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Is land right confirmation the first step toward privatization?

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Abstract

China has started the nationwide land rights confirmation, registration, and certification work since 2013. The boundaries of collective assets in rural areas and personal assets and individuals' share in collective assets have become more evident. This paper observed disputes in the confirmation process and bargaining between various stakeholders. By comparing case studies from Zhejiang and Guangdong, we examined the fixed number of shares introduced to solve many disputes. We conclude that the meaning of collectives changed dramatically due to rapid urbanization, and the land rights confirmation makes it easier toward privatization of collective properties.

Keywords: Land, Rights confirmation, Urbanization, China

JEL classification: K11, K42, R52, O30

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Is land right confirmation the first step toward privatization?

Case studies of Guangdong and Zhejiang China

Zhe Ren

Since 2013, China has started the nationwide land rights confirmation (确权), registration, and certification work. Moreover, it plans to complete the rural land rights confirmation in five years to solve the problems of inaccurate land and unclear boundaries. Since then, the boundaries of collective assets¹ in rural areas and personal assets and individuals' share in collective assets have become more evident. According to official reports, as of 2020, 96% of the national rights confirmation work has been completed (People's Daily 2020. 11.10).

Simultaneously, starting in 2015, the central government mortgaged the collective assets in many locations across the country, including collectively owned homesteads, individual houses of farmers, and land contract management rights. For a long time, the mortgage of collective assets is not permitted by law. This attempt is to open the law (property law and guarantee law), and it aims to revitalize rural resources and assets. Then, the following question arises: Is the central government moving toward the privatization of collective land?

Discussing the land rights confirmation has two main approaches. One is to support the confirmation from the perspective of institutional economics because clarifying property rights ownership can reduce transaction costs in market behavior, especially in areas where the land market is active during urbanization. Property rights can effectively activate the market for rural land and collective assets (Zhou 2004, 2015, Peking University National School of Development 2012). Tao and Wang (2014) even argued that privatizing the collective land will make the transaction even better.

Another approach deals with the disagreement on rights confirmation (Chen 2018, Gui 2019, He 2012, Qu et al. 2018, Zhang 2013). He(2014) believe that confirmation of rights is a one-size-fits-all approach across the country and does not fully consider the actual problems in rural areas, especially the central and western regions. Their discussion of issues focused on a rural area's space as an autonomous unit, believing that confirmation would weaken the village committee's operating space and ability. Farmer's land is relatively fragmented and unable to achieve scale and subsequent value-added in the market (Mao & Wang 2004) . Therefore, the village committee, an intermediary between the state and farmers, must coordinate rather than rely entirely on the market.

China's rural areas are in various forms. Both parties who hold different opinions on the confirmation of rights can find cases supporting their argument and develop them further. Some scholars have emphasized the importance of the agricultural economy because it is related to its food security. However, they cannot deny the substantial economic development of rural urbanization. Both parties did not deny the fundamental proposition of collective land ownership, but they focused on different issues. Those scholars supporting the confirmation policy does not say that the confirmation of right is privatization because many restrictions

¹ This includes natural resources like land, forest, water, and other assets owned by the collectives.

prevent the privatization process (e.g., transfer and withdrawal mechanism²). Simultaneously, scholars disagree with the right confirmation criticizes the idea of a long-term land contract, and the right confirmation is toward privatization (*Nan Fang Nong Cun Bao* 2014.6.22).

Considering the urbanization process in the past few decades, the relative passive status of farmers in land acquisition, uneven distribution of benefits, misuse of power by village cadres, and frequent cases of corruption have seriously affected the problems of grassroots society, such as the Wukan incident (Ren 2014). Considering the overriding thinking of stability in China's political logic, we can easily see the ruler's idea behind reading the question to maintain social stability instead of continually creating trouble.

Will the confirmation of land rights improve farmers' inactive status, and will it alleviate the problem of abuse of power by village cadres? In other words, will the confirmation of land rights trigger another wave of interest conflicts, thereby hindering rural economic development?

Many comparative case studies are necessary to answer these questions correctly; the one-size-fits-all approach may not be applicable. In this study, as the first step of close work, we compare the cases of Guangdong and Zhejiang, where urbanization is progressing rapidly, to explore the ins and outs of rights confirmation more in-depth.

Our case objects are mainly villages in the fringe area between cities and suburbs and rural communities that have been urbanized. Although they are called villages, most villages do not have proper arable land for agricultural production, and small-scale farmland is also leased to outsiders to grow vegetables and fruits. The rural industries are mainly land, workshop, and property lease. When discussing the right confirmation issue, we must highlight several advantages in choosing these transitional rural areas as the analysis object. First, because the agricultural production no longer dominates these rural areas, we can avoid discussions on agricultural production, land quality, and food security. Second, the right confirmation issue is embodied in evaluating rural collective assets and dividing each member's share of collective assets equally. Third, as a particular commodity, land has various restrictions on the use and transfer of rights. In contrast, the discussion of assets can be concentrated on the legal and logical levels.

Our research method is mainly based on interviews, and the subjects of the interviews are mostly officials from the grassroots government and the leading cadres in the village and community. Due to limited social resources, we could not interview a corresponding number of villagers. Therefore, in our analysis, the villagers' opinions are lacking. However, when discussing the rights confirmation issue, the leading cadre of the rural community has the most information, not the individual farmer. Thus, we believe that although the target is unfair, it still has great academic value.

The contents of this paper are as follows. We will observe how boundaries and members of collective property are confirmed first. Many disputes arose during the confirmation process because it is related to personal interest. Thus, we choose the issue of the married daughter as the case to see the bargaining between various stakeholders. Then, by comparing case studies from Zhejiang and Guangdong, we observed the fixed number of shares introduced to solve many disputes. Finally, we will discuss the meaning of collectives nowadays and the possibility of privatization of collective properties.

² According to Barzel (1982), a person's economic property rights over an asset are defined as the person's ability to gain from the asset by direct consumption or by exchange. Our concept of privatization relies on Barzel's concept of property right, with a particular focus on the right of exchange.

1. Boundaries and members of collective property

“太公分猪、人人有份” (taai3 gung1 fan1 jyu1, yan4 yau5 fan6). This phrase has been used for a long time in the Guangdong area. The original meaning is that an elder man distributes pork to all male members in his lineage after rites of ancestral worship during significant festivals. The population parameter to be divided is based on the number of men in the lineage. Women are not counted. For boys, when they reach a certain age, they are counted as full-fledged. Elders are also given special consideration and may be given more than one person. Moreover, women are typically not recognized as full-fledged, and being subordinate to men is prominent. According to Freedman (2021), the lineage is a legal entity, and members of the lineage are eligible to hold the property of the lineage (Faure 2007). The lineage property is common property, and the selected person continuously records its size, income, expenditure, and lending. The usage of tribal products can be broadly divided into ritual event and charity (Shimizu 1949). Shimizu (1949) described the function of the lineage as follows: “The sectarian assistance by the lineage cultivates a feeling of gratitude for the lineage through financial assistance. The ancestral ritual strengthens the lineage’s unity by deepening a living one” (Shimizu 1949, p. 215).

In this way, lineage production’s primary function is to strengthen gratitude and unity for the lineage. Moreover, the existence of sectarian and tribal products played an important role in maintaining the order of rural society. This mechanism has three keywords: lineage, men, and increase and decrease in population. Foods are for members of the lineage only; it is distributed only to men, and women are not counted. This reflects the increase or decrease in the lineage’s population.

Indeed, analyzing the contemporary collective-owned economies using the concept of lineage property has limitations. Due to the changing times and the merger of villages, the lineage and the natural village can no longer be treated equally. Moreover, the villages referred to in this paper are often administrative villages created by merging multiple natural villages, so they have different dimensions. We would like to emphasize that people’s thinking about lineage production and property also influences today’s village politics.

Boundaries

Then, how can we understand the collective³ ownership system? Although the collective ownership system is stipulated by law, the subject has many uncertainties, and controversy among researchers still exists.

Studying the agricultural production contract system, Zhou (1994), who specializes in institutional economics, was the first to insist that legitimate members within a village (community) have the right to equal ownership of the land. Although the members’ identities remain unclear, the relationship between the members and the collective property is apparent. Then, how should we understand the boundaries of a village? According to Wen, Wang, and Shi(2008), rural land is objectively the boundary of “village and community” maintained by blood and territorial relations. Their claim may be accurate in understanding relatively small natural villages, but it cannot fully explain the large administrative villages.

However, when discussing the boundaries of villages, Zhe (1996) proposed a multidimensional approach, which includes land, administrative (village organizations), population (registration), and economic (collective economies) boundaries. The multidimensional approach helps us understand the villages’ ever-changing characteristics against urbanization and marketization. However, the exclusive concept of property rights is

³ Readers interested in the question “What is a collective?” should refer to Shimizu (1971) “Shudan no ippan riron” (General Theory of Groups), Iwanami Shoten.

somewhat confusing.

During the time of the people's Commune, the policy of "three-grade ownership" (三级所有) was implemented for rural land. The three grades are the people's Commune, production brigade, and production team. Each grade owns the land. However, the production team owns the land in significant cases. Even after the people's Commune was dismantled, the land ownership system continued in this principle. The people's Commune's name turns to the township, the production brigade turns to the administrative village, and the production team turns to the natural village. When the natural village merged with the administrative village, the name was changed to the villagers' small group (村民小组). In this process, the owner of some land became unknown. However, when the land value increased, several townships, administrative villages, and natural villages competed. In most cases, rural land is owned and managed by the village. However, what if the administrative village and the villagers' small groups dispute the land ownership? This is the subject of the rights stipulated by law, in which no unified rule exists. Problems are dealt with differently in different areas; thus, the academic community always asks, "Who owns the land" (Ho 2001). Due to the unclear boundaries of collectives and many uncertainties, some scholars said that "farmer collective" (农民集体) is an abstract expression in the public economy; it should not be the subject of rights (Yu 2007).

The central government also recognizes that rural areas' land boundaries and ownership settings are confusing. The "Decision on the Development of Rural Developments Promoted by the Central Committee of the Chinese Communist Party" (中共中央关于推进农村发展若干重大问题的决定) issued at the 17th Plenary Session of the Communist Party in 2008 emphasized the need for land vesting and registration work in rural areas. The decision requires confirming properties at the village and small group levels and households. Chengdu in Sichuan Province started the experiment of land system reform ahead of other areas. Chengdu began land surveying and registration work in 2008 and released an interim report in 2010. According to the interim report, 42% of rural residential land (宅基地) has been registered, but the rest are still in dispute over ownership.⁴ This figure shows that the land registration situation in rural areas is sloppy compared to urban areas.

Registration work in rural areas was difficult because of several reasons. In residential land, the basic rule is "one family, one house." However, these were stipulated in the Land Management Law promulgated in 1987, and the phenomenon that one family owns multiple houses was common in rural areas even before that. Even after the promulgation of the Land Management Law, the government had tolerated existing ones. Consequently, the actual residential land area exceeds the registered area.

For agricultural land, the situation is even more complicated. For a long time, the central government did not know the exact area of agricultural land and used data from the land reforms in the 1950s. Looking at the National Land Resources Bulletin statistics up to 1995, we can say that the agricultural land area has not changed. Village level figures are not based on actual measurements but are based on those declared by village executives.

Second, before the agricultural tax was abolished, the village's total agricultural tax was determined by the area of collectively owned land. Therefore, the village always declared agricultural land area smaller than actual data, and newly reclaimed land was managed at the village level. However, when registering land as an asset, villagers move with different logics. Land that is not registered may not be protected by law, so village chiefs try registering all land that has not been declared in the past. Therefore, in determining land rights, the actual agricultural land area exceeds the registered area, so additional collation work must be done. The reason is the logic of paying taxes: if one declares too much, the tax will increase. Therefore, one must declare as little as possible. Moreover, land contracts in rural areas are not necessarily the same per capita area, because they are not merely allocated evenly but in consideration of land quality and productivity. Therefore, calculating the share ratio based solely on land area has a great deal of resistance.

⁴ Caijing (财经) published a special report over this issue in 2011 (volume 280) .

Despite various problems, the central government is rushing to establish and register land rights in rural areas. Experiment results in each region reveal that the target area for work was expanded. Land rights have been finalized nationwide, including the “Development Modern Agriculture, Stepping Up Rural Development Vitality” (关于加快发展现代农业、进一步增强农村发展活力的若干意见) promulgated in 2013 and completed the confirmation work over the years (*Xinhua News*, 2013.12.25, http://www.gov.cn/jrzq/2013-12/25/content_2554119.htm, Confirmed on January 5, 2019).

Members

Determining the boundaries of a collective also entails determining the members. According to the Land Management Law provisions, rural land ownership belongs to the collective, and the right to use belongs to the farmer. Conversely, those who have the right to use the land can be regarded as collective members. There is not much dispute over members’ qualifications in agricultural production activities in farmers’ units. Due to the low income from agricultural production, farmers often find jobs in the city and abandon cultivation. The land is no longer a high priority for farmers, making it the least source of income.⁵ However, when the land changes from a mere agricultural production to an asset, its meaning changes drastically. Moreover, if any profit can be obtained from the asset, its significance is even greater.

As early as the 1980s, in Shenzhen and other areas of Guangdong, industrialization and urbanization brought tremendous changes to the cities’ rural areas. Whether setting up township enterprises or renting land and factories to enterprises, their income is much higher than agricultural production. For better effectiveness, the village integrates the farmers’ land, leases it to the enterprise, and divides the income among each villager. To better manage these collective economic benefits, stock cooperatives emerged.

The stock cooperative system in rural areas began in the 1990s, and although the name is not stock cooperative company, many villages paid dividends to their members. Here, we face the question of who is eligible to become a member. In the collective, the members’ qualifications are always an issue when transferring or renting the village’s land to outsiders. The reason is that the village members are so diverse that it cannot be simply distinguished by the right to use the land and the *hukou* (family registration) system. Sample cases include villagers in prison, individuals who have a *hukou* but do not undertake land, those who do not have a *hukou* but settle in the village, and those who got married but could not move out of the *hukou* due to the wall of the *hukou* system. However, the government could not handle all such small cases; the decision was left to the village through the villagers’ autonomy.

The question then evolves into how the village members are certified. Explaining each case one by one is reckless; hence, in the next section, we will take up a married daughter as a typical example and discuss certifying members in the village and the problems.⁶

2. Bargaining game between administration and village -Case of the married daughter

⁵ Welfare analysis shows that guaranteeing land tenure in northeast China would yield only minimal efficiency gains (Jacoby et al. 2002).

⁶ *Nong zhuan fei* (transfer from agricultural *hukou* to non-agricultural *hukou*) is another major issue beyond married daughter. It intensively appeared on the 1980s with urbanization. *Nong zhuan fei* population still hold their *hukou* at the original village and sometimes play an important role in the community; thus, they naturally ask for the share of collective properties (Zhou 2014, Zheng 2006).

Moving out and moving in a hukou on marriage is universal in East Asia. The *hukou* transfer here mainly means that women move into the hukou on the male side. What happens if the hukou cannot be transferred for some reason? For example, when a rural woman marries a man in an urban area, the hukou cannot be transferred immediately due to restrictions on the hukou in the city. Here, she has no choice but to retain the village's hukou until she can move out. Alternatively, a rural woman may have married a soldier. However, she does not move out of the hukou because she does not meet the military's family transfer requirements (e.g., ranking, workplace, occupation).

In addition to the hukou policy issues, the land contracting authority that should have been granted and the right to receive dividends from the collective-owned economy are also revoked due to divorce and spouse's death. Married women are still treated as subordinate to men in many rural areas, and they are not accepted as village members. Hence, due to this custom, some women are being treated unequally in the village. Article 32 of the women's Rights and Interests Guarantee Law stipulates that men's and women's rights are equal in land contracting, profit sharing of the collective economy, and eviction guarantee. The conflict between the rights of gender equality to be protected and the persistent custom of discrimination against women is the issue of women's rights.

Due to the irrational hukou system and the old tradition of discrimination against women, female farmers' problem has existed in rural society for a long time. This issue came to the fore when the distribution of collective profits began. Here, using the case of Nanhai town, Guangdong province, as a clue, we will discuss the qualifications of members of the collective while considering the actual situation of the farming woman problem and the response between the government and the village side.⁷

Nanhai district, Foshan City, Guangdong Province is an area enriched by leasing rural land and buildings to companies and is widely known as the "Nanhai model" The income source of farmers has also shifted from agriculture to dividends from villages, housing rental income, and service industries (Jiang & Han 2005).

Around 1990, the stock cooperative company was established at the village level, and from that time, dividends to the married daughter were taken up. According to a research team at Sun Yat-sen University, until 1998, the number of women whose dividends were taken up in Nanhai district was 23,600, and the number of children was 4,165 (Sun Yat-sen University Gender Equality Legal Research Project Group 2008). These women made petition activities in various ways, and some went to Beijing to make petition activities (Po 2013).

Efforts of the township government

To solve this problem, the Nanhai district government issued a notice in 1997 entitled "Notice of Legal Rights and Interests of Married Daughter" (關於保障我市農村“外嫁”合法權益問題的通知) and stipulated the qualifications of members in the form of local ordinances. Article 3 of the notice states the following as membership qualifications.

Even if the hukou of the "married daughter" and her child is in the village, if they do not live there and do not fulfill their obligations as a villager, the rights to shares and social welfare will be decided at the shareholder's general meeting.

This item made the problem worse. First, all migrant workers are cut off by this provision, as

⁷ The situation is also unfavorable in Zhejiang. In 2003, 156,280 married daughters received unfair treatment for land contracts and dividends. Of these, 71,985 were unfairly treated when receiving dividends, although they had land contract rights (Deng 2007). Please refer to the Zhejiang Provincial People's Congress Interior Justice Committee Task Group (2010) for the actual situation of the problem of married daughters.

dividend authority can be taken up because the hukou and current address are different. The duty as a villager is also very vague, and the degree of duty that should be fulfilled remains unclear. In reality, men with a hukou have qualifications as members regardless of their place of residence, and this condition was applied only to women. Next, the provision that the members' qualifications are decided at the general meeting of shareholders can be read reasonably at first glance. However, as the number of people receiving dividends increases, the share per person decreases accordingly, so a majority vote deprives the married daughter's membership at a general meeting of shareholders (Po 2013). In other words, it officially acknowledged the old custom of gender discrimination and the deprivation of the rights of the minority by the majority. According to a survey by Sun Yat-sen University, 75.1% of the bridesmaids were disqualified from membership after establishing the stock cooperative company was completed in 1994 and were unable to receive dividends. It can be said that the establishment of villagers' autonomy and stock cooperative company did not solve the problem but rather worsened it (Sun Yat-sen University Gender Equality Legislative Research Project Group 2008, Po 2013).

To solve the problem, the local government issued the "Nanhai district Deepening Rural Cooperative Reform Guidance Opinion" (南海区深化农村股份合作制改革指导意见) in 2003 and presented several ways to fix stock rights. These include (1) free distribution, (2) purchasing of shares, and (3) one-time compensation. According to the local government, this policy has solved 11961 married daughters and their children's stock problem. In 2007, the issue of attribution of collective assets in rural areas and the collective's determination was carried out again, and the issue of stock rights of 1765 married daughters and 751 children. (*Foshan Daily* 2008.5.23).

Distributing shares free of charge is most acceptable, and many people are not satisfied with the method for investing and purchasing or the method of one-time compensation. In Shibe village, it is distributed free of charge to married daughter who married before December 31, 1984. However, those who married between January 1, 1985, and December 31, 1997, will only have half shares. The remaining half is subject to purchase in cash within three years. Of course, some were not satisfied with the village's method, and they continued to petition (Sun Yat-sen University Gender Equality Legislative Research Project Group 2008, Po 2013).

Due to repeated petitions, "married daughter" became a "business card" substitute for Nanhai and spread nationwide. In 2008, the local government setup a new organization (解决农村出嫁女及其子女权益问题耕作领导小组办公室) to work on solving the problem. The office drastically proposed the so-called "the five same" policy (i.e., same hukou, same rights, same age, same shares, and same dividends) and widely advertised the need to solve the married daughter's problems through the media. It was a significant turning point for problem-solving (Po 2013).

Village's veto power

The village does not always execute the local government's policy as it is. To enforce the policy thoroughly, the local government will cooperate by giving a subsidy of 15,000 yuan to villages that cooperate with the married daughter issues and intentionally delaying various administrative examinations to non-cooperative villages. The government typically puts pressure on the village and forces policy enforcement, but members' qualification is decided at the village's shareholders' meeting, not at the village chief's discretion. In one village, the chief, who lost to the government's pressure, stamped a document granting dividends and was forced to resign due to criticism from the villagers (Po 2013).

If political pressure did not work as expected, the government chose judicial coercion and sent administrative action decisions to villages that did not enforce the policy. If the problem is not resolved within the deadline, the government will apply to the court for enforcement. Some villages compromised, but many refused to enforce their policies. Thus, the court arrested the two villages' chiefs and released one who stamped the documents 3 days later. However, according to the village chief, the village mayor's seal is ineffective. The reason is that, according to the rules of the village, when paying a dividend to a married daughter, three villagers must sign for approval and another three villagers to collate. Then, the village chief will confirm. (*Nan*

Fang Nong Cun Bao, 2009.8.15). The rules here are initially created by the village and have no legal basis. However, this is a category of autonomy from the villagers' perspective, and the government is not involved. Shielding the villagers' autonomy to protect their interests is also their wisdom.

The five villages in Dali, Nanhai district, refused to enforce the policy, and the court forcibly remitted 880,000 yuan (equivalent to the dividend of the married daughter) from the stock cooperative's banking account to the court's account and remitted the dividend to the individual married daughters (*Nan Fang Du Shi Bao* 2010.10.21). However, in some areas, villagers rushed to the government and protested the government's compulsory execution (*Nan Fang Du Shi Bao*, 2009.7.3, Po 2013).

As many scholars mentioned in previous work, social stability is the most critical item in the village chief's political mission. Married daughters' activities have plagued the government as damaging the stability of society. However, this time, the position is reversed, and the collective action of villagers who oppose the distribution of profits to the married daughters will impair society's stability. If the village side continues to resist, can the courtside protect the married daughter's rights in the same way? What will the government do if the villagers sustain their petition? Now that it has become such a significant dispute, how to deal with the married daughter's isolation and discrimination in the village's daily life. The clash over the distribution of profits is not over yet.

3. Fixed number of shares: comparing Guangdong and Zhejiang

The work of fixing the number of shares is carried out almost simultaneously with determining the boundaries of the collective property and the members. Local officials describe this task as "No increase with newborns, No decrease with death" (生不增、死不減), meaning that the number of shares does not increase when a new child is born, and the number of shares does not decrease when a member died). If one is a member of the village at a particular point in time, they can hold shares and inherit them along with family. Meanwhile, children born a little later than a certain date and time are not given shares.

The policy of fixing the number of shares simultaneously as the qualification of members is reminiscent of the prolongation and stabilization of the former production contract system. When the land contract system was implemented in rural areas in the early 1980s, the contract period was fixed at 15 years. If the land were contracted in 1979, the deadline of 15 years would be reached in 1994. Therefore, in 1993, the central government promulgated "Policy for Agricultural and Rural Economic Development" (關於當前農業和農村經濟發展的若干政策措置) and decided to extend the contracted land contract period expires for another 30 years. By stabilizing the land contracting relationship, the purpose is to prevent over-division of agricultural land, and simultaneously, increase investment in agriculture and increase land productivity. The expression used at this time is "land without an increase in the number of people, the land without a decrease in the number of people" (增人不增地、減人不減地), which has the same meaning as "No increase with newborns, No decrease with death" that is currently used to fix the number of shares.

At the 17th 3rd Plenary Session of the Communist Party held in 2008, the expression "long-term immutable" is used for the land contracting relationship in rural areas, and the land contracting relationship is not changed for an extended time. Chen, Xiwen (former Deputy Chief of the Central Rural Work Guidance Subcommittee), who has been involved in the policy-making process of China's agricultural issues for many years, interprets this "long-term immutability" as follows.

Currently, the concrete policy regarding the land contract deadline for rural areas is still

in the process of being enacted. However, regardless of the final result, one aspect can be asserted. The policy's direction to stabilize the contract management right of agricultural land in the long-term is to clarify it as a usufruct further and protect it as property by law (Chen 2018, p. 168).

However, this does not mean that it is completely fixed. Rural land contracts prioritized long-term stability but fine-tuned every five or ten years. Primarily the newly increased agricultural population falls into this fine-tuning category. Although this is not encouraged by the government, the village's stability and critical villager autonomy content must be measured (Yamada 2020). It is similar to regularly adjusting the number of people within the "Pork Distribute" mechanism.

When the land contract right is a property owned by an individual, the stocks of the stock cooperative companies can also be treated as a property; moreover, it is understood as "long-term immutable" like the land contract. Can a stock cooperative company have a fine-tuning like "Pork Distribute"?

Collective stocks in Guangdong

A contrasting case exists in Tianhe district, Guangzhou city, which started a stock cooperative company simultaneously as Nanhai district. Shipai village held many collective stocks (70%) from the early days when the cooperative stock system was introduced. After introducing the system, the members' status and shares have faced endless conflict. By holding the collective stock (70%), the village could adjust the shares based on the population. However, many gray zones existed because the system was introduced in a situation where the collective assets were not clearly converted into individual shares; moreover, the system was far from the demand of the market economy to determine the property right clearly (Zheng 2006). However, in Changban village, Tianhe district, the company did not have a collective stock from the beginning and distributed it to the individual household (Zhou 2014).⁸ Even in Shipai Village, which held many collective stocks, the stock system was reformed in 1995, the collective stocks were abolished, and the policy of "No increase with newborns, No decrease with death" was restored.

Since stock cooperatives started in the 1980s, discussions about capitalism and socialism are occurring (姓资姓社). Many villages adopted the concept of collective shares, which accounted for as much as 70% of the total shares, higher than the proportion of personal shares. However, the excessively high proportion of collective shares is contrary to the reform direction of clear property rights (Wang 2020). Therefore, in the 1990s, many villages began reducing their collective shares or even no collective shareholding and replaced them with individual shares. In Tianhe district, the village's behavior of reducing collective shares was criticized as sharing collective assets (瓜分集体资产) and was forced to stop several times until the local government issued policies to encourage the behavior of reducing collective shares.

Excluding ideological factors, we believe that the logic of criticizing the reduction of collective shares is similar to that of scholars who criticize the confirmation of land rights. Critics believe that the collective (village), as an important subject concept, plays an essential role in the grassroots political ecology. The reason it can play this role is that the collectives hold the rights of the land. Once the land ownership is made permanent, the collective has no right to use it, and it cannot play various coordinating roles. The same is true for the increase and decrease in collective shares. With collective shareholding, the village could adjust shares based on the population.

None of the leaders we interviewed completely agreed with the "No increase with newborns, No decrease with death" policy. However, no one argues that it should be adjusted from time to time. A local official speaks for the voice of a village chief.

⁸ However, it was not allowed to inherit stock among the family at the begging. Family must return the share to the village if one died. It was the logic of keeping collective property alive.

The former land contract system was greatly adjusted once every 30 years and fine-tuned once every decade. If the policy of “No increase with newborns, No decrease with death” is implemented for several years, dissatisfaction from society will accumulate. Significantly, the dissatisfaction from families with newly born children. With the one-child policy gone, more new children will be born. This policy must be adjusted, but doing it in one village is risky, so I would like the government to issue a new policy (interview number 24).

A strange move was conducted in Nanhai district, which was the first to start a cooperative stock system. One is to fix stock rights on a family basis rather than on an individual basis. Considering that the land contract system used to be based on the hukou, this method has no sense of discomfort. Moreover, by putting a family (household) between the village and the individual, adjustment due to population increase and decrease becomes a problem inside the family, so dissatisfaction with the group of villagers can be partially resolved (*Nan Fang Du Shi Bao*, 2014.7.4). Another approach is more flexible. In Caochang village, which has implemented the policy of “No increase with newborns, No decrease with death” since 1994, many complaints about fixing the number of shares were filed. Therefore, 203 shares were targeted for the newly increased population in 1999 (cash purchase method, also called “Increase with newborns, No decrease with death.”) (Wen et al. 2008, Chen 2018 *Nan Fang Du Shi Bao*, 2013. 7. 4). Furthermore, from 2005, the direction was significantly changed to the policy of “Increase with newborns, decrease with death” (*Nan Fang Ri Bao*, 2011.3.30). Unfortunately, no information is available on the background of the major change in the village’s direction. As the policy of fixing the number of shares spreads nationwide, whether the case of Caochang village will end with a temporary episode or will continue must be examined continuously.

Individual stocks in Zhejiang

We discussed collective boundaries, membership certification, and a fixed number of shares but did not explicitly mention the shares’ details so far.

The purpose is to quantify the village’s assets and clarify the number of shares owned by the individual villagers. Through such work, (1) by quantifying village assets and stocks owned by individuals, reducing conflicts over profit sharing, and (2) by expressing village assets numerically, the guidance of villages that manage assets. The fraudulent activities of the village leaders may be reduced, and (3) the development of collective-owned economies is further promoted.

The asset determination work is not done by the village itself but by specialized company selected by bidding. At a particular point in time, totaling and registering the village’s total assets (excluding social security funds) and liabilities are not a difficult task. In some villages where confirmation work faced difficulty, it must quantify 80% or more of the assets. The decision on when to set the record date will be decided by voting after hearing the local government’s policies and the villagers’ opinions. Besides, it is not done only once, but it is finalized by making many corrections. Ultimately, it will be decided by a majority of more than two-thirds at the shareholder’s meeting. Furthermore, the process was to perform confirmation work again three years later, and if any problems occurred, correct them as appropriate. The county-level government has the final say on determining assets; hence, the asset determination differs slightly from region to region within a city.

Here, we will observe the stock cooperation company’s contents in the C community, H city of Zhejiang Province. C community was originally a rural village but gradually became an urban community after 2007 thanks to rapid urbanization. The hard part of quantification work is determining who can have stocks and how many stocks, one could have. In the C community, the stocks are divided into population stocks and farm age stocks (years of farming in the village), and further detailed classification is performed. The detailed contents are as shown in Table 1.

Table 1

The rules are very detailed, and some items are intended for one person. Considering the married daughters' issue in Guangdong, we can easily imagine the difficulty of institutionalizing stock cooperative company. According to a community cadre, some people are still dissatisfied, but the majority are convinced (interview number 28).

In the C community, the total asset value is about 250 million yuan, the total population is less than 1,900, and the total number of stocks is about 2,300. About 1,800 members have 100% share status, about 60 members have 50% share status, and about 60 members have 25% share status. Among the stock cooperative company's profits, 20% is used as a reserve fund, 30% is used for public expenditure and welfare expenses, and 50% is used as dividends.

Such quantification work has the following characteristics in. (1) Quantification work is a one-time operation and will not be readjusted even if the population increases or decreases. (2) Certificates will be issued to shareholders, and dividends will be distributed according to the shares held. (3) Shares can be inherited according to the law. (4) Shareholders cannot withdraw for cash compensation. (5) In principle, the transfer of shares is prohibited, and only internal transfer is possible with the shareholder meeting's permission.⁹

The community's case has certain representative significance in Zhejiang, but this does not mean that all rural equity in Zhejiang is completely solidified. Meanwhile, three models can be chosen in Jiangbei district of Ningbo. The villages that have been fully urbanized are subject to static equity management (No increase with newborns, No decrease with death). In contrast, regular dynamic equity management (i.e., increase with newborns, decrease with death) is implemented in the villages dominated by agricultural areas. Another model is somewhere between the two. The dead person's share will be canceled but retains the agricultural age share and can be inherited. Such operations by local conditions are more acceptable to scholars who oppose the determination of land rights and a one-size-fits-all approach.

4. From membership to contract

Considering the process of establishing a stock cooperative in a village and community, it reminds us of the slogan of state-owned enterprise reform that occurred in the 1990s. The goal of the reform of state-owned enterprises was to achieve "Clear property rights, Clear responsibilities, Separation of government and enterprises, Scientific management" (产权清晰, 责任明确, 政企分离, 管理科学) and establish a modern enterprise system. Regarding establishing a cooperative stock system in rural areas, the central government has issued a demand for "clear ownership, complete right, and function, smooth transfer, and strict protection" (归属清晰、权能完整、流转顺畅、保护严格). Although the stock cooperative company structure was created based on the collective ownership system of land, the purpose is not so different from that of modern company.

In the process of state-owned enterprises' shareholding reforms, although social capital has been added to become the new shareholders of the enterprise, the state has always been the largest shareholder in the shareholding structure of the enterprise. Unlike state-owned joint-

⁹ The politics in the village is full of informal rules. We have also seen many informal rules in the case of the C community, and attempts to transform such informal rules into formal rules through the process of confirming rights. We have observed that Fei Xiaotong's concept of differential order pattern (差序格局) has been reflected in the process of determining rights, but due to insufficient research materials, we are unable to have further discussion.

stock enterprises, the stock cooperatives in the village are collectively owned, so should the village collective become the largest shareholder of the stock cooperative while ensuring its collective ownership? We see that the early share cooperatives did have a similar idea, and collective shares accounted for most shares in cooperatives (Zhou 2014). However, after several rounds of reforms, individual equity completely replaced collective equity and became the majority in the equity structure. In natural villages, the collective's boundaries and its members' identities are easier to define, just like the boundaries of a lineage. However, once the urbanization process is carried out, the boundaries of natural villages no longer exist, and the residences of the original members are more scattered.

To correct the phenomenon of unmatched *hukou*, that is, place of residence, and land rights of the members, stakeholders determine the members' qualifications and the cooperative stock system transformed the farmers into shareholders. It is a significant change. With the cooperative stock system's introduction, the village collective's previously owned and managed property was transferred to the stock cooperative company. Simultaneously, the management method of collective assets, which used to be decided at the village executives' discretion, was managed and supervised by the newly elected boarding members and shareholders' general meeting.¹⁰

The land ownership system in rural areas is collective ownership, and the villagers' committee, which is an autonomous organization, manages the property owned by the collective. A vote of the villagers elects the villagers' committee. These three aspects were also the elements that made up rural autonomy. The relationship between the villagers, the villagers' committee, and the collectively owned land was a loose social contract, not a market contract (Zhe & Chen 2005).

What will happen if rural urbanization progresses while maintaining the policy of "No increase with newborns, No decrease with death?" An example is Shipai Village in Tianhe district, Guangzhou city. Although the village's name is inherited and used, this is a modern urban community lined with high-rise condominiums. The number of former residents of the village living in the community is less than 9,000, compared to 110,000 others. Villagers gather and live in "apartments of relocation" (a new house provided to former villagers who have evacuated), forming a unique community different from other district residents. Although a minority in the district, these 9,000 people receive dividends as the stock cooperative shareholders every year.

However, most of the district residents bought real estate and moved in and had nothing to do with the original village. Under these circumstances, what is the meaning of the concept of the collective? After all, the village collective is meaningful only to those populations with stocks. It continues to exist as a privilege for some people and their ancestors.

The boundaries of rural areas, members, and their boundaries were almost in line with economic collaboration companies' boundaries. Therefore, the living community possessed an image in which the context of autonomy existed. However, with the progress of urbanization, space and boundaries as rural areas have disappeared. Only the member qualifications exist in the form of stock certificates, and the community of life in the past is only in memory.¹¹

¹⁰ Obviously, the election of the president of a group company that is involved in profits will intensify. However, the main task of the villagers' committee is to provide administrative services, and the elections do not attract much attention. Typically, a talented person concurrently serve as the head of a party, villagers' committees, and group company (Ren 2016).

¹¹ In some villages in Tianhe District, Guangzhou, where rural urbanization was one of the fastest, moves to preserve and restore traditions and cultural ceremonies have been carried out. The economic power of the community made this activity possible. For the memory of community, and the relationship between original villagers and new residence, more studies need to be done from the perspective of urban sociology. Please refer to He (2000) for the memory of rural society in the

Wen (2008) questioned the policy of fixing the number of shares. Take land contracting as an example. If regular fine-tuning, such as membership certification and land contracting method, was possible, social dissatisfaction could be resolved within the village. However, the policy of fixing the number of shares generated many profit-seeking petitioners. These petitioners are based on laws and policy provisions, not village accreditation. Based on this recognition, Wen argues that village and community can flexibly respond to population changes and policy changes (Wen et al. 2008).

Equilibrium is an essential keyword to maintain the stability of rural areas. By coordinating and stabilizing different demands, the village can maintain the stability of politics. It can be understood that the villagers' committees' regular elections are one mechanism for maintaining these balances. Township executives, village party secretaries, village chiefs, and other central figures in rural societies play an important role in maintaining these balances, bringing institutional and non-institutional practices. However, the moment everything is expressed as a number, maintaining that balance becomes even more challenging.

The balance between different interests is important for maintaining the stability of the village. Nanhai district's seizure work rather upsets this balance. This is a contradiction (interview number 4).

This is the personal view of a deputy mayor who told us about the confirmation of rights. His ideas are similar to those of many scholars who oppose the confirmation of rights. The logic behind it is to maintain order and stability. As an intermediary between the government and villagers, village cadres play an essential role in maintaining social order.

By looking back at the community's stock quantification work, we can determine repeated adjustments behind all items. Many problems are so complex that only the parties and a few village executives can see them. Will the resolution of these issues be successful if we leave it to a majority vote or a trial? Movements such as demarcating boundaries, certifying members, and fixing the number of shares are necessary to reduce transaction costs, as institutional economics calls them (North 1990). However, the law and statistics did not depend on this finalization work, but the village executives' coordination did. Meanwhile, quantification and immobilization work is moving toward reducing the discretion of village executives.

We have seen that through the confirmation of rights, the concept of property rights of collective assets has become increasingly clear, the collective economy has gradually entered the market as an enterprise, and the discretion of the village cadres in charge of the collective economy has become less and less. All this seems to be moving in the direction envisioned by institutional economics, at least in areas where urbanization progresses rapidly. The nature of collective ownership must always remain unchanged; therefore, the transfer of stocks owned by individuals can only be carried out within the collective. From a legal perspective, free transfer and equity mortgage of individual stock may be the last barrier to protecting collective assets. Crossing this barrier is equivalent to complete private ownership.

Of course, we cannot merely think that farmers who own shares tend to privatize collective assets. Sociologists put forward an interesting idea when analyzing contemporary Chinese peasant resistance; that is, an effective way for peasants to fight is to make the problems public (Zhe 2008). This is because the more collective members are involved, the easier the collective assets problems are publicized. Once the collective assets are entirely privatized, and once interest disputes arise, owners will only stay at the individual level and will not be concerned by society. Therefore, for individuals with equity, as long as a certain amount of dividends exists, it may not be a bad choice to maintain collective ownership.

In our interview, respondents mentioned frequently whether dividends existed or not. However, we have never heard whether villagers as shareholders will make up for the deficit with their personal property if a collective-owned company continues to run a deficit. For those

process of urbanization.

collective-owned companies whose main source of income is real estate leasing, they may not be able to expect more income than the cost of repayment to banks and maintenance of buildings.

The economic power of the village is disjointed and cannot be said unconditionally. Very few villages can cover all the money needed for real estate development on their own or with bank loans. In many cases, the village's collective economy (especially those delayed by the wave of urbanization) is established, with the village providing the land and developers funding it.¹² If a problem arises with the developer's cash flow, the developer may give up the joint project with the village. Given today's Chinese economy, that is even more likely. The collective economies in debt would have to go on the path of privatization like the township and village enterprises of the past. At that time, the debt liability will be clearly shown because the property right is clear. If so, letting go of negative assets would have no great resistance.

5. Conclusion

Scott (1976) studied rural areas in Southeast Asia and raised a moral economy concept to understand farmers' behavior. According to Scott (1976), peasant behavior comes from an existential situation and has nothing to do with culture or religion. The logic is briefly introduced as follows. Due to restrictions on the living environment, agriculture will remain at the subsistence level. Such environment creates a code of conduct for farmers—the norm of reciprocity. The various mechanisms in the village (e.g., common land and property, redistribution, and labor obligations) can retain the minimum rights necessary for the farmer's survival by providing welfare to the farmer (Scott 1976).

However, Popkin (1979) is critical of Scott's moral economy. According to him, farmers are rational individuals who seek to maximize individuals and their families' welfare, not by the collective's interests or moral values. Besides, common and property systems in rural areas are often seen as correcting inequality within communities. However, they posit that mutual distrust and selfish behavior cannot be achieved, even if they are beneficial to all (Popkin 1979).

The discussion in this paper is similar to these claims. Various village mechanisms, as a community, guarantee the villagers' unity and the minimum necessary living. The "Pork distribution" story is a typical example, which is Scott's (1976) moral economy itself. Agriculture and the property system of collective ownership were the foundations that underpinned the moral economy, and the norms of reciprocity were valid among the collective members. Meanwhile, the peasant's behavior, which takes an exclusive attitude toward married daughters, is compatible with Popkin's (1979) rational peasant. The behavior of ignoring norms (certification of members) to maximize self-interest and acquire the right to hold shares all prove a rational individual's hypothesis.

Moreover, transforming rural areas into an urban community is the disappearance of villages as a community of farmers. In urban communities, the inhabitants have diverse backgrounds and are atomized individuals who do not need a community to guarantee their survival rights. The relationship between the state and the farmers went through the medium of villages because of collective organizations' existence. However, nations have direct relationships with individuals when it comes to urban communities. In that sense, the case of rural urbanization in China is a process in which the moral economy expires and a rational individual approach spreads.

In the first place, collective ownership is not a static concept, but its function and meaning change in response to changes in times and circumstances. A series of institutional reforms centered on stock cooperatives in modern China have not changed the name of the collective ownership system but are moving toward recognizing more exclusive usufruct. The government

¹² To maintain its collective owned character, the village must hold more than 50% share of whole the project.

controls this reform, and the villages as a collective and the members are consistently passive. This is vastly different from the early economic collaborations that started in Nanhai district. Po (2013) described the early reforms as the rural property system reforms as a shared script. The feature of this mechanism is that any party can change the script. However, looking back on the changes over the past years, the protagonist of the script has changed from a village to government.

Shimizu (1949) once described the future of China's lineage property system as "generally expected to follow a path of gradual wear and tear, overcoming the complete collapse of the family" (p. 219).

A series of institutional reforms surrounding the stock cooperative company requires further research on whether it means the disappearance of the collective ownership system or whether it will be a new path.

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Table 1

Stock Type and Percentage	Condition	Exception
Population stock		
100% possession (Residence)	<p>1) Person who was the hukou of the village when the village was removed</p> <p>2) Personnel in prison (being a village Hukou)</p> <p>3) Married daughter (a woman who married to the village from the outside) and her offspring</p> <p>4) Woman from the outside married to the villager and divorced, but still holds the hukou of the village and her child</p> <p>5) When the villager remarries, and her spouse's child (18 years old or younger) is an agricultural population and is alone (only child preferential treatment is available). If a villager who already has a child remarries, the spouse's</p>	<p>A person who left the village for marriage but returned again</p> <p>One has shares but do not receive dividends during the sentence.</p> <p>Excludes spouse if remarried</p>

Stock Type and Percentage	Condition	Exception
	child (18 years old or younger) can be counted up to one (no incentive for only child policy treatment)	
100% possession (Non-residence)	<p>1) Active-duty military service</p> <p>2) Those who have been married but could not transfer their hukou due to restrictions on the hukou policy and do not own shares in the original village.</p> <p>3) Children whom villagers have adopted for more than ten years without giving birth due to illness etc. (Children who could not be registered in the village due to restrictions on hukou policy, only one is allowed)</p>	Military officers are excluded
100% possession Non-agricultural population	<p>1) Former farmer in the village who became a non-agricultural hukou after 1984 due to land collection or urban redevelopment</p> <p>2) A former farmer in the</p>	<p>Excludes children from outside due to remarriage</p> <p>Excludes civil servants</p>

Stock Type and Percentage	Condition	Exception
	<p>village, a non-agricultural population who returned after getting married and moving out of the hukou as a military family.</p> <p>3) A child of a person who has converted to a non-agricultural population, born after 1984</p> <p>4) Village farmers who have become non-agricultural population (after 1984) to receive higher education or after serving in the military.</p> <p>5) People who have turned into a non-agricultural population for their reasons (after 1984)</p> <p>6) (Since 1984) Agricultural population married a village that has changed to a non-agricultural hukou because their marriage partner is a non-agricultural hukou.</p>	
50% possession		

Stock Type and Percentage	Condition	Exception
Non-agricultural population	<p>1) Villagers who turned to the non-agricultural population before 1984</p> <p>2) A child whose father is a hukou of agriculture in the village but who entered the hukou of his mother before 1984.</p> <p>3) Person who became a civil servant after 1984</p> <p>4) Non-agricultural population who returned to the city after receiving treatment from sent-down youth 1984</p>	
25% possession Non-agricultural population	<p>1) Persons who became civil servants before 1984, or employees of business organizations borne by national finance</p> <p>2) Hereditary residents</p>	
0%	(1) A person and his / her child moved out of the hukou because of marriage but returned to the village due to divorce, branching (housing distribution)	

Stock Type and Percentage	Condition	Exception
	<p>2) A person who has married to an outside village and holds shares in the other village</p> <p>3) registration only (gua kao, 挂靠)</p> <p>4)The partner and his / her child, when the person married to the village, divorces and remarries</p> <p>5) People who died before December 31, 2008</p> <p>6) People born or married after December 31, 2008</p>	
Special Measures	<p>1) Married (first marriage) until December 31, 2008, but 1 share is granted to families without children</p> <p>2) If the non-agricultural population from the outside marries the village, but the other person dies and remarries, decide according to the situation.</p>	No dividend will be paid for ten years to households that violate the planned growth regulations of Zhejiang Province.

Stock Type and Percentage	Condition	Exception
	<p>3) In the case of a son-in-law, up to one person per family is allowed</p> <p>4) As an only child policy incentive stock, two stocks for children in an only child family, and two stocks for both parents and two generations of children (1 stock if there are no children).</p> <p>6) 1 stock each for twins</p>	
Agricultural age stock		
<p>One stock is one year of agricultural age and is temporarily provided (680 yuan / one farm age stock). There is no dividend like artificial stocks.</p>	<p>1) From January 1, 1984, to June 5, 2007</p> <p>2) Calculated based on the age (16-65 years for men and 16-60 years for women) and the period of enrollment in the agricultural hukou (less than one year is considered to be one year)</p> <p>3) Married people (from outside) are counted from the date of marriage</p>	

Stock Type and Percentage	Condition	Exception
	<p>4) For those who have turned to a non-agricultural population, the period until the conversion date</p> <p>5) For those who have transferred to their married hukou, the period until the date of marriage</p> <p>6) For those who died, the period until the date of death</p>	