law of Villagers’ Committees *and* where the elected VC and/or its chair, rather than the village Party branch and/or its appointed secretary, is conferred with the authority to manage and allocate village public funds, there are higher levels of village investment in and maintenance expenditures on local public goods. Moreover, other things being equal,

the election of village Party secretary by Party members in a way which is free from direct interference by township Party authorities contributes to enhancing the village provision of public goods. While the target responsibility system does not show a positive or negative influence on public goods provision, it does exert a negative impact on the quality of village democracy. In terms of social forces, while more concentrated lineage structure enhances public goods provision, tension between different clans play the opposite role. These results are robust to major control variables which represent economic, geographic, and other social features of individual villages.

This research aims to enrich the literature on electoral accountability and local government performance in three ways. First, as has been noted, local elections have been either overlooked as an explanatory factor for the performance of local governments in developing countries, or treated as a simple dummy variable denoting whether they have been held or not (Zhang et al., 2004, Luo et al., 2007; Packel, 2008). In contrast, we treat local election variables as primarily important explanatory factors and examine their quality content in terms of both the “access to power” and the “exercise of power” in the context of Chinese villages. Tsai (2007b) and Wang and Yao (2007) suggest that more democratic or enhanced access to power (i.e., higher-quality VC election procedures) alone is insufficient in leading elected VC officials to carry out higher levels of village government spending on public projects. Hence, we suggest that a more democratic access to power needs to be kept up with a more democratic exercise of power, in order to provide elected VC officials with positive incentives and real opportunities for enhancing public goods provision. Second, this research is among the first to take into account the impact of village Party branch elections. Third, we do not treat VC elections as an independent or exogenous factor but instead examine their endogenous nature, because general elections at the village level alone have not done away with several constraints to village democracy. In fact, the township government, the village Party branch, and an array of social forces constitute the local power configuration in which VCs are embedded.

Our emphasis on the interplay between electoral accountability and its constraint factors is in line with the literature on electoral institutions in authoritarian regimes and emerging democracies. For example, Mozaffar and Schedler (2002) point out that the structure and processes of electoral governance, i.e., the set of related activities that involves the making, application, and adjudication of electoral rules, play an important

role in determining the freedom and fairness of elections.¹ Koehler (2008) emphasizes the importance of the wider political environment in which electoral institutions are embedded, because it determines the meaningfulness of elections or the extent to which they confer real decision-making authority and power on elected leaders.

The paper proceeds as follows. Section 2 develops hypotheses regarding the impacts of electoral accountability and the target responsibility system. Section 3 reports survey design, measurements of key variables, and estimation methodology. Section 4 presents the estimation results, and section 5 concludes.

2. Electoral Accountability and Local Governance in Rural China: Hypotheses Development

The earliest VCs emerged spontaneously in 1980-81, a time when the de-collectivization of agriculture and the establishment of the agricultural household responsibility system were taking place. They emerged to fill the existing administrative vacuum and provide basic local public goods and services which were withering rapidly, as the commune system crumbled and resources were mainly retained by households. The 1982 Constitution of China officially sanctioned VCs as elected, mass organizations of self-government (article 111). This categorization is important in two senses. First, it keeps with the tradition of self-sufficiency of villages in the past and thus relieves the government of financial responsibilities for VCs. Second, it does not empower the VCs with the official authority of the state and provides the committees with the flexibility and room to manoeuvre that the formal organs of government do not have (Choate, 1997; O'Brien and Li, 2000; He, 2007).

The drafting of the experimental 1987 Organic Law of Villagers' Committees took five years and it took another 11 years for China to formally introduce the 1998 Organic Law of Villagers' Committees. Although this long process had been characterised by sustained debate, the central vision was unchallenged and still rules the day, which is that

¹ Elections are free when the legal barriers to entry into the political arena are low, when there is substantial freedom for candidates and supporters of different political parties to campaign and solicit votes, and when voters experience little or no coercion in exercising their electoral choices. Elections are fair when they are administered by a neutral authority not controlled by the ruling party, when that neutral authority is also able to take various precautions to prevent fraud in the voting and vote counting, and when there are transparent and impartial procedures for resolving election complaints and disputes (see Diamond and Myers, 2000).

VC elections are designed to increase mass support for the Party and that grassroots democracy is understood to be fully compatible with strong Party/state control. The division in the debate was between an instrumental emphasis on firm Party/state control and on curbing arbitrary and predatory behaviour by rural cadres.

Given the tension that naturally arose in implementing unpopular and contentious policies such as birth control, tax collection, grain procurement, and other policy targets, many local administrators, township officials in particular, argued that without tight control over VCs and an ability to issue direct commands, elected VC members would be inclined to take their cues from below rather than from above and would be tempted to ignore state interests and disregard township instructions. In contrast, central leaders in Beijing, including two important venerable Long Marchers, Peng Zhen and Bo Yibo, lamented how relations between rural officials and villagers had deteriorated over the years due to that some rural officials “resorted to coercion and commandism” and not a few had become corrupt and high-handed “local emperors” (*tu huangdi*). They argued that simple top-down supervision had proven insufficient to reverse such trend and if the trend was not reversed villagers would “sooner or later attack our rural cadres with their shoulder poles” (Peng, 1987). In their view, self-government and elections at the village level were an effective mechanism to rejuvenate the village leadership by cleaning out incompetent, corrupt and high-handed cadres, serving the purpose of consolidating the current Party/state control (O’Brien and Li, 2000).

The resultant compromising language in the 1998 Organic Law is sufficiently vague to satisfy both sides in the debate. Elected VCs are neither formally under township governments nor under the village Party branch. But the village Party branch, instead of the VC, constitutes the “leadership core” of the village and the VC is expected to follow general Party leadership. Moreover, the VC is subject to the “guidance, support and assistance” of the township government.² Given such ambiguity in the law with regard to the respective scope of authority and division of competencies between the VC, Party branch, and township government, a practically balanced exercise of power in individual villages is subject to local conditions and different interpretations.

² As Alpermann (2001) points out, the difference between such terms is more than semantics, given that a “leadership relationship” would have given townships the right to issue binding orders to village committees in order to carry out certain state tasks, while in a “guidance relationship” township authorities need to work through persuasion.

2.1. Village Committee Election and Election Quality

Judging by access to power alone, the 1998 Organic Law has achieved much. It entitles Chinese villagers to directly elect their VCs, comprising between three and seven members, who serve for a term of three years, with no limit on the number of terms for which they can be re-elected. VCs are legally defined as “grassroots mass organizations of self-government through which villagers manage their own affairs, educate themselves, and serve their own purposes”. VCs are responsible for the performance of key public tasks in the village, namely, managing village’s lands and collective property, providing public goods and services, mediating disputes among villagers, assisting in the maintenance of public order, communicating villagers’ opinions to township governments, publicizing state laws and policies, as well as urging villagers to both fulfil their legal obligations and to respect public property.³ In comparison to the trial law of 1987, the 1998 Organic Law represents a significant step forward in standardizing village elections and bringing election rules and procedures up to international standards. It incorporates basic principles of free and fair elections and, more specifically, it stipulates that: village election committees must be elected by villagers, all election candidates must be directly nominated by villagers, there must be more candidates than positions, voting must be done in secret, the counting of votes must be done openly and the results must be announced immediately after the scrutiny (O’Brien and Han, 2009; Tan, 2004; Tan and Xin, 2007).

The implementation of VC elections has improved in terms of both coverage and procedures. According to the Ministry of Civil Affairs, by the mid-2008, balloting had been carried out every three years in over 610,000 villages in all 31 provinces. Turnout rates have been high at an average level of 80%, indicating that over 500 million voters took part in the latest round of elections across the countryside (*People’s Daily*, 4 August 2008). Surveys and direct observations by international monitors show that the conduct of elections has improved over time in terms of nomination procedures, competitiveness, and secret balloting. On the other hand, it is also noted that there are significant variations in election quality in terms of departure from the standard rules and procedures set by the 1998 Organic Law. Many procedure failings identified by Chinese and international

³ In addition to village committees, the Law sets up village councils or assemblies, in order to enhance village leaders’ accountability and to favour villagers’ political participation. Village committees would be responsible to village councils, which would comprise all adult villagers or a representative from each household.

observers have not been fully addressed and new problems are also emerging (He, 2007; O'Brien and Han, 2009; Tan, 2004; Tan and Xu, 2007).

Despite their limitations, it is acknowledged that VC elections represent “the” key institution in rural democratization, and are changing village governance (He, 2007). Empirical research shows that the holding of direct elections has contributed to reduce rent-seeking by local officials (Brandt and Turner 2003) and to increase village government spending on public goods and services (Zhang et al. 2004; Luo et al. 2007; Wang and Yao 2007). Higher levels of investment in public goods projects, in turn, have had a positive effect in reducing intra-village inequality, by enhancing the income capability of the poorer (Shen and Yao 2008). However, village election is typically regarded as a one-shot institutional change in this literature. With the accumulatively universal implementation of village elections, the variation of the dummy variable which denotes whether the VC election has been held or not approaches zero and, thus, loses explanatory power. To overcome this limitation and to re-assess the above positive relationship in the post-election era, it is necessary to pay attention to the significant variation in election quality across Chinese villages and to analyze whether electoral processes are conducted in accordance with the stipulated rules and procedures. In the spirit of the existing empirical literature, it can be anticipated that a higher degree of freedom, fairness and meaningfulness of village elections would lead to better VC performance in the provision of public goods.

Wang and Yao (2007) and Tsai (2007b, Chapter 7) do pay attention to election quality and test its impact on VC performance in public goods provision. Wang and Yao focus on variations in candidate nomination procedures and find that while holding the election (a dummy variable) has a significant positive impact on the share of public expenditure in the village budget, the competitiveness of the nomination process does not.⁴ Tsai constructs an election quality index out of a battery of questions on the pre-election process, voting procedures, and villagers' representative assemblies and does not find any sizable or statistically significant impact this index may exert on the provision of public goods by village governments.

⁴ In contrast, Kennedy et al. (2004) use a sample from Shaanxi Province and report that more competitive nomination by villagers leads the elected village leaders to be more accountable to villagers in decisions regarding land reallocations.

2.2. *Exercise of Power*

The expectation for a positive relationship between election quality and VC performance presumes a direct link between access to power and exercise of power, that is, more democratic access to power would directly lead to more democratic exercise of power *via* the elected VC. While this presumption might hold in advanced industrial democracies, it may not necessarily fit well with the power configuration context of Chinese villages. VC members may win their position through the election, but once they gain office they would have to compete with, or at least take into account, township governments, village Party branches, and social forces such as clans. For example, Tsai (2007b, Chapter 7) reported that in River Bridge, a wealthy suburban village located on the outskirts of the Xiamen Special Economic Zone in Fujian province, a high quality model election was implemented under the careful direction of the township government and village Party branch. Nevertheless, the election carried no impact on the way power was exercised in the village because the Party branch remained the locus of power and the Party secretary was well endowed by the township authority. In some other localities, serving on the VC is regarded as a thankless and poorly paid job. As a consequence of this and/or other socio-cultural reasons, candidates often have to be searched out and “talked into” running for office by the township authority and Party secretary (Choate, 1997). Subsequently, a smooth election takes place but it does not alter the configuration of power in the village.

Surveys of grassroots cadres, although showing a significant shift in the exercise of power from the Party branch to the elected VC in many villages, also confirm the persistent eminence of the Party branch and its secretary in many other villages. For example, a 2000 survey of 58 villages in six counties evenly distributed across Jiangsu province (Zhang et al., 2004) showed that in 17 (29.3%) villages, Party secretaries had the final say over village affairs; in 9 (15.5%) villages, both Party secretaries and VC heads made decisions jointly; and in 15 (25.9%) villages, the elected VCs played the leading role in the decision-making process of their villages. In our own 2005 survey of 115 villages across 6 provinces, 52 VCs (45%) can be regarded as being more powerful than (or as powerful as) the Party branches in terms of control over their village’s public finances and other major affairs.⁵

⁵ Sampling details of the survey will be presented in Section 3.

A large number of case studies and media reports have indicated that in many villages where elections depart significantly from the standard rules and procedures set by the 1998 Organic Law, and/or there is a lack of power redistribution in favour of the elected VC, villagers' ability to enhance VC's performance in public goods provision has been very limited. On the other hand, in many other villages, elections have allowed villagers to vote corrupt and/or incompetent officials out and have led to a new local power configuration which empowered the elected VC (He, 2007; Alpermann, 2009; among others).

Such variation in the post-election power configuration would suggest that a direct link between access to power and exercise of power may not exist in those villages where there is an absence of real change in the way power is exercised. In other words, the expectation that higher quality elections would lead to better VC performance in the provision of public goods may hold only in those villages where elections do have empowered the elected VCs. This leads to our first hypothesis:

H1: Other things being equal, a high quality VC election in combination with an empowered VC leads to a higher level of village government investment in public goods.

2.3. Target Responsibility System

In line with the central version underpinning the design of the Organic Law, that is, village elections must not undermine strong Party/state control, village cadres have been also under the “one level down” cadre management regime implemented since the mid-1980s. Under this regime, village Party secretaries are typically appointed by the township Party committees. Both the Party secretary and the VC head were also assigned quantitative targets, similar to the formal cadre responsibility system implemented at the higher level. Since the mid-1990s, the formal cadre responsibility system has been also increasingly adopted at the village level (Hsing, 2009; Tsui and Wang, 2004). The assigned targets are ranked in importance, from highest to lowest, as “priority targets with veto power”, “hard targets” and “soft targets”. While the fulfilment of “hard targets” is important, the completion of “priority targets” is critical for local officials, because the attached “veto power” implies that a failure in attaining these targets will cancel out all

other work performance, however successful, in the comprehensive evaluation carried out by upper-level officials at the end of the year.⁶

For two reasons village leaders would be well coaxed into attaining priority and hard targets, whatever the views of voters and/or Party members. First, fiscal reality has increased the dependence of VCs on upper level governments for financial help in the form of fiscal transfers (Fock and Wong, 2008). The 2002 Tax-for-Fee reform forced village officials to stop fee collection and this led to dramatic falls in revenues in village balance sheets. As a consequence, constructing and repairing roads, maintaining irrigation systems, supporting the elderly and disabled, and improving school facilities all have become more difficult, especially in agricultural areas where there is a shortage of non-agricultural enterprises and funds-rich social organizations. In order to ensure that they receive the promised fiscal transfers from the township and/or county government, which is also in the interest of the villagers, village cadres would typically be well-motivated in meeting the priority and hard targets assigned to them from above. Second, in many locations, the salary and bonuses of VC and Party branch leaders are determined and partly financed by township authorities and the levels are set in accord with how well important assignments are carried out (Edin 2003; O'Brien and Han, 2009; Whiting 2001). In our sample villages, the part of salaries that is funded by subsidies from township and county governments account for on average 28% of the total salaries that the VC head and Party Branch secretary received in 2000, and this figure rose to 77% in 2004.

Researches assessing the effectiveness of the target responsibility system suggest that the system does not have a significant positive impact on the provision of public goods and services, mainly because performance contracts have not given priority to these policy areas which have remained “soft targets” and therefore attracted insignificant attention in the performance evaluation exercises carried out by the township governments (Edin 2003; Whiting 2001; Tsai 2007b). It is expected that this might change in light of the central government’s new emphasis on constructing “a New Socialist Countryside” since 2006 (World Bank, 2007).

⁶ “Priority targets with veto power” tend to be political. Two priority targets that are enforced nationwide are the maintenance of social order and the implementation of the birth control policy. “Hard targets” tend to be related to the promotion of economic development and growth. Targets for the increase of industrial output and of the volume of collected taxes, for instance, usually fall in this category. Last in significance are “soft targets”, which are associated with the promotion of “social and cultural development” (Edin 2003; Whiting 2001; Tsai 2007b).

These researches also find that heavier mandates from above lead to poorer quality in village elections because fulfilling priority policy assignments well would increase the bargaining power of the township government with upper levels for more control at the village level, thus lowering the quality of village democracy (Shan et al., 2005). In this research, we reassess the above relationships in the context of the post Tax-for-Fee reform but before the implementation of the “New Socialist Countryside” agenda. If there is a positive link between the fulfilment of priority policy assignments and the level of fiscal fund transfer from above, we would expect that the target responsibility system makes a positive contribution to the provision of public goods and services at the village level, but a negative contribution to the quality of village democracy. This discussion leads to our second hypothesis:

H2: Other thing being equal, heavier policy mandates from above lead to (a) a higher level of village government investment in public goods, and (b) a lower level of democracy quality.

2.4. Party Branch Election

The introduction of VC elections has, to different extent in different locations, diversified the local configuration of power as well as the sources of political authority and legitimacy in Chinese villages. The traditional mono-power structure in which the village Party secretary was the undisputed boss of the village (*yibashou*) has been replaced by a dual power structure: The village Party secretary continues being typically appointed “from above” by the township Party committee and the VC head is elected “from below”. However, there is a lack of clearly defined division between the village Party branch and the VC in terms of role, rights and responsibilities in the 1998 Organic Law. Conflict has arisen between both governing bodies over the sharing of authorities and responsibilities. In the performance of public tasks, Party secretaries have tended to be more responsive to township officials while elected village heads have typically been more responsive to villagers. This divergence has led to tensions between VCs and Party Branches in many villages (Guo and Bernstein, 2004; He, 2007; Liu et al., 2009).

In order to enhance the legitimacy and power of the CCP in rural areas and to reduce the tension between the VC and village Party branch in many locations, the Central Committee and the State Council issued a “Notice” in 2002 which recommended the

introduction of intra-party elections for the (re-)constitution of village Party branches.⁷ The “Notice” also permitted the concurrent office-holding by the VC head and Party Branch secretary, and the functional merger of the VC and Party branch (“one team with two plates”).⁸ Since then, different models of Party Branch elections have emerged. In most cases, they are held before (Shandong and Zhejiang model) or after (Shanxi model) the VC election, although, in other cases, both elections are combined and those who are elected as the VC head automatically become the Party Branch secretary (Guangdong and Hubei model) (He, 2007). The so-called “two-ballot system” for the election of the Party secretary, which has its origin in a Shanxi village, has extended rapidly to other provinces (Li, 1999). According to this system, the village Party secretary and the rest of Party branch members are subject to a two-stage election. In the first stage, villagers or representatives of each household “recommend” candidates for each position in the Party branch by casting a “vote of confidence”. Whoever receives over 50% of the ballots cast becomes a “preliminary candidate” and then the township Party committee nominates its “official candidate” from these “preliminary candidates”. In the second stage, the village Party members elect the village Party secretary and other Party branch members.

In 12% of our sample villages, the village Party secretary was still directly appointed by the township Party committee in 2004. In 4% of the villages, the Party secretary was appointed by the township Party committee from elected members of the village Party branch. 1% of villages held direct non-competitive elections in which the candidate was nominated by the township Party committee. The remaining 83% held direct or indirect multi-candidate elections for the Party secretary post at either of the following three levels: the village level with the involvement of villagers or their representatives in the nomination process, the intra-Party level with the participation of all Party members in the village, or the branch level at which the members of the Party

⁷ Circular by General Offices of Party Central Committee and State Council on Further Improving the Work of the Next Round of Village Committee Elections (Zhonggong Zhongyang Bangongting Guowuyuan Bangongting Guanyu Jinyibu Zuohao Cunmin Weiyuanhui Huanjie Xuanju Gongzuo de Tongzhi), 14 July 2002, available at: http://www.gov.cn/gongbao/content/2002/content_61679.htm

⁸ Concurrent office-holding by the village head and Party secretary (*yijiantiao*) and the functional merger of the village Party branch and the VC may result from: the VC head and other VC members being elected first and being placed on the Party branch later (*xianzheng houdang*), the Party secretary and Party branch members being encouraged to run in the VC election at the first opportunity (*xiandang houzheng*), or the holding of a joint election for both village governing bodies (Guo and Bernstein, 2004; He, 2007; O’Brien and Han, 2009).

branch elected the branch secretary. Nevertheless, in these seemingly more democratic elections, the township Party committee was able to directly control the nomination process in 8% of the sample villages.⁹

Despite the explicit or implicit interventions from the township Party committee and other limitations, the Party branch election might represent a first step forward in creating a new line of accountability which would make the village Party branch and its secretary more accountable to village Party members and villagers. However, it is worth noting that the intra-Party election, even if conducted in a fully democratic way, may not carry the same mandate and legitimacy to the Party secretary as those an elected VC head receives, because Party members account for only about 11% of the village population in our sample. In addition, the township Party committee holds power to control and influence the elected Party secretary in the post-election period by means of Party's organizational principles and disciplines.

The impact of Party branch election quality on village government performance in terms of public goods provision and on the quality of VC elections may be ambiguous. On the one hand, it may have a negative impact for the following two reasons. First, the quality of VC elections could be compromised due to the reduced level of electoral contestation if Party and VC elections are combined and non-party members are not allowed to run in the merged election (a method popular in Guangdong and Hubei). The reduced quality of VC elections would in turn undermine the VC's motives and efforts in public goods provision (Sections 2.1 and 2.2). Second, Party elections of high democratic quality would strengthen the position of the Party branch in the division of power between the Party branch and the VC, partly due to its increased legitimacy. This may lead the village to devote more resources to fulfil policy mandates from above and consequently less resources to local public goods provision, if/when this is not considered a priority policy by higher-level authorities. On the other hand, Party elections of higher democratic quality may have a positive impact on village government accountability and performance, if the election brings in clear and well specified mandates from local party members and these mandates are consistent with those from ordinary villagers. Likewise, the reduced tension between the Party branch and VC, which would be more obvious in the case of "one team, two plates" or "two posts held by one person", would lead to cost-saving, resource-gathering, and thus to increasing investment in public goods. The above

⁹ For a detailed discussion on the major election methods collected in our survey, see Liu et al. (2009).

ambiguity indicates the unfeasibility to form a clear prediction/hypothesis for the impact of Party branch election quality on village government performance in terms of public goods provision and on the quality of VC elections. Therefore, we will treat the quality of village Party branch elections as a key control variable in our econometric estimation.

To our knowledge, there is no previous study which assesses the impact of intra-party democratization on the level of public goods provision in Chinese villages. Tsai (2007b) analyzes whether the Party membership of village heads and more generally of village officials promotes a better provision of public goods. She hypothesizes that the township Party committee should find it easier to control the village government when most or all of the village officials are Party members, and that the latter should also be more likely to cooperate with each other and hold each other accountable. However, she finds no evidence suggesting that Party institutions are effective at holding village officials accountable for the provision of public goods. It can be argued that such analysis of political accountability and Party institutions in rural China may not sufficiently take into account the recent changes such institutions are undergoing. Rather than evaluating whether upper-level Party officials can hold lower-level government officials accountable for the provision of public goods through the latter's Party membership, we examine whether village Party members can effectively hold the village Party secretary accountable for the provision of local public goods through Party elections.

3. Data, Measurement of Variables, and Methodology

3.1. Data

The dataset is from our own national survey. The survey was conducted in the summer of 2005. Stratified sampling was used to select sample villages. First, the country was divided into six regions and one province was randomly chosen from each region. Jilin, Hebei, Shaanxi, Sichuan, Jiangsu, and Fujian were finally included in the sample. All counties in each province were ranked into five quintiles according to their per capita gross value of industrial output, and one county in each quintile was randomly selected. For each of these 30 counties, 1 township was randomly drawn from those townships with the level of per capita net income being above the median, and the other one was randomly selected from those with the income level below the median. Applying the same method, 2 villages were selected in each township, making the total number of villages in the sample 120. To ensure the presence of village cadres in the sample, cadres were

separated from ordinary villagers and 2-4 cadres and 14 adult villagers from each village were randomly selected. Nevertheless, due to natural disasters and miscommunications, the survey teams could not reach some target villages. As a result, the survey data covers 378 village cadres and 1,550 ordinary villagers in 115 villages, 58 townships.

The survey questions related to village elections, village-level financial accounting and socioeconomic statistics, such as village revenue and expenditure on public goods provision, population and migration, lineage structure, farmland distribution and the development of non-agricultural activities, were mainly discussed between the interviewers and village cadres. Financial data was collected for the period of 2000-2004. Demographic and other socioeconomic data was collected for the years of 2000 and 2004. The survey forms were filled by interviewers rather than villagers.

(See *Tables 1-5*)

3.2. Two Dependent Variables

Our leading dependent variable is the logarithm of per capita total village expenditures for the provision and maintenance of public goods in 2003 and 2004, which includes both capital expenditures (investments) on public goods and current expenditures for the maintenance of public goods. For convenience, we call it “village public goods provision” henceforth. This variable in our sample shows significant variations across villages, counties, and provinces. As Table 1 presents, in 2003 and 2004, villages in our sample spent on average 134.85 yuan per capita on public goods provision, with a very high standard deviation at 208.45. Capital expenditures (investments) accounted for 93% of the total and current expenditures for the maintenance of public goods accounted for the remaining 7%. Inter-regional variation is large as well. Villages in Sichuan recorded the highest level of per capita expenditures in public goods at 193.21 yuan, while the average level in Hebei was only of 68.67 yuan.

The secondary dependent variable is the product of a VC election quality index in the last VC election during the period 2001-2004 and a dummy variable capturing the distribution of power between the village Party branch and the VC after the election. We name it “democracy quality index”.

As discussed in Section 2.1, from the access to power perspective, the implementation of standard rules and procedures in VC elections is fundamentally important because it ensures villagers’ confidence in the quality and results of VC

elections. The VC election quality index that we have constructed focuses on the departure in election practices from the standard rules and procedures set by the 1998 Organic Law. We consider the following five aspects of VC elections: (1) whether election committee members were elected by villagers; (2) whether villagers were involved in the nomination of candidates; (3) whether proxy ballot was prohibited; (4) whether there were fixed ballot boxes; and (5) whether there were secret polling booths. An answer of “yes” to each of these questions was given a score of “1”, and “0” otherwise. The index consists of the sum of these five scores. Thus, it ranges from “0” to “5”, where “0” represents elections violating all procedures and “5” denotes elections which were conducted in accordance with all of the procedures.

The dummy variable that captures the distribution of power and responsibilities between the village Party branch and the VC is constructed as follows, with the intended emphasis on controlling power over public finance. It takes the value “1” if (a) the VC is the leading governing body in village affairs including decision making power over public finances; (b) the Party branch and the VC collaborate in making major decisions and taking implementation responsibilities; (c) the VC head has control over public finances and Party secretary is in charge of administrative affairs; or (d) both posts of the VC head and Party secretary are held by the same person (*yijiantiao*) and the election of the VC head is through the *haixuan* (sea-elections) method which denotes a free and direct nomination of the candidates by villagers.¹⁰ Alternatively, our dummy variable takes the value “0” if (a) the village Party secretary or Party branch is the governing authority or body concentrating the decision-making power over public finances and other key village

¹⁰ The “haixuan” or “sea-election” method of nomination entitles every voter to freely and directly nominate a candidate for office. The candidates nominated compete in the VC election. *Haixuan* originated in Lishu county, Liaoning province, in 1993 and has spread throughout the country. It constitutes a reaction against VC elections being manipulated by the township and/or the village Party branch especially through the monopolization of the candidate nomination process. More recently, a new “one-time” version of *haixuan* permits the original nomination process to determine the election outcome if the top nominee receives a majority of nomination votes and more than half of eligible voters have participated in the process (He, 2007; Tan, 2009). In our sample villages where (d) holds, the Party secretary ran for the position of VC head in the *haixuan* process or the VC head who was elected through the “sea-elections” was then (s)elected as the village Party secretary.

affairs; or (b) the posts of VC head and Party branch secretary are held by the same person, but the election of VC head is not follow the *haixuan* method.¹¹

The “democracy quality index” constructed in the above way would be able to differentiate villages where changes in the exercise of power have kept up with changes in the access to power from those where there is a lack of change in the exercise of power. In this way, the index would reflect, to a meaningful degree, the extent to which villagers are empowered to hold elected VC members accountable. Table 2 reports the mean values and standard deviations of both the VC election quality index and democracy quality index by sample provinces. It shows that variations in both indices are large across villages within each province and across provinces. Table 3 further shows that an upgrading of the score in the VC election quality index is not matched by an increase in the degree of control-power shift from the Party branch to the VC.¹² Noticeably, at the top of the VC election quality rank, two villages with the score of “5” clearly resemble the case of River Bridge village presented in Section 2.2. At the bottom of the rank, although VCs are the real governing body in 3 of the total 5 villages, VC elections in these 5 villages violated all procedures and, as a result, their democracy quality scores are zero. Between the scores “1” and “4” of the VC election quality index, there is a roughly matched trend in that the absolute number and proportion of villages with “VC in control” increase with the VC election quality rank. In the rank “3” cohort, “VC in control” reaches the peak and 57% (20/35) of villages enjoy a match between improved access to power and enhanced accountability in the exercise of power.

3.3. Policy Targets Index

As discussed in Section 2.3, we need to assess quantitatively the direct effects of the target responsibility system on the provision of public goods by village officials, while simultaneously evaluating its impact on the democratic quality of village politics. For this purpose we construct a variable that measures the proportion of policy targets imposed from upper-level authorities in the top five tasks performed by village leaders in 2004. Table 4 reports the mean values and standard deviations of this “policy targets index” by sample province and by the democracy quality index. The first observation from the table is that the proportion of policy targets is generally high, which would imply that township

¹¹ In 19 (17%) villages in our sample, one person held the posts of VC head and Party secretary after the last election (2001-2004). In 13 of the 19 villages, concurrent office-holding was a result of the *haixuan* process.

¹² The Correlation Coefficient between election quality index and power distribution variable is 0.098.

authorities determine to a great extent the work of village leaders. This suggests that our policy targets index may over-represent the importance of policy burdens from above, although this proportion can be easily scaled down by increasing the denominator to six. Despite this limitation, its significant variations across villages in the same province and across provinces would serve the purpose of this research. The second observation is that there is a rough correspondence between an increase in the democracy quality index and a decrease in policy burdens from above.

3.4. Intra-Party Election Quality Index

As discussed in Section 2.4, we anticipate that, when township officials do not directly intervene in the election of village Party secretaries, the latter might be more responsive to village Party members and villager representatives in the delivery of local public goods. We introduce a dummy variable representing “Intra-Party Election Quality” that adopts the value “0” when the township Party committee directly appoints the village Party secretary or nominates the election candidates for the position of Party secretary; or the value “1” when township authorities do not directly intervene and allow village Party members to play an active role in the nomination and election of their village Party secretary in either direct or indirect multi-candidate elections. Table 5 reports the variation in intervention by the township authority in the most recent Party secretary election which took place during 2001-2004. The table indicates that there was no direct intervention by the township authority in 75% of our sample villages at the national level. In Jilin and Fujian, “no direct intervention” accounted for 95% of the sample villages. While figures in Table 5 suggests significant progress in procedural democracy in Party branch election, it is worth highlighting that various implicit/indirect interventions have been persistent (Liu et al., 2009), which are difficult to be captured and quantified by a survey.

3.5. Other Control Variables

We control for three sets of factors which might have an effect on the provision of public goods in Chinese villages. The first set includes those variables representing the level of economic development and the structure of the local economy, such as per capita village government revenues, per capita net income, the number of collective enterprises, the number of private enterprises, the number of self-employed households in non-agricultural businesses, the share of migrants working outside the county over the total

labour force of the village, and per capita farmland. To avoid possible endogeneity problems, we take year-2000 values of these economic variables.

We expect higher levels of economic development to be associated with higher levels of public goods and services because of both higher demand and more funds available for their provision. Previous studies also find that Chinese villages with a greater share of collective income (Wang and Yao, 2007), more collective enterprises and self-employed households (Zhang et al., 2004; Zhang et al., 2007), and higher levels of per capita income (Luo et al. 2007), tend to engage in higher levels of investment in public goods. Other features of the local economy also matter. Investment in public projects tends to be lower in agricultural villages and/or in villages with more migrants because migration results in a lower share of the population having economic interests in the village (Zhang et al., 2007).

The second set of variables intends to take account of the potential negative impact of social heterogeneity and divisions on public goods provision (e.g., Alesina and Baqir, 1999; Banarjee et al., 2005; Miguel and Gugerty, 2005). We control for two key social factors in the sample villages: lineage structure and inter-lineage relations. More specifically, we use village surname concentration as a proxy for village lineage structure, in line with Manion (2006), and measure it as the share of households with the top three populous family names in the village. Additionally, we include a dummy variable capturing the level of tension and conflict in inter-lineage relations in the village, which takes the value “0” if the relationship is regarded by the village elite (mainly, local officials) as harmonious and cooperative, and the value “1” if, instead, the relationship is seen as hostile or unfriendly.

The third set of control variables include those representing village demographic and geographic characteristics, such as village population, the share of flat land over total farmland, the share of irrigated land over total farmland, the distance between the two houses which are furthest away from each other in the village, and the distance from the village to the town. These factors might affect both the demand for public goods provision and provision costs. To control for regional differences, we also include provincial dummies in our model.

3.6. Accounting for the Endogeneity of Democracy Quality

The relationship between democracy quality and the level of village public goods provision is clearly endogenous. Higher election quality and greater electoral

accountability would induce elected VC cadres to be more responsive to villagers' demands for public goods, foreseeing the threat of being voted out of office if they underperform. On the other hand, in villages where the VC engages in higher levels of public goods investment and delivery and plays a more important role in village governance, villagers would have stronger motivation to compete and vote in village elections and to monitor VC performance after the election (He, 2007). Higher levels of electoral contestation and participation, in turn, appear to enhance the implementation of village elections (Hu, 2005). In addition, as Luo et al. (2007) point out, the endogeneity could also be a result of unobserved factors that affect the level of public goods provision, while being correlated with the implementation of elections in Chinese villages.¹³

To address this endogeneity problem, we specify two simultaneous equations: one for village public goods provision and the other for the democracy quality index.¹⁴ Several estimation procedures are available for the simultaneous equations system we have specified. The most obvious one is equation-by-equation instrumental variable (2SLS) estimation, which would yield consistent estimates but efficiency is not attained because cross-equation error-term correlations are neglected. We estimate the full system using three-stage least squares (3SLS). 3SLS combines the features of instrumental variables (IV) and general least square (GLS) estimators. It achieves consistency through appropriate instrumentation and efficiency through optimal weighting. It allows cross-equation error correlations to differ from zero and its flexibility in the error covariance matrix allows for a substantial efficiency gain relative to estimating each equation separately with 2SLS (Green, 2003, Chap. 15; Tavares and Wacziarg, 2001).

The 3SLS estimator can be thought of as producing estimates from a three-step process. In the first stage, it develops instrumental variables for all endogenous variables. These instrumented values can simply be regarded as the predicted values resulting from a regression of each endogenous variable on all exogenous variables. This stage is identical to the first stage in two-stage least squares and is critical for the consistency of parameter

¹³ A similar endogeneity argument could be established for the intra-Party election quality variable. However, given the limitation of our proxy dummy variable for intra-Party election quality and the politically restrictive nature of the village Party branch election, we opt not to pursue this further in this work and leave it for the future research.

¹⁴ Please note that the introduction of the second equation is for the purpose of addressing the endogeneity problem discussed above rather than for an attempt to establish a fully-specified model which determines democracy quality.

estimates. In the second stage, it obtains a consistent estimate for the covariance matrix of the equation error-terms. These estimates are based on the residuals from two-stage least squares estimation of each structural equation. In the third stage, it performs a generalized least squares-type estimation using the covariance matrix estimated in the second stage and with the instrumental values in place of the right-hand-side endogenous variables.

To make the instrumental values for the democracy quality variable as similar as possible to its observed values, and to further enhance the consistency and efficiency of our estimation, we introduce “election quality in the penultimate VC elections (1998-2000)” as an additional control variable. Furthermore, we add a predetermined instrumental variable “the level of electoral participation in the penultimate VC elections (1998-2000)” to the simultaneous equations system, which implies that it will only appear in the first stage of the 3SLS estimation. This predetermined instrumental variable should have direct impact on village democracy quality, but only indirect influence on village government investment in public goods (through the channel of village democracy quality). According to He (2007, p.84), “villagers’ participation is one of the forces that have transformed formal democratic institutions into functioning ones”. The results of the first-stage regression in the 3SLS (Table 7) further confirm the suitability of this additional instrumental variable. The table shows that the variable has significantly positive impact on village democracy quality (2004) but does not have significant impact on village government investment in public goods (2003-2004).

To satisfy the order condition for identification in the 3SLS estimation, we identify that the variable “election quality in the penultimate VC elections (1998-2000)” would exert direct impact on village democracy quality (2004) but only indirect impact on village public goods provision (2003-2004) (via the democracy quality variable). We further identify that “per capita village government revenue in 2000” would have direct impact on village public goods provision (2003-2004) but only indirect impact on village democracy quality (2004) (via public goods provision).¹⁵

(See *Tables 6 and 7*)

¹⁵ Both the seemingly unrelated regression (SUR) of the full system and the first-stage regression in the 3SLS (cf., Table 7) provide empirical support to these two choices.

4. Empirical Results

The results of the 3SLS estimation of our two-equation system are presented in Table 6.¹⁶ The results first confirm the presence of endogeneity: the village democracy quality and village public goods provision variables exert positive effects on each other at the 5% and 1% significance levels respectively. The coefficient on the democracy quality index shows that numerically, an increase by one unit, say from the mean value of 1.21 to 2.21 (cf. Table 2), in village democracy quality will lead to an increase by 44% in public goods investment.¹⁷ Noting that the maximum of the democracy quality variable are 4.00, such an induced 44% increase should be regarded as being in a reasonable range. This finding confirms H1, which hypothesizes that higher quality VC elections in combination with empowered VC institutions would lead to a higher level of village investment in public goods provision.

Although the significantly positive coefficient on village public goods provision suggests that a higher level of VC investment in public goods would foster a higher score in village democracy quality, caution is needed in interpreting this simple statistical relation because of the following reason. In the complicated political and bureaucratic processes which lead to the empowerment of the elected VC, performance in public goods provision typically plays a secondary role and it is beyond the scope of this research to fully specify these political and bureaucratic processes.

The significant and positive coefficient on intra-party election quality in the first equation of Table 6 indicates that when the township Party committee does not directly intervene in the election of the village Party secretary, there is a higher level of public goods provision in the village. The direct effect of the target responsibility system on public goods provision is not significant in Table 6 nor in Table 7, meaning that the empirical results do not support H2-(a). This finding is in line with that of Edin (2003), Tsai (2007b) and Whiting (2001). On the other hand, the negative and highly significant coefficients on the priority policy mandates variable in the democracy quality equation in both Tables 6 and 7 strongly confirm H2-(b). These two findings lead to a better

¹⁶ Because of 2 missing values in “per capita village government revenues (2000)”, 1 in “share of irrigation land (2004)”, and 1 in “election quality (2000)”, the effective sample size in our 3SLS regressions becomes 111 instead of 115.

¹⁷ Note that $\ln(y) = kx$ implies that $\frac{\Delta y}{y} = k\Delta x$.

understanding of the relationship between the target responsibility system and village public goods provision than that offered in the existing literature. The results indicate that the target responsibility system exerts indirectly a negative impact on village public goods provision *via* its significantly negative impact on the democracy quality variable. The combination of the insignificant direct impact and the significant indirect impact suggests an overall negative impact of the target responsibility system on village public goods provision.

Consistent with our expectation, our results indicate that in relatively more prosperous villages there is a better provision of public goods by the village government. Most importantly, the significant coefficient on per capita net income in the first equation of Table 6 suggests a high positive elasticity of 0.67. This might reflect a greater social demand for public goods in richer villages, as well as a greater willingness and ability of villagers to contribute funds and labour for the construction and repair of local infrastructure, which has been a common practice in rural China (World Bank 2007). While village government revenues (time-lagged) does not have a statistically significant coefficient in Table 6, it does have a significant positive coefficient in the public goods equation in Table 7. This suggests that the availability of financial resources does help the provision of public goods and services, although it is still possibly that village officials who have sufficient funds may not be necessarily have an incentive to invest them in public goods provision (Tsai, 2007b). This weak connection between village government revenue and public goods provision once again points to the importance of electoral accountability in promoting public goods provision in rural China. Like Zhang et al. (2007), we find that government investment in public projects tends to be lower in villages with more migrants, which results in a lower share of the population having direct economic interests in the village in the short run.

Regarding the influence of social factors, although the direct impact of inter-lineage tension on village public goods provision is insignificant, it appears to exert a significantly negative impact on the democracy quality index as indicated by its coefficient in both Tables 6 (significant at the level of 12%) and 7. It is in line with a similar finding in (Pesqué-Cela et al. 2009), suggesting that a higher tension between sub-village lineage groups would weaken villagers' willingness and ability to trust their fellow villagers in other lineages and this, in consequence, would undermine village democracy quality. This also supports the findings of He (2007), who reports that lineage conflicts in Chinese villages usually lead to (1) the postponement or delay of elections; (2) the manipulation of

the electoral process; (3) rivalry campaigns that, ultimately, make it impossible to elect the village committee; as well as to (4) the constitution of village committees whose members are so divided that they cannot carry out their governance responsibilities effectively. The impact of the share of households with the top three family names on village public goods provision is significantly positive, as can be seen in Tables 5 and 6, indicating that a more concentrated lineage structure would be beneficial in this respect. This is in line with Tsai (2007a, 2007b).

The coefficient on the village population size is significantly negative in the public goods provision equation but significantly positive in the democracy quality equation in Table 6. The reason for the former finding is because in villages with a larger population the per capita cost of public goods for a given level of provision is lower as suggested in Zhang et al. (2004) as well. For the latter, it might be due to the fact that the electoral processes of demographically and geographically larger villages attract greater attention from, and can be more effectively monitored by, upper level authorities such as local Bureaus of Civil Affairs, which are formally responsible for ensuring that the 1998 Organic Law is well implemented in Chinese villages.

To check the robustness of the results, we replace the democracy quality index by the election quality index to test whether the enhanced “access to power” alone can lead to higher levels of village spending on public goods provision in our sample. We find that the coefficient on the election quality index is not significant in the 3SLS. This is consistent with the findings in Tsai (2007b) and Wang and Yao (2007). These results are available from the authors upon request.

6. Concluding Remarks

The significant role played by villagers’ committee (VC) and Party branch officials in public goods provision and the election of these officials by villagers and Party members in rural China provides a natural experiment-setting for examining the interactive relationship between different mechanisms of electoral and bureaucratic accountability and public goods provision at the village level.

While the existing literature on VC elections centres on the “access to power” in general and VC election quality in particular, we turn our attention to the real political power structure at the village level in the post-election period and to the central version underpinning the design of the Organic Laws of Villagers’ Committees, that is, village

elections must not undermine strong Party/state control. We take into account both the procedural quality of VC elections and the post-election power distribution between the village Party branch and the VC. We also incorporate the impact of the newly introduced democratic mechanism of village Party branch elections and the existing bureaucratic mechanism of the “target responsibility system” imposed on village leaders by upper-level authorities.

On the basis of four nationwide village-level survey data, we specify and estimate a model of two simultaneous equations. Our major empirical findings can be summarized as follows. First, in villages where VC elections are implemented in accordance with the rules and procedures stipulated in the 1998 Organic Law and where the elected VC is conferred with the authority to manage and allocate village public funds, there are higher levels of village government capital and current expenditure on public goods provision. This finding confirms our hypothesis H1. It indicates that while the holding of direct VC elections matters for government accountability in the provision of public goods, what matters more is the combination of whether (a) the electoral processes are conducted in accordance with the stipulated rules and procedures and (b) the electoral institutions confer real power on the elected VC officials to manage and allocate village public funds. When VC elections are free, fair and kept up with a more democratic exercise of power, Chinese villagers can effectively hold VC officials accountable for their performance in the provision of public goods, by rewarding or punishing them at the ballot box.

Second, the target responsibility system does not have a direct and significant impact on the level of village government provision of public goods and services. This finding rejects our hypothesis H2-(a), by which we argue that, if there is a positive link between the fulfilment of priority policy assignments and the level of fiscal transfers from upper-level governments to the village, the target responsibility system should make a positive contribution to the village government provision of public goods and services. This rejection suggests that the upper-level authorities may not attach sufficient priority to rural public goods provision, and/or, that in some locations the institutions of bureaucratic control may lack leverage over village officials. In contrast, the target responsibility system does exert a significantly negative impact on the democracy quality index. This confirms our hypothesis H2-(b) and supports the argument that fulfilling priority policy assignments well would increase the bargaining power of township government with upper levels for exerting more political and bureaucratic control at the village level (Shan

et al., 2005) and would lead to a lower level of democratic self-government in Chinese villages.

Third, in villages where the township Party committee does not intervene in the election of the Party branch secretary by village Party members and, in some cases, also villagers, there is a higher level of public goods provision. This finding opens an important field for future research, with the hypothesis that the internal democratization of the CCP at the grassroots level might have a parallel positive impact on the performance of village leaders and on the quality of local governance as the democratization of village politics does. Furthermore, our research suggests that the governance effects of the implementation of the “*yijiantiao*” and “*liangwei heyi*” policies, by which the posts of VC head and Party secretary as well as the VC and Party branch are functionally merged, would crucially depend on whether concurrent office-holders have been at some point freely and directly nominated and subsequently elected by *all* villagers in high-quality elections.

Chinese experience of village elections and governance is in sharp contrast to most contemporary pro-accountability reforms in developing countries which typically exclude the “voice” of political and societal actors at the grassroots level, while putting primacy on the strengthening of bureaucratic institutions and/or the development of market mechanisms (Ackerman 2004). Our empirical evidence supports the perspective that the democratization of local political institutions and the establishment of areas of co-governance with frontline and grassroots actors may constitute a more effective way to enhance government accountability in public expenditure management and public goods provision (e.g., Besley and Burgess, 2002; Foster and Rosenzweig, 2004; Ackerman, 2004; Andrews and Shah, 2005). On the other hand, our findings also pinpoint the tension in reconciling the empowered participatory local governance with Party-state control. Chinese leaders and the public have shown a strong intention to develop a coherent and robust “co-governance for accountability” framework in rural China, in which top-down and bottom-up institutions reinforce each other, while leading local officials to effectively promote economic, social and political development in their jurisdictions. Nevertheless, given the increasing financial reliance of villages on township and county governments since the tax-for-fee reform in 2002 (O’Brien and Han, 2009), the recent re-enforcement of this reliance by the policy shift from “taxing to subsidizing” agriculture (Huang et al., 2009; Hansen et al., 2009), and the leading role played by township authorities in assessing village cadres’ performance through the fulfilment of policy targets, the

empowered participatory local governance practice can easily degenerate into participation without empowerment. In this regard, the promotion of village and intra-Party democracy becomes even more important than before for the development of a coherent and robust “co-governance for accountability” framework in rural China.

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Table 1. Investment and Maintenance Expenditures (per capita) in Public Goods Provision by village government in 2003 and 2004 (in Yuan)

Province	Investment per capita	Maintenance expenditure	Investment plus maintenance expenditure	
	Mean	Mean	Mean	Std. Dev.
Jiangsu	156.86	18.26	175.12	185.10
Sichuan	188.16	5.05	193.21	150.59
Shaanxi	112.61	3.93	116.54	320.26
Jilin	81.72	9.15	90.87	107.66
Hebei	66.04	2.62	68.66	111.60
Fujian	144.48	17.47	161.95	286.30
Sample	125.27	9.58	134.85	208.45

Source: Authors' village survey in 2005.

Table 2. Election Quality and Democracy Quality in the Sample Villages, by province

Province	Election quality index			Democracy quality index		
	No. of obs	Mean	Std. Dev.	No. of obs	Mean	Std. Dev.
Jiangsu	19	2.84	1.21	19	1.58	1.77
Sichuan	20	2.15	0.93	20	0.75	1.25
Shaanxi	16	2	0.89	16	0.88	1.20
Jilin	21	3.48	1.03	21	1.14	1.71
Hebei	19	2.42	1.02	19	1.63	1.61
Fujian	20	2.25	1.29	20	1.25	1.52
All Sample	115	2.55	1.17	115	1.21	1.54

Source: Authors' village survey in 2005.

Table 3: Distribution of Power between Party Branch and VC in 2004, by Election Quality Index

Election Quality Index	No. Villages	Percent	Party Branch in control	VC in control
0	5	4.35	2	3
1	18	15.65	13	5
2	30	26.09	19	11
3	35	30.43	15	20
4	25	21.74	12	13
5	2	1.74	2	0

Source: Authors' village survey in 2005

Table 4: Policy Mandate Index by Province and by Democracy Quality Index

Province	Policy Mandate Index			Democracy Quality Index	Policy Mandate Index		
	No. Villages	Mean (%)	Std. Deviation		No. Villages	Mean (%)	Std. Deviation
Jiangsu	19	85.26	14.67	0	66	84.77	16.51
Sichuan	20	96	10.46	1	5	88	17.89
Shaanxi	16	75	15.49	2	11	83.64	12.06
Jilin	21	80	17.89	3	20	79	22.92
Hebei	19	85	13.23	4	13	73.85	20.63
Fujian	20	73	24.52	5	0		

Source: Authors' village survey in 2005.

Table 5: Variation in Intervention by Township Authority in the Most Recent Election of the Village Party Secretary (2001-2004)

Direct intervention by the Township Authority	Total sample	Jiangsu	Sichuan	Shaanxi	Jilin	Hebei	Fujian
Yes (%)	25	32	40	38	5	32	5
No (%)	75	68	60	62	95	68	95
No. of villages	115	19	20	16	21	19	20

Source: Authors' village survey in 2005.

Table 6. Results of 3SLS estimation of the full system

	Ln (VC investment p.c. in public goods in 2003-04)	Democracy quality index
Ln (VC Investments p.c. in Public Goods in 2003-04)		1.016 (2.81)***
Democracy Quality index	0.439 (2.09)**	
Intra-Party election quality	0.549 (1.72)*	-0.457 (-1.11)
Priority policy mandates	0.013 (1.22)	-0.029 (-3.22)***
Ln (per capita village government revenues (2000))	0.111 (1.02)	
Election Procedural Quality (2000)		0.283 (2.27)**
No. of collective enterprises (2000)	0.238 (0.78)	-0.450 (-1.45)
No. of private enterprises (2000)	0.016 (0.58)	-0.036 (-1.15)
No. of self-employed households in non-agr. (2000)	0.002 (0.76)	-0.002 (-0.62)
Ln (per capita net income in 2000)	0.670 (2.00)**	-0.668 (-1.44)
Per capita arable land (2000)	-1.762 (-0.94)	1.031 (0.44)
% of migrants in working-age population (2000)	-0.017 (-2.09)**	0.014 (1.19)
% of households in top three family names	0.011 (1.93)*	-0.009 (-1.15)
Inter-lineage tension	0.443 (0.38)	-1.830 (-1.56)
Ln (village population)	-0.747 (-2.56)***	0.906 (2.23)**
% of flat land over total farmland	0.003 (0.67)	-0.003 (-0.58)
% of irrigated land over total farmland	0.303 (0.60)	0.053 (0.09)
Furthest distance between two houses in village	-0.0001 (-0.29)	0.0004 (1.95)**
Ln (distance to the town)	0.176 (0.93)	-0.152 (-0.69)
Constant	1.348 (0.42)	-1.606 (-0.45)
Provincial dummies	Yes	Yes
R-Squared	0.41	-0.14
F test [p-value]	4.22 [0.0000]	2.55 [0.0004]
Observations	111	111

Note: Figures in parentheses are absolute value of t-statistics and calculated in reg3 command with the option 'small' (in Stata SE 10.0), by which small sample statistics are computed and the test statistics are shifted from χ^2 and z-statistics to F and t-statistics. Because 2SLS and/or 3SLS estimates are no longer nested within a constant-only model of the dependent variable and the residual sum of squares is no longer constrained to be smaller than the total sum of squares, R -squared = $1 - \text{RSS}/\text{TSS}$ can take negative value. Consequently the inference should pay more attention to the overall model significance (F -test) and sign and significance in parameter estimates.

* indicates the significant level of 10%.

** Idem, 5%.

*** Idem, 1%.

Table 7. Results of the first-stage estimation of the full system

	Ln (VC investment p.c. in public goods in 2003-04)	Democracy quality index
Intra-Party election quality	0.787 (2.18)**	0.277 (0.87)
Priority policy mandates	-0.005 (-0.48)	-0.032 (-3.82)***
Ln (p.c. village government revenues in 2000)	0.295 (2.16)**	0.065 (0.54)
No. of collective enterprises (2000)	-0.003 (-0.01)	-0.376 (-1.31)
No. of private enterprises (2000)	0.011 (0.33)	-0.024 (-0.85)
No. of self-employed households in non-agr. (2000)	0.003 (0.91)	0.002 (0.65)
Ln (per capita net income in 2000)	0.464 (1.19)	-0.120 (-0.35)
Per capita arable land (2000)	-3.001 (-1.49)	-1.611 (-0.90)
% of migrants in working-age population (2000)	-0.019 (-2.19)**	-0.004 (-0.47)
% of households in top three family names	0.015 (2.33)**	0.007 (1.31)
Inter-lineage tension	-0.976 (-0.79)	-2.817 (-2.59)***
Ln (village population)	-0.633 (-1.92)*	0.088 (0.30)
% of flat land over total farmland	0.004 (0.65)	-0.001 (-0.17)
% of irrigated land over total farmland	0.619 (1.17)	0.812 (1.73)*
Furthest distance between two houses in village	0.0002 (1.12)	0.001 (3.43)***
Ln (distance to the town)	0.217 (1.03)	0.077 (0.41)
Election Procedural Quality (2000)	-0.061 (-0.43)	0.423 (3.39)***
Rate of electoral participation (2000)	0.770 (1.48)	1.423 (3.10)***
Constant	2.743 (0.75)	1.441 (0.45)
Provincial dummies	Yes	Yes
R-Squared	0.47	0.46
F-test [p-value]	3.31 [0.0000]	3.24 [0.0000]
Observations	111	111

Note: Figures in parentheses are absolute value of t-statistics.

* indicates the significant level of 10%.

** Idem, 5%.

*** Idem, 1%.