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PUBLIC GOODS AND STATE-SOCIETY RELATIONS: AN IMPACT STUDY OF CHINA’S RURAL STIMULUS

Ethan Michelson

INTRODUCTION

Thanks to a series of new central government policies culminating with the massive 2008 economic stimulus package, state-society relations in rural China seem to have recovered significantly from damage sustained from the 1990s to early 2000s. Evidence I present in this chapter from two surveys—one conducted in 2002 and the other in 2010—reflect a dramatic turnaround in rural state-society relations after President Hu Jintao and Premier Wen Jiabao assumed China’s top two leadership positions in March 2003. This leadership transition was accompanied by a sea change in policy that shifted attention and resources to China’s villages as part of the larger effort to “construct a harmonious society” (goujian hexie shehui, 构建和谐社会). Since 2004, every “No. 1 Central Document” (zhongyang yibao wenjian, 中央一号文件), the CCP’s key statement setting policy priorities and providing policy guidance nationwide, has had a rural focus. At the Fourth Plenary Session of the Sixteenth Chinese Communist Party Central Committee in 2004, Hu Jintao introduced the concept of “two directions” (liang ge quxiang, 两个趋向), which in 2005 he elaborated by explaining that China has moved beyond a primary stage of economic development in which “agriculture supports industry” (nongye zhichi gongye, 农业支持工业) and has reached a new stage of economic development in which “industry regurgitates nourishment back to agriculture and cities support villages” (gongye fanbu nongye, chengshi zhichi nongcun, 工业反哺农业, 城市支持农村).2 Heralded
as reversing decades if not centuries of urban areas feeding off the rural areas (both literally and figuratively), this historically momentous pro-rural policy shift received a further boost from China’s 2008 economic stimulus plan, which opened a new spigot for investment in public goods, including infrastructure and social welfare. In this chapter I refer to the various pro-rural policies that characterize this watershed moment as China’s “rural economic stimulus policies” (or “rural stimulus” for short) because they were designed, above all, to raise rural incomes, reduce rural-urban income inequality, and boost domestic consumer demand. Chinese scholars and government leaders alike have consistently identified China’s widening income gap as a grave—if not the gravest—source of discontent and unrest, and thus of danger to social and political stability. Has the rural stimulus had its intended effect of thawing state-society tensions? Survey data collected before and after the implementation of the rural stimulus are the basis of my assessment of its impact on state-society relations. Quasi-experimental conditions such as these afford a unique opportunity to assess the effects of the new policies on the lives of hundreds of millions of villagers in China.

This chapter is divided into three sections. In the first section I will set the stage for my empirical analysis by contextualizing the relationship between public goods and state-society relations. To generalize sweepingly, in the time between the implementation of fiscal reforms in the mid-1990s and the full implementation of China’s rural economic stimulus policies 15 years later, public goods provision in rural China strained, more than promoted, state-society relations. A step forward in rural state-society relations seems to have been achieved by the pro-rural policies introduced in 2006, buttressed and further expanded by the 2008 economic stimulus. They not only greatly enhanced public goods provision in rural areas but also did so for the first time in over a decade without compelling local levels of government to extract revenue directly from villagers. In the second section I introduce the surveys and provide detailed information about the measures I employ in my analyses.

The third section contains the results of my analyses. Three main findings I present reflect a turning point in rural state-society relations. First, popular assessments of local government performance improved in the 2002—2010 period. Second, perceptions of investment in public goods are a significant predictor of popular assessments of the state. Third, although the public image of every level of the state benefitted from enhanced public goods investment, local levels of government enjoyed a far greater public image boost than the central government.

In the fourth and final section, my concluding comments, I consider the sustainability of this positive trajectory. Lying beneath the positive general trend I report in this chapter are ominous signs of potential threats to state-society relations on the horizon.

**BACKGROUND**

A brief, schematic overview of public goods provision in rural China over the past two decades brings into high relief its influence on the quality of state-society relations. The story of the shift from central economic planning to markets in post-1978 China is the story of dismantling socialist institutions and shifting the burden of health care, education, social welfare, infrastructural development and maintenance, and other services to local levels of governments, market actors, families, and individuals. Many basic obligations of the Chinese socialist state to its citizens, including public goods provision, were rapidly decentralized, privatized, and marketized throughout the 1980s and 1990s. As a direct consequence, public goods provision eroded dramatically in rural China during this time period. Health care is a poignant example. The “commodification of health care services” in this period of time was accompanied by a precipitous drop in health care coverage. In the 30 years between 1975 and 2005, the proportion of rural residents with access to free community-based health care dropped from 85 percent to 10 percent. According to another estimate, rural health care insurance coverage declined from 80 percent to 7 percent between 1980 and 1998. In roughly the same time period, the number of rural health care workers declined from 3.5 million to 0.5 million. In 2003 almost 90 percent of rural residents were uninsured. According to a 2005 survey, only 8 percent of villagers had insurance coverage for major illnesses.

Health care provision is a microcosm of the larger landscape of public goods provision in rural China. The general portrait of public goods provision as a whole—including public infrastructure, social welfare, and education—in post-1978 rural China is one of backsliding to bare minimum levels. As higher levels of government retreated from public goods provision, local governments and non-state entities, including village clan organizations, picked up some, but not all, of the slack in the countryside. Adding insult to injury, until recently this limited and diminished level of public goods provision was funded in no small measure through unlawfully heavy and sometimes ruthlessly extracted taxes, fees, and levies imposed by the local state on ordinary villagers. Not surprisingly, this period of time was characterized by tense and sometimes openly antagonistic
state-society relations in rural China. In recent years, however, thanks to new policies introduced by the Hu-Wen administration, this volatile and contentious state of affairs seems to have reversed course.

1993–2003: Tensions Intensify in Rural China
In global perspective, China’s public financing system is an extreme example of decentralization: education, health, social welfare, and other public goods have been, and still remain, financed and provided overwhelmingly by local levels of government. In rural China, the bulk of the burden to finance and provide public goods has fallen on township and county governments, although village governments too “have significant expenditure responsibilities even though they have no independent fiscal powers.” Fiscal reforms implemented in the 1993–1994 period, by increasing the upward flow of tax revenue from local levels of governments to the central government, further compromised rural public goods provision. In order to fund minimal levels of public goods provision while meeting their fiscal obligations to the central government, local governments resorted to heavier taxation in the form of unauthorized fees and levies. In parts of rural China without much in the way of industry and commerce, local governments could only extract revenue directly from villagers. The construction and maintenance of public goods depended on corvée labor, as well as cash fines paid in lieu of such mandatory labor services. The upshot of local governments’ imperative to tax was the well-documented “peasants’ burdens” (nongmin fudan, 农民负担) phenomenon, which in turn generated widespread popular resistance and the alarming deterioration of state-society relations.

Rural tax reforms—known as the tax-for-fee reforms (shuifei gaiye, 税费改革 or shui gai fei, 税改)—designed to eliminate excessive and unauthorized taxation were tested in Anhui Province in 2000 and 2001 and formalized as a nationwide policy in the 2002–2003 period. Shortly afterward, the new Hu-Wen administration, owing to the importance it attached to addressing rural state-society conflict, elevated rural tax reform to a new level. In March 2004, Premier Wen Jiabao promised to abolish rural taxes altogether nationwide within five years. In the same month, the northeastern provinces of Heilongjiang and Jilin announced that, effective immediately, rural taxes would be abolished, and 11 other provinces announced tax reductions. The following year Premier Wen announced an acceleration of the rural tax-relief timetable: the abolition of all agricultural taxes nationwide within one year.

Tax reform, however, does not appear to have translated directly into improved state-society relations in rural China. On the contrary, according to some accounts, tax reform had the paradoxical effect of weakening public goods provision by further reducing sources of local government revenue. In the absence of alternative sources of public financing such as fiscal transfers from higher levels of government, tax reform, by limiting the revenue-extraction powers of local governments, and thus by creating critical budget shortfalls, had the short-term consequence of further compromising public goods provision.

Even if tax reform negatively impacted public goods provision in the short run, evidence suggests longer-run trends have been, on balance, positive. According to a survey of almost 2,500 villages across China, the quantity of village-level public goods projects increased dramatically in the 1998–2004 period. At the same time, however, despite an increase in the share of public financing coming from higher levels of government in this time period, village governments in 2004 remained a far more important source of financing than higher levels of government for public goods projects. For this reason, the vulnerability of public goods projects immediately following the implementation of tax reform is not hard to understand.

Research and media reports also suggest that, in the wake of tax reform, “land grabs” (zhengdi, 征地) have become the new focal point of rural state-society conflict. Further aggravating rural state-society relations, local officials have forcibly requisitioned land from villagers at below-market prices and sold or leased it for huge profits not only for their personal financial gain but also as an alternative source of public financing (i.e., as an “implicit tax”) after they lost their official authority to collect taxes.

2006–2010: Have Tensions Thawed in Rural China?
Already an established slogan in academic circles in the 1990s, the “three rural issues” (san nong wen ti, 三农问题, referring to peasants, the countryside, and agriculture) became the policy rubric under which the Hu-Wen administration began to address prevailing sources of state-society tension in 2003. In late 2005 it unveiled
Two unifying properties of the foregoing policies merit emphasis. First, the intention of each policy was to boost rural income and narrow the rural-urban income gap as a means of improving state-society relations. For example, abolishing agricultural taxes and raising agricultural subsidies were intended to fatten the pocketbook of every farming family. Likewise, the provision of health insurance and the elimination of school tuition for eligible families, by reducing out-of-pocket expenses, were intended to do the same thing. The goal of each rural stimulus policy was to protect villagers’ economic well-being, and in so doing promote domestic consumer demand and preserve social stability. Second, consistent with the “two directions” concept discussed earlier, which calls for reversing the flow of resources between villages and cities, the provision of the above-listed public goods is unique in historical perspective for its source of financing. In contrast to earlier periods of time, the financing of public goods under the Hu-Wen administration does not entail direct revenue extraction from their beneficiaries. Rather than bleeding villagers as they did in the past, local governments have financed public goods through fiscal transfers from higher levels of government and bank loans funneled through hybrid investment companies. Compared to previous public goods regimes, the Hu-Wen rural stimulus stands out for allowing villagers to enjoy public goods without paying for their provision in the form of grain, cash, or labor.

In light of the above, one might reasonably expect that the rural stimulus has helped thaw rural state-society relations. Not everyone agrees that the policies are working, however. Recent research paints a portrait of local rural governance that is “hollowed out” and emasculated by tax reforms. Although they are too numerous to review comprehensively here, Martin King Whyte cites several Western media reports of “the specter of rural unrest,” “seeds of fury,” and “the pitchfork anger of peasants.” But perhaps the most extreme position has been articulated by Yu Jianrong (余建嵘), a prominent and outspoken researcher at the Chinese Academy of Social Sciences. His assertion that rural China is on “the brink of revolutionary turmoil” represents “the first time Yu has directly confronted the Hu-Wen leadership and said their policies have failed and will not work.” To be sure, Yu Jianrong is not the only scholar to paint a picture of uninterrupted rural unrest in the wake of the new rural stimulus policies.

Such pessimistic assessments of the rural stimulus, however, suffer from two critical limitations. First, they were formulated prior to colossal investment in infrastructure and social welfare mandated by the central government’s 2008 economic stimulus plan. Second, they
are not based on empirical evidence of ordinary villagers’ perceptions of change in governance.

We know that villagers’ perceptions of local government lag far behind their perceptions of higher levels of government. Survey research has shown repeatedly that popular trust in the central government is exceedingly high and popular trust in local government exceedingly low. If villagers tend to blame local policy enforcers for harmful central government policies, it stands to reason that they may likewise credit local policy enforcers for beneficial policies. Survey data collected in 2003 and 2005 show a dramatic increase in satisfaction with township and village government. Among village residents, satisfaction with the lowest levels of government increased from 37 percent in 2003 to 52 percent in 2005. Meanwhile, satisfaction with the central government declined slightly. As we will see below, my research findings are consistent with both patterns. First, they show that the trend of improved perceptions of local governance continued through 2010. Second, they show that the rural stimulus improved perceptions of township and village governments more than it improved perceptions of the central government.

**Data and Measures**

**Two Surveys**

Together with sociologists at Renmin University of China, I designed and organized the first large-scale survey on conflict, conflict resolution, and perceptions of local governance and the legal system in rural China. In January and February of 2002, our survey team completed usable interviews of almost 3,000 rural households in one county in each of five provinces (Shaanxi, Henan, Jiangsu, Hunan, and Shandong) and one centrally administered city (Chongqing). Our original target was five villages per county and 100 interviews per village, or 3,000 households in total. The survey sites were selected not randomly but purposively. The six counties in which the survey was carried out capture enormous socioeconomic and regional diversity. They include relatively prosperous coastal areas. Indeed, one survey site is in the heart of the spectacularly developed Sunan region of southern Jiangsu province, not far from Shanghai, in which average household income approaches that of Beijing. At the other end of the spectrum are relatively poor, interior areas in Henan and Hunan. Because the six survey sites were selected with the goal of maximizing regional and economic variation, the households interviewed are not intended to be representative of rural China as a whole but only of the six counties from which they were sampled. Although we did not select the survey sites randomly, we trained and instructed survey interviewers to select households randomly within villages and to select respondents randomly within households.

In January and February 2010 we returned to five of the original counties (dropping the Shandong site) to assess change over time. At the time of the original 2002 survey, none of the rural stimulus policies was in place. The two surveys are a source—perhaps the only source—of “before and after data” allowing us to measure the impact of the rural stimulus on the attitudes of China’s villagers. They are repeated cross-sectional surveys. Because when we designed the original 2002 survey we did not anticipate replicating it in the future, we did not design it as a panel survey. The analyses in this chapter are limited to the 23 villages in five counties common to both years (N=2,164 in 2002 and N=2,286 in 2010). Research conditions are largely constant across the two surveys. We returned to many of the same villages and recruited many of the same interviewers to ask many of the same questions to respondents selected in the same manner.

**Measures**

My goal in this chapter is to measure the extent to which state-society relations have changed in the wake of the rural stimulus. Four measures of state-society relations are my dependent variables—my objects of explanation. I test whether public goods provision is a significant predictor of perceptions of the state. Two measures of public goods are my explanatory variables—my explanations for variation in the perceived quality of state-society relations. In other words, I test whether state-society relations can be attributed to public goods provision. I test this relationship using multivariate regression techniques. Since many other factors also influence the quality of state-society relations, I introduce control variables into the analysis. Control variables allow me to test the effect of public goods provision on state-society relations among otherwise seemingly identical households in otherwise seemingly identical contexts. Since public goods provision and perceptions of the state are likely both associated with local economic conditions (i.e., wealthier areas may have more public goods), I control for regional variation. Since they may also be associated with household socioeconomic conditions (i.e., wealthier people may have more upbeat perceptions), I control for economic status and education. I will introduce my dependent variables, explanatory variables, and control variables in turn.
Dependent Variables: Four Measures of State-Society Relations. My first measure of state-society relations is based on questions asked about the degree of care and concern for villagers displayed by various levels of government. Our precise question wording is the following: “Do you think various levels of government are concerned about villagers? If ‘wholeheartedly serves villagers’ scores one hundred points and ‘total indifference to villagers’ scores zero points, please provide a score for each level of the following levels of government according to its level of concern.’” (您认为各级政府是否关心农民？如果以“全心全意为人民服务”为100分，以“对农民漠不关心”为0分，请您根据各级政府对农民的关心程度给他们打分。) Respondents were asked to provide a score for each of six administrative levels of the state: villagers’ committee, township government, county government, municipal government, provincial government, and central government.

My second measure is based on respondents’ perceptions of change in villager-cadre relations between 2006 and 2010 gauged by their answers to the following question: “Compared to five years ago, how have relations between villagers and village cadres changed? (1) worsened a lot, (2) worsened some, (3) stayed basically the same, (4) improved some, and (5) improved a lot.” (“您觉得，跟五年前相比，现在你们村村委和村官之间的关系有什么变化？1. 变差了很多, 2. 变差了一些, 3. 基本没有变化, 4. 改善了一些, 5. 改善了很多。”)

These two measures were included in the 2010 survey only. However, my third and fourth measures were included on both surveys. My third measure is of respondents’ satisfaction with village cadres: “Overall, are you satisfied with the villagers’ committee? (1) Very dissatisfied, (2) somewhat dissatisfied, (3) neither satisfied nor dissatisfied, (4) somewhat satisfied, or (5) very satisfied.” (“总的来说，您对村委会是否满意？1. 非常不满意, 2. 比较不满意, 3. 一般, 4. 比较满意, 5. 非常满意。”) My fourth and final measure is of respondents’ perceptions of villagers’ general respect for village cadres: “Overall, people’s attitude toward villagers’ committee cadres is one of (1) great disrespect, (2) some disrespect, (3) neither disrespectful nor respectfully, (4) some respect, or (5) great respect.” (“根据您的观察，您认为，总的来说，村民对村干部是否尊敬？1. 不尊敬, 2. 不太尊敬, 3. 一般, 4. 比较尊敬, 5. 尊敬.”)

Explanatory Variables: Two Measures of Public Goods Provision. In order to test the extent to which change in state-society relations can be attributed to change in public goods provision, I employ two measures of public goods provision. My first measure is based on a question about general perceptions of public goods provision: “Following the elimination of agricultural taxes, do you believe that government investment in irrigation, schools, medical stations, roads, and other public infrastructure projects has increased or diminished? (1) Diminished a lot, (2) diminished some, (3) stayed basically the same, (4) increased some, or (5) increased a lot.” (“您觉得取消农业税之后，政府在水利、学校、医疗、道路等公共建设项目上的投入是增加了还是减少了？1. 减少了, 2. 减少了一些, 3. 基本没有变化, 4. 增加了一些, 5. 增加了很多。”) Note that the wording of this question does not refer to any specific level of government. Asking generally about “government investment” allows us to assess which level of government gets the most credit from enhanced public goods provision.

My second measure is based on answers to a question about a specific public good, the MLSS: “In 2009 did your family receive MLSS?” (“2009年您家是否享受过农村低保？”) Although in 2010 we also asked respondents whether or not they enjoyed NCMS benefits, received agricultural subsidies, and received a consumer subsidy, I excluded these variables from the analyses because they were unrelated to perceptions of state-society relations. Since they were almost universal and thus exhibited very limited variation in 2010, we should not expect NCMS benefits to help explain state-society relations. I found no obvious reason for the subsidy programs’ failure to help explain state-society relations.

Control Variables. Control variables allow us to isolate the relationship between state-society relations and public good provision, to measure the strength of this relationship net of other potentially confounding factors. I include individual-level, household-level, and contextual control variables. Individual-level control variables include gender, age, and educational attainment. Household-level control variables include socioeconomic status and its change over the previous five years. Rather than measuring socioeconomic status as income, I instead follow Jie Chen by measuring socioeconomic status as subjective relative economic position on the basis of answers to the following question: “Compared to most people in your village, is your family’s current economic status better or worse?” (“与村里的大多数人相比，您的家庭的经济状况是好还是差？1. 差很多, 2. 差了一些, 3. 差不多, 4. 好一些, 5. 好很多.”) My measure of change in socioeconomic status is based on answers to the following question: “Compared to five years ago, have your family’s economic conditions improved? (1) worsened a lot, (2) worsened some, (3) stayed basically the same, (4) improved some, or (5) improved a lot.” (“跟五年前相比，您家的经济状况是否有所改善？1. 差了很多, 2. 差了一些, 3. 基本没有变化, 4. 有一些改善, 5. 改善很大.”) Insofar as it is reasonable to expect village cadres and their family members to report relatively positive
perceptions of state-society relations, I also include a control variable for the presence of at least one village leader in the household. Dummy variables for the county survey sites constitute my contextual control variables.

**Analysis and Findings**

As the title of this chapter indicates, this is an impact study. My goal is to assess the impact of the rural stimulus on state-society relations in rural China. In support of this goal, I conduct a three-part analysis. First, I measure villagers’ perceptions of the state in 2010, and the extent to which they varied by level of the state—that is, the extent of a perception gap between the local state and the Center. Second, I measure the extent to which state-society relations changed over time. Third, I measure the extent to which public goods provision explains the quality of rural state-society relations.

**Step 1: State-Society Relations in 2010**

Survey respondents’ perceptions of the state in 2010 varied greatly according to the level of the state they were asked to assess. As the administrative level of the state in question rose, their perceptions became successively more positive. Thus, no different from earlier research cited earlier in this chapter showing that Chinese citizens do not perceive the state as a monolithic entity, our 2010 survey data show that villagers were relatively upbeat about the center and relatively negative about the local state. With respect to the “degree of care for villagers” displayed by various levels of the state, perceptions of township and village governments were lowest and perceptions of the central government were highest (figure 6.1). Although we can see from figure 6.1 that state-society relations in 2010 were relatively strained at local levels, this analysis alone reveals nothing about change over time—whether local state-society relations were even worse prior to the rural stimulus—or about possible reasons for villagers’ perceptions. The next sections shed light on these unanswered questions.

**Step 2: Change in State-Society Relations over Time**

Villagers’ assessments of change in relations between villagers and local leaders between 2006 and 2010 are overwhelmingly tilted in a positive direction (figure 6.2). The plurality of respondents (45 percent) indicated that relations had “improved some,” and the majority of respondents (54 percent) indicated some degree of improvement (either “some” or “a lot of” improvement). Meanwhile, only a miniscule proportion of respondents indicated a deterioration of state-society relations at the village level (with only 0.4 percent indicating relations had become “a lot” worse, and 2.4 percent indicating “some” worsening). All in all, survey respondents were divided fairly evenly between those who perceived a positive change and those who perceived no change in state-society relations.
But to what extent can this positive picture of change be attributed to political desirability bias produced by respondents’ perceived pressure to “support a political agenda” or to “confirm broad support for a given state policy”?46 Does the picture of positive change painted by survey responses at a single point in time—2010—reflect actual change or merely conformity to the “politically correct” answer? An analysis of responses to separate questions asked in both 2002 and 2010 shows that, even if political desirability bias exerts some influence at a single point in time, the picture of positive change is accurate.

Respondents in both 2002 and 2010 were asked to report their level of satisfaction with the villagers’ committee and their perceived level of general respect among villagers for village cadres. A comparison of the distribution of responses across this time period reveals a dramatic reduction in levels if dissatisfaction and disrespect (figure 6.3). The proportion of respondents reporting they were “satisfied” (either “very” or “somewhat”) and the proportion of respondents reporting that villagers were generally “respectful” (either “very” or “somewhat”) remained remarkably stable between 2002 and 2010. “Satisfaction” dropped only modestly from 59 percent to 56 percent, and perceived “general respect” increased slightly from 57 percent to 58 percent. In fact, according to χ² tests, neither of these changes is statistically significant at the conventional p≤.05 level. Dramatic change, however, occurs in the neutral and negative response categories. Between 2002 and 2010, roughly 10 percent of responses shifted out of negative categories and into the neutral category. Over this eight-year period, the proportion of respondents reporting they were “dissatisfied” (either “somewhat” or “very”) and the proportion of respondents reporting that villagers were generally “disrespectful” (either “somewhat” or “very”) dropped from 16 percent to 10 percent and from 21 percent to 8 percent, respectively. At the same time, the neutral “so-so” categories swelled commensurately.

Such a dramatic decline in negative responses and a corresponding increase in neutral responses must be recognized as progress, as positive change, and as compelling evidence that the rural stimulus policies improved state-society relations. The thawing of state-society relations in the 23 villages portrayed in figure 6.4 cannot be attributed to political desirability bias unless we somehow have a reason to believe that this source of bias strengthened between 2002 and 2010. To the extent that political desirability bias remained roughly constant in the time between the surveys, we can be confident that figure 6.2 reflects real change. An analysis of village-level change—taking the village rather than the individual as the unit of analysis—further strengthens our confidence in the validity of data in figure 6.2. Among the 23 villages surveyed in both years, change in the average level of satisfaction with village cadres (i.e., average satisfaction in 2010 minus average satisfaction in 2002) is highly correlated with 2010 perceptions of change in village-cadre relations (R=.70, p<.001). Likewise, change in the average perceived level of general respect for village cadres (i.e.,

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**Figure 6.3** Change in popular perceptions of village cadre performance, five counties, rural China, 2002 and 2010.

*Note:* χ² differences between the two surveys are statistically significant at p<.001 for both measures. Two-tailed t-tests of differences of mean scores are statistically significant (p=.02 for the satisfaction measure and p<.001 for the respect measure). The response categories comprising each bar do not always sum to 100 percent owing to rounding error.

*Source:* Author’s survey.

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**Figure 6.4** Popular perceptions of change in public goods provision over previous five years, five counties, rural China, 2010.

*Note:* N = 2,190.

*Source:* Author’s survey.
average perceived general respect in 2010 minus average perceived general respect in 2002) is highly correlated with 2010 perceptions of change in villager-village cadre relations (R=.59, p=.003). Findings reported thus far strongly suggest that villagers have benefitted from the rural stimulus. In the next section I perform a more direct test of the effect of public goods provision.

**Step 3: Explaining State-Society Relations and Their Evolution**

My final analysis will test the effect of public goods provision on state-society relations. In so doing, it will provide answers to two specific questions. First, has public goods provision promoted local state-society relations? Second, has public goods provision helped the public image of township and village levels of government catch up to that of the central government by narrowing the perception gap between the local and higher levels of the state?

Survey respondents were overwhelmingly positive in their assessments of change with respect to public goods provision (figure 6.4). A whopping 84 percent of respondents reported that government investment in public goods provision had “increased” (either “some” or “a lot”). Meanwhile, only a tiny proportion of respondents reported that public goods provision had “diminished” (with only 0.4 percent indicating it diminished “a lot” and 1.7 percent indicating “some” diminishment). The picture that emerges from our surveys of popular perceptions of public goods provision in the wake of agricultural tax relief is sharply at odds with the picture of “hollowed out” rural governance in the existing scholarship.

Villagers reported positive change about more than public goods provision. They were similarly upbeat in their assessments of change in their own household economic conditions (figure 6.5). The vast majority (85 percent) of respondents reported that their family’s economic conditions had improved (either “some” or “a lot”) since 2006—a central objective of the rural stimulus policies. Since income growth could also explain an improvement in state-society relations, I use multivariate regression analysis to test the effect of public goods provision on state-society relations holding constant potentially confounding factors, including household economic conditions. After all, public infrastructure projects should boost household income by, for example, boosting agricultural productivity, improving transportation, and reducing health care expenses. A bivariate relationship between improved public goods provision and improved state-society relations could thus conceivably be explained to some degree by improved household economic conditions. In order to test—and rule out—this and similar possibilities, my multivariate regression models include a variety of control variables that could potentially weaken or explain away the effect of public goods provision.

Table 6.1 contains descriptive information about the variables included in my multivariate regression analysis. The complete regression models are presented in table 6.2. In my regression model for improvement in villager-village cadre relations (table 6.2, Model 1), the dependent variable is dichotomous. I transformed the original ordinal variable into a dichotomous variable by letting “improved some” and “improved a lot” equal “1” (“yes, relations improved”) and by letting “no change,” “worsened some,” and “worsened a lot” equal “0” (“no, relations did not improve”).

The regression models show that, net of controls, perceived change in government investment in public goods is positively associated (1) with perceived improvements in local state-society relations (Model 1) and (2) with perceptions of the state’s degree of care for villagers (Models 2–7). Among otherwise seemingly identical households in otherwise seemingly identical contexts, a one-unit increase in the value of an answer to the question about public goods provision (i.e., the difference between a response of “no change” and “improved some” or between a response of “improved some” and “improved a lot”) increased the odds of a perceived improvement in local state-society relations by...
Table 6.1  Descriptive characteristics of variables included in multivariate regression analysis.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>St. Dev.</th>
<th>Min.</th>
<th>Max.</th>
</tr>
</thead>
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<td>Perceived improvement in village-village cadre</td>
<td>0.545</td>
<td>0.498</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>relations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment of villagers' committee</td>
<td>66.838</td>
<td>20.635</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Assessment of township government</td>
<td>65.929</td>
<td>20.644</td>
<td>0</td>
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<td>Assessment of county government</td>
<td>68.923</td>
<td>20.926</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Assessment of municipal government</td>
<td>75.778</td>
<td>17.777</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Assessment of provincial government</td>
<td>81.003</td>
<td>15.827</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Assessment of central government</td>
<td>90.508</td>
<td>11.847</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Perceived change in government investment in</td>
<td>3.977</td>
<td>0.642</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>public goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household received MLSS</td>
<td>0.092</td>
<td>0.289</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Household did not receive MLSS (comparison group)</td>
<td>0.908</td>
<td>0.289</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Respondent female</td>
<td>0.453</td>
<td>0.498</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Respondent male</td>
<td>0.547</td>
<td>0.498</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Age of respondent</td>
<td>41.471</td>
<td>13.187</td>
<td>16</td>
<td>75</td>
</tr>
<tr>
<td>Years of education</td>
<td>7.289</td>
<td>3.052</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Perceived change in household economic conditions</td>
<td>3.993</td>
<td>0.614</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Subjective relative economic status</td>
<td>3.272</td>
<td>0.814</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>At least one village leader in household</td>
<td>0.033</td>
<td>0.178</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>No village leaders in household (comparison group)</td>
<td>0.967</td>
<td>0.178</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Survey site in Henan Province</td>
<td>0.215</td>
<td>0.411</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Survey site in Jiangsu Province</td>
<td>0.214</td>
<td>0.410</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Survey site in Chongqing</td>
<td>0.200</td>
<td>0.400</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Survey site in Hunan Province</td>
<td>0.177</td>
<td>0.382</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Survey site in Shaanxi Province</td>
<td>0.193</td>
<td>0.395</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: N(=) 2,126.

34 percent (Model 1, $e^{295}=1.343$). Likewise, all else being equal, each one-unit increase in perceptions of public goods provision increased the score representing a level of government's degree of care and concern for villagers. Not only did public goods provision boost perceptions of every level of the state, but lower levels of the state (village, township, and county) received the biggest boost and the central government received the smallest boost. Although I do not report them in detail here, confidence intervals (set at 95 percent) show that the coefficients for public goods in Models 2–6 are not statistically significantly different from one another, but that the coefficient in Model 7 is statistically significantly different from that in Models 2 and 3. In plain English, this means that public goods provision improved perceptions of township level and village level of government significantly more than they improved perceptions of the central government.

Being a member of a household receiving MLSS made less of a difference. Although it more than doubled the odds of a perceived improvement in local state-society relations (Model 1, $e^{7.85}=2.192$), it had no effect on perceptions of the state's degree of care and concern for villagers (Models 2–7).

Noteworthy patterns also emerge from the control variables. Improvements in household economic conditions also promoted state-society relations. Change in household income is a significant predictor of state-society relations at lower levels (Models 1–4) but not at higher levels (Models 5–7). Likewise, subjective relative economic status is statistically significant at the village level (Models 1–2) but not at higher levels (Models 3–7). Just as public goods provision improved local state-society relations more than higher-level state-society relations, economic change also exerted a larger and more positive effect on state-society relations at local levels than at higher levels. Although I had expected that respondents in households having a village leader would report more positive perceptions of state-society relations, this effect is inconsistent and generally weak.

Figure 6.6 distills and more intuitively represents the key findings contained in Table 6.2. It contains predicted outcomes calculated by plugging different values of the measure of "perceived change in government investment in public goods" into the regression models in Table 6.2. Holding all other variables constant at their average values (i.e., those in Table 6.1), figure 6.6 displays the effects of changing the value of this variable from "no change" to "increased a lot." We can see that such a change is associated with an increase in the probability of perceiving an improvement in village-village cadre relations from 0.480 to 0.624 (or a change of [0.624–0.480]/0.480=30 percent). We can also see that such a change is also associated with an increase in the score representing the village government's degree of care and concern for villagers, from 60.8 to 73.2 (or a change of [73.2–60.8]/60.8=20 percent).

Two patterns immediately emerge in high relief from figure 6.6. First, the largest improvements in state-society relations have occurred at local levels. A change in perceived public goods provision from "no
Table 6.2 Determinants of assessments of various levels of government, unstandardized coefficients from regression models, five counties, rural China, 2010.

<table>
<thead>
<tr>
<th>Logistic Regression</th>
<th>OLS (Linear Regression)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model 1</strong></td>
<td><strong>Model 2</strong></td>
</tr>
<tr>
<td>Improvement in Villager-Village Cadre relations (yes=1)</td>
<td>Villagers' committee</td>
</tr>
<tr>
<td>Perceived change in government investment in public goods</td>
<td>0.295*</td>
</tr>
<tr>
<td>(0.138)</td>
<td>(0.406)</td>
</tr>
</tbody>
</table>

**MINIMUM LIVING STANDARD SUPPORT**

Household received MLSS (yes=1) | -1.170 | -3.426 | -5.390 | -4.253 | -5.152 | .425 |
| (0.291) | (5.304) | (5.968) | (5.501) | (5.087) | (4.798) | (.970) |

Household did not receive MLSS (comparison group)

**CONTROL VARIABLES**

Respondent female (yes=1) | 0.260* | 0.460 | 0.252 | 0.154 | 0.533 | .381 | -.278 |
| (0.141) | (1.124) | (0.553) | (0.301) | (0.318) | (0.527) | (.504) |

Respondent male (comparison group)

**SURVEY SITES**

| (0.043) | (1.303) | (1.443) | (1.254) | (1.138) | (1.053) | (.308) |

| Survey site in Jiangsu Province | -1.218*** | 7.161* | 11.952** | 13.680** | 10.303** | 6.864* | -1.924** |
| (0.082) | (1.766) | (1.924) | (1.750) | (1.718) | (1.768) | (.412) |

| Survey site in Chongqing | -0.219*** | -0.200 | -1.018 | 0.537 | 12.298*** | 8.208*** | 2.963*** |
| (0.020) | (1.146) | (1.209) | (1.041) | (1.018) | (.984) | (.171) |

| Survey site in Hunan Province | -1.563*** | -2.518 | -3.715* | -0.464 | -0.566 | 2.988* | -3.645*** |
| (0.093) | (1.400) | (1.282) | (1.274) | (1.053) | (.934) | (.410) |

| Survey site in Shaanxi Province (comparison group) | -3.474*** | 18.406* | 18.367*** | 24.410** | 41.822*** | 51.469*** | 77.425*** |
| (0.093) | (5.217) | (2.074) | (3.625) | (3.456) | (3.895) | (5.801) |

| (Pseudo) R² | 0.119 | 0.144 | 0.194 | 0.170 | 0.187 | .093 | .074 |

Note: *p<.10  **p<.05  ***p<.01  ****p<.001, two-tailed tests. N=2,126. Robust standard errors that adjust for clustering within counties are in parentheses.
change” to “increased a lot” boosts the “degree of government care for villagers” score by over 20 percent at the village, township, and county levels, but boosts this score by only 4 percent at the level of the central government. Second, as perceptions of public goods improve, the perception gap between the local state and the center shrinks. Among respondents who indicated “no change” in public goods provision, the gap between village government and the center is 27.9 points (88.7–60.8=27.9). Meanwhile, among respondents who indicated that public goods provision “increased a lot,” the gap was 19.2 points (92.4–73.2=19.2). Thus, a change in perceived public goods provision from “no change” to “increased a lot” shrinks the gap by about nine points (27.9–19.2=8.7). At the township and county levels, the gap vis-à-vis the central government shrinks to a similar extent by 10 and 11 points, respectively. However, at higher levels of the state the gap vis-à-vis the central government shrinks far less: only six and four points respectively for municipal and provincial governments.

**DISCUSSION AND CONCLUSIONS**

In his book about public goods provision in China, Tony Saich writes, “The perception that people have of service delivery by the state affects the way they assess government performance more broadly.” 50 Findings I presented in this chapter from a survey conducted in over 20 villages in 2002 and then repeated it in the same villages in 2010 fully support this assertion. At the time of the original 2002 survey, rural China was a hotbed of discontent and unrest. Limited levels of public goods provision were sustained in large measure by unlawfully excessive taxation enforced by local state agents not infrequently exercising violence. Between 2005 and 2009 the central government rolled out a series of new policies designed to enhance public goods provision, raise income, mollify discontent, and improve state-society relations in rural China. By the time of the second survey in 2010, local governments, to varying degrees, had already implemented the various subsidy, social welfare, and public infrastructure programs that constitute what I collectively term the “rural stimulus.” Quasi-experimental conditions such as these afforded a rare opportunity to conduct an impact study. The surveys show that, so far at least, the policies have been generally successful. Information reported by villagers in the surveys reflect dramatic improvements in public goods provision, household income, and state-society relations. In the time spanning the two surveys, villagers have received more resources from the state and have paid less for them. The surveys also suggest that public goods are an important reason why state-society relations have improved. Public goods significantly enhanced villagers’ perception that the government cares about their well-being.

Although every level of government enjoyed a popularity boost from improvements in public goods provision, this effect was uneven across different administrative levels of the state. In 2010, perceptions of the central government remained far more positive than perceptions of township and village governments. Despite the persistence of such a prominent perception gap, however, the survey data suggest that the greatest gains have been made at local levels of the state. The reduction in extraction and improvement in public goods provision boosted perceptions of local governments far more than they boosted perceptions of the central government. Local levels of governments have received more credit than higher levels of government for public goods for perhaps two reasons. First, just as villager discontent was directed primarily at the local state prior to the rural stimulus, villager satisfaction has been directed primarily at the local state in the wake of the rural stimulus. Just as villagers blamed local state agents for enforcing and adapting in a predatory manner to unfavorable central government policies, they have likewise credited local state agents for carrying out favorable policies. Second, because popular perceptions of the central government were already so extremely positive, there was little room for improvement. Popular perceptions of local levels of government, by contrast, were relatively negative and thus had more room for improvement.
Data from the two surveys reflect a rapprochement in rural state-society relations, a thawing of state-society tensions between 2002 and 2010. Although every major source of state-society conflict that afflicted rural China at the time of the first survey seems to have been addressed by the rural stimulus, and although, on balance, the general trajectory of change has been positive, state-society tensions in rural China persist. In open-ended interviews in some of the survey sites, villagers celebrated their newfound freedom from formerly predatory village cadres. In other survey sites, however, villagers complained about a new wave of local cadre power grabs fueled by the rural stimulus. Township and village leaders in some areas have allegedly abused their positions as gatekeepers to new resources flooding into the countryside to enrich themselves and benefit their relatives and friends. Perceptions of misappropriation of resources and other forms of corruption were particularly acute with respect to the MLSS. Village cadres exercise considerable discretion over determining which households receive MLSS payments. Stories abound of village cadres distributing MLSS payments to households to which they were closely connected but which did not meet objective qualification criteria, thus depriving some of the neediest and most deserving households. Villagers accused village cadres of cronyism and corruption (favoritism, bribes, and kickbacks) in the process of awarding construction contracts for infrastructure projects. They accused village cadres of skimming off the top of infrastructure project budgets by cutting corners, by substituting materials, and by scaling back the size of projects (e.g., narrowing roads). They accused village cadres of failing to pay for small construction and repair projects contracted to ordinary villagers. Long after they were outlawed, local levies were still being collected in one of our survey sites. Here the township government levied a road construction fee from every household. Villagers reported that this project was already fully funded thanks to the 2008 economic stimulus plan, and that the levies were therefore lining the pockets of corrupt local state actors. In short, state-society tensions thawed but far from disappeared.

We can also begin to speculate about the specter of the infamous J-curve—a widening gap between popular expectations and the state’s ability to satisfy them. Shifting the national policy focus and flow of resources to the countryside certainly elevated expectations among China’s rural residents. The prospects for satisfying rising expectations will hinge in part on the policy priorities of the next generation of national leaders set to take the helm in 2013. Satisfying rising expectations could also be compromised by a decline in the fiscal capacity of the local state. Despite an increase in the central government’s share of total spending on rural infrastructure, rural public financing remains predominantly local. Public goods provision could come to a grinding halt in the likely event of widespread defaulting on the loans that have financed the bulk of public infrastructure construction mandated by the stimulus plan. Finally, a new part of the “New Rural Construction” program on the horizon entails housing land consolidation and villager resettlement. If, as observers predict, this policy is met with vehement popular resistance, it could potentially reverse gains made in rural state-society relations. While we have good reason to believe that state-society relations have taken a turn for the better, we also have good reason to harbor questions about the long-term sustainability of this trend.

**NOTES**

5. Li Xing, “From Health by the People to Health by the Market,” in *Globalization, Inequality, and the Commodification of Life*, 256.
11. Tsai, *Accountability Without Democracy*.
15. Ibid., 62–63.


41. Bernstein and Lü, Taxation without Representation, 121; Yang, Calamity and Reform in China, 192.

42. Saich, Providing Public Goods, 188.

43. Throughout this chapter I refer to the survey sites as counties, even though, from an administrative standpoint, three are municipalities.

44. Previous survey research in both urban and rural China, however, suggests that the relationship between economic well-being and political trust is curvilinear, with low- and high-income respondents reporting the lowest levels of trust. It also suggests that the relationship between education and political trust is negative. See Chen, Popular Political Support in Urban China, 126–127, 132; Li, “Political Trust in Rural China,” 237; Kennedy, “Maintaining Popular Support for the Chinese Communist Party,” 517–536.


47. Village-level scatterplots are available from the author on request.


49. Exponentiating unstandardized logistic regression coefficients transforms them into odds ratios.

50. Saich, Providing Public Goods, 186.

51. This problem has attracted national media attention. See, for example, He Dan, “Cadres’ Relatives Made False Claims for Allowances,” China Daily, December 28, 2010, 4.

