Reconfiguring Collective Institutions through Territorial Governance: Evidence from an Urbanising Village in China

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GT 07. The governance of local productive systems and territorial development: analysis and case studies

Abstract: Rapid urbanisation has profoundly reshaped rural territories in China, often accompanied by the assumption that collective institutions inevitably dissolve as villages become integrated into expanding urban economies. The objective of this paper is to examine how collective institutions are reconfigured and sustained through territorial governance practices in an urbanising village.

The study draws on qualitative fieldwork conducted between June and September 2025 with a follow-up visit in December 2025, including in-depth interviews with village cadres and residents, as well as participant observation of everyday coordination and decision-making processes. Focusing on how collective affairs are organised in daily life, the paper analyses governance arrangements that mediate between formal institutional restructuring and locally embedded social relations within a specific territorial context.

The analysis leads to three main conclusions. First, collective institutions do not persist as static legacies from the past but are actively reassembled through governance mechanisms that coordinate state policies with local needs at the territorial level. Second, everyday practices, such as informal coordination, negotiated compliance, and role differentiation, play a crucial role in sustaining collective functions beyond formal institutional designs. Third, while these governance arrangements generate a degree of social resilience that supports territorial stability, they are uneven and conditional, producing tensions and forms of exclusion among local actors.

By approaching governance as a practical and relational process of coordination, this paper contributes to debates on local productive systems and territorial development. Empirically, it offers a case study from China that complicates linear assumptions of institutional dissolution in urbanising rural territories. Conceptually, it contrasts with Western models of formal multi-level governance by demonstrating how grassroots collectives act as “spatial buffers” and “informal regulators”, leveraging property rights and social networks to lower the transaction costs of territorial development.

Keywords: rural governance, collective institutions, urbanising villages, territorial development, social resilience

1. Introduction

Rapid urbanisation has profoundly transformed rural territories across the Global South. In China, this transformation is particularly striking. Villages located at the urban fringe are rapidly incorporated into expanding metropolitan economies, where land becomes a key site of capital accumulation and institutional change (Liu & Zhang, 2020; Wu, 2022; Su, 2025). Under such conditions, conventional expectations suggest that rural collective institutions, historically rooted in socialist land ownership and village-based governance, will gradually dissolve, either through market-driven privatisation or state-led incorporation(Wang et al., 2016; Zhang,2022).

Yet, empirical realities present a more complex picture. In many urbanising villages, collective institutions have not disappeared. Instead, they continue to organise access to land, distribute economic benefits, and coordinate local development. More intriguingly, these collectives are often deeply involved in shaping emerging local productive systems, including rural tourism, small-scale service economies, and collective asset operations(Hoogesteger & Rivara,2023; Wang et al.,2024;Nie et al.,2025). This raises a central puzzle: why do collective institutions persist under conditions that seemingly favour their dissolution, and how do they continue to function in rapidly changing economic environments?

Existing scholarship offers important but partial answers to this question. On the one hand, studies of agrarian transition and urbanisation often assume a linear trajectory of institutional change, in which collective arrangements are progressively displaced by market mechanisms or subsumed under state governance (Kalirajan et al., 1996; Qian, 2019). On the other hand, a growing body of research on China highlights the resilience and adaptive transformation of rural collectives, particularly through institutional innovations such as shareholding reforms and hybrid organisational forms(Xu,2017;Li et al., 2023; Wang et al.,2024).

However, these debates remain limited in two key respects. First, they focus predominantly on formal institutional arrangements, such as property rights structures and organisational reforms, while paying insufficient attention to how these institutions are enacted and sustained in everyday practice. As a result, the micro-level processes through which collective institutions are reproduced, contested, and stabilised remain underexplored. Second, these discussions are rarely connected to the literature on local productive systems and territorial development. While existing studies emphasise the role of spatially embedded economic activities in driving regional growth, they tend to overlook the governance processes that organise and sustain these systems, particularly in rural contexts where economic activities are closely intertwined with

collective institutions and socially embedded relations. Taken together, these gaps point to the need for an analytical perspective that can link institutional persistence with the governance of local productive systems, while accounting for the practical and relational nature of governance in specific territorial contexts.

This paper addresses these gaps by conceptualising rural transformation through the lens of territorial governance. It argues that the persistence of collective institutions in urbanising China cannot be understood as a passive survival of past arrangements, but as an active process of institutional reconfiguration and everyday governance. To empirically investigate this theoretical puzzle, this paper draws on qualitative fieldwork conducted in Y Village, an urbanising village in the highly dynamic Pearl River Delta(PRD), offering a revelatory case of endogenous institutional innovation. Defying the regional trend of rampant land commodification, Y Village uniquely employed collective property rights to create a spatial buffer. By internally cross-subsidising unprofitable agricultural landscapes, the collective shielded the land from fragmented commercialisation, thereby successfully incubating a booming rural tourism economy.

Through this case, the paper advances three main arguments. First, collective institutions are actively reassembled through structural changes in decision-making authority, property relations, and hybrid organisational forms, enabling them to govern local productive systems under conditions of rapid marketisation. Second, the effectiveness of these arrangements depends entirely on everyday governance practices, such as negotiated implementation and informal, reputation-based enforcement, which sustain collective functions beyond formal bureaucratic designs. Third, the resulting institutional resilience is highly conditional and uneven: while it generates a broad-based welfare safety net, it simultaneously produces market-driven differentiation that must be continuously managed through economic redistribution and symbolic cultural rituals.

Empirically, the paper contributes a detailed case study that complicates linear assumptions of institutional dissolution. Conceptually, it bridges the literature on institutional persistence and local productive systems. Unlike in Western contexts, where local productive systems are typically governed by formal multi-level governments and market contracts, this case reveals that the village collective itself functions as the territorial governor. It leverages property lock-ins and acquaintance networks to foster and sustain local productive systems at a fraction of the cost of formal institutions.

2. Literature Review and Analytical Framework

2.1 The Institutional Context: China's Dual Land System and Collective Ambiguity

China operates on a dual-track land ownership system. Urban land is owned by the state, while rural land is collectively owned by village communities(Liu & Zhang,2020; Ruan,2024). In China's administrative hierarchy, a village community is typically organised as an administrative village, which comprises a Village Committee *(cunweihui)* as the statutory grassroots self-governance organisation, alongside a Village Collective Economic Cooperative that is legally responsible for managing and operating collective assets(Howell,2007; Zhu,2018; Yi et al.,2023). Historically, this collective ownership was highly ambiguous in practice. As a result, the actual rights of control and disposal were typically monopolised by a few grassroots village cadres, who exercised de facto authority over land allocation, leasing, and revenue distribution. However, rapid urbanisation abruptly capitalised on rural land, triggering immense internal conflicts over the distribution of skyrocketing land values.

In response to this legitimacy crisis, many coastal villages, including the case in this study, implemented the Rural Shareholding Cooperative System (Zhu, 2018). This grassroots reform quantified ambiguous collective assets into individual shares and distributed them to native villagers according to their registered native residency *(hukou) (Geng et al., 2023).* Crucially, these shares are strictly non-transferable to outsiders. They cannot be freely sold or mortgaged on the open market. This non-transferability forces the village to operate as an exclusive community of shared interests. Therefore, the village remains an exclusionary socio-territorial unit. It is precisely within this specific institutional tension, the necessity to engage with aggressive market forces while strictly preserving collective ownership and demographic boundaries, that the territorial governance of local productive systems unfolds.

2.2 Institutional Persistence under Urbanisation

Rapid urbanisation has long been associated with the presumed dissolution of rural collective institutions. Classical accounts of agrarian transition and urban expansion often posit a linear trajectory in which collective arrangements are progressively displaced by market mechanisms or absorbed into state administrative structures (Kalirajan et al., 1996; Qian, 2019). In this view, the incorporation of rural land into expanding urban economies leads to the fragmentation of collective ownership, the privatisation of assets, and the erosion of village-based governance.

However, a growing body of empirical research challenges this dissolution thesis by documenting the persistence and adaptive transformation of collective institutions in contemporary China. Rather than disappearing, many village collectives have restructured themselves through institutional innovations such as shareholding cooperative systems, which convert collectively owned assets into quantifiable shares distributed among registered villagers (Xu, 2017; Li et al., 2023; Wang et al., 2024). These arrangements partially individualise income rights while maintaining collective ownership over key assets, thereby enabling villages to participate in market activities without fully relinquishing collective control.

Yet, despite recognising this persistence, existing scholarship remains limited in two important respects. First, much of the literature focuses on formal institutional arrangements, such as property rights reform, legal frameworks, or organisational restructuring, while paying insufficient attention to how these institutions are enacted and sustained in practice. Second, the analytical focus tends to remain at a macro or meso level, overlooking the micro-level processes through which collective institutions are reproduced, contested, and stabilised in everyday governance.

China's dual land ownership system further sharpens this analytical gap. Under this system, urban land is owned by the state, while rural land is owned collectively by village communities. This institutional arrangement generates a structural tension: collective ownership must be preserved, yet rural land is simultaneously subjected to intense market pressures under urban expansion(Su ,2025). While existing studies have examined how this tension is addressed through formal reforms, they offer limited insight into how collective institutions are practically maintained under such conditions.

This paper builds on the institutional persistence literature but shifts the analytical focus from whether collective institutions survive to how they are actively reconfigured and sustained through everyday governance practices.

2.3 Local Productive Systems and the Governance Layer

In parallel with debates on institutional persistence, the literature on local productive systems has examined how territorially embedded economic activities, such as industrial clusters, specialised agriculture, and rural tourism, contribute to regional development(Crouch et al,.2001; Pizarro-Gómez et al,.2021; Ivona, 2021). These studies emphasise the importance of spatial proximity, social embeddedness, and localised knowledge in shaping economic performance. However, much of this literature adopts a predominantly economic perspective,

focusing on production structures, value chains, and competitiveness, while paying relatively little attention to the governance processes that underpin these systems. In particular, the question of how local productive systems are organised, regulated, and stabilised at the village level remains underexplored.

This gap is especially pronounced in rapidly urbanising rural contexts, where local productive systems are often hybrid and emergent. In many Chinese villages, traditional agricultural activities coexist with new forms of economic production, such as tourism, small-scale services, and collective asset leasing（Wu etal.,2024; Cao etal.,2025). These systems are not pre-given but are actively assembled through the interaction of market forces, state policies, and local institutional arrangements.

In such contexts, the sustainability of local productive systems depends not only on economic viability but also on governance capacity. Who allocates access to key resources? How are conflicts between efficiency and inclusion managed? Through what mechanisms are rules enforced in socially embedded environments? By foregrounding these questions, this paper shifts attention from the structure of local productive systems to the governance processes that make them possible, highlighting the need to integrate institutional analysis with a practice-oriented understanding of local economic organisation.

2.4 Territorial Governance as an Analytical Lens

To address the limitations identified above, this paper adopts territorial governance as its central analytical lens. Emerging from critical geography and regional development studies, territorial governance moves beyond the conventional “state versus market” dichotomy by conceptualising governance as a relational, processual form of coordination among actors, sectors, and spatial scales (Cotella & Janin Rivolin, 2024; Davoudi et al., 2008).

Rather than focusing solely on formal administrative structures, territorial governance emphasises how policies, resources, and social relations are aligned within specific spatial contexts to enable collective action and development. It highlights the importance of coordination mechanisms that operate across institutional boundaries, including the interaction between formal rules and informal practices, as well as the role of locally embedded social relations in shaping governance outcomes (Van Well & Schmitt, 2015).

In rural settings, territorial governance is particularly relevant because governance is rarely confined to formal state institutions. Instead, it involves the continuous negotiation between village collectives, local governments, market actors, and community members, often mediated

through informal networks and socially embedded practices (Esparcia & Abbasi, 2020). This makes governance an inherently practical and context-dependent process.

Building on this perspective, this paper conceptualises governance not as a fixed institutional arrangement but as an ongoing process through which collective institutions are enacted, adjusted, and reproduced in relation to local productive systems. This approach allows us to connect the persistence of collective institutions with the governance of local economic activities, thereby bridging two strands of literature that are often treated separately.

In short, this paper asks: How does a village collective act as a territorial governor to protect and operate its local productive systems in the face of urban capital extraction?

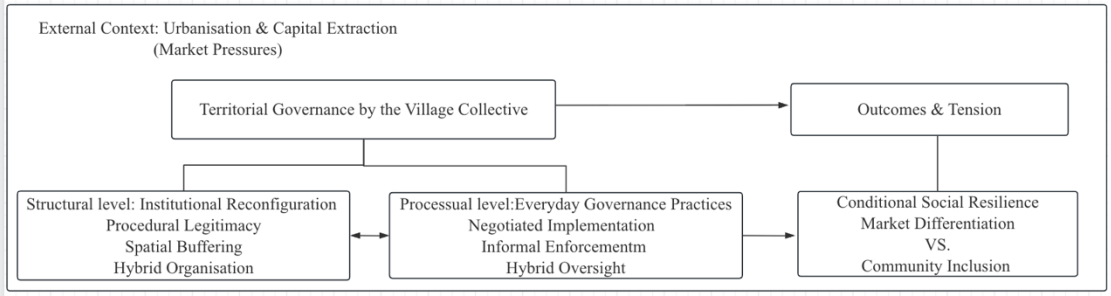

Figure 1. Analytical Framework: Territorial Governance of Local Productive Systems in Urbanising Villages

3. Methodology

3.1 Research Context and Case Selection

This study adopted an in-depth, single-case study approach (Yin, 2018), focusing on Y Village, located in the highly urbanised PRD region of China. Y Village was selected as a revelatory case because it provides a complete historical trajectory of collective institutional transformation. Over the past five decades, the village has navigated through agricultural collectivisation, attempted industrialisation, and, most recently, a successful transition to a rural-tourism and cultural economy. Crucially, unlike many neighbouring villages that passively dissolved collective assets under the pressure of urban expansion, Y Village exhibited a clear trajectory of endogenous institutional innovation. It successfully implemented pioneering governance arrangements, such as the dual-track property rights system and the separation of political and economic administration, making it an ideal site to observe how collective resilience was practically sustained and renegotiated in a rapidly marketising environment.

3.2 Data Collection

The study was based on rigorous qualitative fieldwork conducted primarily between June and July 2025, with a follow-up visit in December 2025. To capture the multi-dimensional nature of territorial governance, data were collected from semi-structured interviews and participant observation. The research team conducted 66 semi-structured, in-depth interviews using purposeful and snowball sampling across all eight neighbourhood subgroups (historically known as villager groups). Informants were deliberately diversified to capture competing perspectives, including current and former village leadership (the Party branch and the administrative committee), management of the village-owned company, returning youth entrepreneurs, external business operators, ordinary shareholders, and relevant township government officials. Interviews focused on histories of critical institutional shifts, experiences of benefit distribution, and perceptions of collective identity.

In addition, the research team lived in the village, enabling extensive observation of everyday governance practices. This included attending formal Village Representative Assemblies, observing daily interactions at the container night market, and participating in informal chats with elderly villagers to capture the subtle dynamics of informal rule enforcement.

To ground the findings in history, the research team systematically collected internal and external documents of Y village. Internal archives included the Y Village Gazetteer, historical meeting minutes, collective land-lease contracts, financial audit reports, dividend distribution records, and the original registers for property certificates. External documents included municipal planning policies and local media reports. Furthermore, the research team maintained continuous reflexivity regarding positionality as external researchers, cross-referencing formal official narratives with informal, off-the-record conversations to ensure objective triangulation.

3.3 Data Analysis

All interviews were transcribed and analysed using thematic analysis (Braun & Clarke, 2006). Initial open coding was used to identify recurring empirical phenomena (e.g., “cross-subsidising rice paddies,” “reputational sanctioning”). These codes were subsequently grouped into higher-level theoretical categories aligned with the research questions, focusing specifically on decision-making restructuring, property rights differentiation, and hybrid organisational forms.

To ensure validity, the research team employed triangulation (Arias Valencia, 2022). Claims made by village cadres during interviews regarding democratic decision-making or inclusive

welfare were systematically cross-referenced against historical meeting minutes, financial distribution records, and the counter-narratives of marginalised villagers. This process-tracing approach allowed researchers to move beyond official narratives and reconstruct the complex, often contested causal mechanisms that underlay the village's institutional evolution.

4. Research Finding

4.1 Reconfiguring collective institutions

The case of Y Village demonstrates how collective institutions are reconfigured through contested decisions, strategic resource management, and organisational innovation. This transformation does not merely improve governance efficiency; it fundamentally redefines how collective action and local productive systems are sustained under the intense pressures of rapid urbanisation. This reconfiguration unfolds across three interrelated dimensions: decision-making authority, property relations, and organisational form.

4.1.1 Reconfiguring Decision-Making: From Personalised Authority to Procedural Legitimacy

In Y Village, collective decision-making is no longer grounded in the moral authority or charisma of traditional village leaders, but has been deliberately transferred to institutionalised procedures. This shift was profoundly crystallised during a critical juncture in 2008, when the village faced immense external pressure to sell nearly 666 hectares of collective land for urban development.

At the time, the highly respected village secretary strongly opposed a one-off sale, advocating for long-term leasing to protect future livelihoods. However, instead of relying on his patriarchal authority to force the decision against the villagers' desire for immediate cash, the village leadership surrendered the ultimate arbitration power to a formalised, village-wide referendum. According to village archives, 3,376 eligible shareholders participated, with 98.1% voting to approve the land sale. This historic vote established a new meta-rule for village governance: supreme authority over collective assets resides in the procedure of majority voting, rather than in any individual leader. As one villager (WSH, Interviewed June 2025) vividly recalled:

> "Even the secretary, with all his immense prestige, had to bow to the votes of over 3,000 people. I realised that the circle I drew on that ballot carried real weight; it represented my personal rights and interests."

This proceduralization produced a crucial institutional effect, the depersonalization of authority. By absorbing intense internal conflicts into the safety valve of the ballot box, the collective generated a modern form of procedural legitimacy. Villagers now recognise decision outcomes as legitimate, even if they disagree with the result, because the procedure itself is accepted as fair, thus stabilising the political foundation for future territorial development.

4.1.2 Reconfiguring Property Relations: Collective Control and the "Spatial Buffering" of Productive Systems

Instead of moving toward full privatisation, Y Village restructured its property relations by functionally differentiating rights: granting villagers individualised income rights (dividends) while fiercely retaining collective control over the disposal and strategic use of core land assets. Crucially, this collective monopoly over land is actively used as a territorial tool, a "spatial buffering", to protect local productive systems against the rapid, fragmenting forces of capital extraction.

The most striking evidence of this strategy is the collective's preservation of *approx 133 hectares* of continuous rice paddies at the rural-urban fringe. Under a purely market-driven logic, maintaining this agricultural land is highly irrational. In 2024, the direct and labour costs of cultivating these paddies exceeded the agricultural revenue by over 5.6 million RMB. However, utilising its centralised property rights, the collective implemented an internal cross-subsidisation mechanism: channelling approximately one-third of the high rental profits (approx. 2.4 million USD) generated from the village's collective fishponds to sustain the unprofitable rice paddies.

This seemingly inefficient economic arrangement has profound socio-spatial implications. By artificially creating an "institutional friction" against rapid capitalisation, the collective prevented the fragmentation of village land. As consumer trends shifted toward rural tourism, this preserved, massive expanse of rice paddies instantly transformed from an agricultural liability into irreplaceable landscape capital. As a local villager (TSN, Interviewed June 2025) astutely observed:

> "Look at neighbouring villages that sold their land for fragmented commercial plots, their landscapes are ruined like a patchwork. Because our collective kept the land unified, we now have this continuous scenery that drives our booming rural tourism."

By deliberately slowing down market entry and maintaining spatial integrity, collective property rights here function not just as an ownership label, but as a strategic spatial governance instrument that successfully incubated a new local productive system of rural tourism.

4.1.3 Reconfiguring Organisational Form: Institutional Interfaces for Market Agility

The third dimension involves the emergence of hybrid organisational forms that enable the collective to operate efficiently within fast-paced market environments without dissolving its institutional boundaries. Facing the fleeting opportunities of the "internet-famous" rural tourism economy, traditional collective economic cooperatives proved too bureaucratic. Cumbersome statutory democratic procedures often took over a month to clear basic commercial investment decisions. In response, Y Village established a 100% collectively owned corporate entity (the "Y Village Company") in 2023.

This corporatised entity functions as an institutional interface. Legally and operationally, it acts as an agile market player; politically, it remains entirely accountable to the village collective. The value of this dual structure is evident in the company's "Romantic Flower Sea" project. Bypassing sluggish bureaucratic processes, the corporate entity rapidly invested 29,000 USD to capitalise on a seasonal social media trend. This agile market manoeuvre generated over 4 million USD in indirect revenue for the broader village economy by driving massive tourist footfall to local businesses.

As the village secretary (TJK, Interviewed June 2025) noted, this organisational upgrade separates political governance (which ensures fairness and collective oversight) from economic operations (which demand speed and expertise). Consequently, the collective extends a flexible yet powerful hand into the market, enhancing territorial competitiveness while ensuring that economic gains remain anchored to community interests.

4.2 Everyday Governance Practices

While institutional reconfiguration provides the structural foundation for collective action, its effectiveness ultimately depends on how these arrangements are enacted and negotiated on the ground. In Y Village, governance is not a rigid, top-down implementation of formal rules. Rather, it operates as an ongoing process of "institutional synthesis", where formal bureaucratic designs and informal, socially embedded mechanisms are continuously combined to solve the practical challenges of governing local productive systems at the grassroots level.

4.2.1 Negotiated Implementation: Flexibility within Formal Rules

Formal rules in Y Village, particularly those governing resource allocation, are rarely applied in a rigid, purely market-driven manner. Instead, their implementation involves context-specific negotiation to balance competing goals: economic efficiency and local social inclusion.

A prime example is the management of the village's booming "container night market" along the eastern embankment, a core asset of its new rural tourism economy. Driven by a massive influx of tourists, market logic would dictate leasing these stalls to the highest external bidders. However, to foster endogenous capacity within the local productive system, the collective deliberately instituted a negotiated, non-market policy: a "low-rent plus lottery" system that exclusively reserved over 90% of operating rights for local villagers.

This negotiated implementation demonstrates a governance mode where formal rules are deliberately softened to create a "protected social incubator" for local youth entrepreneurs. It allows the collective to adapt to external market pressures while fulfilling its internal moral obligation to prevent the marginalisation of native residents amid the rise of capitalised tourism.

4.2.2 Informal Enforcement: Lowering Transaction Costs through Social Embeddedness

A defining feature of everyday governance in Y Village is its reliance on what sociologists term the "acquaintance society" (Fei, 1992), dense social networks and reputational structures that serve as highly effective informal enforcement mechanisms. This becomes critical when formal rules face implementation bottlenecks.

The limitations of formal contracts were exposed when the aforementioned low-rent policy created a massive rent differential, tempting some local villagers to secretly sublease their stalls to outsiders for a high premium. Relying solely on legal contracts and formal eviction procedures would have incurred prohibitive transaction costs and potentially transformed economic disputes into irreconcilable interpersonal conflicts.

Instead, the village leadership employed an embedded enforcement mechanism. Alongside formal contract termination, the village deliberately activated informal reputational sanctions. Violators were publicly named at the Villagers' Representative Assembly, allowing the transgression to ferment in everyday village gossip. As a result, the penalty escalated from a mere economic loss to a devastating "loss of face" within the tight-knit community. As one village representative (LDC, Interviewed July 2025) summarised:

> *"We all live in one village. If someone ruins the collective's reputation just for that bit of money, how can they face people in the village afterwards?"*

This dual mechanism provides a distinct advantage for governing local productive systems in rural contexts: formal contracts establish the non-negotiable bottom line, while the pervasive pressure of local human relations ensures compliance at a remarkably low transaction cost.

4.2.3 Hybrid Governance Arrangements: Combining External Capacity with Local Oversight

Y Village also demonstrates the strategic use of hybrid governance arrangements, specifically designed to overcome the inherent limitations of both traditional village management and pure market outsourcing. This is best illustrated by the village's environmental sanitation governance (a crucial public good for maintaining the tourism-based LPS). Initially managed internally, it led to a classic dilemma of rural governance: "It is hard to manage acquaintances; managing them turns them into enemies", resulting in severe inefficiency.

To resolve this, the collective engaged in a strategic decomposition of governance functions. In 2023, they outsourced the operational task to a professional third-party property company, introducing market competition and contractual efficiency. Crucially, however, the collective did not relinquish its oversight. Instead, it empowered village representatives and elderly residents, who possess abundant leisure time and intimate familiarity with every corner of the village, as an omnipresent network of unofficial inspectors.

These elderly villagers actively monitor the sanitation quality during their daily strolls and tea gatherings, instantly uploading photos of uncollected trash to the village WeChat group or reporting directly to cadres. This created a highly effective governance loop. External actors deliver professional services based on contractual obligations. Local social networks provide continuous, zero-cost, and high-coverage supervision.

The financial data substantiate the success of this hybridisation: in 2021, internal management cost approximately 104,000 USD annually with poor results; in 2023, the hybrid outsourced model cost approximately 103,000 USD, yielding drastically improved satisfaction. By embedding external professional contracts within informal social capital, the village generated a mutually reinforcing system of efficiency and accountability.

4.3 Conditional and Uneven Resilience

The institutional and governance arrangements described above have enabled Y Village to maintain a remarkably stable trajectory of development. However, this social resilience is neither absolute nor evenly distributed. Instead, it represents an ongoing negotiation between

market-driven efficiency and community-based protection, where welfare acts as the crucial social glue keeping the local productive system from fracturing.

4.3.1 Broad-Based Stability: Welfare as the Social Glue for Territorial Cohesion

At the collective level, the system generates a profound degree of inclusive stability by explicitly decoupling basic survival from market competition. This is achieved through a rigid, highly institutionalised redistributive welfare system funded by collective assets (such as the massive rental income from the fishponds).

Rather than relying on ad-hoc benevolence, Y Village has codified a comprehensive safety net. For example, the village distributes a monthly rice allowance finely calibrated by age (e.g., 9.5-17 kg for minors, 18 kg for adults). More significantly, the collective fully subsidises medical insurance supplements and provides annual pension bonuses. These mechanisms ensure that even villagers entirely excluded from the booming tourism market continue to benefit from collective development. By transforming ethical promises into predictable shareholder rights, this welfare system effectively neutralises the potential for systemic breakdown, acting as the indispensable social foundation upon which the local productive system operates.

4.3.2 Differentiation through Market Participation: The Internet-Famous vs. The Left-Behind

While the collective safety net protects against absolute exclusion, participation in the emerging rural tourism economy is highly uneven. The collective system does not eliminate inequality; rather, it tolerates and even relies on market dynamics to drive overall wealth creation. Individuals with greater access to capital, entrepreneurial skills, or social networks are structurally positioned to capture the lion's share of new opportunities.

This produces a sharp internal stratification. On one end of the spectrum, returning youth who seized the opportunity to open cafes in the preserved rice paddies report staggering profits. As one young entrepreneur (LJL, Interviewed June 2025) noted, their daily revenue hits 1,000 RMB in the off-season and spikes to 6,000-7,000 RMB during peak holidays. On the other end, elderly or unskilled residents observe the influx of tourists with mixed feelings. As local farmer LBY (Interviewed July 2025) starkly expressed:

> "If you ask me whether this 'internet-famous' economy is good, I'd say yes and no. It's definitely good for those doing business... but those of us with no business to do can only farm. So, you tell me, is it good or not?"

This structural tension highlights a critical reality: the collective system guarantees a minimum level of welfare (inclusion), but it explicitly permits market-driven disparities (differentiation) to flourish.

4.3.3 Managing Tensions: Economic Redistribution and Ritual Cohesion

Rather than attempting to artificially equalise incomes, Y Village manages this internal friction through economic redistribution and symbolic ritual cohesion. Economically, the Y Village Company actively captures a portion of the market premium generated by local businesses. For instance, in 2024, the village collected a staggering 4.1 million RMB merely from parking fees charged to tourists. These revenues are then recycled into the universal dividend and welfare pools. Thus, even the marginalised farmer indirectly profits from the cafe owner's success. Culturally and psychologically, the collective invests heavily in shared symbolic rituals to prevent wealth disparities from fracturing community identity. A prime example is the annual Piaos parade, a traditional folk ritual. The collective recently invested heavily to upgrade the parade, turning it into a spectacular display of collective achievement.

As Village Cadre TBL (Interviewed July 2025) perceptively explained, the parade functions as an emotional anchor:

> "We are 'showing off our fate', showing that Y Village people are capable, famous, and wealthy. On the day of the parade, over 200 overseas Chinese drove back... They didn't just come to watch; they came with a sense of responsibility, truly considering themselves a part of this village."

By converting economic surplus into symbolic capital, the village successfully subsumes individualised economic disparities into a shared narrative of collective glory. This proves that resilience in urbanising China requires simultaneously unleashing market forces for growth while actively manufacturing social cohesion to absorb the resulting shocks.

5. Conclusion & Discussion

5.1 Theoretical Implications: Contextualising Territorial Governance in the Global South

This paper set out to examine how collective institutions are reconfigured and sustained in an urbanising village, and what this reveals about the governance of local productive systems. By doing so, the findings contribute to the literature on institutional persistence and rural development by fundamentally expanding the conceptual boundaries of territorial governance.

Originating largely from European policy and academic discourse, territorial governance is traditionally conceptualised as the formal coordination across multiple levels of government, statutory planning agencies, and organised civil society. Without attempting to fundamentally rewrite this framework, this study contextualises and decentres its Western origins by revealing a markedly different institutional architecture in transitional rural China.

The analysis demonstrates that effective spatial coordination and protection of local productive systems do not necessarily require Western-style formal multi-level governance. Instead, the village collective itself acts as an alternative territorial governor. It utilises its monopolistic control over land as a strict spatial buffer against aggressive capital (e.g., cross-subsidising agricultural landscapes to incubate local businesses). Simultaneously, it relies on the dense, informal networks of the acquaintance society (e.g., reputational sanctioning, elder-led monitoring) to drastically lower the transaction costs of rule enforcement.

This insight suggests that in the Global South, the persistence of collective institutions is not a rigid, path-dependent survival of socialist legacies. Rather, it is an agile, spatially grounded governance technology actively deployed to negotiate the terms of market integration and nurture local economic systems.

5.2 Challenging Conventional Assumptions

Beyond contributing to existing debates, this case challenges several taken-for-granted assumptions about rural transformation.

First, it questions linear narratives of transition that assume a shift from collective to private or state-led systems. The experience of Y Village suggests that collective institutions remain central because they provide critical mechanisms to manage market forces. Collective control over land enables the village to regulate the pace of capital entry, preserving spatial integrity for new economic activities to emerge.

Second, the case complicates conventional understandings of governance by showing that effective governance of local productive systems is not located solely within formal contracts. Instead, it is highly relational. Governance here is not a hierarchical process of rule enforcement, but an ongoing synthesis of market logic and socially embedded practices.

Third, the findings challenge normative assumptions about successful development by highlighting the inherently uneven nature of resilience. The governance arrangements in Y Village generate both inclusion and differentiation. Rather than resolving this tension, the system manages it through a combination of welfare redistribution and symbolic integration. This suggests that resilience in rural development should not be equated with uniform equality but understood as a structured, conditional outcome in which broad-based welfare serves as the cost of territorial stability.

5.3 Limitations and Future Research

This study has several limitations that point to directions for future research. First, as a single-case study, the findings are necessarily context-specific. Y Village represents a relatively successful case of collective institutional adaptation within a highly dynamic economic region. Future research could adopt comparative approaches to examine whether similar governance mechanisms operate in less-developed regions or in villages with different resource endowments. Second, while this paper focuses on the internal dynamics of collective governance, it pays relatively limited attention to external actors, particularly migrant populations and non-local economic participants. Further research is needed to examine how territorial governance structures incorporate or exclude these actors and the implications for social equity.

While this paper conceptualises governance as a practice-based process, further theoretical work is needed to refine analytical tools for studying the interactions among formal institutions, informal mechanisms, and spatial dynamics. Extending this contextualised territorial governance framework to other regions in the Global South may help to develop a more nuanced understanding of how collective action is organised under conditions of institutional complexity.

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