

“Peasants’ Burdens” and State Response:
Exploring State Concession to Popular Tax Resistance in Rural China *

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October 10, 2005

word count (including notes, tables, and figures): 19,518

DRAFT: NOT FOR CITATION OR CIRCULATION

* The survey data on which this paper is based were collected with the generous financial support of the Ford Foundation (Beijing); for this I owe a special thanks to Phyllis Chang and Titi Liu. I would also like to extend my gratitude to Lijun CHEN, Neil Diamant, Tom Gieryn, GUO Xinghua, Ho-fung Hung, Scott Kennedy, Scott Long, Lianjiang Li, LU Yilong, Kevin O’Brien, Ben Read, Rob Robinson, Fabio Rojas, Shawna Smith, Pamela Walters, Jeff Wasserstrom, Dali YANG, and ZHANG Wu. Of course I remain solely responsible for all remaining defects and omissions.

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ABSTRACT

Instead of drawing on its more familiar repertoire of repressive responses to popular disobedience, why did the Chinese state respond to widespread and often violent popular tax resistance with ever-greater concessions, culminating in March 2005 with total rural tax relief? In answering this question, the goals of this paper are threefold: (1) to contribute to recent efforts to theorize the determinants of state response to popular protest, (2) to call greater attention to the adaptive and conciliatory capacity of authoritarian states in their efforts to prolong and consolidate their rule, and (3) to advance an understanding of recent and massive social change in China. Survey data from 37 villages in six provinces gathered in 2002 strongly suggest that the political legitimacy costs of rural taxation were a decisive factor in the state’s decision to concede to rather than to repress the popular expression of political discontent. Insofar as rural taxes eroded political legitimacy, it follows that tax relief may indeed serve its intended purpose of mollifying conflict and boosting the legitimacy of the Chinese Communist Party, but only if the new legitimacy costs of failing public goods provision are less than the old legitimacy costs of rural taxation.

Introduction

In March 2004, in response to growing discontent, conflict, and protest in the countryside, China's Premier Wen Jiabao promised to abolish rural taxes nationwide within five years. In the same month the northeastern provinces of Heilongjiang and Jilin announced that, effective immediately, its peasants would no longer pay rural taxes, and eleven other provinces announced tax reductions (Sun 2004). The following year Premier Wen announced an acceleration of the tax-relief timetable, that all rural taxes would be abolished nationwide within one year (Huang 2005; Xinhua News Agency 2005; Kahn 2005a). Soon nowhere in China will peasants be required to pay taxes. In the long sweep of Chinese history this is a rare if not unprecedented instance of a total and indefinite moratorium on rural taxation, of rescinding any obligation of the peasants to contribute to the "imperial" coffers for the foreseeable future (*People's Daily* 2005).¹

My goal in this paper is to explain why the central government responded with concessions and conciliation instead of drawing on its more familiar repertoire of repressive responses to popular disobedience. I use survey data from six provinces to paint a portrait of the background conditions that helped tilt the Chinese state's decision-making calculus toward concession and away from coercive force as a strategy for stemming widespread rural tax resistance. I use this empirical case to help advance recent efforts to theorize *state response to popular disobedience*, efforts to build theories in which state response is not merely used to explain popular contention, but is studied for its own sake—as a dependent variable rather than as an independent variable.

¹ Indeed, the historical significance of this policy is captured in the following popular saying that has emerged in its wake: "Since the creator of the universe made heaven and earth, this is the first time the state hasn't collected imperial grain" (e.g., Ge 2005:14).

In this paper I analyze the causes, consequences, and political implications of such a monumental concession made by a state in response to popular demands. Known as the “peasants’ burdens,” rural taxes were heavy and regressive, and produced widespread popular discontent manifested in thousands of large-scale protests and riots involving hundreds of thousands if not millions of participants. We will see that it was the *central* government that made the policy decision to abolish rural taxes because of a twofold perception among its leaders that (1) the immediate *political legitimacy costs* borne by *local* governments responsible for collecting taxes had been reverberating upwards toward the Center and that (2) concessions were a less costly solution than repression.² Taxation and its consequences are merely one dimension of a more general intensification of social conflict in rural China, of mounting peasant hostility and resentment toward urbanites and local political leaders, and of spiraling violence directed at the perceived sources of deprivation, including the local state (Bernstein and Lü 2003; O’Brien and Li 2006; Thornton 2004; Unger 2002; Tang 2005; Johnson 2004; Chen and Chun 2004; Perry 2001; Kahn 2004b, 2005b; Goodman 2005; Yardley 2004a). My argument is that the Chinese state is adopting strategies of accommodation and concession for the purpose of preserving, repairing, and enhancing the legitimacy of its rule. By demonstrating that rural taxation aggravated popular discontent and eroded the legitimacy of the local state, and by revealing that rural taxation increased the administrative workloads of local government officials responsible both for collecting taxes and for managing the conflict these collection efforts spawned, the evidence I present in this paper points to a logical political consequence of tax

² Perhaps because it is broadly and intuitively conceived of as the degree of popular support for a state and its leaders, the term “political legitimacy” is a frequently used but rarely defined concept (e.g., Perry 2001). My usage of this term, too, is loosely interchangeable with “satisfaction with,” “trust in,” and “favorable attitudes toward” the state.

relief: the possibility of a boost to political legitimacy, or at least of staving off declining political legitimacy.

While much has been learned from published research on taxation, tax reform, and their consequences in rural China based on case studies, qualitative interviews, official government data, and media reports, this paper represents the first effort to use survey data to explore the magnitude and correlates of the “peasants’ burdens” and their regressiveness as well as on the political legitimacy costs they incurred—in short, on the extent to which they produced conflict and friction between individuals and the local state and, concomitantly, eroded local political legitimacy. Further, while others have examined regime responsiveness to the plight of the Chinese peasant (Bernstein 1999; Yep 2004), my research is the first attempt to demonstrate with empirical rigor what was at stake politically in the decision to abolish taxes and what the political payoff might be.

Universal tax relief is a central measure in the official effort of the Chinese state to build a “harmonious society” (*hexie shehui*)—a leading slogan of President Hu Jintao’s administration (2003–present).³ Will the abolishment of agricultural taxes make rural Chinese society more harmonious? Because, as I will demonstrate in this paper, rural taxation undermined peasants’ objective and subjective economic well-being and reflected poorly on government authorities, an implication of its removal is an improved sense of socioeconomic security and diminished political discontent. Containing 60 percent of China’s population, understanding these changes in the villages is thus essential to gaining an understanding of social change in China more generally. Moreover, given that Chinese peasants account for about 13 percent of the world’s

³ On the new official discourse of social harmony, see Marquand (2004), Kwan (2005), and Huang (2005).

population, social change in rural China accounts for a sizeable portion of all social change worldwide, and thus demands greater sociological scrutiny.⁴

But the question of rural tax relief in China is also of theoretical importance to anyone interested in how states manage political conflict and popular protest. From a theory-building standpoint, this case reveals conditions under which an authoritarian state concedes to popular demands, conditions under which resistance and protest produce measurable change in the context of a one-party socialist state. This paper thus represents a contribution to a scholarly turn toward explaining both the general question of how states stay intact through accommodation strategies (Midgal 2001) and the particular question of how the Chinese Communist Party (CCP) is adopting strategies of accommodation as a substitute for raw repression in its effort to stay intact (Dickson 2004).⁵ While state repression has been subjected to considerable theoretical and empirical scrutiny (Earl 2003; Earl, Soule, and McCarthy 2003), the same cannot be said of state concessions.

⁴ The term “peasant” is an official designation determined by location of permanent residence and does not imply work in farming. Thus, in China migrants from the villages living and working in cities are still considered “peasants.” According to official government data, in 2002, when the global population was 6.2 billion, there were 782 million “rural residents” in China. In popular parlance, however, peasants usually number 900 million (e.g., Chen 2004).

⁵ Insofar as state agencies enforce policy shaped by the CCP, the terms “state” and “party” are inseparable in any analysis of official policy responses to popular protest in China. For purposes of stylistic simplicity, I refer to them in the singular, with full recognition that they are not monolithic but contain competing and contested interests and policy preferences.

Theoretical Issues

Despite a tendency to equate authoritarianism with repression, the theoretical tools at our disposal point to concession as the state's logical response in the specific case at hand. The political opportunity structure—the state's capacity and propensity to respond to popular protest with repression—has typically been used as an independent variable, a factor in the likelihood of the emergence, development, and impact of popular protest (Tilly 1978; Skocpol 1979; Meyer and Minkoff 2004; Meyer 2004; Almeida 2003). Indeed, the concept of political opportunity has been used in precisely this way in studies of collective action in China: A decline in the Chinese state's capacity and propensity swiftly to crush collective resistance in the second half of the 1980s and into the 1990s is a key explanation for recently escalating levels of conflict and protest (Bernstein and Lü 2003:142-3; Pei 2003:24, 26, 42). But there have been fewer attempts to explain the variable nature of states' responses to popular resistance, to treat state response as a dependent variable, an object in need of explanation in its own right (but see Goldstone and Tilly 2001; Piven and Cloward 1979; Isaac and Kelly 1981).

Throughout Chinese and Western history alike, tax resistance has been a staple form of popular protest, perhaps the single greatest source of popular rebellion (Bernstein and Lü 2003:22; Bernhardt 1992; R. Bin Wong 1997, 1998, 2001). The total abolishment of rural taxation, however, is a remarkable example of a state's conceding to popular demands, of a state's effort not only to contain contention but to address its source (O'Brien and Li 2006). Concessions have been offered not only through total tax relief, but also with state subsidies to raise peasant incomes (Lan 2004) and in a national campaign to recover back wages owed to peasant migrant workers (Yu 2003; Cai 2004). Insofar as almost 800 million peasants in over 200 million households could benefit from tax relief, this is perhaps the largest concession ever

made by any state to its people. Although rural taxes paid by peasants accounted for only about 4 percent of all taxation in the year 2000 (Aubert and Xiande 2002; Tao and Liu 2005; Yep 2004),⁶ agricultural subsidies, efforts to recover back wages, and other corollary concessions, are clearly of greater financial expense to the Center.⁷ Moreover, tax relief has severely compromised the fiscal viability of *local* government.

A concession of this magnitude is a challenge both to students of contemporary China and to students of collective action more generally. Outside the field of China, social movement scholars have posited, “Authoritarian states tend to be highly reliant on repression, while democratic states more often are inclined to a mix of concession and repression, or to greater concessions....” (Goldstone and Tilly 2001:188; for similar statements see Tarrow 1998:84, 97, 100). In democratic settings, popular protest in pursuit of remedying relative deprivation often lead to concessions from the state because of the high costs of repression paid at the ballot box (Goldstone and Tilly 2001:192; Piven and Cloward 1979; Andrews 2001; Isaac and Kelly 1981; Welch 1975; Fording 1997). Within this general tendency, however, lies some measure of variation. Even authoritarian states deliver real, not merely token, concessions in the face of popular discontent.⁸

Consistent with the idea that authoritarian states—including one-party socialist states—are often “addicted” or “habituated” to the use of repression (Goldstone and Tilly 2001:188, 193), the literature on contention in China appears to privilege an analytical consideration of the use of

⁶ According to the head of the Rural Development Research Institute of the Chinese Academy of Social Science, rural taxes accounted for less than 2 percent of total state revenues (Chen 2004:22).

⁷ According to one estimate, it has cost the state \$3 for every \$1 in back wages recovered (Wu 2005).

⁸ See Flora and Albert (1981) and Malloy (1979), cited by Skocpol and Amenta (1986:148). On the combined use of “token concessions” and repression by the Chinese state, see Goldstone and Tilly (2001:192-3).

sticks and appears less attuned to the state's variable—and perhaps growing—use of carrots. Much of the relevant scholarship emphasizes repression as the Chinese state's preferred response to the popular articulation of interests and to grassroots efforts to organize and mobilize in pursuit of these interests, especially in the wake of Tiananmen and as part of ongoing efforts to eradicate the Falun Gong, to manage minority nationalities in border areas, to reign in the mass media, and to control the Internet, for example (Kurlantzick 2003; French 2004).⁹ A related argument frequently invoked is that the Chinese state is rapidly succumbing to irreparably eroding political legitimacy caused both by its routine use of repression and by economic concessions that paradoxically ratcheted up popular demands to insatiable levels (Walder 1994, 1995a, 1998a; Chang 2001; Gilley 2004; Johnson 2004). In light of the rapid disappearance of authoritarian regimes around the world (O'Donnell, Schmitter, and Whitehead 1986; Huntington 1993; Haggard and Kaufman 1995), it should not be surprising that the demise of the CCP's rule has been so widely heralded.¹⁰ A competing position, however, and the one I advance in this paper, emphasizes the resilience and adaptive capacity of the Chinese state (Dickson 2000/1, 2003).¹¹ The Chinese state is not a one-trick pony, but has exhibited the capacity to learn and to adapt, and to diversify its repertoire of responses.

How can we explain the state's reactions to popular resistance, the particular steps in what Goldstone (2001:162) calls the “dance of repression, concessions, and protest...”? A

⁹ On the control of the Internet as part of the effort to eliminate the Falun Gong, see Thornton (2003) and OpenNet Initiative (2005). To cite the massive literatures on Tiananmen, Tibet, and Xinjiang would be an unnecessary reaffirmation of obvious uses of these examples to demonstrate the state's use of repression over concessions.

¹⁰ Indeed, Wang (2005b) predicts the precise year of the demise of the CCP.

¹¹ On the debates in field of Chinese studies over the enduring resilience or impending collapse of the CCP, see Kennedy (2004/5); Wasserstrom (2004a); Wasserstrom (2004b).

theoretical approach that can be thought of as a cost-benefit model conceptualizes state actors as strategic decision-makers whose choices, of course, are bounded by fluid preferences over which there may be weak consensus and by an often flawed and contested interpretation of imperfect and incomplete information. Like protest participants, state actors consider possible gains and losses associated with their actions. Ignoring growing discontent and protest—i.e., attempting to muddle through—was one obvious choice available to the state. But, as part of their efforts to preserve the regime, state leaders more typically try to calculate the particular mix of repression and concession necessary to forestall discontent and quell protest. What precise blend of repression and concession will offset expected gains from—and thereby eliminate the motivation for—resistance and protest?

Two factors emerge with particular salience from the theoretical formulation of Jack Goldstone and Charles Tilly (2001). First, financial costs and resources shape the feasibility of conceding to popular demands. Can the state financially afford to make concessions? Are concessions cheaper than repression? Is the threat associated with failing to offer concessions (in the form of appearing weak and open to additional popular demands) greater than the threat associated with repression (in the form of intensifying popular discontent and stimulating the formation of alliances across protest groups)? In the case of rural taxation in China, the answer to each question is clearly in the affirmative. Even if repression would have quelled popular resistance in the short run, in the long run it might have exacerbated discontent and fueled further protest (Rasler 1996; Almeida 2003:353; Goodwin 2001; Khawaja 1993).

Second, political legitimacy is not merely internal, but also external. As a regime's reliance on favorable world opinion increases, so too do the costs of repression. In other words, for the state, the costs of repression may outweigh its benefits "if it alienates aid donors and

trading partners” (Goldstone and Tilly 2001:192; also see Goldstone 2001:161-2 and Skrentny 1998). With political legitimacy riding on economic growth fueled largely by direct foreign investment, alienating foreign investors is a risk that Chinese state leaders are highly reluctant to take.

Because the evidence in support of my argument comes from a survey of Chinese peasants, the *direct legitimacy costs* at the center of my explanation stem not from world opinion but rather from domestic political discontent produced by rural taxation. I also give considerable explanatory weight to *indirect legitimacy costs* and *other institutional costs*. Indirect legitimacy costs refer, for example, to the emergence of new popular grievances with state agencies in the process of trying (almost always in vain) to resolve tax disputes.¹² At the same time, other institutional costs refer to second-order administrative costs associated with preserving a wildly unpopular tax regime. Such costs can also be conceptualized as residual transaction costs or negative political externalities. Folded into this institutional price tag are the costs of containing and managing conflict stemming directly and indirectly from rural taxation—i.e., the direct costs of managing complaints and petitions, hearing appeals, and so on (Zhao 1999; Li 2002), and the indirect costs of managing collateral grievances, such as interpersonal debt disputes and family disputes over property division in a context of poverty aggravated by regressive taxation. In short, rural taxation fomented at least as much political and administrative trouble as fiscal revenue for the Center.

But the calculation of costs and benefits also follows a clear *cultural* logic. In the Chinese case, bracketing the foregoing structural considerations, cultural forces independently pushed the

¹² On the rarity of successful appeals and the more common futility trying to redress tax disputes, see Bernstein and Lü (2003:190-6) and Johnson (2004:Chapter 1).

state away from the use of repression. Popular perceptions of deprivation and repertoires of action—i.e., both the forms and methods of resistance—are shaped by historically inherited cultural material (Tilly 1986). Historical role models condition the actions of contemporary actors. Peasants' economic well-being has been an enduring benchmark of political legitimacy in China. When the state violates shared cultural norms by appearing insensitive and unresponsive to widespread economic suffering, the prevailing cultural ethos calls for popular rebellion. Normally associated with the Cultural Revolution (1966-76), the spirit of the exhortation that “it is right to rebel” extends back to Mencius (372-289 BC) (Perry 2001:xxiv). Insofar as it resonated with a deep-seated historical justification to organize and mobilize grass-roots resistance, the popular perception that rural taxation undermined the economic well-being of peasants landed a blow to the Center's political legitimacy. A direct legitimacy cost of taxation was thus culturally inflicted. Moreover, state leaders' estimation of the relative costs and benefits of concession and repression were influenced by shared cultural norms dictating protest and resistance as acceptable popular responses to state behavior deemed inappropriate by the same shared cultural norms.

Both popular repertoires of contention and the state's repertoires of response are conditioned and constrained by history. States, too, often conform to historically inherited scripts or templates (Wasserstrom and Perry 1994; Perry 2001; Shue 2004). Thus, contemporary tax relief should be understood as stemming to an important measure from an historically shaped repertoire of responses to popular tax resistance (Bernhardt 1997:38, 125). In eighteenth- and nineteenth-century China, state leaders resolved tax resistance

through negotiated settlements, repression by military force, or some combination of the two. If not resolved, such actions could become pieces of a larger drama that directly challenged official rule....The eighteenth-century resolution of tax resistance issues affirmed two features of government maintenance of social order: some cases showed the state's coercive capacity, while others revealed the social sensitivity of

the officials who adjudicated the disputes and restored a sense of equity and order on the basis of shared expectations of acceptable behavior. (R. Bin Wong 1997:235-6)

Indeed, “Chinese leaders were anxious to sustain domestic social order and often saw limiting taxation as a way to keep the people from becoming unruly” (Wong 2001:76). However, this concessionary response is limited to “reasonable” material demands. The state is historically conditioned to respond quite differently to popular millennial, secessionist, or revolutionary collective action, for example—a common explanation used to explain the state’s repressive response to the Falun Gong (Rahn 2002; Perry 2001; Shue 2004).

Even the post-Mao Chinese state has never relied entirely on repression as a strategy of managing conflict. The state’s reform-era mandate is based largely on economic payoffs to the population; the CCP has pinned the legitimacy of its rule to economic growth (e.g., Dickson 2004). Tax relief is not the only example of a concession or accommodation the Chinese state has made to a potentially volatile segment of society. Concessions have also been delivered in the form of major salary increases in the early 1990s to intellectuals and other professionals perceived as prone to political dissent (Tang and Parish 2000:94-5,125; Cooke 2004:911). At the same time, entrepreneurs, perceived as a group of particularly dubious political reliability, are being co-opted into the CCP, enticed by the prospects of economic returns to membership in the form of access to resources and protection from harassment, for example (Dickson 2000/1, 2003). In response to widespread resistance to family planning policies, the state has not only relaxed enforcement (White 2003), but has also shifted *methods* of enforcement away from reliance on punitive sanctions (e.g., Huang 1989) and toward the use of positive, financial incentives (Yu 2004:28-9; Yardley 2005a). Aggrieved urban industrial workers and pensioners who take to the streets in protest often get their immediate demands satisfied, even though such responses are case-by-case and ad hoc rather than in the form of an official policy changes (Kernen 2002:21-7;

Lee 2003:71, 83-4).¹³ More generally, in an effort to facilitate the peaceful rather than violent resolution of grievances, the state has also responded to conflict and discontent by trying to strengthen the capacity of courts and the administrative complaints systems (Bernstein and Lü 2003; O'Brien and Li 2006; Cai 2004; Luehrmann 2003; *China Daily* 2004a, 2004b; Minzner forthcoming).

By way of summarizing the foregoing theoretical explanations of the state's concessionary response, let us consider five scenarios in which the state's decision-making calculus might have instead favored repression. First, had taxation been less harmful to the state's political legitimacy and less costly in terms of official damage-control measures taken to manage and contain the conflict it produced, repression might have been perceived by state actors as less risky and more feasible. Second, were popular demands ideological or revolutionary as opposed to strictly material, one can imagine a diametrically different state response. Third, were protest limited to a smaller segment of Chinese society, the state's response might have been different. In a context of resistance involving tens of millions—if not hundreds of millions—of participants, repression was obviously of very limited feasibility. Fourth, had rural taxation been of greater fiscal importance to the Center, the costs of concession in the form of total tax relief might have been greater than the perceived risks of repression. Finally, had state repression been the consistent response to rural tax protest instead of the tolerance, permissiveness, and muted responses exhibited by the state throughout the 1980s and 1990s, not only might peasants have been less emboldened to engage in tactics of resistance in

¹³ State repression becomes a more likely response when worker demands transcend the scope of legally permissible claims and span multiple enterprises or geographic locations, and when the number of protesters exceeds tolerable limits.

the first place, but state leaders might have been more willing to bet that the use of repression to quell any protest that did emerge would have been less likely to spark a “cycle of contention”¹⁴ threatening the viability of the regime as a whole.

The Peasants’ Burdens

Peasants’ burdens (*nongmin fudan*) refer to the wide array of taxes and fees imposed on peasants, often irregularly and illegally. Despite their complexity and significant regional variation, rural taxes, prior to their abolishment, were commonly divided into three categories: (1) state agricultural taxes, (2) township and village levies,¹⁵ and (3) miscellaneous local fees.¹⁶ The technical details of rural taxation are beyond the scope of this paper, and are covered thoroughly elsewhere (see Bernstein and Lü 2003; Aubert and Li 2002; Li 2003; Lü 1997; Tao and Liu 2005), but, for the sake of building context, it is nevertheless essential to point out three basic properties of rural taxation:

First, according to State Council regulations implemented in 1986 and reaffirmed in 1991 and in 1993, township and village levies were not to exceed 5 percent of the township-level per

¹⁴ On cycles of contention, see Tarrow (1989, 1998).

¹⁵ These are the so-called *santi*, or “three retentions,” referring to contributions to village reserves, and the *wutong*, or “five unifications,” referring to fees paid to the township government according to unified planning. Township levies are earmarked for education, public security, and family planning, for example. At the same time, infrastructural maintenance and village welfare expenses, for example, are covered by village levies (Tao and Liu 2005).

¹⁶ These include various kinds of fund collections (*jizi*), apportionments (*tanpai*), and the so-called “three arbitraries” (*san luan*). The “three arbitraries” are sometimes translated as the “three irregulars” (and even the “three disorders”), and include arbitrarily levying fees (*luan shoufei*), arbitrarily levying fines (*luan fakuan*), and arbitrarily apportioning (*luan tanpai*). To these three “arbitraries” is sometimes added “arbitrarily launching inspections” (*luan jiancha*).

capita net income for the previous year (Li 2003; Bernstein and Lü 2003; Wedeman 2000). For example, if the per capita net income for a given township was \$1,000 in the previous year, township and village levies in the current year could not lawfully exceed \$50 per household. Owing to considerable economic variation between villages within townships and between households within villages, this tax was highly regressive. Within a township, poorer villages were burdened with higher tax rates than richer villages, and within a village, poorer households likewise had heavier tax burdens than richer households.¹⁷

Second, overtaxation was the norm, typically far exceeding the 5 percent statutory limit (Lü 1997:118). Former Premier Zhu Rongji stated in 2001 that township and village levies accounted for 10 percent of peasant incomes. One estimate puts the various levies at over 15 percent of peasant incomes in poor villages and below 5 percent in wealthier villages (Bernstein and Lü 2003:52, 60-1). In one area, township and village fees amounted to 20 percent of peasant incomes (Chen and Tao 2004). Putting all taxes and fees together, the *total* peasants' burden was even heavier. Considering *all* sources of taxes and fees, the peasants' burdens averaged 10-12 percent of net household income in the year 2000 (Aubert and Li 2002:169). In the early 1990s, peasant households in some areas were paying 14-15 percent of their incomes to local governments (Lü 1997:210), while in other areas villagers were paying 20-40 percent (Wedeman 2000:492). Before the 1995 experimental tax reforms in Anhui Province, one county reported total burdens of 30 percent of net incomes (Bernstein and Lü 2003:184).

¹⁷ See Bernstein and Lü (2003:61) for an illustration. On the regressive nature of the tax, also see Khan and Riskin (2001:134; 2005). Township and (administrative) village populations average about 20,000 and 1,000 respectively, although there is substantial variation.

Third, rural taxation produced enormous discontent and was a major source of tax evasion as well as grievances and formal petitions that clogged the official complaints system (Tang 2005; O'Brien and Li 2006; Johnson 2004; Bernstein and Lü 2003; Minzner forthcoming). But estimations of the extent of the popular discontent and the conflict it created have remained reliant on anecdotal evidence, in-depth case studies, and official government data. In this paper, in contrast, I use survey data to demonstrate empirically that, owing to its regressive nature, rural taxation exacerbated a sense of relative deprivation, leading directly to resistance, grievances, and complaints, and in turn to the erosion of local political legitimacy. Eliminating rural taxation, thus, in one fell swoop, eliminated a major (although certainly not the only) source of political discontent.

Data and Methods

The data used in this paper were collected in late January and early February of 2002, a turning point in the history of China's rural tax burdens. Rural tax reforms—known as the tax-for-fee reforms (*shuifei gaige* or *shui gai fei*) because they consolidated various fees into a single tax—were tested in 2000 and 2001, with Anhui Province serving as the experimental laboratory (Aubert and Li 2002:174; Bernstein and Lü 2003:201-4; Yep 2004:47-55; Unger 2002:216-7; Zhang 2005).¹⁸ By collecting data when the problem of peasants' burdens may have reached its apex, this survey establishes an important baseline for how things play out following their abolishment.

¹⁸ Since the tax-for-fee reform collapsed most if not all local levies and fees into a single tax, the elimination of the agricultural tax will eliminate almost all local levies and fees as well.

THE SAMPLE

Members of the Department of Sociology at Renmin University of China hired and trained local schoolteachers living and working in the survey sites to conduct the survey interviews. The 2,902 households included in the analyses performed for this paper are distributed across 37 villages: 10 villages in Shandong, 6 villages in Henan and Hunan, and 5 villages Henan, Jiangsu, and Chongqing. Figure 1 shows the location of the samples. The Jiangsu and Shandong counties are coastal, while the remainder are inland. Located on the outskirts of major cities, the Jiangsu and Chongqing counties are urban satellites, while the remainder are relatively isolated. 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.

[FIGURE 1 ABOUT HERE]

The sample nonetheless appears representative of rural China. According to official government data, the average per capita net income for these six counties for 2001 was ¥2,633, while the figure for rural China as a whole was ¥2,366.¹⁹ Per capita GDP for the six counties in 2002 averaged ¥9,169, compared to ¥11,207 for all rural China. The households sampled within counties appear representative: Average per capita household income in the survey deviates from the official government figure only by between 1 percent and 7 percent, depending on how

¹⁹ County income figures are for 2001 and are reported in SSB (2002). The currency exchange rate in 2002 was approximately ¥8.3 per US\$1.

income is measured. The county-level correlation coefficient between average per capita household income according to the survey data and official government data on both income and per capita GDP exceeds .9.

Although households within villages were selected as randomly as was feasible, individual respondents within households were not selected randomly because most of the relevant information they supplied was household-level information. Judging by their average age and gender composition (64 years old, 55 percent male), survey respondents consist disproportionately of more senior household members. But the average age of *all* household members more closely approximates the true distribution of the population.

THE VARIABLES

The peasants' burdens is defined as the sum of three sources of taxes and fees: (1) agricultural taxes, (2) local government levies (*ti liu kuan*), and (3) other miscellaneous fees, fines, and levies. Rather than analyzing them separately, I lumped these categories together since villagers in different locations classified local fees and taxes differently. For example, in some locations, respondents included all local government levies in the agricultural taxes category.²⁰

"Total household income" is based on responses to: "What is your family's annual total of each kind of income [*ge zhong shouru yigong duoshao*], including agricultural and non-agricultural income (such as wages, bonuses, work outside the village, business, sidelines, etc.)?"

²⁰ The survey was administered shortly after or during the implementation of the tax-for-fee reform in which these various categories—in various geographic locations, including Hunan Province—were collapsed into a single lump-sum payment. In some areas all township and village levies were abolished after being folded into agricultural taxes (Zhang 2005; Yep 2004). Thus, only by aggregating the three categories can we confidently assume comparability across villages and counties.

The average of ¥7,833 is considerably less than the average of ¥10,432 for a separate composite measure of gross income and far closer to the average of ¥8,533 for the composite measure of net income (gross income minus reported costs associated with farming and agricultural sidelines, such as pesticides, fertilizer, animal feed, and so on).²¹

In addition to this objective measure of income, I also include respondents' subjective evaluations of their relative economic deprivation: "Compared to other households in your village, do you feel your household's economic situation is better or not?" Response categories form a five-point scale: "(1) My family's economic situation is much better than that of others; (2) somewhat better than other families; (3) about the same as others; (4) somewhat worse than the typical family; or (5) much worse than other families."

My primary measure of the peasants' burdens is the *gross tax rate* (taxes/fees as a proportion of household income), calculated as the annual sum of all burdens (agricultural taxes, township and village levies, and miscellaneous fees) divided by total gross annual household income.²² To test whether different magnitudes of peasants' burdens among otherwise similar

²¹ The survey questionnaire was designed to measure income in two ways: (1) total household income from a single question and (2) household income aggregated from eleven sources reported separately (five agricultural crop categories, three agricultural sideline categories, handicrafts, family business, and remittances). According to the first measure (the single-item aggregate measure), per capita household income averaged ¥2,453, or ¥180 (7 percent) less than the official government figure. According to the second measure (the eleven-item composite measure), per capita net household income averaged ¥2,647, or only ¥14 (less than 1 percent) greater than the official government figure.

²² There are three ways to calculate the tax rate using my data: (1) local taxes/fees as a proportion of "total household income" (the single-item aggregate income measure), (2) local taxes/fees as a proportion of gross household income (the eleven-item composite measure), and (3) local taxes/fees as a proportion of net household income (the eleven-item composite measure of gross income minus reported costs associated with farming and

households are associated with different amounts of income, different degrees of felt relative economic deprivation, with different propensities to resist taxation, with different propensities to report tax grievances, and with different evaluations of the performance of local government, the statistical models control for a variety of household characteristics, including measures of social and political capital. Since basic background data, including occupational information, on every member of the household was recorded on the survey instrument, I am able to identify households containing members with various nonfarm jobs, including local government officials. Information on as many as five close relatives living permanently outside the village is used to identify households with relatives working as officials in the township or county government.

Tax resistance is measured in two ways: First, tax evasion is a dummy variable that equals 1 when “frequently,” “sometimes,” or “seldom” is chosen in response to the question, “In the past five years have you or another family member failed to pay agricultural taxes either in full or in part?”, and equals 0 when “almost never” and “never” are chosen. Second, grievances and complaints over taxation are measured as a response in the affirmative to the following

agricultural sidelines). In this paper I use the second measure for two reasons. First, the eleven-item composite measure of household income, by also including income from remittances, handicrafts, family business, and so on, is clearly the most comprehensive. Insofar as the single-item aggregate income measure underreports income (the average of the eleven-item composite measure is 25 percent higher than the average of the single-item aggregate measure), it would thus exaggerate rates of taxation. Second, by introducing information from eight additional questions on *costs* of agricultural and sideline production that may have been answered inconsistently and with varying degrees of thoroughness, the measure of *net* income is arguably less reliable than the measure of *gross* income. In the multivariate analyses, the single-item aggregate income measure, not the eleven-item composite measure, is used as a control variable because the tax rate is a function of the latter (i.e., the composite measure of income is used to calculate the tax rate and would therefore, by definition, introduce the problem of multicollinearity).

question: “In the past five years have you or a family member gotten into a dispute with the village committee or someone else over agricultural burdens? [*nongye fudan*]”

At the heart of this analysis are measures of local political legitimacy, a key factor in the state’s decision to offer concessions rather than to respond with repression. An “index of discontent with village committee” is calculated as the mean of the following two items: First, “Overall, are you satisfied with the village committee? (1) Very satisfied, (2) somewhat satisfied, (3) neutral, (4) somewhat dissatisfied, or (5) very dissatisfied.” Second, “Overall, people’s attitude toward village committee cadres is one of (1) great respect, (2) some respect (3) neutral, (4) some disrespect, or (5) great disrespect.” This index therefore has nine values ranging from 1 to 5. These two items are correlated at $R=.67$ with a Cronbach’s alpha of $.80$. (More methodological details are contained in the Technical Appendix.)

Findings

In this section we will see that the economic deprivation exacerbated by rural taxation contributed significantly to tax resistance (manifested in different forms and measured in different ways), and in turn compromised the state’s political legitimacy. My analytical approach is first to examine key bivariate relationships and then to use multivariate regression techniques to test if they are robust to controls, if they can be explained away by other variables. Multivariate models were replicated in several ways to ensure their robustness, to ensure the findings I report are not merely artifacts of the measures employed or the weights used.²³

²³ In all multivariate regression models I apply sampling weights (calculated as [county-level rural population]/[county sample size]) and compensate for the nonindependence of observations (i.e., clustering effects) both within counties and within villages. I also replicated the models without weights to ensure the robustness of the findings.

INEQUALITY AND REGRESSIVE TAXATION

The Gini ratio for total household income was .44, precisely what the World Bank reports for rural China in 1999. Gini estimates from a variety of surveys of household income in rural China in the late 1990s range from .37 to .50 (The World Bank 2003:17; Benjamin, Brandt and Giles 2005).²⁴ After-tax income inequality is three Gini points greater than total pre-tax income inequality (.47 versus .44), reflecting the highly regressive character of rural taxes. This implies that eliminating rural taxes and fees would, if the data are representative and if nothing else changes, reduce rural income inequality by 7 percent (.03/.44).

The Lorenz curves in Figure 2 reveal the regressiveness of rural taxes and the extent to which taxation aggravated income inequality. While the poorest 10 percent of the population earned 1 percent of total household income, it earned less than 0 percent of all after-tax income (i.e., the aggregate amount of taxes and fees reported exceeded the aggregate amount of total income reported). At the same time, the poorest half of population earned 21 percent of all income and 17 percent of all after-tax income. The line in Figure 2 depicting the distribution of gross taxes shows that the poorest 10 percent of the population paid 12 percent of all taxes, while the poorest half paid 55 percent of all taxes.

[FIGURE 2 ABOUT HERE]

²⁴ Ranging from 0 (perfect equality) to 1 (all quantities of the object of analysis, typically income, concentrated in a single unit, typically a household), the Gini ratio is considered the gold standard among measures of inequality. These figures are comparable to other developing countries in Asia, including Pakistan, the Philippines, India, and Indonesia (Khan and Riskin 2001:164n16).

Figures 3 and 4 are bivariate scattergrams that reveal even more dramatically the regressive character of rural taxes: First, local economic reliance on agriculture is shown to be highly positively correlated with tax burdens. That is, the economically disadvantaged were burdened with higher tax rates than the economically privileged. Second, the relationship between household income and tax burdens is strong and negative.

[FIGURE 3 ABOUT HERE]

[FIGURE 4 ABOUT HERE]

Two additional patterns emerge from these figures. First, taxes were not only regressive, but were also heavy. The measure of burdens used in this paper (taxes/fees as a proportion of gross household income) averages 12 percent (with village-level means ranging from 2.9 percent to 32.8 percent). An alternate measure using net income instead of gross income yields an overall average burden of 17 percent (with village-level means ranging from 3.8 percent to 37.9 percent). These ranges are entirely consistent with published figures reviewed earlier in this paper. Second, and also consistent with what has been reported elsewhere, the two counties with the highest burdens are Hunan's Yuanjiang (23.4 percent) and Henan's Ru'nian (14.1 percent), while the county with the lowest burdens is Jiangsu's Taicang (5.9 percent).²⁵

²⁵ Peasants' burdens have been reported elsewhere to be highest in the agricultural provinces of central China, including Hunan and Henan, and lowest in the coastal provinces, including Jiangsu (Aubert and Li 2002:169-70; Bernstein and Lü 2003:62). See Zhang (2005) on exceptionally heavy burdens in a county in Hunan Province remarkably similar to Yuanjiang (with a non-zero probability that it is Yuanjiang itself, since the county names in her study are kept confidential).

The foregoing patterns persist after adding controls. Table 1 shows that, at the village level, each percentage point increase in income from agriculture as a proportion of gross household income increased peasants' burdens by 1.7 percent. In other words, among households that were otherwise seemingly identical, households that relied on agriculture for 60 percent of their income reported tax burdens that were on average 68 percent heavier than those of households that relied on agriculture for only 20 percent of their income.²⁶

[TABLE 1 ABOUT HERE]

Economic reliance on agriculture exerted almost the identical effect in the household model presented in Table 1. Also based on the household model, among otherwise identical households, a doubling of household income reduced burdens by 16 percent ($100 \times -.164 = -16.4$ percent). Likewise, all else being equal, a doubling of farmland increased burdens by 16 percent ($100 \times .161 = 16.1$ percent).

Consistent with other research findings, Table 1 also demonstrates that township and village enterprises (TVEs) helped alleviate peasant burdens. In the wake of fiscal

²⁶ When the dependent variable is transformed into natural logarithms, the regression coefficient for an independent variable that is not in logarithms can be interpreted as percentage changes on the dependent variable associated with each unit change in the explanatory variable (holding all other independent variables constant). In this case, a 40 percentage-point change (60 percent–20 percent=40 percentage points) in agricultural income as a proportion of gross household income is associated with a $40 \times .017 = 68.0$ percent change in taxes/fees as a proportion of gross household income. When the independent variable of interest is also in natural logarithms, its coefficient can be interpreted as percentage changes on the dependent variable associated with each percentage change in the explanatory variable (holding all other independent variables constant) (Wooldridge 2006:49).

decentralization, local governments have been largely cut off from higher-level support and are overwhelmingly dependent on local revenue (Christine Wong 1997; Wedeman 2000). Successful TVEs form a solid tax base for local government, obviating the need to bleed the peasants (Oi 1992; 1998; 1999; Walder 1995b, 1998b).²⁷ As we can see from the findings in Table 1, peasants were taxed more heavily in areas that were weakly industrialized (Khan and Riskin 1998:238; Bernstein and Lü 2003:68). In the household model, each percentage point increase in the village-level rate of employment in TVEs reduced peasants' burdens by 5.3 percent. So, all else being equal, an increase of 10 percentage points in the village-level employment rate in TVEs (such as an increase from 2 percent to 12 percent local employment in TVEs) was associated with a 53 percent average drop in peasants' burdens.

The social/political capital variables reveal that the local government cadres reproduced their economic advantages through taxation. Among households with similar characteristics (i.e., among households with the same income, the same amount of farmland, and so on), the presence of a village head or village party secretary in a household reduces burdens by about 10 percent. Households with lower-level village leaders as members and with relatives outside the household working in the county government also reported lower burdens, although these effects are not statistically significant.

PERCEIVED RELATIVE ECONOMIC DEPRIVATION

A subjective measure of economic deprivation confirms the highly regressive character of rural taxation described in the previous subsection. Figure 5 shows not only that perceived relative economic deprivation was, completely unsurprisingly, negatively associated with household income, but also positively associated with tax rates. Average tax rates were over four

²⁷ But for contrary evidence, see Thornton (2004:93-4).

times higher among respondents who reported that their households were “much worse off” than among respondents who reported that their households were “much better off” than other households in the village (18 percent versus 4 percent).

[FIGURE 5 ABOUT HERE]

In the multivariate regression models presented in Table 2 the effects of income and tax burdens on perceived relative economic deprivation remain highly statistically significant. An intuitive way to compare the effects of the independent variables on the degree of perceived relative economic deprivation is to compare predicted probabilities calculated from the full model (Model 2). While the overall probability of selecting either “somewhat worse off” or “much worse off” is .13, among households that are otherwise seemingly identical, the probability of choosing one of these responses is .10 when the tax rate is 5 percent and .18 when the tax rate is 25 percent. Holding everything else constant, the probability of choosing one of the “worse off” categories is only .04 when household income is ¥20,000 and .21 when household income is ¥3,000. Combining the two, and all else being equal, the probability of selecting one of the “worse off” categories is .04 when household income is ¥20,000 *and* the tax rate is 5 percent and .28 when household income is ¥3,000 *and* the tax rate is 25 percent (a difference of almost 600 percent).²⁸

The effects of social and political capital contradict the expectations of the “market transition theory”: Rather than being associated with economic advantage as the market

²⁸ These predicted probabilities were calculated on Model 2 in Table 2 using the “prvalue” command for Stata written by J. Scott Long and Jeremy Freese (2003).

transition theory would predict (Nee 1989; 1991; 1996), the results show the opposite, that private-sector employment is associated with economic deprivation, especially in comparison with public-sector employment (see Walder 2002 for similar findings). Among households with similar characteristics, the presence of government officials and other members employed in nonfarm settings significantly reduces perceived relative economic deprivation. Most of these effects, however, disappear when other background characteristics are introduced into the model simply because it is not nonfarm employment *per se* but rather the socioeconomic benefits of nonfarm employment that reduce perceived economic deprivation. However, even in Model 2, after controlling for household socioeconomic conditions, the presence of a township or higher-level cadre significantly reduces perceived economic deprivation.²⁹

[TABLE 2 ABOUT HERE]

The close association between health and perceived relative economic deprivation can also be seen in Table 2. Compared to respondents who reported good health, respondents who reported less than good health were 75 percent more likely to select one of the “worse off” categories (a probability of .21 versus a probability of .12). However, this relationship should be understood as running in both causal directions: Respondents in poorer households were less healthy because of their compromised access to healthcare, and at the same time people who were less healthy were more economically deprived because of their compromised ability to

²⁹ This pattern persists even when household income is removed from the model (details not presented, but see Appendix, Table A6).

work. Now we turn to an examination of the consequences of economic deprivation produced and aggravated by rural taxation.

TAX EVASION

There are many dimensions of tax resistance. As we will see shortly, complaining to village leaders about taxes was commonplace. Filing petitions and appealing in other manners to higher authorities were additional forms of tax resistance that I consider separately in the next subsection on “tax grievances.” Tax evasion is the first form of resistance I consider. Owing to the problem of political desirability bias endemic to survey research in China, we should not expect fully forthright reporting of tax evasion. If Chinese survey respondents are typically afraid to provide “incorrect” answers to questions about their support for state policy, it is hard to imagine widespread willingness to report illegal behavior (Rosen 1987; Manion 1994). Yet 11 percent of the sample did report evading taxes. If the surveyed households are representative, this means at least half a million households in the six counties surveyed evaded taxes at some point between 1997 and 2002. In Henan’s Ru’nan County and Hunan’s Yuanjiang County, 20 percent of all sampled households reported evading taxes. In other words, these two counties alone account for 65 percent of all instances of tax evasion reported in all six counties.

Tax evasion was far more common among households reporting relative economic deprivation. As we saw in Figure 5, compared to other households, those reportedly “worse off” economically had more than double the likelihood of reporting evading taxes. Although the probability of reporting tax evasion among households paying over 25 percent of gross income in taxes and fees was more than double the probability among households paying 5 percent or less of gross income in taxes and fees (15.1 percent versus 6.4 percent), the effect of tax burdens on the probability of reporting tax evasion disappears in the multivariate regression models

presented in Table 3 once perceived relative economic deprivation is introduced, suggesting that tax burdens contribute to tax evasion only insofar as they contribute to perceived relative economic deprivation.³⁰ At the same time, household income reduces and farmland increases the probability of tax evasion. On the basis of Model 4, among households that are otherwise seemingly identical, those earning ¥3,000 per year are about two-thirds more likely than those earning ¥20,000 per year to report evading taxes (a probability of .10 versus a probability of .06). Likewise, those with 10 *mu* of farmland are over 40 percent more likely to report tax evasion than those with 5 *mu* of farmland (a probability of .10 versus a probability of .07).³¹

[TABLE 3 ABOUT HERE]

³⁰ The disappearance of—and even the reversal of the direction of—the effect of tax burdens after household income and geographic location are introduced into the model (Table 3) despite a positive and strong bivariate correlation between tax evasion and tax burdens is clear evidence of multicollinearity. Indeed, these are the hallmarks of an “overdetermined social system”: “interrelated social processes that reinforce one another to produce an impressively persistent and highly coherent structure” (Heinz and Laumann 1978:1125). Given how closely correlated they are with each other, regardless of whether we use household income, perceived economic deprivation, tax burdens, reliance on agriculture, or geographic location, our estimate of the probability of tax evasion will be similarly accurate. Likewise, as we will see below, regardless of which of the above predictors we use, or whether we instead use the presence of a tax grievance, our estimate of the probability of discontent with local government will be similar. Thus, rural tax burdens and their consequences—the subjects of this paper—are overdetermined: They are part of a coherent social system shaped by a confluence of influences that, insofar as they are mutually reinforcing, are difficult to disentangle.

³¹ 1 *mu* = 1/6 acre or 0.067 hectare.

RIGHTEOUSNESS OF TAX EVASION

Consistent with the argument that tax resistance and other forms of protest are culturally justified when livelihood suffers as a direct consequence of the perceived negligence or malevolence of political leaders, Figure 5 shows that the probability of asserting that tax evasion is “not wrong”—measured as either “not terribly wrong” or “not the least bit wrong”—among respondents who reported to be economically “worse off” was double that of respondents who reported to be “better off” than other households. Multivariate models show that this relationship is not robust to controls, but is explained away by tax burdens, tax evasion, and household income (details not presented, but see Appendix, Table A8). One-third of the respondent who reported tax evasion also reported that doing so was “not wrong”; respondents who did not report tax evasion, in contrast, were less than half as likely to be approving of tax evasion. Likewise, as local taxes and fees as a proportion of total annual household income increased from 5 percent or less to more than 25 percent, the proportion of respondents reporting that tax evasion was “not wrong” increased from 5 percent to 19 percent.

It is crucial to point out that this pattern is not generalizable to all forms of legal noncompliance. Resistance against state policy perceived as unjust is not manifested in indiscriminate lawlessness against public and private interests alike, but only against public interests. For example, the likelihood of expressing approval of shoplifting actually diminishes as tax burdens increase, as perceived relative economic deprivation increases, and as household income diminishes (details not presented, but see Appendix, Table A9).³²

³² The degree to which shoplifting was perceived as righteous is measured as a response of either “not terribly wrong” or “not the least bit wrong” to the question, “How wrong do you think it is to take small items from stores

TAX GRIEVANCES

Each respondent was presented with a list of 16 grievance types plus an open-ended “other dispute” category, totaling 17 grievances, allowing a respondent to report a maximum of 17 and a minimum of 0 grievances. Disputes with village leaders over “agricultural burdens,” one of the items on the list, account for 10 percent of all reported grievances.³³ If nothing else changes, therefore, we should expect to see a 10 percentage-point (or an 11 percent) drop in the overall volume of grievances as a direct consequence of universal tax relief.³⁴ But in areas characterized by heavy tax burdens, tax grievances accounted for a far greater share of all reported grievances. In villages in which peasants’ burdens averaged 5 percent or less of gross household income, less than 4 percent of respondents reported tax grievances, and such grievances accounted for 5 percent of all reported grievances. At the other end of the spectrum, in villages in which burdens averaged more than 15 percent of gross household income, over 31 percent of respondents reported tax grievances (a 700 percent difference), and such grievances

without paying?” That shoplifting, measured this way, represents an action against private interests assumes “stores” (*shangdian*) are generally perceived as privately owned businesses, as tends to be the case in actuality.

³³ The 16 fixed problem items are: (1) housing/land property rights, (2) water use, (3) debt collection, (4) family planning, (5) consumer, (6) divorce, (7) neighbor, (8) labor, (9) “responsibility land” (i.e., farm land contracted from the village) or township and village enterprise (TVE) contracting (*chengbao*), (10) agricultural burdens, (11) household (e.g., elderly care or property division), (12) dealings with a government agency, (13) personal injury (plaintiff), (14) property damage/loss, (15) personal injury or property damage (defendant), and (16) children’s education.

³⁴ A total of 4,958 grievances were reported, of which 475 concerned “agricultural burdens”:
$$[(4,958-475)-4,958]/[4,958-475]*100=-10.6 \text{ percent.}$$

accounted for 12 percent of all reported grievances (a difference of over 100 percent).³⁵ Indeed, as we saw in Figure 5, while less than 15 percent of respondents reportedly “better off” than other households also reported tax grievances, tax grievances were reported by between one-quarter and one-third of respondents reportedly “worse off” than other households.³⁶

As in the multivariate analysis of tax evasion, the effect of the tax rate on tax grievances is largely explained away by household income and geographic location. In Model 1, the overall probability of .12 of reporting a tax grievance drops to .09 when the gross tax rate is 5 percent and rises to 18 percent when the gross tax rate is 25 percent. In Model 2, however, among households that are otherwise seemingly identical, the probability of reporting a tax grievance increases from .06 to .16 as household income drops from ¥20,000 to ¥3,000. Thus, after gross household income is introduced, the direct effect of taxation shrinks considerably, an indication that the tax rate is a proxy for income, the real engine at work.

[TABLE 4 ABOUT HERE]

³⁵ Taking as the threshold a village-level average of 25 percent (instead of 15 percent) of gross income lost to taxes and fees, 32 percent of respondents reported agricultural tax grievances and 14 percent of all reported grievances were accounted for by agricultural taxes.

³⁶ Also note that, in Figure 5, the decline in the incidence of (1) tax evasion, (2) a perception that tax evasion is righteous, and (3) tax grievances is not perfectly linear. While the decline is progressive between the categories of “much worse,” “somewhat worse,” “about the same,” and “somewhat better,” there is actually an increase in all three indicators between the categories of “somewhat better” and “much better,” suggesting that—as happens in other societies—the super-rich also evade taxes, feel justified in doing so, and are sometimes punished for doing so.

GEOGRAPHICAL DISTRIBUTION OF TAX GRIEVANCES

Complaints about taxes are extremely unevenly distributed across geographical location: The least aggrieved half of all villages supplied only one-twentieth of all tax grievances, while the most aggrieved one-twentieth of all villages supplied one-quarter of all tax grievances. The strength of the effects exerted by geographical location on the likelihood of reporting a tax grievance is reflected in the diminished effect of income after county of residence is introduced. Regional differences are entirely consistent previously published research: Henan and Hunan are reportedly the most litigious of all provinces, accounting for 28 percent of all administrative litigation nationwide in 1994 (Bernstein and Lü 2003:191, citing Pei 1997).³⁷ In Model 3 of Table 4 the effect of income is about half of what it was in Model 2: All else being equal, including geographic location, the probability of reporting a tax grievance increases from .07 to .13 as household income drops from ¥20,000 to ¥3,000. Meanwhile, among households that are identical in all other observable respects, the probabilities of reporting a tax grievance in Hunan's Yuanjiang County and Henan's Ru'nan County is .22 and .35 respectively. Furthermore, while the Yuanjiang and Ru'nan samples account for 36 percent of the rural population of all six counties, they account for 76 percent of all reported tax grievances. At the other end of the spectrum, the coastal samples of Jimo and Taicang account for 35 percent of the rural population but only 5 percent of all reported tax grievances.

LOCAL INSTITUTIONAL COSTS OF TAXATION

In the face of mounting popular tax resistance, the work of township and village governments had become overwhelmed by the need to manage and contain the intense conflict

³⁷ It is also worth noting, however, that peasants' burdens were also notoriously high in China's northeastern provinces (Tao and Liu 2005), which were not included in the survey.

spawned by their abrasive efforts to collect taxes and fees. Local leaders found themselves expending much of their energies on damage control, on mopping up the mess created by rural taxation. We saw earlier that in areas with heavy peasants' burdens, over 10 percent of all reported grievances of all kinds were caused by "agricultural taxes." In addition to asking survey respondents about their grievances, the survey instrument also asked separately about various reasons for approaching village leaders. In response to each of the following nine reasons, the respondent could answer either "yes" or "no": (1) the payment of agricultural taxes or to discuss the amount of agricultural taxes; (2) to discuss a welfare benefit (such as social security or some other kind of economic relief); (3) to apply for or to certify a document; (4) to discuss or report a criminal matter; (5) to discuss or report another kind of collective matter (such as public roads or irrigation); (6) to obtain a birth quota; (7) to purchase or obtain emergency relief goods; (8) a neighbor dispute; and (9) a family dispute (such as between mother-in-law and daughter-in-law or between husband and wife).

In total 5,974 instances of approaching local leaders for the above reasons were reported. "To apply for or to certify a document" was the most common reason reported (22 percent), and agricultural taxes represents the second most common reason (16 percent). Viewed another way, 45 percent of all households reported approaching the village committee to process a document and 32 percent reported approaching the village committee to pay or to discuss agricultural taxes. If nothing else changes, therefore, the abolishment of rural taxes could reduce the administrative burden of village leaders by as much as 18 percent and could spare as many as one-third of households the need to approach village leaders regarding agricultural taxes.³⁸

³⁸ Of all 5,974 instances of approaching village leaders reported, 900 were to discuss agricultural taxes: $[(5,794-900)-5,794]/[5,794-900]*100=-18.4$ percent. Insofar as the administrative responsibilities of village

The local institutional costs of collecting rural taxes are not limited to the costs of containing or managing complaints produced *directly* by taxation, but also include complaints produced *indirectly* by taxation—what I call collateral grievances. Overall, the mean number of grievances reported per household is 1.7 (among all 17 possible grievances listed on the questionnaire). Recall that the probability of reporting a tax grievance increases dramatically as the tax rate increases. However, even when tax grievances are excluded from consideration, the average number of *other* grievances increases with the weight of peasants’ burdens. In villages in which the peasants’ burdens as a proportion of total gross annual income in taxes and fees averaged 5 percent or less, between 5 percent and 15 percent, and over 15 percent, the average number of grievances reported, excluding tax grievances, average 0.7, 1.5, and 2.4 respectively (the overall average being 1.5), a difference of over 200 percent between low-tax villages and high-tax villages (two-tailed t-tests of differences are all significant at $p < .001$).³⁹ Thus, owing to the collateral grievances produced by rural taxation, its abolishment may have the effect of reducing the total volume of grievances by far more than the 10 percent accounted for strictly by “agricultural tax disputes.”

POLITICAL LEGITIMACY

Central to my explanation of the state’s concessionary response are the *political legitimacy costs* of rural taxation. Recall from Figure 5 that the proportion of respondents

leaders are not limited to the items presented to respondents on the questionnaire, this estimate arguably overstates the amount of administrative work that will be saved by universal tax relief.

³⁹ Even when the village-level threshold is increased from an average of 15 percent to an average of 25 percent of gross household annual income spent on taxes and fees, the average number of grievances (excluding agricultural tax grievances) reported by households remained 2.4.

expressing discontent with village government increased progressively from 14 percent to 39 percent as perceived relative economic deprivation increased from “much better off” to “much worse off.” As we can also see in Figure 6, negative evaluations of the performance of village leaders increased almost threefold (by 175 percent) as local taxes and fees as a proportion of total annual household income increased from 5 percent or less to more than 25 percent.⁴⁰ The effect of reporting an agricultural tax grievance (Figure 7) is even stronger: Not only is the reporting of an agricultural tax grievance associated with an increase from 14 percent to 45 percent in the probability of reporting “discontent” with local village leaders (a difference of more than threefold or in excess of 200 percent), but among respondents who did report agricultural tax grievances, those who reported “discontent” outnumbered those who reported being “content.”

[FIGURE 6 ABOUT HERE]

[FIGURE 7 ABOUT HERE]

We can get a better sense from Figure 8 and Figure 9 of the extent of variation—indeed, polarization—in popular evaluations of village leaders. Among all 37 villages, the proportion of respondents reporting “discontent” with village leaders ranges from lows of 0 percent (N=25 respondents in Jimo), 2 percent (N=98 in Taicang), and 3 percent (N=98 in Taicang) to highs of 75 percent (N=60 respondents in Ru’nan) and 84 percent (N=64 in Ru’nan). Discontent with

⁴⁰ When the village-level average tax rate is used instead of the household-level tax rate the differences are even more dramatic: an increase from 4 percent to 26 percent expressing “discontent” (an increase of 550 percent) between respondents in villages with average burdens less than 5 percent and those in villages with average burdens exceeding 25 percent respectively.

village leaders is highly correlated both with the local weight of peasants' burdens (Figure 8) and with the local prevalence of tax grievances (Figure 9).

[FIGURE 8 ABOUT HERE]

[FIGURE 9 ABOUT HERE]

To ensure the robustness of the observed relationships, in Table 5 I calculated separately models containing the *household tax rate* while controlling for total pre-tax household income and models containing *gross household taxes and fees* while controlling for after-tax household income. Even with a full arsenal of controls, the magnitude of peasants' burdens (regardless of how burdens are measured) and the incidence of tax grievances remain significantly correlated with discontent with the village committee and its leaders.

The linear regression models in Table 5 suggest political legitimacy gains might be looming on the horizon. Among households that are otherwise seemingly identical, the predicted score on the index of discontent with village government drops from 2.9 when the tax rate is 25 percent and a tax grievance is reported to 2.3 when the tax rate is 0 percent and a tax grievance is not reported. In the model using total taxes instead of the tax rate, the predicted score drops from 2.9 when ¥1,200 in taxes and fees are paid and a tax grievance is reported to 1.9 when no taxes are paid and a tax grievance is not reported—a difference of an entire category on the five-item scale.⁴¹

⁴¹ Multicollinearity—i.e., strong bivariate correlations—between “perceived relative economic deprivation,” “perceived relative social status,” and “overall dissatisfaction with life” (see Appendix, Table A11) is the cause of

[TABLE 5 ABOUT HERE]

Using a dichotomous dependent variable I call “discontent with village committee” in no way changes the substantive conclusions of the analysis.⁴² Compared to interpreting predicted outcome scores (ranging from 1 to 5) calculated from coefficients in the OLS regression models, it is far more intuitive to interpret the probabilities permitted by dichotomous outcomes (details not presented, but see Appendix, Table A10). Holding everything else constant, increasing the household tax *rate* from 5 percent to 25 percent doubles the probability of discontent with village government (from .13 to .26). Meanwhile, holding everything else constant, increasing *total* taxes/fees from 200 *yuan* to 1,200 *yuan* increases the probability of discontent by over 50 percent (from .16 to .25). Among households that are otherwise seemingly identical, the probability of reporting discontent with village government is 75 percent higher among those that reported tax grievances than among those that did not report tax grievances (.33 versus .19).

Additively combining the effects of tax burdens and tax grievances uncovers dramatic possibilities for change. Holding everything else constant at average levels, the predicted probability of a negative attitude towards the village committee is .17 when a household pays 5 percent taxes and reports no tax grievances and .40 when a household pays 25 percent taxes and does report a tax grievance (a difference of 250 percent). At the same time, the probability of

the weak and negative coefficient for “perceived relative economic deprivation” in Table 5, which by itself is significantly positively correlated with discontent with local government.

⁴² This dichotomous variable is defined as a response of “somewhat dissatisfied” or “very dissatisfied” to the question about satisfaction with the village committee *or* a response of “some disrespect” or “great disrespect” to the question about people’s attitudes toward village committee cadres.

reporting discontent with the village committee is .14 when a household pays no taxes and reports no tax grievances and .39 when a household pays 1,200 *yuan* in taxes/fees and does report a tax grievance (also a difference of 275 percent). Simulating the current situation of *no taxes* and, by logical inference, *no tax grievances*, the survey data suggest that, if nothing else changes, the overall probability of discontent with village government in the wake of universal tax relief will plummet to between .02 (calculated from Model 2 in Table A10) and .12 (calculated from Model 1 in Table A10)—a drop of 95 percent and 70 percent respectively compared to households that report tax burdens of 25 percent and a tax grievance. Universal tax relief thus offers the prospects if not the promise of a major recovery of lost political legitimacy.

An expected boost to political legitimacy as a consequence of universal tax relief is reinforced by the finding that, of all 17 grievance types, agricultural taxes exert the largest effect on local political legitimacy. “Dealings with government agency” and “personal injury” are the only other grievance types exhibiting a correlation with local political legitimacy of a strength approaching that of agricultural tax grievances (see Table 5 and Table A10). Grievances with government agencies, by their very definition, should be expected to contribute to discontent with the local state. Furthermore, this grievance type also hides some (but not many) tax grievances.⁴³ The comparably negative effect of a personal injury, however, is less obvious. One possibility is that a sizable portion of the people reporting personal injuries were injured through violence (such as retribution) exacted by local leaders (as in the classic film by Zhang Yimou,

⁴³ Respondents who reported grievances caused by “dealing with a government agency” were asked to identify the specific source of the trouble. Of all 139 such grievances reported, specific types of dealings were reported in 120 instances. Of these 120 instances, 5 were tax authorities or complaints about the collection of fees.

The Story of Qiuju)⁴⁴ or in situations in which local leaders were expected to bring forth a resolution in a personal injury dispute but failed to do so.

Overall life satisfaction is also significantly associated with discontent with the local state. The causal direction of this relationship could—and probably does—run in both directions: A sense of having a bad village government could erode life satisfaction; at the same time a sense of having a miserable life could erode support for the village government. Regardless of the direction of the relationship, its strength suggests that the performance of the local state is of great salience to the lives of ordinary people. In stark contrast to the observed centrality of the local state in the universe of ordinary villagers, the Center remains a distant and thus an abstract, imagined entity. At least this is the explanation for the total absence of any relationship between life satisfaction and confidence in *national* (as opposed to *local*) political institutions (Wang 2005b). Owing to the *personal importance* peasants attach to the performance of local government, it makes good sense, as I have done in this paper, to evaluate political legitimacy from the bottom up.

State Perceptions and State Responses

Figure 10 summarizes the main findings presented in this paper, a complex of institutional mechanisms contributing significantly to the erosion of local political legitimacy. The empirical relationship between rural taxation and discontent with the local state—both the direct relationship and the various mediating relationships—is strong and unambiguous.⁴⁵

⁴⁴ On local leaders' routine use of violence against peasants, see O'Brien and Li (2006:Chapters 2 and 4), Bernstein and Lü (2003:78), and Zweig (2003:119).

⁴⁵ In Figure 10 taxation and economic deprivation are portrayed as locked in a reciprocal feedback relationship both because relatively economically deprived peasants were burdened with higher tax rates (and more taxes in the

[FIGURE 10 ABOUT HERE]

Although peasants' frustrations have been directed primarily at local levels of the state (Li 2001; Li 2004; Wang 2005; O'Brien and Li 1995), political leaders in Beijing recognized that local frustration was both percolating upward and potentially destabilizing to the Center. Indeed, the general scholarly consensus is that, by the late 1990s, popular discontent with the local state caused by the extraction of taxes in excess of lawful limits—and by the brutal suppression of the resistance and protest that ensued—had not only eroded local political legitimacy, as my findings demonstrate so clearly, but had also eaten away at the legitimacy of the Center. Although popular demands were limited to local material issues and neither coalesced geographically nor escalated to a demand for regime change, the perception among central government leaders was nonetheless that tax resistance, if unchecked, could potentially take down the regime (Bernstein and Lü 2003:117-20; Thornton 2004; Bernstein 2004; Yep 2004).

The Minister of Public Security announced in 2005 an official count of 74,000 riots or demonstrations in the previous year nationwide, many of which occurred in the countryside, a figure that represents a 28 percent increase over the official count for 2003 and a more than tenfold increase since the mid-1990s (French 2005). At the same time, aggrieved peasants in

aggregate) than wealthier peasants and because rural taxes, owing to their regressiveness, aggravated relative economic deprivation. Although the relationship between tax evasion and tax grievances is also surely reciprocal, the relationship is depicted as one-way, with tax evasion as a cause of tax grievances. First, a significant portion of tax grievances stem from evasion: Top-down efforts to punish tax evasion is a significant, but not the only, source of tax grievances. Second, to include tax grievances in the model of correlates of tax evasion (Table 3) would have required the inclusion of every other type of grievances.

search of redress have been finding their way in growing numbers to official complaints offices, newspapers, and other government agencies. These peasant petitioners, hoping to get the ear of a sympathetic government official or journalist, are congregating in “petitioner villages” that have sprouted up near complaints offices in China’s large cities, and have thus become in recent years an indelible and highly visible part of the urban landscape (Zhao 1999). Many of the estimated 12 million petitions filed in official complaints offices nationwide in 2002 (Wang and Huang 2003)⁴⁶ were peasants complaining about tax burdens (Li 2002). The state’s response to this “torrent of complaints” shows just how seriously it has taken peasant grievances (O’Brien and Li 2006: Chapter 6). In 2004, in addition to revising national regulations (enacted in 2005) that are serving to reform the official complaints system (Minzner forthcoming), the state also produced a blueprint for rural tax relief, the so-called “No. 1 Document” promulgated by the CCP Central Committee and the State Council (Chen 2004).⁴⁷

Nationwide public sympathy for the plight of the Chinese peasant was galvanized by the publication in January 2004 of *An Investigative Report of Chinese Peasants* (Chen and Chun 2004), a sensationalist exposé and poignant account of peasant hardships researched and written by two peasants-turned-authors. Selling over 100,000 copies in its first month before the state banned its sale (Ma 2004), and over 8 million bootlegged copies afterward (Watts 2004), the

⁴⁶ This is a rough estimate extrapolated from the 8.6 million petitions filed in complaints offices at the county-level of government and higher in the first three quarters of 2002. Because it does not include direct appeals made outside the official complaints system (such as to government agencies, media outlets, courts, and police stations), this figure is clearly a vast undercount of the total volume of peasant petitions.

⁴⁷ The full title of this document, dated December 31, 2004, is, “Several Policy Opinions of the CCP Central Committee and State Council Regarding Promoting the Increase of Peasant Income.” The full text is available at <<http://politics.people.com.cn/GB/3154882.html>>, retrieved October 6, 2005.

peasants' burdens is the central theme integrating all of its nine chapters. As Zhang Xiaoshan, Director of the Rural Development Research Institute of the Chinese Academy of Social Science, proclaimed in an interview,

I recently read Chen Guidi and Chun Tao's polemic report, *An Investigative Report of Chinese Peasants*, an incisive analysis of the excessively oppressive burdens borne by China's peasants and of the acute contradictions these burdens produced. These problems manifest themselves from below although the sources of these problems are from above. The result is that townships and villages across the country have become focal points of contradictions. (Chen 2004:22)

Dang Guoying, his colleague in the same research institute, drew even more explicitly the connections between taxation, popular discontent, and state concessions:

...abolishing agricultural taxes was necessary to ease social contradictions in the countryside. As past experience has proven, when agricultural taxes existed, owing to institutional flaws in rural society, local government in actuality extracted too much tax from the peasants and the central government was generally unable to implement checks against local government.⁴⁸ The result was the production of tremendous peasant complaint and a crisis of conflicting government orders. (Dang 2005:22)

To sum up, after deducting from each ¥1 in taxes and fees that accrued to the Center all associated direct and indirect political legitimacy costs and all associated indirect and indirect institutional costs, China's top political leaders could no longer justify preserving any trace of rural taxation. Rural taxation's political legitimacy costs were of a magnitude so severe that the complete abolishment of rural taxation was perceived by CCP and state leaders as the best—and perhaps the only—policy choice. Consistent with Goldstone and Tilly's (2001) approach, it is reasonable, then, to explain the state's choice of concession as the consequence of a cost-benefit analysis in which the fiscal gains the Center accrued from rural taxation were outweighed by the *legitimacy costs* and *institutional costs* of rural taxation.

⁴⁸ For an effort to debunk the received wisdom that the Center lost control of township governments, see Edin (2003).

Discussion and Conclusions

In this paper I have demonstrated that local political legitimacy in China took a severe beating—both directly and indirectly—from rural taxation. Rural taxation, by virtue of its regressiveness, exacerbated economic inequality and contributed greatly to real and perceived relative economic deprivation in the Chinese countryside. By heightening economic insecurity and by routinely exceeding lawful limits with the aid of brutal tactics of extraction, rural taxation violated historically durable shared cultural norms about socioeconomic fairness and the obligation of the state to ensure its population’s ability to eke out a living. In so doing, rural taxation fomented social and political conflict, including widespread (and, from both cultural and legal standpoints, “rightful”) tax resistance, and served to undermine local political legitimacy.

A political implication of universal tax relief is clear: It is axiomatic that, all else being equal, eliminating a tax that averages X percent of gross income will automatically increase average gross income by X percent. At the same time, if Y percent of rural grievances stem from taxation, then, all else being equal, abolishing agricultural taxes will reduce rural grievances by Y percentage points.⁴⁹ Insofar as taxation in rural China is regressive, eliminating it promises to reduce economic inequality. And insofar as perceived relative economic deprivation is associated with political discontent, alleviating it will, assuming nothing else changes at the same time, boost political legitimacy. My reported findings suggest rural tax relief could reduce popular grievances in the countryside by at least one-tenth, reduce the administrative burden of the local

⁴⁹ Instead of percentage *points*, percentage *change* would be expressed as $[(\text{grievances}_{t2} - \text{grievances}_{t1}) / \text{grievances}_{t2}] * 100$ percent, where “grievances” refers to all rural grievances, $t1$ to time prior to abolishment of rural taxation, and $t2$ to time after abolishment of rural taxation.

state by as much as one-fifth, and reduce negative assessments of village government by as much as nine-tenths.

While I have demonstrated empirically a political *implication* of universal tax relief, the next step is to gather data at multiple points in time to test for and measure the *real* consequences of this momentous policy change after its complete implementation in 2006. A boost in political legitimacy is a logically tenable implication of my empirical findings only if everything else remains unchanged. Other things, however, *do* appear to be changing. Indeed, there are compelling reasons why things may go terribly wrong for the state.

Universal tax relief is a double-edged sword: Cutting one way, it may offer a short-term victory for the Center. So far at least, the abolishment of taxes does not seem to have been popularly construed as an official admission of guilt or as a sign of political weakness. On the contrary, the Center appears to have deflected blame for being complicit in the reproduction of a tax regime that was, by its very design, regressive and discriminatory, and appears to be taking kudos for its elimination. The Center's concessionary response has resonated with the Confucian cultural ideal of the benevolent sage king, of a caring and altruistic emperor.

Cutting the other way, however, the loss of an essential source of revenue has critically compromised the *local* government's ability to provide public goods, very likely offsetting the political legitimacy gained from the abolishment of rural taxes (Zhang 2005; Qu 2005). While the Center appears easily capable of bearing the financial cost of foregone rural tax revenue, township and village governments—the operating budgets of which were both highly reliant on local tax revenue and already severely strained prior to the abolishment of rural taxes—may not be able to bear the loss of this source of revenue (Yep 2004). As Director Zhang Xiaoshan puts it,

...village public sanitation, education, road construction, and other major parts of the economy and livelihood essential to ordinary people on earth—will they be taken care of or not? Taking care of them

requires a budget.....The peasants' burdens have been lightened, but there are many things we need to do that we will now be unable to do! (Chen 2004:22)

Furthermore, as we saw in Figure 9, some locales characterized by high levels of discontent with village government were also characterized by few tax grievances, suggesting that peasants' burdens were not the only problem of salience to China's peasants, that villagers were discontent for other reasons besides taxation—including local corruption and land expropriation. Indeed, township and village leaders have already tried to fill their budget shortfalls by buying land from peasants at low prices and selling it to urban real estate developers for huge profits, against which peasants have reacted vehemently, often with violence (Kahn 2004a; Yardley 2004b; Watts 2005). Thus, tax relief was a risky political gamble: It is not beyond the realm of possibility that cutting off the flow of revenue necessary to maintain the viability of local government will set in motion a “cycle of contention.” In short, insofar as it does not resolve the root problem of socioeconomic bias against the peasantry, the state's high-stakes gamble on concession could backfire (Yep 2004).

Indeed, state concessions elsewhere in time and place have fueled further popular protest (Rasler 1996). One possible scenario along these lines is that the state's concession will be popularly construed as “‘too little, too late,’ and simply increase the popular demands for large-scale change” (Goldstone 2001:161). Similarly, this concession may be perceived by China's peasants as an opening in the political opportunity structure. Indeed, local officials have voiced concern that the abolishment of rural taxes will encourage more popular demands or, worse yet, weaken popular awareness of and popular sentiment for the central government.⁵⁰ Will the peasants' apparent victory in resisting taxation encourage resistance and protest in other areas of

⁵⁰ Weakening “state consciousness” (*guojia yishi*) and “sentiment for the state” (*guojia ganqing*) are frequently cited in official and popular discourse as a likely or even inevitable consequence of the abolishment of rural taxes.

discontent? For example, will the state's apparent capitulation to popular demands embolden peasants to protest their almost insurmountable barriers to higher education (Shen 2004)? Will popular demands extend to peasant self-governance and the establishment of independent farmers' associations (Bernstein and Lü 2003; O'Brien and Li 2006)? Early assessments suggest such prospects are unlikely because of the circumscribed nature of peasant demands—circumscribed both in terms of the substance of demands and in terms of the geographic scale of mobilization in pursuit of these limited demands (Bernstein 2004; Zhang 2005).

Is this a watershed moment, a fundamental shift in the overall balance of repression and concession? Have observers of contemporary China been insufficiently attuned to historical continuities in Chinese political culture? Or is the specter of state repression still close at hand? To be sure, the probability the state will resurrect repression as a response to peasant unrest is greater than zero. Recent official announcements and commentaries have warned peasants that jeopardizing social stability would no longer be tolerated (Yardley 2005b; French 2005). In any event, rather than explaining or predicting the ultimate demise of the CCP, my goal has been to encourage a more fruitful scholarly exercise: explaining the causes and consequences of the concrete adaptive measures the CCP has taken to prolong and consolidate its rule. Concession must be understood as a striking example of political adaptation and accommodation, as an adroit tactical effort to circumvent the political hazards of popular discontent with village government that I have shown in this paper to be directly and strongly associated with rural taxation and the grievances it spawned.

Notwithstanding the unambiguously high local legitimacy costs borne by rural taxation, there remain at least two tasks for future research. First, in future research we must try to disentangle cultural effects from other effects. Both cultural constraints (in the form of shared

cultural norms governing state obligations) and structural constraints (in the form of the relative costs and benefits of concessions and repression) are helpful theoretical tools for explaining the state's concessionary response to popular tax resistance. But in the specific case at hand, which specific constraints proved more decisive? More generally, under what conditions do cultural considerations trump economic considerations, and vice versa? Second, future research must open up the black box of local leadership. A curious pattern observable in Figure 8 merits further study: Some villages characterized by very high levels of taxation are also characterized by very low levels of popular discontent with village government, pointing to the importance not only of the *magnitude* of taxation, but also of how local governments *use* tax revenue. High taxation does not necessary imply bad leadership (see Tsai 2002). Bad leaders extract taxes ruthlessly at high rates *and* fail to use the revenue responsively for the public good, and are thus responsible for a large volume of complaints of all kinds.

China's official response to tax resistance supplies an opportunity to build further an ongoing rapprochement between the study of Chinese society and the general study of social movements—fields that clearly have much to offer one another.⁵¹ An active, dynamic issue such as this presents a unique opportunity to study the conflict-management efforts of state leaders and their consequences in real time as they unfold, and thus presents a unique source of data that can be applied fruitfully to the advancement of social theory.

⁵¹ For such efforts, see O'Brien (2003) and O'Brien and Li (2006).

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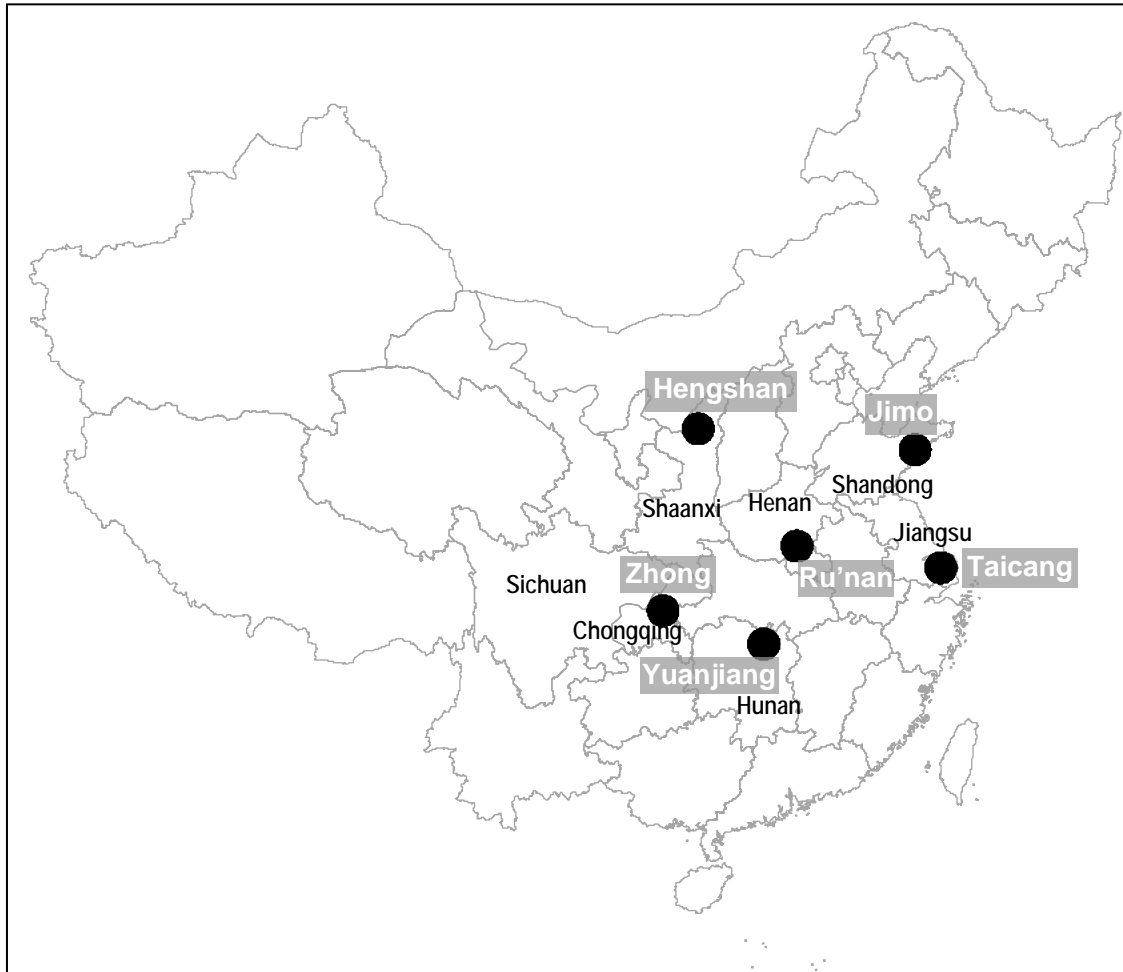
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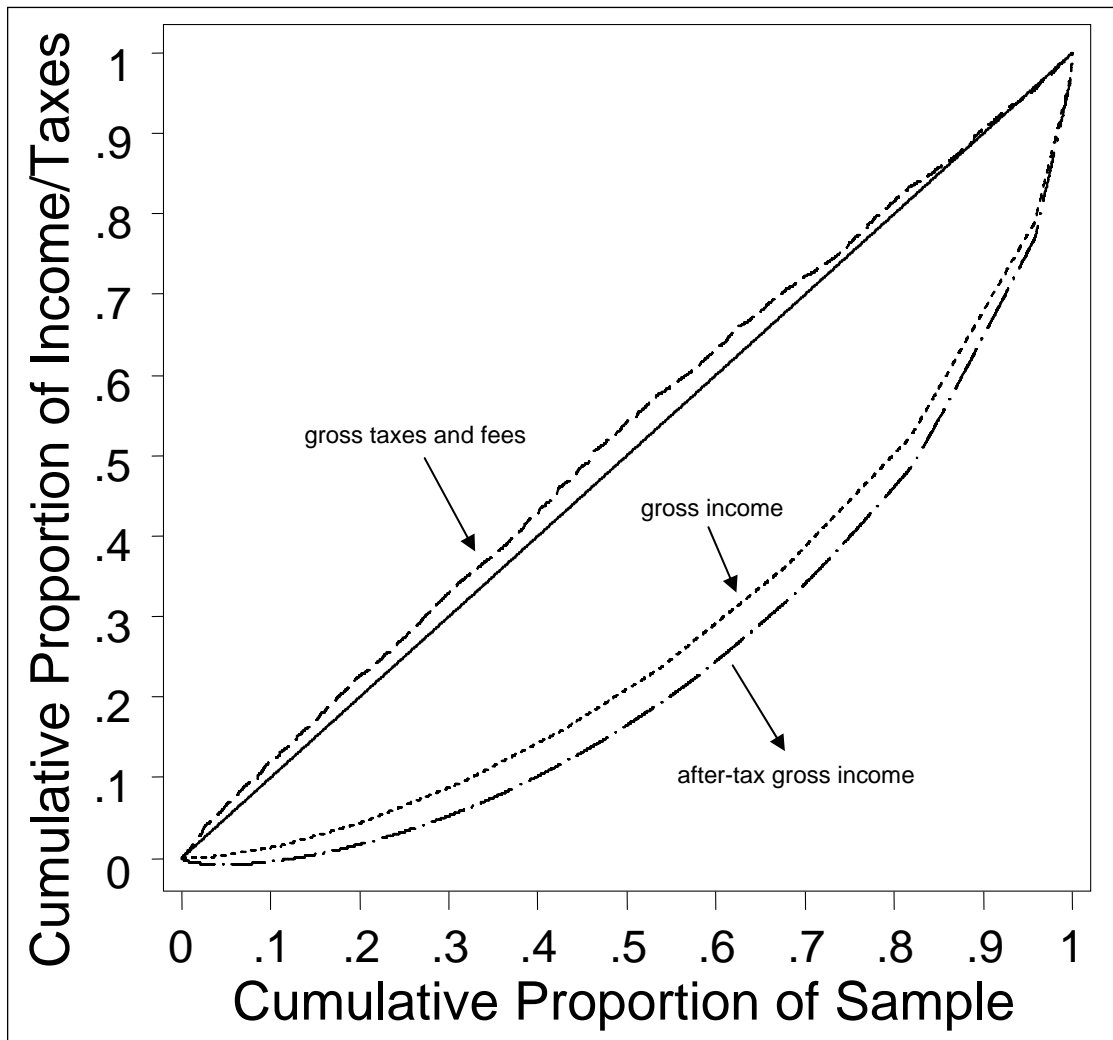
Figures and Tables

Figure 1. Map of Survey Sites



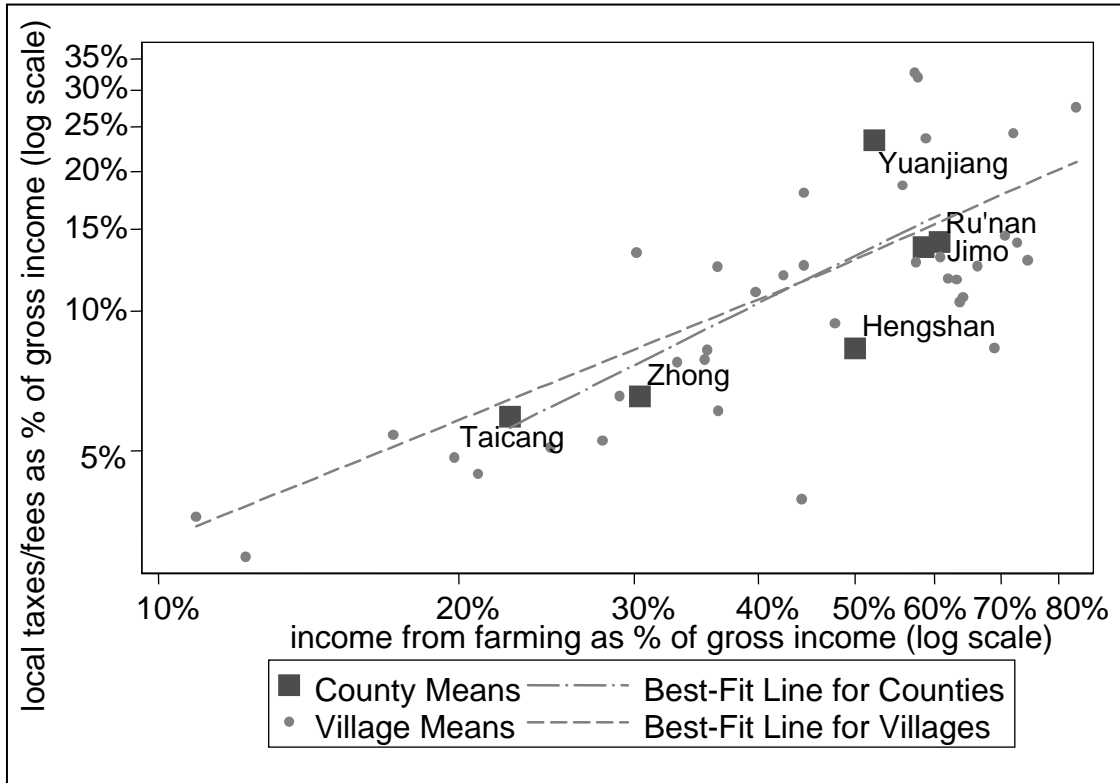
NOTE: County names are shaded; province names are unshaded.

Figure 2. Lorenz Curves for Household Income and Taxes



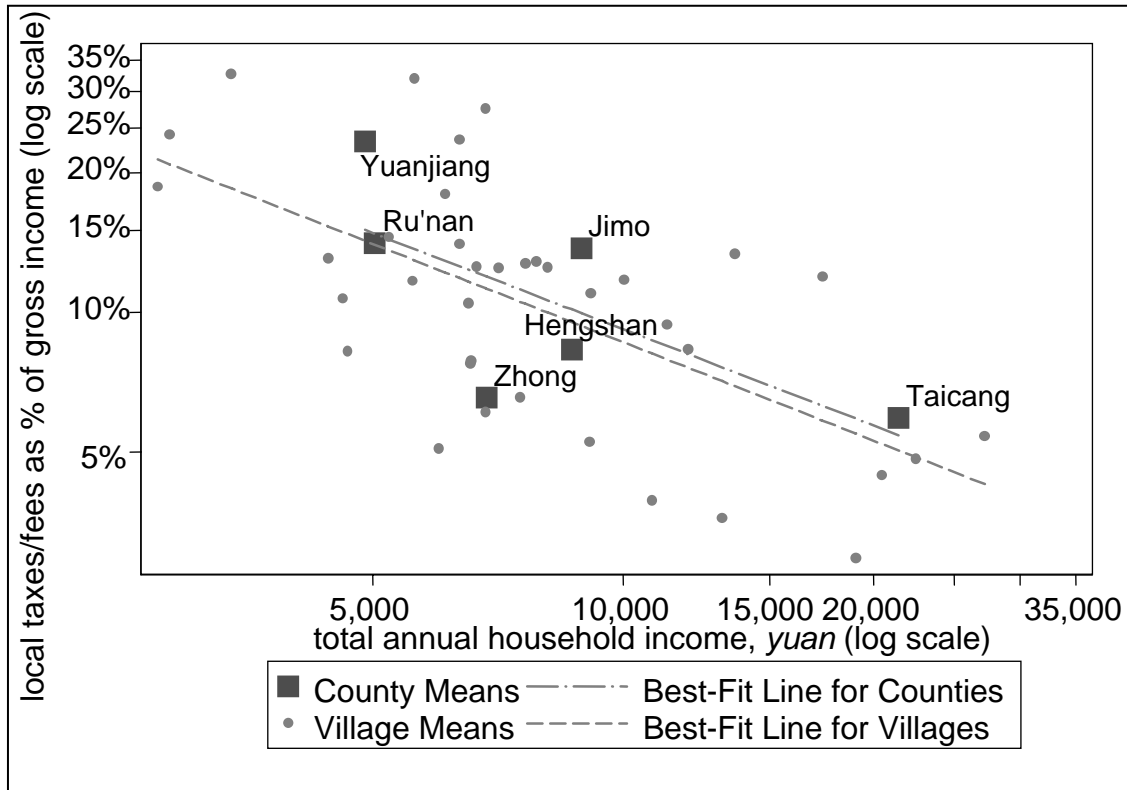
NOTE: N=2,809. The solid line (45 degrees) represents perfect equality. The line for “gross income” is the proportion of gross income earned by the poorest proportion of the sample. The line for “after-tax gross income” is the proportion of after-tax gross income earned by the poorest proportion of the sample. The line for “gross taxes and fees” is the proportion of total gross taxes paid by the poorest proportion of the sample (in terms of gross income).

Figure 3. Village- and County-Level Scatterplots of Tax Burdens by Economic Reliance on Agriculture



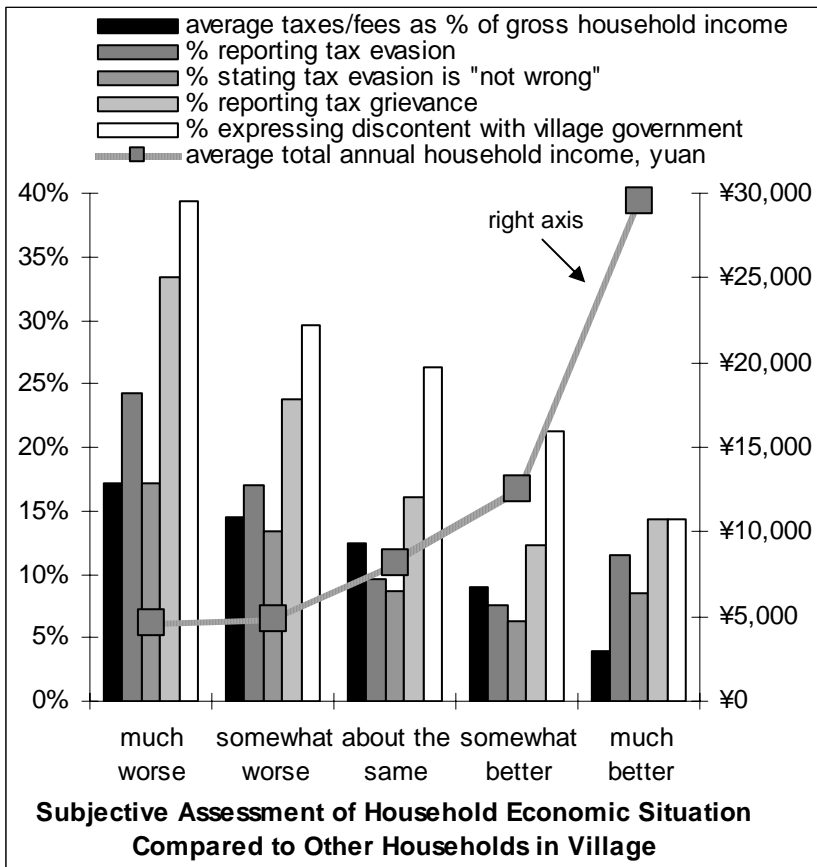
NOTE: R=.77 at village level (p<.001); R=.79 at county level (p<.06)

Figure 4. Village- and County-Level Scatterplots of Tax Burdens by Household Income



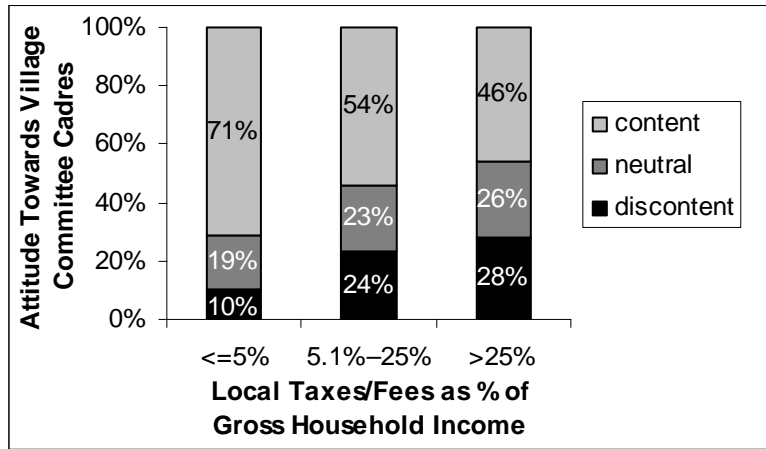
NOTE: $R = -.63$ at village level ($p < .001$); $R = -.71$ at county level ($p < .12$)

Figure 5. Peasants' Burdens, Tax Evasion, Righteousness of Tax Evasion, Satisfaction with Local State, and Household Income by Perceived Relative Economic Deprivation



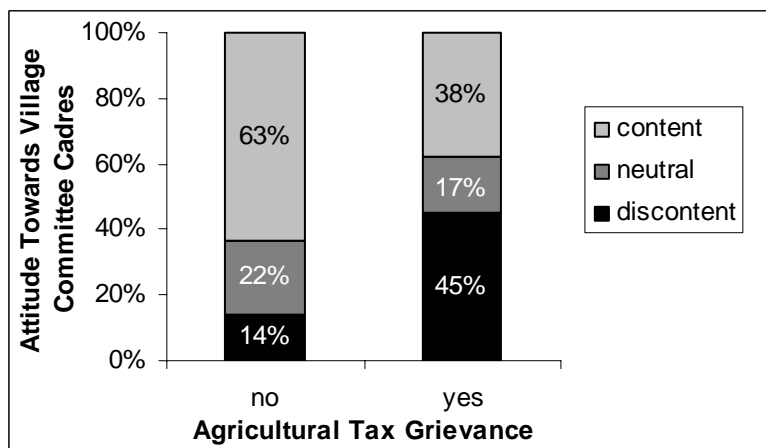
NOTE: N=2,699. Subjective evaluation of relative economic deprivation: "Compared to other households in your village, do you feel your household's economic situation is better or not?"

Figure 6. Level of Discontent with Village Government by Magnitude of Peasants' Burdens



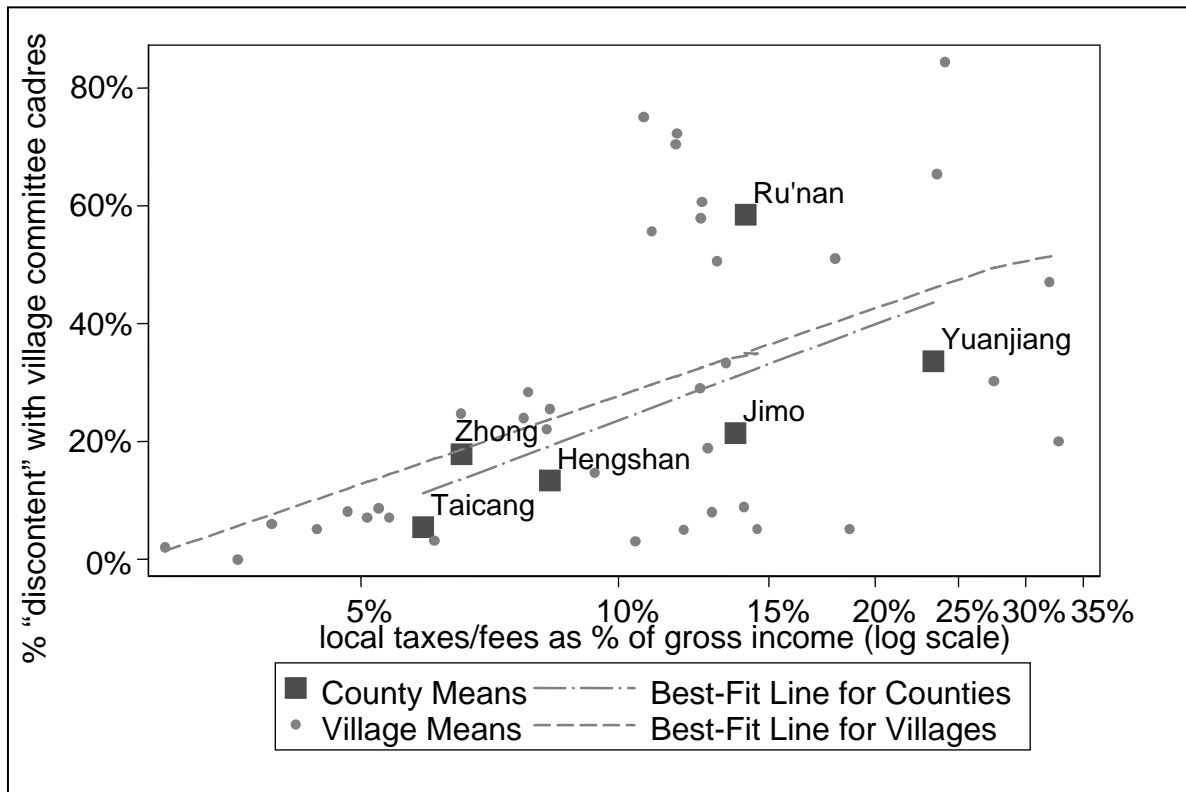
NOTE: N=2,816, $\chi^2=118.2$ ($p<.001$). “Discontent” is defined as an answer of either “somewhat dissatisfied” or “very dissatisfied” to the question, “Overall, are you satisfied with the village committee?” *or* an answer of either “some disrespect” or “great disrespect” to the question, “Overall, people’s attitude toward village committee cadres is one of....” “Content” is defined as a response of “somewhat satisfied” or “very satisfied” to the first item *or* a response of “some respect” or “great respect” to the second item. “Neutral” is defined as answering “neutral” to both items (the only possible way to avoid falling into the “discontent” and “content” categories) or as providing contradictory responses to the two items (which happened in only 6 percent of all interviews).

Figure 7. Level of Discontent with Village Government by Reported Tax Resistance



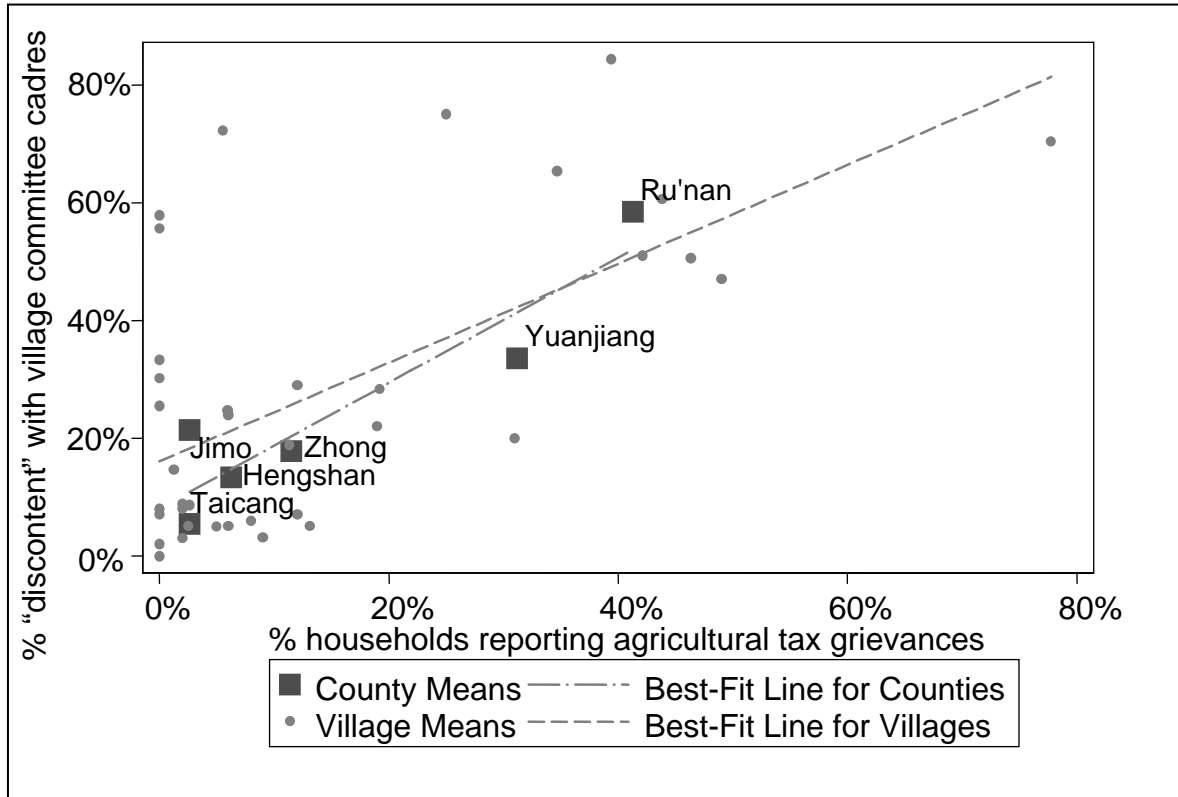
NOTE: N=2,838, $\chi^2=238.4$ ($p<.001$). See the note under Figure 7 for the operational definition of content, neutral, and discontent.

Figure 8. Village- and County-Level Scatterplots of Level of Discontent with Village Government by Magnitude of Peasants' Burdens



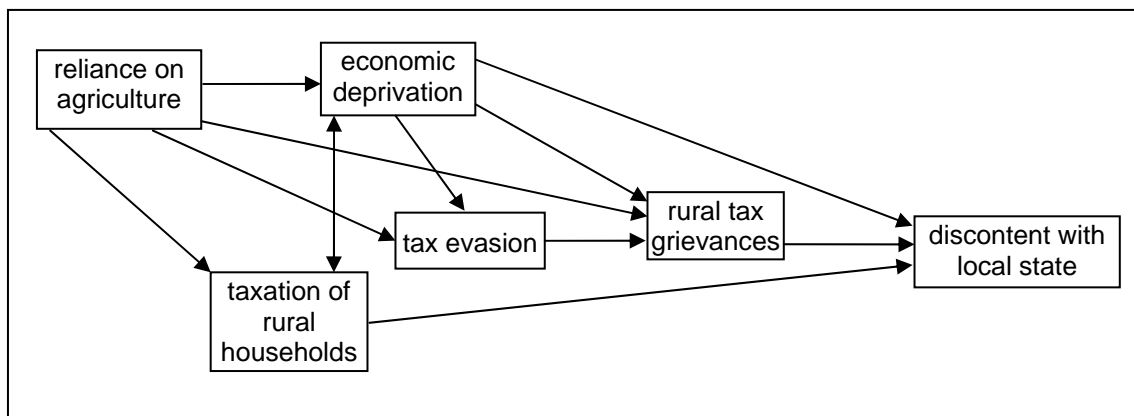
NOTE: N=37 villages. R=.52 at village level (p<.001); R=.66 at county level (p<.152). See the note under Figure 7 for the operational definition of "discontent."

Figure 9. Village- and County-Level Scatterplots of Level of Discontent with Village Government by Reported Tax Resistance



NOTE: N=37 villages. R=.62 at village level (p<.001); R=.93 at county level (p<.008). See the note under Figure 7 for the operational definition of "discontent."

Figure 10. Path Diagram of Conditions Culminating in Rural Tax Relief



NOTE: All depicted associations are positive and statistically significant.

Table 1. Correlates of the Peasants' Burdens (Local Taxes/Fees as % of Gross Household Income, Logged), Unstandardized OLS Regression Coefficients

	Village Model	Household Model
VILLAGE ECONOMIC CONDITIONS		
% village labor force in private enterprises	-.014	.002
% village labor force in TVEs	-.045	-.053#
HOUSEHOLD CHARACTERISTICS		
total household income (ln)	-.252	-.164***
income from farming as % of gross household income	.017**	.016***
# household members	—	.013*
household farmland (log of <i>mu</i>)	—	.161*
SOCIAL/POLITICAL CAPITAL (DUMMIES)		
village subcommittee head in household	—	-.040
village head or village party secretary in household	—	-.104*
township or higher-level cadre in household	—	.010
township cadre relative outside household	—	.021
county cadre relative outside household	—	-.053
SAMPLE		
Jimo (Shandong)	.355*	.338**
Ru'nan (Henan)	.200	.405**
Taicang (Jiangsu)	.875#	.788**
Zhong (Chongqing)	.124	.241*
Yuanjiang (Hunan)	.858**	.836***
cf. Hengshan (Shaanxi)		
Intercept	3.533	2.141***
R ² †	.724	.670
N	37	2,783

NOTE: # p<.10 * p<.05 ** p<.01 *** p<.001 † Adjusted R² in village-level models. Household-level models use Stata's commands for survey data that adjust for clustering effects within counties and villages and add sampling weights. "cf." denotes the reference group. 1 *mu* = 1/6 acre or 0.067 hectare. For descriptive statistics on all included variables see Appendix, Figure A1 and Table A1.

Table 2. Correlates of Perceived Relative Economic Deprivation, Unstandardized Ordered Probit Coefficients

	MODEL 1	MODEL 2
BACKGROUND CHARACTERISTICS		
taxes/fees as % of gross household income (ln)	—	.205**
total household income (ln)	—	-.505***
# household members	—	-.011
healthy (subjective measure) (dummy)	—	-.382***
% other household members healthy	—	-.184
years of education	—	-.00005
mean years of education of other household members over 14	—	-.020
age	—	.002
mean age of other household members	—	-.013***
farmland (log of <i>mu</i>)	—	-.012
perceived relative social status	—	-.026***
HOUSEHOLD MEMBERS IN SELECTED WORK		
any working outside village (dummy)	-.335***	-.129#
any working in public sector (dummy)	-.307**	-.041
any working in private enterprise (dummy)	-.057	.168#
any working as technical/professional (dummy)	-.565***	-.271*
any working as enterprise owner/manager (dummy)	-.565***	-.221
any working as village subcommittee head (dummy)	-.287**	-.016
any working as village head or party secretary (dummy)	-.242#	.028
any working as township or higher-level cadre (dummy)	-.721***	-.452*
RELATIVES OUTSIDE HOUSEHOLD		
any township cadre relative outside household (dummy)	-.142	.119
any county cadre relative outside household (dummy)	-.089	.004
SAMPLE		
Jimo (Shandong)	-.156	-.063
Ru'nan (Henan)	.235#	-.190
Taicang (Jiangsu)	.378**	.805***
Zhong (Chongqing)	.249	.007
Yuanjiang (Hunan)	.473**	-.322†
cf. Hengshan (Shaanxi)		
cut point 1	-2.045***	-9.570***
cut point 2	-.634***	-7.887***
cut point 3	.975***	-5.981***
cut point 4	1.903***	-4.849***
Pseudo R ²	.033	.159
F	6.02***	31.44***

NOTE: N=2,734 † p<.11 # p<.10 * p<.05 ** p<.01 *** p<.001 Stata's commands for survey data are used to correct for clustering effects within counties and villages and to add sampling weights. "cf." denotes the reference group. 1 *mu* = 1/6 acre or 0.067 hectare. Response categories of the dependent variable (perceived relative economic deprivation) are: "(1) My family's economic situation is much better than that of others; (2) somewhat better than other families; (3) about the same as others; (4) somewhat worse than the typical family; or (5) much worse than other families." For descriptive statistics on all included variables see Appendix, Figure A6 and Table A2.

Table 3. Correlates of Reported Household Tax Evasion, Unstandardized Probit Coefficients

	MODEL 1	MODEL 2	MODEL 3	MODEL 4
HOUSEHOLD CHARACTERISTICS				
taxes/fees as % gross household income (ln)	.161**	.116#	.026	-.132#
approach village committee about taxes (dummy)	.253*	.248*	.242*	.190#
household farmland (log of <i>mu</i>)	.299*	.330*	.389**	.274*
perceived relative economic deprivation	—	.158*	.102#	.158*
total household income (ln)	—	—	-.172**	-.125#
SAMPLE				
Jimo (Shandong)	—	—	—	.044
Ru'nan (Henan)	—	—	—	.611*
Taicang (Jiangsu)	—	—	—	-.086
Zhong (Chongqing)	—	—	—	-.479*
Yuanjiang (Hunan)	—	—	—	.570*
cf. Hengshan (Shaanxi)				
constant	-2.280***	-2.707***	-.982	-1.176
Pseudo R ²	.036	.044	.051	.107
F	5.22**	4.93**	5.66***	5.58***

NOTE: N=2,718 # p<.10 * p<.05 ** p<.01 *** p<.001 Stata's commands for survey data are used to correct for clustering effects within counties and villages and to add sampling weights. "cf." denotes the reference group. 1 *mu* = 1/6 acre or 0.067 hectare. For descriptive statistics on all included variables see Appendix, Table A3.

Table 4. Correlates of Reporting Agricultural Tax Grievance, Unstandardized Probit Coefficients

	MODEL 1	MODEL 2	MODEL 3
BACKGROUND CHARACTERISTICS			
taxes/fees as % gross household income (ln)	.260***	.128#	.025
approach village committee about taxes (dummy)	.488***	.485***	.487***
household tax evasion (dummy)	.922***	.906***	.774***
perceived relative economic deprivation	.126*	.031	.055
household farmland (log of <i>mu</i>)	.023	.123	.219†
% village labor force in TVEs	-.107#	-.080#	.034
total household income (ln)	—	-.280**	-.190*
SAMPLE			
Jimo (Shandong)	—	—	-.421
Ru'nan (Henan)	—	—	1.169***
Taicang (Jiangsu)	—	—	-.641
Zhong (Chongqing)	—	—	.455#
Yuanjiang (Hunan)	—	—	.760*
cf. Hengshan (Shaanxi)			
constant	-2.192***	.557	-.818
Pseudo R ²	.140	.155	.253
F	13.04***	10.84***	9.87***

NOTE: N=2,718 † p<.11 # p<.10 * p<.05 ** p<.01 *** p<.001 Stata's commands for survey data are used to correct for clustering effects within counties and villages and to add sampling weights. "cf." denotes the reference group. 1 *mu* = 1/6 acre or 0.067 hectare. For descriptive statistics on all included variables see Appendix, Table A4.

**Table 5. Correlates of Discontent with Village Committee,
Unstandardized OLS Regression Coefficients**

	MODEL 1	MODEL 2
BACKGROUND CHARACTERISTICS		
taxes/fees as % of gross household income (ln)	.092*	—
gross taxes/fees (ln)	—	.099***
female	-.032	-.034
# household members	.034*	.026
healthy (subjective measure)	.109	.093
years of education	-.017**	-.017**
age	-.004	-.004
total household income (ln)	.028	—
after-tax household income (ln)	—	.019
perceived relative economic deprivation	-.063*	-.043
perceived relative social status	-.010***	-.011***
level of overall dissatisfaction with life	.194***	.193***
SOCIAL/POLITICAL CAPITAL		
village subcommittee head in household	-.131	-.129
village head or party secretary in household	-.243**	-.245**
township or higher-level cadre in household	-.029	-.002
township cadre relative outside household	.140	.129
county cadre relative outside household	-.058	-.070
REPORTED GRIEVANCES		
agricultural taxes	.292***	.290***
land/housing ownership	-.061	-.074
water use	-.051	-.052
debt collection	.052	.036
family planning	.011	.003
consumer	.058	.046
divorce	.055	.062
neighbor	.006	.006
labor	.083	.069
farmland or TVE contracting	.051	.047
household	.088	.094
dealings with gov't agency	.272*	.272*
personal injury	.249**	.234*
property damage/loss	-.021	-.011
accused of personal injury or theft	.072	.046
children's education	-.016	-.018
other grievance	.035	.067
SAMPLE		
Jimo (Shandong)	.325	.276
Ru'nan (Henan)	.540*	.518*
Taicang (Jiangsu)	-.110	-.159
Zhong (Chongqing)	-.012	-.015
Yuanjiang (Hunan)	-.168	-.198
cf. Hengshan (Shaanxi)		
constant	2.543*	2.235***
R ²	.265	.270

NOTE: N=2,676 # p<.10 * p<.05 ** p<.01 *** p<.001 Model 1 uses the tax rate as a predictor while Model 2 uses total taxes as a predictor. Stata's commands for survey data are used to correct for clustering effects within counties and villages and to add sampling weights. "cf." denotes the reference group. For descriptive statistics on all included variables see Appendix, Figure A9 and Table A5.