

The Distance between State and Rural Society in the PRC. Reading Document No 1 (February 2004)

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Introduction

On February 8, 2004, Chinese newspapers in all regions of the PRC published the Document No 1 under the title of „Some political suggestions of the CCP Central Committee and the State Council concerning the question of how to boost peasant incomes“ (Zhonggong zhongyang 2004). The document immediately incited a lively public debate on the situation of rural areas in the PRC. It argues that agriculture has been neglected for a long time. Now it is time to focus on boosting farmers' incomes as the only guarantee for stability in the rural areas. People should acknowledge that the process of industrialization has reached a point where agricultural production should no longer be forced to support industrialization. On the contrary, so a member of one of the workgroups which did the preparatory work for the document, the state should actively support agricultural production (Zhang Ailing 2004). Consequently, the document reminds the state of its duty to safeguard the interests of the peasants. As a first and important step it asks for a reform of the system of income distribution as well as of government budgets. The system of taxes and fees is going to be changed and state taxes for the peasants gradually reduced to zero. The aim of the leadership is to contribute to overcoming the divide between the urban and the rural population: “The difficulty of having farmers' incomes boost is a concentrated reflection of deep lying contradictions having built up for a long time inside the dual system of city and countryside“ (Zhonggong zhongyang 2004), the document says breaking the long held taboo of urban privileges based on exploitation of the countryside. Much to the astonishment of the informed reader, it underlines the positive effects of rural migration to the cities and condemns the widespread attitude among urbanites to criticize the peasants leaving their villages in search of job opportunities in the booming regions of the PRC: “We have to get rid of all regulations discriminative against migrating peasants looking for jobs in towns and cities...Migrating peasants are already an important part of the industrial labour force“ (Zhonggong zhongyang 2004). As a major step towards enhancing the situation of migrant peasants the document calls for a reform of the household registration system which has so far driven more than 100 million migrants into a situation which does not permit them to claim citizenship in China's urban areas. The leadership's call for change in this specific policy field amounts to nothing less than a fundamental turn around in the policy of the state and the Party toward the rural population.

Before the leadership had taken this decision, peasants and rural cadres had organized a series of protests voicing their anger caused by what they perceived as miserable living conditions in the Chinese countryside. After an initial rapid growth of incomes during the 1980s, rural incomes started to stagnate in the mid 1990s with some places complaining about declining incomes and deteriorating living conditions. A recent analysis shows that the gap between rural and urban incomes has been growing since the mid 1990s while taxes, fees and levies are on the rise. This is said to be the main reason for growing unrest in the countryside. Peasants who exclusively live of agricultural production pay taxes, fees and levies that amount to an average of 115,70 RMB p.p./p.a. while those whose incomes come from multiple sources only pay an average of 62,10 RMB (Miao Wenliang 2004). This shows that peasants who exclusively rely on agricultural production have to pay even more taxes than those for whom agricultural production is only a supplement and who therefore enjoy higher incomes to begin with. Additionally, peasants complain that the agricultural tax they have to pay is calculated on the basis of their grain output without taking in account what kind of investments they make. Even if they are hit by natural disasters, they have to pay taxes according to the output of the preceding year. And last but not least, they even have to pay taxes for grain their families consume or which they feed to the animals (Zhang Ailing 2004).

Even though the state has subsidised the price for grain for more than 30 years, this has not helped to solve the problem. Peasant incomes from grain production do not help raising incomes in the countryside although the state pays a higher price to the peasants than it can demand from urban consumers. In exchange, it forces the peasants through the so called household responsibility system to grow grain and thus guarantee grain supply to the cities. At the same time, decollectivization has proven what many had known before: Too many people have to live of agriculture in China. As long as incomes were on the rise, the problem of surplus labour in the countryside seemed to be of minor importance. But as soon as incomes started stagnating, this problem became more and more prominent. Consequently, peasant unrest has been growing, and migration is increasing while more and more peasants communicate their grievances to cadres from higher echelons of the administration. By leaving their villages, the rural population shows to the government that the stability of the country heavily relies on the stability of the countryside. Through their hidden as well as open forms of protest, the peasants have succeeded in forcing the CCP and the state into revising their fundamental principles of dealing with the peasant population and the situation in the countryside. This is what Document No 1 is about.

State and society in the PRC

Many outside observers regard the Chinese state as totalitarian or rather authoritarian. In their minds, the state controls every aspect of society (Rosenbaum 1992, Shambaugh 2000). Discussions about civil society issues which dominated research on modern China for a while during the 1990s reiterated this point of view putting hope on the ability and willingness of the urban population to induce political change by resisting against the all mighty state.

In this paper I will draw upon Yves Chevrier's theory of an insurmountable distance between state and society in China (Chevrier 1995) focussing on the growing autonomy of the rural areas as a main factor of change in China. This approach is backed by recent research looking at the state in the PRC as at the same time weak and strong (Shue 1998, 1990, Zweig 1997, Oi 1995, 1999, Weigelin-Schwiedrzik and Hauff 1999, Unger 2002, Rocca 2003). The state in rural China is strong in so far as up until the end of the 1990s it was heavily involved in all kinds of economic activities (Wong 1992, Pi Ziji 1998, Oi 1999, Weigelin-Schwiedrzik 1999), and it was weak as a consequence of loosing control over society with clans and families, *guanxi*-networks as well as secret societies growing in influence.

The second aspect of state society relations is the distance between center and periphery. Up until today, the state bureaucracy has not reached the very grassroots level of society. The lowest level of state administration is located at the county (*xian*) or the commune (*xiang*) level. Levels of administration that reach further down such as the village (*cun*) administration are not regarded as part of the state structure neither by the state administration nor by the local population. This is the reason why we have to differentiate between state structures reaching down to the county and commune levels and the local administration in the villages which are not funded by the government. Rural cadres at the grassroots level are not paid by the state, and the village committee (*cun weiyuanhui*) is not supplied with a budget by the state. Instead local cadres have to raise funds for their personal incomes as well as for their administrative activities by collecting money from the peasants or else by drawing onto the profits from township and village enterprises (*xiangzhen qiye*) which functioned under the regime of collective ownership until the late 1990s (Oi 1999, Weigelin-Schwiedrzik 1999).

Yves Chevrier's theory not only draws our attention to the geographical distance between center and periphery (Chevrier 1995). For him the distance between center and periphery is also to be seen in the fact that the state bureaucracy often refrains from exerting its direct influence on local society by leaving the organisation of everyday life to society and its ability of self-organization. In most cases, it is not the state but local society that guarantees survival for the local population. The sheer vastness of the territory forces the state into this way of dealing with rural society. Otherwise, with millions of rural cadres on its payroll, the state would have to cope with enormous

budget deficits. As long as rural cadres comply with state policies, the state regards the distance between center and periphery as an advantage; however, problems arise as soon as the loyalty of the cadres is unilaterally directed toward their local constituency and conflicts arise between the central and the local perspectives. Whenever crisis has to be dealt with, grassroots level cadres tend to align themselves with the local population especially as they do not have to fear any financial disadvantages as a consequence of their disobedience. At this moment, the state realizes the disadvantages of its relationship to rural society and regards it as potentially subversive to the political system.

Even "worse" than this is the situation where local power holders neither work for the benefit of the state nor of society. Corruption and misuse of power which have been spreading through rural areas in recent years have incited a lot of dissatisfaction and unrest in the countryside. Very often local protest is directed against local power holders, and protest that is directed against them is – according to the logic of distance between center and periphery - not targeted against the state. However, with the number of local upheavals growing year by year, they have a destabilizing effect on the system as a whole and are interpreted by local society as well as the state bureaucracy as a sign of diminishing authority on the side of the state (Weigelin-Schwiedrzik 1999, 2000, Rocca, 2003, Pei, Minxin, 2002).

As a consequence of the above described circumstances, rural society in the PRC disposes over much more power than our general assumption on the authoritarian character of the party state would allow them to have. It has the power to force the state into bargaining about the conditions under which it is willing to refrain from destabilizing the political system and jeopardizing the comparatively peaceful and privileged life in the urban areas of China.

The CCP's attitude toward the rural population

The CCP's attitude toward the peasants is characterized by a fundamental paradox. Although the peasants are said to have contributed decisively to the victory of the CCP, they turned out as the most neglected part of the population once the CCP had taken over mainland China. The CCP had had its power bases in the countryside before the founding of the PRC, but turned away from them and decided to grant privileges to the urban population as the best guarantee for the consolidation of the newly established regime. It supplied the urban population with free health care and education, inexpensive transportation and accommodation as well as highly subsidized food, privileges that were not granted to the peasants who basically had to take care of themselves (except for in times of natural disasters). In the course of collectivization, especially through the establishment of People's Communes during the Great Leap Forward, the peasants were forced into a contract system with the state that guaranteed adequate and inexpensive supply of grain and other foods for the cities at the risk of malnutrition in the countryside. According to this system, peasants were to pass food on to the cities before taking care of their own needs. The food they gave to the state was sold at state prices and to state dictated conditions. After the introduction of the household registration system in the 1950s, peasants were no longer allowed to leave the village without official permission, while the state claimed the privilege to send as many people to the countryside as deemed necessary. The peasants were on a system of self supply combined with a form of state control that set severe limits to their ability of self-government while the urban population grew more and more dependent of the state as a consequence of modest wealth and security (Zweig 1997, 3-42).

The peasants' attitude toward the party state

Even under the above mentioned disadvantageous conditions have the peasants been able to force the state into granting more and more autonomy to the localities and the families. One example of this hidden power of rural society could be the introduction of a family based form of agricultural production (baochan daohu) after the Great Famine (1959-1961) and the establishment of the People's Communes during the Great Leap

Forward. First a survival strategy developed at different places in the PRC, the tuning down of utopian concepts as propagated during the early phase of the Great Leap was later on legalized by the party leadership and contributed effectively to the relatively quick overcoming of the Great Famine. A second example could be the introduction of the household responsibility system at the very beginning of the CCP's policy of reform and opening which eventually led to the dissolution of the People's Communes in 1983 (Yang Dali 1996, Unger 2002, Zweig 1997). In both cases, even the most orthodox version of Party history could not deny that these fundamental changes were initiated from the grassroots level. In both cases, as a consequence of the state compromising with the demands of the peasants', agricultural production rose within a surprisingly short period of time ameliorating both: the income situation of the peasants and the food supply for the urban population (for a very unorthodox view on this question see: Gao Wangling 2002).

How can we explain the above mentioned instances of system change under authoritarian rule?

If we look at the PRC as a political system with a strong rural society, the explanation is quite easy to find. System change is possible if induced by society in the periphery where the state is neither able nor willing to exert as much control of everyday life as in the locations closer to or at the center. As the state's survival strategy, it has to grant autonomy to the localities, but as part of the survival strategy developed by local society, the peasants have to aim at enlarging their realm of autonomy and preserve the distance to the center. Gao Wangling reminds us with his work that the power of the peasants stems from their ability to cut down food production and thereby resist to the state's demands for an adequate food supply. Grain production did not rise during the 1950s, and even when grain output started growing in the 1970s it never grew faster than population growth. On the top of that, peasants tried by all means to keep surplus grain in the villages (Gao Wangling 2002, for data on grain production see Zweig 1997, 350).

This kind of subversive attitude among the rural population contrasts sharply with the CCP's ideology underlining the altruistic and revolutionary enthusiasm of the peasants. As part of this ideology, young people, intellectuals and cadres were sent to the countryside to learn from the peasants and their revolutionary way of thinking. However, once the urban youths arrived in the countryside, they realized that the peasants were much more independent of the state than the urban population and did not correspond at all with the image defined by the state propaganda machinery (They are several recent accounts that reflect this experience, see, for example: Yang Rae (1997), Fan Shen (2004)).

The Party was the only connection between state and rural society and between center and periphery. As long as it was present in all the villages, it guaranteed if not through its administrative power by symbolic means that the ideas of the center were transmitted to the villages. Local cadres were loyal to the Party and on this basis loyal to the state and gained status and standing in the villages in exchange for their loyalty. This is how the Party and the state forced the peasants into the above described disadvantageous contract system. However, this loyalty was never uncontested. It had to compete with the solidarity local cadres felt for their local people. With the Party and the state unable to pay for the services of the cadres, chances were high that in case of major conflicts local cadres would turn to acting according to local necessities rather than acting as transmitters of the Party's will (Shue 1988, 1990).

The distance between state and society in China

As mentioned above, to keep a distance between state and society is advantageous for the state and welcome by rural society. The advantage for the state consists in keeping the bureaucracy smaller and avoiding high costs for its alimentation. Even if the state does not fear the high cost a bureaucracy reaching down to the grassroots level of rural society would cause it still has to consider the fact that controlling a bureaucracy of this size from the center without allowing for participatory means to set the checks and balances for what is going on in the periphery is very risky. A centralized authoritarian system does not dispose of the means to make misuse of power in the periphery unfeasible. Therefore the state runs the risk of being blamed by the local people for

malpractices displayed by local bureaucrats if it does not prevent malpractices from happening. The local population could turn to viewing individual failings by local state cadres as signs of a failing state. Only by keeping a distance to local society can the highly centralized state in China avoid this problem.

However, the communist state came into power by using the inability of the Guomindang state to control the rural areas. It should therefore be conscious of the fact that the advantage of keeping the distance between state and rural society goes along with the disadvantage of uncontrollability. Mao's strategy to establish "liberated areas" in border regions was based on this disadvantage for the state (Mao Zedong 1928, 1930). Nevertheless, as soon as the CCP took over mainland China, it realized that centralization had its limits in a country with a territory of the size of China. In his speech "On the Ten Great Relations", Mao Zedong warned against an overdrawn centralism and championed the idea of shared responsibility between the center and the regions (Mao Zedong 1956). At the time he made his speech, he could still rely on the grassroots party organizations in the villages and therefore never considered the possibility of rural society getting out of control. The decision on reform and opening taken by the CCP's Central Committee in 1978 initiated yet another wave of decentralization (Goodman and Segal 1994, Goodman 1994, Wong 1991). In order to solve its growing budget problems the CCP central leadership had to agree to the government demanding lower levels of the administration to act as investors whenever the center did not dispose of the financial means to intervene itself. This is how regional and later local administrations gained in independence as they generated income independent of central control. Rural industrialization, even though not initiated by the central state, had a similar effect on the situation of local administrations. In the aftermath of decollectivization the commune (xiang) became the collective to own the land of the former People's Communes. At the same time, district and township administrations got involved in the development of Township and Village Enterprises under the regime of collective ownership. These enterprises supplied local administrations below the state bureaucracy with the kind of budget they needed in order to act on behalf of their local constituencies or for their own benefit. This is how rural industrialization formed a basis of growing rural autonomy in those regions where TVEs generated profits (Oi 1999, Weigelin-Schwiedrzik 1999).

Those villages, however, which have been unable to develop rural industries, are confronted with a difficult situation. Li Changping who is an experienced cadre at the grassroots level has decided to act as their spokesman. In his speeches and articles he time and again makes the point that villages from poor areas without TVEs are on the losing side of the ongoing reform process: "Even people who are 100 years old and one year old children have to pay for something [which they actually could never make use of]" (Li Changping 2003). In his letter to the then Premier Zhu Rongji he deplores the fact that especially in rice and grain producing areas peasant incomes do not surpass the production costs any more (Li Changping 2001). Local administrations put an enormous burden on the shoulders of the peasants forcing them to pay all kinds of (often illegal) additional taxes, fees and levies. They claim that they need this money for the budgets of the village committees and for their personal necessities which rise with the number of local people (especially clan members!) getting involved in local administration. Since privatization was used as a means to overcome the difficulties of TVEs hit by the Asian Financial Crisis, more than 90% of the TVEs are no longer in collective ownership and therefore can not serve as a source of income for local administrations any more. This means that even in those places where TVEs existed and were doing relatively well local administrators have to apply the same method as in those places that have not gone through a period of successful rural industrialization: They collect as much money as they think they need directly from the peasants (Oi 2003, Weigelin-Schwiedrzik 2003). This is one of the reasons why local uprisings are getting more and more numerous (Rocca 2003, 17-18).

As long as the CCP was present in the villages, local CCP cadres gained in reputation and standing and were thus compensated by "social capital" for the fact that their loyalty towards the CCP leadership did not necessarily materialize itself in the form of higher incomes. As a consequence of de-ideologizing Chinese society in the course of its efficiency oriented reform policies, the CCP leadership has had to cope with the loss of

standing and reputation among its local cadres. When everybody is oriented towards earning money (xiang qian kan), the kind of "social capital" that local CCP cadres had enjoyed for so many years is no longer able to take up the role of financial privileges. Consequently, the CCP's influence on local politics has diminished. Instead local networks have taken over. This, too, adds to the many factors responsible for local unrest.

The system of tax collection is another factor adding to the dissatisfaction of the peasants. It gives them the impression that they are not even regarded as citizens of their own right, but have to pay taxes in order to be granted citizenship. Tax collectors come their homes and insist on them paying their taxes while people with much higher incomes in the cities seem to be able to always find a way to avoid contributing to the state budget through their income taxes (for many examples see Chen Guidi and Chun Tao 2004).

During the Mao era, the basis for the reputation of local cadres in the villages was the charismatic nature of Mao's leadership (Teiwes 1984, Zweig 1989). Peasant localism and the relative autonomy of the grassroots level were matched by a strong orientation towards the center which was focus on the charismatic leader. The fact that this structure allowed for autonomy and unity endowed the system with some stability. That is why even during the Mao era China was not the totalitarian state many thought it to be. Donnithorne regards society in those times as to be characterized by its "cell structure" (Donnithorne 1972), and Shue compares it to a honey web (Shue 1988, 1990, 62). This system used the distance between state and rural society to its own advantage; it was based on local autarchy in the economic sense of the word, and it was fragmented politically so that local autonomy could not endanger the unity of the country.

With the death of Mao Zedong, this system has lost its charismatic leader, and since the beginning of the reform era, ideology no longer has the strength to cover up organizational and fiscal weaknesses. As a consequence of decollectivization, the party and the state have lost their last institution in the countryside that could act on their behalf, and although the peasants are still controlled by "unequal treaties", they have gained in autonomy through their growing economic independence gained from their activities on the market. The introduction of local elections, in which villagers can stand for election no matter whether they are party members or not, has added to strengthening the ties between local administrations and local population (Levy 2003, Unger 2000, 197-222, Weigelin-Schwiedrzik 2000, O'Brien 1994, Manson 1996). Party membership is no longer a guarantee for political power in the villages. Local cadres either have to prove their efficiency in managing local problems or else have to rely on their clans and local networks to gain the majority of votes. What used to be a lifelong position (as long as the Party had not changed its mind!) has now turned into a job, which needs a lot of networking, bargaining and power play rather than good connections to the state and Party bureaucracy.

The power struggle between state and society in the PRC: the case of Township and Village Enterprises (TVE)

The distance between state and rural society which simultaneously is the distance between center and periphery is the basis on which the power struggle between state and society is taking place in the PRC. One interesting and important recent example of this peculiar kind of power struggle is the development of Township and Village Enterprises. The TVEs were – as many PRC publications confirm - an "invention" of rural society that the Party and the State needed a long time to recognize. As mentioned above, the collective ownership of the TVEs made it necessary and possible for local administrations to act as legal owners of the enterprises. In return for that, they claimed often unforeseeably parts of the enterprises' profits to generate income for their local administration (Oi 1999, Weigelin-Schwiedrzik and Hauff 1999). This is where cadres at the grassroots level got their salaries from, how schools received subsidies and rural health care could be maintained. Whenever these enterprises were hit by crisis, the local administration intervened and helped out as a return for the financial support they had enjoyed in earlier years. Thus a symbiotic relationship developed between rural enterprises and rural administrations which was the basis of their success. However, this

success did not conform to the principles of a market economy and the idea of modernization that was advocated by the mainstream of the CCP leadership and of academic publications in the PRC (Dou Hui 1999, Liu Rongrong 1999). Consequently, the state was hesitant in legalizing this form of enterprise. Only in 1994 did the central government release a law that has so far formed the legal basis of the township and village enterprises.

The fact that collectively owned TVEs did not comply with the principles of market economy was not the only reason why it took so long for the central government to bestow them with a legally acknowledged position in Chinese economy. More importantly, the central government tended to perceive of TVEs as a threat. TVEs turned out to be a strong competitor for resources and markets weakening the position of state owned enterprises. At the same time, they were the basis for growing local autonomy, as described before. That is why the central government started inventing a counter strategy. At the same time it acknowledged the legal status of the TVEs, it demanded their reorganization under the slogan of "taking politics and business apart" (zheng qi fenkai). It argued that the ownership structure of TVEs was unclear and suggested that local administrations should give up their shares of the TVEs and privatize them (Lüdke 1999). As a result, most of the TVEs which were running under collective ownership in the 1990s were reorganized by the late 1990s with 85% under private ownership at the beginning of the 21st century (Weigelin-Schwiedrzik 2004). Consequently, local administrators have lost their extra budgetary source of income and now turn to the peasants to make up for their losses.

The history of TVEs is in this sense the history of a fierce struggle between state and rural society. The state is unable to procure the kind of services for the peasants it offers to the urban population. It leaves the rural areas to themselves and to the peasants' ability of self organization. However, as soon as the peasants make use of their autonomy the state becomes aware of the other side of the coin and is worried about its loss of authority. That is why TVEs had enough room to develop during the 1980s and 1990s before the state spotted them and recognized their potential. TVEs resisted against the demand of privatization for most of the 1990s, and it took the state until it could make use of the Asian Financial Crisis to force TVEs into privatization. It not only used the crisis to make its demands become true, it also won over local cadres by encouraging them to change into private owners and benefit from TVEs not only indirectly but as a direct source of personal income.

Rural migration as a case study in state society relationships

Rural migration is yet another interesting example of the struggle between state and society. In the 1950s, the household registration system was introduced with the aim of hindering all citizens of the PRC from moving around the country without limitations and state control. The efficiency of this system was enhanced by combining it with the rationing of food which made it nearly impossible for anyone, but especially for peasants, to survive in a place other than his home without official or family support. That is the reason why for most of the Mao era, migration was impossible unless the state decided to either resettle urbanites in the countryside or vice versa. Only when the rationing system was complemented by free market supply was it possible to migrate without state orchestration. This is true for the period of the Great Leap and the Great Famine and it is especially true for the years since 1978 when the introduction of the household responsibility system led to the revival of free markets in the PRC. Simultaneously, more cheap labour was needed for the modernization of the cities and therefore migration tolerated as long as peasants did not claim to become permanent residents in the cities. Even though both sides, the rural and the urban areas, could have benefited from changing the household registration system it was not abolished. Surplus labour posed a major problem in the countryside and a shortage of construction workers was a problem that needed to be solved in the cities, so allowing the peasants to legally move to the cities would seem like a rational solution to the problem. Instead, even if, as in some places, peasants were given "green cards" to legalize their temporary stay in the cities, other members of the families accompanying the migrants were refused a legal status.

They had no access to the urban health care systems, their children were not allowed to go to public kindergarten and school facilities, and they could be sent back to their home villages whenever the police decided to make a raid on them. They soon formed the "lumpenproletariat" of the cities, and - as Li Changping puts it - the most exploited and maltreated people in China (Li Changping 2003, Sharping 1997, Pieke and Malle 1999). Document No 1 of February 2004 makes clear that the Chinese leadership has finally come to the conclusion that the continuation of the household registration system is less advantageous than its abolition (Zhonggong zhongyang 2004). In the face of millions of migrants in mega-cities like Beijing, Shanghai and Guangzhou and as a reaction to a situation in the countryside that forces more and more peasants into migration the central government demands a change of attitude towards the migrants from the municipalities and from the urban population. This includes acknowledging the legitimate interests of the migrants, legalizing their status and rejecting prejudices against them. Municipal governments are to understand that the migrant workforce is an important factor of economic growth in their cities. They should allow the children of migrant workers to attend public schools and migrant workers should be integrated into the municipal social security system as they should be treated as part of the "urban proletariat". Migrant workers and their families should have the chance to get registered under a new registration system as legal inhabitants of the cities (Zhonggong zhongyang 2004).

From the perspective of the central government the abolition of the former household registration system is a fundamental change of policy the consequences of which seem more advantageous than what municipal governments have had to cope with since migration had developed into a major social problem. Whereas the rural population had been kept at a certain distance from the cities through the old household registration system, they suddenly moved into the cities and had to stick to their rural habits of self organization and to their rural way of life as the cities refused to integrate them and to help them assimilate to the urban way of life. Instead a rural sub-culture came into being far beyond the reach of the government and the security forces. The SARS crisis showed that illegal migration could be a major threat to the urban population as the illegal status of the migrants provokes uncontrollable reactions in emergency situations. Had the migrants had a legal status during the SARS crisis the state could have known about their movements and their whereabouts. Without access to health care in the cities rural migrants could not but leave the cities and return to their villages. Had more migrants been infected by SARS this would have had a disastrous effect on the spread of the disease. Even though we are not aware of any political movement voicing the demand of the peasant migrants to be acknowledged a legal status in the cities, the very fact that they are in the cities on a permanent basis is enough to invoke the policy change. In this context, experiments in several cities with legalizing the status of migrants must have played a crucial role. The No 1 Document indirectly refers to these experiments by calling for a nationwide establishment of a new registration system. These experiments make it possible for the leadership of the Party and the state not to refer to the illegal actions of the peasants with their policy decisions but to refer to institutionalized policy makers as the basis of their decision. This is how the fact that the illegal migration of millions of peasants forced the government into action is disguised.

Rural health care and why local society does not take action

The rural health care system has posed a major problem ever since. During the Mao era, many experiments were tried out and eventually a cooperative system established. This system was financed by the communes and by the peasants individually, and it was in most places financially sound enough to allow for basic health care in the countryside. If peasants had to be treated in a hospital outside their commune, their treatment had to be paid for by the commune and/or by their families. After decollectivization this system dissolved with marketization of medical facilities developing rapidly. Medical doctors who had previously worked in hospitals run by the communes became private doctors demanding fees that more often than not surpassed the financial possibilities of their patients. Illness has since then turned into one of the major reasons for poverty in the

Chinese countryside. Simultaneously, the marketization of medical services in the countryside has generated regional disparities as doctors choose to offer their services only in those locations where they have enough patients to pay for their treatment (Bloom and Gu Xingyuan 1997, Klotzbücher 2005).

Up until recently, the government has refrained from intervening directly although it has been appealing to local administrations to take care of the problem. This is how the problem has been on the agenda for many years. Now, Document No 1 refers to it again although it does not come up with a straight forward solution. Instead it turns to those comparatively well off regions asking them to establish a cooperate system guaranteeing basic health care to the peasants (Zhonggong zhongyang 2004). This means that no solution for the most affected regions is offered: The poor regions continue without health care.

In this special case it looks as if the central government is interested in establishing some kind of health care system in the countryside, but the topic is not important enough for the central government to actively go about investing money into the system and imposing a health care institution on the villages. On the other hand, local administrators do not seem to recognize the urgency of the problem as they refrain from action even though the central government has time and again asked them to come up with adequate solutions. In this situation, the state can only reinforce its presence in the countryside by strengthening the county level health centers which are under state control and on a state budget. They do not reach to the grassroots level, however, and therefore are no solution to the problem of overprized health services at the village level. This example shows quite vividly, that change in the countryside is difficult to induce from the outside. If the peasants do not see the advantage of certain policy measures they do not respond to the appeals of higher levels of the administration which is why local administrators do not feel any pressure for action. The central government cannot make its voice heard in the countryside without appealing to the peasants. But because of the distance between state and rural society chances are higher that peasants invent their own survival strategies than that they listen to what the central government says. In the case of public health, preserving the distance between state and society seems more important to the peasants than having access to medical care. That is the basic reason why they do not exert any pressure on local administrators to respond to the demands of the central government. Or to put it the other way round: If public health were of central concern for the peasants they would have invented a solution which sooner or later provokes a reaction from the central government. Up until now they have refrained from any action in this field. This is the reason why Document No 1 does not include any concrete solutions to this problem.

Conclusion

Reading the No 1 Document of February 2004 in the context of the above explained distance between state and rural society reveals the surprising strength of rural society in the PRC. Instead of controlling society in every aspect, we see the state losing control and trying to re-establish its authority by compromising with the peasants. This implies that Document No 1 with its turn around in major issues concerning the situation of peasants in the PRC is a sign of changing state society relations with the state trying to overcome the distance between state and society in order to stabilize the situation.

Comparing the different policy fields of rural industrialization, migration and public health we detect three different patterns of conflict resolution. In the case of rural industrialization, the initiative to found and develop TVEs first came from the countryside. The central state tried to neglect this invention for a long time while lower levels of the bureaucracy soon learned from the experiences of the villages how to exploit rural industrialization for their own benefit. Rural industrialization strengthened local autonomy, and as a counter strategy, the central state demanded the privatization of TVEs under the slogan of "taking politics and business apart". Rural society as well as local administrations did not respond to the central state's demands for a long time. However, when the Asian Financial Crisis hit China, it only took two more years to privatize more than 80% of those TVEs that had survived the crisis. The reason why this sudden change

could happen lies with the change of attitude on the side of the cadres at the local level. As soon as they realized that the privatization of TVEs could be of benefit to them they gave up their resistance (Lüdke 1999). The state found a solution for how to overcome the distance to rural society by winning the support of local cadres.

Migration is a policy field where peasants demanded change and the state had to seek compromise. The peasants overcome the distance to the state by migrating and putting pressure on the bureaucracy by their mere presence in the cities. With their experience of self-organization they can survive in the cities without state support, however, as soon as they become aware of the many privileges urbanites enjoy in the PRC, they demand equal rights and opportunities. For a long time, the state administration showed no reaction until the SARS crisis revealed that with the number of migrants growing at great pace uncontrolled migration would pose a major threat to urban society in China. Peasant migrants as the "lumpenproletariat" of Chinese society has no lobby to articulate and fight for their demands. Document No 1 shows that nevertheless they are able to convince the state of the necessity to seek compromise.

The case of public health in the countryside stresses the fact that the state needs local support in order to implement its policies in the countryside. Without local support, state demands are met with negligence, and – as we see in the case of rural health care – no change is possible. This example is especially important as it shows that the peasants react with negligence although a better health care situation would be of clear benefit to them. From the point of view of state society relations, the main reason why the state has so far been unable to convince the countryside to take actions in this policy field is the fear of state intervention. Peasants in China know that state intervention into rural society has more often than not brought disaster to the villages. That is why they rather cope with an enormously difficult health care situation than allow for the state to enter the realm of rural society by means of enhanced state health care services. Document No 1 has a realistic assessment of the situation. It refrains from imposing a system of health care on the countryside and confines itself to encouraging those villages to find a local solution to the problem where economic conditions make the establishment of a cooperative system feasible. The only conceivable way for the state to overcome the unresponsiveness on the side of rural society is by investing money into the rural health care system. Wherever outside money is used to enhance the health care situation in the countryside peasants cooperate. However, no sustainable solution has ever generated from these local models as they seem to collapse as soon as the extra money is spent (Klotzbücher 2005). The state's capacity to finance a rural health care system is too limited to force the peasants into action. At the same time, no local stake holder is willing to act on behalf of the state in the villages. That is why no change of policy can be enforced in this policy field.

As there are no institutions bridging the distance between state and rural society and as there are no political procedures of conflict resolution between state and rural society, conflicts can only be resolved by informal means with unforeseeable outcomes. Peasants take to all kinds of methods including migration, social unrest and protest actions in order to voice their demands. Whatever they do, they have to put legal constraints and considerations aside. There is no legal channel for them to put forward their demands. But at the same time, the state does not dispose of any legal means to implement its policies in the countryside either. Without local support, its demands are met with unresponsiveness. And without the necessary budget for state intervention into the countryside there is no way to impose change. The distance between state and rural society forces the state into compromise as soon as it is threatened by the destabilization of rural society having an effect on life in Chinese cities. It is this threatening effect of rural society on the stability of the cities which makes it strong in using informal and often illegal means to force the state into action. This is what Document No 1 is about.

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