



# Impacts on Rural Community Development and Governance by Different Land Ownership: A Comparative Study Based on Two Villages in China

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## Abstract

The capability of rural community governance is significantly impacted by the different types of land ownership when capital investment in rural tourism to achieve rural revitalisation. The outcomes of which profoundly affect sustainable rural development. This study, by utilising a theoretical framework using double movement theory, aims to assess the impacts on rural community governance by two different land ownership models, the Enterprise-based Model (EBM) and the Community-based Model (CBM), in the process of capital flow to the countryside (CFC). Case studies of the two villages were adopted to examine and explore the logic of interaction between stakeholders and reveal the internal mechanism of rural community governance. The results of this research indicate that the CBM has considerable advantages over the EBM. In the CBM, the village collective retains land ownership without fully marketising, which allows villagers to maintain their bargaining power with investors whilst increasing their local awareness. In the EBM, however, the local government promotes the conversion of land ownership. The villagers benefit more from one-time acquisition but lose sustainable benefits created by local development. Stakeholders call for the need to create a development model beyond the market economy by maintaining China's rural land system in the process of CFC. In this regard, this paper provides an original contribution.

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**Keywords** Capital-driven · Enterprise-based model · Village-based model · Rural governance · Land ownership

## Resumen

La capacidad de gobernanza de la comunidad rural se ve significativamente impactada por los diferentes tipos de propiedad de la tierra cuando se invierte capital en turismo rural para lograr la revitalización rural. Los resultados afectan profundamente el desarrollo rural sostenible. Este estudio, utilizando un marco teórico basado en la teoría del doble movimiento, tiene como objetivo evaluar los impactos en la gobernanza de la comunidad rural de dos diferentes modelos de propiedad de la tierra, el Modelo Basado en la Empresa (en inglés, “Enterprise-based Model”, EBM) y el Modelo Basado en la Comunidad (en inglés, “Community-based Model”, CBM), en el proceso de flujo de capital hacia el campo (en inglés, “Capital Flow to the Countryside”, CFC). Se adoptaron estudios de caso de dos aldeas para examinar y explorar la lógica de interacción entre los interesados y revelar el mecanismo interno de gobernanza de la comunidad rural. Los resultados de esta investigación indican que el CBM tiene considerables ventajas sobre el EBM. En el CBM, el colectivo del pueblo retiene la propiedad de la tierra sin comercializarla completamente, lo que permite a los aldeanos mantener su poder de negociación con los inversores mientras aumentan su conciencia local. En el EBM, sin embargo, el gobierno local promueve la conversión de la propiedad de la tierra. Los aldeanos se benefician más de una adquisición única pero pierden los beneficios sostenibles creados por el desarrollo local. Los interesados piden la necesidad de crear un modelo de desarrollo más allá de la economía de mercado manteniendo el sistema de tierras rurales de China en el proceso de CFC. En este sentido, este documento proporciona una contribución original.

## Résumé

La capacité de gouvernance des communautés rurales est significativement impactée par les différents types de propriété foncière lors de l’investissement en capital dans le tourisme rural pour réaliser la revitalisation rurale. Les résultats de cela affectent profondément le développement rural durable. Cette étude, en utilisant un cadre théorique basé sur la théorie du double mouvement, vise à évaluer les impacts sur la gouvernance des communautés rurales par deux différents modèles de propriété foncière, le Modèle basé sur l’Entreprise (en anglais: “Enterprise-based Model”, EBM) et le Modèle basé sur la Communauté (en anglais: “Community-based Model”, CBM), dans le processus de flux de capitaux vers la campagne (en anglais, “Capital Flow to the Countryside”, CFC). Des études de cas de deux villages ont été utilisés pour examiner et explorer la logique d’interaction entre les parties prenantes et révéler le mécanisme interne de la gouvernance des communautés rurales. Les résultats de cette recherche indiquent que le CBM a des avantages considérables sur le EBM. Dans le CBM, le collectif du village conserve la propriété foncière sans la marchandiser entièrement, ce qui permet aux villageois de maintenir leur pouvoir de négociation avec les investisseurs tout en augmentant leur conscience locale. Dans le EBM, cependant, le gouvernement local favorise la conversion de la propriété foncière. Les villageois bénéficient davantage d’une acquisition unique mais perdent les avantages durables



créés par le développement local. Les parties prenantes appellent à la nécessité de créer un modèle de développement au-delà de l'économie de marché en maintenant le système foncier rural de la Chine dans le processus de CFC. À cet égard, ce document apporte une contribution originale.

## Introduction

For both local governments and the communities in rural areas, one main constraint to promoting development is the shortage of funds. This is a common problem worldwide, especially in developing countries in the early or middle stages of industrialisation and urbanisation, as is the case in China. During the last 4 decades of industrialisation and urbanisation, rural China has faced several challenges, such as social and economic marginalisation, population outmigration and the demise of traditional culture (Tsai 2002). The attraction of capital flow to the countryside (CFC), especially investing in rural tourism, has become a meaningful way to address the problems (Wu and Pearce 2014).

However, there is substantial controversy over CFC (Hedlund and Lundholm 2015; Liu et al. 2016). The advocates believe that commercial capital is conducive to revitalising rural space and promoting rural community development. The combination of a rural location and tourism can realise the integration of primary, secondary, and tertiary industries within communities (Chaudhuri and Banerjee 2010). Commercial capital intervention can help increase local villagers' income, achieving a win-win situation between investors and local communities. Nevertheless, opponents believe that the purpose of CFC is to pave the way for profitable non-agricultural projects such as real estate development (Jiao and Zhou 2016). Rural local governments and investors are more likely to form alliances to control production factors such as land (Li and Ruan 2018). The capital may increase poverty amongst local communities and force villagers to leave their homes (Herzer 2012). The focus of the current research debate is whether the CFC has indeed promoted rural development and benefitted local communities that should function as the main stakeholders in the CFC.

In recent years, there have been plenty of papers exploring the governance structure of CFC. The main argument of research is that governance structure stability is the basis for achieving sustainable rural development. It is also suggested that land ownership is the core of obtaining a competitive advantage in CFC when all stakeholders are trying their best to get more monopoly power (Ran 2020). The transformation of land ownership prompts a change in the status of villagers and enterprises (Hall and Cousins 2018). It distinguishes the cost-benefit distributions amongst stakeholders (Furubotn and Richter 2010), which will further affect rural development and governance. However, the comparative studies on the agrarian governance structure under different land ownership models are very few, especially the research that considers political, economic and social factors to explore the internal mechanism of governance structure transformation. Moreover, the research on the impacts of related land policies on CFC is also limited. From this perspective, this research intends to address the questions of "what are the differences in rural community



governance structures under the different land ownership models?” and “how the capital flow to the countryside affect the internal mechanism of rural community governance structure under different land ownership?”.

This research adopted the double movement theory to assess two different land ownership models of the CFC. The double movement theory emphasises the complex intertwining of politics and economics and the relationship between the economy and society (Polanyi 2001). This theory states that land is a “fictitious commodity” of the market economy, and the transformation of land will lead to a change in the governance structure. It is suitable for analysing the governance structure under different land ownership models, which can be used to explain the internal mechanism of rural community governance. Therefore, this research selects two villages that have developed rural tourism in *Wuyuan* County, *Jiangxi* Province, as cases to compare the impacts of CFC on governance structure under different land ownerships. The outcomes of this research contribute to the theoretical debates on double movements theory to explore the effects of CFC.

## The Governance Models of CFC

### Land Use Rights Reform and Its Impacts on Rural Community Development and Governance

The characteristics of land ownership closely impact rural community governance. It is complicated in China due to the dual system of land ownership, which consists of state ownership, the use right of which is transferable, and collective ownership in the rural area, but the use right of which might not be legally transferrable (Chen et al. 2020; Kong et al. 2018) until 2016. The dual system has significantly influenced the rural community development and its governance patterns in the process of CFC. It was not until the year 2016 that the Chinese central government implemented the reform of rural land by “separating three types of rural land rights” (GOCCCP and GOSC, 2016; Wang and Zhang 2017), which refers to separating the land ownership, contractual rights and operating rights, an institutional mechanism was established for the transfer of rural land use rights. The reformed system allowed for legally transferring the use rights of rural land in the market.

As a consequence, CFC was deliverable legally. However, the possibility of operating land use right under the dual system creates more critical and complicated issues in rural community development and governance. It should be stated in this paper that we use the term “land ownership”, which is the common discourse, instead of “land use right”, which illustrates unique Chinese land ownership and institution since there is no private land ownership in China.

There are two distinctive schools in the research on rural community governance in CFC (Ma and Chiu 2018). One view supports delineating the property right by transferring the land ownership to the state from the collective and then obtaining the use right of land to address rural problems. They believe that free trade of land ownership to delineate the property right is a precondition for marketisation (Bramall 2010) to confirm the ownership, which will benefit rural communities. The



other view suggests that rural governance differs from urban areas (Po 2011). Land ownership protection for rural communities through the legal formalisation of property rights is often time-consuming and expensive. More critically, it is usually only beneficial to rural elites (Baye 2007). This cannot change the security tenure for poor villagers (Broegaard 2010).

### **Double Movement Theory in CFC**

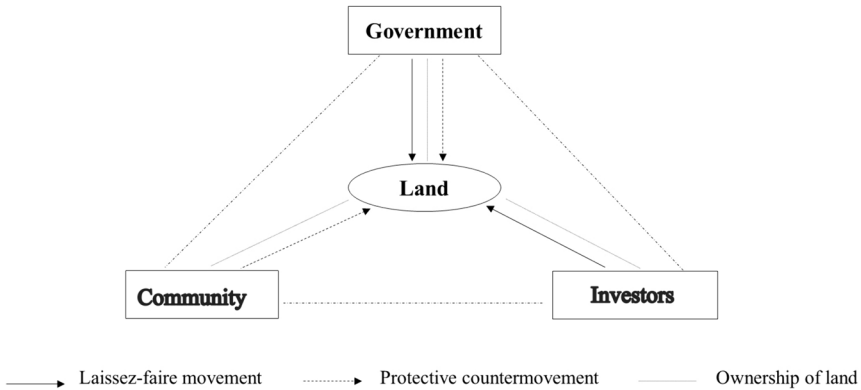
The double movement theory was proposed by Polanyi (2001). The theory offers a powerful critique of the idea of “market liberalism” and condemns “the elevation of the ‘self-regulating market’ to a position of dominance” (Hart and Hann 2009). According to Polanyi (2001), the commodification of land, labour and money is integral to creating a self-regulating market. However, integrating the fate of fictitious commodities with that of market workings created countless uncertainties and tremendous social dislocations, resulting in widespread protective “counter-movements” against the “free market”(Levien 2007). Sahoo (2017) points out that whilst market liberalism has helped India overcome the slow so-called “Hindu rate of growth”, it has adversely affected the economic interests of the poor. The role of “progressive” actors such as peasant farmers, migrant workers, women’s associations, and subaltern civil society are often the subject of double movement analysis (Burawoy 2010). Therefore, the double movement theory building a framework for the political-economic analysis of governance structure is regarded as the laissez-faire movement of investments and the protective countermovement of communities.

China has a special land ownership model that is different from many countries. Land ownership as a “fictitious commodity” is an important variable. The process of land commercialisation will lead to the transformation of the relationship between communities and other governance subjects (Nolte 2014). It constituted two opposing movements, including the laissez-faire movement to expand the scope of the market and the protective countermovement to resist the disembedding of the economy. In the process of CFC, investors take market orientation as the goal and mainly promote the commercialisation and marketisation of rural areas (Dessein et al. 2013); communities, which represent local society, focusing on the protection of rural history, culture, and environment (Huang et al. 2020), are of a certain degree of resistance to marketisation. The government, as a regulator, participates in coordinating the two movements (Fig. 1).

### **Two CFC Models Due to Different Land Ownerships**

Currently, China contains more than 100,000 villages with unique local characteristics and more than 20,000 villages with rural tourist attractions. In the locations of these rural tourist attractions, most villages have to depend on commercial capital investment. Rural governance structures are very different under different land ownership models. It is important to explore the internal governance mechanism of CFC to understand the suitable type of governance structure for CFC and its approach to the sustainable development of rural communities.





**Fig. 1** A rural governance model based on double movement theory. Source: By the authors

Since the rural land ownership reform of the “Separating Three Types of Rural Land Rights”, rural collective subjects continue to maintain the ownership of rural collective land, the contracting right of which belongs to families and members of rural villagers. The contracted villagers can now transfer land use rights through lease, subcontract, shareholding, and interchange (GOCCCP and GOSC, 2016). The land can be operated by the actual land users, who can be either contracted villagers, enterprises, or any private individual (Li et al. 2018). Compared to the rural land ownership and use system, urban land belongs to the state, but land use rights can be leased for a certain period. The difference between collective and state land ownership lies in whether the land use right was tradeable in the market before the rural land ownership reform in 2016. However, the government can transform the status of lands of collective ownership to the state owned by expropriating collective-owned land; the use right is then tradeable in the market.

The different land divided the categorise of CFC in rural areas into two types. One type is the enterprise-based model (EBM), which is of the status of state ownership after expropriating collective-owned land by governments. The enterprise owns the land use right that has been converted into state ownership. In this scenario, rural communities lost all their rights to the land. The other type is the community-based model (CBM), which shows a shareholding of the collective economy (Shen and Shen 2018). Under this scenario, the rural community as a collective body keeps the land ownership. According to law and related regulations, a villager should sign a contract with the rural collective body for the use right of a particular piece of land; the villager maintains a full statutory right of the land within the contract period, including sub-contracting with others, e.g., an investor or an enterprise. Under this situation, the sub-contractor is the actual user of the land.

Any investor or enterprise from outside of the community is possible to contract with the village collective body directly if the agreement can be approved by all villagers of the community. Under this scenario, the local collective body or villagers can negotiate for better benefits and even block actions if the agreement is not achieved amongst the stakeholders because of their rights on the land. In the process



of the CBM, local communities often participate in the development and decision-making by converting the ambiguous collective property into shares for eligible villagers (Chen 2016). Therefore, the different land ownership and land-use systems can be used to comparatively analyse the rural governance structure under different CFC models.

## Study Area and Research Methodology

This research used a dichotomous case selection strategy to identify and select the cases (Seawright and Gerring 2008). The dichotomous case selection strategy entailed defining the community sustainability criteria, including their geographical locations, type of land ownership and use rights, funding sources, cultural identity, governance mechanisms such as stakeholder representation structures, voting structures, and implementation approaches. The *Huangling* Village and *Likeng* Village, in *Jiangxi* Province, China were selected for comparative case studies to analyse the governance structure and approach to CFC under different land ownership.

Before the capital flow to the countryside (CFC), the governance model of rural China in different regions was the same, except for disparities in resource endowments and local traditional cultures due to the differences in geographic locations. However, after the Chinese government promotes the rural revitalisation strategy and encourages more market capital in rural areas, due to the factors of China's land ownership system, there are two models of rural governance in Rural China, namely the enterprise-based model (EBM) and the community-based model (CBM) as a consequence of changing in landownership systems.

The Community-based Model (CBM) and the Enterprise-based Model (EBM) offer different perspectives on rural China's development and governance. The distinctions are the impacts of changes in land ownership discussed in "[Land use rights reform and its impacts on rural community development and governance](#)" section of this paper, whether land remains as collective ownership (CBM) or on the shift from collective to state control, within which businesses lead market-oriented development (EBM). The EBM prioritises profit maximisation over community involvement (Polanyi 2001) and is endorsed by governments looking to boost local economic growth. For local villagers, losing their land means losing their voice and their source of sustained income from the land. Moreover, the local villagers are marginalised in EBM's development and governance progress due to a lack of land rights.

The CBM relies on collective land ownership, giving the community the power to negotiate with investors. This approach serves as a defence against unregulated market forces, allowing villagers to protect their interests and maintain a strong connection to their land and other properties as a protective countermovement (Polanyi 2001). The driving force behind the CBM is the community's collective action to protect and manage common resources (Ostrom 1990). CBM allows villagers to maintain ownership of the land. They can continue profiting from the land and have a significant voice in negotiations with developers.



The two selected villages are situated within *Wuyuan* County, designated as China's first national demonstration zone for global tourism. After the designation of *Wuyuan* County as a national demonstration zone for tourism, it attracts the interest of market capital. Consequently, over the past few years, the development of rural tourism in this area has been influenced by market capital flows. However, both CBM and EBM that occurred in *Wuyuan* County are attributed to distinct socio-economic dynamics within the region. Initially, the CBM emerged during the beginning phase of tourism exploration in *Wuyuan* County. At this stage, the influx of capital was modest and prudent, aimed at mitigating risks. The development was operated on a collaborative approach that integrated market capital investment with the spontaneous renovation by local villagers. This synergy fostered a grassroots-driven model that is emblematic of the CBM.

The EBM's emergence was attributed to the established prominence of *Wuyuan*'s tourism industry within China, which has attracted significant attention. In this instance, a developer decided to engage with an impoverished village situated at a considerable altitude, characterised by challenging access due to its mountainous location. The villagers, recognising their geographic disadvantages, expressed a collective desire to relocate through a referendum. The local government, seeking the possibility of poverty alleviation and the stimulation of local economic growth, was advocating for the EBM as a viable development approach. Consequently, *Wuyuan* County exemplifies both the CBM and EBM, providing a unique comparative lens through which to analyse the impact of different land ownership and development models on rural governance.

The case of *Huangling* Village is a typical EBM, in which land has been transformed into state ownership with the land use right owned by the enterprise, but *Likeng* Village case represents the community-based model. The two villages operate under different land ownership models, providing an opportunity for exploring two models based on the double movement theory.

The selected two villages provide a solid foundation for comparison whilst the distinct land ownership models they operate under EBM and CBM, offer a clear contrast for analysis. Moreover, the shared geographical location and similar social and historical contexts of the two villages mitigate extraneous variables, such as cultural disparities. This setup allows an in-depth exploration of how different land ownership structures can influence rural governance.

However, there are limitations to consider. The specificity of the villages' tourist attractions may limit the generalisability of the findings to other rural areas where tourism development is not based on traditional village settings or tourist attractions. Additionally, whilst the shared geographical and historical contexts strengthen the case for comparison, they also mean that the findings may not be directly applicable to regions with different cultural and historical backgrounds. Despite these limitations, the selection of these two villages provides a robust platform for understanding the dynamics of EBM and CBM within the context of rural development and governance, offering valuable insights that can inform broader debates and policies in the field.

The location and the main characteristics of the case areas are shown in Fig. 2. The authors delivered the survey in the months of March, April and September in







Fig. 2 Location map of case sites. Source: By the authors

both 2019 and 2020. The main data collected and analysed for this research are from two sources. The first source is semi-structured interviews. We operated observation of CFC in *Huangling Village* and *Likeng Village* whilst carrying out in-depth interviews in which we asked different stakeholders to list the key outcomes, different partners involved in the process of the CFC and governance, and the impacts of CFC from their perspectives. The researchers have also visited the governments of *Wuyuan County*, *Jiangwan Township*, and *Qiukou Township* to conduct in-depth interviews with government leaders and officials in charge of these CFC initiatives. In this research, 6 government officials, 6 village committee leaders, 4 enterprise leaders, and 12 villagers were interviewed. The interviews were arranged between 30 min and 2 h depending upon the availability of interviewees. The second sources of data and information were the official documents collected during the survey,



including statistics, working reports, and programme guidelines. These documents help the researchers to understand local CFC initiatives and governance structure.

## Comparative Case Studies

### Enterprise-Based CFC in *Huangling* Village

#### Background of an EBM

Old *Huangling* Village, which contains unique natural and cultural landscapes, is located northeast of *Wuyuan* County, *Jiangxi* Province (Fig. 2). In 2009, *Wuyuan* County Rural Culture Development Co., Ltd. invested 12 million yuan in developing a resettlement area (new *Huangling* Village) for the local villagers. After the resettlement of 320 villagers to the new *Huangling* Village, the company obtained 33,000 square metres of land use rights in the old Village through a legal approach to changing land ownership to state ownership from rural collective ownership and purchasing land use right (interviewed an enterprise leader on 04/02/2019). *Wuyuan* County Rural Culture Development Co., Ltd has then obtained all the rights granted by the land under the mechanism of state ownership. The old *Huangling* Village has become a 4 A-level tourist attraction.<sup>1</sup>

#### Laissez-faire Movement: Enterprise Marketisation Movement

The model of CFC adopted in *Huangling* Village is a typical EBM. This model, supported by governments, is considered an institutional innovation to stimulate the development of enterprises. The government assisted the enterprises in obtaining the land use right of the old village by converting it to state-ownership land. They also assisted enterprises in transferring ownership of natural resources such as mountains, forests, terraces, and others, so that the enterprises could create landscapes. The complete commercialisation of the land provided a guarantee for the investment of the enterprise, which may not need to deal with the local community and villagers who no longer maintain the land ownership.

As an extended governmental organisation in the grassroots society, the village committee strives to promote the implementation of this project under hierarchical policy pressure and consideration of local economic growth and better off of the local communities. They adopted not only the conventional administrative instructions but also their prestige and social relationships to help the operation of the project smoothly. Their work reduced the potentially high costs such as information gathering and contract negotiation with local villagers in the project delivery. It was indicated by a village committee leader that the village committee had actively

<sup>1</sup> The tourist attractions and/or scenic spots in China are classified into five levels: 5A, 4A, 3A, 2A and 1A. The 5A-level tourist attraction is the top tourist attractions, followed by the 4A-level tourist attraction, etc.



reflected the demands of local communities to the hierarchic governments. At the beginning of the project, the village committee and 70% of local villagers strongly supported this development (interviewed on 04/02/2019).

The market operation of tourist attractions included the commodification of historic buildings and the local labour force. In terms of modifying historical buildings, the enterprises have relocated historical buildings to other areas in the old village for off-site protection and built new houses in the village from materials gathered from old buildings. More than 20 houses in the old village have been “newly” constructed but following the existing village’s style for tourist attraction.

The commodification of the local labour force was also included in CFC. After the resettlement of all villagers to the new village, the old village was empty without any residents. However, businesses counter-employed villagers have been used to restore the village atmosphere. For example, the local villagers were recruited to work as cleaners in the hotel or cook to produce local traditional food. Local villagers were no longer stakeholders in the development of the old *Huangling* Village, but the employees worked with the intention of the enterprise.

In 2009, the companies invested 600 million yuan in the development of the old village by building parking lots, theme parks, suspension bridges, and ropeways. The vast investment had brought considerable benefits to the companies. In 2018, *Huangling* attracted 1.3 million visitors, the operating income exceeding the sum of 13 other well-developed tourist attractions in *Wuyuan* County. A business leader of the company indicates that.

Objectively speaking, the conversion of land property rights has enabled our enterprise to invest heavily to create such a classic tourist attraction. (Interviewed on 04/02/2019)

### **Protective Countermovement: Policies to Protect Villagers’ Interests**

Before the conversion of land ownership in old *Huangling* Village, the protective countermovement of society is supported by government policies. The policies were legal contractual arrangements that minimised the disembedding movement of enterprises by restricting the businesses and safeguarding the interests of the villagers. The government had formulated rules and regulations on housing resettlement, employment arrangements, and resource use fees to protect the rights of local communities. To meet the policy requirement for housing resettlement, the company invested 12 million yuan in developing a new village located next to the main road with convenient transport and adequate infrastructure. The new village consists of 68 three-story houses and 24 apartments. Tourism development has brought new business opportunities for the local villagers. They earn income by engaging in tourism-related activities, such as opening farmhouses, supermarkets and shops for selling tourism products. An official of the *Jiangwan* township government told the researchers that the average annual income of households increased to 120,000 yuan from 15,000 yuan (interview on 03/28/2019). In terms of job opportunities, it was found from the survey that the enterprises had to provide jobs for local villagers at the ratio of “at least one person per household” standard.



After the conversion of land ownership in the village, the substantial connection between local communities and the old Village was split. Even though some local villagers have been continuing to work on cultivated land to produce grains and vegetables, they are the employees of the company to produce rural landscapes for tourist attractions. The bargaining power and the protective countermovement of the local communities became weak due to losing statutory rights on the land. The view of a villager of *Huangling* Village told the researcher in the survey represents the general ideas of villagers,

“Indeed, enterprises have invested much capital in the relocation and reconstruction of villages. Without the investment of enterprises, building the entire village tourism industry is difficult. However, now we have nothing to do with the tourism development of Huangling Ancient Village, and investors will not discuss any projects with us. If we retain the land ownership, we can now be more integrated into tourism development, and rural cultural tourism may be more authentic. We also get more revenue.” (Interviewed on April 10, 2019)

## Community-Based CFC in *Likeng* Village

### Background of the CBM

*Likeng* is a village in *Wuyuan* County (see Fig. 2). In 2001, *Jinniu* Industrial Co., Ltd. signed a contract with the local village as a collective body to invest and develop *Likeng* for rural tourism development under the mechanism of collective land ownership. According to the contract, the land use rights of the village were transferred to the business use for 30 years, but the land ownership still belongs to the rural collective body. The revenue from the tourist development was divided as 66.5% for the company, 8% for the town government, 4% for the village committee, 19% for local villagers, and 2.5% for local households involved in sightseeing business. However, since the start of the project, the distribution of the profits has been adjusted many times.

### Laissez-faire Movement: Transform Building Space Under the Market Mechanism

In the CBM, most of the villagers still live in the village. Since the beginning of the investment and development in *Likeng*, the enterprise, *Jinniu* Industrial Co., Ltd. has been solely responsible for repairing and protecting ancient buildings in the village to enhance the value of the scenic spot and to promote the market-oriented development of the village. It was indicated in the contract that the repairs of all cultural protection buildings could be operated without the local government’s approval. The enterprise could decide what building needed to be repaired according to both historical and tourism values. Therefore, some ancient buildings with historical value but without tourist attractions in the village were not considered for protection. For example, some cultural protecting buildings listed by the local municipal government, such as *Li Jinzai* House, *Li Liru* House, and *Li Zaoyan* House, which were



built in the Ming or Qing Dynasties, have collapsed or of severe security risks due to lacking timely maintenance.

In the process of CFC, the rise of tourism development has stimulated the economic awareness of the local communities. Many local villagers have actively participated in the business of tourism by changing their houses to tourism businesses from dominant living. Some villagers changed the building structure by demolishing ground floor walls to make shop facades. Others converted 2-floor houses into 3-floor, 4-floor, and even 5-floor hotels or demolished their houses to build new ones for business uses. The renovation of the house's wall severely damaged the integrity and pattern of the *Hui*-style architecture.<sup>2</sup> Due to the tourism development stimulated by CFC, this village with historical interests has been too commercialised to attract tourists, as commented by a visitor in *Likeng*:

There is much illegal construction in the village. The business atmosphere is too strong. However, the infrastructure in the village has not improved. It is regrettable to see the changes in the village. (Interviewed on 04/10/2019)

### **Protective Countermovement: Negotiation of Benefit Sharing Between Villagers and Enterprises**

Different from the enterprise-based one, in the CBM, the investor/enterprise owns the land use right, villagers and local communities that are the landowner and contracting rights holders maintain the ability to negotiate with the investor. There is an overlap between the tourism development space of the enterprise and the living space of the villagers. Since the local communities still maintain land ownership and contracting rights, they can decide whether to lease land use rights to enterprises or not. The high bargaining power of local communities restricts the enterprise's intention of business expansion. It is found in the research that capital investment increases local villagers' economic income and enhances the bargaining power of local communities. In the survey, we discovered that *Likeng* faced insufficient parking places. The investor intended to build a parking place by leasing a piece of land at the entrance of the tourist attraction. However, the proposed parking lot for tourists has been rejected because few villagers were willing to lease their land even though the village committee was involved in coordinating the lease of land. A leader of the village committee told the researchers:

The villagers believe that the annual rent of 1,700 yuan per mu<sup>3</sup> is too low (even if the rental price of similar land in the surrounding area is only 500 yuan), and they prefer to retain the land use rights. (interviewed on 09/02/2020)

The protective countermovement of the local communities is also reflected in the negotiations with enterprises. Our survey also found that the villagers in *Likeng*

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<sup>2</sup> *Hui*-style architecture uses brick, wood and stone as raw materials. Generally, wood is used to build a house frame and bricks, stones, soil and other materials are used to build walls. This is a form of traditional Chinese historical architecture.

<sup>3</sup> One *mu* is about 0.067 hectare.



often negotiate with the enterprise on profit distribution. Tensions between enterprises and villagers occur. In 2002, 2004, 2007, and 2011, four large-scale conflicts happened in *Likeng*. In 2007, the villagers realised that their profits were much less than those stipulated in the contract. They entrusted the village committee to negotiate with the enterprise, but without an effective response from the enterprise. The villagers then protested by petitioning, blocking the tourist attraction entrance, and encouraging tourists to help them obtain the right to negotiate with the enterprise. A series of collective actions by local communities forced the *Likeng* tourist attraction to be closed. After coordination and pressure from the government, the village collective body and the villagers agreed with the enterprise. The villagers' profits were adjusted to an amount of 2340 yuan per person per year according to the villagers' requirements. A leader of the village committee indicated:

The collective action of local villagers against the enterprise can be effective mainly because the land in the tourist attraction is owned by the local communities, who have been living in the village. (Interviewed on 09/02/2020)

The increased bargaining power of the villagers has also affected the relationship between the villagers and the village committee. Some villagers have given up agricultural planting and engaged in high-profit tourism operations. However, this violated the local county government's policy of "all farmland must be planted without lying idle". To implement the policy, the village committee has to spend 50,000 to 60,000 yuan every year to employ local villagers to produce grains and vegetables. It creates a financial burden on the village committee. A comprised solution has been achieved through the negotiation between the local villagers and the village committee. It was agreed that the harvest of the agricultural products could be owned by the responsible villagers but waive the fee payment of the villagers to the village committee (interviewed a village committee leader on 09/02/2020).

## Discussion

Based on the case analysis of the paper, in the context of CFC, whether in the EBM or the CBM, the relationship between stakeholders presents a form of double movement. From the point of view of market investors, profit-seeking and profit-maximisation are their attributes and the goal of their investments. It can be understood as the *laissez-faire* movement. According to Polanyi (1944), the hope of a self-regulating market is difficult because it is prevented by the reality of society. Collective powers are required to resist the disembedding of the market in the process of double movement (Jones et al. 2017). The protective countermovement's core subject depends on the mode of land property rights. Goulart and Falanfa (2022) express a similar argument and emphasise the importance of ownership when multiple players are involved.

Our research shows that land ownership significantly impacts on replacement of the governance roles of villagers and enterprises when capital flows enter the countryside. In EBM, the replacement of land ownership makes the enterprises powerful. The voice of local communities in the process of village development



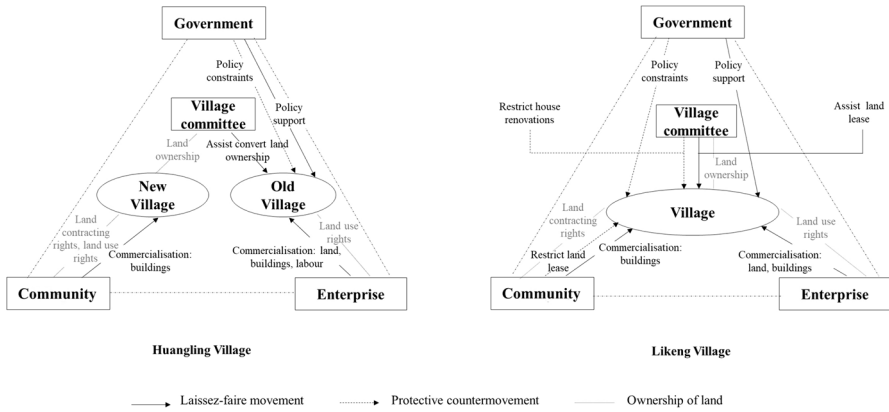


Fig. 3 Comparison of the two governance structures. Source: By the authors

cannot be heard due to the loss of their land ownership. The separation of villagers and land ownership and related rights of use have weakened the substantive connection between local rural collective organisations and villagers (An 2018). Villagers’ bargaining power decreases with the weakening of collective action (Ma and Chiu 2018). This situation is not unusual in developing countries. It is consistent with what has been found in an Indian study that “the adverse effects of the neo-liberal regime on the poor and the marginalised have transformed their class character towards a greater propensity for collective mobilisation” (Saho 2017) (see Fig. 3).

In contrast, the CBM entails control by local villagers collectively, diverging from both individual ownership models and state ownership. The village collective, as the main subject of land property rights, played an important role in restricting the rapid free marketisation of investors. The villagers, who can confront companies and governments for their interests, are the main actors in the protective counter-movement. They often produce collective actions for their common interests. The increase in business consciousness of the local villagers provides a positive endogenous driving force for the realisation of sustainable rural economic growth. In this model, the CBM can promote the villagers’ ability to obtain their interests, enhance bargaining power, and improve the level of grassroots governance to react to market capital (Jones et al. 2017). Nevertheless, although in the CBM, villagers have strong collective action capabilities that can enhance their bargaining power (Wang and Tan 2020), the excessive bargaining power of villagers under collective land rights may lead to chaos in the creation of tourist attractions. Despite the impact of tourism development on the village environment, villagers in the informal land market still rely on unwritten customs and traditions to shape tourism development models. However, the constant adjustment of contracts between enterprises and villagers has resulted in reduced legal benefits of contracts and increased transaction costs.

It is interesting to find that our research outcome is contrary to the argument of Ostrom (1990) that the collective actions of rural villagers keep transaction costs low whilst reducing the possibility of conflicts.



## Conclusion

This research illustrates that the double movement theory can explain the impacts of CFC on the rural governance structure. It is realised that land ownership is the primary institutional condition of rural governance from the perspective of the double movement. In line with the outcomes of this research, we have made the following two arguments.

The delivery of two models of CBM and EBM is based on the different types of land ownership. By comparing these two models, it is obvious that CBM operating on the collectively owned land enforces the power of the local communities in negotiating with capital flows from the market. The ambiguous rural land tenure system increases the bargaining power of villagers, which is conducive to constructing a governance model with villagers as the leading actor. Villagers with bargaining ability have established a protective countermovement in the process of CFC, forming a restriction on the market laissez-faire movement. The double movement, as a reaction to the negative aspects of the capitalist system, is the key to the perpetuation of the market economy (Jones et al. 2017). Local villagers are the disadvantaged groups who have low negotiation ability regarding profits and benefits distribution because of weak organisation capability and an imbalance in the availability of information. In the CBM, for their rights, the local villagers can unite to form collective actions to negotiate against companies. The ambiguous land tenure system then restricts the bargaining power of enterprises. It is worth noting that although the status of villagers has risen, the legal status of contracts is still weak, and transaction costs are relatively higher.

The function of the local government in the process is critical to produce regulations to prevent societal catastrophe.

However, in the context of real-world society, the dynamics of market growth (or Polanyi's movements) proposed in Polanyi's Double Movement Theory, along with the political regulation of false commodification as a strategy to prevent societal catastrophe, appear to be different from the theoretical debates. This complexity arises from the fact governments, under pressure from economic development and employment concerns, often prioritise economic growth, potentially leading to ignoring the interests of the residents and particularly vulnerable groups. The anticipated role of government intervention in the market as a "counter-movement" to prevent societal disasters may not necessarily materialise. Even if the public intends to play the role of "counter-movement" in constraining capital markets, their capacity to manage social and political actors with varying interests and powers to promote sustainability, reduce poverty and inequality, and steer economic growth is challenging (Pouw, and de Bruijne 2015). Through the analysis and examination of our two case studies, we argue that the public is difficult to play the role of a neutral coordinator in the CFC models based on their bias on economic and political performance goals to ensure the stability of the double movement. In line with this argument, we contend that there is a need for a reconsideration of the role local governments should play in economic development, emphasising the performance that governments should exhibit.





Our research provides evidence that public actions and policies have weaknesses, particularly in addressing multiple objectives (Peyroux 2015). In the EBM, the government promotes the transformation of enterprises to acquire land ownership. However, in this process, the government is likely to be involved in a higher price than the amount of compensation provided and may also benefit from subsequent taxation. This results in additional revenue to local governments. Although the enterprise that leases land use rights from the local government can reduce bargaining costs and investment risks, the economic value of the enterprise has been prioritised over the social, cultural, and historical values of the village. This can lead to the village's values being ignored. This approach undermines the safety of collective owner land to a certain extent. The local government's promotion of marketisation in rural areas to assist enterprises is not conducive to the interests of local villages.

By verifying the applicability of the double movement theory for analysing the rural governance structure in CFC. This research has contributed to offering a new analytical dimension of the theory by exploring the importance of land ownership in the double movement theory from the perspective of two models of land marketisation of EBM and CBM. In the EBM, the protective countermovement of villagers is weak with the conversion of land ownership. Based on the classification of rural governance models in CFC, this research comparing the governance structure characteristics under two different land ownership models proves that the laissez-faire movement is not only dominated by enterprises. Villagers are not only the main actors of the protective countermovement but also the main actors in promoting the laissez-faire movement.

However, it should be realised that in the process of CFC, targeting higher profits should not be regarded as a priority for rural land use. A compromised resolution for the benefit of this generation and later generations may have to be considered. Although it is very important to improve villagers' self-government capabilities to protect their interests, it is found in the research that in the CBM, some historical buildings have been destroyed due to the expansion of tourist business interests and seeking higher profits by the local villagers. The protective countermovement of the villagers is mainly based on an individual's profits rather than the long-term interests and sustainable operation of the village. Even though it shows a type of negative impact of double movement, the underlying rationale lies in the susceptibility to informal land use alterations by individuals within the CBM governance framework, stemming from inadequate development planning control systems in rural China. Consequently, such informal land use changes yield adverse effects on the collective ownership properties' overarching interests. From this vantage point, whilst participatory decision-making holds significance for effective governance, empowering communities to collectively discern and tackle their sustainable needs assumes even greater importance (Guptaa, et al 2015). Therefore, how to make villagers and enterprises work together to build the sustainable development of tourist attractions as a long-term goal is worthy of in-depth research in future. For example, the VBM (Value-Based Management), which provides an interface between traditional and non-traditional rural sectors, can be a solution. Land ownership is an essential element of this interface, which is the "foundation for finding consensus solutions which integrate diverse views and generate the necessary commitment to



implementation” (Hemmati 2002, p. 7). The dialogue amongst these actors and the sustainability of rural tourism development are facilitated through the identification of community-based coordination mechanisms.

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