A Start for Mild Liberalization? Building Civil Society through Co-operative Dynamics in China

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Abstract

This paper aims to understand the society-state relationship in China, by exploring this dynamics with other types of organizations, i.e. civil society organizations with economic objectives. The dynamics of co-operatives can influence and interact with civil society dynamics. In this sense, this paper presents the evolution of civil society in China by identifying the causal mechanisms of co-operatives’ development and the conditions needed for them to develop. This causal mechanisms are set within the context of one historical process evolving with path dependency. Using this theoretical framework, it further presents the empirical observation. The findings of the paper are that economic development shaped the new co-operative movement in China; this process was different from the former revolutionary communalist co-operative movement; like their counterparts from the liberal democratic tradition, new co-operatives participated in the market economy, developed in an evolutionary and peaceful way, had great respect for private property and especially, were self-motivated and voluntary in nature. The co-operative movement in China can thus be considered as a mild liberalization within civil society’s sphere. Furthermore, its spillover effect would be seen as the effect of enhancing the role of civil society as a critical dialogue partner with the state. The originality lies in its systematic analysis examining the conditions that underpin this dynamics, thus filling the academic gaps in the study of society-state relationship in another way different from the popularly-used perspective which examines the voluntary and non-profit nature of civil society organizations and excludes the economic spheres within civil society.

Keywords: civil society dynamics, new co-operative movement, China, path dependency

JEL classification: L31, N45, N55, O19, P13, P26, P32

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1 Introduction

China is one of the very few communist countries that have made a successful economic transition from a centrally planned to a socialist market economy. During this economic and social transition, China has become one of the fastest-growing economies in the world, with economic growth averaging 9.88 per cent annually between 1978 and 2008. Yet the juxtaposition of such fast economic reform, along with a slow political reform, has attracted much attention and criticism worldwide (e.g., Casper and Taylor, 1996: 3; Chun, 2006: 188). The general criticism can be summarized as follows:

1. It is acknowledged that China is one of the most authoritarian states in the world due to its Communist party-state political system. There, it is illegal to establish opposition parties. China’s legislature, the National People’s Congress, is constitutionally the most powerful state body. However it is suggested that it is a mere rubber-stamping body for Chinese Communist Party (CCP) policies. The CCP Politburo’s Standing Committee makes nearly all key political decisions and sets most of the governmental policy. The head of the government, the Premier and head of state, the President, although formally elected by legislature, have to be approved by CCP leadership. Therefore, the CCP’s head (General Secretary) is the country’s effective chief executive. The national system of people’s courts, which is constitutionally independent, is in fact largely controlled by the CCP. Therefore, according to the definition of democracy by Schumpeter (1942), Huntington (1991: 5-13) and Ulfelder (2005), China definitely can be understood as having an authoritarian state model.

2. In contrast with the economic reforms, many scholars believe the Chinese government’s efforts to promote political reform, were not enough and even absent. Accordingly, they argue that Chinese political reform is a failure. Rather than democratization, China may be going through a type of post-totalitarian transition characterized by bold economic reforms in the communist party-state, which is leading to (or at least through) another form of dictatorship (Joseph, 1996: 434; Linz, 2000: 35, 66; Chun, 2006: 188). Following the debate over China’s collapse in the 1990s, it is still not difficult to find arguments that reflect the following: “forget political reform, China’s future will be decay, not democracy” (Pei, 2006).

It is not easy to understand China’s path of development. During the latest decades, China’s actions and experiments have not only prevented the regime from collapsing, but also presented a potential, alternative model for development, which could offer a way forward to other developing countries and thus potentially challenge promoters of democracy around the world.

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1 Although there are eight “politically democratic” parties besides the ruling CCP, they are actually “insignificant” (Joseph, 1996: 366).
“The contrast between its [China’s] performance and that of the Soviet Union has given rise to a wide-spread belief that economic reform must precede political reform. This ‘sequencing myth’ has become a major barrier for promoters of democracy, taking the pressure off many countries to liberalize their political systems” (Leonard, 2008: 124-5). It has been proposed that this unique example be summarized as the “Beijing Consensus” (Ramo, 2004), antithetical to its Washington predecessor.

Some observers comment positively on China’s political development and affirm that China is promoting a more open and responsive government - giving a greater voice for citizens in both public policy and in civil affairs. However, more attention has been paid to the slow pace of political and social reform along with the conservative economic reform (and ineffective legal reform), as well as the CCP’s reluctance to adopt substantive political reforms. To understand this controversial issue, the core question is how to understand the relationship between civil society in China and the Chinese party-state. Although existing analysis is rich in giving a general description of the historical development of civil society and its practice with detailed case studies, there is little systematic analysis examining the conditions that underpin this relationship. Moreover, this lack of literature is even more evident with regards to the relationship between economic organizations within civil society and the state. This is due to the fact that there are more scholars (mostly in English-speaking countries like the U.S. and the U.K.) who focus on the voluntary and non-profit nature of civil society organizations and exclude the economic spheres within civil society (Cohen and Arato, 1992; Keane, 1998; Salamon et al., 1999). To better understand the linkages between civil society and the state in China, these dynamics will be explored in another way, with other types of organizations, i.e. civil society organizations with economic objectives.

The co-operative movement is one of the largest, organized segments of civil society (Annan, 2003). The dynamics of co-operatives can surely influence and interact with civil society dynamics. In this sense, the purpose of this paper is to understand the evolution of civil society in China by identifying the causal mechanisms of the co-operatives’ development and the conditions needed for them to develop. Through this analysis, the paper will answer the following questions:

1. What is the impact of economic development on civil society dynamics in China?
2. Can current civil society dynamics be regarded as a mild form of liberalization?
3. If so, is there any spillover effect, which improves the political liberalization in China and further helps democratization?

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2 There are some scholars, who include this sector with economic objectives in civil society, like Walzer (2002) and Lomasky (2002). This paper’s analysis on civil society organizations, with a focus on the organizations with economic objectives, is not expected to generate dispute or dissidence.
In Section 2, there is an outline of development and current situation of civil society in China. Section 3 will explore the causal mechanisms of co-operative development in China. There, the causal mechanisms that are set within the context of one historical process evolving with path dependency will be considered. Accordingly, this section begins with a discussion on the theoretical framework relating to path dependency, after which the empirical observation is presented. In this process, three possible driving forces that have been conducive to the development of co-operatives in China will be explored. Conversely, these mechanisms help to build and change civil society because co-operatives express the collective will and civic commitment at the local levels. Section 4 concludes with a discussion on the questions raised in the paper and a brief comparison between China and the other former-authoritarian-newly-democratized regimes around the world.

2 Development and current situation of civil society in China

China’s civil society organizations, referred to as the third sector by many scholars (Wang, 1999; Sun et al., 1999) have aroused extensive attention during the last twenty years after China’s reform. This growing attention is due to the social economic development and the rise of civil society (and its devious development path), which shaped the third sector and developed it as a comparable, yet not a complete, entity next to the public sector and the for-profit sector.

In this analysis, civil society organizations in China will be discussed in two parts: those without economic objectives and those with economic objectives. This division is in accordance with the composition of the social economy concept. This concept brings together co-operatives, mutual societies and associations (and increasingly foundations) and stresses the missions of these organizations, namely their aim to benefit either their members, or a larger collective, rather than to generate profits for investors (Defourny et al., 2000; CIRIEC, 2006). Rather than insisting on the non-distribution of profits, it highlights the democratic character of the decision-making process within the organizations; the priority of people and labour over capital; and the limited distribution of profits (rather than the non-distribution constraint).
In China, civil society organizations, without economic objectives, refer to social associations, private non-enterprise units\(^3\), foundations and a great number of grassroot organizations\(^4\). They shape the non-market sub-sector of the social economy. After having enjoyed a decade of flexible development in the 1980s, they have suffered from being suppressed by several obstacles including: registration requirements, fundraising problems and lack of legal protection.

However, those obstacles are not equally faced by all of them. These organizations in China can be divided into three types, according to their background: 1) officially-initiated organizations, 2) semi-official organizations and 3) privately-initiated organizations. In most cases, official civil society organizations are structured, funded and staffed by the government. Additionally they enjoy special registration status, legal protection, and other official support. The first two types of organizations illustrate one of China’s strongest features of civil society organizations and have been established through a top-down process - initiated by central or local government.

There are some grassroot organizations that have been created by bottom-up processes, generated by local communities. They are, however, not recognized officially and hard to register. They receive no government funding and very few private donations. Therefore, it is difficult for them to function effectively. In contrast, the first two types of organizations do function well and make significantly more contributions to China’s social and economic development by engaging in activities that support the public, such as education and training, public health, environmental protection, scientific research, social welfare, poverty relief, legal aid and other services. They constitute an important part of an emerging civil society in China. However, following Chambers and Kopstein’s (2006: 370) argument that “not the state, but members of civil society bear the responsibility of sustaining an effective democratic public sphere”, the public sphere, created by official civil society in China, is indeed neither effective nor democratic.

The trade-off in favour of official civil society organizations is the loss of freedom and autonomy. Therefore, the criterion of being private, i.e. institutionally detached from government, constitutes another main difference between the Chinese and Western civil society organizations. Although social organizations in the West are also allowed to receive public funding and may have public officials on their governing board, non-profit organizations are

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\(^3\) Private non-enterprise units refer to social organizations, which are established by enterprises, institutions, associations or other social forces as well as individual citizens, using non-state assets and conducting non-profit-making social service activities, such as private-run schools, service centers for people with disabilities, or bead-houses for senior citizens. They operate like a community welfare organization. Such organizations formerly owned by the state or collectively, have recently undergone a wave of privatization. This trend goes along with China’s transitional process from nationalization to de-nationalization; from a planned economy to the market-oriented economy (Zhao, 2007).

\(^4\) Grassroot organizations refer to those organizations at the local level with members, such as organizations based on social networks, communal/community organizations and organizations in the universities.
clearly demarcated by this dichotomy from public authorities. However, “thinking of civil society as essentially a sphere apart from the state is only one way to conceive the relationship between civil society and the state” (Chambers and Kopstein, 2006: 367). Indeed, even in established democracies, there are considerable “grey areas” between state and society (Dalpino, 2001). Thus it is not surprising that the area between the public and private sectors in China has not been commonly understood as a single institutional sector. Traditional cultural influence and successive historical developments between the 1950s and the 1970s have retarded the emergence of an autonomous and independent third sector in China. Historical practices, the transitional nature of current policy and China’s economic condition in general, explain why many organizations maintain close ties to the government and why many cannot be financially independent. As a result, it is not easy to outline the boundaries of the third sector.

Government-supported social organizations are also reluctant to help change the situation. As it might be expected, they tend to prolong the reform process because they are unwilling to lose government support. Under these circumstances, it is difficult to anticipate how genuine, civil, society-based social organizations can develop. It should be noted that if they were to develop, the process would probably be long and protracted, so the decrease in government support for official social organizations would be gradual. Consequently, a new approach should be applied in order to identify the most innovative actors in the public sphere.

Examining civil society organizations with economic objectives might serve as a new approach to help us understand the new social movements in China. “Co-operative movements are [just] one type of social movement” (Develtere, 1994: 209), and co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity (the International Co-operative Alliance, or ICA, 1995). Just as co-operatives are a demonstration of a democratic society, they are also a network of independent associations organized voluntarily by groups of people to respond to economic and social demands in society; ideally speaking, they are characterized by jointly-owned and democratically-controlled mechanisms (ICA, 1995). And since the emergence of the co-operative sector, the linkages between it and civil society movements have been formulated and are evolving.

3 The logic of the dynamics of co-operatives in China

As mentioned above, this paper seeks to understand the evolvement of civil society in China by identifying causal mechanisms and conditions of the development of co-operatives. This development is examined as a historically-evolving process for a number of reasons. First, the development is a multi-staged process that occurs over time, where various actors are negotiating with each other and their reactions stem from their own interests and motivations.
Second, this process approach offers a systematic framework in which various factors are integrated and thus can be identified. This approach helps us to gain the whole picture of evolvement. Finally, and most importantly, the process is path dependent, as most of the path-dependence-theory scholars assert: particular events in the past can have crucial effects in the future.

This analysis, which focuses on a path-dependent, evolving process, needs to be justified in both theoretical and empirical terms. Accordingly, this section will begin with a discussion on the theoretical framework and the literature on path dependency, after which the empirical observation will be presented on the causal mechanisms underpinning co-operative development in China.

The concept of path dependency engenders much debate within the field of political science; and two main perspectives arise. The first considers institutional stability and continuity as the strong features, which explain the notion that “history matters”. In other words, when reforms occasionally produce significant policy changes, the new policy often continues on from the old one. They emphasize: the high cost of change (Levi, 1997), the lock-in effect (Arthur, 1994) and increasing returns (Pierson, 2000), self-reinforcing sequences (Mahoney, 2000), the impact of timing on policy formulation (Fargion 2000), the mechanisms of reproduction of particular historical legacies (Collier and Collier, 1991) and effects of policy options limited by the past (Katznelson, 1997). Thus, the institutional legacy narrows down the rational choice of a new path. The second, more recent research theme on institutional development has focused on the ways in which institutions change rather than remain stable over time. This is what Thelen (2003, 2004), Hacker (2004), Crouch and Farrell (2004), Schwartz (2004), and Alexander (2001) do. Their studies focus on new mechanisms for institutional change, including layering and conversion processes. Recently Taylor Boas (2007) proposed yet another type of model to combine the first two perspectives into one “composite-standard model”, aimed to “illustrate how incremental changes in political institutions can cumulate into a fundamental transformation over time, even as increasing returns render an institution resistant to wholesale change at any given moment”.

In this paper’s theoretical framework, it is proposed that the co-operative dynamics in China entail four stages: an initial condition stage, a critical juncture, a sorting out stage, and the stage of final outcome.

The initial condition (Goldstone, 1998) or antecedent condition (Somers, 1998) corresponds with the period before a critical juncture. Initial conditions may play some causal role in defining a broad range of historically-possible outcomes. However, initial conditions do not limit the range
of future possibilities that are of particular interest to the investigator. Once an episode of critical juncture has occurred, then the sequence can track one kind of outcome rather than another (Mahoney and Schensul, 2006: 460). “Critical junctures” are specific periods of time during which decisions that are taken not only reflect major digressions from previous policies, but also have a lasting impact upon subsequent decisions and structures. When a critical juncture occurs, it is normally viewed as being closer in time to the initial conditions than to a final outcome. That is, a critical juncture is launched immediately following initial conditions, a point that may still be quite distant in time from the final outcome of interest (Mahoney and Schensul, 2006: 461). In this paper’s theoretical framework, it is apparent that there is still a long way to go during the sorting out stage, after the critical juncture has happened, and before final outcome can be seen.

Mahoney and Schensul (2006: 457) assert that the most important effects of a given event may be “temporally lagged”, i.e. not initially felt but clearly visible at a later point in time. This is because during the sorting out stage, defenders and challengers have to respond to each other and negotiate with each other. This period of balancing of interests is accompanied by the power of self-reproducing sequences and the impact of layering and conversion.

Self-reproducing sequences are those in which a given outcome is stably reinforced over time. The economic model of increasing returns is the archetype of this kind of sequence, in that it is founded on the idea that each step in a particular direction induces further movement in that same direction (Arthur, 1994; Pierson, 2000). It can happen also because the initial moves in a particular direction increase the benefits of staying the course and/or the costs of shifting direction for rational decision-making actors. This movement leads to a self-reinforcing outcome, either by increasing the functionality of the outcome, enhancing the power of an elite that supports the outcome, or by expanding the legitimacy of the outcome (Mahoney and Schensul, 2006: 467). More-sociological approaches suggest a broader range of mechanisms, including functional, power and legitimation mechanisms (Mahoney 2000; Thelen 2003). A process called conversion occurs where an existing institution is reoriented to serve new purposes or to reflect new power dynamics (Thelen, 2003: 331-4). Such reorientation occurs either when a shift in the external environment demands that an existing institution change in order to survive, or when the institution incorporates (or is captured by) a new constituency. Another term, layering, is a mechanism that has been proposed to account for change, over time, in the development of political institutions (Schickler, 2001; Thelen, 2003). Typically, institutional evolution, through layering, results when actors’ efforts shape the development of an institution when they are either incapable of changing it at a macro-level, or do not seek to do so (Boas, 2007). In this paper’s framework, the defenders are defined as the result of self-reproducing sequences,
whereas the challengers are defined as the impact of the layering mechanism (from the grassroot civil society) together with the conversion process (from state and international forces).

### 3.1 Initial conditions

Before examining the initial conditions of co-operatives’ dynamics, it should be noted that this analysis is focused on the re-emergence of co-operatives in China, including the revival of traditional co-operatives from 1978 onwards, and on the emergence of a new form of co-operative, which developed after 2000. Therefore, the time scale for the initial conditions is orientated towards the economic transitional background, i.e. the period during which the transition from the centrally planned economy to the socialist market economy took place.

The economic transition itself accounts for the fundamental initial condition in this paper’s framework. The economic reform triggers in China’s rural area were well documented and follow the decisions of a group of farmers to adopt a household contract responsibility system (HCRS) in Xiaogang village in the late 1970s. However, this paper wishes to emphasize the important factors that Swinnen and Rozelle (2006) analyse as the initial conditions, i.e. wealth, technology, ideology and personal preferences of politicians. The initial conditions, like wealth and technology, might play a key role before reforms occurred, since these factors determine the efficiency and distributional effects of land reform options and thereby the preferences of the affected interest groups. The latter, in turn also puts pressure on leaders and governments. Theoretically, direct access to land is significantly important for the poorest households to increase their food security, incomes and assets. Moreover, access to technology affects both the costs and benefits of the shift to individual farming. In labour-intensive systems, households are more inclined to take their land and start producing on their own. Most importantly, given the high labour factor share, the potential for efficiency-enhanced output means significantly higher income for farmers.

Politicians’ preferences should be examined separately; i.e. those from a community level, those from a provincial level and those from central government in Beijing. In general, local officials supported the reforms in China. There are two reasons for this, during the initial stage of the reforms. First, team and brigade leaders (later village leaders) got their income, not from the salaries paid by the collective commune (later the higher-level township government⁵), but from their own farming activities, especially in poorer areas. They were often closely aligned with the interests of farmers, being close relatives or acquaintances. Therefore, they supported the

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⁵ The attitude of the officials in the collective commune had, nonetheless, also played a role. Concerning the economic reform, this factor is not included in the analysis. More references can be obtained from Luo (2006: 23).
farmers’ desire to de-collectivize. Second, the scope for rent collection that local officials could earn from their position would increase with reforms as wealth levels in the local economy grew (Swinnen and Rozelle, 2006: 161). With regards to the higher-level officials in Beijing, two kinds of groups gradually formed after the Cultural Revolution. One group consisted of conservative leaders, whose careers had benefited from the Cultural Revolution. The other group was formed by pro-reform leaders, who have had been the victims of the historical event. Therefore, the attitudes of the provincial officials at an early stage are very important to reform’s directions. An example of this is why some provinces (like Anhui and Sichuan) conducted the HCRS experiment earlier than the others. At that time, the balance between the two groups in Beijing had shifted in favour of the pro-reform group after the Third Plenum of the 11th CCP Congress in December 1978, and the policy space for reform was further enlarged. The success of HCRS reforms spread to more provinces, which increased their output, reduced poverty and maintained social stability in China’s countryside. Therefore, the power of the newly-risen, pro-reform leaders in Beijing was further reinforced.

Montinola et al. (1995) also proved this logic by proposing the Chinese style of federalism. There are also some other research examples on enterprise property rights and contracts, which assert that local governments in China play a more central role in the economy than local governments in Western Europe or the United States. Therefore, it can be said that market reforms have eroded state domination of the Chinese economy and shifted considerable economic power to the private sector and local-level society. This new economic power has made society less subject to control by the state. If the party wants to sustain economic booms, it has to allow these new groups and interests to live in a freer space (Joseph, 1996: 393).

Another important initial condition is the links to the West. It is true that economic development can enhance such links by increasing economic integration, cross-border communication, travel, education and more extensive ties to trans-national civil society, which raise the cost of authoritarianism (Levitsky and Way, 2002: 70). However, China’s move toward participation in international society did not begin after the economic reform. Ever since the restoration of China’s UN seat in 1971, China began to establish more diplomatic ties with different countries and international organizations. This desire to reintegrate into international society reflected the idea that large amounts of capital could be acquired from abroad to speed up the country’s modernization and the state’s wish to promote a peaceful and stable environment in order to achieve domestic aims.

Nonetheless, the links to the West, in relation to the co-operatives, had been neglected for a long time. China had no tradition of liberal, democratic co-operatives. It was not until the outbreak of anti-Japanese war (1937-1945) that liberal democratic co-operatives were
introduced “in any significant way, and when they were, they were introduced by foreigners in China’s weakest sector—industry” (Melnyk, 1985: 39). However, after the founding of China, Chinese Industrial Co-operatives (Indusco) was brought to an end, “since Indusco dealt primarily with industry it never touched the vast agrarian reality of China and since it was foreign-initiated it was suspect” (Melnyk, 1985: 41). Then the only international influence was from Russia. Like the Kolkhoz in Russia, the commune system was developed as part of a Marxist tradition of co-operatives. At the time of the Sino-Soviet split after 1958, the commune became “a symbol as well as the practice which rejected the Russian emphasis on heavy industry as separate from agriculture” (Melnyk, 1985: 43). It also became the basis of economic, social and administrative life in China. Besides, the experience of twenty years of guerrilla warfare meant that decentralization principles, self-help and local initiative (so crucial to survival) became part of the leadership’s view (Melnyk, 1985: 41). Therefore, the practice of co-operatives in China came mainly from communists’ guerrilla experience rather than from Marxist theory (Melnyk, 1985: 45). Before the outbreak of the anti-Japanese war there were many progressive intellectuals and scholars, both in China and abroad, who had written numerous articles and books proposing and disseminating the liberal democratic co-operative model from the West.

6 However, it did not resonate with the party leaders. Therefore, for China, the experience with the standard co-operative practices according to the international norms was very limited.

3.2 Critical juncture

Economic reform had a major impact on rural society in China. Today, the market mechanism plays a fundamental role in the economic life of China. Under the market mechanism, China has achieved a world economic growth record. Yet, for a variety of reasons, the massive transition process is concomitant with an imbalance in the development of urban and rural areas; of the rich and of the poor and also of different regions and different sectors. Gaps appeared in social service delivery, capital-intensive development and vulnerable employment opportunities. It was especially demonstrated in factors such as: the income gap between rural and urban populations, low Chinese agriculture productivity, social exclusion and migration from rural to urban areas.

After the implementation of HCRS, the People’s Commune became a group of nominal organizations that had no more authority. With the abolition of communes in the early 1980s, farmers once again became responsible for their own purchasing, production and marketing

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6 For example, intellectuals like: Xue Xianzhou’s experiment on co-operative banking, at Fudan University; Zhu Jinzhi, Xu Cangshui and Dai Ji Tao’s articles on co-operative development in Japan; Hu Jun’s experiment on Consumers’ co-operatives at Beijing University; Liang Shuming’s experiment in Shandong; Yan Yangchu’s experiment in Hebei; Yu shude’s experiment on rural credit co-operatives, in Hebei; Democratic Revolution Forerunners like: Dr. Sun Yat-sen and his wife Lady Song; Westerners like: British missionary John Bernard Tayler and British economist Richard Henry Tawney, as well as Remi Alley, from New Zealand and Edgar Snow from the U.S., who helped to establish Indusco in China.
decisions. Farming organizations began to reappear in the form of technical associations. As agricultural productivity increased, it became important for individual farmers to market and sell their products and make money. It can be summarized as “production increased but income did not”. An effort was made by supply and marketing co-operatives, (in existence since the 1950s) to help solve this problem, since they also came under early 1980s reforms, by being transformed from state-owned, commercial companies to real co-operative entities. However this trial has failed. Therefore, the model of “enterprise plus farmers” existed and it has been considered, for a long time, as the path to agricultural modernization in China. As farmers lacked fundamental co-operative theories and experiences, they were inclined to follow an entrepreneurial system or capitalist model to survive. This capitalist model is a system “in which an entrepreneur hires all the inputs (including labour) and sells all the outputs of a firm at market prices, bears the risks and runs the firm in such a way as to maximize the total surplus of revenues from the sale of outputs over costs of the purchase of inputs”\(^7\). Contrary to the co-operative system or labour-managed firms (Vanek, 1970; Meade, 1972), or socialist firms (Jossa, 2005), this capitalist model is not designed to “maximize the return per worker” (Meade, 1972) nor “effectively reverses the capitalistic relationship between capital and labour” (Jossa, 2005). It is neither farmer-independent nor farmer-determined. Therefore, it might pose a potential crisis, especially if enterprises do not operate well and turn risks of unexpected losses on to farmers, by breaching contracts or agreements.\(^8\)

Moreover, the rural labour shift from agriculture to non-farm occupations was one important transition. Before reforms, internal population movement was strictly controlled by a system of food-ration coupons and residence permits. This effectively kept and controlled farmers in the countryside. The easing of these restrictions in the 1980s and especially after the 1990s, in response to a surplus of rural labour, created a “floating population” who left the countryside in order to find better economic opportunities in towns and cities. Those migrant farmers and families who owned land in rural areas but were not able to work on the land (because they

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\(^7\) There are numerous definitions and analyses about this (or profit-maximizing firms). Here the quotation is just one example from Vanek (1970) and Meade (1972).

\(^8\) Various examples concerning this issue are not hard to find. After the melamine milk crisis in China in 2008, tensions caused by different interests groups of farmers and enterprises were given more attention. The long-term, popular model of “enterprise plus farmers” was criticized among academics in China and calls for corporate social responsibility became more widespread.
tended to be disadvantaged groups, like women, older people and children) leased their land to gain extra income and to ensure it would not become desolate or barren. At the same time, there was another group of farmers who were capable of operating relatively large-scaled plantations and who desired more land to increase production and to consolidate their agricultural plot patchworks. This became a new phenomenon amongst farmer in various areas: leasing or trading land-use rights. Alongside this development, many conflicts and contentions surfaced out of self-conducted oral contracts.9

The greatest problem facing farmers is lack of money to gain inputs, to conduct marketing activities and the difficulty in accessing credit. Rural credit co-operatives, which were established at about the same time as supply and marketing co-operatives in the 1950s, are small saving and lending organizations that are the main source of small-scale, rural, local-level financial services. These supply and marketing co-operatives lost their co-operative characteristics while the commune system was in place, and have since become an official financial system - regarded by farmers as a government’s branch.10

Another significant factor during critical juncture stage comes from academic and political debates on several institutional innovations in China. Here as institutional innovations I refer to the rural autonomy at the village level, the shareholding co-operative system and the socialist market economy, etc..

Grassroot autonomy in rural China was first gained in 1980 by a group of villagers in Guangxi Province to deal with the problem of anarchy, instability and chaos in countryside after the collapse of the commune system. It was a few years later that the Chinese government took steps to increase participation and accountability in local governments. Following the elections for village committees under the 1987 Organic Law of Village Committees, villagers started a series of grassroot initiatives. According to a United Nations Development Programme (UNDP) report (2002), the elections enhanced the accountability, legitimacy and efficiency of grassroot administration in China. Assaults from the political arena are easy to understand because of the collapse of communism in Eastern Europe from mid-1989. This collapse and subsequent disintegration of the Soviet Union deeply disturbed CCP officials as they were afraid that it might undermine the CCP’s leadership in rural areas, affect stability and thus affect the development

9 Some scholars presume that more than one third of numerous contentions in China are related to land disputes.  
10 The Agricultural Bank of China (ABC) primarily managed rural credit co-operatives until 1996, when they were placed under direct regulation and supervision of the People’s Bank of China (PBC). In 2003, the PBC’s supervisory function was transferred to the newly established China Banking Regulatory Commission. The rural credit co-operatives are nominally independent co-operative banks at township level, each responsible for its own profits and losses. At county level, rural credit co-operatives may be linked through a RCC union (RCCU), which provides clearing facilities and other functions for rural credit co-operatives.
of rural economy. One can understand why some academics may appear to have been critical, inflexible and sceptical of this situation. They tended to argue that village elections were government-imposed and that no country had ever seen any meaningful democracy from the bottom up.

Similarly, the shareholding co-operative system was also invented after dismantling the commune system in 1982 as a response to problems of dismantling collective properties. The occurrence of shareholding co-operative system and the surrounding debate was clearly summarized by Cui (2003) when he compared James Meade’s (1993) “labour-capital partnership” with the shareholding co-operative system in China. Here Cui asserts:

“Because the farmers in some areas found some collective properties (other than land) are simply physically indivisible (...) they decided to issue shares to everyone on equal terms, instead of destroying the collective property (such as trucks) to sell them in pieces.”

“Soon after, they realized (or conceded) that they should not divide up all collective properties into individual shares to the current work force, because the older generation of farmers left the enterprises and the local governments has made previous investments. Thus, they decided to keep some proportion of “collective shares” which would not go into individual labour shares. These collective shares are designed to be held by outside corporate bodies, such as local governmental agencies, other firms in and out of the locality, banks and even universities and scientific research institutions......Clearly, the development of shareholding co-operative system is the joint product of two factors: (1) accumulated change of Chinese rural institutions (such as dissolution of the commune) and (2) accidental solutions to the indivisibility of People’s Commune’s property. Therefore, shareholding co-operative system has created an attitude of ambiguity among the Chinese practitioners and China scholar as to how to evaluate the potentials of this new form of property.”

This attitude of ambiguity is also expressed by the critic describing shareholding co-operative system as “neither a donkey nor a horse”. A similar situation also occurred since the idea of building a “socialist market economy” had been proposed in 1992. Many people in China were suspicious of the real meaning of combining concepts “socialist” and “market economy”. In the U.K., Lady Thatcher also challenged this concept when she met with former President Jiang and Deng during her visit in China.

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11 Because at that time there were no other forms except those that were state-owned, collectively-owned or privately-owned. This system is neither collectively-owned nor privately-owned. At the very early stage of reforms, opening up non-public-owned economic sectors was still severely restricted. Those who wanted to develop this system had to petition for protection from local government by way of using the strategy of “wearing a red hat of collective form” whereby they disguised their private ownership by registering as a public-owned organization, with a further aim of obtaining benefits denied to private enterprises.

12 From Chen (2005).
Nonetheless, it should be borne in mind that all debates and tensions, dissensions and contentions broadened as the reform deepened. The emergence of rightful resistance (O’Brien and Li, 2006), and terms “rights defence” (weiquan, 维权), “socially-vulnerable groups” (shehui ruoshi qunti, 社会弱势群体), “nail-like individuals” (dingzihu, 钉子户) and “shrewd and unruly people” (diaomin,刁民) have frequently appeared in the Chinese mass media, which indicate that another painful and poignant reform in rural China was to be unavoidable. “Significant collective incidents” (zhongda quntixing shijian,重大群体性事件) that occurred occasionally also manifested the critical crisis that was happening in China. One representative example of the climax, which took place during the critical juncture period is the bottom-up action taken by a Party chief at the township level in Hubei Province, Li Changping. The now 46-year-old Li earned his reputation as “China’s Most Notable Party Secretary at Grassroots’ Level” after he wrote a 4000-word letter to Premier Zhu Rongji in early March 2000, just one year after he completed a masters degree in economics. Li returned as a small-town Party secretary and when he was informed that the taxes imposed on the farmers would be even heavier, he finally decided to send the letter which began:

“My name is Li Changping. I am 37 years old. I have worked in the county government for 17 years. With infinite loyalty to the Party and deep sympathy to the peasants, I am writing this letter to you in tears. What I want to tell you is that today the peasants are really in pain, the rural areas are really in poverty and agriculture is really in danger... In the 1980s, the standard of living of the peasants improved day by day and the level of tensions was low in rural areas. In the 1990s, although the rural economy continued to develop, the livelihood of the peasants was difficult and tensions accelerated considerably.”

Central government responded as governments do: they sent in an investigation team. Li’s comrades in local government likewise responded in character: they tried to kill the messenger. After the provincial investigation team left that county, the local government formed its own investigation team with a slightly different goal in mind. “I realized that the goal of the [local] investigation team was not to look into the problems that my letter raised, or to come up with ways to research solutions to the series of problems I had raised,” Li writes. “Rather, their goal was to find ways to deny what I had written.” (Li, 2001) With the publicity glare fading and Beijing’s attention focused elsewhere, the local government managed to get what it wanted: although the official investigation largely confirmed Li’s analysis, Li was nonetheless forced out six months later - as the old saying goes, “the heaven is high and the emperor is far” (tiangao huangdi yuan). Now he has moved to Beijing to continue his work on behalf of China’s rural

13 In the latter part of his letter, Li addresses the problem of heavy taxes imposed on peasants, rural labour force exodus, agricultural production withering, plus boasting and exaggeration of agricultural achievement in local government, etc. The English version of that letter can be seen at: http://chinastudycmpgroup.net/index.php?action=front2&type=view&id=5. Li’s letter was published in Southern Weekend, a bold and popular investigative newspaper, and readers voted him “Man of the Year 2000”. 
population, not as a government official, but as a consultant and researcher for the charity Oxfam International, Hong Kong.

3.3 Sorting out stage

Ever since 2000, China has gradually and quietly announced a new, rural revolution to create a new, diversified form of socialist market economy. This economy ties individual farmers much closer together in relation to purchase of productive resources and also to autonomous economic and democratic decisions. A New Co-operative Movement, different from the former revolutionary communalist co-operative movement, appears to be an alternative way to deal with the tensions and debates discussed above. Like their counterparts from the liberal democratic tradition, they participate in the market economy, they develop in an evolutionary and peaceful way, they greatly respect private property and especially, they are self-motivated and voluntary in nature.

However, like every reform and movement in history, society did not evolve without interruption. An analysis of the sorting out stage follows, in relation to two players: the defenders and the challengers. Three sorts of factors are defined as defenders: (1) the local government agricultural bureaux; (2) the lack of spirit in cooperation of small farming households; and (3) the existing historical influence.

When we look at the first group of defenders from local government, we have to bear in mind what Pierson (2000) called “increasing returns” or what Mahoney (2000) called “self-reproducing sequences”. This change increased the benefits of staying and/or shifting costs. The local agricultural bureaux have long been providers of services for rural households. Especially after the fiscal reform starting from 1994, budget constrains induced local officials to allow (and sometimes encourage) extension agricultural agents to supplement their incomes by engaging in work-related businesses, primarily selling agricultural inputs, such as pesticides, seeds and fertilizer. They provided employment for non-agricultural officials, which numbered “as many as locusts”\(^{14}\). When field research was conducted in a county in Zhejiang Province, the author was informed that the whole process, from raising pigs to eating pork, would involve nine or ten local bureaux. This explained why the process of making the newly established “Association of Cooperatives” work effectively, would confront resistance. It was because the reform and consolidation of agricultural resources made them lose their function as providers of services and employers (i.e. their own jobs and also jobs for their children or other relatives and friends).

\(^{14}\) Here Li Changping’s word is quoted from his letter.
Moreover before reforms, local governments could always get specific funding from higher levels of government to support agricultural development. However, if they were to lose such functions, this method of receiving their public allowances would also go. The new reforms, for example, allowed a co-operative to directly receive government funding at the very beginning of its establishment. The new reforms also encouraged co-operatives to apply for individual development projects for which central government would provide support in various ways. Yet before reforms, local governments had more decision-making powers in relation to financial support. Thus reform-related losses became a great concern for the involved stakeholders.

The reforms’ failure in supply and marketing co-operatives and in rural credit co-operatives illustrates the defenders’ powers from another perspective, i.e. the lock-in effect. This idea suggests that sufficient movement down a particular path may lock in a single solution (Arthur, 1994). During other historical movements those two kinds of co-operatives had gradually lost their characteristics. After the economic reform, changes presented them with a new competitive threat. Government officials repeatedly expressed their expectation and confidence that they were appropriate bodies for providing services and capital to solve the problems farmers face. Why? It is not because they had a positive co-operative tradition, but because their presence in villages, with their branches and offices, made the supply, marketing and financial institutions with the widest outreach among the rural population. Their existence in the past expanded the legitimacy of the outcome, and central government was forced to follow the only solution, a solution which had a minimal cost impact on reform\textsuperscript{15}.

The creation of institutions and the emergence of subsequent interest groups during the initial stage and critical juncture in the process of change, served to ensure a lingering legacy in policy that appeared to be resilient to attempts at structural reform. More specifically, this examination into this legacy’s nature, initiated during the critical juncture before the 2000s, demonstrates the self-reinforcing nature of the bureaucratic structure formalized after the founding of China. Therefore, we can better understand Pierson’s (2000) notion of “increasing returns” as an appropriate description of the manner in which the advantages of this system enable it to overcome attempts to adopt alternative, and potentially more effective, policies because of the perceived cost entailed in the structural change and in the potential difficulty of finding out a realistic way of operating.

\textsuperscript{15}Central government suggested that the grassroots level of the co-operatives should widen their scope of operations and gradually enable them to become centres for comprehensive services covering supply (inputs, loans, etc.), processing, storage, marketing, transportation and technological standards.
Although small farming households, compared with local government officials, were not showing resistance to change, they were, nevertheless, less responsive to it. There are two fundamental reasons that can help us understand this phenomenon. On the one hand, most of small farmers in China lacked initial resources for investment (capital resources, human resources, social network resources, etc.); on the other hand, they did not have the ambition to gain more benefits (economically and politically) than just selling their products, or more economic or political rights that might reshape their lives. These two reasons also help to explain why many non-farmers (local government officials, local leading enterprises; existing supply and marketing cooperatives; local business men, etc.) were motivated to establish a co-operative. In return, those players also expected to gain more rights of control and benefits.

The historical path of dependence includes both self-reproducing sequences and mechanisms for reproduction of particular historical legacies (Collier and Collier, 1991). The effect would, in an institutional way, narrow down choices when following a more effective or more standard path. It would not be easy to conduct a co-operative according to ICA principles because the Chinese co-operative is formed from hybrid ideas, influenced by a liberal democratic tradition, a Marxist tradition together with the Communist guerrilla experience. Additionally, following ICA principles would not be easy or practical if we take into account the emergence of the shareholding co-operative system as an indigenous model of co-operation, instead of the orthodox co-operative model. Therefore, the long period of popularity in both rural and urban China, simultaneously hindered people’s learning and understanding of classical theory on how co-operatives function. This effect, of policy options limited by the past (Katznelson, 1997), also acted as a way of deciding which kind of legal status a co-operative could be granted during the drafting out of the National Co-operative Law. If China created a legal person status co-operative, then there would have been 29 current laws and bylaws that would have needed revision; that would have been a difficult task. As a result, the past legacies worked by putting the co-operative into an existing type of legal person status (of company/enterprise).

Faced by defenders, three further factors are defined as challengers: (1) the pressure from central government and leadership effect; (2) grassroot support; and (3) the influence from liberal democratic partners.

This rural crisis has made central government suffer from a legitimacy crisis. It required a state reorientation (i.e. conversion, Thelen, 2003: 331-4) in rural policy. Once economic development helped consolidate state legitimacy, the CCP relaxed its grip on many aspects, resulting in a relatively large apolitical “zone of indifference”. Moreover, from 2004, Beijing responded to this crisis by drafting five Number One Documents concerning agriculture. The state increasingly asked for advice from experts, like Chinese universities, think tanks and civic organizations.
outside the Party, to make important decisions. Some of the most important innovations and changes were made, such as making it easier for farmers to lease or trade their land-use rights, helping farmers to establish land share-holding co-operatives and land credit co-operatives, establishing local research offices to learn and disseminate from others’ valuable experiments and practices or consolidating small-scale co-operatives into single associations. Through these changes, central government possibly played a pivotal role among the challengers in promoting collaborative policy-making and governance networks as well as providing empowered autonomy and resilient law.

The grassroot challengers provided “the layering result” (Boas, 2007) to shape such changes, when the defenders from local governments did not plan to do so. Dahl (1989) argues that it is essential for democracy to ensure that individuals are morally equal, but also that, on average, individuals are better able to know their own interests, values and goals than any agent or class who might seek to rule over them as guardians. According to the fact that grassroot democracy in rural areas was initially autonomously emerging at village level, it is easy to conclude that a bottom-up route was less difficult and thus more practical than top-down changes. Another “layering result” is observed when change is impossible (or if central government is incapable of changing) at the macro-level. Following the argument on decentralization reform by Montinola et al. (1995), who assert that “the changes happened in the 1990s endow economic reforms with a degree of political durability. Each serves to raise the costs of recentralizing political authority and an economic retrenchment, although this effect was often unintended”. From this, we see the co-operative movement changing in the similar way as the changes in grassroot democracy, which gained wide support from rural villagers. It is argued that farmers from elite and rural backgrounds would be in favour of this movement because they would anticipate that they would gain more benefits from it, as discussed above. Similarly, if their interests were abused, for example if local agricultural bureaux recommended (or even forced) farmers to buy inputs that were motivated by personal gain rather than collective farmers’ interests, they would surely challenge this situation.

Geographic proximity is the most important source of linkage (Kopstein and Reilly, 2000; Brinks and Coppedge, 2001: 11; Gleditsch 2002). Geographically, China is not close to the West, like Latin America or Central Europe. Only after reforms and opening-up, did China begin to have closer economic ties abroad, more extensive diplomatic contacts and higher cross-border flows of people, information and organizations. Therefore, the process through which China went to learn about the co-operative movement from the West had already started, though this experience was limited. This change in the external environment also constituted the process of conversion (Thelen, 2003: 331-4) during the reforms. It was reported in 1997 that a Chinese delegation went to Canada to exchange their experience with other co-operative leaders, farm
managers and government officials. This visit might be one of the earliest exchanges during the emergence of new co-operatives in China. Five years later, the Canadian Co-operative Association (CCA) brought two groups of Chinese policy-makers, academics and co-operative managers to Canada, to show them how co-operatives were responding to member needs and market developments. One of the most successful credit co-operatives, established by farmers (not by government offices such as the rural credit co-operatives) in Jilin Province was also under the influence of Canadian counterparts. During that period, such exchange programmes also consisted of other actors from near-by regions, like Taiwan, Japan and South Korea. During the fieldwork in Zhejiang Province, the author was further informed that the first, registered, new co-operative was established after local officials' visit back from Taiwan.

3.4 Final outcomes

Two outcomes, after the sorting out stage, are of particular importance. The first lies in the impact on legal support (together with fiscal support and moral support) from central government and from the international community at large. The second was an expectation towards the re-establishment of Farmers’ Association (nonghui) in rural China.

Following the implementation of the first regional co-operative law in Zhejiang Province, the National Co-operative Law finally came to fruition. This outcome was also a product of the knowledge exchange with Western counterparts, mentioned previously. Based on information gathered during the study tours in Canada, Chinese officials drafted model by-laws and operational rules. CCP’s Central Committee then issued a document in November 2003 to encourage the development of professional co-operatives in China. After that, the NPC approved a draft five-year legislative plan, which included co-operative legislation (CCA, 2004). Two years later, on 1st July 2007, the National Co-operative Law came into effect.

It is suggested that implementing the National Co-operative Law was a mild liberalization for rural civil society. It demonstrated an alternative form of democracy, by promoting more open and responsive government and a greater voice for citizens in both public policy and in civil affairs. However, it also implied a tendency to recognize the Farmers’ Association legitimacy, which had existed before, but had not been allowed, due to the vague (perhaps also stubborn) impression by the government, that it was a political organization in rural China. It also explains

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17 From a focus group meeting with several local officials at a municipality-level Supply and Marketing Co-operative, March, 2009.
why the village collective economic co-operative was not included in the newly-established “Association of Co-operatives” in Zhejiang, as local officials considered its function too political.\textsuperscript{18} It is still too early to measure the effectiveness of the new National Co-operative Law, but if it fails to solve the farmers’ problems, the rural crisis may become even worse.

4 Conclusion

First, we should answer more precisely the questions raised in Section I. What is the impact of economic development on civil society dynamics in China? In this paper, civil society dynamics were examined by looking at what happened to the co-operative movement. Economic development shaped the new co-operative movement in China. This process was different from the former revolutionary communitarian co-operative movement. Instead, it is suggested that it was an alternative method of dealing with tensions and debates. Like their counterparts from the liberal democratic tradition, new co-operatives participated in the market economy, developed in an evolutionary and peaceful way, had great respect for private property and especially, were self-motivated and voluntary in nature. In other words, the new co-operative movement in China emerged from a bottom-up process - arising from the effects of both local elite initiatives and timely support from central government. The co-operative movement influenced the re-organization of the economic structure, increased the income of farmers and influenced judicial legislation. At the same time, it consciously contributed to the expansion of pluralism in state and society, to the development of state-innovative forms of involvement in dealing with social crises, to the encouragement of grass-roots participation and autonomy. This process contributed to the expansion of democratic concepts by giving citizens effective means to shape their future lives and their world. In this sense, the new co-operative movement helped to build and change civil society in China.

The co-operative movement in China can thus be considered as a mild liberalization within the sphere of civil society. Furthermore, if this new co-operative movement continues to progress and works effectively, it will gradually force the state to answer to new voices, concerns, and interests thus make it become more responsive. The spillover effect would then be seen as the effect of enhancing the role of civil society as a critical dialogue partner with the state (Chambers and Kopstein, 2006: 369-71).

With reference to the criticism China faces at the beginning of this paper: Twenty years ago, the state under Deng was still defined as “clearly evolved from Maoist totalitarianism toward a less

\textsuperscript{18} From an interview with one local official at a municipality-level supply and marketing co-operative in March, 2009.
intrusive, but still dictatorial consultative authoritarian regime” (Harding, 1987: 200). No matter what China was called, it would never bother Chinese leaders. They point out that democracy has not often been conducive to successful economic development in the Third World. Some Chinese people, who support both extensive free-market reforms and a further relaxation of the party’s totalitarian features, argue that, rather than democratization, what China needs now is neo-authoritarianism, i.e., a strong government that maintains both political order and promotes economic growth (Sautman, 1992).

Further, we can compare China to the other former-authoritarian-newly-democratized regimes around the world. Indeed, during the Third Wave of Democratization (Huntington, 1991) many regimes have established a combined electoral competition system with varying degrees of democracy. Those regimes are nevertheless called “competitive authoritarian” (Levitsky and Way, 2002) structures because competition was real but unfair. Those hybrid regimes were also categorized as “protracted”, “flawed” or “unending” even “failed” democratic transitions. 19 Moreover, many of them are now building on weak states and suffering varying combinations of corruption, poor security, intractable low-level conflict, poor economic performance and an inability to deliver services, such as education, health and basic welfare. More observers (for example, Diamond, 1999, 2008; Warren, 2006) criticized the regimes and worried that these features of the new democracies “are undermining citizens’ allegiance to the very idea of democracy” (Warren, 2006: 383). 20 Unlike those regimes, China followed an alternative path by presenting its own logic of civil society dynamics. After all, there is more than one path to democratization.

Another question regarding the strength of civil society as a vehicle for revolutionary breakthrough into democracy is whether the civil society-against-the-state dynamics that existed in late Communist governments in 1989, are good for democracy (Chambers and Kopstein, 2006: 368). According to Howard (2003), civil society might have undermined and challenged the totalitarian state but a legacy of organizational weakness and lack of trust highlights the frailty of post-Communist civil societies, vis-à-vis the state. No conclusions have been drawn regarding whether a contentious civil society is good for democracy. However, if working through formal state institutions is a sign of a healthy and stable democracy, then civil society, expressing itself

19 There are numerous discussions and explanations on those definitions and examples. For more information, please refer to Levitsky and Way (2002), Collier and Levitsky (1997), Carothers (2002), among others.

20 Some of the arguments from Diamond (1999: 43-63; 2008): “Many new democracies around the world are performing very poorly and are in fact quite ‘iliberal,’ if they can be called democracies at all. Yes, they had competitive elections, even real uncertainty about which party would win power, and even alternation in power, but for much of the population, democracy is a shallow or even invisible phenomenon. What many (or most) citizens actually experience is a mix of distressed governance: abusive police forces, domineering local oligarchies, incompetent and indifferent state bureaucracies, corrupt and inaccessible judiciaries, and venal, ruling elites contemptuous of the rule of law and accountable to no one but themselves.”
in the form of street demonstrations, may not necessarily produce political stability or good public policy (Pereira, Maravall and Przeworski 1993: 4).

Before concluding, some points that deserve emphasis include:

1. The choice of critical juncture. Theoretically, the critical juncture episode is very decisive because once it has occurred the sequence tracks one kind of outcome rather than another (Mahoney and Schensul, 2006: 460). Initial conditions may play some causal role in defining a broad range of historically-possible outcomes, but they do not limit the range of future possibilities. Empirical observation on the co-operative movement in China cannot be very decisive when the farmers’ rural crisis developed into a critical state. It would also be difficult to define “a critical state” under the so-called “gradual and peaceful” development strategy in China. Nonetheless, rural crisis does exist (as discussed above); the only possibility for discussion under this theoretical framework could be to find evidence for a dramatic event that significantly influenced the later stages of the process by presenting a relatively important value to the development of co-operatives in this broader liberalization movement. This could be one of the limits of this analysis.

2. There has been no attempt to discuss, in any depth, some of the important issues, like the concept of the socialist market economy, the shareholding co-operative system or grass-root autonomy in rural China. However, the logic of the emergence of the new co-operative movement is more complex than can be observed in this paper.

3. This paper is merely intended to provide some of the implications of co-operative dynamics in order to understand the linkages between Chinese civil society and the state. From this perspective, an attempt has been made to provide a systematic analysis, which suggests the conditions (balance of interests between defenders and challengers) under which the linkages between them might hold. Therefore, this paper is not focused on the relationship between political reform and economic reform, nor on the linkage between democracy and growth. Following the study of Barro (1996) who discovers that “improvements in the standard of living (measured by GDP, life expectancy, and education) substantially raise the probability that political freedoms will grow”, and the study of Przeworski et al. (2000) who show that “some countries that developed but remained dictatorships would, after achieving an income of $12,000 per capita, be expected to democratize”, it could be said that the fact that China uses economic development as a tool to achieve democratization, or to solve the legitimacy crisis, could increase the probability of achieving political democracy.21

In conclusion, the new co-operative movement in China, like rightful resistance, has a long way to go. Although this path of change might encounter less hindrance than that of civil society organizations (which have more political aims), the historical path dependency of self-reproducing sequences and reproduction of institutional legacies, ensures that it is no easy path. During the various stages in the process, negotiations take place that balance the interests of the defenders and challengers. Finally, it is argued that incremental changes could cumulate into a future fundamental transformation, since historical reversion would be costly (Levi, 1997) and thus be less likely. It can then help put new (and old, but unsolved) issues on the policy agenda in a forceful yet suggestive way; it could foster an environment that facilitates policy innovations

21 Here also is the supportive argument from Boix and Stokes (2003).
and be conducive to reshaping linkages between the state and civil society. Although the future political direction is a long way from being clear, it is nevertheless clear that the gradual nature of the co-operative movement has benefited from being a bottom-up initiative that was not subjected to any imperative idea or coercive power. As long as there is room for the co-operative movement, farmers can attempt to come together to change their own living conditions. They can develop a stronger, collective voice to influence decisions that shape their lives. And if that does not work in the first instance, they can insist on doing it again until more favourable conditions allow them to succeed.
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