A Weapon of the Weak? Shareholding, Property Rights and Villager Empowerment in China

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Abstract
As urbanization continues to fuel land and property conflicts in rural China, shareholding has been promoted as a reform in property rights that would enhance bottom-up control in the governance of collective assets. The recent proliferation of community-based shareholding companies has been credited for giving villagers new identities as shareholders, which entitle them to vote, receive their share of collective profits, and elect the managers of their wealth. This paper critically appraises these reforms and offers a contrarian perspective to singular narratives of villager empowerment. While shareholding clarifies villagers' rights of control, income and transfer in collective property, the effective exercise of such powers is often forestalled on the ground by the concentration of power in elite hands. To the extent that formal and informal constraints on cadre power remain tenuous, shareholding could function as a vehicle for the powerful to appropriate collective wealth rather than as a weapon of the weak.

Keywords: shareholding; collective economy; property rights; village self-government; land politics

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Urbanization and the large-scale expropriation of rural land have brought property rights and ownership disputes to the forefront of contentious politics in contemporary China.[1] As conflicts surrounding rural collective economies intensify, fuelled oftentimes by allegations of cadre mismanagement, local governments have become open to institutional experimentations that would enhance accountability and participatory control in the governance of rural collective assets. Shareholding has been promoted in this context as a way of clarifying property rights and democratizing decision making. Villagers are given shares in community-based companies and receive annual dividends from their profits, while the task of asset management is delegated to an elected board of directors

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1 See, for example, Sargeson 2013; Chuang 2014; Wong 2015.

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in charge of making investment decisions, negotiating land contracts, and allocating revenue distributions.

While rural shareholding is nothing new – it has been practised in the Chinese countryside since the late 1970s[2] – the reform has gained renewed attention in recent years as a potential "weapon of the weak" for Chinese villagers to defend their rightful shares in collective property. Shareholding is seen as a strategy by which rural communities could organize themselves and build autonomy.[3] By shifting "the control over existing collective assets from cadres to villagers," shareholding has been credited for providing "ordinary peasants with an institutional basis for self-governance."[4] Paralleling the positive appraisals, shareholding reforms have been promoted by local governments across China from the Pearl River Delta cities in the south to northern cities such as Beijing and Shenyang, and are increasingly adopted in inland areas where rural land requisitions have become no less frequent.[5]

The purpose of this paper is to assess the actual impact of shareholding in rural collective economies with regard to villagers' participatory rights in the self-management of collective resources. Drawing on field data collected in Guangzhou, the findings presented here suggest a more complex reality that eludes singular narratives of empowerment. While shareholding clarifies villagers' right to income through the assignment of shares and consolidates their right of control over collective property by establishing institutions of bottom-up representation and accountability, the effective exercise of such rights is contingent on the behaviour of agents that are designated representatives of collective interests. To the extent that property rights reforms fail to wrest collective assets from cadres' control, and the accountability mechanisms for checking these agents' power remain weak, the participatory processes and ownership rights guaranteed on paper will remain vulnerable in practice to the vagaries of personalistic rule.

The paper begins by situating the discussion of shareholding within debates on how property rights and economic institutions condition participatory control and democratic outcomes, followed by an elaboration on research methods. Unpacking the notion of property as an aggregate of distinct rights, the next two sections examine how shareholding restructures property and power relations in theory and in practice. Through a comparative study of divergent outcomes in two villages, it will be shown that shareholding could become a vehicle for the private appropriation of collective wealth when effective checks on elite power are absent.

Property Rights and Self-Government in Rural China

Villages in contemporary China are by official designation self-governing communities. The 1987 Organic Law stipulated the formation of two new

2 See articles in Oi and Walder 1999.
3 Hsing 2010; Po 2011.
4 Chen 2016, 847.
5 Chung and Unger 2013; Po 2008; Tang 2015; Wong 2016.

decision-making bodies in the post-socialist village, namely the villagers' assembly and the villagers' committee. The introduction of village elections in the late 1990s further extended the self-government movement by coining the "four democracies" in rural governance, encompassing democratic elections, decision-making, management, and supervision.[6]

In the literature that these developments have spawned, the earlier scholarship has focused on the implementation of village elections and the determinants of democratic electoral outcomes.[7] As disputes over the management of rural collective assets grew to become a chief cause of villager discontent, however, recent studies have begun to shed light on how property institutions may constitute an additional site for research into villager empowerment and democratic participation. Economic institutions such as property rights regimes and ownership structures directly condition self-governance through facilitating or limiting people's right, interest and motivation to participate as property owners, and are as such no less consequential for democratic empowerment at the grassroots.[8] Indeed, if political democracy entails a system of checks and balances that requires those in governing positions to be elected by and accountable to those governed, democracy in the economic sphere can be taken to emphasize the same principles of self-management and accountability in the governance of economic resources.[9]

Under state socialism, rural resources were managed under a system of collective ownership. Cadres enjoyed considerable redistributive power as agricultural harvests and goods produced were centrally appropriated by production brigade and team leaders before reallocation to rural households.[10] De-collectivization and the introduction of the household responsibility system in the 1980s restored partial rights and agency to villagers, but vestiges of collective ownership remained. Rural land, for instance, remains collectively owned. Re-collectivization also took place in some parts of the countryside where villagers pooled resources to capitalize on scale and managerial expertise.[11]

The merits and limits of collective ownership as a property institution that structures economic self-governance have long been a subject of debate. As Yep notes, the institution of common property rights requires villagers to go through an intermediary that is taken to be the custodian of collective interests.[12] This need to rely on agents creates issues of representation, trust and accountability, and has been seen as a major contributor to villager disempowerment. In land management, most prominently, the lack of clarity in rights surrounding "who owns" rural land forestalls villagers' effective exercise of ownership.[13] The

6 Levy 2003.
7 See, for example, O'Brien and Li 2000; Oi and Rozelle 2000; Guo and Bernstein 2004.
8 Sargeson 2018.
9 Johanisova and Wolf 2012.
10 Nee 1989.
11 Hsing 2010.
12 Yep 2013.
13 Ho 2001.

usurpation of collective property by rural cadres for private gains is commonplace.[14] In view of such drawbacks, policymakers have debated reforming collective property rights as a way of villager empowerment. For example, some advocate that the privatization of rural land would restore lawful rights to villagers and free them from cadres' control. Others contend that collective ownership offers villagers protection and that its overhaul may not necessarily produce democratic outcomes. Zhang and Donaldson argue that individualization of land rights would weaken rather than strengthen villagers' bargaining position in relation to capital and political leaders.[15] Comparing participation in rural and urban communities, Sargeson provides further evidence that collective ownership constitutes the "necessary grounds for democratic self-government" and is "conducive to higher levels of procedural democracy and substantive participation in self-government."[16]

In light of these debates, this paper considers whether community-based shareholding in Chinese villages may constitute a reform in property rights that would facilitate villagers' self-governance. Shareholding keeps intact the institution of collective ownership, but clarifies villagers' rights through the equitization of indivisible collective assets into shares that can be distributed to individuals or households. It thus appears to offer a third way forward that retains collective ownership without privatization while delineating villagers' rights. By investigating the micropolitics of property rights assignment and ownership control, this paper demonstrates how shareholding reconfigures property and power relations within rural communities to critically examine its impact on economic self-governance and villager empowerment.

Research Site and Methodology

Empirical data for this paper is drawn from Guangzhou in south China, with particular focus on W district. Historically part of Guangzhou's rural suburbs, villages in W district once possessed extensive farmland and were primarily agrarian economies. Rapid industrialization and urbanization from the 1980s onwards led to large-scale land expropriations and transformed these villages into industrial and rent-based economies. Villages in W district pioneered shareholding reforms and their policies found province-wide replication. By 1991 all villages there had formed shareholding cooperative economies, and the district further led the way in a second round of reform in the early 2000s that saw the establishment of shareholding companies. The results of the shareholding experiments there, in terms of the self-government of collective resources by villagers in the face of rapid urbanization and land expropriation, would have direct relevance for other areas of the countryside confronting similar change.

14 Cai 2003.
15 Zhang and Donaldson 2013.
16 Sargeson 2018.

Documentary analysis and qualitative case study were employed as research methods. Policy documents on rural shareholding and collective asset management issued by the provincial, municipal and district governments from the 1980s to the present were analysed. To observe the actual implementation of reform, a multi-level case study was used. As of 2017, there were 25 village-based shareholding companies in W district. Information on the leadership and structure of the 25 companies was collected to derive basic comparative data on their shareholding economies. Two communities with similar socioeconomic characteristics but divergent governance outcomes were then selected for in-depth comparative study following a most-similar case design.

Village-level data was collected from archival sources and field study. A total of 37 statutes and documents published by the villagers' committees and shareholding companies of the 25 communities were collected. Data on village collective economies and company asset holdings were obtained from district government archives, while village gazetteers were consulted for information on the history of shareholding reforms, land requisitions, leadership changes, and community attributes such as lineage composition. Fieldwork was conducted between 2011 and 2013 as part of a larger study on land politics in Guangzhou. Information on the two selected villages was collected from site visits and interviews with villagers during this period, while updated data was obtained from follow-up fieldwork in 2016 and 2018 and from online databases.

Shareholding and Property Rights Reform

Drawing on the notion of property as a "bundle of rights,"[17] this section analyses government regulations to examine whether the property relations in shareholding provide the basis for the self-government of rural resources by villagers as co-owners of collective property.

In contrast to shareholding experiments in state enterprises, the village shareholding economy analysed in this study is based on the community group of the village collective. From a historical perspective, the contemporary shareholding cooperative economy found in villages is a descendant of the commune system institutionalized during agricultural collectivization. The property rights reform that took place following decollectivization in the 1980s was built on the basis of the collective economic organizations inherited from state socialism. Shareholding cooperatives (*gufen hezuoshe* 股份合作社) were established at the level of the socialist production team, the present-day villager small group, while shareholding cooperative economic associations (*gufen hezuo jingji lianshe* 股份合作经济联社) were formed at the level of the production brigade, the present-day administrative village.

The village shareholding company is the product of a further round of reform that began in the 2000s. The objective was to introduce the management structure

17 Demsetz 1967, cited in Walder and Oi 1999.

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of a modern company in the regulation of collective economic organizations.[18] Mimicking the limited liability company, the reform set up within the company an assembly of shareholders (*gudong dahui* 股东大会), board of directors (*dongshihui* 董事会), and board of supervisors (*jianshihui* 监事会). The company is formed through joint capital contribution by each village's existing shareholding cooperatives and subsidiary enterprises, which, following company registration, become the corporate entity's institutional shareholders with legal personalities (*faren gudong* 法人股东).

The establishment of shareholding companies is closely tied to the territorial politics of urbanization and rural land development. Beginning in the 2000s, the Guangzhou government has pushed forward plans to increase land supply by urbanizing villages situated in city areas. Administratively, villages were to be converted from rural to urban communities (*shequ* 社区). Territorially, some villages were designated for wholesale redevelopment which would entail demolishing existing rural apartments, resettling villagers in high-rise residential buildings, and using the vacated land for high-value commercial developments. Unlike the predominant approach of rural land expropriation, where only monetary compensation is given to collectives for the loss of land, villagers were allowed to retain collective rights over a proportion of land which they could use for property development to extract rents.[19] The shareholding company was established in this context as the corporate holder of villagers' common assets, and serves as a platform for the negotiation of land contracts, management of collective property, and allocation of revenue for re-investment, welfare provision and distribution to villagers. By giving villagers an institutional representative of their collective property rights, as well as a clear stake in the commercial development of their land through the assignment of shares, shareholding reforms played a key role in enrolling rural communities in the state's developmental agenda.

How are property relations defined and specified in the shareholding company? In his theory of property rights, Demsetz delineates three kinds of rights that together constitute the notion of property, namely the rights of control, income, and transfer.[20] This conceptualization provides a framework for examining "who exercises managerial control", "who has a right to income flows," and "who has a right to assign ownership to other parties" in a property regime.[21]

Right to income

In shareholding companies, the right to income is in principle enjoyed by all eligible villager-shareholders. Shareholding formalizes villagers' right to claim their

18 Zheng 2005.
19 This provision has been referred to as reserved land policy. See Hsing 2010; Wong 2015.
20 Demsetz 1967, ibid.
21 Walder and Oi 1999, 5.

share of profits derived from collective assets by assigning a fixed number of shares to each based on which revenues are distributed. The reform entails a process of equitization which involves converting all assets held in collective ownership by the village community, which are by nature indivisible, into a total number of shares.[22] These shares are then assigned to individual villagers or households based on criteria such as age, contribution to the collective economy and welfare needs. The number of shares an individual is allocated is thus a concretization of his or her right to income flows through which dividends and welfare payments are received. The distribution is often determined on an annual basis, conditional upon the total revenues generated by the shareholding company in a particular fiscal year.

Rights of control and transfer

The rights of control and transfer concern who has the right to make decisions concerning the use of property and the transfer of such right to other parties. For villager-shareholders, this right is exercised on two levels: the use and disposal of their shares, and of collectively owned resources.

While shares entitle villagers to receive income from collective property, their right of transfer is much more circumscribed. Villagers are not allowed to sell or mortgage their shares outside of the collective organization, though shares can be inherited. As an institutional hybrid, the shareholding company combines the characteristics of a cooperative and a limited liability company. That shares are not tradable externally reflects the cooperative's primary prerogative in delivering benefits to its key stakeholder group, and also acts as a safeguard against speculative profit maximization by external investors.[23] This implies however that, unlike shareholders in conventional companies, villagers do not have the exit option of share disposal.[24] They cannot punish the leadership or express their distrust by voting with their feet. This absence of remedies against the management constitutes one of the key limitations on villagers' rights.

The right of control over collective resources is of prime importance as it determines how land is used and how revenue is allocated. According to regulations, villagers have the right to deliberate and decide on these issues by virtue of their inclusion in the shareholders' assembly, the highest organ of power in the company. Like the villagers' assembly, the shareholders' assembly consists of all eligible members of the village collective and operates on a "one member, one vote" governance structure. The status of shareholder entitles villagers to vote on major decisions including investment projects, fiscal budgets, and disposal of company revenues. Since the general assembly is large in size, a representative assembly often acts in its stead. Stipulations are made in municipal regulations that

22 See Chen 2016 on types of shareholding reforms.
23 Johanisova and Wolf 2012.
24 Yep 2015.

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representatives directly elected by villager-shareholders should make up at least four-fifths of representative assembly members.[25] Decisions made by the representative assembly must be publicized for five days and can be subject to re-vote if they are contested by over one-tenth of shareholders.[26]

Although the shareholders' assembly is in theory the highest organ of power, the right of control is often exercised in reality by the board of directors, which represents the company in executing managerial decisions. Made up of five to nine members and presided over by a chairperson, the board of directors is given broad powers to prepare budgets, appoint managers and senior personnel, and negotiate and sign contracts with external investors. On paper, the board is obliged to carry out the decisions of the shareholders' assembly. The assembly has the power to elect board directors and can propose motions to remove them by collecting the signatures of one-fifth of eligible shareholders or one-third of eligible households.[27] However, as the next section shows in detail, the extent to which the assembly can effectively exercise its power vis-à-vis the board of directors is debatable.

Enforceability of rights and agency costs

In sum, shareholding legislation formalized villagers' right to income by clarifying their shares in collective revenues. It also gave recognition to their rights of control and transfer as joint-owners of collective property through representation in the shareholders' assembly, which entitles villagers to vote on important decisions and elect their own representatives. To enforce villagers' property rights, government regulations further provide for the establishment of a watchdog council within the company. The task of the board of supervisors is to monitor the board of directors and senior management personnel, with the explicit responsibility of preventing any behaviour that might harm the collective interests of shareholders. Supervisors are elected by the shareholders' assembly and can attend meetings of board directors as non-voting attendees. On detecting irregularities, they may report to upper-level governments and request an accounting firm to carry out an audit. The supervision system thus provides an internal mechanism of accountability to ensure the enforceability of villagers' rights.

Overall, however, the shareholding reform stops short of ameliorating one of the key issues in rural politics, that is, the need for the villagers to act through intermediary organizations that "represent" collective interests. The effective exercise of villagers' property rights is conditional upon the representative assembly and board of directors being elected bodies that are accountable to

25 Guangzhou Municipal Government's Opinions on Regulating the Management of Rural Collective Economic Organizations (2014), Section 2, Article 3.

26 Guangdong Provincial Regulations on the Management of Rural Collective Economic Organizations (2013), Article 9.

27 Provincial Regulations (2013), Article 11.

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shareholders. To the extent that leaders of the two organs are subject to relatively free and fair elections, and decisions made are representative and subject to effective oversight, villager-shareholders' property rights can be protected. On the contrary, if these bodies are not democratically elected and leaders monopolize decision-making without fears of sanction, the shareholding company could become a platform for self-appointed representatives to appropriate collective property for private gains. Under such circumstances, villagers' lack of right to transfer their shares and exit the company becomes a significant limitation. Unlike shareholders in regular companies who can punish the management by selling their stocks, villagers as principals lack such remedies against their agents in the board of directors. The next two sections illustrate how these issues of agency risks are manifested in practice by drawing on empirical data collected from W district.

Shareholding in Practice

In assessing the implementation of village elections in China, O'Brien and Han highlight the centrality of the "local power configuration" in determining democratic outcomes.[28] Institutions do not operate in a vacuum: while improvements in electoral procedures might enhance "access to power," the actual "exercise of power" is circumscribed by socio-political forces at play in the contexts where institutions are embedded.[29] The shareholding cooperative economies in W district are similarly emplaced within local nexus of power that condition and constrain villagers' exercise of property rights.

Despite what legislation prescribes concerning the democratic election of company leaders, the intermediaries who become representatives of village collectives are often rural cadres that are appointed from above. Governance in Chinese villages is dominated by the village party branch and villagers' committee, and the practice of concurrent power holding by a single leader for the two organs is widespread.[30] Villages in W district were no exception. When the Organic Law was implemented in the 1980s, the position of villagers' committee chairperson was directly taken over by the chief or deputy party secretary in 11 of 18 villages sampled.[31] The exercise of formal power is supplemented by informal authority supplied by indigenous kinship institutions. In south China, lineages and clans have traditionally been corporate landholders that wield considerable influence in rural politics.[32] The indigenous population of most villages in W district are dominated by one to three majority surnames that are descendants of the settler clans, and village leaders are often members of dominant surname groups.

28 O'Brien and Han 2009.
29 Ibid.
30 Guo and Bernstein 2004.
31 Based on the member composition of villagers' committees when they were first established in the villages. Data for 19 villages were available.
32 Watson 1985.

The concentration of socio-political power is reflected in the makeup of the collective economies. When shareholding was introduced in W district, the board of directors became a new platform for the exercise of cadre power. The establishment of shareholding companies took place as the villages were urbanized, which entailed the dismantlement of the village party branch and the replacement of the villager's committee with its urban counterpart, the residents' committee. As their traditional bases of power were phased out, former party secretaries and villagers' committee chairpersons expediently transferred their power base to the company. The majority of new corporate directors were cadres who had been top leaders (*yibashou* 一把手) of their villages since the 1980s, even the 1970s. In 13 of 14 villages for which data was available, shareholding reform had resulted in the direct transfer of power by long-serving cadres: of the thirteen leaders who became company directors, nine have been chair or deputy party secretary or villagers' committee chairperson for at least a decade. Furthermore, while the village party branch was dismantled, it was replaced by the formation of a party branch (*gongsi dangzongzhi* 公司党总支) of three to eleven members within the company. There is significant overlap in personnel between the party branch and board of directors: in 13 of the 25 companies the party secretary acted concurrently as chairperson of the board.[33] Combining administrative, party and economic powers, therefore, shareholding companies have enabled rural managerial elites to transform and update their positional authority from village cadres to directors of companies.

The previous section has shown how voting and representation in the shareholders' assembly theoretically empower villagers to exercise their property rights and participate in self-governance. In practice, the effectiveness of the assembly as a venue of democratic decision-making is contingent on the discretionary power of the board of directors. First, the board determines how frequently meetings are held and sets the agenda on what issues are subject to bottom-up deliberation and decision. Second, despite stipulation for the popular election of shareholders' representatives, direct appointment by the board from the top down is not uncommon. Even if decisions are made through the representative assembly, therefore, they may not reflect democratic mandate. This is particularly the case in villages where collective assets are centralized at the company level rather than managed through a decentralized structure. In these villages, as the board of directors exercise complete control over public property, leaders at the sub-village cooperative level have no material basis of power and are viewed by villagers more as figureheads and agents of the board than as their representatives. The below extract demonstrates how the assembly and shareholders' representatives are viewed by an informant in one such village:[34]

33 Based on the 2016–17 administration of the 25 companies surveyed.
34 Interview, 24 September 2013.

A (Informant): There is a problem in our village, which is that the head decides who the leaders are. […] The representatives are his direct appointees.

B (Interviewer): As shareholders, don't you have the right to vote?

A: We seldom vote; we do not vote for our representatives. […] Whether village meetings are held or not does not really make a difference. Our votes are meaningless. […] Nobody knows [what is going on with village affairs], we are not told. They make the decisions; they tell you how much you receive [in dividends] and that is how much you get.

The flexibility and lack of specification in rules further create room for the managerial elites to define the electorate to whom they are accountable. The proportion of villager-shareholders that are granted voting rights is one example. In W district, not all villagers are entitled to vote. On the one hand, community shareholders are entitled to the full range of rights including the right to receive dividends, the right to vote on important decisions, and the right to elect and be nominated as representatives. Society shareholders, on the other hand, only have the right to income but not the right of control. The distinguishing criteria are controversially based on factors such as contribution to the collective economy and marital status. The lack of clear procedural rules governing this assignment of de facto economic citizenship means that it is often used to legitimize selective inclusion in and exclusion from networks of privilege. As can be seen from Table 1, in 22 per cent of villages sampled more than half of villagers are classified as non-voting shareholders. In the most extreme case, 87 per cent of the village population lacks the right to participate.

The selective assignment of voting rights means that the managerial elites can effectively choose and reward their own power base to consolidate authority. Welfare provision has for instance been used as a means of buying political support and purchasing personal loyalty. According to a survey conducted by W district in 2008, half of the companies allocated between 11 and 49 per cent of annual dividends for welfare provision. The majority of the money spent exclusively benefited voting shareholders, who enjoyed more comprehensive welfare entitlements. The bifurcation of the village population thus allows elites to set the rules of material distribution in ways that preserve their power, while limiting the electorate to whom they need to be accountable. This gravely undermines broad-based accountability in those villages where large proportions of villagers are excluded from participation.

Weakness of enforcement and accountability

Given the broad powers and room for manoeuvre available to the managerial elites, the issue of rights enforcement and accountability becomes crucial. As seen above, despite its nominal role as the supreme organ, the actual power wielded by the shareholders' assembly in vetoing and constraining the leadership is limited in practice. The other mechanism of accountability within the company, namely the board of supervisors, is also often ineffectual. While by

Table 1: **Classification of Shareholders in W District**

Percentage of non-voting shareholders in the company	Number of villages
50% or above	5 (21.7%)
20–50%	12 (52.1%)
20% or under	6 (26.1%)
Total	23 (100%)

Source:
Author's compilation based on data collected from online archives of W district government, February 2017.

legislation corporate directors and other senior personnel are not allowed to sit on the board of supervisors,[35] the situation of multiple position-holding is prevalent. In 12 of the 25 companies surveyed, members of the party branch are also chairpersons or members of the board of supervisors. Considering that there is a high degree of personnel overlap between the party branch and the board of directors, the actual independence of the supervisors in monitoring the leadership is questionable.

External checks are available through supervision by upper-level governments, but political and fiscal considerations imply that local states may not be impartial enforcers of villagers' rights. The appointment of village leaders is often directly supervised by township-level officials, and both have aligned interests in maintaining the profitability of shareholding companies through the appropriation of rural land for high-value developments. For the local state, the financial viability of shareholding companies enables it to discharge governance functions and gain in fiscal revenues. Shareholding companies play a direct role in financing rural China's urbanization by providing income and welfare for the urbanized rural population, and by footing the bills for infrastructural construction that contributes to the government's city-building effort. According to municipal figures, each collective economic organization in Guangzhou contributes on average 6 million yuan per year towards their community's management expenses, with some contributing over 10 million yuan.[36] In one village, for instance, security maintenance alone required annual expenditures of some 6 million yuan from the shareholding company.[37]

Aside from allowing the state to offload its fiscal and administrative responsibilities, giving companies free rein to operate as profit-maximizing entities also enriches local coffers. Shareholding companies in W district annually contribute upwards of hundreds of millions of yuan in tax to the government.[38] Loose regulation at the village level further enables transfers of collective wealth to the state through informal channels, as a later case study will show. Such illicit transfers sustain vertical networks of clientelistic patronage that help grassroots elites

35 W District Regulations on Rural Shareholding Cooperative Economic Organizations (2001), Article 9.
36 *Guangzhou ribao*, 20 January 2015.
37 *Nanfang ribao*, 26 September 2013.
38 Zheng 2005.

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evade discipline. The mutual profitability of such arrangements for local officials and village leaders thus casts doubt on the former's role as a reliable enforcer of villagers' rights.

Finally, the change in status of rural cadres from village officials to corporate directors also obfuscates their public position and gives them room to operate under the company's de facto status as a private entity. As a corporation, the shareholding company is subject to the Company Law which only regulates the board of directors in their capacity as private market actors. The lack of legal remedies for the managerial elites to be held accountable in their public roles vis-à-vis villagers following administrative urbanization and the dismantlement of rural self-governing organizations further dilutes responsibility and heightens the propensity for malfeasant behaviour.

The weakness of accountability mechanisms both within and without creates an enabling environment for the exercise of unchecked power. Failing to effectively wrest collective property from cadres' control, the shareholding reform leaves a broad range of powers in the hands of elites with the expectation that they, as supposed custodians of collective interests, would maximize villagers' benefits rather than those of their own and of their patrons in the state. As the next section will show, this reliance on the personalistic leadership of intermediaries creates divergent governance outcomes on the ground.

Comparison of Two Communities

This section presents a comparative case study of two villages following a most-similar design to demonstrate how, despite geographical proximity and similarities in socioeconomic attributes and development trajectories, divergent outcomes have resulted in terms of villagers' exercise of property rights and democratic governance.[39]

Table 2 shows the basic properties of the two communities. Both villages have lost all farmland by the 1990s and primarily derive revenues from land development and property rental. Temple village occupies 0.8 square kilometres of land and has an indigenous population of 4,800. The corporate group was established in 1999 and controlled 500,800 square metres of property assets as of 2017, with both commercial-residential property and office buildings in its portfolio. Hillside village neighbours Temple and has a population of about 8,000 indigenous villagers. The collective underwent corporatization in 1997 and established a corporate group to manage collective assets. As of 2017, the group owned property assets totalling 548,500 square metres with commercial-residential property being the key source of real estate income. In terms of socio-cultural attributes, Temple village has two dominant surname groups while Hillside has three. Despite similarities in conditions, governance outcomes differed: in Temple village shareholding reform facilitated the privatization of collective wealth by a

39 Pseudonyms used in case studies.

Table 2: **Village Profiles**

	Temple village	Hillside village
Area of village (square kilometres)	0.8	0.28
Size of indigenous population	4,800	8,000
Number of dominant clans	2	3
Year of company establishment	1999	1997
Property assets		
Total (square metres, rounded to nearest hundred)	500,800	548,500
Commercial-residential	239,000	442,100
Offices	154,000	4,300
Commercial	23,800	15,200
Industrial	18,600	0
Others	65,400	86,900
Number of cooperatives	21	27
Ratio of voting to non-voting shareholders	52:48	75:25

Source:
Author's compilation based on data collected from village gazetteers and online archives.

family monopoly, while in Hillside the social regulation of property rights helped provide a check against power to produce relatively democratic outcomes.

Temple village

In Temple village, the weakness of constraints on elite power in the shareholding economy perpetuated the monopolization of power by members of one extended family. The top leader, Secretary Luo, had been in power since 1980 and enjoyed the political backing of his father-in-law, then a township party cadre. With the establishment of the shareholding company in 1999, Luo took over the dual positions of director and party secretary of the village corporate group. The board of directors was staffed with his close relatives and in-laws, who took charge of the company party branch, the administrative office, and the economic management of the group. Villagers interviewed described the governance structure in their community as "family-style management" (*jiazushi guanli* 家族式管理).[40]

The monopolization of socio-political power paralleled the concentration of economic resources. Shareholding reform in Temple essentially provided a vehicle for the transfer of public village property into private hands by formalizing the centralization of collective assets at the top. Prior to reform, the village's shareholding cooperative economic association and the 21 cooperatives beneath it had fixed assets totalling 380 million yuan, thirteen village-owned enterprises, and 460 *mu* 亩 of rural construction land. The establishment of the corporate group in 1999 led to the transfer of all assets and rights to the new company, enabling Secretary Luo and his associates to exercise complete managerial control.

40 Interview, 3 October 2013.

Bottom-up processes of representation and accountability were rendered ineffective as elected shareholders' representatives were gradually stripped of their power. According to an interviewee, leaders of sub-village cooperatives used to be chosen by villagers through electoral procedures that "had elements of democracy" in the 1980s.[41] These mechanisms were discontinued in the late 1990s and there had since been no meaningful elections: "We are given no choice. Results are pre-determined (*neiding* 内定) and the elections are just for show (*zuoyang* 做样). Whether we vote or not, the same person will be picked."[42] Villagers saw extant representatives as direct appointees of the leadership, and alleged that members with high standing in the community who did not support Luo had been marginalized and excluded from political office over the years. The lack of sense of efficacy weakened villager participation: almost a third of eligible voters abstained in an election of the shareholding company. This further undermined the legitimacy of an institution that already divested nearly half of the indigenous population of their voting rights: 48 per cent of villagers were designated society shareholders and lacked the right to vote.[43]

By facilitating the transfer of collective resources into the hands of a company whose leadership was not accountable to its shareholders, shareholding as it was practised in Temple provided a formal cover for leaders to privatize and dispose of common property as they saw fit. What emerged was the formation of illicit partnerships between company leaders, property developers and local officials in the appropriation of land rents. Situated at the heart of a new financial district, Temple village was designated for wholesale demolition and redevelopment. In return for giving up their land, the village retained rights to develop over 169,000 square metres of land for high-value commercial and residential use. These land parcels provided lucrative opportunities for the company to capture rents through partnerships with real-estate developers. As later court proceedings revealed, the company leadership offered highly favourable terms to developers in return for kickbacks and other benefits. Capitalizing on their positional authority, Luo and his associates sold land use rights to developers at below-market prices while commercial property was also rented out to tenants at low rates. In return, individual members of the company leadership each received bribes from developers totalling between 110,000 yuan and 1.8 million yuan.[44] Notably, top-down accountability had been ineffective as local officials were also heavily involved in the land deals. One official was later charged for taking 70 million yuan in bribes and for his personal involvement in illicit land deals worth 200 million yuan.[45] These clientelistic ties with patrons in the local government provided Luo with protection and enabled the company to seize rents.

41 Interview, 25 September 2013.
42 Ibid.
43 Document on Temple village's institutional reform (1999).
44 *Guangdong ribao*, 22 July 2014.
45 *The Economic Observer*, 22 August 2014.

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Villagers were disempowered from exercising their right of control as land transactions took place without their knowledge. Their right to income was also encroached upon: compared with neighbouring villages with similar levels of asset holdings, where annual dividend distribution amounted to at least 20,000 yuan by the 2010s, villagers in Temple reported receiving an average of 400 yuan per month.[46] Lacking the option of exit and formal channels to sanction their leaders, villager-shareholders eventually resorted to protests. In 2010, demonstrations broke out as compulsory eviction for redevelopment provided the final trigger. Villagers staged a large-scale holdout which evolved into a protracted struggle. They also went to court and used their identity as shareholders to sue the company. The launching of corruption investigations led to the high-profile prosecution of local officials and company directors in 2014, who were charged with serious violation of economic discipline and embezzlement of public property.

Hillside village

Hillside village provides a contrasting case to Temple village: here villager-shareholders' property rights are materialized in practice through handsome distributions of dividends and relatively effectual representational processes. The exercise of right of control by villagers in Hillside is more effective as leaders at the sub-village level, who are subject to direct elections by shareholders, have retained managerial powers. Rather than a centralized governance structure, as in Temple, managerial control in Hillside is more diffused. There are 27 cooperatives, which are further organized into six joint cooperatives. Collective assets are held respectively at the three levels of the cooperatives, joint cooperatives, and the company.

Because villagers' economic well-being is tied to their respective cooperatives, and the representatives they elect at the cooperative level directly control some resources, villagers' perceived efficacy of participation in decision-making processes and the election of representatives is higher.[47] Elections in Hillside are also relatively broad-based: 75 per cent of villagers are designated voting shareholders. The first direct election of cooperative leaders after the establishment of the company was held in 2000, on a one vote per person basis and with no preliminary vetting of candidates. These elected leaders enjoy a measure of popular legitimacy and constitute an additional locus of authority vis-à-vis the company management at the top. Like many villages in the district, however, the company

46 Collated from multi-sited fieldwork in 2013.

47 In Hillside, villager-shareholders receive their annual dividends not directly from the company but through the respective cooperative of which they are members. The proportion of collective profits set aside at the company level for dividend distribution is distributed as a lump sum to individual cooperatives based on the total number of shares the members of each cooperative possess. Cooperatives with assets under their control then add in their portion of profits set aside for dividends. It is by dividing this total amount that the value of dividend per share is determined.

remains the primary holder of collective assets in Hillside. As of 2016, the company controlled 369,000 square metres of property assets while the cooperatives and joint cooperatives managed a combined total of only 73,080 square metres. Additionally, the company also controlled approximately 225 *mu* 亩 of land and physical assets worth 11.8 million yuan.

Ultimately, the relatively equitable outcomes in Hillside have hinged thus far on a paternalistic leadership that derives its legitimacy from profitable remuneration, generous welfare, and tropes of kin-based corporatism. Informal institutions play an important role in Hillside as a socially embedded mechanism of obligation and responsibility that serves as a check on power. The presence of robust indigenous institutions supplies informal accountability that helps to mitigate the weakness of formal constraints. The company directors are drawn from powerful families within the three dominant surnames in the village, which together make up three-quarters of the indigenous population. Over the years the clans developed a customary mechanism of power-sharing where leaders of each group took turns in taking up the top positions. Between 1954 and 2017, the management has seen six transitions of power between the three surnames over a period of more than six decades. This semi-institutionalized arrangement that had come to gain customary force facilitates cohesiveness amongst the elites by ensuring co-prosperity, and has a stabilizing effect on villager–elite relations in that members of each clan can be assured of the representation of their corporate interests at the managerial level by leaders of their kin.

Tropes of paternalistic benevolence are sustained by lucrative shares in collective profits. The 1988 statute of the village economic association specified the setting aside of 50–80 per cent of collective revenues for dividend distribution, a stipulation that has helped prevent the concentration of resources on those with voting rights. Fiscal records showed that the leadership consistently designates 60–70 per cent of its annual revenue for dividend distribution.[48] The company also spent generously on public provisions from healthcare and education to cultural activities. The distribution of handsome dividends and welfare materializes villagers' right to income while reaffirming and legitimizing the company directors' right of control. These mutually reinforcing dynamics help maintain Hillside as one of the most touted examples of a successful community-based shareholding economy.

Discussion

The divergent outcomes in the two villages demonstrate how, despite clarifying villagers' rights of control, income and transfer in collective property and thereby enhancing their access to power, shareholding still leaves the actual exercise of such power in the hands of intermediaries who may or may not be effectively

48 Figures obtained from Hillside Village Gazetteer.

constrained in their capacity as managers of collective wealth. That few institutionalized means are provided for villagers to hold these agents accountable creates an environment prone to arbitrary uses of power in which the dominant elite could control property rights and adjust distributive relations in its own favour.

The findings presented here modify understandings of the corporatist model of village development, which theorizes the way villagers build institutional autonomy and practise the self-governance of collective resources in the face of urban expansionism. The thesis of "village corporatism," proposed by Hsing, emphasizes villagers' active role in developing a "strategy for self-protection and local accumulation against an extractive state."[49] Corporatist land holdings and the corporate regime of shareholding are seen as villagers' self-initiated response to the threat of state land expropriations. While highlighting villager agency and the restructuring of state–village relations, however, such a perspective overlooks the unequal power relations *within* rural communities and specifically the role of village elites as intermediaries, whose alignment of interests with the rural constituencies they claim to represent cannot be taken for granted. Temple village provides a clear example of how public ownership was gradually hollowed out as collective assets were shifted to the control of a family monopoly. Rather than protecting villagers' property from extractive behaviour, rural elites were themselves exploiting the mechanism of shareholding to legitimize their control over collective assets and engage in rent-seeking. In view of how cadre–villager relations have become a flashpoint of rural grievance, therefore, it is necessary to go beyond binary conceptualizations of state–village relations that assume coherence of interests at the village level to examine power dynamics within.

The comparative findings also shed light on the nexus between property rights and informal institutions in contemporary China. The shareholding regimes in both case studies are supplemented with strong kinship institutions, but the degree to which villagers' rights were consolidated differs. Earlier research on kinship and rural governance suggests that social institutions could facilitate accountability and public goods provision.[50] The case of Hillside appears consistent with conventional findings: moral norms and customary power-sharing among dominant clans helped act as a check on power and obliged leaders to provide for their kin. Despite the weakness of formal institutions, the social regulation and enforcement of property rights served as an informal mechanism of accountability. However, Temple village offers a contrasting case where the dominance of indigenous kinship groups resulted in power monopolization and predatory behaviour that weakened rather than secured villagers' property rights. This finding demonstrates how kin-based leaders might exploit their formal and informal authority to extract rents, and lends support to the thesis of "elite capture" proposed by Mattingly on how social institutions could undermine rather

49 Hsing 2010, 142.
50 Tsai 2007.

than strengthen villagers' land rights when co-opted as tools of political control.[51] Presented with the one-off, lucrative opportunity to profit from the commercial redevelopment of village land, leaders at Temple aligned with state and capital in expropriating villagers' property to capture rents. The presence of strong informal institutions is thus no reliable substitute for formal constraints on elite power, especially when lineage leaders are neither independent of the state nor exempt from the material incentives of extractive policies.

An unexpected consequence of shareholding reform might be that, by formalizing villagers' status as shareholders, new forms of collective mobilization are made possible. Given the lack of exit option and inefficacy of institutionalized forms of participation, protest has become a last resort for villagers to contest the private appropriation of public wealth. As seen in Temple village, villagers' new corporate identity as shareholders may furnish them with the legal basis to legitimately defend their property rights through formal legal action. Additionally, by clarifying their right to income and defining their share in collective revenues, shareholding may further provide the incentives for participation should villagers see their material interests as being better served under the new arrangement. Just as the language of the law gave "rightful resistors" the legal resources to contest the state,[52] therefore, the corporate discourse of shareholding and company governance may empower Chinese villagers to stake their claims and demand their rightful shares in new ways.

Conclusion

As conflicts over land and collective assets continue to fuel rural discontent, the institutionalization of property rights arrangements and ownership structures that are more conducive to democratic participation and supervision has become pressing. This paper has assessed the impact of shareholding on rural self-governance and villager empowerment from such a perspective. Unpacking the notion of property as a composite of rights, it argues that while shareholding clarifies villagers' right to income from collective property and grants them the right of control through election and representation, the reform stops short of enabling them to effectively exercise their rights without going through agents. To the extent that formal and informal constraints on the power of these agents remain tenuous, the enforcement of villagers' property rights will remain contingent on the local leadership and power configurations in specific communities. Contrary to straightforward accounts of bottom-up empowerment, therefore, this paper has shown how shareholding engendered divergent outcomes on the ground. In some villages the delineation of property rights has facilitated participatory forms of governance with lucrative returns. However, given the weakness of accountability institutions and absence of exit options, shareholding reform

51 Mattingly 2016.
52 O'Brien and Li 2006.

could be paralleled by the privatization of collective wealth by elites and the separation of villagers from their property.

While the findings of this paper – drawn from relatively urbanized and land-rich communities in south China – may not be representative of rural collectives nationwide, they nonetheless provide a cautionary example of how shareholding may become an instrument of the powerful without effective accountability. Addressing the issue of unchecked cadre power is thus imperative. Thus far, the alignment of interests between villagers and the state has been a key factor in driving forward political reform in rural China, as seen in the introduction of village elections. In this light, the rising tide of land and property rights disputes may provide just the impetus for state actors to demand better accountability from grassroots cadres, if only to contain rural grievances and defuse social tensions. In Guangzhou, the government has in recent years introduced platforms to monitor the trade and transfer of collective assets and the finances of shareholding companies.[53] Anti-corruption mechanisms have also been set up to supervise cadre behaviour.[54] Whether these efforts may in the long run develop into institutionalized channels that enable effective checks on power provides avenues for further research.

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53 Regulations on the Management of Collective Asset Transfers concerning Shareholding Companies in W district (2015).

54 Implementation Plan on the Establishment of Anti-Corruption Information Systems and Regulatory Platforms for Shareholding Companies in W district (2015).

摘要: 面对城市化带来的土地与产权纠纷，地方政府近年嘗試引入農村股份制度，透过产权改革加强村民对集体资产自下而上的管理。社区性股份公司的设立为村改居的村民带来投票、获得分红收入、及推选集体资产管理者等机会。本文针对这些政策实验及其成果提出另一角度的观察。股份改革厘定了村民对集体资产的控制权和分配权，但这些权利的实际行使往往受制于村内精英的权力。若缺乏对这些地区精英的权力的有效监控，股份制很容易成为强者侵吞集体资产的途径，而不是赋权予弱者的措施。

关键词: 股份制度; 集体经济; 产权; 村民自治; 土地政治

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