

## **Introduction: The Opening-Up of China's Countryside**

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The Plenum of the 11th Central Committee of the Communist Party in December 1978 marked the beginning of the economic reforms and the close of collectivism in the People's Republic of China. With this, China had embarked on one of world history's largest experiments in social engineering. The mere size of the country and its population (9.6 million km<sup>2</sup> and almost 1.26 billion people in 2000) automatically imply a wide regional diversity in sociological, economic, political, ecological and ethnic terms. In addition, China's rural development had to start from a weak resource base: the average amount of farmland per capita is only one-third of the world average, while its overall traditional, agrarian society features high hidden unemployment, low levels of education and healthcare, rural poverty, and large shortages in water and energy.

When the people's communes were dismantled in the mid-1980s, this was trumpeted as the 'second land reform' as opposed to the 'first land reform' during the early years of the People's Republic. After more than three decades, the use right to rural land was once more returned to the tiller through lease. The lease system, termed the Household Contract Responsibility System, was no policy imposed from above, but sprang from the grassroots of rural society. It was the outcome of regional experiments borne out of dire need in the poverty-ridden county of Fengyang in Anhui

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province. The people's commune had definitely failed as an economic and administrative unit. In the last four years before the economic reforms in 1978, grain production had stagnated at a level of around 280 million tons [*State Statistical Bureau*, 1990: 12]. By allowing private lease the state hoped to stimulate farmers' incentives that had been dampened by years of collectivism. Shortly after the dismantling of the commune system, the grain harvest reached an all-time record of 400 million tons in 1984. The land lease system replaced the commandist and centralist commune system and privatized agricultural operation.<sup>1</sup>

It is no understatement to say that the past two decades in China have witnessed the fastest change ever and anywhere of a rural economy and society. Over 200 million rural inhabitants have been lifted out of absolute poverty, and tens of millions have become wealthier than the average urban resident. Agricultural output has been growing at a much faster pace than food demand, leaving the Chinese population healthier and better fed than in the past. The impressive growth figures of the Chinese economy were, certainly in the 1990s, to a great extent propelled by the rural (industrial) economy. From 1991 until 1998 the average annual growth rate in GDP was 10.8 per cent, with an average of 20.6 per cent coming from the primary industry [*State Statistical Bureau*, 1999: 21 and 56]. One indicator of the great changes that took place in Chinese agrarian society is the proportion of income produced in the agricultural sector. Measuring the agricultural sector by this indicator, we see that the structure of China's agricultural economy has changed dramatically over the past decades. The proportion of GDP in agriculture declined by 32.1 per cent over 1952–98 (from 50.5 to 18.4 per cent) [*State Statistical Bureau*, 1999: 56]. Scholarly curiosity sought to explain the main driving force behind China's extraordinary agrarian change, and found it in its rural industries.

#### 'LOCAL STATE CORPORATISM': A CHINESE RURAL DEVELOPMENT MODEL?

Rural industry has been the fastest growing sector of the entire Chinese economy, with an average annual growth rate of about 30 per cent. Eventually, at the end of the twentieth century, the main problems for the Chinese farming sector had become similar to those in most countries. Overproduction resulted in falling prices and declining income from crop cultivation<sup>2</sup> and the costs and environmental risks of energy-intensive agriculture kept rising. Rural households suffered from a weakening demand for rural products and cutbacks in employment in the urban sector. To the growing burdens imposed by local government were added the rising costs of education and healthcare, which were less and less subsidized. At

FIGURE 1  
ADMINISTRATION MAP OF CHINA



Source: Provided courtesy of The General Libraries, The University of Texas at Austin.

the same time about 50 million households, or six per cent of the rural population, mostly living in remote areas without access to markets, remained extremely poor even by Chinese official standards – if international standards were applied, their number would be far higher. Growth has slowed down considerably, and the rural industrial sector – flagship of the reforms and engine of rural growth – has seen a declining performance for the last few years.<sup>3</sup>

For nearly 20 years, it looked as if China had found – by chance rather than by design – a uniquely successful development model, with rural industrialization at its core. Its uniqueness was mainly due to the fact that to some extent it could remedy the market and institutional constraints produced by China's urban–rural segmentation. Moreover, it capitalized on existing differential treatments of state-owned, collective and private enterprises. The phenomenon was captured under the term 'local state corporatism' [Oi, 1998]. In other words, the local state treats the enterprises under its jurisdiction as components of a larger corporate whole. The whole functions as a business corporation with local officials acting as the equivalent of a board of directors or CEO. Such a relationship is one of mutual dependence, with the local state co-opting enterprises through the allocation of labour, capital and land resources, while the enterprises in return adhere to local corporate interests and turn over substantial portions of their revenues over to the local state.

Another unique feature of Chinese society is the formal institutionalization of a rural–urban divide through the household registration system or *hukou* – a remnant of the Soviet state. Through the *hukou* system the state strictly controlled rural–urban migration. Those with a rural *hukou* were excluded from the urban job market, social welfare, housing and education. The rural–urban divide also ensured that only the members of rural collectives enjoyed access to agricultural land. This exclusion of urban entrepreneurs, officials and citizens prevented the rise of a class of impoverished, landless peasants. As the agricultural reforms freed a substantial portion of rural labour from the land, large flows of millions of migrant farmers started to look for alternative employment opportunities, which they eventually found: in the township and village enterprises.

The medium- and small-scale township and village enterprises (TVEs) provided employment for 140 million workers – virtually one-third of the rural labour force! In 1997, out of 214 million economically active rural households, those engaged both in agricultural and non-agricultural activities reached 34.4 per cent and another 9.7 per cent were employed entirely outside the farming sector.<sup>4</sup> The TVEs not only provided employment, but also earned incomes for local governments and individual entrepreneurs. The higher income led to increased and diversified demand,

and facilitated by improved transportation and processing facilities, farming could be directed towards a swift expansion and technological upgrading of meat, fish, fruit and other labour-intensive and high-value products. The income gap between the urban and rural population was reduced at first, then stabilized for a decade at about 2.5 to 1, a major achievement for a country with the size and rapidly developing economy of China.

As more and more labour was absorbed into rural industry and services, as well as into the urban sector, the government relaxed its control on migration through the *hukou* system [Cheng and Selden, 1994: 644–69]. As a result, the pressure on land and other resources was eased in certain regions. In the most advanced areas, land was consolidated into large fields, and farming delegated to specialists who supplied enough grain to feed the community and meet tax quotas. For example, in Jianli county (Hubei province) the farmers working outside agriculture reached 220,000 people in 2001, which is 49 per cent of the total rural labour force. They left behind 520,000 *mu* (35,000 ha) of arable land – one-third of the county's total area of arable land – which was subsequently subleased to fewer migrant farmers who could thus operate on a larger scale. It is notable that the original lessee in most cases had to pay the new tenant a fee to work his land, as agriculture is less profitable. This fee could amount to 300 Rmb per *mu* [Huang, 2001: 1]. Like industrialization, migration not only generated income but also eased constraints on agriculture and served as another escape route from rural poverty. In 1994, 37 million rural migrants sent an average of 2,000 *yuan* to their home communities, particularly in the wealthier coastal provinces such as Zhejiang, Fujian and Guangdong.<sup>5</sup>

#### RETHINKING CHINA'S RURAL DEVELOPMENT

By the turn of the century, however, it looked as if rural economic growth was running out of steam. Some of the most significant advances have been one-off events. The restoration of household production in the early 1980s produced rapid output and income growth in agriculture, but during the 1990s higher output gave diminishing returns. The phenomenal growth of rural industries in the 1980s was largely due to pent-up demand after decades of underconsumption, and to the fact that state-owned enterprises were fettered by state plans and burdened with social welfare costs. By the mid-1990s, most of the early gains were exhausted. China is no longer a shortage economy; both agriculture and rural industry are plagued by excess capacities. Cotton output was scaled back after 1995, and, under the pressure of giant stocks, finally also grain. The reform model, like the early Stalinist model, excelled at generating double-digit growth driven by resource mobilization. The former is based on the use of the market and free

choice, while the latter used state planning and administrative commands. In industrial but also some agricultural sectors, local governments tried to combine both models. They selected a promising 'project' (which was easy enough in the 1980s) and mobilized the resources at their command: land, labour, capital and administrative connections. Once the project started making profits, these were ploughed back to generate further growth. Resource mobilization through government channels still works, but its usefulness in industry has diminished. Local industrial policies have aggravated the current investment duplication and overcapacities, and it would be a mistake to think that industrialization is the answer to problems in agriculture.

Some economists in China ask themselves whether reform of the TVE sector is worth the effort. In the words of critics, TVEs 'have become just like state-owned enterprises, characterised by poor property rights, soft budget constraints, and perverse incentives. Public support should not assist their revitalisation or institutional restructuring [...]. Privatisation merely legitimates asset stripping and programs to support the transition to new ownership forms is just another way to get access to government or bank funds.'<sup>6</sup> While this observation may be true, the real question is not whether institutional and financial state support should be provided to reforms – there never was much of that, and the initiative was usually local and private. Different regions have emerged with 'diametrically opposed property rights regimes ... some only marginally different from that of the Mao years, and other ones with wholly new forms of private household and foreign-funded enterprise' [*Oi and Walder, 1999: 20*].

More important is whether rural communities will be able to maintain some control over and protect themselves against newly risen interest groups of rent-seeking, often corrupt cadres and capitalist managers. Without political reform resulting in greater transparency and accountability of local government and more public participation in politics there is little hope that corruptive trends will stop. Supported by central and local policies of the Chinese Communist Party (CCP), privatization of TVEs has made rapid progress in recent years. The restructuring of the sector is accompanied by a declining propensity to create jobs. In contrast to collective enterprises, which were often founded with the explicit aim of creating jobs, private enterprises are more likely to put profit first and lay off underemployed staff – something local politicians would find hard to do. In fact, this is seen as one of the main motives for leasing or selling off collectively owned TVEs [*Chen, 2000*]. Total employment in the sector has been falling, even in years when output grew. Migration, the other major outlet for surplus rural labour, is also unlikely to provide much new employment in the coming years. The rapid rise in urban unemployment,

caused by the restructuring of the state-owned sector, puts pressure on urban governments to reserve remaining jobs for the urban underemployed. So there is a continuous need to secure gainful employment in agriculture.

This brings us to the need for more investment in agriculture and human development. Agriculture-related investments have declined continuously in terms of percentage of agricultural GDP, even if *public* investment in fixed assets and R&D went up considerably since 1990. Farmers failed to invest for many reasons: a tradition of reliance on government, uncertainty over land use rights, and blurred contractual relations with government. Most importantly, private investment in agriculture and particularly crop growing had much lower returns than in industry or services [Fan, 1997: 131–40]. Chinese data about rural investments, savings, fixed assets and farm animals are rather unreliable, and do not allow firm conclusions about the agricultural capital stock. When the data of the First National Agricultural Census held in 1997 were published in 1999, provincial aggregates showed enormous discrepancies with all previous (and unfortunately, also most subsequent) official statistics and State Statistical Bureau (SSB) sample surveys of the 1990s. Apparently, particularly in the northern agricultural provinces local cadres had vested interests in over- or underreporting and the SSB survey samples are biased [Vermeer, 2001]. It is clear though that most villages need better access to education, health, drinking water, electricity and other amenities, all of which need considerable government investment. Without them, their youth will have little chance to develop and compete with the coastal and suburban advanced regions.

In short, the development strategy that has produced such extraordinary results during the last 20 years seems to be approaching the end of its useful life. The problems of post-Deng China are not unique; many of them are shared with other developing nations. What is unique about China is the diversity of the problems, from absolute poverty and environmental degradation in the interior parts to the new burdens of affluence in some coastal areas. Some of these problems are best described as the social and environmental costs of development: pollution, environmental degradation, increasing income disparities within and between regions. Others are related to the weakness and thinness of institutions, whose growth has not kept pace with the growth of the economy. The low level of taxation (China's revenue-to-GDP ratio is one of the lowest in the world) is a severe handicap for redistribution of funds and investments between rich and poor regions and economic sectors. Moreover, the fiscal system is decentralized and regressive, all of which leave the poorest areas starved for funds. Other problems include rural-to-urban fiscal flows and pressures on local governments to invest in revenue-producing industry, even where

infrastructural investment would do more to raise local incomes. What all these issues have in common is that they require a different kind of government intervention: from developmental and command-and-control to more targeted, decentralized and consensual approaches. Instead of an entrepreneurial, fiscally self-sufficient local state, one needs a variety of different agencies (not all of them necessarily governmental) that regulate economic activity, build infrastructure and institutions, and redistribute income to reduce extreme poverty. In different ways, the articles in this volume reflect these changing functions and priorities, and the beginnings of a new agriculture.

#### THE CONTRIBUTIONS

The 1997 Census is a landmark, and its data will be of great significance for future studies of rural employment, infrastructure, facilities, use of land and agricultural technologies, housing and many other aspects of rural economy and society. In their careful analysis on the geographical aspects of the 1997 First National Agricultural Census, Roberto Fanfani and Cristina Brasili show how different types of counties (ranging from poor and mountainous to rich and peri-urban) are distributed within and among provinces. Data of this kind (and more fine-grained, down to the township level) are needed to deal efficiently with rural poverty, public investment, development of infrastructure and other government concerns. Their analysis demonstrates that there is a decreasing importance of persons active in agriculture, according to the economic development of the different provinces. The number of persons engaged in agriculture in total in the main municipalities is less than 40 per cent (Shanghai and Beijing), and less than 60 per cent in most provinces of the eastern part. In these provinces, there are now many households whose revenue is mainly coming from non-agricultural activities, and only 55 per cent of total households are pure agriculture households. The data available from the 1997 Census also show that the official classification of Chinese provinces into six geographical regions or three main economic-geographical regions (west, middle and east) is insufficient to describe a composite reality of Chinese agriculture. In most cases, the largest differences emerge from the western and middle provinces, on the one hand, and the eastern provinces on the other hand. The authors, however, found statistically relevant differences inside these larger geographical areas, at both the provincial and the county level.

The problems of farmers are compounded by local tax burdens. Li Xiande presents a detailed analysis of the so-called peasant burden, since 1990 a highly politicized problem, which commands great attention by both scholars and politicians.<sup>7</sup> National regulations of 1991 and 1993 have failed

to stop the perception of predatory local fees and burdens resulting in widespread rural discontent. Li uses the example of one village in Hubei province, where he found that in 1997, families paid nearly 13 per cent of their net income as all kinds of charges to village and township government. However, only the three per cent paid in official charges (the so-called three *tiliu* and five *tongchou*) are included in the official definition of the 'peasant burden', for which government has set a ceiling of five per cent. Agricultural and special agricultural product taxes and the water/electricity fee amounted to over one-third of the total contribution of 202 *yuan* per capita in this village. Administrative fees, the common production fee, the education supplement and converted corvée money were other main items. The combined total is presented as a contracted sum (*hetongkuan*) to the villagers, and subsequently deducted from their quota sales of grain. The distribution of revenues between state, township and village, and their management has become more decentralized and departmentalized, with detailed definitions of their uses and functions. Li sees the swollen staffs of local bureaucracies and lack of alternative revenues of county government as major reasons for the worsening peasant burden. Besides economic growth, only greater administrative efficiency and democratic control of the use of public funds might solve the problem.

Jacob Eyferth contrasts the failing TVEs in Shiyan village, Jiajiang county, Sichuan, with the traditional household papermaking industry. After decollectivization it took the papermaking households only a few years before they re-established their industry, and on the basis of special skills, a strong market orientation and specialization they managed to expand their sales throughout China. The TVEs depended on local government support for their establishment and financing, and most were ill conceived. Collective factories of paper, acetylene, calcium carbonate and ceramic tiles all failed, for reasons of lack of research into market demand, too large size, and low level of technology. Apparently, village cadres badly wanted to have a large-scale factory to run, and were prepared to sink considerable village funds into ventures, often just copying the examples of existing enterprises. In a situation of full employment and higher wages in the traditional handicraft sector, the low-skilled jobs in the TVEs were not attractive to most villagers. Only the clerical and managerial positions, no more than two dozen, provided new and rewarding employment. Eyferth concludes that since the early 1990s, the TVEs made a negative contribution to the local economy. Even if their turnover was about equal to that of the paper handicraft sector, the latter earned profits of 10–20 per cent, while the former hardly earned any. Statistics from other townships in Jiajiang systematically undervalue household industries (many of which are classified as 'sidelines' or unreported to escape taxation) and overvalue

TVEs. In contrast with the entrepreneurs of the household industries, local factory workers are regarded as a class that may work at a leisurely pace but does not command high wages.

Issues of income distribution, welfare and social security are central to several other articles in this volume. Here, too, there is a need for more detailed knowledge. Eduard Vermeer's analysis of the determinants of wage incomes in 22 villages in Wuxi and Qingyuan (Hebei) provides crucial information. Since property and non-wage incomes from farm and household businesses are relatively evenly distributed, wage income plays a crucial role in social differentiation. Vermeer found vast differences in the proportion of wage income to total household income, stemming largely from different degrees of wage labour participation between localities. Other important findings concern returns to education and age and gender differences. Interestingly, better education had different effects in the two localities: in rich and industrialized Wuxi, education increased the chances of finding paid employment much more dramatically than in Qingyuan. Moreover, education translated more effectively into higher wages in Wuxi than in Qingyuan. In both places, men benefited from education more than women did. Political affiliation, if corrected for age, education and gender, showed different effects on wage income in the two localities.

A critical issue in the development of agrarian China concerns land tenure security. Here the scholarly studies probe into the relation between land tenure and use (in terms of cultivation, management and investment). Following the introduction of the Household Contract Responsibility System for rural land lease in the early 1980s, wide academic attention focused on the question: Can the present land tenure system – under conditions of socio-economic and demographic change, and strong control by the rural collective – stimulate the farmers' economic incentives to ensure sustained economic growth? At present, many problems still haunt the rural land lease system. Owing to the unclear property structure and a low legal awareness, villagers are uncertain about the rights they enjoy to land property. A major concern of the Chinese authorities and scholars is the powerful control of the lessor over land rights. The contract is often but a 'paper agreement' because collectives can appropriate and redistribute leased land whenever deemed necessary. On the other hand, redistribution of land is often a bare necessity in response to demographic change. In land-scarce regions the collective faces strong social pressure from the community to uphold a more egalitarian land allocation, which leads to frequent readjustment of the land lease.<sup>8</sup> The rural land tenure issue has been intensively debated by Chinese and Western scholars [*Kung and Liu*, 1997: 33–64; *Liu et al.*, 1998: 1789–806].<sup>9</sup> It is, however, certain that the problem can never be resolved without the transfer of surplus rural labour to the non-

agricultural sector. In 1998 China had an official urban unemployment rate of three per cent (5.71 million people) [*State Statistical Bureau*, 1999: 892]. To date there are no reliable figures for the rate of rural unemployment, and estimates for it remain no more than an educated guess. Chinese farmers are attached to the soil – in the words of the renowned Chinese sociologist Fei Xiaotong – and this situation still pertains today. It is illustrative of the large hidden unemployment in the countryside. A senior official at the Ministry of Agriculture once said: ‘The future problem of China will not be the laying-off (*xiagang*) of urban workers, but that of its huge population of farmers.’<sup>10</sup>

In this edited volume, the issue is not directly addressed but it features as the backdrop for problems of environmental degradation and rural poverty. The articles by Peter Ho and Rita Merkle demonstrate the impossibility of solving the environmental and poverty problems if the question of rural unemployment is not simultaneously dealt with. A second strand of thought that links the two articles is their focus on the nerve tips of the state: how do governments assess complex local situations? How do they weigh different needs in situations where no ideal solutions exist, and every gain implies a loss for somebody else? In all cases, there are trade-offs between income and the environment: short-term measures to improve local livelihood will result in long-term environmental degradation.

Peter Ho examines a new stage in China's land reform: the auction of wasteland to individual farmers in the northwest of China. In an effort to deal with rural poverty alleviation while tapping into the undeveloped resources of wasteland, local authorities launched the ‘Four Wastelands Auction Policy’ in the mid-1990s. The policy was hailed as a breakthrough in soil and water conservation through the sale of use rights to the highest bidder. Not only would good stewardship of the land be stimulated as farmers themselves would be responsible for the land. But the policy would also tackle the critical issues of rural unemployment and environmental protection. The development of wasteland for afforestation and animal husbandry would give farmers alternative income-generating activities, while simultaneously improving soil and water conservation. The article argues that the Wastelands Policy signals a dual break with the past. First, the formulation process of the policy is an example of the space opened up by the reforms, which allows lower administrative levels (county and below) to initiate and shape policies that are normally considered too sensitive or innovative. Second, the policy entails great possible socio-economic changes because it removes the so-called rural–urban divide of the *hukou* system. The Wastelands Policy permits ‘open auctions’ in which not only farmers, but also cadres, urban entrepreneurs, and legal entities such as mass organizations and companies are allowed to participate and,

more importantly, gain access to rural land. However, the lesson to be learnt from the auction policy is that China is still characterized by command-and-control, and campaign-style policy implementation. It leads to frequent policy failure, and ultimately even risks the rise of a new class of landless peasants as the weak and poor cannot compete on an even footing with the wealthier farmers in the open auctions.

Staying in the northwest, Rita Merkle's article also deals with this combination of resource constraints, rural poverty and environmental degradation through a study of a large-scale resettlement programme. Like most of China's poorest areas, southern Ningxia is remote, mountainous, resource poor, and has a substantial minority population. Areas like these have been unable to capitalize on the opportunities created by the reforms. Being deficient in subsistence crops, they do not benefit from farm product price increases; neither do they have the resources and market access to generate off-farm income. To the contrary, investment in off-farm activities in such areas is often driven by revenue considerations and diverts scarce funds away from where they are most needed [Park et al., 1996: 751–78]. Alleviation measures begin with targeting the needy, and this is, as Merkle shows, by no means easy. Poverty is defined in territorial terms: the poor are those who live in counties officially designated as poor – including the non-poor in these counties, and excluding the poor elsewhere. Merkle's main focus is on a large-scale (250,000 persons) voluntary programme in which poor households are resettled on newly opened land. This is a measure of last resort, but one that China's leaders intend to use more often in their efforts to stamp out poverty within the next few years. As in the case of the Three Gorges Dam project, project implementation was initially poor but improved over time. One of the most interesting findings is that relief targeting remained imperfect and that administrators reluctantly accepted that aid went not to the most needy, but to people who were well equipped to make use of it. In all these cases, short-term gain must be balanced against the long-term ecological consequences. Interpretations differ and statistical data are hard to come by, but there can be little doubt that the reform period has witnessed increasing pressure on the environment, from air and water pollution to soil erosion and desertification.

Many scholars and politicians were concerned that China's land scarcity would not only cause environmental pressure, but would also endanger food security. In 1995 Lester Brown shocked the Chinese government with his prediction that the People's Republic would face critical food shortages in the future [Brown, 1995]. Despite substantial agricultural growth generated predominantly by increased use of chemical fertilizers, land is still one of the basic inputs to farm production. From the viewpoint of the government, the average area of farmland per capita is low: only one-third of the world

average. The situation is aggravated by substantial losses in arable land owing to rapid urbanization, industrialization and environmental problems (soil erosion and desertification) [Ash and Edmonds, 1998: 838]. There is a strong economic case for regional agricultural specialization and cashcrop cultivation to enable higher grain imports. But the government is committed to grain self-sufficiency out of strategic considerations. During the compilation of this volume, Brown's thesis was proved untenable to the extent that he did not address the issue of the capacity of land for increased agricultural productivity, while the greater part of China's land actually produces well below its potential.

Zhang Xiaoyong's contribution builds on the debate sparked by Brown's thesis. She presents a comparison of projection models for China's food demand and supply. As Zhang shows, widely divergent projections hinge on apparently arcane details: relatively small differences in the feed-meat conversion rate make all the difference between feast and famine in projections. Zhang cautiously refrains from pronouncing on the issue of food security. She shows that the margins of error are too wide to be confident about any long-term prediction. Moreover, the official data on cultivated land and pork production and consumption are known to be wrong. None of the models she discusses supports alarmist predictions that China's future food demand could not be met by domestic and international supply (China exports over twice as much food and food products as it imports). Partly because of protection measures for arable land, China has no problems in meeting its target of (almost) complete grain self-sufficiency. This is essentially a political decision with substantial economic costs: the comparative advantage of a land-short, labour-rich country like China lies in labour-intensive horticulture and livestock industries, not in production of wheat or maize. One of the most pressing questions is how to protect the interests of grain farmers (about three-quarters of farmland being devoted to grain, and even more in poverty areas) while simultaneously shifting resources to more viable sectors. As China's subsidization of farm products conflicts with World Trade Organization (WTO) requirements, and by early 2001 this was a major remaining obstacle to China's accession to the WTO, China must devise new subsidy policies based on direct income support instead of price support. This means the government should direct its subsidies to poverty areas and poor farm households, and establish more direct links with the latter.

Rural welfare reform would make it easier to untie a knot that ties land to people and people to their land. As China evolves from a subsistence-oriented agrarian economy to an increasingly affluent industrial economy, also the basis of social welfare needs to change. Traditionally, the costs of welfare in rural China were borne by the income-sharing household and/or

collective and secured by control over land. As we have seen above, the link between land and social security has been a perennial problem for property rights reforms. Large numbers of rural wage earners no longer rely on land. Yet people who are no longer farmers in any meaningful sense of the word hang on to their allotments, partly because regulations require them to deliver grain quotas, partly because land is their only subsistence guarantee if they lose their jobs. In the absence of other guarantees, land needs to be periodically reallocated to ensure minimum subsistence for all. Government and academic studies have shown that the majority of farmers, in fact, favour such redistributions.<sup>11</sup> In a wide-ranging article, Jutta Hebel discusses how social welfare depends on a complex nexus of households, communities, social networks and the state. Hebel presents a multilevel approach for the analysis of social welfare – which is understood in the broad sense including income, value generation, services in kind, state subsidies, and so forth. The objective of this analysis is to combine the levels of institutions that determine welfare arrangements at the household level. For this purpose, Hebel draws on three scholarly views to the social welfare problem: the ‘security approach’, the ‘rural developmental approach’, and the ‘family approach’.

The links between community and welfare are further explored in Heather Xiaoquan Zhang’s chapter on gender differences in inheritance rights. Like Hebel, she sees welfare as consisting of more than pensions and insurance payments. Most welfare transactions in most societies take place within families, through aid and financial support for the needy, elderly or ill. Such support is typically mirrored by intergenerational transfers: gifts, bequests and inheritance. In China, and not only there, these exchanges are slanted against daughters, who provide much of the social support but get less than their fair share of the inheritance. As Heather Zhang shows, such discrimination derives from the prevalent practice of virilocal residence. Upon marriage, women leave their natal family and village, and the share of the family patrimony that is theirs by law. This is not only condoned but also openly encouraged by village leaders who want to prevent resources from flowing out of the (agnatically defined) community. The facts are well known, but the complete disjunction between formal law (which guarantees equal inheritance rights for daughters) and common practice (which all over China denies them their rights) deserves much more attention than it has hitherto received.

Environmental degradation, gender discrimination, income differentiation – all these are issues that cut across administrative boundaries. Above, we argued that local governments are in a process of a redefinition of their functions. This is not saying that the developmental local state and the managerial township, which were highlighted in previous

studies, are no longer active [*Christiansen and Zhang, 1998*]. Maria Edin gives us a spirited defence of the local state, and a new perspective on its inner workings. The usual answer to 'what drives local development' consists of one word: revenue. This, Edin argues, is theoretically unconvincing and empirically untrue. Many local governments successfully transformed themselves from owners of collective firms to facilitators of private enterprise. This transformation is guided by non-economic incentives, primarily by the cadre assessment system. Routinized censure and praise, fines and bonuses, demotions and promotions within the bureaucratic hierarchy ensure that development is led into the right channels. Since the early 1980s, the cadre management system introduced both individual and collective performance contracts for leading and medium-level township cadres, which were not unlike those given to enterprise managers. Subsequently, they were integrated within the civil servants' evaluation system, which became a powerful tool of governance, at least in the developed areas of China. Leading township cadres are evaluated by the county on the basis of their performance contracts, which include a hierarchy of soft, hard and priority targets. Nationwide, family planning and maintenance of social order are priority targets. Local targets differ and reflect local priorities. Edin describes various incentives and political rewards for target fulfilment. Evaluation procedures vary, but a significant degree of 'mass participation' is realized by the use of complaint letters and appraisal meetings of medium-level cadres. A major element of local economic success is the selection and preferential treatment of local private industrial enterprises. By contrast, township government performance may be quite defective in poor areas, which lack economic incentives for good performance. A question Edin raises but does not answer is why this system works so well in some regions while it failed in others. A possible answer is that it requires an exceptional level of bureaucratic expertise to run such a system, which is less likely to be found in poor inland regions.

This volume lays emphasis on rural and agricultural problems in the inland provinces, and has relatively little to say on rural industrialization and the coastal areas. This may appear paradoxical: despite recent setbacks, China is becoming more affluent, more industrial and more urban. The position of agriculture in the national economy has changed, probably for good. It is no longer the workhorse that subsidizes the urban sector with cheap grain and other inputs and helps the nation realize industrialization. China can no longer guarantee that the rural unemployed and poor will not burden the socialist state or crowd its modern cities. Domestic terms of trade, long set against the farmers, changed in their favour in the 1980s and only in the past few years the government has reverted to less generous

prices and limitations to guaranteed purchases of grain, cotton and oil crops. If China were to meet WTO conditions of accession, many of its farmers will in the future become net recipients of income subsidies – objects of protection rather than extraction, like their European colleagues – as the sector as a whole will be exposed to world market prices. Because of comparative disadvantages, producers of cotton, wheat, maize, wool, beef and dairy products are likely to suffer most. In 1998, an official Chinese study of the effects of WTO entry calculated that by 2010 its net effect would be positive (+4.6 per cent) on urban income but negative (–2.1 per cent) on rural income [Yu, 2000: 66–72]. Sheer numbers make it impossible that most farmers will be absorbed into industry, services or become producers for international markets. Nonetheless, the problems of rural China have become smaller, more localized and more manageable – and perhaps also more easily neglected. The shift of focus in this volume is a measure of the magnitude of these changes: this much has been achieved, this much still needs to be done.

## NOTES

1. Initially the national government allowed farm households a land lease period of five years, which was extended to 15 in 1984. To safeguard stable tenure, the lease term was extended with another 30 years on top of the original contract in 1993 [Cheng and Tsang, 1995: 44].
2. In 1998, 1999 and 2000 per capita net income from crop cultivation declined by 6, 45 and 98 yuan, respectively [State Statistical Bureau, 2000].
3. In 2000, collectively owned industries had a lower growth rate than shareholding companies or state-owned industries, namely 7.4 per cent vs. 14.5 per cent and 10.1 per cent [State Statistical Bureau, 2000].
4. Another 12 million rural households were non-productive [National Agricultural Census Office of China, 1999: 16].
5. Data based on 23 large cities [Nyberg and Rozelle, 1999: 101].
6. Quoted in Li *et al.* [2000].
7. A recent article calls the peasant burden ‘a reflection of systemic weaknesses in the political and administrative system as a whole’ and stresses the burden on the poor owing to the regressive character of taxes [Bernstein and Lu, 2000: 742–63].
8. Based on research in Sichuan province, Pennarz observed a more even distribution of resources, stricter land use regulations and a stronger commitment to strive for common interests in land-scarce regions (with high population pressure) as opposed to land-abundant regions [Pennarz, 1996].
9. The research on urban land touches on a similar topic: the relation between property rights and the construction industry. See Walker [1991]; Chen and Wills [1999].
10. Li Sheng, oral communication, 2000.
11. The 1997 survey of the Central Policy Research Office indicates that 62.8 per cent of the sample villages still advocate land redistribution. Of the 36.1 per cent that opposed land redistributions, 46.7 per cent thought their villagers’ committee could safeguard a policy of stable land lease, 22.9 per cent said that land was abundant and uneven land distribution would not incite social conflict, 17.1 per cent said that income from land was no longer important because of alternative employment opportunities, and 13.3 per cent stated that land distribution was too cumbersome and they were unwilling to redistribute after the first time. See Wang [1998: 56–7]. In a survey of 800 households in four provinces done by Kung and

Liu it was found that 62 per cent of the respondents preferred the village policy 'that periodically reassigns land among farm families in response to changes in the composition of their families' [Kung and Liu, 1997: 34].

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