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COMMUNICATION, COOPERATION, AND CONFLICT

IN CHINA'S COUNTRYSIDE, 1978-1985

by

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THESIS SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
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of
Communication

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COMMUNICATION, COOPERATION, AND CONFLICT IN CHINA'S COUNTRYSIDE, 1978-1985

Abstract

The thesis examines controversial post-Mao rural economic reforms, which greatly expanded the role of money, markets, and commodity exchange, to determine their impact on production relations. It discusses the evolution of responsibility systems, focusing on the dialectic of peasant initiatives and leaders' responses to uncover the nature of communication in policy formation. Various responsibility systems are compared in order to uncover the proportions and interpenetration of unified and decentralized forms of management. Households that specialize in certain kinds of production are analyzed to reveal how their autonomous self-management affects village producers' cooperatives. The role of the Communist Party in resolving conflicts between specialized and nonspecialized households is discussed. New economic associations are analyzed to determine their impact on preexisting cooperative institutions and relations. One chapter examines the impact of the reforms on development of rural industries. Another chapter describes controversies over the roles of village leaders, growing income inequality, grain production, planning, uneven development, state versus collective versus private capital investment, and the essential nature of contract relations.

Discussion of the reforms is set within the context of two important legacies: 1) experience with building producers' cooperative associations and 2) Marxist theoretical writings about the nature of socialism and communism. The Marxist heritage of suspicion and hostility toward money, markets, and commodity relations is examined in the opening chapter.
Research involved reading of Chinese party and academic journals, national and local newspapers, transcripts of radio broadcasts, and available policy documents. Field research included interviews with peasants, herdsmen, rural factory workers, and students from the countryside; village, commune, and county leaders in Yunnan, Sichuan, Fujian, Shanghai, and Inner Mongolia; and discussions with colleagues, students, and friends while the author was working as a teacher at Inner Mongolia University from 1981 to 1983. Data, observations, and impressions are compared with those of western scholars.

The thesis questions a common assumption that there is an inherent incompatibility between commodity relations and communal or cooperative values and relations. It seeks to uncover how the reforms may improve the prospects for development of autonomous self-managing producers' collectives, but also tries to expose their real limitations.
All empty talk is useless.
We must give material benefits
to the people that they can see
for themselves.

Mao Zedong

Since it is not for us to create
a plan for the future that will
hold for all time, all the more
surely what we contemporaries
have to do is the uncompromising
critical evaluation of all that
exists, uncompromising in the
sense that our criticism fears
neither its own results nor the
conflict with the powers that be.

Karl Marx
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CHAPTER ONE

MARK ON MONEY AND MARKETS: A LEGACY OF THEORY

...a planned economy is not yet socialism. A planned economy as such may be accompanied by the complete enslavement of the individual. The achievement of socialism requires the solution of some extremely difficult sociopolitical problems; how is it possible in view of the high degree of concentration of political and economic power, to prevent administrative personnel from becoming all-powerful and overbearing? How can the rights of the individual be protected and therewith a democratic counterweight to administrative power be assured?

What kind of modernization does China plan to achieve? The Soviet, American, Japanese, or Yugoslav type? We the ordinary masses know nothing of these issues...I work hard, even exceeding my quotas, but after my shift I just like to ponder what I have been working for.

These questions were posed by two Chinese citizens in the watershed winter of 1978-79. The first is a quotation from Albert Einstein that appeared in an article in People's Daily (Feb. 21, 1979: 3) written by Zhou Peiyuan, head of the Academy of Natural Sciences. [1] The second is from an anonymous poster that appeared on the famous "Democracy Wall" in Beijing's Xidan district in December 1978. (Goodman 1981:—65) The two Chinese, one a famous physicist and party-appointed bureaucrat and the other an anonymous worker, both point to a basic flaw in socialist society as it is actually experienced by the majority of its citizens. It remains beyond the control of the people in whose name it was established. And with the rapid development of an increasingly complex production system, the prospects for popular control over either the microstructures or the
macrostructure of the economy seem to fade into an ever more distant communist utopia. The exigencies of modern production and consumption seem to demand ever more sophisticated, specialized, and centralized knowledge and skills. Overcoming the anarchy of market production seems to require elimination of unpredictable autonomous economic activity. The society whose aim it was "to win the battle for democracy" finds it necessary to impose stringent restrictions on freedom of association, freedom of speech, labor mobility, freedom of contract, etc. The society whose aim it was to overcome the social division of labor believes it necessary to create a fundamental separation between leaders who decide what is needed and who articulate the "general interest" in the form of plans, and working "masses" whose only job is to fulfill the plan targets.

Objections to this separation of conceptualization and execution are based not only on the fact that it divides society into the powerful and the powerless. The political critique is supplemented by an economic critique that points out that the socialist planned economies are all characterized by simultaneous waste and chronic shortages. These essentially command economies appear to be increasingly unable to achieve either the satisfaction of needs or an efficient use of productive resources.

Chinese Reforms that Expand the Regulating Role of Markets

In the winter of 1978-79, the party decided to tackle these problems—both the concentration of power in party and government bureaucracies and the inability of planners to articulate social needs in comprehensive plans that generate balanced overall development. The result has been the emergence of a general reform program that has greatly
expanded the role of money and commodity exchange in China's economy. Consider, for example, the following results of policy changes.

The number of products included in plans and quotas for delivery to the state has been sharply reduced. Free markets have been established everywhere in town and countryside. In these markets prices fluctuate according to supply and demand with some state-determined ceilings. Land allocated to peasants for private plots has been greatly increased and the free markets are full of privately produced food and handicrafts. Regional specialization and expansion of rural commodity production and exchange is gradually replacing self-sufficient local economies and distribution in kind and rapidly enlarging peasant cash incomes and buying power. There has been a proliferation of production, supply, and marketing contracts involving individuals, households, cooperatives, collectives, state enterprises, government offices and departments, foreign suppliers, investors, and marketing agents. This shift to contract relations has been matched by legal reforms to provide protection for both sides in contract agreements. Private hiring of up to five apprentices or assistants is now legal. All new employees in state enterprises are being hired on limited-term contracts. Contracts are also being used to tie rewards and punishments of managers to their enterprise's market performance. Managers have greatly expanded the use of piece rates, bonuses, and fines to tie workers' incomes to performance. Survival and expansion of productive units is being tied directly to market performance. State budget allocations of enterprise working capital and funds for expansion have been largely eliminated. Enterprises no longer hand over all profits to the state. Instead an expanded system of enterprise taxation ensures government revenues. Enterprises must finance reproduction and expansion

3
out of profits and bank loans. There is much stricter cost accounting within enterprises as well. Industrial units that are unable to turn losses into profits are beginning to be closed down or retooled or to have their managers replaced. Some of the means of production in state units are being treated as commodities as enterprises are beginning to buy and sell from one another directly to resolve problems of stockpiling and shortage. There has been a gradual restriction of the power of government bureaucracies over production processes, working conditions, wages, and marketing of products in state and collective enterprises. These units have been granted greater autonomy to investigate and respond to market demand by adjusting their product mix. The commoditization trend has not been limited to the sphere of production. Many formerly socialized services are now being offered by individuals or cooperatives on a fee for service basis. For example, some rural cooperative medical care schemes have been disbanded and village-run [min ban] schools closed while private clinics and schools that rely on user fees for financing have appeared in the cities and the countryside.

These and other economic reforms that expanded the regulating role of the market in areas where it was formerly restricted or eliminated have had a dramatic impact on Chinese economic performance. Agricultural and industrial output increased rapidly. Many formerly rationed consumer goods became more freely available. Between 1978 and 1983, rural per capita incomes more than doubled. Urban incomes increased by a smaller but still significant margin. Urban and rural markets in the early eighties were filled with goods that were very difficult or impossible to buy before the reforms. Not only were more goods being produced, but local products were being transported to distant markets. Peasants no longer
regaled foreign visitors with accounts of their wealth measured in bicycles, watches, and radios. They spoke of new housing, tape recorders, television sets, motorcycles, washing machines, even air conditioning. City department stores were no longer filled with shoppers who were "just looking." People had money in their pockets and they were spending it.

The state deliberately cut back on capital investment projects and increased farm gate prices and urban wages to allow for greater personal consumption. With higher levels of consumption, more rapid turnover has increased enterprise profits and thereby state revenues. This has enabled the state to expand social investment in education, health care, housing, urban renewal and beautification, and cultural and sports facilities.

All of this has produced a dramatic improvement in the living and working conditions of the vast majority of the population. But there is another dimension to the changed situation that is just as tangible, though less amenable to statistical measurement. Some Chinese call it a "spiritual transformation." Others speak of a "second liberation." It is reflected in a new spirit of tolerance and openness to things never before seen or formerly denounced as alien or anti-socialist. It is reflected in an anti-dogmatic, experimental attitude, a willingness, even eagerness, to question what exists and to debate accepted notions of what ought to be. It can be seen in a certain blossoming of popular culture, in the greater diversity of expression in dress, music, literature, film, performing and visual arts, and print and broadcast media. It is evident in the thirst for knowledge among not only college students but workers and peasants and professionals in every field. It is also revealed in debates among economists, sociologists, and party theoreticians. This is not to deny the suppression of dissident opinion and its dampening effects but only to
point out that in the opinion and experience of most Chinese, the situation has changed very dramatically to allow for a greater range of publicly expressed opinion on economic, political, and cultural affairs.

Differing Interpretations of the Reforms

Commentators inside and outside China, reflecting on the dramatic changes that have been wrought by the reforms, offer differing interpretations of the transformation in progress. One interpretation sees China as undergoing a transition from socialism to capitalism. Two very different groups share this perspective. One group applauds the change as a necessary and inevitable process to enable China to pursue the most efficient, indeed the only viable, route to modernization. [2] Many analysts in this group hold to a more or less explicit theory of convergence. On the one hand, they believe desire for greater efficiency will force socialist states to relax central controls and allow a greater play of market forces. On the other hand, capitalist governments will be increasingly forced to regulate the market, subsidize or organize production of needed goods and services not profitable enough to attract private investment, and implement redistribution programs to prevent economic dislocations and political crises.

The other group, who also interpret China's current transformation as a move toward capitalism, do not see the process as inevitable and soundly condemn those leaders responsible for the new policies as traitors to the socialist cause. [3] This group includes probably the majority of western leftists plus an undetermined number of Chinese "leftists," who are usually designated "conservatives" or ultra-leftists in China. Those who make this critique within a Marxist analytical framework are faced with a
contradiction. In Marx's account of the dialectic of transformation from one social formation to another, he argues that the transformation of relations of production will have a tremendous liberating impact on the forces of production. [4] In Volume I of *Capital*, Marx explains that in the transition from feudal to capitalist relations of production in England, the revolutionary division of labor in the manufactories created the conditions for the explosive development of mechanized industries and mass production. In Marx's view, it was not the steam engine or other technological wonders but the transformation of relations of production in unmechanized manufactories that produced the industrial revolution. Marx goes on to make a similar argument about the revolutionary impact of new production relations in agriculture as well. (See *Capital*, Vol I: Chapters 14 and 15) If the current transformation in China represents a step backward from socialist to capitalist relations of production, why is it having such a liberating impact on the forces of production? Not a few western leftists deflect this question by criticizing the Chinese (and the Yugoslavs and Hungarians), saying they should not run after the glitter of consumer society at the expense of socialist relations of production. Capitalist relations of production may be more efficient from the point of view of output, profit ratios, and turnover rates, but they are inhuman. The Chinese are warned that they should be more patient and less ambitious so as to preserve the integrity of socialist collectives built up through many years of struggle, organizing, and political movements.

Most Chinese react to this suggestion with apparent frustration, especially those who now have a clearer idea of the real immensity of the gap between current levels of development and underdevelopment. They say they are exasperated with persistent poverty and frustrated with having to
spend inordinate amounts of time just to satisfy basic material needs. Moreover, they identify the suppression of the "revolution of rising expectations" with Cultural Revolution politics, which they see as having destroyed collective solidarity and socialist relations of production, leaving an atomized population in a state of paralysis and fear at worst and apathy or self-satisfied stagnation at best.

A different interpretation of the impact of recent policy changes does not have to revise the Marxian connection between the relations and forces of production. According to this view, the economic reforms are calling into question essentially precapitalist characteristics of the Chinese socio-economic system. Whether such authors refer to "feudal," "Asiatic despotic," "bureaucratic collectivist," or "traditional" traits, they are united by a common focus on apparent continuities between past and present bureaucratic rule and its reflection in the consciousness of a relatively docile, subordinated population. This view is shared by many Chinese inside and outside China who have a strong sense of History as well as by some non-Chinese appalled by incomprehensible bureaucratic practices and subservient responses. However, it is not necessary to identify the persistent influence of certain precapitalist practices and attitudes as conclusive evidence indicating the essential nature of a social formation. [5] Such hangovers from the past can often easily be absorbed and reworked in a new context to solidify entirely new relations of production, much as sexism has been transformed but preserved in precapitalist, capitalist, and postcapitalist societies.

A third interpretation that also can account for the apparent liberation of productive forces perceives China as emerging from a form of "crude communism" and, although there is no consensus as to whether what
is emerging is socialist, capitalist, or something else, it is seen as a step along a feasible route to authentic socialist relations of production. Chinese began talking about "crude communism" in the general discussion of ultra-left ideology and practice after the arrests of the "gang of four" in 1976. In China, the most often quoted references to "crude communism" come from the Communist Manifesto and The German Ideology, but the clearest critique in Marx can be found in the Economic and Philosophical Manuscripts in the section on "Private Property and Communism."

...This type of communism—since it negates the personality of man in every sphere—is but the logical expression of private property, which is this negation. General envy constituting itself as a power is the disguise in which greed re-establishes itself and satisfies itself, only in another way. The thought of every piece of private property as such is at least turned against wealthier private property in the form of envy and the urge to reduce things to a common level, so that this envy and urge even constitute the essence of competition. Crude communism is only the culmination of this envy and of this levelling-down proceeding from the preconceived minimum. It has a definite, limited standard. How little this annulment of private property is really an appropriation is in fact proved by the abstract negation of the entire world of culture and civilization, the regression to the unnatural simplicity of the poor and crude man who has few needs and who has not only failed to go beyond private property, but has not yet even reached it.

The community is only a community of labour, and equality of wages paid out by communal capital—by the community as the universal capitalist. Both sides of the relationship are raised to an imagined universality—labour as the category in which every person is placed, and capital as the acknowledged universality and power of the community. (Marx: Collected Works, Vol. 3, 1975: 295)

In political study in 1976 at the Guangzhou Foreign Languages Institute, my colleagues interpreted this passage from Marx as a condemnation of "crude communism" or "universal asceticism and social leveling in its crudest form," a mistaken idea that produces "reactionary" policies. [6] This critique was the starting point on which economists and party theorists were able to develop a rationale for removing many restrictions on
commodity production and commodity exchange so as to enable some people "to get rich first." Resulting income disparities between regions, villages, and households could be defended against ultra-left "crude communists" who would obstruct uneven development in the name of preserving egalitarian principles.

The Marxian Critique of Commodity Exchange and the Market Mechanism

It is perhaps ironic but significant that the Chinese are striving to overcome a legacy of "crude communism" by expanding commodity exchange and the regulating role of the market mechanism. For Marx tied his critique of capitalism not merely to exploitation but to commodity exchange. Historically, markets evolved out of the development of the social division of labor whereby individuals or groups no longer satisfied all their needs directly by their own labor but instead exchanged the products of their specialized labors to obtain useful goods or services produced by other laborers. To insure their ability to satisfy a range of needs through exchange, laborers had to shift the focus of their activity from production of use values to production of exchange value. If something useful was produced but could not find a market, it became useless, valueless, a redundant, wasted effort. The invention of money greatly facilitated exchange and brought about a rapid expansion of production of commodities for sale. Money could buy not only the products of other's labor but labor power itself. Labor power became a commodity and the ability to satisfy one's needs through one's labor became subject to fluctuations in supply and demand in a labor market.

Market economies, however, contain within them certain inherent contradictions. First of all, a market is a blind, heartless mechanism
that operates automatically, organizing social production according to existing proportions of supply and demand. It achieves its adjustments or "regulation" of production by forcing producers to respond to disproportions caused by errors of overproduction or underproduction. The essence of market regulation of the supply and utilization of labor and capital is adjustment to crises after the fact. This spontaneous, out-of-control, crisis-ridden mechanism appears to be utterly inimical to any notion of social development centered on increasing human control of the conditions of life.

Secondly, through a series of such crises or dislocations, market regulation of an economy produces inequality and contradictions between individuals, groups, and economic sectors. At the same time that market competition stimulates growth of productivity and efficiency, it produces and exacerbates social differences of relative wealth, status, and power.

Thirdly, though rooted in a logic of competition under conditions of equality and autonomy, the market produces, through its unfettered operation, the seeds of its own destruction in an inherent tendency to generate processes of monopolization and thereby inequality and inefficiency.

Fourthly, the market stimulates those activities that are most profitable and discourages production of goods and services that may be needed but are not competitively profitable relative to other more lucrative investments.

All these inherent problems of the market mechanism as an automatic economic regulator have been analyzed by liberals as well as socialists. But Marx took this critique one step further with a philosophical argument built around the concept of alienation. For Marx, labor becomes alienated when laborers shift their attention away from the usefulness or meaning-
fulness of the immediate product to its exchange value—how much they can get for it in the market. The product is no longer an expression of the creative powers of its maker. It has become a commodity—a mere means to obtain money to buy the means of existence. Its value is no longer determined so much by the skills of its maker as by conditions of supply and demand utterly beyond the control of its maker. And when the social division of labor evolves to the stage wherein producers no longer own their means of production and thereby lose also their rights of disposition over the products of their labor, their labor power itself has become a commodity—a thing—an alienated personal capacity that is lost in a market transaction whereby the owner of means of production buys the right to put labor to work. Thus the human capacity to labor—to refashion the conditions of existence according to a preconceived plan—the power that separates humanity from other animals, emerges from the development of the social division of labor as a commodity and enmeshes human producers in a set of relations of production that are commoditized and dehumanized. Relations between people in the process of production are fetishized inasmuch as they take on the appearance of relations between things in the process of exchange. The labor expended in the process of production takes on the appearance of a concrete property of the product itself, its value. In the exchange of products in the market place, the apparent equality and freedom of exchange relations obscures the fundamental relations of inequality, exploitation, and domination in the process of production.

Marx's materialist analysis of history led him to predict the necessary abolition of exploitative class relations. His philosophical analysis of the alienating effect of production for exchange led him to posit a
future communist utopia in which not only exploitation but markets, money, and commodity exchange would all be abolished. [7]

In contrast to his total rejection of any role for markets, money, and commodity exchange in the communist utopia, Marx's assessment of the role of expanding market relations in the transition from feudalism to capitalism is generally positive. Again the analysis has both political-economic and philosophical dimensions. Marx recognized that universalization of commodity exchange destroyed feudal relations based on a hereditary, hierarchical system of privileges and obligations. The bourgeoisie destroyed the feudal order and in its place constructed a capitalist order based on the personal freedom and legal equality of buyers and sellers in a free and open market. In the words of Marx:

...Equality and freedom are thus not only respected in exchange based on exchange values but, also, the exchange of exchange values is the productive, real basis of all equality and freedom. As pure ideas they are merely the idealized expressions of this basis; as developed in juridical, political, social relations, they are merely this basis to a higher power. And so it has been in history...Equality and freedom presuppose relations of production as yet unrealized in the ancient world and in the Middle Ages. (Grundrisse: 245)

But with the evolution of market relations, some producers lose their means of production and become wage labor, while others are able to turn their exchange value into capital. When capital and wage labor meet in the labor market, the capitalist agrees to pay the laborer an amount of money sufficient to reproduce the labor power expended during the period of the work contract. As in the purchase of any other commodity, the buyer is expected to pay the cost of its production. But what the capitalist gets in return is actually far more valuable because the labor power employed produces new value equal to considerably more than the cost of its own reproduction. What appears on the surface as an exchange of equal
values is in reality a very unequal transaction whereby the capitalist is able to extract surplus value in the form of profits realized from the sale of the products of wage labor. Thus the formal equality and freedom of the wage contract conceals a fundamental inequality. The source of the inequality is indicated in the Chinese words for “bourgeoisie” and “proletariat.” The former are “the propertied class” [zichanjieji], while the latter are “the class without property” [wuchanjieji]. Having no private property, i.e., no capital, the proletariat are compelled by the material needs of their families to sell their labor power in return for the means of existence. The capitalist experiences no such compulsion. The worker is not personally dependent on his or her particular employer like the serf or slave in relation to the lord or slave owner. The wage laborer is free to quit and look for another job. Through the market the proletariat has won personal independence, but an objective dependence of labor on capital to provide the means for earning a living remains.

In the Grundrisse, Marx divides mankind’s history into stages based on the transition from relations of personal dependence to relations of personal independence rooted in an objective dependence.

Relations of personal dependence (entirely spontaneous at the outset) are the first social forms, in which human productive capacity develops only to a slight extent and at isolated points. Personal independence founded on objective [sachlicher] dependence is the second great form, in which a system of general social metabolism, of universal relations, of all-round needs and universal capacities is formed for the first time. Free individuality, based on the universal development of individuals and on their subordination of their communal, social productivity as their social wealth, is the third stage. The second stage creates the conditions for the third. Patriarchal as well as ancient conditions (feudal also) thus disintegrate with the development of commerce, of luxury, of money, of exchange value, while modern society arises and grows in the same measure. (Marx 1973: 158)

When Marx talks about “objective dependence” here, he means more than
my earlier reference to the objective dependence of labor on capital. He means the dependence of individuals on a system of social production built around commodity exchange through the medium of money.

Exchange, when mediated by exchange value and money, presupposes the all-round dependence of the producers on one another, together with the total isolation of their private interests from one another, as well as a division of social labor whose unity and mutual complementarity exist in the form of a natural relation, as it were, external to the individuals and independent of them. The pressure of general demand and supply on one another mediates the connection of mutually indifferent persons.

The very necessity of first transforming individual products or activities into exchange value, into money, so that they obtain and demonstrate their social power in this objective [sanlichen] form, proves two things: (1) That individuals now produce only for society and in society; (2) that production is not directly social, is not "the off-spring of association" which distributes labor internally. Individuals are subsumed under social production; social production exists outside them as their fate; but social production is not subsumed under individuals, manageable by them as their common wealth. There can therefore be nothing more erroneous and absurd than to postulate the control by the united individuals of their total production, on the basis of exchange value, of money, as was done above in the case of the time-chit bank. The private exchange of all wealth stands in antithesis not only to a distribution based on a natural or political super- and subordination of individuals to one another...but also to free exchange among individuals who are associated on the basis of common appropriation and control of the means of production. (Marx: Grundrisse 1973: 158-59)

Marx had a dialectical view of the impact of commodity exchange in the bourgeois era. It gave humanity the experience and the corresponding notion of personal liberty. But these free individuals are still caught in a realm of necessity, of unfreedom, where their very effort to act out their freedom in the market place produces a set of interrelations and dependencies behind their backs. Why does the price of oil or grain or housing fluctuate, sometimes very dramatically? Why is the U.S. dollar strong and Third World currencies weak? Why can labor power suddenly become a surplus capacity for which there is no demand? Because we are caught in a web of interconnections, a division of labor, a set of commo-
commodity relations that take on the appearance of an accident of history beyond either comprehension or human control.

Marx believed commodity exchange and money would have to be abolished to create the conditions for "free individuality based on the universal development of individuals and on their subordination of their communal, social productivity as their wealth." But the precondition for this stage is the system of "universal relations, of all-round needs and universal capacities" that emerges for the first time in the era of universalized commodity exchange. In Marx's view, it was "the development of commerce, of luxury, of money, of exchange value" that produced the bourgeois culture of the Enlightenment, the flowering of arts and sciences, human knowledge, and capacities developed by people of leisure with a wide range of interests and experience. The more they learned, the more they felt the need to learn. The medieval world with its dogmatic explanations and prescriptions was shattered by a whole new model of being and thought. Without this revolutionary transformation in the bourgeois era stimulated by the development of a market exchange economy reaching into every corner of the planet, even the dream of an era of universal development of free individuality would have been inconceivable. Thus capitalist exchange relations not only establish the negative freedom from precapitalist forms of personal subordination but also create the material preconditions for the positive freedom to develop a diversity of individual capacities to their maximum potential. But this freedom to develop individuality must be universalized. Humanity's objective dependence on a social division of labor and set of commodity relations wherein the development of some people hinges on the underdevelopment or suppression of individuality in other people must be overcome.
But now we encounter a curious contradiction. Marx believed that the main obstacle to overcoming commodity exchange and the social division of labor is scarcity. Thus he always insisted the communist utopia could be realized only in a society of abundance where it would no longer be considered efficient or rational for an individual to be tied to one specialized role all his or her working life. But scarcity is a relative concept and Marx himself argued that self-development is a process whereby the structure of human need is ever more richly developed. [8] Furthermore, as human knowledge has expanded in the twentieth century, its development seems to require more, not less, specialization. The detailed division of labor has spread from the factory workshop to the science laboratory and the disciplines of the human sciences. Many learned people spend their whole working lives analyzing minute aspects of the unfolding universe of human knowledge.

Marx did not clarify how relative scarcity and the social division of labor could be abolished under such circumstances. Meanwhile, his preoccupation with the alienating objective dependence embodied in social production shaped by commodity exchange and money produced a Marxist heritage of hostility toward economic calculation based on money and commodity exchange. This was picked up by leaders as otherwise different as Lenin, Stalin, Fidel Castro, Mao Zedong, and Pol Pot. Every time communist parties have allowed this bias to shape state policies it has not ended the objective dependence of individuals on a system of social production totally out of their control. Quite the contrary, each time the regulating function of a commodity exchange market is destroyed, personal freedom is replaced by relations of social domination. This is the lesson many Chinese have finally derived from repeated attempts during
the Socialist High Tide in 1956, the Great Leap Forward in 1958, and the Great Proletarian Cultural Revolution of 1966-76. These experiments produced alienation on a massive scale, not merely the alienation of producers in relation to their own labor, their products, and each other but the alienation of the Chinese people as producers, consumers, and citizens in relation to the entire system of nonmarket socialism.

There is an interesting passage in the Grundrisse in which Marx says:

In exchange value, the social connection between persons is transformed into a social relation between things; personal capacity into objective wealth. The less social power the medium of exchange possesses (and at this stage it is still closely bound to the nature of the direct product of labour and the direct needs of the partners in exchange), the greater must be the power of the community which binds the individuals together, the patriarchal relation, the community of antiquity, feudalism and the guild system. Each individual possesses social power in the form of a thing. Rob the thing of this social power and you must give it to persons to exercise over persons. (Marx 1973: 157-158)

Although Marx is here speaking of precapitalist social relations, the argument could also be applied to any society that attempts to abolish the social power of things as manifested through the market mechanism without first achieving democratic control over planners and the planning process. It could be logically inferred from Marx's argument that the elimination of the regulating power of the market mechanism in this context will produce tendencies toward despotism. It is an interesting coincidence that Chinese identified their experience with the most extreme attempts to restrict the regulating power of the market in the Cultural Revolution as an experience of feudal dictatorship.
Marx's Notion of a Society of Associated Producers

Marx's preoccupation with overcoming objective dependence on commodity relations and value categories produces another fatal contradiction in his hypothetical construction of a communist society.

Within the co-operative society based on common ownership of the means of production, the producers do not exchange their products; just as little does the labour employed on the product appear here as the value of these products, as a material quality possessed by them, since now, in contrast to capitalist society, individual labour no longer exists in an indirect fashion but directly as a component part of the total labour. (Marx 1972: Critique of the Gotha Program: 14-15)

In order for individual labor to become directly social labor, both the individual producers and the producers' collectives must lose their autonomy as independent agents in a process of exchange. All means of production become common property and disposition of the forces of production, including labor, becomes a "communal" responsibility. There is no room here for self-management within individual producers' collectives. Democratic control is to be achieved at the level of the "community" as a whole. Moreover, there is a suggestion that national planning could be relegated to technical experts once general social priorities have been determined and general policy guidelines have been given to the planners. Nowhere is there any suggestion that there might be conflicts of interest between different producers' collectives, between producers and consumers, between different regions or ethnic groups, between different views on priorities, etc. There is no explanation of how different needs could be articulated and democratic participation in key decision-making be achieved. There seems to be an assumption that by integrating all units into one big national "communal" enterprise, competition for scarce resources and conflicts over priorities will magically disappear in a common identification of individual and particular collective or
particular community interests with the well-being of the national enterprise as a whole.

This dream of being able to concentrate the ideas and aspirations of "the masses" in national policies and plans ignores the existence of fundamental conflicts that will not disappear even in a classless society. This illusion goes all the way back to Rousseau's "social contract" and is echoed in Lenin's and Mao's notions of the "mass line." This homogenization of needs and interests in notions of "the people," "the masses," "the state," "the community," etc., sabotages prospects for building a socialist society on a foundation of pluralist solidarity and diverse democratic forums for the articulation of differing needs and negotiation of agreements (plans and policies) for the utilization of productive resources.

It is not surprising that Lenin logically concluded from his reading of Marx and Engels that "the whole of society will have become a single office and a single factory." [9] It is not surprising that Lenin eventually rejected workers' self-management through workers' councils. For if workers' councils are to exercise self-management authority, their collectives must have a certain degree of autonomy in the national economy. They must take certain decisions out of the hands of national planners or government or party authorities. But on what basis can they make decisions about what products are needed in what quantities in what locations? And how can they judge what is the most efficient way to utilize productive resources? And on what basis can they independently negotiate agreements with suppliers and end users? They can only rely on value categories, market information, and contracts calculated in exchange value. The only alternative is to adopt a command system in which
workers' "collectives" can no longer be reasonably considered associations of free producers.

Preobrazhenski, Stalin, and Mao believed commodity exchange and the law of value remained relevant in Russia and China because of the persistence of private and cooperative (as opposed to fully nationalized) forms of property. [10] However, it is not private property but rather the autonomy of producers that creates and preserves the need for commodity exchange. [11] It is a curious contradiction that Marx, who argued the hegemonic role of economic relations in shaping political institutions should have conceived of an ideal community in which the independence of autonomous producers' collectives is obliterated in the name of achieving "communal" control of social production. It is precisely the vague homogeneity of this notion of community that produces this absurdity and so many of the horrors of plan fetishism in command economies.

I do not wish to make a fetish of the market mechanism as I believe many Chinese and East European economists do when they offer the "operation of the law of value" as a magic weapon that can destroy the evils of commandism, bureaucratism, privilege, waste, shortages, etc. What I do hope to illustrate is that in the Chinese context expansion of commodity exchange (particularly contract relations) is producing corresponding demands for greater autonomy, self-management rights, and equality before the law and for a restriction of arbitrary bureaucratic interference. The economic reforms cannot be evaluated in the abstract on the basis of some preconception about planning versus markets in socialist society. The thesis examines only some of the reforms, those which affect the rural economy, to uncover their concrete impact on relations of production in the countryside. It questions the common assumption that the basic impact
of the economic reforms is privatization, atomization, commercialization, and basically capitalist transformation of relations of production. It questions the assumption that the expansion of commodity relations is ipso facto an expansion of capitalist relations. It argues that the economic reforms have made the development of autonomous self-managing producers' collectives neither impossible, nor inevitable. Although the study focuses on the character of production relations at the village level, it does touch on the implications of microeconomic practices for the macrostructure of production relations in the sphere of national planning and policy formation. I cannot answer the questions raised by the continuing debate as to the actual nature of the Chinese social formation, but I do believe a careful analysis of the actually evolving character of relations of production is essential to lift the debate out of the muck of murky abstractions drawn from a reality whose concrete features are for the most part very poorly described, let alone comprehended.
A common source of distortion in most accounts of policy formation is the failure to situate events in their historical context. Decisions and actions abstracted in this way lose their real meaning and can be easily misinterpreted. In the Chinese case, there has been a failure to grasp how new policies are a response to shared interpretations of past policies and the activity they rationalized. A new development strategy is emerging in China out of a process of questioning and rethinking past activity and the ideas which informed that activity. Out of reflection and discussion have come new ideas and many experiments which did not come simply out of the heads of China's leaders. But to understand the recent actions and thinking of both peasants and leaders, it is necessary to begin by examining, if only briefly, the historical experience which gives it its meaning.

Mass Line and the Peasant Movement
Prior to Liberation

The 1920s

For about three decades before the Communist Party came to power in 1949, Chinese revolutionaries accumulated experience doing mass work among the proletariat and the peasantry. The positive and negative lessons of
these years became a legacy that the party utilized in forging new relations and institutions after 1949, which in China is known as the year of "liberation." Chinese peasants began organizing into powerful peasant associations in the twenties with and without the help of organizers from the Communist Party and the Socialist Youth League. At the height of the peasant movement in the mid-twenties, tens of millions of peasants had joined associations in Guangdong, Guangxi, Hunan, Jiangxi, Henan, Sichuan, and other provinces. [1]

This was the period of the Communist Party's first united front with the Nationalist Party founded by Sun Yat-sen. After Sun died in 1925, the right wing of the Nationalist Party, pressured by alarmed capitalist and gentry Nationalist Party supporters, began to put pressure on their Communist Party allies to restrain the rapidly growing labor and peasant movements. The Communist Party's general secretary, Chen Duxiu, and others in the Central Committee panicked in the face of growing hostility from the Nationalists. Mao Zedong, in his capacity as director of the Communist Party's Peasant Department, was sent to Hunan to rein in the worker and peasant militants in his home province. After a month-long investigation, Mao submitted a "Report on an Investigation of the Peasant Movement in Hunan." [2]

Although the subject of Mao's report for the Central Committee was a field trip made in his capacity as a bureaucrat in the party's Peasant Department in Shanghai, the text was the furthest thing from a typical bureaucratic report. The reason is clear. His purpose was not simply to file a few statistics for the Peasant Department's office records. This was no mere passing on of a few dry facts collected from county party files. Mao was reporting what he had heard and observed in a powerful
peasant movement. He was taking the ideas of peasant militants, systematizing them, and passing them on to the party’s leaders in the hope that they would listen to what peasants were saying by their words and their actions and thereby be inspired to trust the peasantry, throw in their lot with them, and help them organize their own revolution. The method of on-the-spot social investigation pioneered by Mao and other revolutionaries in the twenties is an important legacy which continues to shape policy formation processes in the eighties. The following are a few of the things Mao discovered and reported that had convinced him the peasant movement should be supported.

In one year, the population directly under the leadership of the peasant associations had grown from a little more than one million to about ten million, which was nearly half the total peasant population of Hunan. The rallying call "All power to the peasant associations!" was actually being realized in practice. The power of the largest landlords and local officials had collapsed under the organized collective weight of the peasant associations. The worst tyrants had been executed, striking terror into the hearts of the entire landlord class. Many landlords and gentry had fled to the cities and the peasant associations had assumed authority over all important rural affairs. Many rich peasant and even small and medium-sized landlords were frantically trying to buy their way into the powerful peasant associations. Speculation, export, and hoarding of grain had been outlawed causing a significant drop in market prices. Raising land rents and demanding advance deposits on rented land had been prohibited and rent reductions were being negotiated for the coming fall harvest. Canceling of tenancies and reletting of land had been prohibited. Interest rates on loans had been reduced and in areas where the
peasant associations were strongest, usury had virtually disappeared.

The old district and township organs of rural administration, which had levied land taxes and arbitrarily arrested, imprisoned, and tortured peasants in the past, had lost their authority and had been replaced by the authority of the peasant associations. The landlords' self-defense corps were being disarmed and the peasants were setting up their own militia and spear corps under new organs of rural self-government. The power of corrupt county magistrates and their bailiffs had been undercut as all decisions were made by a joint council consisting of the magistrate and representatives of the revolutionary mass organizations including the county peasant association, trade union council, merchant association, women's association, school staff association, and student association. In order to retain their positions, the county magistrates were "eager" to cooperate with the mass organizations. The county bailiffs no longer went to the villages to extort fines from hapless peasants, but remained in the towns for fear of the villagers' spears.

One thing that emerges from Mao's account is the vitality, spontaneity, and relative autonomy of the peasant movement and its mass organizations. The Communist Party at the time of its fourth congress in January 1925 had only 980 members, many of whom were working in cities. Nevertheless, the party and its Youth League had an influence quite out of proportion to their numbers. The leaders and organizers of the peasant associations were not all card-carrying Communists, but many had been taught or inspired by members of the party or the league. Moreover, it was the Communists who radicalized the peasant movement and most effectively articulated peasant needs and demands. Thus it would be wrong to suggest that the peasant movement of the twenties was entirely
spontaneous and autonomous. However, compared with the peasant associations of later periods before and especially after liberation, these early associations had far greater autonomy in their relations with local party organizations.

The Jiangxi Soviet

Mao's investigation and report on the peasant movement in Hunan was an early example of an approach to political communication which would later be identified as "the mass line." Mao's definitive statement on the mass line dates from the early forties, but it has obvious roots in the organizational structure and practices of the Jiangxi Soviet. After the collapse of the first united front in 1927, the party was forced underground. The failure of urban uprisings in Nanchang and Guangzhou finally compelled the party to change its strategy to rural-based guerilla warfare. In the late twenties and early thirties fifteen revolutionary base areas were established in the southern provinces of Hunan, Jiangxi, Fujian, Anhui, Guangxi, Guangdong, and Henan. Guerilla forces in these base areas expanded and became divisions of the Red Army. In the spring of 1929, the headquarters of the Red Army moved to Ruijin which became the capital of the Jiangxi Soviet Republic, soon the largest and most consolidated of the base areas.

In the Jiangxi Soviet the party's agrarian policy evolved in the context of simultaneous development of the mass line. [3] The mass line is the party's basic theory of what constitutes democratic political communication between leaders and led. It applies to three distinct power relations: between cadres and the masses, between party cadres and the mass of ordinary party members, and between the party as the revolutionary vanguard and the masses. Elements of the basic concept can be found in
Lenin. [4] The Chinese approach can be traced back to the Jiangxi Soviet and even to Mao's investigations of the peasant movement in Hunan in the twenties. However, the most definitive statement of its essence dates from the 1942-43 party rectification movement in Yan'an:

In all the practical work of our Party, all correct leadership is necessarily "from the masses, to the masses'. This means: take the ideas of the masses (scattered and unsystematic ideas) and concentrate them (through study turn them into concentrated and systematic ideas), then go to the masses and propagate and explain these ideas until the masses embrace them as their own, hold fast to them and translate them into action, and test the correctness of these ideas in such action. Then, once again concentrate ideas from the masses and once again go to the masses so that the ideas are persevered in and carried through. And so on, over and over again in an endless spiral, with the ideas becoming more correct, more vital and richer each time. Such is the Marxist theory of knowledge. [5]

The mass line is a theory of political communication, political organization, and political participation. [6] From the theory are derived a number of defining characteristics of correct and incorrect cadre work styles. According to the theory, the greatest threat to the party's ability to lead the revolution lies in the bureaucratic and subjectivist attitudes and practices of cadres who have become "divorced from the masses." The mass line style of leadership requires cadres to remain close to the masses by living and working in their midst and remaining accessible to them. It condemns aloofness and arrogance, which obstruct communication between cadres and masses and therefore between the party and the masses. The mass line requires cadres to carry out investigations, hold meetings, and systematically collect the opinions of the masses. The theory implies this survey of popular views should occur both before and after policy decisions are taken. In fact, it implies the inspiration for policy initiatives should properly originate with the masses.

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Despite appearances, however, the mass line does not mean democracy in the sense of autonomous self-government. Rather, it is government on the people's behalf by leaders who, in the final analysis, are not responsible to the people, but to the party. And yet, cadres are supposed to defend the masses' interests in the event that party directives or party leaders demand actions inimical to people's welfare. The tension arises, in great part, out of the Leninist notion of the vanguard role and character of the party. [7] By definition, the party is composed of the most far-sighted and revolutionary elements of the masses. By definition the vanguard's vision, their perspectives on problems and prospects, cannot be identical to that of the more muddle-headed masses. Thus their most important task is to enlighten their associates and subordinates. But to do this effectively, they must first grasp the ideas in these people's heads. They must learn to use the everyday expressions, disorganized ideas, and aspirations of the masses to do effective political education to win mass support for and active participation in implementation of party policies.

The democratic potential and limitations of the mass line were first demonstrated in the land reform of the Jiangxi Soviet. Three bodies made up of local citizens actually implemented the party's agrarian policies. The confiscation committee surveyed every household to establish the class status of every individual and the size and character of landholdings. The land committee handled the actual redistribution of property. These committees included the head of the local soviet government, leaders of the poor peasant corps and farm labor unions, and representatives of the families of Red Army soldiers. Although committee members were largely inexperienced and uneducated workers and peasants, a core of members were
given special training in party schools and therefore viewed as professional land reform cadres.

Results of the investigations and classifications by the confiscation committee were usually posted in a public place for at least two months before actual confiscations and redistributions took place. It was the job of the workers' and peasants' inspection teams to investigate any objections to the process or results of classification or distribution and to redress grievances. These citizens' committees "served as the eyes and ears of the local soviet government and helped the soviets determine whether economic equality and social justice had resulted from land confiscation and distribution." (Kim 1969: 86)

Although these three bodies were composed largely of local people, including a majority of workers and peasants, they were neither spontaneous nor autonomous creations of the local people. They were organized by the Red Army and by experienced cadres sent by higher-level government authorities. The poor peasant corps were also neither spontaneous nor autonomous creations. They were the product of a party decision to set them up in 1932 as an organizational tool in carrying out a new campaign to restrict rich peasant power and influence in the local economy and politics. The category "rich peasant" was taken to refer not to those who were merely prosperous but to those who engaged in "exploitation," in other words, those who hired labor, rented land to others, earned profits on rent, or engaged in speculation, regardless of whether this made them wealthy or not. Membership in the "poor peasant" corps was restricted to those who were not "exploiters" and could include newly prosperous peasants whose wealth was the product of their own labor and know-how.

The executive committee of the township poor peasant corps were first
elected at a mass meeting. This committee then delegated cadres to organize mass meetings to elect like bodies in the surrounding smaller villages. The poor peasant corps in the villages were also subdivided into smaller groups [xiao zu] of farm workers, day laborers, handicraft artisans or poor peasants.

The poor peasant corps explained government policies in the villages. Leaders of these organizations were summoned to attend village and township government meetings at which new programs were explained. They were expected to organize mass meetings of villagers to arouse enthusiasm and organize support. District [qu] level soviet governments also summoned leaders of the township poor peasant corps to weekly meetings where directives from the central soviet government were explained and opinions were solicited both on the appropriateness of government policies and on concrete methods for implementation. The township government also would send its own representatives to attend meetings of the poor peasant corp executive. The poor peasant corps served as a transmission belt of government and (through the government) party directives, but also as a line of communication for the articulation of peasant corps members' needs, objections, and desires.

The poor peasant corps served another essential function, which was to train local cadres. Elections to the executive committees of the corps were held frequently, every three months at the township level. The express purpose of frequent elections was not just to give people the power and experience of recall, but to enable as many as possible to learn the skills of public administration.

Although the poor peasant corps were the product of central and local soviet government directives to establish them, in Kim's view, they were
"not tightly controlled" and "attempted to function as fairly spontaneous organizations." For example, the village and township peasant corps executives did not hold regular meetings, which it was felt would be "too mechanical." (Kim 1969: 90)

In the summer of 1933, the Central Soviet Government initiated a land classification campaign, really a reclassification and redistribution to correct problems caused by mistakes in the initial land reform. The stated purpose was to weeding out certain landlords who had managed to get themselves classified as rich or middle peasants in the original campaign. Some had apparently infiltrated the Soviets and received land in the distribution process. In this second land reform, or rather rectification of the original movement, the poor peasant corps played a key role not only in mobilizing villagers' support for the party's initiative but in actually organizing and administering the reclassification. The local Soviet governments worked in conjunction with the poor peasant corps to establish land classification committees that included both government and mass organization cadres. This campaign was highly structured and carefully planned with explicit directives for weekly district and township-level government and mass organization joint meetings to establish implementation schedules and regular inspections. In one sense, the poor peasant corps gained much greater power through their participation in the administration of this second land classification and confiscation. But in another sense, they became much more intimately tied to the Soviets and lost the power that derives from a certain autonomy. Such autonomy is essential so that the ability to demand and maintain the right to express particular or conflicting interests and needs is not dependent on the benevolence of those in power.

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The land reform process was merely the starting point for a larger program of mass mobilization for rural development initiated in Jiangxi and transferred in whole or in part to each of the other Red bases. The district soviet governments in most of the bases appointed committees to organize self-managed [minban] education and health programs, peasant mutual aid schemes, and consumer and transport cooperatives. Women were organized in women's associations, nursing and stretcher-bearer corps, weaving and tilling brigades. Youth were organized in the Communist Youth League and its junior affiliates, the Young Vanguards and the Childrens' Brigades. Mass mobilization did not mean simply the calling of mass meetings of an entire village. In fact, such meetings would backfire if not preceded by extensive one-to-one discussion and smaller meetings. The proliferation of mass organizations with strong grassroots chapters and representatives' committees provided the organizational context for maximum popular articulation of needs and opinions. Party members formed a "core of leadership" within the various mass organizations even when they did not hold official leadership posts. Through them the party was able to insure dissemination of directives and obtain feedback about popular opinion of government policies. Through the mass organizations and citizens' committees, ordinary peasants were able to become officials, not the traditional sort of privileged, powerful, and remote type of officials, but official representatives and leaders in their own mass organizations and village Soviets. The party's generally positive experience with organizing mass participation in land reform and government in the Jiangxi Soviet consolidated the conviction that close links with the people were essential to the success of the revolution. This is a legacy which continues to influence party policy and practices down to the present.
The Yan'an Legacy

After liberation the Yan'an experience came to be viewed as a model of mass line political communication in action. The sojourn in Yan'an was an extremely creative and rich period. There are many aspects to the Yan'an legacy that cannot be discussed here. I intend only to focus on those aspects most relevant to the emergence of a legacy of concepts and techniques of political communication used to foster rural development policies. [8]

In 1942 the party launched a major effort to transform political communication first within the party, and then in the relations between leaders and ordinary people inside and outside the various bureaucracies governing social life in the liberated area around Yan'an. The linchpin in the whole effort was also the starting point, a major party rectification [zhengfeng] whose style and content was in marked contrast to past attempts at rectification, which had involved arrests and purges or temporary setting aside of leaders judged to have made serious mistakes. The old approach had been copied from Soviet practice under Stalin. Mao himself had been the target of such a "purification" process in Jiangxi and was well aware of its destructive divisive effects. Since a major goal of this rectification was to forge greater unity within the party as well as between party and nonparty cadres, a new approach had to be found. The party rectification carried out in the border region in 1942 and 1943 became a model for all future party rectifications and remains an important legacy of the Yan'an experience.

One has to understand something of traditional Chinese modes of leadership and political communication to be able to appreciate the
Yan'an party rectification. Even today, the Chinese have to struggle constantly to overcome traditional modes of political communication based on domination, obedience, dependency, fear of conflict, concern with saving face, and an assortment of devices to protect leaders from the embarrassment of open criticism.

The heart of the rectification process was precisely face-to-face, open, and direct criticism. But because of the weight of traditional modes of communication between superiors and subordinates, such straightforward discussion of faults and mistakes was not possible without first establishing a consensus about the desire for unity. In 1957, Mao attempted to draw on the legacy of the Yan'an rectification with the following observation:

This democratic method of resolving contradictions among the people was epitomized in 1942 in the formula "unity, criticism, unity". To elaborate, it means starting from the desire for unity, resolving contradictions through criticism or struggle and arriving at a new unity on a new basis. (Mao 1977: 87)

To achieve this initial basis of unity, the rectification began with a study movement. Everyone was mobilized to study a set of documents which discussed a range of ideological and work-style problems. These documents have been translated and published (Compton 1952) and reveal the predominant role of Mao Zedong in ideological leadership already in the forties, but also the relative independence of the Chinese Communist Party from the tutelage of Stalin and the Comintern in ideological matters. [9]

For many new members of the party, this was their first experience with extended study and discussion of Marxism-Leninism and the ideas of Mao. Very quickly this study moved into reexamination of recent party history. After analyzing the roots of past errors, the movement turned to examination of current problems. After establishing consensus about the nature
of overall problems in past and present practice, party members, organized in small study groups, turned to more pointed criticism and self-criticism of reflections of these problems in their own thinking and activity. This was followed by discussion of concrete measures that could help to improve political communication and relieve the burden on the peasants of having to support such a large administrative apparatus.

This process of cadre reeducation through a mass campaign of study, criticism, and self-criticism is an essential legacy of the Yan'an rectification, which was used again and again in later movements, though not always with such success. The 1942-43 rectification produced a number of important campaigns that are also part of the Yan'an legacy of mass line politics.

The campaign for crack troops and simple administration [jing bing jian zhen] streamlined government and army bureaucracies, particularly at the highest levels most divorced from the situation in the villages. Many cadres were transferred from overstuffed central offices to lower level bureaucratic organs. Amalgamation reduced the number of government departments at district and county levels. While the total number of cadres was not substantially reduced, their location was dramatically altered. Many educated and experienced cadres were transferred to lower levels, where they had no personal local ties and were largely motivated by strong feelings of loyalty to the party. As a result, subsequent decentralization of authority actually strengthened party influence over local affairs.

Nevertheless, this decentralization is real and important. For even when decisions are made by "outsiders," they are made locally and therefore are more likely to be made with a sensitivity for popular feelings,
if not actually preceded by democratic consultation to prevent local dissatisfaction or obstruction. A persistent preference for local decision making and distrust of overly centralized bureaucracies is an important legacy of the pre-liberation experience that continues to influence the shape of development in China. However, local leadership in the Chinese context is a difficult and frustrating responsibility. All local cadres, whether natives or outsiders, are constantly confronted with contradictions between their responsibilities to higher authorities as opposed to their constituencies.

The "down to the village" [xia xiang] movement coincided with the campaign for crack troops and simple administration. Besides the cadres reassigned to posts in the villages, many students and intellectuals also went to live in the villages. It was recognized that the mutual prejudices of peasants and intellectuals could not be overcome without face-to-face contact and development of working relations and friendships. The sending of students and intellectuals down to the villages to carry out social investigations and assist local leaders to resolve contradictions and mobilize support for development programs has been a fairly regular feature of political communication in development of China's countryside until fairly recently.

The campaign that undoubtedly had the greatest impact on closing the gap between a large, expensive, and remote government bureaucracy and isolated villages was the production movement. Students, intellectuals and cadres were mobilized to participate in farming, spinning, weaving, and small light industries to produce the food, clothing, and other goods they needed and reduce the burden on local peasants. Such participation in productive labor was not new, but the scale of production by normally
nonproductive organizations was vastly enlarged after 1943.

However, the most significant legacy of the production campaign was the cooperative movement. Communist efforts to organize producer, transport, and commercial cooperatives actually go back to the twenties. There were also organizations of mutual aid and cooperation organized in Jiangxi and many of the Red bases in the early thirties. Consumer and transport cooperatives were also set up by the government in the northwest border region in the late thirties. But because most of these cooperatives were organized almost entirely from above by party and government cadres, the peasants perceived them as "the long arm of the government" reaching into the villages. In 1940, realizing that most of these cooperatives had proved counterproductive, all but a few successful consumer and transport cooperatives were disbanded. But in 1943 in the face of an economic crisis and as an outgrowth of the rectification campaign discussions, the party launched an unprecedentedly large-scale movement to establish organizations of mutual aid in the villages. This time, however, the model for cooperative relations did not come out of the heads of party and government cadres. Instead, traditional forms of mutual aid that were quite familiar to the villagers were taken as the basis for familiar yet somewhat different arrangements. These new cooperative organizations were self-managed entities based on a private peasant economy. They were organized on the basis of principles of voluntarism and mutual benefit. However, there were problems with local cadres trying to please party and government authorities by making exaggerated reports of the size and number of cooperative associations set up in their villages. For this reason, official statistics on the number of such arrangements are not reliable. But it is clear that the numbers were significant and
there is no question that this experience with developing indigenous self-managing cooperative economic associations on the basis of traditional forms and the principles of voluntarism and mutual benefit proved invaluable in the later post-liberation cooperativization movement. Many of the cadres, students, and intellectuals who were sent down to the villages from Yan'an to participate in the production movement in the forties would later play an important role explaining the experience of the peasants in the northwest to peasants in villages all over China in the early fifties.

The mass line approach to political communication was at the heart of each of the aspects of the Yan'an legacy. In the rectification process, the reduction and simplification of the bureaucratic apparatus, the "to the village" movement, and the production campaign, particularly the cooperative movement, the key to success lay in adequate social investigation and organization of those who would be affected by policies. People were organized first to articulate their needs and then on the basis of agreement with systematic summaries and analyses of commonly perceived problems, to participate directly in schemes to resolve them.

Mass Line and the Peasant Movement After Liberation

Land Reform

With the breakdown of the united front with the Nationalists at the end of the Second World War, the party once again raised the age-old peasant demand for redistribution of land. The promise and realization of land reform sealed peasant support for the People's Liberation Army in the civil war, particularly in north China where in extensive liberated areas, people's governments were consolidated over a period of several years
before the People's Republic was established on October 1, 1949. The most detailed accounts of the land reform process available in English (Hinton 1966; Crook and Crook 1959 and 1982) tend to be about land reform in these liberated areas of north China. Many of these accounts are both moving and impressive. Hinton, for example, describes a painstaking process involving the investigation of local conditions by a work team, rectification and purification of the village peasant association, propaganda work to explain land reform policies through one-to-one and small group discussions, classification of households, "speak bitterness" meetings and ritualized "settling of accounts" with the most hated landlords and local tyrants, confiscation and redistribution of property, inspection, rectification, and adjustments to correct errors made in the first classifications, confiscations, and distributions. The relatively democratic communication between leaders and led and the specific stages and organizational techniques, as well as the use of representative committees and mass organizations, were all reminiscent of the land reform in the Jiangxi Soviet. Hinton's account reveals how crucial was the role of outsiders in carrying out investigations before and after confiscations of property. Unless these people were able to win the confidence of the villagers, the peasants would not voice their fears, complaints, misconceptions, or hopes.

Hinton's account also reveals the character of the rectification process. Like the Yan'an rectification, it sought to overcome traditional attitudes and habits of passivity, submissive obedience, and avoidance of loss of face. It demanded frank discussion of mistakes and poor work-style. What is different in Hinton's Long Bow village compared with Yan'an is the open door character of the rectification. All the party
members had to "pass the gate," meaning they had to discuss their strengths and weaknesses at a meeting of village representatives. They had to obtain villagers' approval or face suspension or even expulsion from the party and from positions of authority. This was not a matter of carefully orchestrated "thought reform" by an authoritarian party hierarchy. It was a meeting in which peasants were encouraged to look on village leaders as the people's "hired laborers." The sessions recorded in Hinton's diaries were marked by lively discussions, biting sarcasm, humor, threats, and pathetic excuses. Although emotions often ran high, these confrontations were moderated by a common desire not to destroy cadres' sense of belonging and obligation to the village as well as the villagers' respect for the cadres as their advocates in dealing with higher authorities. The peasants could see that their leaders were, after all, human beings like themselves who needed both prodding and support to do the jobs mandated to them. This process involved a powerful use of political communication to prevent mechanical implementation of government policies by tying cadres' fortunes to local sentiments.

The accounts of the inspections, rectifications, and readjustments organized by work teams sent by party or government authorities in many studies of the land reform are quite revealing. (Crook and Crook 1959, Hinton 1966, Moise 1983, Lippit 1974). They indicate a deep-rooted democratic tradition in the historical development of the Chinese revolution in the countryside. And yet, at its core the process rested on a fundamentally paternalistic relationship between the party and government on one hand and the Chinese peasants on the other. The decision to initiate each inspection or rectification was taken not by the villagers but by higher authorities. Many legitimate grievances were redressed through
Many elements of democratic forms of political communication began to emerge that were in stark contrast to preliberation patterns of domination and subordination. Nevertheless, there were no institutionalized guarantees that such inspections, rectification, or readjustments would occur or that they would be carried out democratically. The rights of the peasants were completely dependent on the benevolence and wisdom of party and government leaders. The use of outside work teams often helped to expose and resolve thorny village conflicts, but it also reinforced the villagers' dependence on outside intervention to redress grievances. It did not encourage villages or groups of peasants to set up their own inspections or to challenge policy implementation, let alone policy formulation, on their own initiative.

The peasant movement of the twenties when the party was still in its infancy, was more spontaneous and autonomous than that of the forties. A similar contrast characterizes the land reform before and after the turning point in the civil war in which the Communists finally achieved state power. As the Nationalist Army collapsed and the People's Liberation Army pushed southward, land reform followed in the wake of the advancing army. Work teams applied techniques and organizational forms developed in the land reform movement in the liberated areas of the north to southern peasants whose economic situation, social organization, perceptions, and even language were quite different. A subtle but significant change had occurred. Land reform was no longer the basis for military victory, but rather its result. The speed and administrative nature of land reform in the south caused many peasants to identify it as something imported from the outside. Underlying this problem is a tendency to treat "peasants" as
mass, so that applying the mass line can mean taking the ideas and practical experiences of peasants in one part of the country and applying them to peasants in another area despite considerable cultural and even socio-economic differences.

Mutual Aid

In the first few years after liberation, land reform coupled with tax reforms generally eliminated the most extreme forms of exploitation and gross income disparities. The big dream of most peasants was to acquire more land, hire labor, rent to tenants, lend money, and accumulate enough to be able to guarantee a decent homestead for each son and thereby security for their own old age. But this would have meant a return to the class polarization and exploitative class relations of the recent past. Tax reform played an important role in slowing down the polarization process. Tax revenues were used to assist poor households to make investments in equipment, seeds, fertilizers, animals, chemicals, etc. The countless planning and mobilization meetings associated with the organization of the assessment, collection, and delivery of tax grain trained cadres and developed relations and patterns of communication between villagers and their leaders, which were further developed in the movement to establish mutual aid teams. (Shue 1980a: Chapter Three)

Just as in Yan'an, mutual aid teams were built upon traditional forms of labor exchange, of sharing draft animals and other means of production, and of collective labor. However, the mutual aid arrangements that emerged after liberation were generally more permanent, lasting throughout the agricultural cycle, and more open to neighbors who were not necessarily kin or close friends. They were also generally more structured,
with a leader chosen either by consensus or a formal election, who might exercise considerable management authority or at least assume responsibility for organizing regular decision-making meetings of the members.

The purpose of mutual aid was to raise productivity and increase the security of members by achieving economies of scale through the sharing of available means of production. Though it was hoped that mutual aid could raise the earning power of poor and middle peasants, there was no attempt to redistribute the wealth or means of production of the members. Quite the contrary, with long-term mutual aid it became necessary to devise ways to calculate the value of differing technology and labor inputs. Out of this need emerged a number of workpoint systems, which became an important legacy that continued to influence peasant experiments with new forms of cooperation in the eighties. It was around these workpoint systems and workpoint related issues that most of the internal politics of the mutual aid teams revolved. The workpoint systems covered a range of types from time rates to task rates to piece rates to standard rates for each laborer according to the team's estimation of the person's general strength, skills, and output. However, most workpoint systems had five interrelated aspects: 1) a method for evaluating and calculating work done, 2) a method for recording work done and settling accounts, 3) a method for determining the actual value of a workpoint, 4) a method for the sharing of draft animals and farm tools, and 5) a method for assigning and coordinating the work to be done. (Shue 1980a: Chapter Four)

It is these systems for articulating and evaluating needs and hammering out compromises in the face of contradictions that are at the heart of the successes and failures of Chinese efforts to establish associations of rural producers. Because of space limitations, one
example of such a contradiction will have to suffice to illustrate the sort of problems the mutual aid teams had to resolve. The team had to determine the value of workpoints paid for members' labor. Those whose major asset was their labor power naturally desired to set the value at least at par with the going rate for hired labor in the village. However, if the value of workpoints was increased in proportion to increases in output, households short of labor power but relatively well-endowed with land would be disadvantaged and might actually do better with hired labor. If workpoint values rose too rapidly, land-poor households might prosper at the expense of middle peasant households, thereby destroying team solidarity and causing the latter to withdraw to return to independent farming. Thus the value of workpoints was the subject of countless disputes, but it was to the advantage of all the team members to find a mutually equitable figure.

Supply and Marketing Cooperatives

In the early fifties, state trading corporations were established to handle the trade in certain essential commodities such as grain, salt, cloth, oil, and coal. These powerful monopolies drove independent merchants out of these lines of trade and brought hitherto rampant inflation under control. Often these merchants actually became state-paid employees, commonly managers, in new state-owned purchasing stations. In rural market towns (zhen) and some townships (xiang), supply and marketing cooperatives were organized with the help of government loans and advances from state trading corporations. In 1949 there were already more than 20,000 supply and marketing cooperatives, but they were largely confined to the old liberated areas. By 1952 the number had risen to
nearly 33,000, while membership in such cooperatives increased from ten million to exceed 138 million.

The rural supply and marketing cooperatives were supposed to be semi-socialist institutions. The peasants were still private entrepreneurs and they were encouraged to invest in the cooperatives as private shareholders. In theory, shares were limited to one per investor but in reality, since the cooperatives needed as much capital as they could attract, this rule was not enforced. However, rich peasants were generally unable to gain control of the cooperatives because shares were not transferable and because of the relatively democratic structure of decision making. General meetings of members were held to decide the most important matters. An executive committee of five to thirteen members was elected to a one-year term to handle day-to-day affairs. They were required to report both to the members and to the authorities of the district-level supply and marketing cooperative organization. To prevent bureaucratization and alienation of the executive committee from the membership, a supervisory council of five to nine people who had never served on the executive acted as a watchdog committee. In the larger cooperatives, where general membership meetings were found to be too cumbersome, there was a members' representative committee composed of delegates from the mutual aid teams or (in cases where cooperative members were not all team members) delegates from members of the cooperative organized into small groups [sheyuan xiaozu]. This committee served as a transmission belt between the executive committee and the members. It conveyed the needs and opinions of members to the executive while propagandizing the work of the supply and marketing cooperatives to the mutual aid teams or to the members' small groups.
Contract Systems

The supply and marketing cooperatives played many important roles in the fifties. They purchased agricultural produce and handicrafts from the peasants and supplied them with manufactured consumer goods for daily use, raw materials for sideline occupations, and basic means of production such as tools, fertilizer, chemicals, and seeds. Advance purchase contracts [yuyou hetong] were used by the supply and marketing cooperatives to bring peasant production, particularly grain and cotton production, under the state plan. Peasants who signed advance purchase contracts to supply the cooperatives with wheat, rice, eggs, medicinal herbs, handicrafts, etc., received cash advances of one-tenth to one-third of the final output value. These were, in effect, interest-free loans. It was much easier for mutual aid teams and, later, agricultural producers' cooperatives to get these contracts and this encouraged many households to join these cooperative producers' associations. Rich peasants could not get cash advances from the supply and marketing cooperatives and were restricted to a line of credit. This prevented them from using cooperative funds to engage in usury. The offer of advance purchase contracts greatly affected peasant willingness to sell products to the state. By 1954, ninety percent of grain growers in central and south China had signed such contracts and had thereby been incorporated into state planning of grain production.

The use of "combined contracts" [jiehe hetong], which covered both the sale of products by mutual aid teams to the cooperatives and their purchase of cooperative products such as fertilizer, salt, and tools also helped to consolidate the monopoly position of the state in rural commerce. Because of this arrangement, mutual aid team members could not use
cash advances from the cooperatives to buy products from private merchants competing with the cooperatives. Also because of these contracts, the state trading corporations and the supply and marketing cooperatives could get better market information and do better inventory planning, which also improved their competitive position. Much of the inspiration for the contract responsibility systems of the post-Mao era derives from the generally positive experience with contract relations in the fifties.

The Cooperative Movement

In the fall of 1953, the party announced its "general line for the transition to socialism," which outlined the party's program for elimination of the "rich peasant economy" and gradual development of socialist relations of production. The plan was to progress in carefully calculated stages from relatively small and elementary producers' cooperatives [chuji hezuoshe] to larger and more advanced producers' cooperatives [gaoji hezuoshe]. Elementary producers' cooperatives were a step beyond the mutual aid teams inasmuch as they involved the pooling of land as well as collective labor. Distribution of proceeds was based on relative contributions of labor and land and other means of production. In other words, the cooperative was a sort of joint-stock operation in which differences in individual members' incomes derived in part from differences in the size of initial individual investments.

In the more advanced producers' cooperatives, the link between formerly private productive assets, including land, animals, and technology on the one hand and remuneration on the other, would be broken. Incomes would be derived solely from workpoints calculated according to the type, quantity, and quality of work performed. The value of each workpoint
would depend on the productivity of the collective as a whole.

Peasants were supposed to move to this higher stage voluntarily and only after experience at the lower stages had convinced them of the likelihood that material benefits would result from further collectivization. By 1955, 650,000 cooperatives had been formed, mainly of the elementary type. Their members included about fifteen percent of all peasant households. More than eighty percent of these early cooperatives achieved production increases of ten to thirty percent. According to the plan, as the cooperatives proved themselves, more peasants would join and as earnings from collective labor increased, the stage would be set for movement to higher forms. (Shue 1980a: Chapter Seven)

This pattern of gradual and voluntary change was broken in 1956 when the cooperative movement suddenly moved into high gear. During this "Socialist High Tide," 87.8 percent of peasant families became members of cooperatives in a single year. The major impetus for this rush came from rural cadres responding to Mao Zedong's promulgation of rural surveys describing the successes of cooperatives that had pushed on to the higher stage. [11] Dissemination of a July 1955 report by Mao to a conference of provincial, municipal, and autonomous region party secretaries "On the Cooperative Transformation of Agriculture" (Mao 1977) also influenced rural leaders. Although there were misgivings and debate over the party's acceleration of the pace of collectivization, Mao's endorsements of villages that pushed ahead produced a stampede into the agricultural producers' cooperatives in 1956.

This shift in policy was justified in terms of class struggle. It was argued that the continued existence of private ownership of land would lead to polarization, with the relatively better off "middle peasants"
accumulating land at the expense of their poorer neighbors. So class struggle was directed not against landlords, but against one sector of the working peasantry, which in some areas constituted close to half of the population. Mass support could be generated, nevertheless, because of notions of leveling that had become common among poor peasants during land reform. By pressuring the middle peasants into joining the advanced cooperatives, poor peasants could raise their own standard of living at the expense of their more well-to-do neighbors. Thus class struggle during the Socialist High Tide pitted not exploiters and exploited against one another, but poor peasants versus middle peasants in struggles over meager village resources. It has been estimated that, as a result, a majority of those classified as middle peasants still had not regained their pre-collectivization income levels two decades after joining the cooperatives. (Selden 1982a: 73)

Other interventions by central authorities during this period also affected peasant incomes. In late 1953, the state introduced unified purchase and marketing of grain, which eliminated the private grain trade and made it possible to set quotas for compulsory grain sales to the state at below market prices. This move, combined with a fixed agricultural tax, assured urban workers a secure food supply and allowed for accumulation for state investment. However, it severely limited peasant incomes and the ability of rural collectives to accumulate capital for rural development. Moreover, since many forms of rural sideline production competed with growing urban industries for agricultural raw materials, the state also discouraged their development. This further limited peasant earning capacity. (Selden 1982b)

Peasants were being proletarianized as collective labor increasingly
became their only source of income and as the scope for legal economic activity was increasingly narrowed to crop production to meet state quotas. They had not only given up legal title to private ownership of the major means of production, but were also losing control over the planning and management of rural production.

The Great Leap Forward and the People's Communes

A further push from the center came just two years after the Socialist High Tide in the form of a mass movement to take a "great leap forward" into the communist millennium. In a matter of months cooperatives were merged to become brigades in much larger people's communes made up of one to ten thousand or more households. In the process, leveling tendencies (misnamed egalitarianism in China) became even more extreme. Collective property was transferred between brigades and from brigade to commune level without compensation. Even individual household property like cooking pots was sacrificed in movements to establish communal kitchens or melted down to produce iron and steel. In a massive campaign to increase China's output of steel, peasants built hundreds of thousands of small furnaces to produce largely useless, substandard pig iron. To fire these furnaces, they felled millions of trees, destroying orchards and forests and shade trees and exacerbating ecological problems in an already denuded countryside. (Smil 1984: 15) Although most commentators inside and outside China agree that the Great Leap Forward was largely a disaster, there are some who quite reasonably point out the positive gains inasmuch as many peasants got their first introduction to industrial technology and skills in 1958, a knowledge that eventually bore fruit in later attempts to industrialize many rural villages in the sixties and
The early enthusiasm for the communes, attempts were made to militarize labor with peasants marching to the fields under the leadership of local cadres. Considerable enthusiasm for collective labor on enormous water control and field construction projects was generated by the provision of free food. Peasants only recently liberated from the terror of chronic food shortages were naturally quite impressed by the promise of a new era of solidarity in a situation of abundance. Since it was believed that the larger the unit the more socialist, basic decisions about production were put into the hands not of the producers, but of commune and even county government cadres. All of this occurred in 1958 which afterwards came to be known as the year of the "communist wind."

A common interpretation of the Great Leap Forward describes it as a fundamental break with the Soviet model of development. [12] The massive mobilizations of citizens in large-scale construction and production campaigns may have a decisively Chinese character, but the obsession with developing heavy industry, particularly steel, and the extraction without informed consent of surplus produced by peasants to provide investment funds and raw materials for urban industries and agricultural export products to finance imports of industrial technology were all quite consistent with the Soviet development paradigm. However, in one respect the Great Leap Forward did represent a significant break with Soviet practice, for it involved considerable decentralization of government authority and a great emphasis on local initiative. The people's communes took over many functions formerly handled by local governments, such as provision of education, health, cultural, and welfare services and facilities. However, decentralization was achieved by greatly
strengthening the authority of local party cadres. Since there were only 26,000 communes as opposed to the more than 700,000 advanced agricultural producers' cooperatives, it became possible to appoint ideologically reliable party people to fill important commune leadership posts. Thus the very process of decentralization actually strengthened central party control over policy implementation in villages throughout the country.

The Socialist High Tide in 1956 was premature, the product of a campaign engineered from the center. It was really the first attempted "great leap forward" and it did not produce significant increases in either agricultural output or peasant incomes. In fact, in 1957 the party urged many cooperatives to split up into smaller units. Rural trade fairs were restored to encourage production on expanded private plots. Purchasing prices were increased to stimulate peasant enthusiasm for production of grain, cotton and other products in short supply. It was recognized that the larger advanced producers' cooperatives had produced considerable leveling of middle peasant incomes and many workpoint systems had failed to discriminate between different levels of individual productivity, thereby discouraging individual initiative.

But in 1958, instead of facing the situation squarely and carrying out social investigations, rectifications, and readjustments in the spirit of Yan'an and the land reform, the party turned instead to trying to inspire the people to make a great leap of faith in the ability of the socialist present to deliver the communist future in their own lifetimes. But faith is a very tenuous foundation for a development program and produced massive headaches for serious planners in central and local government departments. Targets for industrial and agricultural output were increased several times as cadres at all levels vied with each other.
to prove their faith, determination, and loyalty to the party and the socialist cause. As a result, commune and brigade leaders were faced with production quotas often two to three hundred percent higher than those originally set in 1957. The natural outcome was false reporting and bragging. Decentralization and a movement to send cadres "down to the villages" produced a shortage of statisticians. Statistical records became utterly unreliable, resulting in further inflation of quotas and another round of false reporting. In 1959, the government simply ceased reporting any crop production figures except grain, cotton, and soybeans. What made the situation worse was a mistaken sense of security created by an unprecedentedly good harvest in 1958. Much grain was wasted as it rotted in the open for lack of storage space or labor to move it because so many peasants had been mobilized for other projects. There were even eating contests and much distribution of free food to participants in major construction projects.

In the summer and fall of 1958, in a few short months ninety percent of Chinese peasants were organized into people's communes. The first commune was a relatively spontaneous creation, the result of amalgamation of a number of advanced producers' cooperatives in one district in Henan to facilitate organization of large-scale water control capital construction projects. Mao heard about this experiment, known as the Qiliying people's commune, and went out to investigate what the peasants were doing. He was impressed and commented that "people's communes are fine" [renmin gongshe hao]. This simple remark was repeated by the media, which soon produced a stampede to join the club of the "higher and superior" form of producers' association. [13] This movement involved far more than a simple institutional transformation. Commune cadres, many of them
appointees who were not local people, freely confiscated household and cooperative assets, including private plots, livestock and poultry, wood-lots, orchards, and courtyard trees, farming and sidelines technology, and even household manure. In one village outside Beijing, peasants even told me that they had been ordered to dismantle their brick beds [kang] and stoves to provide fertilizer for the fields. Commune cadres also freely transferred collective assets from one brigade to another without compensation. Restriction of trade fairs and rural markets, contracts, commodity (including wage) relations, private enterprise, private ownership of means of production, and private acquisitiveness were all rationalized as necessary to create the new consciousness of "communist man" as soon as possible.

At the end of 1958, the party organized investigation teams of top party cadres who reported severe dislocations and peasant dissatisfaction. Villagers were exhausted and frustrated by constant calls for labor and political mobilizations. The investigators reported peasant fears that inflated quotas for sales to the state would result in widespread shortages and hunger in the spring. In November and December, Mao called for restraint, but in February at a party meeting in Chengzhou, he again called on the peasants to "go all out" in a further extension of the Great Leap Forward into 1959. (Selden 1978: 467ff) Mao defended the overall strategy and accomplishments of the Great Leap Forward while criticizing "the communist wind" as adventurism and the result of excessive zeal to reach communist society before the material or subjective conditions had been prepared. Mao did not discuss problems of fear, commandism, or the use of "class struggle" labels like "rightist" or "counterrevolutionary" to intimidate those who questioned policies. He
insisted that although the timing had been wrong, the strategy would ultimately prove correct and win popular support and that any problems were only temporary. He criticized the transfer of assets from lower to higher levels and from one brigade to another. He argued that the transfer of ownership and accounting to the commune should eventually be made possible by using commune industry profits to close the gaps between the income earning capacities of different brigades. He also called for greater state investment in commune-level capital construction. However, the three hard years that followed the Great Leap Forward forced the state to cut investment to an absolute minimum.

In July and August of 1959, the Central Committee met at Lushan for a stormy meeting at which the minister of defense, General Peng Dehuai, spoke for many. In a "letter of opinion," he criticized the Great Leap Forward as being "too early and too fast" precisely because the party had departed from the mass line. He said widespread commandism was the result of the failure to carry out local experiments to test the idea and to transfer ideas and trained cadres from successful centers out to surrounding areas. This was the method that had worked in the land reform and the earlier cooperativization movement. This method had been replaced by the transmitting of Mao's opinions as though they were party directives. The movement had produced widespread fear of labeling inside and outside the party. In Peng's opinion, the failures were the product of "petit-bourgeois fanaticism." Unfortunately for Peng, Khrushchev used a similar analysis to link the failure of the Great Leap Forward to Mao's class origins and the peasant orientation of the Chinese Communist Party under Mao's leadership. Peng argued that "politics in command" could not substitute subjective desires for rational economic analysis and careful
planning in conditions of scarcity to achieve and maintain balanced, proportional growth. Peng called for a systematic summing up of the achievements and lessons of the Great Leap Forward so as to clarify the nature of problems and to set to work to rectify the situation.

Mao took Peng Dehuai's letter of opinion as a personal attack and claimed that the mistakes had already been corrected and that General Peng was exaggerating the situation and using it to attack the party. [14] Despite support for Peng's views expressed by both Liu Shaoqi and Chen Yun, a month later Peng Dehuai was officially accused of conspiring to organize an anti-party clique and removed from his post as minister of defense. In the winter of 1961, Peng wrote and distributed five "reports of investigation" documenting the impact of the disputed policies on peasants and rural cadres. Because of his links with peasant soldiers, Peng was able to gather from them a great deal of information about conditions in the villages to add to his own firsthand investigations. At a Central Committee meeting in September 1962, Liu Shaoqi and Deng Xiaoping advocated reversing the verdict on Peng Dehuai. By this time the party had actually reversed many of the restrictive policies of 1958. Nevertheless, Mao refused to change his position on Peng Dehuai, who remained in oblivion till January 1967 when he was arrested by Red Guards in Chengdu. Maltreatment in their hands eventually resulted in his death during the Cultural Revolution. (Brugger 1981: Chapters 8 and 9)

The demise of Peng Dehuai, who tried to use party traditions of social investigation and rectification of mistakes through frank and open criticism to correct the errors of 1958, is a negative legacy which greatly undermined the development of democratic forums inside the party after 1959. Political movements launched to overcome opposition to
accelerated collectivization undermined communication relations that were crucial to the functioning of the new larger producers' associations. Peasants, especially party members and cadres, who expressed misgivings or hesitations were commonly labeled "rightist" opponents of the transition to higher levels of socialist relations.

The New Economic Policy of the Early Sixties

In the three years following the Great Leap Forward, Chinese agriculture was hit with the worst natural disasters in decades. In the summer of 1960, the Soviet party responded to Chinese criticism within the international communist movement by withdrawing Soviet technicians and blueprints from a whole set of key projects in heavy industry. The Chinese attempted to repay Soviet loans as quickly as possible by shipping large quantities of agricultural produce to the Soviet Union at a time of extreme scarcity. Given these other extenuating circumstances, it is difficult to assess how much of the suffering of the "three hard years" was attributable to dislocations, reductions in sown area, waste, and peasant frustration caused by the Great Leap Forward. Recent vital statistics released by the State Statistical Bureau and analysis by western economists reveal that in 1960 alone total population declined by eleven million. Estimates in China of the number of famine-related deaths from 1959 to 1961 range as high as thirty million. Malnutrition has been estimated at fifteen percent with one to two hundred million people seriously short of food. (Friedman 1983: 22) [15] Although most of the people who died were undoubtedly peasants, the suffering was not confined to the countryside. When I was a student at Beijing University, I learned from teachers that when they were students in the "three hard years," they
had eaten only two meals a day and were told to study in bed to conserve their energy. Obviously something had to be done to get the economy back on its feet.

The new economic policies of the early sixties were conceived and engineered by opponents of "gigantism" and "egalitarianism" within the central leadership. Chen Yun, Sun Yefang, and like-minded economists gained ascendancy. [16] Under the influence of such hard-nosed realists, the party shifted its strategy from mass mobilizations to sober-minded bookkeeping and use of material incentives to spur production. In May 1961, the party's program for revitalizing the rural economy was outlined in a document popularly referred to as "the sixty articles." The size of the people's communes was generally reduced to the boundaries of the former townships. The number of communes was thus increased from 21,600 in 1959 to 74,000 by 1963. This meant that the average commune size was reduced from four or five thousand households to fewer than two thousand. [17]

The communes were, however, still too large to function as a collective economic unit owned and run by its members. Communes became the lowest level of government administration. Commune cadres remained government-appointed functionaries, more often than not transferred from another locality. The peasants often explained those commune cadre decisions, which they saw as contravening local needs and interests, by pointing out that commune cadres "eat the state's grain" [chi guojia fan]. In other words, they were paid state salaries and, unlike everyone else who was paid in workpoints, their livelihood was not dependent on the overall productivity and welfare of the collective.

A more immediately important reform was the restoration of the
ownership and self-management rights of the teams, the lowest level of collective ownership within the people's communes. The teams corresponded to natural villages—or parts of larger villages—and many were more or less the same people who had formed the lower-stage cooperatives that had later been amalgamated into larger associations during the Socialist High Tide. Many of these early cooperatives had been relatively democratic, voluntary, and economically successful institutions. Focusing organizing efforts once again on these home-grown grassroots associations, now known as teams, made a lot of sense. In cases where team size made face-to-face organizing and decision making difficult, teams were divided and reduced from forty or more families to twenty to thirty households. Brigades were instructed to protect and guarantee teams' labor power, land, animals, and equipment. Under no circumstances were commune authorities to be allowed to commandeer labor or property without the consent and compensation of team members. Team production targets were to be arrived at by consultation and to be incorporated in contracts. Targets were not to be imposed from above by anyone.

Private plots that had been confiscated for collective vegetable plots to supply dining halls set up in 1958 were to be restored. It was stipulated that at least five percent of a team's cultivated land should be handed over to families for private plots. Households were guaranteed the right to earn up to twenty percent of family income from private sidelines. To stimulate private sideline production, rural markets were revived. Goods were designated in three categories: a) those that could be sold only to the state at fixed prices, b) those that could be sold on the open market once state sales quotas had been fulfilled, c) those whose production and circulation was completely unregulated. Category "a"
included essential commodities like grain, edible oils, and cotton. Category "b" included many vegetables and fruits, chickens, tobacco, pork, beef, mutton, and fish. Category "c" included eggs, ducks, some vegetables and fruits, and handicrafts. There was considerable freedom to sell a wide range of goods in these rural markets, but prices were not totally unregulated and were allowed to fluctuate only under certain ceilings imposed by local government authorities.

Although the scope for market regulation of the economy was greatly expanded, it is fundamentally misleading to view the new economic policies of this period as abandoning planning. Planning remained, but its character began to change away from Soviet-style command or imperative planning [zhilingxingde jihua] toward indicative planning [zhidaoxingde jihua] based on regulated price incentives and sales and supply contract negotiations. Planning was decentralized through contracts between rural units and industrial departments for supply of raw materials and handicrafts and purchases of manufactured producer and consumer goods. Teams, brigades, and communes negotiated purchase and sales contracts with supply and marketing cooperatives and urban retail outlets. Supply and marketing cooperatives once again began signing advance purchase and combined contracts with producers' collectives. There appear to be many commonalities between the contract relations of the fifties (Shue 1980a: 227-45), the sixties (Pfeffer 1963 and 1966; Schurmann: 1964) and the new economic policies and contract relations of the post-Mao era. Many China scholars writing about the new rural economic policies have pointed to apparent analogies between the new economic policies of the sixties and the eighties, but no one has yet uncovered the extent to which this tapping of historical experience has been a conscious and deliberate process.
The form of decentralization to economic units that characterized the new economic policies of the early sixties was in contrast to the decentralization of the Great Leap Forward, which involved devolution of authority to local government and party authorities. (Schurmann 1966) Once again in the eighties decentralization is being tried along these same lines and again it is the ideas of Chen Yun, Sun Yefang and like-minded economists that are behind the transformation.

There are many other parallels that could be drawn between the economic policies of the sixties and eighties. Both periods are characterized by a focus on guaranteeing a steady rise in peasant incomes. The "sixty articles" stipulated that team welfare funds must be at least 3.5 percent of team income and accumulation funds must not exceed three percent. In both periods, rural collective industrial enterprises were made responsible for their own profits and losses so that they could no longer remain a drain on peasant incomes by covering their losses with subsidies obscured by general collective accounting.

But probably the most dramatic parallel between the two reform periods is the restoration of the essence of the infamous "three freedoms and one contract" [sanzi yibao] for which Liu Shaoqi paid so dearly during the Cultural Revolution. [18] The "three freedoms" included 1) freedom to till private plots, 2) freedom to sell goods in rural markets, and 3) freedom for rural collective enterprises to manage their operations independently with responsibility for their own profits and losses. The "contract" was an agreement between the team and member households to fulfill output quotas according to a responsibility system. The result of the introduction of these new economic policies in the early sixties was a general restoration of vitality in the rural economy and a consequent rise
in peasant incomes and living standards. But in quite a few places, this was achieved at the cost of the collapse of schools, clinics, enterprises, etc., which could no longer be subsidized out of shrinking collective accumulation funds. Similar results accompanied reestablishment of the "three freedoms" and all sorts of contracts in the late seventies and early eighties.

In 1960, the party tried to carry out an open-door rectification in the countryside to reeducate those local cadres who had pushed too hard in the Great Leap Forward and had failed to protect individual, household, team, and brigade interests, property, and self-management rights. In some places poor and lower-middle peasant associations were revived to assist work teams sent in from outside to organize face-to-face confrontations between villagers and their leaders. The results of this attempted rectification were quite uneven and rural cadres in many localities were demoralized. Many no doubt felt they were being used as scapegoats for mistakes made by those who gave them their orders.

The Socialist Education Movement

In the aftermath of the Great Leap Forward, Mao Zedong stepped back from active involvement in the day-to-day affairs of the party and government, allowing Liu Shaoqi, Zhou Enlai, Deng Xiaoping, Chen Yun and others to handle the concrete implementation of the new economic policies. This gave Mao more time for study and reflection and he began to become increasingly concerned with what he perceived as Soviet revisionism and the danger of a similar development inside China. In 1962, Mao once again called for a mass mobilization in a political movement to prevent backsliding and slackening of revolutionary consciousness. In sharp contrast
to Khrushchev's declaration that in the Soviet Union the era of class struggle was finally over, Mao beligerantly declared that the Chinese people must "never forget class struggle!"

In 1962, a Socialist Education Movement was launched in the countryside. Once again students, teachers, office workers, people in cultural fields, and other trusted urban people who were not needed in production posts were coupled with county and district-level rural cadres in work teams sent into the villages to carry out a rectification. This time the target was not just village cadres who were judged to have failed to implement policies properly. This time the target was "capitalist tendencies" among the villagers themselves. Private livestock and poultry and equipment for processing or handicraft sidelines were confiscated. After these "capitalist tails" had been "cut off," "class struggle" was waged in public meetings to denounce recalcitrant cadres and rich peasants.

(Baum and Teiwes 1968; Baum 1975)

The Movement to Learn from Dazhai

In 1964, the press once again used a statement by Mao Zedong to encourage a movement to raise the level of accounting. On billboards and walls all over the country from the mid-sixties through the seventies could be seen the rallying call, "In agriculture learn from Dazhai." The self-reliant collective efforts of this small production brigade were held up as a national model for rural development. In the campaign to study this mountain village in Shanxi, which lasted for over a decade, three key factors were stressed.

First, the Dazhai peasants' struggle with nature occurred in a context of sharp "class struggle." In this interpretation of the situation,
local remnants of the former exploiting classes as well as their representatives in higher levels of leadership had attempted to thwart the consolidation of the collective at every turn. Inside the village there were also sharp struggles to prevent the emergence of "capitalist tendencies." It is not necessary to rely on official accounts of Dazhai ultra-leftism after its demise as a national model in the eighties. I have my own notes from a visit to Dazhai in the summer of 1974 and others can read the verbatim accounts of Dazhai's famous party secretary, Chen Yonggui, in Hinton's *Shenfan* (1983a). While recent stories of corruption in Dazhai may well be exaggerations or fabrications, the charge of ultra-leftism seems nevertheless valid.

The second factor stressed in the movement to learn from Dazhai was the fact that the brigade, rather than the team, was the accounting unit. To understand the significance of this fact, one has to keep in mind what happened in the "communist wind" and the attempt with the new economic policy of the early sixties to undo the harm done in the push for "bigger and more public" forms of producers' collectives. The popularization of Dazhai brigade as a model for emulation signaled that the early sixties' policy shift was viewed as a temporary retreat. Although material as well as ideological prerequisites for this transformation to a "higher form of socialist relations" were mentioned, it was suggested that the magic weapon in the transformation of Dazhai into a prosperous community had been the realization that consciousness itself can be turned into a material force when "the masses are mobilized." Ironically, the feat of mobilizing the relatively small Dazhai brigade was no greater than mobilizing comparable-sized teams in many densely populated southern districts. However, the movement to learn from Dazhai by raising the accounting level
to the brigade meant demoralizing attempts to eliminate the gaps between incomes in different villages by taking from the better off to give to the poor. It soon became apparent that the ideological conditions were not ripe for such a transformation as people decided there was little point in working so hard if incomes were not directly related to individual or even team productivity.

This attitude was reinforced by attempts to emulate the Dazhai workpoint system, the third of the movement's three key factors. Although this system was treated as though it were a unique product of the extraordinary socialist consciousness of the Dazhai villagers, in fact a similar system had been used in many villages during the earlier stage of mutual aid teams. (Shue 1980a: 165) Dazhai brigade members would meet once a year to determine the earning power of each individual. Peasants would make public estimations of the workpoint value of their labor over a single workday. These self-evaluations were then discussed by the other members, using political as well as performance criteria. Once they achieved consensus, each individual then received the designated number of workpoints for each day labor was performed, no matter what the task and without further evaluation of work done until the following year's assessment. In practice, it was, of course, extremely difficult for most villages to achieve such consensus and there was a tendency to resolve the problem with a sexist form of "egalitarianism." In Dazhai, as in most villages where the system was tried, able-bodied men consistently received several points more than equally capable women even when they performed identical tasks such as accounting or tractor driving in which physical strength was totally irrelevant. When I lived in the countryside in the mid-seventies, I discovered that because most men earned ten points while
women earned eight per day, newborn baby girls were often nicknamed "eight pointers" [ba fer] because of their likely limited future earning power.

The movement to learn from Dazhai moved into high gear after Chen Yonggui was promoted from being Dazhai's party secretary to become first party secretary of Xiyang county where Dazhai is located. Eventually he became the minister of agriculture and a vice-premier in the national government. In the early seventies, the movement to learn from Dazhai became a movement to build Dazhai-type counties on the model of Xiyang county. [20]

From the Dazhai-Xiyang model, it appeared that further socialist transformation would entail larger and larger units of accounting until a final changeover from collective to state ownership. Greater "egalitarianism" in distribution would become acceptable after peasants' ideological transformation away from self-centered individualism toward a selfless ethic of serving the people. [21]

The mid-sixties Socialist Education Movement and the late sixties Cultural Revolution put increasing pressure on peasants to eliminate their "capitalist tails," interpreted as remnants of a small producer economy and mentality. Rural markets were severely restricted; household sidelines were discouraged; and attempts were made to "collectivize" or eliminate private plots. The "new economic policies" of the early sixties, which had been welcomed by the desperate peasants at the time, were now condemned as "revisionist" along with their architects. Class struggle became the dominant theme, but unlike its ability to galvanize and unite the majority of villagers in the land reform, this time it served to split one community after another. Old class targets, former landlords, rich peasants, "rightists," and their families were again dragged out as
"objects of struggle." [22] Factionalism intensified old cleavages and created new ones, leading to violence in many villages. (Hinton 1983a; Perry 1985a) Although factionalism did not affect production in rural areas as severely as in many cities, dogmatic application of the slogan "take grain as the key link" did drastically reduce production of other crops, forestry, and animal proteins. (Lardy 1985 and 1983; Howard 1981; Woodward 1978) The rural economy was beginning to stagnate. Great emphasis was placed on recalling the horrors of the "old society," perhaps to counter the disappointment of many peasants over the meager rewards of the new society.

Nevertheless, the first thirty years of the People's Republic, which saw the rise and consolidation of the people's communes, was a period in which some fundamental gains were made. Famine, rampant malnutrition, homeless beggars, child brides and selling of country girls to city brothels, kidnapping and conscription of rural men and boys by labor merchants and armies, widespread violence and crime, epidemic diseases and many other curses of an earlier age had all been eliminated or very greatly reduced. The cooperatives and the communes provided the organizational basis for the mobilization of vast armies of labor. Peasants built, largely by hand, 80,000 reservoirs with a total capacity of four hundred billion cubic meters and irrigation systems for 76.7 million acres of land. (Lin and Chao 1982: 124) The people's communes also provided the network for rural health services and a cooperative medical care insurance system. Through the communes, tens of thousands of primary schools were built and staffed and an incomparable grassroots network of agrotechnical research and testing was established all over the country. Countless roads were built, numberless small power stations were constructed, elec-
tricity was supplied to many villages. Commune radio diffusion networks brought many peasants their first sustained contact with the world outside their village. Through their collectives, Chinese peasants were drawn into a nationwide struggle to develop the country.

But these very real advances were bought at a high price. As the superstructure above them grew, the individual producer's role in policy formation and production management became more and more narrowly confined and illusory. Peasants were required to sell a certain quota of their crops to the state at artificially low prices as their contribution to socialist construction, while the state continued to pour accumulated revenues into the producer goods industries in the cities. Just as in the Soviet Union, agriculture was subsidizing the development of industry. Supply and marketing cooperatives, originally collective enterprises owned by their peasant shareholders, had come to operate as state agencies while only partially meeting peasants' needs. Peasant sideline production that competed with state industry was first discouraged and later condemned as capitalist. Rural markets were restricted and castigated as capitalist, leaving peasants with very limited outlets for the products of their spare-time labor and eliminating an essential source of cash. Peasants were pressured to turn their private plots, which for some families had accounted for nearly half of their household income, into little more than kitchen gardens.

Through the process of cooperativization, peasants had lost individual ownership rights over their means of production, including land, animals, carts, and larger farm implements. As the collectives grew and the communication links between the producers and their leaders became more and more tenuous, peasants increasingly lost their collective control.
over "their" means of production, the organization of "their" labor, and the distribution of "their" product. The peasants were being proletarianized in the worst sense of the word.

Perhaps these losses would have been worth it if the transformation of the relations of production had actually resulted in spectacular productivity gains as had been promised. But in the years after the Socialist High Tide, output of many staple crops failed to keep up with population growth. The party's theoretical journal, *Red Flag* (May 1, 1983), reported that per capita output of grain actually fell by 3.6 percent between 1956 and 1977. Per capita cotton output fell by 0.2 kilograms and oil-bearing crops by 1.2 kilograms between 1958 and 1979. But most distressing to peasants was the stagnation of their incomes. Between 1965 and 1976, peasants' per capita income from workpoints earned working for the collective increased a mere 10.50 yuan, or less than one yuan per year, enough to buy a single pack of quality-grade cigarettes. And these were the years when earning extra income from private sidelines was most seriously restricted. In 1978, per capita earnings from collective sources averaged only seventy-four yuan and nearly one quarter of peasant households had per capita incomes of less than fifty yuan. (Su Wenming 1983: 48)

Peasants succinctly expressed their predicament with a common complaint that they were being "roped together to live a poor life." It was time to cut the rope.
CHAPTER THREE

THE EVOLUTION OF RESPONSIBILITY SYSTEMS

Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under given circumstances directly encountered and inherited from the past.

Karl Marx: The Eighteenth Brumaire of Louis Bonaparte

A new image of China appeared in the North American media in the post-Mao era. Western journalists reported that China's new leaders were pragmatists, hard-nosed realists, who had little inclination to ponder issues raised by Mao Zedong concerning the dangers of capitalist restoration or the power of revolutionary ideology turned into a material force for development. It seemed their one and only concern was to turn China into a powerful, modern state by the year 2000. Therefore they decided to allow the proliferation of private enterprise, competition, material incentives, advertising, western fashions, and luxury goods such as color televisions, ghetto blasters, washing machines, and motorcycles, believing that the "capitalist entrepreneurial spirit" and the "revolution of rising expectations" would put vigor into an otherwise sluggish, overly centralized, and bureaucratic economic system.

Westerners, from ordinary newspaper readers to the China scholars, generally responded to this news with a mixture of approval or condemnation depending primarily on their own opinions about capitalism and
socialism. But few questioned the accuracy of the account of how and why this major shift was occurring.

This is not surprising. It is a common characteristic of modern social theory that the autonomy of leaders is exaggerated while the autonomous activity of social actors at the grassroots is downplayed or denied. It seems to be very difficult to conceptualize the interpenetration of activity at the national and local levels. Local situations are, at best, viewed as a reflection of the impact of decisions taken by elites in positions of command. Except for moments of mass protest, ordinary people melt into the background in most accounts of national policy formation. [1]

By examining the evolution of one aspect of the new rural development policy, namely, the contract responsibility systems, I hope to illustrate how actions of peasants to refashion rural institutions, originally of their own making, caused leaders to respond with decisions that were followed by further institution building by peasants. After eight years of such "dialogue," leaders and peasants in the mid-eighties began to develop a whole new set of concepts with which to interpret the society they have been creating together.

Peasant Initiatives and Party Responses

The Third Plenary Session of the Eleventh Central Committee in December 1978 is generally acknowledged as a major turning point in the half-century evolution of the party's development strategy. Policy decisions at this meeting covered a wide range of economic, political, and social issues of which the new economic policies received the greatest attention. Inside China, the rural economic reforms aroused the greatest
This was not just because four-fifths of the nation's one billion plus citizens live in rural settings. It was rather that the rural reforms provided the most dramatic, profound, and concrete manifestation of the post-Mao leadership's development orientation.

Recent changes in the relations of production in the countryside have occurred with a scale, speed, and significance rivaled only by the earlier land reform and cooperativization movements. However, there is considerable difference of opinion as to how to interpret these changes. Some argue that the new policies and institutional reforms represent a disastrous dismantling of the foundations of socialist agriculture built up over thirty years of community organizing. [2] Others would agree that it is a step backward to a lower level of socialization of production relations, but that because of past errors and failures, it is an unavoidable and essential step to restore peasant enthusiasm and the legitimacy and promise of the socialist system in their eyes. [3] The fact that rural production and peasant incomes have dramatically increased is taken as irrefutable evidence that the policies are correct because they work; for "practice is the only criterion of truth." [4] Discussion of this precept from Mao was pivotal in forcing acknowledgment of the failure of certain policies commonly associated with his leadership. Leaders like Deng Xiaoping and Hu Yaobang rose to prominence in and through this discussion.

There is, however, a third interpretation that remains the least developed. This view interprets recent developments in the rural economy as a major step forward into a new stage in the evolution of a society of associated producers in the context of a more complex and technically sophisticated system of production and distribution. [5] This perspective is strengthened by analysis that reveals that stagnation of rural produc-
tion and incomes in the aftermath of cooperativization was due not only to factional infighting and bureaucratic mismanagement but to structural impediments to further development of productive potential arising from faulty conceptions of appropriate forms of socialist organization. [6]

It is never easy to criticize something without a clear picture of an alternative approach. In China, disagreement about recent policy shifts and institutional reforms arises partly out of ambivalence about the desirable character of a future developed, socialist society. It is only after considerable grassroots experiments and evolution of new forms of division of labor, specialization, coordination, and cooperation in recent years that a new picture is beginning to emerge of the likely components of what many Chinese conceive as a "modern socialist countryside with particular Chinese characteristics."

Recent disagreements about the nature of socialism and socialist development have been good for China's peasants. Reinforced by an understandable crisis of confidence in the party arising out of the disastrous Cultural Revolution, such uncertainty has contributed to the emergence of a more permissive approach that has enabled many peasants (or at least many local peasant cadres) to turn to old and new methods of organizing production and distribution, methods that they feel they can handle to their 'best advantage. The evolution of the new rural policies has involved a concomitant development of political communication that has included village-level discussion and experimentation, higher-level investigations, lower-level reports on results of experiments, local articulation of needs and desires, pressure from below to get support or at least acquiescence from county or provincial leaders, and in some cases conspiracies of silence about practices that had not received official
As early as late 1977, some critics of the movement to build Dazhai-type counties began to speak against the erosion of the autonomous rights of teams, the leveling of incomes by Dazhai-type workpoint assessment systems, the abolishing or shrinking of private plots, and the squeezing out of private sideline production by identifying it as a form of spontaneous capitalism. In December, a national symposium organized by the party for provincial agriculture bureau cadres concluded that the "sixty articles," which summarized the early sixties New Economic Policy for rehabilitation of the rural economy after the Great Leap Forward, had been correct after all and should be resurrected to guide current rural development. Provicnal meetings in early 1978 echoed articles in the press calling for implementation of "the socialist principle of payment according to labor" [an lao fen pei]. For a time defenders of the Dazhai model in positions of power were able to silence such critics, but not to stop the alternative approaches developing more or less spontaneously in some villages. [7]

Particularly in the early period, the initiative was largely in the hands of peasants and their village leaders. While central party and government leaders debated rural policies in 1977 and 1978, peasants, first in Anhui and Sichuan and then in Hebei, Hubei, Gansu, and other provinces, began reorganizing their systems of production management and income distribution. They looked back to the early fifties and their experiences with mutual aid and cooperatives and various methods of calculating remuneration. They reinstituted familiar contract responsibility systems in which payment was very closely tied to the quantity and quality of labor and output. However, because of the heavy criticism leveled
against household contracting in the Cultural Revolution attack on Liu Shaoqi and the "three freedoms and one contract" [san zi yi bao], most innovators and their supporters invented new names for familiar contract forms to avoid contamination by association with the word "contract" [bao]. Instead of speaking of "contracting production" [bao chan], many teams said they were merely "fixing quotas" [ding e]. But the difference was largely semantic. In October 1978, the newly resurrected Academy of Social Sciences sponsored a conference on rural income distribution. The reform-minded economists, Xue Muqiao and Yu Guangyuan, spoke in defense of the introduction of fixed quotas that link income to output. (Zweig 1984b) Such academic support, however, could not substitute for the party's stamp of approval.

Local innovations began in 1977, about a year before the Central Committee finally discussed the issue at the Third Plenary at the end of 1978, after which two draft policy statements were issued for discussion and experimental implementation by local leaders. These documents, known as the "Decisions on Some Questions Concerning the Acceleration of Agricultural Development (Draft)" and "Regulations on the Work in Rural People's Communes (Draft for Trial Use)," were circulated through party channels to the local levels, but never published in the Chinese press. (Issues and Studies, August 1979: 100-115) In August 1980, Tang Tsou conducted interviews in China in which he learned about the contents of these documents. The following discussion is based on a report of this research in Tang Tsou, Blecher, and Meisner (1982: 44-47).

The first document contained twenty-five articles of which the third was the most controversial and important to the innovators in the villages. This article discussed the question of remuneration and upheld
the principle of rewarding laborers proportionally according to the labor performed and stated that the practice of assigning equal workpoints to everybody should be corrected. The article affirmed that it was permissible to assign workpoints for fixed work quotas or for labor time plus appraisal of the quality of work performed. It went further to add that "under the prerequisite of unified accounting and unified distribution by the production team, it was also permissible to assign responsibility for particular tasks to work groups, calculate rewards for work by linking them to yields, and award bonuses for surpassing output quotas." Without saying so directly, this document called into question the Dazhai workpoint assessment system. Without a high level of solidarity, the Dazhai annual assessment remuneration system when tried by other collectives produced dissension at best and soldiering at worst. [8]

In the spring of 1979, there was considerable debate over the interpretation of this document, particularly the third article with its provisions for tying remuneration to output and assigning of responsibility to groups [bāo gōng dào zu]. Here was a possible challenge to both established management systems and recent innovations. Disagreement focused on the meaning of assigning responsibility to groups. A narrow literal interpretation appeared in a letter from Guangdong to the editor of People's Daily (March 15, 1979: 1). The position put forward in this letter was that "bāo gōng dào zu" meant assigning responsibility for work, not assigning responsibility for production [bāo chǎn dào zu]. Concretely, the letter argued, this should be taken to mean delegating to work groups responsibility for day-to-day field management, i.e., weeding, hoeing, application of fertilizers, pesticides, etc. In contrast, responsibility for production would involve allocation of a plot of land, farm
tools, and animals to the group for its use. This was to be avoided because it would involve the virtual breakup of the team and creation of smaller accounting units. This position was supported in a comment attached to the letter by the editor.

Since this was the very method being tried in Anhui, it naturally caused considerable consternation when the editor of the party's national newspaper condemned it. However a letter of reply to People's Daily from an official in Anhui's provincial Agricultural Commission came to the defense of the province's peasant innovators, pointing out that the teams were still viable collectives inasmuch as they still drew up a unified plan for crop production and implemented unified distribution of crops and cash income at the end of the harvest. On March 30, 1979, again on page one, the editor of People's Daily revised his views and acknowledged "responsibility for production" [bao chan dao zu] as an acceptable form for linking remuneration to output. However, he maintained his objection to letting groups retain all surplus production beyond the targets. Instead, he recommended retention of only a percentage of the excess as a bonus. More than a year later, People's Daily (July 2, 1981: 4) acknowledged that the editor's original comment in the spring of 1979 had aroused considerable fear and misgivings that the party would again revert to more centralized, bureaucratic control of rural development processes.

Behind the official who wrote the letter of reply to the editor of People's Daily was an even more powerful ally of the Anhui peasant innovators. This was the provincial party secretary, Wan Li. [9] In 1977, when Wan Li became first party secretary of Anhui, it was obvious that there were severe problems in the rural districts of the province. Per capita grain production in Anhui had fallen below that of 1952. Twenty years of
cooperative agriculture had failed to overcome seemingly intractable problems of poverty, underemployment, and apathy. In 1978, severe drought caused massive suffering in the Anhui countryside. When peasants began to demand changes and to experiment with outlawed small group and household management systems, Wan Li was ready to listen, to investigate, and to support them. Writing in Red Flag, the party's theoretical journal, Wan Li (March 1978) urged the opposition in the party to support the introduction of a responsibility system in which peasants would be paid for work done instead of according to some formula derived from the Dazhai workpoint system model.

Peasants could take encouragement from a number of decisions taken by the party at the Third Plenary at the end of 1978. Private plots were restored where they had been abolished and enlarged elsewhere with the allowable maximum raised from five percent to fifteen percent of a team's cultivated area. However, legal ownership of the land remained in the hands of the team. Families have retained the right to use, but not to sell "their" allotted "private" plots. In 1979, restrictions on household sideline production were removed. Peasants were encouraged to produce food and handicrafts, which could be legally sold in rapidly expanding free markets in cities and rural towns. This produced a steady increase in the number and size of peasant markets throughout the country. By 1983, the number of peasant markets exceeded 48,000 and accounted for 10.2 percent of retail sales. Five thousand of these markets were located in urban centers. In some cities they had become extremely important. In Chongqing, one of China's largest cities, the value of foodstuffs sold by private traders in the city's 112 free markets was equal to seventy percent of retail sales in the state-run food markets. (China Daily February
In 1979, the state also raised the procurement prices for major agricultural and sideline products. Prices for quota grain were increased twenty percent, while the procurement prices for grain sold to the state beyond the quotas determined by state plans were fifty percent higher than quota grain prices. At the same time, grain quotas were reduced by 2.5 million tons in the summer of 1979. Lowering of state grain quotas plus increased production meant that an average of sixty extra kilograms of grain per peasant became available for personal consumption or feed for livestock.

In 1979, prices for cotton, sugar crops, oil-bearing crops, animal by-products, aquatic products, and forest products were all increased, some quite significantly. State procurement price increases added thirteen billion yuan to peasant incomes. (Zhang Yu Lin 1982: 137) However, distribution of this added income was uneven. The greater the amount produced, particularly the greater the above-quota surplus, the greater the income derived. Naturally the biggest producers netted the greatest benefits, while those still working at subsistence level or worse gained very little. In Inner Mongolia, the impact on grain farmers was marginal, while the impact on herdsmen was very dramatic. [11] Price increases can account for only a small portion of the dramatic and steady rise in peasant incomes. Inner Mongolia peasants I interviewed between 1981 and 1983 estimated the impact of price increases on annual per capita incomes to range from 1.20 yuan for grain to ten yuan for soybeans. In their opinion, it was diversification and overall increases in production that put more money in peasant pockets, not state subsidies in the form of raised procurement prices.
Originally the state had intended to lower prices of most farm inputs by ten to fifteen percent. However, this promise never materialized. Higher prices for many manufactured consumer goods as well as some farm inputs have meant that real income gains have not been quite as dramatic as they might appear from disaggregated statistics. The failure to lower prices for agricultural producer goods is extremely serious. The scissors effect between producer goods prices and farm gate prices in China is much worse than such price ratios in other countries. China's peasants have borne an unfair share of the burden of development. (Butler 1985; Watson 1983: 706-708; Selden and Lippit 1982: 18; Hinton 1983a: 153).

Recognition of this situation has been behind the current shift in Chinese development strategy. (People's Daily, May 23, 1983: 2)

In 1979, China's leaders decided to import ten million tons of grain annually to relieve some of the pressure on the peasants and to buy time to allow for a readjustment of the structure of production away from a one-sided emphasis on grain to a more diversified rural economy. In this way peasants would have more options for increasing their incomes and developing production that is better suited to the particularities of local ecosystems. (Butler 1985; Watson 1983: 706-708; Selden and Lippit 1982: 18; Hinton 1983a: 153). Although diversification of interregional cropping patterns based on comparative advantage is a logical and necessary strategy for increasing overall productivity, the importance of continued growth of grain production for China should not be underestimated. Grain provides
eighty percent of most people's caloric intake as well as eighty percent of their protein. Grain is key for expansion of production of animal proteins as well. [13] Despite record-breaking harvests in 1982 and 1983, the government continued to import thirteen to fifteen million tons of grain each year.

It was in the context of such policies, together with a deluge of press and radio features and commentaries detailing and criticizing instances of infringement of rural collectives' rights of self-management, that peasants in villages thousands of miles apart began testing their new freedoms and forging new systems of production management and labor remuneration. [14]

In February 1982, during a visit to the Double Cassia Tree Brigade in the suburbs of Chengdu in Sichuan province, interviewed peasants and local cadres described the early development of responsibility systems in Sichuan. In 1979, with the approval of Zhao Ziyang, who was at that time the provincial party secretary, peasants began reducing the size of their teams, which had grown too large for face-to-face decision making. Teams' rights were restored so they could decide whether and how to grow crops; to establish orchards and woodlots; to raise livestock, poultry, or fish; to invest accumulation funds in collective industrial and other sidelines; to organize their labor; and to divide their income. Teams typically divided into smaller work groups [zuoyezu] similar to those in Anhui. In a common form, each group would assume responsibility for a particular product from planting to harvesting on a designated plot of land. They were paid in workpoints whose value, when converted into grain or cash, was determined by the team's total output and income. The team remained the unit of accounting. These work groups signed contracts with their
teams that stipulated quotas for number of laborers, tasks to be accomplished, quality criteria, and payment schedules, including bonuses and fines. These early responsibility systems in Sichuan were known as “three- (or four- or five-) fixed and one reward” systems [san (si wu) ding yijiang] referring to the fixing of performance criteria and the use of a bonus incentive. These groups achieved a basic goal of the reforms, namely, the integration of unified and decentralized management. The teams retained their unified authority over planning, accounting, and overall production management; the work groups took over the thorny problems of assessing and recording individual labor performance and income distribution.

Some members of these work groups found they still had spare time after completing their share of field work and tending their private gardens and animals. Individuals began negotiating contracts with the team for tasks that could be handled by a single person [bao chan dao lao]. A typical contracted task might involve looking after a village fish pond or orchard, guaranteeing a certain yield in return for a specified number of workpoints. Reward for exceeding the quota could be stipulated as workpoints or as the right to keep, sell, or give away all or a part of the surplus. Penalties for shortfalls took the form of forfeited workpoints or fines and usually averaged about ten percent of losses.

In 1980, teams began to divide into smaller work groups in many areas, especially in poorer districts. [15] However, this form of decentralization appears not to have lasted very long in most villages where it was tried. Instead, most teams opted for greater devolution of self-management authority to households and individuals. In Inner Mongolia, peasants told me they dismantled small group responsibility systems in
1981 after about a year of experimentation, because they "couldn't get along." It is important to note that these groups were not specialized; this was a purely mechanical division with each group given more or less equivalent forces of production—land, labor, tools, animals, seed, fertilizer, etc.—to produce more or less the same crops—millet, potatoes, sorghum, and wheat. In one brigade in Fujian province, Victor Nee was informed in the spring of 1980 that since 1978, there had been "a rash of team fissions in the brigade; from an original eleven production teams, there were twenty-one teams with the smallest comprising only seven households." In January 1981 he was informed in a letter from the village that there had been even further divisions so that some "teams" now included only two households. Nee concluded that the collective was falling apart. (Nee 1983: 64 and 1985: 165)

The difficulties peasants experienced organizing these work groups and then holding them together was the subject of a popular short novel, Peasant Steps, by Yuan Xueqiang, an amateur peasant writer. The story takes place in Shandong province where a team decides to break up into smaller working groups. In the process five individuals are ostracized by their neighbors because of their reputations as lazy, argumentative, conceited, or having "sticky fingers" or loose morals. They end up forming their own group led by a party member who feels their ostracism by the other villagers is unfair. The story was made into a film called "Our Niu Baisui," which despite its serious theme is quite humorous and apparently very popular, especially with peasant audiences.

Household responsibility systems [bao chan dao hu] were specifically prohibited in the original draft of the twenty-five article document issued in December 1978. Nevertheless, a number of counties in different
parts of the country had large numbers of teams that adopted this system anyway in 1979. [16] It was not until the Central Committee's Fourth Plenary Session in September 1979 that the total prohibition against household contracting was finally removed. This meeting approved a final official revised version of the twenty-five articles that opened up a loophole by stating that "except for certain sideline occupations with special needs and single isolated households living in remote, mountainous areas lacking convenient transportation links, the system of household contracts should not be used."

This loophole became common knowledge when it was quoted on the front page of People's Daily. (October 6, 1979) The general impression given was that household contracting was a backward method of organizing production suitable for backward areas and units where the collectives were poorly developed and leaders incompetent or corrupt. It seems that quite a few villages felt comfortable with this description of themselves and took this document as a green light to get rid of dispensable brigade and team cadres deemed too expensive to maintain. Individual families began to take over much of day-to-day production management themselves.

From the very beginning household contracting was not confined to remote hilly areas, though it was more common in poorer, less developed collectives. (Tsou et al. 1982: 49) Being rather home-grown and spontaneous, the responsibility systems bear a confusing array of names with many local peculiarities. Jack and Maisie Gray (1983: 155-64) illustrate the confusion by summarizing eight different typologies from Chinese national and local newspapers in 1980-81: I, too, found considerable variation in the meaning given to terms and the systems in use in villages visited in seven different provinces and autonomous regions in 1981-83.
Household responsibility systems involve a combination of "unified management" by collectives and "individual management" by households. Unified management refers to collective decisions about the structure of production and often provision of certain inputs and services. In what follows a range of household responsibility systems will be described, beginning with those that involve the greatest autonomy for household-producers and the least involvement of the collective.

All-Inclusive Household Contracting

Toward the end of 1978 in Chuxian prefecture in Anhui province, peasants in a number of teams began to experiment with a system of contracting output quotas to households. The teams contracted plots of land to individual families and divided up farm tools among them. The teams still owned the land and medium-sized farm machines if they had any. These were very poor teams where farming was still done almost entirely by hand so that collective day-to-day field operations had produced few economies of scale. Quite the contrary, the peasants felt they had been "roped together to live a poor life" and they were the first ones to really cut the rope. The system they evolved is known as "da baogan" or "baogan daohu," which William Hinton translates as the "all-inclusive contract" or "render unto Caesar that which is Caesar's while I take the rest for myself." (Hinton 1983b: 6) One Chinese source has translated "da baogan" as "contracting output quotas to individual households without unified accounting and income distribution by the production team." (Zhang Yulin 1982: 133) This sums up the essence of the system, but it is too clumsy.

Households that make these "all-inclusive contracts" with their teams
agree to pay a stipulated amount of output to the state for their agricultural tax. This tax was paid by the teams under the old system and still is where unified accounting remains. The households also agree to pay a stipulated amount into the team's accumulation and welfare funds. The amount of the latter depends on the level of services the collective is able to provide. The amount of the former depends on the team members' perception of the collective's ability to invest funds in income-generating enterprises. The accumulation fund is also the source of team cadres' wages. After guaranteeing their contributions to the state and the collective, the households may use their land, tools, output, and income as they wish. In such a system there is no longer any need for private plots since peasants can use their contracted land to grow anything they wish once they have ensured production of the contracted sales quota for the state. Households must purchase farm inputs and any services provided by the collective.

As soon as all-inclusive contracting was introduced in Anhui, peasants began to diversify their production both to satisfy their own needs and to produce those commodities for which they knew there was a profitable outlet in the market. The results in Anhui and many other formerly poverty-stricken areas have been quite spectacular. Rural production has been intensified, diversified, and commoditized, a process that shows no signs of slowing down as peasant consumption and investment continues to keep pace with the unprecedented growth of peasant incomes. [17]

In 1982 and 1983, I interviewed peasants involved in all-inclusive contracting in Yunnan and Inner Mongolia, both border regions with large ethnic minorities, but at opposite ends of the country. In Xishuangbanna, a Dai minority autonomous prefecture on the border with Laos and Burma,
the prefectural chief of agricultural affairs, Huang Jianzhong, stated that the number of households with all-inclusive contracts had increased from 44.9 percent in February 1981 to 86.2 percent a year later. Huang also reported that there were still twenty-two villages in the mountains along the border where the people, mostly of the Hani and Yao minorities, had no form of collective production and farmed individually [dan gan]. Some of these minorities were still using traditional slash and burn techniques in 1983. [18]

Dai women, who handle household production planning, management, and accounting, said they greatly preferred all-inclusive household contracts to the old workpoint system. They especially liked their greater autonomy and flexible hours. In the past, the team leaders would call them out to work every day. Now they worked fewer hours but accomplished more. For example, in Manjinglan village in 1981, when cutting of the first season's rice was organized by team leaders, the harvest had been twenty days behind schedule. In 1982, with households assuming responsibility for the entire cycle of production, the villagers all finished in time to relax and enjoy the Spring Festival. Dai peasant women reported that they were able to get transplanting and harvesting tasks completed in record time by soliciting the assistance of relatives. They likened the greater autonomy of the families and the spirit of mutual aid to the early days of cooperation after land reform. [19]

Dai peasants also related their preference for the household responsibility system to their desire to retain their traditional customs and lifestyle. They explained that they were accustomed to spending many hours eating, drinking, and visiting with friends and relatives. An evening meal on such occasions might last all night. It was easier to
maintain such customs, they said, in the context of the more flexible and autonomous household management of production than when team members were expected to show up for work each day like factory workers.

Although Yunnan and Inner Mongolia are both border regions inhabited by ethnic minorities, there is a world of difference between the monsoon climate and tropical forests and gardens of Xishuangbanna and farming on the arid Inner Mongolian plateau where dry winds and sand from the Gobi Desert blast and dehydrate the land and its crops almost daily. In this environment can be found some of the worst poverty in China. Collectives among the farming population are generally quite poorly developed. Production is relatively undiversified—mostly millet, wheat, oats, potatoes, sunflowers, sugar beets, and soybeans. Vegetables are grown on land near city and town markets where peasant incomes are consequently much higher. But for peasants located far from urban markets, the prospects for development of lucrative sidelines are much more limited. The consequent relative poverty of these areas is quite visible.

On the Hetao plain in the Great Bend of the Yellow River, Han and Mongolian peasants divided up their land according to the number of persons in each household [renkou fen di]. No doubt borrowing on the experience of land reform, the land was distributed as fairly as possible, taking into consideration soil quality and past productive performance. Tools and livestock were also distributed. In accordance with the system of all-inclusive contracting, each family took full responsibility for profits and losses and after meeting the state grain quota of forty-five kilograms per person and the annual agricultural tax of two yuan per mu of contracted land, households were free to engage in whatever forms of production they wished. [20]
This new freedom to engage in sidelines without restrictions can be quite important to families in villages with minimal collective incomes. For example, one family on the arid Hetao plain reported that of their total income of one thousand yuan, one-third derived from grain sales to the state and the rest from sales of home-made potato starch noodles in the free market. In the Cultural Revolution decade, growing potatoes and processing and selling noodles in the free market had been condemned as capitalist profiteering even though the demand for this popular local speciality remained unmet by either collective or state-owned shops and restaurants. But, of course, everyone could remember "the good old days" before the lopping off of "capitalist tails" wiped out the thousands of independent entrepreneurs engaged in the production and distribution of these tasty noodles. When the prohibition was ended, many households returned to this popular and lucrative sideline.

All-inclusive contracting by households has produced higher incomes for some peasants in Inner Mongolia, but it has also brought many problems. Not all peasants are good farmers. For years many peasants have merely taken orders and assumed no direct personal responsibility for technical decisions. Peasants in Inner Mongolia reported that after assuming self-management responsibility for contracted plots, some households made serious mistakes with fertilizer or pesticide applications. Some were unwilling to invest time and money into soil improvement, seeking only to extract as much as possible while the contract lasted. This problem was tackled in 1983 by lengthening the period of contracts to a maximum of fifteen years. Peasants were encouraged to invest in "their" land. They could get agricultural loans at very favorable terms for fertilizers, pesticides, farm tools, etc. Interviewed peasants reported...
in 1983 that rural credit unions in Inner Mongolia were offering such loans at very attractive interest rates ranging from 0.4 to 0.7 percent.

Another problem has been the neglect or collapse of water conservancy and irrigation systems. In December 1982, when I went to the countryside to plant trees with students from Inner Mongolia university, they pointed out empty reservoirs with "no one to look after them." These same students expressed concern over reported conflicts between households when irrigation of one family's contracted land produced waterlogging or dehydration in another's because of the lack of unified management. Investment in water conservation in some provinces declined seventy to eighty percent resulting in a significant contraction of irrigated area. (Walker 1984: 800; Wiens 1985: 90)

Nevertheless, many peasants have experienced certain inherent advantages of collective farming and in many areas where all-inclusive contracting is practiced, peasants have retained or restored unified collective management of waterworks, livestock breeding, seed selection, and when they have the machinery, even plowing, harrowing, sowing, or harvesting. Households pay for such services either directly through water taxes or fees for mechanized operations, veterinary services, etc., or indirectly with contributions to their team's accumulation fund. [21]

A very serious problem arising from all-inclusive household contracting is the depletion of collective welfare funds and consequent collapse of welfare services. The number of brigades with cooperative medical care systems declined from eighty percent in the seventies to fifty-eight percent in 1981. (Parish 1985: 21) In all the brigades I visited in Inner Mongolia, rural cooperative health care systems had collapsed for lack of collective welfare funds. [22] In some brigades,
barefoot doctors had either opened up private practices and pharmacies or
given up medicine to turn to full-time farming so as to be able to feed
their families. In Siziwang banner, the Wulian Number Two Brigade had a
small hospital in which doctors provided care on a fee-for-service basis.
They also received twenty percent of hospital income from the sale of
medicines.

Some village schools [minban xuexiao] have been closed for lack of
funds to pay teachers. [23] On the Hetuo plain of Inner Mongolia in 1983,
I learned that a few parents had kept their children at home to work in
contracted fields or family sidelines. The parents felt the children were
wasting their time attending classes taught by overworked, poorly prepared
teachers who had been compelled to try to support their families by grow-
ing crops in fields allotted to them by teams too poor to pay them wages.

Another serious problem has been the illegal building of houses on
contracted farmland. Only 10.3 percent of China's land surface is arable
and the ratio of population to farmland (1.04 hectares per person in 1977)
is equivalent to Bangladesh or Indonesia. And yet in the two decades from
1957 to 1977, 33.33 million hectares or 29.8 percent of China's arable
land was lost to urban and rural construction. Reclamation campaigns
added 21.33 million hectares to reduce net loss to twelve million
hectares. This is equivalent to the total arable land of Sichuan,
Guangdong, and Guangxi combined. Furthermore, reclaimed land is typically
marginally productive, while that lost to construction is, more often than
not, fertile land built up through generations of careful cultivation.
(Smil 1984: 69; K. C. Yeh 1984: 692). Peasants, unlike the majority of
city dwellers, are home-owners and millions are spending their first "big
incomes" on billions of square meters of new living space. In recent
years, however, peasants are being encouraged to tear down old housing and build multi-storied dwellings on the sites of their original homes rather than encroach on already scarce farmland. In some areas peasants are building new villages on unused hillsides or wasteland.

More than 200,000 brigades in China are not linked with highways and therefore find it quite difficult to deliver products to markets. (China Daily, Feb. 15, 1984: 4) For such collectives there are few opportunities to increase incomes by developing private sidelines. For example, in 1983 I met a student from a poor, remote mountain brigade in Inner Mongolia where the peasants depended on grain sales to the state for their entire income. The state kept the annual sales quota at a minimum—just fifteen kilograms per person, approximately enough to feed one city adult for a single month. Income from sales of quota grain was not even enough to pay the agricultural tax. Thus household income and funds for the brigade's welfare and accumulation funds had to come out of above-quota grain sales.

As a result, some families who lacked labor power were suffering because the collective welfare fund was inadequate to supply even their basic needs.

One of the most serious objections raised by critics of the household responsibility systems is that the gap between rich and poor households is growing. Some have argued that the greater freedom to develop private sidelines will exacerbate income differentials (Hinton, 1983b: 24-26). It is true that income differentials between the richest and poorest peasants have grown considerably. This is because a very small number of families have made a great deal of money—ten, twenty, even one hundred times as much as their fellow villagers. But if we examine the situation more closely, a different picture emerges. In 1978 when the responsibility
systems were just emerging, thirty-three percent of peasant households had annual per capita incomes of less than one hundred yuan. The Chinese government considers one hundred yuan to be the poverty line in the countryside where peasants are still relatively self-sufficient in food production. In 1978, fully one-third of peasants were classified as poor by government standards. But by 1983, only 2.7 percent of peasant families still fell below this poverty line. (China Daily, March 8, 1984: 3).

Annual average per capita income was reported to have risen from 133 yuan in 1978 to 355 yuan in 1984 and four hundred yuan in 1985. (Beijing Review November 18, 1985: 4; China Daily February 17, 1986: 1)

These figures include income from both collective and private production. All per capita income figures for peasants are estimates, since neither the government nor the collectives require peasants to report their income from private sidelines. Before the policy changes, peasants might well have been inclined to underestimate their earnings from private production and marketing. And even in the present context, I have often found peasants to be not at all clear about total income from sidelines, particularly when these are handled by elderly family members and are their source of pocket money. It is generally believed that approximately one-third of peasants' income derives from private economic activity although in the 1980s the proportion is quite likely rising. The average rate of growth of peasant incomes in real terms (accounting for inflation) between 1978 and 1982 was 17.8 percent per year. This rate of growth can be compared with a total increase of only three percent for the twenty years before 1978. (China Daily, June 17, 1983: 3) Also important to peasants is the fact that during the same years payment in kind, while rising in absolute terms, decreased as a proportion of peasant income from...
one-half to less than one-third. Under the old workpoint system peasants were constantly running short of cash as they were not paid by the collectives until just before the Chinese New Year and their sources of cash from private marketing were severely restricted. In the relaxed climate of the new economic policies, already by 1981 peasants were pocketing on average two and a half times as much cash as in 1978. (Klatt 1983: 30)

While it is clear to all who visit the countryside that peasant incomes and living standards are improving rapidly, there are many obstacles to measuring the exact dimensions of the changes. Left out of almost all analyses of income before and after the reforms is any discussion of the significance of the fact that after introduction of household contracting, particularly all-inclusive contracting [da bao gan], peasant private investment has increased significantly and represents a major factor affecting net income available for personal consumption. Peasants also paid for investment before the reforms but in the form of collective accumulation funds withdrawn before the calculation of workpoint values and distribution of personal income.

Responsibility Systems on the Grasslands

During four trips to the grasslands while living in Inner Mongolia from 1981-83, I investigated the evolution of all-inclusive household contracting as practiced by Mongolian herders in three different grassland banners. Before the introduction of household responsibility systems, herders were paid in workpoints by their brigades for caring for herds that belonged to the commune. There were strict limits on the number of sheep, cows, horses, or camels a family could own privately. The Third
restrictions on owning large private herds and flocks. During the 1981-1983 period, Mongolian herders on the grasslands were making a transition from one form of responsibility system to another. In many brigades they still had a system of unified accounting and distribution. Each family was assigned a certain number of animals and given a quota of live animals and by-products (lambs, calves, foals, milk, wool, camel's hair, etc.) to deliver to the commune. Proceeds from the sale of these collectively-owned contracted animals and their by-products was then distributed to all the herdsmen by their brigade in the form of workpoints and welfare for needy families as well as certain services, such as distribution of millet at wholesale prices.

One couple with four children living in Siziwang banner explained the system in their brigade. They were allowed to keep thirty percent of newborn lambs. Since 1978, they had built up a personal herd of fifty sheep, five cows, and one horse. From 1982 to 1983, the husband looked after sixty head of collectively-owned beef and dairy cattle while the wife together with a neighbor tended a flock of four hundred collectively-owned sheep. The family earned sixteen hundred yuan from their labor for the collective and seven hundred yuan from sales of meat, wool, and milk from their private herd.

The increases in state procurement prices for live sheep, mutton, and wool have had a considerable impact on the livelihood of Mongolians. Before liberation, which occurred in 1947 in Inner Mongolia, most Mongolians living on the grasslands were shepherds working for herd owners. After liberation, although there was no confiscation of the animals of the owners of the largest herds comparable to the confiscation of landlord's
property in farming areas, the power of these "range lords" [muzhu] over land and water use was broken and many families began to build up herds of their own. Between 1952 and 1958, collectives of herding families were established throughout the autonomous region. During the Cultural Revolution, private herds were eliminated. After the Third Plenary in 1978, families again began to build up private herds, most between fifty and one hundred animals. By 1982, 49.7 percent of sheep, horses, camels, and cattle in Inner Mongolia were privately owned. These animals were far more valuable than those of the pre-liberation lords of the grasslands. In the forties, manufactured goods were extremely expensive. One sheep could buy a pack of cigarettes; one horse a pair of knee-high Mongolian leather boots. Today one sheep is worth fifty to one hundred yuan and a pack of cigarettes costs less than one yuan. Herdsmen's average per capita annual earnings exceeded five hundred yuan in 1982--several times the average incomes of Han and Mongolian peasants in the autonomous region. [24] It is quite common to see grassland Mongolians dressed in silk robes with silver buttons and jewelry, riding motorcycles instead of horses and camels, and living in yurts worth several thousand yuan with floors covered with expensive wool carpets.

In 1982 and 1983, there was considerable variation in the contract agreements between families and brigades in different banners on the grasslands. In Siziwang banner in Ulanqab league in 1982, families kept seventy percent of newborn animals. In Xilinggol league the percentage retained ranged from all to none.

In 1983 the responsibility system in many banners was evolving into all-inclusive contracting whereby collective herds were being distributed to households and becoming private herds. In Siziwang the change was
scheduled to be carried out in June. In Xilingyol, it had already begun in Jiringol Commune in July.

The head of an extended family of seventeen explained in an interview how the decision was made in Jiringol. After several informal discussions with brigade leaders followed by a family council, he attended a lively meeting of fifty-odd representatives (mostly male household heads) of the more than three hundred members of the brigade. They discussed the results of all-inclusive contracting in other places and the possible problems they might encounter. They agreed to make a mechanical division of the herds with subsequent adjustments to achieve greater efficiency, equality, and satisfaction. It was agreed to distribute fifteen sheep, four cows, and four horses for each person in each household. Male and female animals and average and top-quality breeds would be distributed equitably. There was no opposition to adopting the new system; but there was heated discussion over how to ensure the livelihood of families with high ratios of dependents to labor power or lack of know-how or other problems. As a result, after subsequent redistribution, some families concentrated on sheep raising, others on horses or cattle, and families short of labor received fewer sheep, cows, and horses and were compensated with camels, which are comparatively less demanding. The original official distribution was strictly "egalitarian" but produced unequal opportunity. The redistribution worked out by the herders was based on mutually perceived needs and capacities of different households and was calculated to maximize their opportunities to realize their respective potentials. Many aspects of this decision-making process appear to restore the more autonomous, voluntary, and mutually beneficial cooperative relations and democratic communication characteristic of the mutual aid teams and
lower-stage cooperatives in the early fifties.

After amalgamation of their private herds with the newly distributed animals, this seventeen-member household pooled their labor and income from tending nearly seven hundred sheep, fifty head of cattle, and 760 horses. Another family of eight explained that under the system of unified accounting by the brigade, they had earned more than one thousand yuan looking after one hundred head of cattle and horses. Now they worked much harder since they owned more than two hundred sheep, more than thirty cows, and thirty horses. But they also earned much more. In 1982 they received one thousand yuan from the sale of wool alone. In the fall they planned to sell about thirty sheep to obtain at least another two thousand yuan plus an undetermined amount from the sale of milk and cattle. In one year, they would more than triple their household’s gross income. Like many peasants, these herdsmen were planning to spend much of their new income on means of production, particularly machinery. They were saving to buy a small tractor for four thousand yuan and a mower for two thousand yuan. With such equipment they could handle more animals because they would be able to harvest fodder grass to feed their herds in winter.

After distribution of collective herds, the brigades can no longer accumulate collective investment funds directly from sales of livestock to the state. The herdsmen contract with the brigade to fulfill state quotas for livestock production, but they sell their animals to the state directly. They pay a minimal livestock tax of .004 to .02 yuan per head per year. They also make payments into brigade welfare and accumulation funds. Accumulation funds are used to pay brigade cadres. Typically, brigade administration has been reduced to three persons—an accountant
plus a leader and a vice-leader. In one brigade, cadres earned wages of five to seven hundred yuan annually plus income from their own household herds. This enabled them to maintain incomes roughly equal to the average among their neighbors. Accumulation funds are also used to improve the grasslands by seeding of forage grasses and by some fencing. The brigades plan and supervise the use of grasslands to try to prevent overgrazing and disputes among neighbors.

Herdsman on average contribute about five to seven percent of their incomes to their brigades' accumulation funds and two to three percent to welfare funds. These are minimal contributions that can finance only minimal collective investment and collective social services. Thus education remains a serious problem and cooperative medical care systems have largely disappeared in the grasslands. By contrast, in February 1982, interviewed cadres of the Five Cassia Tree Brigade in the suburbs of Chengdu in Sichuan province reported that their brigade distributed sixty percent of earnings as personal incomes. They paid five percent in agricultural taxes to the state, while fourteen percent went into the accumulation fund to expand production. This left twenty-one percent which was deposited in the welfare fund to pay for free childcare in three daycare centers, to build and staff an elementary school with 340 students and sixteen teachers, and to subsidize a cooperative medicare system that covers medical and hospitalization costs for which subscribers pay an annual fee of one yuan. It takes a certain level of productivity and generation of surplus before peasants are able to achieve these levels of socialized services. It is not adequate to compare personal income figures to grasp the true extent of gaps in quality of life between different collectives and regions.
The responsibility system has restored herding households' autonomous management rights and raised output and income on the grasslands. This represents a dramatic reversal of the trend before 1978. From 1949 to 1958, the output of animal husbandry increased by 9.2 percent per year; from 1959-69 it increased by 2.9 percent per year; and from 1970-78 it declined by an average of 0.7 percent per year. Production is rising now, but Inner Mongolia faces severe problems if herding families are to continue to raise their incomes from grazing animals on the grasslands.

In the Cultural Revolution decade, in response to the campaign to "take grain as the key link" and to strive for self-sufficiency wherever possible, a massive campaign was mounted in Inner Mongolia to turn grasslands into grain fields. The result was disastrous. Although the per capita cultivated area in the region was raised to three times the national average, grain yields average only 136 jin per mu (15.1 bushels per acre) or less than one-third of the national average. (Smil: 60) It is extremely difficult to cover costs of production with such low levels of productivity. In some of the major pastoral areas, one-third of the grasslands had degenerated so badly that forage grass output was down by forty percent. (People's Daily March 20, 1982)

Recognizing that separating responsibility for animals from responsibility for the grasslands will inevitably lead to overgrazing in an already badly damaged and fragile ecosystem, collectives in Ih Ju league, where desertification has been very severe, instituted a responsibility system for managing and restoring grasslands in the spring of 1982. The collectives calculated the local grasslands' output of forage grass and animal carrying capacity and organized herdsmen to plant fine strains of grass and to begin fencing grazing areas. By 1984 the idea had spread
until about 56,000 households, twenty percent of Inner Mongolia's herding families, had contracted responsibility for pastureland with their collectives. Each family was responsible for an average of 3700 mu (633 acres or 250 hectares). By the end of 1983, 1.43 million hectares of pasture had been fenced in and grass and trees had been planted on 0.5 million hectares. (China Daily, March 9, 1984: 3) This is only a fraction of the grasslands as Inner Mongolia has 86.66 million hectares of grassland of which 73.33 million hectares are considered efficient for grazing. Nevertheless, it is an important breakthrough.

In 1982, Inner Mongolia had forty-two million head of livestock grazing on the grasslands and output value of livestock products was approximately eight hundred million yuan. By the year 2000, the government of the autonomous region hopes to see the number of grazing animals raised to one hundred million. With a great deal of effort to restore and preserve the grasslands, by strictly enforcing grazing restrictions and by careful management, it might be possible to increase the herds to one hundred million head. But there is clearly a limit to how much the herdsmen can increase their incomes from herding. There is room for further development of breeds of sheep that produce more wool or meat while eating no more grass than others. [25]

However, in many areas it is clear that the saturation point has already been reached. When asked about the future, herdsmen said that diversification and some change in their way of life would be inevitable. They talked about development of industries to process milk, meat, wool, and hides, which would create jobs for Mongolian youth. The industries they envisioned would be located not in polluted Han cities where Mongolians who have grown up in the grasslands feel utterly alienated, but in
small towns surrounded by the grasslands and close to the herdsmen and their animals. The problem, of course, is to accumulate the investment funds to build such industries in the grassland areas. At present the herding households are using most of their increased incomes for consumption or for investment in grassland improvement, well-digging, or mechanization. Taxes paid to the state and contributions to collective accumulation funds are minimal. It is not clear how the investment funds for industrialization can be accumulated, but it is not likely that they will be forthcoming from anyone but the herdsmen themselves.

Evolution of Party Policy on Household Responsibility Systems

In 1978 and 1979, when household contracting first appeared in Anhui and Sichuan, no one in China would have predicted that by 1983 ninety percent of teams would be using some form of household responsibility, much less that by the end of 1984, ninety-four percent of teams and ninety-seven percent of all households would be practicing some form of all-inclusive contracting. In 1979 and 1980, party and government documents, editorials, newspaper and radio features tended to stress that household contracting was an expedient measure to restore peasant initiative and enthusiasm where mismanaged collectivization had failed to stimulate production and promote general welfare. (See, for example, Yu Guoyao 1980: 12-15 and People's Daily November 1, 1980: 1) But in 1980, there were also indications that perspectives were beginning to change.

In February, the Eleventh Central Committee held its Fifth Plenary Session. Zhao Ziyang, the reform-minded party secretary from Sichuan joined the Politburo's standing committee at this time. The party decided to set up once again a Secretariat to look after day-to-day affairs. This
body had been eliminated in the Cultural Revolution when Mao Zedong, as party chairman, concentrated enormous administrative power in his own hands and those of the "Cultural Revolution group" that issued directives in his name. Hu Yaobang, another reformer, was elected general secretary (a post held by Deng Xiaoping until he was ousted as the "number two capitalist roader in the party" in 1966). Eleven members were appointed to the Secretariat, which soon became the most active leading body in China promoting the economic reforms. The member of the Secretariat put in charge of rural work was Wan Li, the peasant innovators' advocate in the Anhui party and government hierarchy. In April, he became a vice-premier of the State Council and in August, he became the minister in charge of the State Agriculture Commission.

Also in 1980, after the Fifth Plenary Session, the press launched open criticism of Dazhai and of Xiyang county where the model brigade is located. In September it was announced that Dazhai's party secretary, Chen Yonggui, had been relieved of his post as vice-premier at his own request.

In the same year, top party leaders went to rural areas around the country to investigate conditions, while more than one hundred high-level cadres, economists, and theoreticians conducted rural surveys in ten provinces. In September, the party's Secretariat held a conference in the capital for provincial-level first secretaries to sum up the results of these surveys and draw conclusions for rural policy. These policy decisions were recorded in a party document (No. 75, 1980) entitled: "Certain problems concerning further strengthening and improving the responsibility systems for agricultural production." [26] This document gave the party's blessing to household contracting with or without unified account-
ting and income distribution by the collective [bao chan dao hu and bao gan dao hu]. However, it was again reiterated that these forms were appropriate for poor and backward collectives, although the document stated that where other teams had adopted household contracting, they should be maintained so long as team members requested no change.

The apparent ambiguity of this position appears to have been a product of conflicting attitudes among provincial-level party leaders. In Sichuan, Anhui, Gansu, and Shaanxi, party secretaries appear to have been relatively supportive of household contracting. [27] In Anhui, it was already being practiced in ninety percent of teams. But party authorities in Zhejiang, Jiangsu, and Liaoning were dubious about its applicability in their relatively developed rural areas. (Zweig 1985a: 145 and 1983: 889) Other provincial leaders were ambivalent, expressing a general willingness to tolerate household contracting in poor, remote villages where more collective management systems had clearly failed to produce prosperity. Given the doubts and resistance of even provincial-level party leaders, the stipulation that no teams that had already opted for household contracting should be obliged to drop the system was a significant guarantee for its survival and continued diffusion. However, it would still be a couple of years before the party would drop its attitude that household contracting was a method of last resort [meiyou banfa de banfa] to be used only where all else had failed. (Xu Shiqi 1982: 4)

Having further pried open the loophole in the party's position on household contracting, the ideological question of where and why its introduction would not undermine socialist relations of production came to have practical significance. Throughout 1980 to 1981, party theoreticians and reform-minded economists gradually developed an increasingly sympa-
thetic perspective on the character of production relations embodied in household responsibility systems, including even the radically decentralized self-management of all-inclusive contracting. Articles by Wu Xiang (1981), Wang Yuzhao (1981), Yu Guoyao (1980), Ma Biao (1981), and Xu Dixin (1981) are typical examples of this discussion cited by Andrew Watson (1983) in his own provocative study of Chinese agriculture’s recent search for “shoes that fit.” A common characteristic of most of these articles is a defense of household contracting on the grounds that it does not eliminate collective ownership of the most essential means of production, the land. This perspective skirts the more crucial issue of the nature of relations of control over this collectively-owned asset. Control is, after all, the underlying reason for the Marxian focus on ownership of the means of production.

But probably the most important influence on evolution of household contracting was the success of the system itself. Peasants who heard about leaps in income in other villages after introduction of household contracting began demanding similar self-managing rights for themselves. Hu Yaobang, Wan Li, and Zhao Ziyang each went to the countryside to see for themselves what was happening after dissemination of Document No. 75 for discussion in late 1980 and early 1981. They became critical of local leaders’ attempts to manipulate the direction of development either toward or away from household responsibility systems. [28]

About this time, the press began criticizing inflexible and dogmatic cadres who tried to shape local policy implementation with “one stroke of the knife” [yi dao qie]. (See for example, People’s Daily September 22, 1981: 1) This universalizing impulse was the product of improper communication and relations of subordination and domination. It had undermined
the Socialist High Tide, the Great Leap Forward, and nearly all subse-
quent political movements. Central leaders were alarmed and urged a
return to earlier traditions of careful investigation and attention to
local needs and demands. They recognized the need to ensure that the
implementation of household contracting was not politicized and made the
target of a mass mobilization campaign. The old principles of voluntarism
and mutual benefit had to be restored and preserved no matter what form of
unified or decentralized management villagers opted for.

During 1981 and 1982, a series of national and provincial conferences
were convened to discuss the rural economic reforms and the responsibility
systems in particular. [29] As reports of ever larger numbers of teams
turning to household contracting poured in, so did complaints about pro-
blems arising out of the new management systems. There were reports of
waste due to overproduction of cash crops coupled with cutbacks in culti-
vation of less profitable grains. There was talk about the anarchy of
market forces and fears of a collapse of state planning in the rural
economy. But when the party and government attempted to reinstate the
authority of state plans, many cadres and peasants interpreted such moves
as indications of the final arrival of a much feared policy reversal once
again. (People's Daily October 30, 1981: 1; FBIS November 6, 1981: K1-2)

A National Rural Work Conference in October 1981 pointed to a solution
that would combine the stability of state planning with the vitality of
market competition. The key lay in the greater use of contracts whereby
teams could obtain guarantees from households to ensure fulfillment of
state plans. The solution lay not in abolishing regulation by the market,
but in transforming it, at least in part, into state regulation through
the market, using a combination of price incentives and voluntary, but

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binding, contracts.

In 1982, conference reports and articles in national and local newspapers and journals began to suggest that household contracting, even all-inclusive contracting, could be advantageous and therefore appropriate even for relatively prosperous, successful collectives. There were reports of use of comprehensive and specialized household contracts even in model suburban communes with a highly developed division of labor. [30]

By the end of 1982, the party was openly and unequivocally endorsing household responsibility systems. In October 1982, the Central Committee sponsored a joint session of delegates to a conference of provincial agriculture secretaries and a party conference on rural ideological work. Out of this meeting a new perspective emerged, which was spelled out in a party document (No. 1, 1983) entitled: "Some Questions Concerning the Current Rural Economic Policies." The 1983 document was a draft for trial use. It became official policy after formal approval at a national conference on rural work in November 1983. Perhaps the best way to capture the spirit of the shift in tenor reflected by this policy statement is to quote from the document itself. [31]

The rapid development of output-related responsibility contract systems is not at all accidental. With peasant households or task groups becoming contractors, this responsibility system expands peasants' decision-making powers and realizes the advantages of small-scale operations. It overcomes the disadvantages of over-centralized management, of the inefficiency of large work groups, and of egalitarianism. It also inherits the positive legacy of the past movement to organize cooperatives, preserves the system of public ownership of basic means of production, such as land, retains certain unified operations and brings into play the role of newly added productive forces that were developed through many years of effort. The combination of decentralized operations and unified operations has wide applicability. It suits the present situation in which manual labor predominates. It suits the particularities of our present agricultural production. It also provides the prerequisites for the development of the productive forces in the course of agricultural modernization. In the context of this system, the contracted family
operation is a new type of family economy functioning at one of the operational levels of the collective economy. We should not confuse it with the former small-scale individual economy based on private ownership because there are essential differences between them. Therefore, we should energetically support the masses' demand for adoption of this practice wherever it exists. Of course, we should not force people to implement it if they haven't asked for it. We should always permit simultaneous existence of various responsibility systems.

In looking back over the development of household responsibility systems from 1978 through 1983, one can only agree with two *People's Daily* reporters who described the communication dynamic involved in the evolution of this policy as "the bottom level pushes the upper level and the masses push the cadres." (*People's Daily*, July 2, 1981: 5) But one would also have to conclude that the peasants got more than a little help from certain leaders at the very top of the party and state hierarchy. It has also been a case of pushing and pulling between the center and the provinces. In general, central policy statements have represented not policy initiatives so much as policy responses to initiatives taken by peasants and local leaders. In certain provinces leaders acted to protect peasant innovators even when their innovations lacked official sanction. But for certain other provinces and municipalities where highly unified management and accounting had yielded a relatively high level of industrialization, mechanization, diversification, and commoditization of production, local and even provincial leaders feared the new policies would unleash a tide of petit-bourgeois rugged individualism that would sweep away the commune setup built up over decades of painstaking organization. For such leaders, the party's policy statements served to prod them down a road they were hesitant to travel.
Unified Management of Household Contracting

So far, in looking at household responsibility systems, we have examined only "all-inclusive contracting" (da bao gan). Although we have looked at quite different types of production—rice cultivation by the Dai people in Yunnan, subsistence farming of peasants on the arid Inner Mongolia plateau, and livestock production among the Mongolian herdsmen—the basic characteristics of the contractual relationship remain the same. Workpoints have been eliminated and the collective no longer conducts unified accounting and distribution. In the most extreme cases, the collective has more or less ceased to function as a productive unit. Instead it provides limited social services and acts as a broker between the state (primarily the county or banner government) and the producers in hammering out production targets, state quotas, and taxes. It is also responsible for implementation of other national policies such as birth control, education, sanitation, and environmental protection.

It is important but difficult to know just how common is this situation of minimal development of socialized production and social services. Chinese sources divide rural collectives into three categories. (Zhang Yulin 1982: 129) Twenty-five percent are considered relatively successful cooperative endeavors in which significant increases in productivity have resulted in radical improvement in the quality of rural life. Another fifty to sixty percent are said to be in an intermediate state with many apparent problems but clear prospects for stabilization and development of collective production relations through readjustment and reform. A final twenty percent have failed fundamentally insofar as no significant improvement in either output values or living standards have been achieved in most or all of the years since the establishment of advanced agricul-
tural producers' cooperatives in the early fifties. There are units where
the collective may exist in name only and where all too often "socialist"
relations of production have meant exercise of tyrannical bureaucratic
power over alienated producers stripped of any real authority over plan-
ning or organization of production. It was these "collectives in name
only" that party leaders had in mind when they sanctioned household
responsibility systems as they emerged from the backwaters of the rural
economy in the late seventies.

But when Wan Li, Zhao Ziyang, and various provincial leaders defend
the household responsibility systems today, they are talking about house-
hold contractual agreements being used in more than ninety percent of
China's six million base-level rural collectives. Among these, there is
considerable variation in the extent of devolution of responsibility to
households as opposed to unified management by collective leadings. In
Yunnan and Inner Mongolia, there has been a major movement toward highly
decentralized household management systems [da bao gan] with minimal
intervention by collective leaders. But these are unquestionably fron-
tier, underdeveloped areas where cooperativization was more often than not
experienced as a policy imported from outside. Visits with peasants and
interviews of rural cadres in suburban communes in Fujian, Guangdong,
Sichuan, and the rural districts of Shanghai and Beijing revealed a very
different situation.

Cai Tang Brigade is located on the outskirts of Xiamen in Fujian
province. At the time of my visit in January 1983, it was a village of
970 people living in 160 households. They owned 645 mu (107.5 acres) of
cultivated land of which five hundred mu (83.3 acres) were devoted to
vegetable production for the city and the rest to grain crops, primarily
rice and sweet potatoes. Responsibility for grain production had been delegated to households [bāo chān dào hu] who had signed contracts for three years to guarantee production of five hundred kilograms of grain each year. For this the households were paid workpoints. If they wished, they could keep this grain, but then they had to pay for it. They could also keep any grain produced in excess of this target without paying for it, but for this they received no workpoints. The brigade derived most of its income from vegetable production. Household contracting in 1983 was being used primarily to meet state grain quotas and to satisfy peasant households' own consumption requirements.

Land devoted to grain cannot yield profits anywhere near equivalent to plots of the same size planted with vegetables. For this reason most suburban communes are wealthier than collectives in more remote country districts. Unspecialized household contracting of grain production, as practiced in Fujian's Cai Tang Brigade, is one method of sharing the opportunity costs of meeting the country's need for cereals production.

In February 1983, I visited the July 1st Commune in the western suburbs of Shanghai. At the time of my visit, it was a prosperous alliance of 101 natural villages (teams) organized into eleven brigades. Because of the success of family planning, the commune had a very favorable labor power/dependent ratio. Out of a total population exceeding 18,600, they had a labor force of approximately 12,200 people. The commune had a diversified structure of agricultural production. Triple-cropped wheat and paddy and late rice were grown on thirty-six percent of the cultivated area, cotton on eighteen percent, one hundred varieties of vegetables on forty-one percent, and melons and fruit trees on five percent. Collective agricultural sidelines included dairy cattle,
poultry, fish, and mushrooms. The commune sold each day an average of 116,200 jin (52,818 kilograms) of vegetables, which commune cadres estimated was enough to feed 600,000 people. Except for private plot and household sideline products, all vegetables, fruit, cotton, rape seed, milk, eggs, poultry, fish, etc. were delivered to nearby state purchasing stations and deposits were made directly into team accounts. Team members earned workpoints, which were redeemed each year before the Spring Festival.

When asked whether the commune signed contracts with the teams to fulfill production quotas, the commune cadres replied no. But then they added that they had been practicing all-inclusive contracting [da bao gan] since 1958. It turned out that what they meant by this was that the commune had set a grain quota of 1200 jin per mu in 1958 when they were planting two cereal crops a year. Since then, they had raised output to 1500-1600 jin per mu and were able to sell or retain the above-quota portion as they liked. [32]

When asked about household contracting, commune cadres explained that a part of grain production was contracted to households under two different responsibility systems. In one hundred teams, households were still paid workpoints for grain produced on plots allotted for their use [ze ren tian]. Seeds, fertilizers, and chemicals were purchased and distributed by the team. There was thus still a significant degree of unified collective management by the teams [bao chan dao hu]. In one team however, land for cereals production was divided up and allotted to households according to the number of "mouths" to be fed [an renkou fen tian dao hu]. The household would then sell a certain quota directly to the state and keep the rest for their own consumption or for feed for

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domestic livestock and poultry.

The relative importance of income from household contracts for grain production in this commune was revealed during visits with peasant families. Consider, for example, the following information provided by one family who described themselves as "poor" if compared with their neighbors because they were a family of seven with only two working adults. They had three children. His retired parents also lived with them.

The mother worked in a brigade-run factory where she earned workpoints. Her earnings in 1982 amounted to 830 yuan. Her husband was an accountant for the brigade and was paid 1200 yuan. Her husband's parents also lived with them and received pensions of twenty yuan each month for a total of 480 yuan. In 1982 she contracted responsibility for a one-mu plot [zeren tian] from her team. After turning over the output of her plot, she earned workpoints valued at five hundred yuan, enough to cover the cost of grain rations [kouliang] for an entire year for her seven-member family.

On top of this income derived from participation in collectively-organized production, the family had a private plot of 350 square meters on which they grew garlic, onions, and other vegetables. The grandfather sold in the free market what the family didn't eat and in 1982 he got two hundred yuan for his efforts. They also had two pigs, two sheep, four chickens, one goose, and six rabbits. They received two hundred yuan for the pigs, but Grandpa pocketed the proceeds from the rest without telling anybody how much it was. Finally, the woman and her mother-in-law crocheted sweaters with materials supplied by the commune and were paid a processing fee on delivery to the receiving and supply station [shoufa zhan]. In 1982, they earned six hundred yuan for crocheting four hundred
sweaters. Thus the family's total income was 3,500 yuan of which one-seventh came from household contracting. This is in sharp contrast with the families in Inner Mongolia and Xishuangbanna already discussed and with other families engaged in specialized production to be discussed in the next chapter.

But a more important difference is the level of unified management of household production in different collectives. In the Shanghai commune, in one hundred out of 101 teams, the collective provided seeds from its own harvests and purchased and distributed fertilizer free of charge to the households. In the most technically developed collectives, the heavy work of plowing, sowing, harvesting, and threshing, as well as irrigation and sometimes even fertilizer and pesticide application, is done by machines operated by men and women paid by the brigade or commune. Thus household contractors in this context are actually part-time gardeners hoeing and weeding plots and watching for any signs of pests, disease, waterlogging, or dehydration to ensure timely action to prevent crop losses. This is not a full-time occupation as can be seen from the case of this woman who was responsible for a one-mu plot that she was able to handle while holding down a full-time factory job.

Although the highly developed suburban collectives finally relented and introduced household responsibility systems in 1982 and after, the forms they take tend to reinforce unified management. But such collectives represent only a fraction of the millions of villages in China. In 1984, Greg O'Leary and Andrew Watson interviewed Chinese economists in Sichuan, Beijing, and Shandong who estimated the number of collectives practicing such high degrees of unified management and accounting as ten or at most twenty percent (Watson 1984: 643). They tend to be clustered
in the suburbs around large cities and in commercially well-developed districts, such as the Pearl River delta in Guangdong, the Yantai peninsula of Shandong, and the Yangtze River basin in southern Jiangsu.

Contracting of Specialized Tasks

So far we have been discussing responsibility systems primarily in the context of grain production and, on the grasslands, herding. In the Chinese perspective all other forms of rural labor are considered specialized production or services, somehow supportive or supplementary to the central task of growing grain or, in the grasslands, raising livestock. Thus even in Cai Tang Brigade where seventy-seven percent of the cultivated area is devoted to growing vegetables and the greater part of brigade income comes from vegetable sales, those responsible for the vegetable fields are viewed as performing specialized tasks.

Several different responsibility systems have been devised to link remuneration to output or measurable criteria of performance in contracting specialized jobs [lian chan ji chou, zhuanye chengbao]. For example, in both Cai Tang Brigade in Fujian and the July 1st Commune outside Shanghai, individuals bid for contracts to grow vegetables. Team members decided through discussion to whom to grant these contracts since the total output value affected the value of workpoints earned by all members of the collective. In both collectives, workpoints were awarded not for gross output (kilograms or tons of vegetables) but for output value, i.e., so many workpoints for each yuan's worth of vegetables sold. This was done to ensure efforts to deliver vegetables in prime condition so that the selling price would not be reduced because of damage in handling or deterioration because of delays in delivery. The workpoint system was being used in this way to try to solve the problem of the
"employee mentality" [guyong guandian] of some peasants who would just put in time to earn workpoints, a sure sign of the alienation of producers from both their labor and the product of their labor.

In the July 1st Commune, workpoints were used to solve another problem as well, namely, the gap in profitability between grain and vegetable production in conditions of extremely unfavorable land-labor ratios. To ensure the cultivation of grain and prevent patently unfair income differentiation, workpoints were adjusted so that grain growers received one workpoint for every 0.50 yuan's worth of grain produced, while vegetable growers received one workpoint for every 1.00 yuan's worth of vegetables delivered daily to purchasing stations on the commune. These figures were adjusted each year by the teams at a meeting of their members. This adjustment through workpoints was developed by the peasants and cadres to deal with the fact that prices did not adequately reflect differences in labor expenditure.

It has already been pointed out that in many collectives where day-to-day management is handled by households, many services are provided through unified management of the collective. Such services include a range of production-related tasks such as tractor plowing, water conservancy and control, plant and animal breeding, veterinary services, prevention and control of disease in plants and animals, seed processing, transport, and storage. There are several ways collectives can organize such services. They can be contracted to specialized households—a method that will be considered shortly. They can also be contracted to individuals or groups who are rewarded on a more or less piecework or other performance-related basis. In January 1983 during an interview, the party secretary of Luxia Brigade in Chengmen Commune in Fujian described one example of a
fairly typical arrangement for field preparation and hauling jobs done by tractor drivers under contract to the brigade. [34]

Luxia Brigade is a newly prosperous, rapidly industrializing village about an hour's bus ride from the center of Fuzhou, capital of Fujian province. The 521 families of Luxia collectively own 690 mu (115 acres) of cultivated land of which two hundred mu (33.3 acres) are orange tree groves and the rest are planted with rice, wheat, and rape. Food production in 1983 was handled through specialized contracts to individuals who paid tractor drivers for plowing, seeding, and harvesting on their contracted fields. The drivers paid the brigade seven hundred yuan each year for the use of the tractors and any expenses exceeding twenty yuan for oil, gas, maintenance, and repairs. At the current value of workpoints in 1982, tractor drivers were earning on average 3.90 yuan for a day's work of plowing. However, when there was no work to be done in the fields, tractor drivers could contract hauling jobs within the collective or outside for which they could earn up to twenty yuan per day. Lest any driver be so lured by such money as to neglect or delay work on the brigade's fields, the contracts were negotiated annually and the collective retained the right to assign responsibility for operating its tractors to somebody else during the next season. These were prized contracts for which young people bid eagerly. One villager told us his eldest son, a tractor driver, earned five thousand yuan in 1982. When asked whether such high incomes caused feelings of envy or bitterness, the man stated that the drivers were very popular because, by their labor, they added greatly to the brigade's total income, thereby raising the value of workpoints and the incomes of all, whether they worked in the fields, brigade factories, the school, or the clinic, or whatever. In some collectives,
drivers pay a percentage of hauling fees to the brigade as well. In Luxia, the truck drivers received both time wages and twenty percent of hauling fees handed over to the collective, and they, too, actively sought transport jobs outside the collective.

Some intriguing arrangements result from attempts to use workpoints and contracts for specialized tasks to maintain organic links between the work and consciousness of individuals in specialized occupations and their collective. In February 1982, a vice-leader of the Five Cassia Tree Brigade on the outskirts of Chengdu in Sichuan province explained how her brigade had revised their old Dazhai-type workpoint system five years earlier to achieve a closer linking of remuneration with performance while retaining the advantages of workpoints for promoting collective solidarity. She gave an example of one individual who had set up a clock repair shop with the brigade's help. The shop and most of his tools and equipment belonged to the collective. He turned over forty percent of his gross income to the brigade. The rest covered his expenses and his personal income. However, his contract with the brigade stipulated his purchase of four hundred workpoints each year from the collective for which he paid 480 yuan. Why should he want to buy workpoints? This purchase gave him the right to receive grain rations for which he paid like all other members of the brigade. Peasants are able to get grain rations at special subsidized prices lower than urban consumers using city-issued grain ration coupons [liang piao]. Without purchasing this right of all workpoint earners, the clock repairman would have had to buy grain at free market prices. Secondly, he paid 1.20 yuan for each workpoint he bought, but the value of the workpoints when reimbursed would be determined by the collective's total net receipts from a diversity of
income-generating projects. Moreover, by investing his 480 yuan he added to the collective's available investment funds and thereby to its capacity to produce more wealth. Thus his material and subjective ties with the welfare of the collective as a whole were reinforced. At the same time, the need to draft a contract for this individual meant that his labor capacity and his needs and those of his family were discussed at an open meeting with his neighbors where the terms of his contract were "hammered out" and approved. In 1981, he earned 980 yuan and in 1982, if he or his neighbors felt his income was inappropriate compensation for his contribution or for his needs, they could readjust the terms of the contract. Sometimes contracts for relatively undemanding specialized tasks are awarded to individuals with particular handicaps, physical or mental, or perhaps a large number of dependents that make it difficult or impossible for them to participate in other forms of collective labor. In this way collectives can equalize income-generating opportunities among members and rely less on pure welfare schemes. [35]

It is impossible to judge the significance of contractual agreements in any particular collective without a knowledge of the content and character of communication between team and brigade leaders and members of the collective and of villagers' freedom and ability to analyze and articulate their individual and collective needs. The essence of the problem for social scientists inside and outside China is to determine whether existing contracts represent agreements hammered out between team members and their collective, or are merely agreements between individual team members and team leaders or even worse, are simply the putting on paper of decisions taken and imposed by village tyrants. [36]

It is crucial to uncover the communication processes whereby these
agreements are conceived, formulated, and sealed. Recent novels, short stories, and films are invaluable sources for understanding the impact of new policies on social relations, bureaucratic power, and communication in implementation of new management systems in China's countryside. A short story by Jing Fu, a young writer associated with a county town cultural center in Shaanxi province, provides such background with regard to the introduction of specialized contracts signed with individuals. "Crippled Chen and Team Leader Qiu" tells the story of a crippled bachelor who contracts with his team to care for a neglected apple orchard and, contrary to everyone's expectations, reaps a bumper crop. The team leader is a slippery fellow who calls a team meeting to organize village opinion against allowing Chen to derive a personal income many times his neighbors' through this contract. Crippled Chen wins his agreed upon reward, but Qiu refuses to allow him to renew the contract and the old man ends up contracting with another team instead. [37] Such stories and films based on them are not only possible sources of insight for western social scientists trying to grasp the nature of political communication in China's countryside, they are also forms of communication themselves that can be used as ammunition by villagers attempting to deal with recalcitrant local cadres unresponsive to their needs and demands.

There are many specialized jobs that are too big for a single individual to handle alone and collectives often use specialized group contracts to achieve a combination of unified and decentralized management of such production and services. Typically, there are two aspects to these arrangements. First, there is the contract between the group or its leader on the one hand, and the collective on the other. This contract usually covers targets, such as output or output value, profits, quality,
use of materials, energy, or other variables of cost accounting. The contract usually also stipulates the leader's responsibilities, wages, and rewards or penalties for better or worse than anticipated performance.

The second aspect is the agreement between the leader and the group or among the group members if they are only a few. Sometimes the collective will guarantee a certain number of workpoints or amount of money or portion of the product to the contractors, the distribution of which they decide according to their own assessment of their relative contributions to completion of the task. Such arrangements are typical of small-scale operations, such as a few people looking after a collective livestock or poultry operation, or a group of women running a tailor shop, or a handful of young people managing a village restaurant, or thousands of other little collective enterprises of this sort found in villages all over China.

All of the systems of decentralized production management discussed in this chapter are collectively designated in China simply as "responsibility systems" [zeren zhi]. Because in Chinese there is no device like the English "s" to distinguish whether a noun is singular or plural, "zeren zhi" is often translated as "the responsibility system" even by the Chinese themselves. And yet, perhaps the most conspicuous characteristic of rural production management in China in the eighties is its heterogeneity. One can no longer capture the essence of the situation with a description of the three-tiered commune structure and a few variations on the Dazhai workpoint model. [38] This diversity is a product of the greater autonomy of peasant collectives in the present period compared with the "mass campaign" era of the late fifties to late seventies.

The changes wrought since 1978 are profound. And yet, it seems to me...
to be quite mistaken to interpret the situation as an abandonment of communal ideals and cooperative institutions. Anyone with a little knowledge of the history of the cooperativization process will recognize the evident borrowing from this historical legacy. The group and household contracts have their roots in responsibility systems used in the fifties by mutual aid teams and lower-stage cooperatives or by teams during the period of decentralization and reconsolidation in the aftermath of the Great Leap Forward. Much about the "new" responsibility systems is not new at all. The call for respect for the principles of voluntarism and mutual benefit echoes the slogans of the early cooperativization movement before the Socialist High Tide swept away many of the property and self-management rights of autonomous associated producers that had been the rockbed of these principles.

Even in the case of entirely new forms, such as some of the contracting of specialized production, there is one aspect of the historical legacy that continues to shape the evolution of national and provincial policies as well as local practices. This is the "mass line" ideal of political communication. Official documents, leaders' speeches, and radio and press commentaries on the new rural economic policies all constantly reiterate the importance of preserving this tradition. However, attempts are being made to restore the original concept as it was formulated in Yan'an shorn of the distortions wrought by the mass campaign approaches of later years. Consider, for example the following excerpt from the conclusion of a speech on contract systems and the rural cooperative economy by the head of the party's Rural Development Research Center.
In conducting a reform, it is impossible not to have tentative ideas. However, we must avoid by all means imposing our tentative ideas on the masses as something immune to change. On the contrary, we should learn from the masses, respect their initiative, esteem practical experience, and continuously revise our own opinions.

Mistaken practices such as doing things on a whim, rushing headlong into mass action, and treating everything alike without discrimination are all incompatible with the mass line. In this reform "the party Central Committee is against coercing anyone, criticizing anyone, or putting a label on anyone; on the contrary, it has been the Central Committee's consistent stand to stress study and investigation, proceeding from reality in everything we do, suiting measures to local conditions, diversity in form, democratic choice by the masses, gaining experience through pilot projects, and guarding against doing things on a whim and treating everything alike without discrimination." (Du Runsheng 1984: 39)

The quotation in Du's speech is from a speech by Wan Li. Reformers like Du Runsheng, Wan Li, Zhao Ziyang, and Deng Xiaoping at the national level allied themselves with certain party secretaries in the provinces such as Feng Jixin in Gansu and An Pingshen in Yunnan. These leaders and others made a massive effort to get conservative party and government bureaucrats to go to the villages and see for themselves what the local people were doing and why and with what results in much the same spirit as Mao's attempt to get through to party conservatives with his investigation of the peasant movement in Hunan in 1927. The period since 1978 has been characterized by a massive amount of organized investigation and reporting of observations by leaders in charge of various aspects of rural economic affairs. National conferences one after another issued draft policy documents that would be ratified six to twelve months later at further conferences after mobilization of discussion by leaders at lower levels and feedback to the center on opinions and results of experiments. Radio, television, and press reports and features kept up a constant stream of information and analysis of the rural economic reforms and the changing situation in the villages.
The rural responsibility systems have been controversial. This is as it should be. On the one hand, they have thrown up many new problems. On the other, they have called into question many assumptions about the stage of development of rural relations of production and the appropriate course for viable future development. In this context of experimentation and questioning, the party's return to its original more democratic notions of mass line methods of leadership embodied in the Jiangxi and Yan'an legacies with their greater respect for the autonomy of civil society is in my opinion a positive step forward. Most important has been the conscious rejection of any attempt to "politicize" and engineer the process of change by labeling opinions or practices not initiated or sanctioned by the party as "bourgeois" or "capitalist road" or "revisionist."

Without this conscious reining in of social engineers in the party who would shape social change through movements of "class struggle," the successful emergence of a thoroughly new form of decentralized production management that fundamentally challenges party orthodoxy on the stages and nature of socialist transformation would have been out of the question. This new form of decentralized management is called the "specialized household" and is the subject of the next chapter.
CHAPTER FOUR

SPECIALIZED HOUSEHOLDS

Among China scholars, household responsibility systems have attracted considerable attention. Studies have tended to focus on typologies of the various contract systems (Grey 1983; Watson 1984; Johnson 1982 and 1986a; O'Leary and Watson 1982), evolution of government policy partly in response to a somewhat spontaneous development of these systems (Zweig 1985b; Tsou, Blecher, and Meisner 1982), and the question of growing income disparities as some individual families have greatly increased their productivity and standard of living in the wake of the reforms (Lardy 1984; Travers 1984; Griffin and Saith 1982; Walker 1984). Despite the attention focused on income gaps created by the emergence of these nouveaux riches, there has been very little systematic investigation of who is getting “rich,” how, and why. In particular, there has been a failure to study the new phenomenon of “specialized households” [zhuanye hu]. Such households typically develop out of an expansion of a household sideline into a larger-scale operation involving the full-time labor of one or more family members. Those households, still in a transitional stage, relying on spare-time or surplus labor to manage fairly large household sidelines are known as “key households” [zhongdian hu].

It is necessary to apply to the county government for permission to engage in a specialized economic activity on a full-time basis and thereby be designated as a “specialized household.” Regulations covering the
certification, rights, and priority treatment of specialized households vary from province to province. [1] There is a rough national guideline for classifying specialized households according to which sixty percent of the family's economic activity should be in a single specialized line, sixty percent of their labor power should be engaged in this activity and sixty percent of the product or service produced by this household enterprise should be sold as a commodity. (Johnson 1986: 23)

It is possible that western studies at first neglected specialized households because they tended to be found in villages that had not been outstandingly successful collectives. The most successful collectives tend to be located in suburban areas or areas where transportation and communication links are relatively well developed. Such villages are more accessible to western scholars as well as Chinese researchers, journalists, and government and party leaders. There is therefore usually more descriptive, analytical, and statistical information available about them. To this must be added the very natural desire of Chinese hosts and guides to show foreign visitors those places and practices which they feel represent their best achievements and potential for development.

The most successful collectives have tended to be large villages that have been able to successfully practice unified accounting with redistribution of income from collective sidelines to fund the technical transformation of agriculture and a range of social services. Such prosperous industrializing villages with their apparently self-reliant accumulation of investment funds, labor-intensive capital construction campaigns, and relatively egalitarian income structures have been for years held up as models not only for the rest of rural China, but for the Third World as well. [2]
Collective enterprises that create jobs and increase incomes require investment of accumulated collective savings. In most cases the initial surplus comes from agriculture, especially in suburban villages supplying city markets. But because many collectives were unable to achieve levels of agricultural production sufficient to provide a significant surplus to be sold as commodities, in many villages consumption and incomes stagnated at mid-fifties levels for two decades. Fewer than ten percent of China's villages were actually able to emulate the model collectives successfully. The frustration of the majority produced a new two-pronged strategy.

The creation and expansion of collective enterprises with collective accumulation funds continues wherever the means exist to do it profitably, but at the same time private investment of personal savings and borrowed funds into specialized forms of household production is being actively encouraged. [3]

Chinese conceptualize this two-pronged strategy as a kind of continuum from unified [tongyi] to relatively decentralized [fenhua] investment and management. (Lin Zili 1982: 11-22; Watson 1984) The appearance of household responsibility in the late seventies first introduced this decentralizing tendency into crop farming. The emergence of specialized and key households has expanded decentralized management and investment into an enormous range of economic activity.

There are villages that still rely very heavily on unified investment and management for nearly all economic activity. There are also villages in which the collective is basically an empty shell with no funds or fixed assets. The major economic activity for such collectives is as one partner in the drawing up of household or individual contracts, many of which now have terms of fifteen years or longer. But in between these two
extremes there is a great range of combinations of unified and decentralized investment and management in the village economy. Andrew Watson (1984: 642-43), on the basis of interviews with agricultural economists in China, estimates the proportion of villages in which management is significantly decentralized must be at least eighty percent. It is primarily in these villages that a whole new process of socialist transformation of an essentially "family economy" is emerging. To understand how and why this is occurring, it is necessary first to outline briefly the types of specialized households and their different relations to existing collectives.

While I know of no official figures on the number of specialized households, Chinese authors often cite the figure of twenty million or 13.6 percent of peasant households. (Economic Daily [Jingji Ribao], Feb. 22, 1984: 1) According to a Beijing radio broadcast, the number of specialized households in Hunan at the end of 1984 was two million or 17.5 percent of the province's rural households. (FBIS, Dec. 27, 1984: P2) China Daily (March 19, 1985: 1) reported that there were 1.7 million specialized households in Zhejiang. This constituted twenty percent of rural households in the province. However, development was uneven as 53.6 percent of specialized households were located in the highly populated and commercially developed coastal provinces at the end of 1985. (China Daily, Nov. 25, 1985: 4)[4]

Statistics collected in early 1984 in ten provinces and municipalities indicated that most specialized households were concentrating on either grain or cash crops, livestock, poultry, or fish. Over one-third were specializing in field crops. In areas of south China twenty to thirty percent of the rural labor force were handling the agricultural production formerly done by seventy to eighty percent. (China Daily,
Feb. 29, 1984: 4) With the production of staples like grain, oil, sugar, and cotton ensured, larger numbers of people can be freed to engage in afforestation, production of animal proteins, construction, transport, mining, service industries, and development and popularization of science and culture in the countryside. And many of these development projects are being taken on by specialized households.

Although specialized households still constituted fewer than fifteen percent of rural families in 1985, their output in certain sectors was quite out of proportion to their numbers. In 1982 there were 3.35 million households specializing in livestock and poultry production. In one year they increased the national supply of poultry three and a half times. While the average rural household keeps no more than a dozen fowl at most, specialized households raise hundreds. [5] Such households in the suburban communes around Tianjin municipality, which has a population of more than seven million, increased their supply of eggs to the city to 29.27 million kilograms in 1983, more than ten times the amount supplied in 1978. In 1983 they raised 2.87 million chickens, almost seventeen times the number raised in 1980. Before this development of specialized household production, Tianjin had to import ninety percent of its egg supplies from outside the municipality. By 1984 sixty percent was being supplied by local producers. The municipal government signed contracts with specialized households guaranteeing the supply of chicks and feed and providing interest-free loans, disease insurance, various technical services, and purchasing agents to ensure speedy delivery to city markets. (China Daily, Jan. 31, 1984: 2 and May 17, 1983: 3)

Another example of the use of contracts to seal cooperative relations between specialized households and governments is goat milk production in
Hailun county in Heilongjiang province. In 1983, the county government allocated land to 13,800 families for goat grazing at the foot of the Xing'an Mountains. It provided the households with investment loans and exempted them from taxation. To facilitate the producers, the county quadrupled the number of milk purchasing stations and increased provision of technical services. To encourage scientific production methods, the government offered courses to train peasant technicians and organized seminars on management, prevention of disease, and new technologies. The number of goats increased from 2500 to 48,000 in one year and was slated to rise to 80,000 in 1985. (China Daily, Feb. 1, 1984: 2)

Specialized households are engaged in a phenomenal range of production activities. Their products include not only traditional crops, livestock, and poultry, but also fruit, lumber, silkworms, seafood, medicinal herbs, flowers, funguses, and even scorpions.

Some of these household specialists have found not only wealth but a great deal of pleasure in developing their specialized knowledge and skills. Huang Heging is a forty-year-old peasant who has gained national fame breeding millions of beetles, flies, earthworms, and oysters that have provided him an annual income as high as 20,000 yuan. He began his household operation by breeding ground beetles, which are an important ingredient in Chinese traditional medicine. Then he developed a technique for breeding certain flies whose high-protein larvae maggots are used to aid fermentation of animal feed. He subsequently worked out methods for breeding earthworms used in China to improve soil quality. Later he turned to breeding oysters for export. In 1984, he was planning experiments to propagate rare flowers from cells in test tubes. Huang has written nearly a dozen books and articles on breeding of small creatures.
Many are the first texts of their kind in China. He gets so many requests for advice that he has taped a lecture on his experiences and techniques to give to those who ask him for help. Keen to learn more, this self-taught peasant scientist managed to enroll in courses in biology, nutrition, genetics, and other sciences at five research institutes in Beijing, Shanghai, and Nanjing to improve his understanding and techniques. Huang Heqing did not become famous in China simply because of his unquestionable talent, but because of the many stories of how he has repeatedly gone out of his way to help other peasants, especially those who are handicapped or have other special disabilities, to develop similar household operations that require a minimum of physical strength or stamina, but lots of patience and intelligence. (China Daily, Feb. 29, 1984: 6)

There are other peasants who have achieved fame by developing special hybrid seeds, new techniques of intercropping, pest control, etc. Some have been dubbed with titles like "Tomato King" or "White Gourd King" in recognition of their accomplishments. It is not only male peasants who have achieved such recognition. Women have set up dairy or poultry family farms or food processing or handicraft operations and become the major breadwinners of their families. [6]

Many specialized households owe a large part of their success to members' ability to read and study scientific techniques of production. Such households often play a crucial role in the diffusion of new or improved production technologies. People's Daily (January 10, 1984: 1) reported that four million rural households had been honored as "science and technology households" because of their efforts to develop and popularize scientific knowledge and techniques. Many of these peasant experts travel great distances from their home villages. For example, in 1983 ten
thousand peasants from one county in Zhejiang travelled thousands of miles to Guangdong, Fujian, Heilongjiang, and Xinjiang to aid others in less-developed regions to improve techniques for raising ducks. Peasant experts in diverse parts of the country have contracted with less developed collectives to give technical assistance with afforestation; mushroom cultivation; livestock, poultry, and fish breeding; construction; food processing; handicraft production; and even management of small village industries. (China Daily, March 5, 1984: 3; and June 28, 1983: 3)

Not all specialized households are engaged in production. Many families have opened up small shops, restaurants, repair or other service centers, taxi or other transportation companies, etc. Some families or groups of families have returned to traditional performing arts for which their families were once renowned. Such performers include traveling opera troupes, acrobats, puppeteers, magicians, stilt walkers, storytellers, and brass bands. Others have purchased film projectors and earn their living showing documentary and feature films to eager audiences in remote villages. In Hunan province, for example, more than two thousand families obtained training and licences to operate as itinerant film projection teams. (China Daily, March 19, 1984: 1)

Specialized Households' Relations of Production

It is important to clarify the diverse character of modes of production and management among specialized households. The most common type are fully independent, self-managing households [ziying zhuanye hu], which utilize their own labor and capital and are entirely responsible for their own profits and losses. They look after the entire process of commodity production from supply of materials to processing and final marketing.
Such households represent the most decentralized form of investment and management. Some of these households are described as having disassociated themselves from the team or village collective. This means simply that they no longer contract land from the collective, pay taxes or levies to the collective, or receive grain rations from the collective. [7]

In contrast with this first group of fully independent, self-managing households is a second group of specialized households who have signed agreements with collectives [chengbao zhuanye hu] to manage particular projects utilizing the collective’s land or other means of production. Payment is stipulated in the contracts and may be in cash according to the size or realized value of output or in the form of a portion of the production which can be consumed, distributed, or sold by the producers themselves as they wish. This is actually a household variation of the specialized contract with groups and individuals discussed in Chapter Three. Specialized household contractors are subject to more unified planning and control than the first group of more fully autonomous specialized households described above. The collective decides what is to be produced and who will get the contract to do it. The collective also provides many of the inputs and often handles marketing as well.

Some specialized households are involved in a type of putting out system in which the collective provides many or all of the inputs, including capital and raw materials, and handles marketing of the product. This system is quite common for handicrafts such as cloth or straw weaving, basketry, and needlecrafts. Self-management is largely confined to the organization of the production process alone. This, too, is a form of specialized household production in which relatively unified management by the collective plays a major role in organizing pre- and post-production
services. The product does not belong to the households, which are paid a processing fee for their labor. Only households in which one or more family members work full time at such processing tasks can be classified as specialized households. More common are key households engaged in such production during their spare time after work in the fields or factories. The household in the July 1st Commune in the suburbs of Shanghai, in which the women crocheted sweaters for a processing fee during their spare time, is an example of a key household involved in such a putting out system.

I know of no national or even provincial surveys to determine the distribution of specialized households among these different modes of household production management. One study of 150 specialized households in Nantong county in Jiangsu province produced a breakdown of sixty percent who ran fully independent operations, ten percent who had contracted to run specialized operations for the collective, and seven percent who engaged in specialized processing operations through a putting out system run by the collective. This study distinguished the other twenty-three percent of specialized households as involved in modes of production management which involved new forms of cooperation called "new economic associations," which will be discussed in Chapter Five. [8]

Differences in the types of existing specialized households, like differences in the types of responsibility systems, reflect differences in the degree of cohesiveness and collective wealth of existing collectives and the extent of unified management they are therefore able to exercise productively.
Polarization

The incomes of specialized households tend to be double, triple, or even ten times that of other village families that have not specialized. This has been a source of tension in many villages where suspicious cadres or jealous neighbors have openly attacked such households, demanding that they share their wealth and questioning the legitimacy of their sudden prosperity. Elizabeth Perry has documented a number of such incidents. For example, one report from Fujian Daily described how a family from Zhejiang moved into Fujian and made eight thousand yuan cultivating abandoned land in the hills. Jealous neighbors "trampled the newcomers' watermelon fields, stole their potatoes, poached hundreds of fish, and seriously injured their young son." (Perry 1985a: 38) Local cadres even organized a raid on the hapless family's house and stole, butchered, and feasted on one of their best pigs. Eventually commune leaders stepped in and the implicated local cadres were fined and removed from office. Those involved in the raid had to pay heavy fines of one hundred yuan apiece, which were delivered to the Zhejiang family with "cymbals, drums, fire-crackers and apologies." Perry points out that these acts of violence tend to be "ad hoc assaults on lucrative targets or responses to suppression efforts, rather than a protest against state policies per se." (Perry 1985a: 38)

However, many local cadres have raised objections or expressed doubts about the nature of the systems being implemented and the new relations of production they are creating. David Zweig (1983) provides many examples of cadre doubts and resistance taken from the press and from his own research. This opposition has been a major concern of national and provincial leaders who often use speeches and articles to address fears
arising out of new production relations. For example, Yunnan's party secretary, An Pingshen, in an article in the journal, Economic Management (March 5, 1983: 7) describes a typical objection.

Recently when I visited such areas as Quqing and Wenshan, comrades there said that the party's current policies are really good and everybody can see their positive outcomes, but aren't they going to produce class polarization and movement toward capitalism? Such anxieties and concerns are much less these days than a few years ago, but they still exist.

Yang Xidong, a deputy provincial party secretary in Sichuan reported at a provincial conference on rural work in late 1983 that some cadres, in the name of preventing polarization, had accused some newly wealthy specialized households of engaging in illegal activities. (Chengdu radio broadcast, Dec. 4, 1983; FBIS, Jan. 6, 1984: Q2-3)

Peasants have also complained of discrimination. A number have turned to provincial party leaders for protection and redress of grievances. A Zhengzhou radio broadcast (FBIS, Jan. 10, 1984: P1-2) reported a story about a flower growing specialist, Yang Jixiang, who went to Zhengzhou, the capital of Henan province, to see Liu Jie, the party secretary. Yang told Liu how specialized households in his area were being accused of profiteering and threatened with fines. The party secretary and the radio station defended Yang and other specialized households, saying their income was derived from their own labor and involved no exploitation. The story became national news when it was picked up by the Economic Daily and then China Daily. (Feb. 1, 1984: 4) Economic Daily printed the following quote from the flower specialist:

Today's peasants do not mind the printed regulations but rather the "oral" ones. The printed regulations are set by the government, but the "oral" ones are those by grassroots administrators. They tell us to give them money for whatever reasons they think of.
After reporting the conversation between the flower specialist and the party secretary, the radio broadcast continued with other examples of cadres' obstructionist behavior.

They adopt various means to make things difficult for, push out, and attack the specialized households. Some have even dismantled the workshops of specialized households, carried out personal attacks against them, forcibly confiscated their property, or imposed fines on them. And some have even taken advantage of various pretexts to scrounge from the specialized households and to infringe upon their interests.

Economic Daily explained the decision to print the text of the dialogue between the flower specialist and the party secretary, saying that "in publicizing the party Central Committee's Document No. 1 (1984), it is extremely important that leading administrators defend rural specialized households in person."

Reports of party leaders' attempts to deal with cases of discrimination and persecution continued throughout 1984. According to a Changchun radio broadcast (FBIS, December 14, 1984: 51), on December 10, Qiang Xiaochu, first party secretary of Jilin province, convened a forum of key and specialized households and economic associations to listen to reports on the experiences of households specializing in cattle, chicken, and hog production; transportation; repair work; placer mining; and processing of soybeans. Participants complained of extortion, even theft of money and goods from households and associations. Cadres of city, district and town party committees were instructed to investigate and prosecute offenders.

Clearly in some of these cases of discrimination, the cadres in question are acting out of jealousy or merely trying to derive some personal benefit for themselves. But there are also many honest cadres who have quite genuine concerns about the rapid income gains of some of the specialized households. After all, many specialized households have
assets that would have been the envy of many a landlord before land reform. Some cadres became particularly distressed when they saw certain peasants who had been relatively wealthy before liberation because of entrepreneurial skills once again overtaking their neighbors by returning to old trades they had been forced to abandon after being struggled against as rich peasants during the collectivization process.

To deal with these concerns about what was being perceived as a polarization into exploiting and exploited classes, a survey of 20,989 key and specialized households who had become "rich" was conducted in Ying county in Shanxi province. Wan Li, in his report to a national conference on rural work in November 1983, used the results of this survey to argue that worries about polarization were unfounded, that it was simply a question of "some folks getting rich first" and "not the result of some people having exploited other people." (Wan Li 1984: 1) This, he said, was clear from the composition of the nouveaux riches of Ying county. Wan Li reported that the sample included five types of people.

1) Forty-three percent are brigade and team cadres or peasants who used to be cadres. They have specialized business and administrative experience and are particularly sensitive to party policies so that they tend to accept them quickly and take action earlier than others. Thus they have begun to get rich earlier.

2) Forty-two percent are educated youths and demobilized servicemen who have returned to the countryside and armymen transferred to civilian work. They have at least a junior high school education and all sorts of relevant experience. They also accept government policies quickly and are able to acquire scientific and technical know-how relatively easily.

3) Nine percent of the surveyed households are skilled craftsmen who have been given a free hand to make more money by performing to their fullest in a variety of production and processing trades.

4) Five percent are individuals who are good at planning and management who were criticized and suppressed during the period of leftist mistakes but refused to yield. They have a large circle of friends and a wide field of vision. They are able to
make insightful decisions in diverse undertakings, and thus get rich quickly.

5) Fewer than one percent of those surveyed have had problems of one kind or another in the past or have violated the law in their operations.

Indirectly, Wan Li pointed out that the danger of exploitation and polarization lies not with former exploiting classes but with certain cadres.

There are a few people who take advantage of irrational prices and loopholes in the system to engage in fraudulent means to make money, particularly some grassroots cadres who use their power to seek personal gain, deliberately force down contract payments, and even obtain large loans and large amounts of materials by all kinds of illegal means. Cases like these are found all over the country.

There have been many reports in the Chinese media about corrupt cadres turning the responsibility system to their own advantage by granting business licenses to their friends and relatives or using their power to withhold licenses to obtain scarce commodities or services for themselves. (China Daily June 9, 1983: 2; Feb. 11, 1984: 2; and March 20, 1984: 3) The importance of these licenses issued by urban and county government departments can be seen from regulations for specialized households issued by Anhui province, according to a radio broadcast from the capital, Hefei, on June 3, 1983. (FBIS, June 8, 1983: 01) With this certification as a specialized or key household, the family enterprise may establish special accounts with banks and credit unions, obtain special loans, and often get preferred access to essential materials and services. Cadres who withdraw such a license can, in effect, close down a family operation.

An article in the Beijing magazine Fortnightly Chats (Dec. 25, 1983: 5-7), commenting on the survey done in Shanxi province, said that it showed that those who were getting rich were doing so through "diligence
and hard work." The article stressed the importance of understanding the nature of this "diligence."

By saying that diligence and labor can create wealth, we mean that "diligence" that involves not only a willingness to do hard manual work, but also the ability to study and master scientific knowledge and technical know-how, to be adept at absorbing various kinds of information, to perfect methods of business management, and to dare to launch new ventures without being intimidated by the risks involved. It is only the combination of all these capacities that is opening up the avenue to prosperity for peasants of a new type in the eighties.

Another article in *People's Daily* (May 16, 1983: 3) makes a similar point while criticizing cadres who want to put forward as typical examples for emulation those "who quietly immerse themselves in hard work" rather than those "intelligent people who utilize science and are resourceful and decisive... who study science and culture and revolutionary theory, and ... are bold in blazing new paths."

It would appear that the socialist man of China's future is not to be a Stakhanovite workhorse.

In response to concerns about growing income gaps in the countryside, Chinese leaders have tried to provide both ideological defense and legal protection for newly prosperous households. A central feature of legal protection is the use of binding contracts and a greatly expanded role for county notary publics who will intervene on behalf of either party in cases of violation of notarized contracts between peasants and collectives, enterprises, or government departments.

The government and party have been at pains to defend the self-management rights, property, and incomes of prosperous households. There has been discussion of the need to introduce taxation on large incomes, but in those areas where local governments tried to levy taxes on households with incomes over 10,000 yuan, the central government objected.
Party Chairman Hu Yaobang, in an interview with the Hong Kong newspaper, *Ming Bao* (Dec. 9, 1984) explained that although taxes would be introduced sooner or later, the government was not in a hurry as central leaders did not wish to discourage others from trying to set up independent self-managed enterprises. It will likely be some time before China can draw up the legal framework and train the personnel to administer a tax collection system of such dimensions. In the meantime, laws and regulations are being drafted to protect the rights and property of specialized households. It must be remembered that for years development was defined and designed to restrict private ownership of means of production to an absolute minimum. Support for specialized households therefore represents a major shift in orientation not only for the central government, but for local cadres as well.

At the same time that stress has been laid on defending and protecting "those who get rich first," considerable attention has also been devoted to solving the problems of those lagging behind. Despite the ideological campaign to discredit the "ultra-left egalitarianism" of past rural policies, it is still official policy that an essential function of unified management in rural collectives is to "readjust and balance incomes between various occupations." This point was stressed, for example, by Li Lian, first party secretary of Heilongjiang, in a speech to a provincial rural work conference broadcast over Harbin radio on January 19, 1984. (*FBIS*, Jan. 20, 1984: S1-3) The earlier discussion of the use of workpoints to produce greater equity between the earning power of people engaged in tractor driving, crop farming, rural enterprises, education, and health care is an example of such interventions by collectives. The deliberate allocation of less demanding but still
rewarding jobs such as camel herding, clock repair, haircutting, etc., to individuals with various handicaps is a further example. Most collectives still retain their welfare funds and provide the "five guarantees" of food, clothing, medical care, fuel, and burial to elderly peasants with no children and no other means of support.

During a visit to Fengyang county in Anhui, William Hinton (1983b: 22) was told of ten different measures to aid the poorest families, including low-interest loans; reduced prices for animal feed; assistance in buying fertilizer, chemicals, and improved seeds; free veterinary services; remission of taxes, medical care insurance, and education fees. Furthermore, each cadre was assigned to assist a particular needy family to study their situation and give them advice on how to enrich themselves. Authors who argue that the new policies are more egalitarian than the past or merely a different redistributive strategy include Diamond (1983), Meisner and Blecher (1983), Griffin and Saith (1982), Griffin and Griffin (1984) and Klatt (1983). Nolan and White (1982) are more ambivalent. My own impression is that egalitarian principles remain strong in the more wealthy collectives and weaker where collective reserve funds are small. In the words of one party secretary I interviewed in Fujian, "where the collective's accounts are full, it will be strong; where they are empty, it will be weak."

The greatest problem of inequity is not to be found at the intra-village level. It arises primarily out of regional disparities that require provincial and national funding of development projects to provide basic infrastructure—transportation networks, electrification, commercial exchange networks, education, medical care, etc., before the stagnation of subsistence farming and the "idiocy of rural life" in China's backwaters
can be overcome.

The specialized households themselves are beginning to provide an answer to the problem of growing income differentiation by creating income-generating opportunities for their neighbors. In many cases this takes the form of simply helping other households to master the necessary skills and even providing equipment or loans to buy the necessary means of production. In some villages such assistance has resulted in the development of entire specialized villages. Song Linfei in his report on specialized households in Nantong county in Jiangsu, describes how he "passed through the 'village of embroidery' and, after bidding goodbye to 'the village of tremella', entered 'the township of handbags'.” (Song Linfei 1984: 107) He states that incomplete statistics revealed the appearance of fifty-six such specialized villages in the county by the end of 1983. Song provides an example of one village in which 283 cloth weaving households formed an economic association, which sent the party secretary and village mayor and other cadres out to other localities to sign contracts to buy raw materials and sell products.

Specialized households use a number of means to transfer skills and technology to other households. Specialists provide advice and sometimes even means of production or capital assistance to neighbors, friends, or even perfect strangers who have asked for help. Often the help is quite informal, but it can also be provided on a fee for service basis through contracts as in the case of peasants who have gone to underdeveloped areas to aid families or cooperatives to set up specialized operations. [9] There are also reports of peasants who have set up classes and libraries in their homes to pass on knowledge and skills to their neighbors. (China Daily, Feb. 14, 1984: 6 and Feb. 23, 1984: 3) The general
picture appears to be one of extensive sharing of skills and expanded production to take advantage of ever growing markets created by larger incomes and more flexible policies.

Grain Production

Specialized households are playing a major role in realizing the interlocking goals of the rural reforms, namely, specialization, diversification, and commoditization of rural production. But there are many practical problems that have emerged in the wake of development of relatively independent self-management of such a wide range of economic activity by specialized households. With nearly one in seven rural households now engaged in full-time specialized economic activity, one obvious problem that emerges is how to maintain and expand grain production. As noted earlier, on a given piece of land peasants can earn more money growing almost anything other than grain. Peasants who have given up crop farming altogether for lucrative sidelines often earn many times the income of their neighbors still working in the fields. This contradiction was forcefully presented in an article in People's Daily (July 11, 1983: 1). It reported that in Mianyang county in Hubei province, peasants had simply abandoned 43,500 mu (7,250 acres) of farmland, leaving them to lie waste. Investigation revealed that 43.4 percent of the land had been abandoned by specialized or key households, 27.8 percent by peasants who were working in rural industries and were no longer willing to grow enough grain to meet the needs of their families, 10.3 percent by households of dependents of cadres or workers who lacked productive forces and 8.2 percent by families who had vacated poor land to farm in a lake district nearby.
The article asserted that the peasants abandoned the land not simply because of the lure of better money from other pursuits, but because the burden on families who had contracted responsibility for crop farming was too great. Crop cultivators were apportioned the costs of the wages of people working for the collective in forestry, political work, legal work, broadcasting, and team and brigade administration, plus the costs of road maintenance, schools, water, and electricity on top of agricultural taxes and payments into collective welfare and accumulation funds. In the county as a whole, the total burden for these items came to 52.68 million yuan or close to three hundred yuan per household. This is a large sum when you consider that in 1982, the year of this reckoning, an average peasant household earned only about one thousand yuan from collective sources. And on top of this economic burden, peasants were required to contribute labor to large irrigation projects organized by commune and county leaders. [10]

A very important change with the introduction of contracts between collectives and households is the fact that peasants can now see clearly the exact size of the surplus they produce individually and collectively and how it is being utilized. In the summer of 1983 many provincial, municipal, and county governments issued circulars and regulations forbidding grain departments from making deductions from payments to peasants for grain and edible oil deliveries. Deductions had been made on behalf of communes and brigades for items not included in household contracts. Apparently households were being apportioned debts accumulated by their collectives or being required to repay in one installment household overdrafts of grain or debts accumulated over past years when incomes had stagnated. [11] Nanjing party and government regulations to
protect peasants from such unauthorized deductions were announced in a radio broadcast on July 4, 1983. (FBIS, July 8, 1983: 04-5) A similar Sichuan circular was reported in a Chengdu broadcast on June 26. (FBIS, July 27, 1983: Q1-2)

A commentator's article published alongside the People's Daily report on abandoned farmland does not confine its analysis of the source of the problem to unreasonable demands by cadres. The problem is viewed as systemic as can be seen from the following remarks.

The abandonment of cultivation on large areas of land in Mianyang county is, of course, an individual case. However, the problem reflected through this incident is a representative one. The establishment of the system of contracted responsibilities on the household basis has broken the practice of "everybody eating from the same big pot," promoted close links between the producer and the means of production (mainly the land) and between production and management, and resulted in a major emancipation of productive forces. This is certainly a major step forward. Nevertheless, contracting land to households and the situation of "every family engaging in farming and every household going in for agriculture" has produced new contradictions. (People's Daily, July 11, 1983:1)

The solution is seen to lie with changing the situation in which every family engages in grain production. On November 29, 1983, Wan Li addressed the national conference on rural work that gave formal approval to Document No. 1 (1984). He outlined progress and problems in the evolution of the responsibility systems and diversification of the structure of rural production. Wan Li said that appropriate concentrated use of land should be allowed so that the needs of households specializing in grain production could be met. He aimed his comments directly at nervous county and grassroots cadres when he stated that:

By no means should we reject the family operation whenever someone mentions that its economic performance should be enhanced and its operational scale should be expanded. Such thinking is tantamount to returning to the old path of making the operation large in size and collective in nature. (Wan, Li 1984: 1)

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Wan Li has risen from being the governor and party secretary who supported the first peasant innovators in Anhui province to become a vice premier of the State Council, a member of the Politburo and the powerful party Secretariat, and the minister in charge of the state Agricultural Commission. His voice carries a lot of weight. Four hundred people, including provincial level leaders involved in rural and financial work, attended this conference. The minutes of the conference, including Wan Li's speech, were discussed at subsequent provincial rural work conferences and county-levels meetings. The speech was published in the Chinese Peasant News [Zhongguo Nongmin Bao] (Jan. 8, 1984: 1) a national newspaper popular with peasants and rural cadres.

Document No. 1 (1984) gave peasants the right to contract land use for fifteen years. Lengthening the duration of contracts was intended to encourage household investment in land improvements. An editorial in Chinese Peasant News and a subsequent commentary on it in People's Daily (Jan. 20, 1984; FBIS, Jan. 31, 1984: K11-13) argued that contracting for fifteen years or longer should not prevent adjustments of land allocation through transfers of land use contracts to those peasants good at farming. People's Daily suggested that such transfers could be negotiated either by means of unified readjustments by the collective or direct negotiation between family contractors as long as the transfer is registered with the collective. People's Daily concluded that "relative concentration of land is an inevitable trend of agricultural development."

In his speech at this national rural work conference, Wan Li argued that "specialized households are no longer family operations in the traditional sense." He supported this position with the fact that specialized households are no longer the subsistence farmers of traditional
China. They are major commodity producers. He illustrated this point with the example of households in Yanbei prefecture in Shanxi province who had specialized in grain production. Though they made up only four percent of the households engaged in grain production, they sold 170 million kilograms to the state which was seventy-four percent of the prefecture's total sales of grain to the state.

This concentration of land use in the hands of a smaller number of households can increase the incomes of grain producers at the same time that it frees the majority to pursue other economic activities. A striking example is the experience of the Baigexhuang brigade in the suburbs of Beijing. In 1983 the brigade turned over grain cultivation to forty-four families working on seven hundred mu (116.6 acres). They increased grain output by twenty-five percent, achieving record-breaking yields by careful scientific soil management. Meanwhile eighty-four percent of the brigade's labor force turned to sidelines in construction, rope-making, plastic products, popsicles, etc. They produced eighty-three percent of the brigade's income while the grain specialists produced the rest. Thus the income gap between grain farming and sidelines was eliminated. At the same time the average per capita income of all members of the collective tripled in one year from four hundred yuan in 1982 to twelve hundred yuan in 1983. (China Daily, Feb. 6, 1984: 2)

Grain production, when the scale of operation is sufficient, does not have to be a losing proposition. In one case the lure of earnings from grain production inspired two brothers to quit their jobs working for the county, where they had been earning five hundred yuan a year. They returned to their home village and together contracted 643 mu (107 acres) that the other villagers felt was uneconomic to farm. They used tractors
and hired casual laborers and got a yield of 185 tons of paddy rice of which they sold 180 tons to the state and pocketed 75,000 yuan. (China Daily, Feb. 27, 1984: 3) That peasants who had managed to get jobs in town would quit to return to the village to farm, much less that they would earn such vast sums from grain production, would have been inconceivable before the economic reforms.

That diversification of production and concentration of responsibility for grain production has not hindered expansion of grain output was shown by the 1983 harvests, which increased 9.2 percent from 1982, and the record-breaking harvest of 1984, which reached the target of four hundred million tons years ahead of schedule. In fact, so much grain was produced in 1984 that the press mounted a campaign to convince peasants and local cadres that there really was no crisis of overproduction. Local gluts and storage problems apparently had caused some cadres to resort to administrative measures to try to restrict grain production. A commentator's article in People's Daily (Sept. 23, 1984: 1) told such cadres in banner headlines, "Please do not worry about having more grain." The article pointed out that China's per capita output of grain was still less than half that of some developed countries. The problem, according to the article, was not one of overproduction but of insufficient food-processing capacity and restrictions on the buying and selling of grain. The article called for the development of grain markets; food and fodder processing industries; and livestock, poultry, and dairy farms that could turn grain into meat, eggs, and milk. The author argued that such enterprises should be located in rural areas and not be concentrated in cities far from the producers.

In January 1985, a major policy decision took the step required to
eliminate the restrictions on the buying and selling of commodity grain that had been imposed in the early fifties to end speculation and inflation in the grain market. At a conference on rural work organized by the Central Committee and attended by agriculture officials and planners from every province and autonomous region, it was announced that the state purchase quota system would be eliminated. Peasants would instead make decisions about what to grow on the basis of contracts and local market demand. The state would regulate the markets for grain and cotton by contracting large purchases at preferential prices. If the market price fell below the costs of production, the state would intervene to protect the producers by purchasing large quantities from them at prices above the market value. The state would also intervene to protect consumers by selling its reserves at lower than market prices in the event of inflation. (Zhao Ziyang 1985) It was the success of the responsibility systems and specialized contracting that made this further reform of production relations between the state and the peasant producers possible.

Specialized households constitute a minority of rural families and I know of no surveys to reveal how widespread is the trend toward their development. In some provinces, not only have specialized villages appeared in which virtually every household is specialized, but there are even specialized townships, and even a few specialized counties. In the area around Suzhou in Jiangsu province, 1.2 million peasants have switched from farming to production of nonagricultural commodities. Former sites of rural markets have become 159 small towns [zhen]—political, economic, and cultural centers that provide exchange points in a commercial network that serves the needs of hundreds of thousands of specialized households and collective enterprises. Average peasant income in the area in 1983
was 413 yuan, a one hundred percent increase over five years. In one
district in Shazhou county, annual per capita income had reached 1600
yuan. (China Daily, March 15, 1984: 3)

But there are other areas where the peasants still maintain the
system of virtually every family contracting land to grow grain with a
minimum of specialization, division of labor, or unified management.
Although it is clear that their development strategy envisages a major
transformation of rural production along lines of greater specialization
and socialization, the party and government have also shown concern that
there be no mass mobilization of peasants to effect this change in the
relations of production. The first secretary of the Yunnan provincial
party committee, An Pingshen, summed up the party's position in an
article in the journal, Economic Management. (May 1983: 6)

In areas where the commodity economy is relatively well
developed, that is, where there is a high level of agricultural
productivity, in implementing household responsibility we should
ensure that 1) these systems aid the consolidation and
development of sideline industries and diversified management,
and 2) that these systems promote specialization and division of
labor so that not necessarily every household contracts to till
and sow plots of land. Where the masses ask for it, negotiating
of specialized household contracts should be allowed, but where
there is no demand, then there is no reason to alter the original
systems of production responsibility. Our guiding principle must
remain to start from reality, to act in accord with local
conditions, to try many different approaches, and not to do
things with one cut of the knife.

Whatever the problems of uneven development, it is clear that the
reformers among China's leaders are anticipating a major restructuring of
rural production. On March 13, 1984, Du Runsheng, in his capacity as
director of the party's Rural Development Research Center, reported to a
meeting of senior officials in the Great Hall of the People. Du stressed
the idea that it is inefficient and inequitable to expect all of China's
peasants to grow grain. Grain production must be maintained and steadily
increased, but in the future, he estimated, only thirty percent of peasan
ts would engage in crop production; another thirty percent would con-
centrate on livestock, poultry, and fish; and the other forty percent
would become workers in rural industries and service trades. (China
Daily, March 15, 1984: 1) Already by early 1985, there were one hundred
million people in the countryside engaged in non-agricultural labor. They
constituted more than twenty-eight percent of the rural labor force.
(Beijing Review, Feb. 4, 1985; China Daily, December 23, 1985: 1)

Supply and Marketing

Document No. 1 (1983) identifies the transition from traditional to
modern agriculture as one from subsistence or partial subsistence agricul-
ture to a much larger scale of commodity production. This policy shift
has run into a major obstacle which is the inadequacy of inherited distri-
bution channels developed in a period of state monopolization of supply
networks and commerce.

The distribution nightmare confronts specialized commodity producers
in two guises. The one is the problem of supply, the other the problem of
marketing. In the past before the introduction of responsibility systems
and appearance of specialized households, most of the means of production
were purchased by collectives (communes, brigades, or teams or their
enterprises). Private purchases of major items like tractors, trucks,
large farm implements, or food processing equipment was illegal.
Purchases of fertilizer, pesticides, special hybrid seeds, plastic
sheeting for protecting vegetables, feed for poultry or livestock, etc.,
were usually handled by purchasing agents representing collectives, who
established contacts with factories or centralized supply centers.
Private purchases, if allowed at all, were usually accomplished by getting a letter of reference from one's unit or "going through the back door" [sou houmen] with the help of some contact person.

When suppliers are not responsible for profits or losses incurred by their units, they can sometimes use their monopoly of supplies to gain particular advantages for themselves. Letters to the editor in Chinese newspapers often contain complaints from peasants about suppliers who try to extort buyers by demanding unrecorded transfers of agricultural products on top of cash payments before handing over fertilizers, pesticides, machinery, or other items needed for production. A commentator's article in People's Daily (May 23, 1983: 2) reported that the paper had recently received a steady flood of letters from the countryside complaining of price gouging, adulteration of fertilizers, monopolization of distribution, and extortion. The paper called this "in essence, exploitation of peasants." A typical example of such a letter to the editor of People's Daily has been translated into English by Hugh Thomas (1980: 33-34) under the title: "While we were suffering from insect infestation, they applied extortion."

In 1980-81, peasants began using their extra earnings from household contracting to purchase various means of production to engage in and expand a variety of sidelines. In 1982, some cadres became upset about the drift of developments and began confiscating privately purchased tractors, trucks, and boats. Ch'en Tingchung (1983) suggests that this was part of a larger pullback, including in some places retraction of private plots, banning of private marketing of agricultural products, and accusations that the peasants who were getting rich were economic criminals. He attributes this reversal to the interpretation given to Document No. l
(1982), a twenty-five article summary of the minutes of a national conference on rural work held in Beijing in October 1981. I have not seen the text of this document and cannot judge whether it might have given rural cadres reason to fear a policy reversal by the party. However, in 1982, the press did report a number of incidents of confiscation of privately purchased vehicles. However, reports of these confiscations were followed by discussion in newspapers and journals about peasants' rights as self-managing producers.

In October 1982, the Central Committee sponsored a joint session of delegates from two conferences, one for agricultural secretaries and the other a party conference on rural ideological and political work. This joint session discussed the confiscations of means of production and took the position that "in no case must we make rash changes against the will of the masses, still less must we backtrack." (Ch'en 1983: 6) After this meeting, the Central Committee issued Document No. 1 (1983), which defended peasants' right to purchase farm machinery or means of transportation individually or cooperatively. This was reiterated by Wan Li in his speech at the national conference on rural work on November 29, 1983 (Wan Li 1984: 1). However, it was not until March 1984 that the State Council finally issued regulations granting official permission for peasants to purchase motorized vehicles, boats, tractors, and even airplanes for crop dusting. (China Daily, March 12, 1984: 3)

Though peasants have the right to buy needed means of production, they are not always able to do so and the press is full of complaints about shortages and bottlenecks in the distribution of machinery, fertilizers, fuels, hybrid seeds, etc. [12] We have seen in the case of poultry and goat milk production how municipal and county governments
stepped in to facilitate purchases by specialized households. Such inter-
ventions are becoming more common as specialized households have begun to
play a crucial role in supplying commodities to various state markets and
state trading corporations. But state assistance has not been rapid or
extensive enough to meet specialized producers' needs so that individual
peasants have begun to take matters into their own hands, acting as pur-
chasing agents for groups of households and establishing commerical links
with suppliers in distant places. The same solution is being applied to
the marketing of products for which local buyers cannot be found.

China Daily, (March 7, 1984: 4) picked up a story from the newspaper,
Market Information [Shichang Bao] that reveals why peasants are taking
matters into their own hands. Peasants in Niujiang prefecture in Guang-
dong province became alarmed after they got a bumper harvest of cassava.
They found that their local supply and marketing cooperatives could not or
would not buy the entire crop. The cooperatives had small staffs and were
not aggressive about searching out buyers, expecting them to come to the
cooperative instead. A few peasants got together and set up six private
purchasing stations and began hauling the cassava to distant markets where
it could be sold readily. The supply and marketing cooperatives panicked.
They complained to the prefecture government, demanding that they stop the
peasants from elbowing them out of business. The government, however,
responded by offering the private retailers loans to purchase the surplus
cassava. The cooperatives ended up sending their own purchasing agents
into the villages to compete with the private retailers. In the end all
the cassava was sold and the producers were delighted not only by their
earnings, but by the fact that they hadn't had to haul the crop to the
supply and marketing cooperative as in years past.
Wan Li at the 1983 national conference on rural work, summed up the party's perspective on problems of rural commodity circulation:

Some policies, such as allowing peasants to work in rural commodity circulation under certain conditions, including long-distance transport of goods for sale, have been established and promulgated, but some comrades do not agree with them. Such comrades are either overly worried and refuse to implement the policies or do not exercise leadership in this regard, or engage in endless haggling and shifting of responsibilities. Therefore, many problems remain unresolved. In many places astonishing quantities of fruit have rotted, fresh milk has soured, fish and shrimp have spoiled, grain has mildewed, and problems in buying and selling remain quite common. The peasants of Qingxian county in Hebei province put up a couplet at the door of the local purchasing station. The couplet reads: "Keep the good, sell the rotten; while the rotten is put up for sale, the good will rot." The horizontal line on top reads: "Sell the old, keep the new." Is this bitter criticism not sufficient to provoke deep thought? While stressing development of socialist production, how can we remain indifferent to such an unreasonable and serious loss of social wealth?

In the past, because of the long term shortage of materials, we had to solve problems by using the supply system practiced during the war years. This has left a deep impression on the minds of some people who misinterpret economic work as "control." As a result, the more control they exercise, the more scanty the supply. (Wan Li 1984: 1; FBIS, Jan. 25, 1984: K6)

Because of dissatisfaction with the pace of development in an essentially command economy, the party has rejected the inherited "supply system" and opted for restoration of commodity exchange relations wherever feasible between producers, wholesalers, retailers, and consumers. Channels of circulation are being multiplied by individuals and households acting as middlemen or commercial outlets. But increasingly market relations are being forged in a context of cooperative agreements sealed by contracts within and among new cooperative entities known as economic associations. These institutions embody new forms of communication and cooperation while building upon the legacy of cooperation between associated producers established in the red base areas before liberation and in other parts of the country in the early fifties.
CHAPTER FIVE

ECONOMIC ASSOCIATIONS

There is no question that recent economic reforms, particularly the development of household contracting, the sanctioning of self-managed specialized household operations, and the transformation of people's communes, have had a dramatic impact on the fundamental character of relations of production in China's countryside. However, it is misleading to interpret the changes as a return to private farming or simple decollectivization. It obscures both the degree of collective planning and control that remains and the emergence of new forms of cooperation.

New Economic Associations Formed by Specialized Households

New economic associations set up by specialized households reflect attempts to resolve certain problems resulting from the fragmented nature of labor, capital, and production assets in independent specialized households. Their architects perceive the potential for increased efficiency and productivity with an expanded scale of operation. One approach to expansion is what Song Linfei (1984: 118-119) calls "coordination." This involves the creation of an economic association of several to several dozens of households. Integration may be either horizontal or vertical or both. It may involve the pooling of the labor and know-how of households engaged in the same sort of enterprise or a division of labor in production, supply of materials, transport, and marketing. Each
household retains its status as an independent operation and the nature of their cooperation can be likened to the mutual aid teams of the early fifties. I do not know if this borrowing from historical experience is deliberate but the analogy is pointed out in an essay by Qi Ying (1984: 27). Households involved in economic associations of this type made up fifteen percent of specialized households studied in Nantong county in Jiangsu province. (Song Linfei 1984: 119)

The other type of economic association organized by specialized households Song Linfei calls "cooperation" since the participating households create, in effect, a small cooperative. The families pool their capital and labor and share their profits according to both the shares owned and the labor provided by each household. Song gives the example of three families who together purchased a cement boat and used it to provide transportation on a fee for service basis. Eight percent of the surveyed specialized households in Nantong county belonged to economic associations of this type. This type of cooperation is most common among close friends and relatives. (Song Linfei 1984: 119) The relations of production and distribution in such associations resemble those of the lower-stage cooperatives that evolved out of the mutual aid teams in the fifties. This connection is pointed out in an analysis of a shareholding operation in Gansu by Cui Jiyun (1984: 18-19) and a more theoretical article by Liu Rongqin (1985: 17).

Specialized households, particularly the more fully autonomous operations, tend to be large families with more labor power than average. [1] However, with the development of economic associations, there is a growing tendency toward a division of labor among different households that separates provision of pre-production inputs and services and post-production
transport and marketing from production itself. There is even a tendency to break down the production process itself where this will improve productivity or lower costs. This growing tendency toward vertical integration of households involved in a specialized division of labor coupled with the sharing of skills and risks is increasing the number of smaller households who are able to get involved in specialized production.

**Approaches to Classifying Economic Associations**

Development of economic associations throughout the country appears to be extremely uneven. By the end of 1984, their total number exceeded 460,000, incorporating 3.5 million peasants or approximately one percent of the rural labor force. *(Beijing Review, November 18, 1985: 5)* However, in some provinces economic associations were becoming extremely important. In Henan by the end of 1983, fifteen percent of households had joined some sort of economic association. In 1984 in Fujian, participating households increased by 37.6 percent to reach 1.03 million or 22.7 percent by the end of the year. *(FBIS, December 13, 1984: 01-02)* However, it is difficult to grasp the meaning of such figures without clarifying the diverse character and content of the cooperative relations and patterns of communication embodied in the large array of forms collectively referred to as "new economic associations" [xin jingji lianheti]. [2]

A study conducted by the Hunan provincial party policy research office attempts to categorize economic associations on the basis of investigations in one county. *(Zhou Yuzhen and Mei Xingbao 1984)* The forms of association described in the Hunan study are quite varied. There are specialized associations in which technical experts form the nucleus; there are labor associations built upon unemployed or underutilized labor;
there are vertically integrated associations that bring together suppliers of inputs, productive assets, and markets; there are horizontally integrated associations of producer-managers in the same line of business. There are associations of several to several dozens of households within the boundaries of a single village; there are associations that reach across geopolitical boundaries and levels of jurisdiction. There are associations between households, between households and collectives and/or state farms or industrial enterprises. The various forms of association crisscross vertically and horizontally. Some combine labor without combining households. Some combine investment without combining labor. A single household may be involved in several different associations. Between associations of different types more often than not there is mutual interpenetration reflecting a variety of production relations designed to match the range of sophistication of available labor and technology.

The authors of the Hunan report stress that with changes in economic conditions, the economic associations are constantly changing their scale of organization, the nature of their economic activity, the character of their cooperation, their methods of management, their systems of distribution, etc. so that it is quite difficult to establish precise typological distinctions between them. Table One in Appendix A summarizes the Hunan researchers' attempt to categorize the economic associations in Yiyang county from five different perspectives. The percentages indicating the distribution of each category are somewhat misleading unless the reader keeps in mind that the associations being compared are of vastly different sizes. They range from a handful of households cooperating in a single, small venture to an agro-industrial-commercial integrated corporation.
involving thousands of households, village collectives, state and collective enterprises, and government bureaus.

The authors of the Hunan report do not elaborate on their table. Instead, they focus on relations of production within different associations to draw out what they consider to be the most significant distinctions between the various types.

**New Cooperatives**

Associations of a "comprehensively cooperative nature" [quanmian hezuo xingzhida] are the first type discussed. According to the authors, the essential characteristics of this type include voluntary organization, unified accounting, distribution according to labor, and democratic management. Assets of the association belong to the members collectively and their association is a producers' cooperative. The authors offer the example of a paper bag factory with a total staff of sixty-one people. Workers are paid maximum piece-rate wages of ninety yuan a month if quotas are fulfilled. The factory director's monthly wage is 135 yuan. Forty-five percent of profits are returned to the workforce in the form of bonuses and welfare and fifty-five percent is put into reinvestment to improve the enterprise's productive capacity and thereby workers' future earning power. The enterprise practices a director responsibility system and the management is subject to supervision by a workers' congress and a workers' enterprise management committee.

At first sight it might appear that such an enterprise is in essence no different from the commune, brigade, and team enterprises of the past, many of which continue to coexist with these new enterprises. The essential difference lies in the fact that the enterprise belongs not to an external, geographically defined collective, but to those who work in
it. It is entirely responsible for its own profits and losses. It may hand over taxes to the township government, usually after a certain tax-free period, but it does not hand over its profits or receive operating expenses out of any collective accounts. Its workers' wages are not tied to the overall productivity of the village or township in which it is located. Such independent producers' cooperatives are coming into existence through a number of different routes. In one scenario, a collective may simply hand over management of one of its enterprises to an individual or group of individuals who contract to manage the operation on behalf of the collective. Over time they may pay off the value of the assets handed over and ownership passes to those whose labor created the profits with which the original collective owner is repaid. It might be thought that collectives would be unwilling to relinquish their ownership rights over such enterprises. However in such cases it is commonly the situation that the operation has been losing money for some time and any payment is welcome relief from the former drain on collective funds. Although collective enterprises were meant to provide the main avenue for escape from rural poverty, in many villages unified accounting obscured the fact that these prestigious symbols of development puffed up the status of local cadres while deflating the incomes of villagers. Furthermore, truly profitable independent village enterprises will bring improved living standards to villagers in the form of wages for those employed and community services and facilities paid for out of revenues from taxes on local industrial and commercial enterprises. Increased employment will also mean increased sales and prosperity for the suppliers of goods and services in the community.

It is necessary to analyze carefully the relations of production in
specific village enterprises to determine their real character. Tendering of management contracts for such operations does not automatically indicate the handing over of ownership of either assets or products. Like the contracts between specialized households and collectives, these relations can have diverse content. The Hunan report speaks of individuals with technical or managerial expertise from inside or commonly from outside the collective forming partnerships [hehuo] or independently contracting with collective enterprises, afterwards recruiting workers through advertisements or public notices, and thereby becoming new economic associations with the backing of the original collective enterprise. It is not clear whether the original workforce remains or must reapply for positions within the "new" enterprise. However, many such enterprises are reorganized under the new management to achieve higher productivity by the application of improved technology and new production and management methods. Training courses and exams are often used to upgrade workers' skills and it seems quite likely that former workers must prove their qualifications the same as new recruits. There is no single pattern to define the relation of such workers to the enterprise. In the case of the paper bag factory, it belongs to them as a collective. In other cases, ownership may remain with the village or township that originally tendered the contract. In still other cases, through the sale of shares, the enterprise may become a joint venture owned collectively by both the original collective and some or all of the workforce as well as by private investors.
Association Without Combination

Associations of a coordinated character [xiezuo xingzhide] are the second type of association discussed in the Hunan report. The distinguishing characteristic of such associations is the fact that partners "associate but do not combine" [lian er by he]. [3] The original ownership rights of the partners remain unchanged by the fact of association. There is no unified accounting nor unified distribution. Participants retain relatively extensive management autonomy, though they agree to respect the association's unified planning and coordination. I have previously pointed out that some Chinese authors liken these relations of cooperation to those of the early mutual aid teams. However, it is important to remember that we are no longer talking about subsistence farming in which household production is small in scale but comprehensive [xiao er quan], meeting nearly all of a family's consumption needs. This new form involves mutual aid in small-scale specialized commodity production [xiao er zhuan] to achieve economies of scale through cooperation.

The Hunan report provides an example to illustrate the nature of cooperation within an association involving coordination without combination. Thirty-one households formed an association in which twenty-six raised pigs, three processed fodder, one handled transport, and another looked after marketing. Each household handled management of its own sphere of operation in accord with a unified plan, drafted through discussion, which covered fees for services and fodder. There was no pooling of assets or income, only coordination and division of labor on a basis of voluntarism, mutual benefit, equality, and consultation.

In the villages on the outskirts of many large cities, chicken and egg production, which is now handled through cooperative arrangements...
involving household associations and city government departments who guarantee supply of chicks, veterinarian services, insurance, transport to market, etc., is a more extensive and complex version of the same type of economic association based on coordination without combination. There are also associations that are agro-industrial-commercial corporations involving tens of thousands of household producers, technical service associations, village collectives, state farms, state and collective factories, state trading corporations, and government departments. All the partners in these conglomerations retain their ownership and management rights as legally autonomous entities and there is a conscious effort to prevent the swallowing up of small partners by larger ones through administrative measures. This contrasts sharply with past tendencies and notions of socialist integration into bigger and more public production units.

**Shareholding Operations**

Associations based on the pooling of capital [hezi xingzhide] are the third type discussed by the authors of the Hunan study. These are shareholding operations in which ownership of assets is in accord with ownership of shares. Unlike the "comprehensively cooperative" type of association, in this operation the system of distribution involves payment of dividends as well as payment of wages according to labor performed. In the simplest form of joint investment venture there may be no payment of dividends if each partner's investment is equal. Song Linfei's example of the three peasants who together purchased a cement boat and then divided the income from transport fees according to labor contributed is such an association.

Joint stockholding is becoming a popular way of accumulating funds for investment in rural China. A driving force in this development are
the rural supply and marketing cooperatives and credit unions, which are
once again attracting share investment by peasants and themselves organi-
zing other economic associations, all of which have this joint stock
cooperative character. In the mid-fifties, private rural merchants were
largely incorporated into the network of supply and marketing cooperatives
that handles about sixty percent of rural commerce. Over the years the
state commercial departments effectively took control over the supply and
marketing cooperatives, stipulating the scope of their business operations
and fixing prices on agricultural products and producer and consumer goods
purchased from the cooperatives by the peasants. In effect, the supply
and marketing cooperatives became the vehicle for a state monopoly of the
rural wholesale and retail distribution network.

Anhui led the way in initiating reforms to restore ownership of the
supply and marketing cooperatives to peasant shareholders who control
assets, business operations, and income through managerial boards elected
from among the shareholders. Document No. 1 (1983), in response to the
positive results in Anhui and other areas, called for the transformation
of both supply and marketing cooperatives (item 7) and rural credit unions
(item 9) to restore their original collectively-owned, cooperative charac-
ter. On January 1, 1984, Economic Daily reported that ninety-five percent
of the 35,000 supply and marketing cooperatives at the grassroots level
had been restored to collective ownership. [4] Prices are also no longer
rigidly fixed by the state and enforced by the supply and marketing
cooperatives. The cooperatives are permitted to allow prices to float
within specified margins in response to supply and demand. Once again
supply and marketing cooperatives are offering advance purchase contracts
to households and economic associations and thereby indirectly influencing
household and association production planning. [5]

Supply and marketing cooperatives are also organizing economic associations by establishing joint investment ventures with households. For example, in the suburbs of Beijing 32,000 households, 3.2 percent of the total, are involved in such joint ventures with local supply and marketing cooperatives. These ventures cover a wide range of production that includes fruit, peanuts, mushrooms, medicinal herbs, poultry, rabbits, honey, and handicrafts. (China Daily, March 10, 1984: 3)

State commercial, technical, and service trade bureaus have also invited peasant shareholding and started up agro-industrial-commercial joint ventures and associations involving state bureaus, collectives, and peasant households to provide technical assistance on a fee for service basis.

But it is the peasants themselves who are organizing the majority of the new shareholding associations. An important example is the establishment of joint-stock forestry companies by peasants in Fujian province to stop the indiscriminate felling of trees and achieve large-scale reforestation with high survival rates. Peasants contract to plant trees on a tract of barren hillsides. The trees belong to them and can be inherited or transferred. After five years they can sell their woodlots to the joint-stock forestry company in exchange for cash or for company stock for which they will be paid regular dividends at the end of each year. Thus they are able to derive early and regular benefits from their labor of planting and caring for new forests and are discouraged from cutting down their own trees. (China Daily, March 6, 1984: 3) Since China's per capita forest resources are among the world's lowest and have been steadily declining, this is an extremely important innovation.

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There are many examples of new shareholding associations to exploit natural resources. In eight counties in Hunan, peasants in 1983-84 formed economic associations, pooled capital in the form of shares, and established four hundred small electric power stations to meet the growing energy demands of household enterprises. Others have opened up small coal mines for the same reason.

The relations of various participants in shareholding operations can be quite complicated and in a state of transition. An article about the "Wuwei County Qiaopo Peasant Limited Liability Joint Stock Company" in Gansu (Cui Jiyun 1984) provides a detailed case study of such an operation. The company was initiated by a team that lacked the capital to fund the one million yuan operation they wanted. In the past the only way to get such an enterprise going would have been to ask the brigade or commune to set it up and at least try to get it located in the team. But assets and profits would then belong to the higher collective. Even in the present context, an investment of one million yuan would be quite beyond the capacity of most villages in China's comparatively underdeveloped northwest. Shareholding offered a method of pooling resources in conditions of uneven development without resorting to levelling and without dissolving the autonomous rights of smaller collectives. The team set up a joint-stock company and with its liquid and fixed assets purchased 203,690 yuan's worth of shares. The company was able to attract 136,310 yuan of private investment by individuals. With these assets it obtained a state loan to cover the rest. The state loan was extremely important, for it provided the material foundation for the collective workforce of the operation to retain the lion's share of ownership and managerial control over their own operation.
The workforce are both laborers and owners of this enterprise. Even those workers who have not bought shares in the company retain ownership rights through their position as members of the company's working collective. Each year a portion of the net profit produced by the labor of the workforce is reinvested in the enterprise and used to pay off the state loan. Thus the assets belong to those whose labor is paying for them. Out of net profits, 18,000 yuan were paid in dividends while 45,500 yuan went into the company's collective accumulation. At the same time, the team retains its rights as a partner in the ownership and management of the enterprise and a share of the profits in the form of dividends. This share is guaranteed and is not dependent on redistribution schemes gratuitously offered by brigade or commune cadres. This is important to a village in which only a few years ago seventy percent of households were in debt to the team because they could not earn enough to pay even for their subsidized quota of grain.

From this example it can be seen that in some cases joint-stock operations are a transitory form whereby relatively large-scale comprehensively cooperative operations can be initiated by a fairly small collective or economic association. The author of this case study argues that the shareholding approach is popular with the peasants because it is familiar. It is the form they used when they invested their land, draft animals, plows, carts, etc., to purchase shares in the lower-stage producers' cooperatives in the fifties. Shareholding was employed at that time for exactly the same reason. It is the fairest way to integrate unevenly developed productive forces where productive assets are the product of labor without exploitation. [6]
Hired Labor and New Economic Associations

The fourth type of economic association discussed by the authors of the Hunan county investigation report is also a transitory form. The authors call these "associations that take the form of hired labor" [gugong xingshide lianheti]. Their principle distinguishing characteristic is the fact that the major means of production belong to the main owner or controller of the enterprise. This may be a private individual or a group of individuals, even a collective. Although this involves hiring of labor, it is distinguished by the authors from private enterprise in certain aspects. From the profits after taxes there remains a certain proportion of accumulation funds that are turned into "public" assets [gongyou caichan] belonging to the economic association, that is, to the entire workforce of the enterprise. There are also regulations limiting the incomes and share dividends of enterprise management. A certain proportion of profits must be returned to labor. According to the authors, this sort of economic association contains certain elements of the cooperative economy. The authors offer an interesting example from their research project.

A certain bricklayer in 1981 organized a private construction company and hired more than fifty laborers. In two years he earned more than 58,000 yuan. In 1983, "with the help and guidance of the township enterprise office, the method of distribution and management was transformed." We can only guess what compelled this private entrepreneur to consider cooperating in this transformation. The workers' fixed wages were changed to floating wages with a certain floor. It was also determined that the director's income would increase only in step with that of the workers. It was agreed that after signing contracts for materials and labor,
materials saved by the workers out of the original stock and newly added fixed assets would become the collective property of the entire enterprise personnel. It is this arrangement that is turning the enterprise into an economic association "with certain elements of the cooperative economy." Last year this economic association's net income exceeded 80,000 yuan. Workers' incomes averaged between one and two thousand yuan. These are very high wages for rural workers, two to three times the average in collectively-owned rural industries. The owner's income, including payment of depreciation, utilization, and construction fees on privately-owned fixed assets valued at ten thousand yuan exceeded eight thousand yuan. While this is many times the average for managers of collectively-owned rural industries, it is comparable to the incomes of some initiators of household enterprises. It is obvious that this is a possible avenue for the socialization of newly emerging private enterprises, but it remains to be seen whether this can be achieved on a basis of voluntarism and mutual benefit or will require considerable compulsion as did the comparable transformation of private enterprises in the fifties.

However, not all forms of private hiring are viewed as elements of the cooperative economy. Chinese authors openly acknowledge that the Chinese economy is a mixed economy in which private hiring and even exploitation of labor can and does occur. In the rural economy it is now quite common for specialized households to hire assistants or apprentices. Item six of Document No. 1 (1983) contains the following rationale for allowing hiring by specialized households:

Being a socialist country, China disallows the existence of any system of exploitation. However, China is also a developing country. Particularly in the countryside, the level of productivity is still fairly low and commodity production is not well developed. To permit a certain degree of interchange of capital, technology, and manpower and their integration in various forms
is conducive to the development of the socialist economy. Thus it is necessary to deal with newly emerging rural economic phenomena in different ways. For example, the exchange of laborers between one peasant household and another, the hiring of casual laborers by a peasant household with disabled or insufficient labor, and the hiring of seasonal laborers or professional and technical workers by peasant households so as to develop the cooperative economy should be permitted because they are viewed as mutual labor assistance and technical coordination. Experts in individual rural industrial and commercial households and in animal breeding households in the countryside may hire assistants or take on apprentices in accord with the policy regulations issued by the State Council regarding the nonagricultural individual economy in cities and towns. (People's Daily, April 10, 1983: 1)

The regulations legitimize the hiring of six to seven apprentices or assistants. The employers are officially described as "small individual proprietors" who are "not capitalists." (Beijing Review, April 30, 1984: 19-20) However, from the example of the bricklayer above and many others reported in the press, it is clear that the regulations are not always enforced. It is also clear that there are cases of considerable extraction of surplus value from hired labor. Song Linfei mentions one example uncovered during the Nantong county field investigations. A father and son started a household construction enterprise and hired more than ten apprentices. These laborers worked for three years receiving nothing but their meals for their labor. Song estimates the food covered about forty percent of the wages due to them. He argues that masonry does not require an extensive period of training and therefore the wages appropriated by the household should be viewed as outright exploitation. (Song Linfei 1984: 120)

Such blatant appropriation of surplus value is not confined to the operations of self-managing specialized households. It can also occur in the case of collective enterprises that have been contracted to individuals to manage. The contractor often hires the labor force and fre-
quently retains virtually complete control over the organization of production and even the remuneration of the workforce. Depending on the terms of the contract, such individuals can sometimes appropriate considerable sums from the wealth produced by the workers utilizing assets belonging to the collective. Andrew Watson, in an interview with economists associated with the party's theoretical journal *Red Flag*, was told about a rural collective in Sichuan that contracted out management of a phosphate mine in return for a lump sum payment of six thousand yuan. The mine earned a profit of 93,000 yuan for the contractor. (Watson 1984: 641)

The question of the relation of hired labor to the means of production and to the party doing the hiring also arises in the case of collectives who hire contract labor from outside the collective to work in a collectively-owned enterprise. Watson cites an example of a brigade-owned cement plant in which the manager and labor have all been contracted to come to work for the collective from outside. (Watson 1984: 632) The enterprise assets, products, and profits do not belong to the workforce, but to the collective that hired them. Unless some means is found to transform this relationship, it should be viewed as one between wage labor and a collective capitalist involving the typical extraction of surplus value, which is the target of the Marxian critique of capitalist relations of production. It would seem that the gradual transformation of the workforce into a self-managing economic association through a route analogous to the case of the bricklayer's construction company discussed above is one possible scenario. But until the contradictions between the owners and producers are acknowledged, such transformations are hardly likely.
Reasons for the Rapid Development of Economic Associations

There are many reasons that can account for the recent rapid development of economic associations. Many derive directly from the impact of the reforms, particularly the responsibility systems and the liberalization that made appearance of specialized households possible. Many authors point to the large amount of scattered and idle capital in household accounts and the relaxation of controls on borrowing as important preconditions for the evolution of economic associations. The research conducted in Nantong county in Jiangsu revealed that specialized households had, on average, liquid and fixed production-related capital assets worth about 2000 yuan. Aggregated for the county as a whole, this amounted to about 100 million yuan. (Song Linfei 1984: 121) According to research in Peach River county [Tao Jiang xian] in Hunan province, at the end of September 1983, there were 920 households with savings accounts that exceeded one thousand yuan, the vast majority of whom were specialized households. They represented 0.6 percent of households in the county. (Zhou Yuzhen and Mei Xingbao 1984: 12) The gap between the accumulated savings in these two counties is indicative of the uneven levels of development between the two provinces. However, in both provinces economic associations are playing a key role in concentrating and utilizing idle capital in development projects.

Economic associations have also been able to absorb surplus labor released from crop farming as a result of higher labor productivity after the introduction of the responsibility systems. Song Linfei in an investigation of employment in Nantong county in 1982, found that surplus labor power constituted nearly fifty-seven percent of the total available. (Song Linfei 1983) The majority of associations involve labor-intensive opera-
tions--handicrafts, food processing, construction, small mines, etc. Many of these operations have absorbed not just surplus labor power, but latent labor resources formerly untapped, such as the elderly, the physically or mentally disabled, and women tied to the home with small children. This is particularly true of the many processing operations involving a putting out system. Many families who under the workpoint system were quite disadvantaged by their lack of able-bodied labor power to do field work now find they are no longer the village paupers as weaker family members are able to earn money in sidelines organized by local associations.

The associations are also creating jobs for rural middle school graduates who formerly complained that in the villages there were no jobs in which they could actually make use of their education. Besides these rural educated youth, the associations are also attracting educated people from the towns and even the cities to take up positions as technicians, engineers, and managers in rural industrial and commercial operations organized by the associations. During the Cultural Revolution when millions of urban educated youth were sent to settle down in the countryside, Mao Zedong tried to reassure them by telling them that the countryside was a vast world in which they could accomplish much. Many youth were inspired by this opportunity to realize their potential as creative human beings while making a major contribution to the development of their motherland. However, for the most part they were quite disappointed to find that not only were their skills and knowledge often not utilized, but even worse, many discovered they were actually a burden on the peasants since they were unskilled in farm work and unable to earn enough work-points to pay even for their food. (Frolic 1980: 42-57; Bernstein 1977)

It is only now, with the expansion of commodity relations and development
of cooperative economic associations, that Mao's promise is becoming a realistic prospect in some villages.

Besides capital and labor, the economic associations are also tapping many other underutilized local resources. Land not suitable for cultivation is being contracted for reforestation. As households and their associations strive to maximize productivity, many are incorporating ingenious ecosystems into their production formats. Water bodies are being contracted by associations of households in Jiangsu to raise ducks on the surface, fish below, and oysters on the bottom. (Song Linfei 1984: 121)

There are examples of intercropping such as mushrooms and fruit trees; there are cases of integration of livestock and crop production utilizing fertilizer from methane gas producing digesters. The gas is used for lighting and cooking in people's homes. The household operations upon which most economic associations are being built are generally conservative in their use of energy resources when compared with the older commune and brigade industries, many of which are energy inefficient and major pollutants.

Economic associations are having a major impact on the modernization of farming. Although a single household can plan and manage a family operation efficiently, it cannot itself provide all the technical inputs and services or afford much mechanization. The associations offer a cooperative solution without eliminating the self-management autonomy of the household operation. Households can either purchase more expensive farm equipment together or pay for tilling, sowing, and harvesting services provided by households or individuals within an association specializing in these services. Technical service associations can provide the results of recent research, carefully tested seeds and chemicals,
Other associations provide market information services helping agricultural households to plan production to meet demand and thereby realize the best price for their labor. For example in Henan, economic associations in some townships established market intelligence gathering groups [shichang qingbao zu]. Some associations began publishing market bulletins for the exchange of market quotations and creating a variety of forums for the transmission of information on market conditions. The economic association in Sun Tie Pu township set up a rural economic information guidance station [xinxi zhidao zhan] staffed with seven people who provide information on market conditions, prices, new technology and techniques, new products, etc. to commune and brigade enterprises and specialized households. They also run a library full of technical periodicals for the use of cadres and peasants. The economic associations in Wuzhi county hold regular market price, analysis sessions [shichang hangqing fenxi hui]. They analyze market trends and publish an Information Bulletin [Xinxi Xiaobao], which is distributed to thousands of households. (Henan Party Policy Research Office 1984: 8)

The large increases in rural incomes in the wake of the economic reforms has created a major market for both producer and consumer goods in the countryside. Because the specialized households and economic associations have appeared in response to the wealth-generating opportunities created by this expanding market, much of their production is of a developmental nature. That is to say, it is producing goods that were largely unavailable before, rather than squeezing competitors out of an already saturated market. This fact could account for the reported widespread willingness of peasant experts to share their know-how with neigh-
bonds and even total strangers. However, I also have the impression that peasant solidarity has considerable substance. The party's policy, which promises to enable everybody to get rich, not all at the same speed to be sure, but everybody nonetheless, appeals to this sentiment built up over years of seeking cooperative solutions to problems. However, as competition in the market place becomes more intense, there is no question that contradictions between producers in different localities, whether associated or not, will threaten this solidarity unless there is some other unifying factor to counterbalance it. [7]

Another very important contribution of the economic associations is their role in breaking down the gap between the city and countryside. They are doing this in a number of different ways. Associations are helping to close the gap in incomes and living standards simply by creating income earning opportunities. But they are also providing badly needed facilities such as restaurants, hotels, and shops. They are quite literally closing the gap by providing bus, taxi, and truck transportation between remote villages and towns and cities. They are encouraging the movement of city and townsfolk into rural areas to take up jobs where their talents can be maximized. Many of their manufacturing, processing, and service operations are being set up in small towns, which are growing rapidly as a result. Many new market towns [zhen] are appearing around the sites of the rural markets sanctioned by the new economic policies. A Beijing radio broadcast of December 4, 1984 reported that by early 1984 the total number of such market towns had reached 5,698, of which 2,900 had been established in the past six months. The number was expected to reach ten thousand by the end of the year. (Beijing broadcast, FBIS, December 6, 1984: KL2-13) The economic associations need centers where
communications are relatively well developed and information is readily available. They also need markets for their products. In Nantong county town a ten-floor shopping center was being built where the specialized households and economic associations could display and sell their products.

The development of specialized production and commodity exchange is enabling many peasants to leave the land but, unlike most third world countries, they are not all migrating to the metropolises in search of jobs. There are no shanty towns of unemployed rural migrants in Chinese cities. In years past, this problem was prevented by a rigid system of urban residency permits tied to grain rationing, which made it illegal for rural citizens to simply pick up and move to town. [8] But in recent years some peasants have begun to move to town, many to small towns located in the rural areas where manufacturers, and wholesale, retail, and service outlets are close to their peasant suppliers and customers.

Besides breaking through the barriers between town and countryside, the economic associations are also beginning to break through geopolitical jurisdictional and bureaucratic divisional barriers. In the words of the report on economic associations in Yiyang county in Hunan:

The economic association is not a rigid makeshift collectivity put together by administrative fiat according to geopolitical divisions. Rather it is freely constituted on the basis of voluntarism and mutual benefit. Thereby, excessive administrative interference can be eliminated. Within the limits permitted by state policies, laws, and decrees, the members can keep the initiative entirely in their own hands. The internal structure, arrangement of personnel, rules and regulations, production plans, methods of distribution, etc., can be completely decided by the members themselves. With regard to personnel, materials, assets, supply and marketing, they can exercise full autonomy. Management can be fully democratic. (Zhou Yuzhen and Mei Xingbao 1984: 15)
Development Trends

In Table One taken from the Yiyang county report, it appears that 69.9 percent of the county's economic associations had memberships that crossed village, township, or county boundaries. This seems to be a trend. According to this research report, the earliest associations tend to be limited to a few households, often relatives or close friends. But the desire to achieve economies of scale, or simply the sharing of know-how, can lead to development of larger horizontally or vertically integrated associations. The trend of development is from relatively loose partnerships to relatively close association, from simple cooperation without much division of labor to division and association to link up each aspect from supply of inputs through production in all its aspects to final marketing, from one pattern of association operating on a single level gradually evolving into many forms of association, operating at more than one level, from association within a single sphere in a small field of operation to joint management in several spheres in a larger field to create a variety of agro-industrial-commercial integrated associations capable of carrying out coordinated local planning.

These trends are firing the imaginations of many Chinese commentators who are beginning to conceptualize the future of socialism in China's countryside in an entirely new way. According to one author, these new forms of cooperation are evolving a "new pattern for a socialist cooperative economy" in which regional economic cooperation will lead eventually to county-wide cooperation and even cooperation reaching across district and provincial boundaries. Cooperative associations will be mutually intersecting with vertical and horizontal overlapping to create a large cooperative economic network. The individual calls in these economic
networks will remain independent self-managing entities. They will forge relations of cooperation and competition and remain equal before the law regardless of differences in size of membership or assets. Hierarchical concepts and practices resting on relations of domination and subordination will gradually disappear to be replaced by voluntary, consensual, contractual, commodity relations. (Qi Ying 1984: 27)

This picture of rural China's socialist future is not a mere pipe dream in the minds of a few theoreticians: It can be studied concretely as it is emerging in the form of new agro-industrial-commercial integrated economic associations. One of the earliest and largest is the Changjiang Agriculture, Industry, and Commerce Corporation of Chongqing. In 1979 twenty-six state farms, with a total workforce of nine thousand workers and 2,500 acres of orchards and tea groves, 11,000 acres of reservoirs and about 50,000 acres of barren mountains combined their operations to set up the Changjiang Corporation. Most of the farms had lost money all through the Cultural Revolution. They had confined their economic activity to production of primary products and because of low state procurement prices were generally unable to cover their costs of production. After incorporation they began to diversify and to process and market their food products. They also began to establish contract and shareholding relations with neighboring teams numbering eight hundred by 1980. In the past such cooperation, particularly in the form of commodity relations, between state-owned and collectively-owned units was quite difficult, if not downright illegal. The corporation set up forty-five retail outlets to sell its milk and fruit products in remote villages that had no stores of their own. By 1981 it had also established profit-sharing links with retail outlets in eighteen other cities and provinces. But it is the
coporation's links with the teams that are most important for rural development. In a long interview, the director of the Changjiang Corporation explained their relation with the teams:

The teams have the raw materials and the manpower, we have the equipment, money, and technique. Each deal is made separately. They can join with us at one time and not at another. They retain their original form, leadership, and methods of income distribution. We do the processing and selling, and give them the bulk of the profits--50–80% on goods which we process, 70–90% on commercial transactions. In effect, the Chongqing state farms have become processing plants and distribution units for the production teams of the suburban communes....

Our corporation is also starting to create specialized companies, each comprising a number of teams and a few state farms. These companies process and sell certain items exclusively, each company concentrating on one particular activity. The Corporation takes no share in their earnings, and acts only in a leadership capacity. The teams may join or leave the companies for each separate venture. They share in the profits according to their contribution to each. (Shapiro 1981: 21-22)

The director gave several examples of joint ventures between the corporation's special companies and the teams. A special citrus fruit company was formed with several state farms and three hundred teams participating. Teams paid an entry fee of two hundred yuan and then received one share for every 5000 kilograms of fruit they guaranteed to deliver. The company derived a working capital of 500,000 yuan from the sale of shares. Company officers were elected from among the team members, the workforce of the state farms, and hired managers. The company paid the peasants the regular market price for the fruit delivered and then sold some to the state trading corporation, some on the domestic free market, and some in foreign markets. This included both raw and processed fruit. Fifty percent of the company's revenue was returned to the teams in the form of payment for fruit deliveries or wages of peasants who had helped with processing during the busy season. Thirty percent was paid out in dividends. The rest was used to establish a citrus research
institute with a staff of twenty-five scientists and technicians and to set up a fund from which teams could borrow three-to-five-year interest-free loans to be paid back in fruit.

The Changjiang Corporation in 1981 had fifteen different joint ventures with teams, including dairy farming, fish ponds, forestry, herding, sericulture, and construction. It is an example of a relatively sophisticated and successful agro-industrial-commercial integrated economic association and a model for state farms throughout China. However, it is not the only model of integration of agriculture, industry, and commerce in a new form of cooperation among associated producers. Some of the original collectives are being transformed into similarly integrated companies and cooperatives that are playing a key role in the modernization of agriculture and the development of industry in the countryside.

In Henan, planning and coordination of township economic activity became the responsibility of township economic associations (jingji lianheshe) in the process of separating government administration and commune economic management. [zheng she fenkai] [9] Two types of these township economic associations predominated in 1983. In one type, the original people's commune with its different levels and all its undertakings, units, and economic departments including the supply and marketing cooperative, grain management office [liang guan suo], food operations department [shupin jingying chu], credit union, agrotechnical stations, agricultural machinery station, veterinary station, operations management station [jingying guanli zhan], forest management station, water conservancy station, power management station, former commune-run enterprises, etc., were all united into one overriding township economic association with a number of subordinate companies and offices. In the
other type of township economic association, only the former commune-run industrial and commercial enterprises and state and cooperative commercial outlets were included in the township association, which was primarily concerned with the sphere of circulation. The departments responsible for production, technology, and services were all returned to the jurisdiction of the township government. This latter form was found only in a few individual counties, while the former type predominated elsewhere.

The relation between township economic management organs and village economic associations, cooperatives, brigades, or teams is somewhat ambiguous. In Henan, according to the party's investigation report, the village economic organizations and the township economic associations maintained egalitarian, mutually beneficial, cooperative relations through jointly managed activity regulated by contract agreements. However, the township economic associations had "the duty to aid the village-economic organizations to carry out their work and to carry out investigations to supervise and encourage the village economic organizations in the implementation of all sorts of economic plans." [10] There is a certain ambivalence here as to the autonomy of village-level economic organizations. Commune cadres I interviewed in the Shanghai suburbs in January 1983 suggested that brigades would soon disappear. But in Fujian, I found it was the brigades in the suburban communes that were thriving under economic reforms that gave greater autonomy to their enterprises and their own accumulation funds. On the basis of interviews conducted in China in January and February of 1984, Andrew Watson concluded that the village had become the "new focus for administrative and economic work" and that both the commune and the team had experienced a decline in status and power. (Watson 1984: 626)
Vivienne Shue (1984), in examining restructuring experiments in Sichuan, stresses the role of township-level integrated agro-industrial-commercial corporations. [11] Watson, however, points out that Document No 1 (1984) makes it clear that where communes were originally weak, with few enterprises and minimal accumulation funds, there is no need to establish an independent economic body to oversee economic affairs. Watson rightly asserts that this is the case for the majority of communes, although he does acknowledge that township or commune economic management committees may have a role to play in places where the commune had achieved an intermediate level of development as an economic unit. Watson concludes that because commune-level organization had such a minimal impact on the lives of most peasants, it disintegrated in most places with the elimination of its political functions as tax collector and transmitter of state plans. Instead of focusing on township-level corporations or associations, Watson sees new village-level agro-industrial-commercial joint companies [lianhe gongsi] or joint cooperatives as the leading edge in the new rural development strategy.

Watson reports that economists of the Shandong Academy of Social Sciences told him in January 1984 that the teams would likely be the first of the commune structures to disappear. (Watson 1984: 627) And yet, the critique that launched the restructuring move in the first place was based, in large part, on objections to commune and brigade abrogation of team rights of self-management. Moreover, the key documents and speeches called for restoration of the teams as independent producers' cooperatives. Watson observes that where the teams are natural villages they will likely retain their coherence and functions, but where they are merely subdivisions of a larger village, they will probably diminish in
significance as the village monopolizes administrative tasks and economic management comes under a myriad of new forms of private and cooperative control. This is in line with the vision of certain leaders and economists who conceive of the rural cooperative economy as no longer being dominated by the old type of rural collective defined by administrative boundaries, but as being characterized instead by a multiplicity of overlapping economic associations. While I think this is certainly a possibility, it is also important to note that the growth of shareholding is having the effect of strengthening the teams in many places. Watson mentions the fact that in some communes, brigades have become shareholders in township enterprises and receive a portion of profits in the form of annual dividends on their shares. This is also true of many former brigade enterprises, now designated as village enterprises. The example of the one-million yuan food-processing operation initiated by a team in Gansu province, discussed earlier, illustrates just how significant shareholding can be in opening up development prospects for a team.

The important thing that emerges from this diversity of impressions and views is the diversity of the reality it is attempting to analyze. Where communes were prosperous and their economic leadership was viewed as dynamic and valuable, township-level economic organizations can be more easily forged and accepted. Where the driving force of economic development in the past was the brigade leadership, village economic associations, cooperatives, or agro-industrial-commercial companies are the more logical and viable focus for organization. Where the brigades and communes were both poorly developed as economic cooperatives, organizing efforts must naturally begin with small household-based economic associations involving mutual aid with or without shareholding.
CHAPTER SIX

RURAL INDUSTRIALIZATION

Collectively-owned rural industries were a central feature of the development strategy associated with Mao Zedong. [1] Rural industrialization was a key goal of the Great Leap Forward and remained a consistent aim even after the "three hard years" forced the dismantling of many rural industries in the early sixties. China's strategy was to "walk on two legs," that is, to combine small-scale, labor-intensive industries that utilized indigenous, traditional, or simply older, cheaper technologies with large-scale, capital-intensive, modern industries in a relationship of simultaneous development and mutual assistance. At the same time that the state followed the Soviet model, investing the lion's share of state revenues in gigantic heavy industrial projects, villages and urban neighborhoods began to set up collective industrial enterprises with their own accumulated savings. The more developed industrial units were encouraged to aid their neighborhood and country cousins with gifts and loans of equipment, personnel, and advice. Throughout the Cultural Revolution there were many accounts of how peasants or city housewives set up collective industrial enterprises with outdated equipment and the technical assistance of retired workers provided by larger factories. (Jon Sigurdson 1973) Between many large and small units there developed more permanent subcontracting relations with the smaller units producing parts or materials or doing processing or assembly for the larger enterprises.
Such relations tended to be more substantial inside the cities, but there were also instances of long-term mutual assistance between suburban commune or brigade enterprises and city factories.

The reasons for development of collectively-owned rural industries were straightforward. Such enterprises mobilized scattered and under-utilized resources, including labor, capital, and local raw materials. They produced badly needed producer and consumer goods for which there was a seemingly insatiable rural demand that would otherwise fuel inflation. They could cut transportation costs by eliminating the need for shipping goods long distances from producers to end users and consumers. Profits from sales of industrial products could be used to finance modernization of agricultural production—irrigation, land-leveling, mechanization, and use of chemicals. Profits could also be used to close the gaps between the earnings of village collectives variously endowed with the factors of production—land, labor, and capital. Rural industries could also help to close the gaps between urban and rural life, workers and peasants, mental and manual labor. In China, these are known as the "three great differences" [san da chabie] and resolving the contradictions arising out of them has been an espoused goal of socialist development. Rural industries could narrow the gap between city and countryside by increasing family incomes as peasants began to receive regular wages. Profits could also be used to finance running water, electricity, paved streets and roads, better and cheaper education and health care systems, cultural facilities, etc., to begin to close the gap between the quality of life in the villages as opposed to the cities. The gap between workers and peasants could be narrowed as city and village enterprises established communication links and lasting relations of mutual benefit and as peasants
became workers and their families worker-peasant households. The gap between mental and manual labor would be narrowed as peasant-workers and peasant-enterprise managers began to study to gain technical and managerial expertise. It was an innovative strategy and for about ten percent of China's villages, mostly in suburban areas, it produced impressive gains in labor productivity and living standards.

From 1978 to 1981, because the major changes in relations of production were occurring primarily in crop and animal production, and not in rural industry, the media concentrated attention on reforms in the organization and management of agriculture. Moreover, the responsibility systems in agriculture developed first in the poorer, underdeveloped regions where rural industry was practically nonexistent. Therefore, one might draw the conclusion that the post-Mao leaders were abandoning the policy of "walking on two legs." However, in recent years as responsibility systems have been adapted to the needs of more developed collectives, the focus of attention has shifted toward nonagricultural economic activity and new perspectives on rural industry have begun to emerge. A China Daily reporter pointed out the shift in perspective, stating that in 1982; the Central Committee and State Council defined the role of rural enterprises in the national economy as "supplementary." In 1983, they were identified as parts of the economy "to be protected." In 1984, in Central Committee document (No. 1) on "Some questions concerning rural economic policies," rural industries are described as "an important force." (China Daily, Feb. 4, 1984: 2) About six weeks after the China Daily reporter filed this story, the Central Committee and State Council issued a circular endorsing a Ministry of Agriculture report calling for expansion of rural industries. The circular goes a step further than
Document No. 1 (1984) issued in January and states that collectively-
owned rural industries "must be treated as equals of state-owned enter-
prises and given the necessary aid in all respects (by local govern-
ments)." (China Daily, March 19, 1984: 1)

Throughout 1984, provincial rural work conferences discussed the need
to diversify the structure of rural production and to promote the develop-
ment of rural industries, particularly village and township industries.
The achievements of Jiangsu, Zhejiang, Shandong, and Guangdong, which lead
the country in development of rural enterprises, were the subject of many
press and radio features. (See, for example, World Economic Herald [Shijie
Jingji Daobao], January 23, 1984: 12; March 5, 1984: 6; and March 12,
1984: 11) Various provincial-level leaders spoke at conferences and in
interviews or signed articles about methods to promote development of
rural industries. For example, Xiang Nan, first party secretary of Fujian
province, in an interview in People's Daily picked up by China Daily
(Aug. 24, 1984: 2) called on

forestry, construction, mineral, transport, industrial, commercial, raw material, tax, bank, foreign trade and customs depart-
ments to help rural enterprises by providing before-and-after
production services, collecting funds, promoting voluntary
alliances and guiding the development through loans and taxes.

Another article in People's Daily by Fan Xiangqun (Dec. 2, 1984: 1)
criticized the undiversified structure of rural production in Jilin pro-
vince. In 1984, Jilin achieved recognition as the country's highest per
capita grain producer. A rate exceeding seven hundred kilograms per person
(almost twice the rate for the country as a whole) was achieved by sowing
over eighty-eight percent of the cultivated area with grain crops. [2]
The author called for tax and credit adjustments for livestock producers
until price reforms could make such production more cost efficient. He
also advocated tax exemptions for village and household enterprises that produce processed food and animal feed with the province's surplus grain. In future, the author said, party and government officials must stop comparing grain outputs and focus on diversification, output value, and per capita incomes. Because of the neglect of economic crops and nonagricultural enterprises, there were too few outlets for surplus labor and capital. In the author's opinion, in the reform of the rural economy, diversification and industrialization would be the second major step following the introduction of the responsibility systems.

It is quite clear why this push to speed up rural industrialization is occurring. The gap between developed and underdeveloped, prosperous and poor, in China's countryside corresponds almost exactly with the level of industrialization. In an earlier chapter I drew a comparison between the provision of social services such as daycare, education, and medical care among the Mongolian herding brigades and the Five Cassia Tree Brigade in Sichuan. The source of the problem was identified as insufficient surplus generated by herding to fill essentially "empty" brigade accumulation and welfare fund accounts. In terms of per capita income, the herding brigades tend to rate as high income earners, but their incomes obscure the significant inferiority of collective or public facilities and services available to them. There are hundreds of thousands of villages in China that lack basic infrastructure, such as running water, electricity, telephone lines, bus or taxi service, and even road links with the nearest town or rural market. While most urban young people attend at least nine years of school, in a large proportion of villages four to six years is the norm. At the end of 1983 nineteen percent of men and forty-five percent of Chinese women over the age of eleven were illiterate or
only semi-literate. The vast majority of these people live in the countryside. [3]

It is generally the case that the poorer villages have little or no industry. But even among the industrializing villages there are significant differences that are attributable primarily to the level of industrialization achieved. I can illustrate this with two villages from my own research, the Five Cassia Tree Brigade in the suburbs of Chengdu and the Luxia Brigade on the outskirts of Fuzhou. They are comparable in many respects. Both Sichuan and Fujian have a year-round growing season. Both brigades are located in the suburbs of large cities with excellent transportation links to urban markets of more than one million people. Both are highly socialized, stable collectives with apparently capable and popular leaderships. Their state of development is such that both practice brigade-level unified accounting and unified management of a diversity of decentralized responsibility systems and in 1982 still used workpoints to equalize income-earning opportunities among brigade members. The Sichuan brigade had a population of 2100 persons in 510 households, while the Fujian brigade had a population of 2286 persons in 521 households. Thus their labor/dependent ratios were probably quite comparable. Both brigades had very fertile, flat fields and high levels of mechanization. However, when we look at land-population ratios, a significant difference emerges. The Sichuan brigade had 1970 mu (328.3 acres) or nearly one mu per person. The Fujian brigade had only 690 mu (115 acres) or less than one-third of a mu per person. Nevertheless, the Fujian brigade produced almost as much grain as the Sichuan brigade, 600,000 kilograms as opposed to 650,000 kilograms, with one-third the amount of arable land. From these facts alone, one might reasonably conclude that
personal incomes in the Fujian brigade would be much less than in the Sichuan brigade. In reality, the situation was just the reverse with per capita income in Luxia almost double that of the Five Cassia Tree Brigade. To uncover the reason for the difference one needs only to look at the collectively-owned enterprises of the two brigades.

Luxia Brigade in Fujian had assets worth two million yuan and had set up a brick and tile works; a lock factory; a paper container factory; a wooden crate factory; a cotton batting factory; a plastic sacking factory (producing bags for chemicals); a chemicals factory; a furniture factory; a farm tools factory; a farm machinery repair workshop; a grain mill; and a transport team with one bus, two trucks, six tractors, four dump trucks, and nine six-ton boats. Luxia's industries turned over a total profit of 2.24 million yuan in 1981 and 2.36 million yuan in 1982. Virtually every family had one or more members working in industry. And because of the income generated by industrial sidelines, the value of workpoints kept rising so that individuals who contracted for field crop management responsibilities could earn as much as 3200 yuan in one year. Families earning ten thousand yuan per year were not uncommon in this village. This was more than ten times the national average for rural households at the time. Average per capita incomes exceeded four hundred yuan.

Five Cassia Tree Brigade in Sichuan also had collectively-owned enterprises--a bicycle repair shop, a housing repair team, a cooking pot repair shop, a clock repair shop, a sewing coop, an agricultural machinery repair and tool-making workshop, a furniture factory, a noodle factory, a grain mill, a leather shoe factory, a restaurant, and a tree nursery. Total fixed assets were valued at one million yuan, half that of Luxia. Given the service nature of many of these operations, they could not even begin
to compare with Luxia's income-generating productive capacity, nor was the extent of job creation comparable. Per capita income was 205 yuan, about half that in Luxia.

In recent years, villages like Luxia have achieved major increases in productivity and personal incomes through diversification and industrialization. Particularly in the Pearl River delta in Guangdong province, in Yantai prefecture in the northeast corner of Shandong province, and in the heavily populated southern half of Jiangsu province, thousands of newly prosperous villages like Luxia have appeared. In Yantai prefecture, 52.5 percent of the labor force of three million were working in collectively-owned industries and sidelines in 1983. In some villages the transformation has been rapid and dramatic. In Xiguan Brigade in Shandong's Muping county, ninety-two percent of the labor force were working in industry and sideline production which provided ninety-four percent of the collective's total income in 1984. Average per capita income in Xiguan had exceeded one thousand yuan for three years. (China Daily, Feb. 1, 1984: 2) In Xiguan, Luxia, and other rapidly industrializing villages, agriculture has actually become a sideline for most families.

China's peasants must feed almost a quarter of mankind with only seven percent of the world's cultivated area. It is not possible for eight hundred million peasants to achieve prosperity through farming on such a miniscule scale. Diversification is unquestionably the only viable route for development of the rural economy. Commune and brigade-run industries began to develop at a very rapid rate around 1975. Table 2 reveals that the number of such enterprises tripled between 1974 and 1980. Although the numbers leveled off after 1980, income from rural industries continued to grow at an average rate of 15.3 percent per year largely
owing to the expanding size, sophistication, and productive capacity of existing and new enterprises. A small portion of this growth is somewhat misleading as it represents the administrative transfer of some urban collectives to rural jurisdiction to take advantage of the lower industrial and commercial taxes (a maximum of twenty percent as opposed to fifty-five percent) on rural collective enterprises. (Kueh 1983: 684)

There has, however, also been some real relocation of urban industries, which has meant jobs and other economic spin-offs producing genuine economic growth in the rural economy.

Rural industry has, in fact, become the most dynamic sector of China's economy. In 1983 rural collective enterprises had a total income of 92.87 billion yuan of which fifty-seven percent was produced by nearly fifteen million villagers working in 338,000 township enterprises and forty-three percent by almost sixteen million villagers working in one million village (brigade or team) enterprises. These 32.35 million former peasants made up about ten percent of the rural labor force. (China Statistical Yearbook 1984: 184) The value of their total product constituted twelve percent of China's GNP in 1983. (China Daily, Oct. 6, 1984: 4).

In 1984, total output value of rural industries, excluding town [zhen] and county [xian] level state-owned enterprises, exceeded 170 billion yuan or more than twenty-four percent of China's total industrial output value. In 1985, this figure rose to 230 billion yuan, nearly thirty percent of the national output value of industry. The labor force in rural industry also grew to fifty million workers by the end of 1984. (Beijing Review, February 10, 1986: 5) [4]

It is easy to be impressed by figures that run into the millions and this development does represent a major achievement. However, China's
size must be kept in mind. These enterprises and millions of rural industrial workers were not distributed evenly through the more than 600,000 brigades and four million teams scattered throughout the countryside. In Jiangsu province alone, there were ten million rural industrial workers. Many industrializing villages have a dozen or more enterprises. Obviously many others have none. These are the collectives "in name only" with empty collective accounts, which command minimal allegiance from their members. When reading the generally glowing reports of western authors who analyzed the mushrooming growth of Chinese rural industries in the seventies (Sigurdson 1977, Perkins et al. 1977, Aziz 1978, or Riskin 1979, for example) as well as Chinese reports of the same period, it is easy to forget that the industrializing villages described were not typical of the majority. The uneven regional distribution of rural industries is clearly revealed in the figures from the State Statistical Bureau reproduced in Table 3.

The regions in which rural industry provides a significant and growing proportion of the total product of the rural economy are also the regions with the highest per capita rural incomes. In the ten suburban counties around Shanghai only fifty percent of the labor force were engaged in crop farming in 1983. The majority of the rest worked in industries that produced more than one thousand different products. Per capita earnings tended to be about double the national average. [5]

In some areas growth of rural industry has been very rapid. Jiangsu, the province that in 1983 led the country in output of rural industry, maintained a growth rate of thirty percent in 1984 and was anticipating a 530 percent increase in output value by the end of the century so that the rural industrial product would rise from contributing 19.7 percent in 1983
to thirty-five percent of the province's total output value. Village and
township enterprises in Guangdong already absorb thirty percent of the
rural labor force and in the Pearl River delta the proportion is seventy
percent. In southern Jiangsu and in Yangtai prefecture in Shandong, the
proportion also exceeds seventy percent. But these have traditionally
been relatively developed centers of commerce and handicraft industries
which are basically making a spectacular comeback after being stultified
by "anti-capitalist" movements of the fifties and sixties. What is unpre-
cedented is the recent development of industry and commerce in traditional
backwaters like Fujian, Anhui, and Ningxia where township and village
enterprise revenue was growing at an annual rate of more than forty per-
cent in 1984. These are areas where per capita incomes have been well
below the poverty line for decades.

There is clearly continuity in the current policies, whose architects
remain committed to the strategy of "walking on two legs" to achieve rural
prosperity through development of rural industries that process local
materials and agricultural products utilizing a wide range of old and new
intermediate technologies. There is also a continuity in the persistence
of certain thorny problems associated with rural industries.

Problems, Old and New

Collectively-owned rural industries are far more autonomous than
state-owned enterprises. Their production requirements and output often
remain largely outside the framework of state planning. The result is a
certain anarchy and unpredictability in production and marketing, which
naturally distresses many state planners. Now that rural industries are
becoming "an important force" in the national economy, their disruptive
effects are also becoming a force to be reckoned with. The Chinese press is full of reports on the growing competition between state-owned and rural collectively-owned enterprises over scarce raw materials and energy. For example, in the countryside around Hangzhou, peasants have engaged in sericulture for centuries. For decades they have supplied cocoons or skeins of silk thread to the Hangzhou silk mills, which produce world-famous silks. In recent years some communes and brigades have established their own small silk mills where superior grade cocoons are used to weave inferior grade silk cloth while the Hangzhou mills are unable to run at capacity for lack of high quality silk fibers. (Gray 1982: 232)

Another common problem also arises out of the lack of control over decentralized managements in scattered rural industries. Often the success of one collective in a certain line of production inspires others to try to get a corner of the same market resulting in overproduction. For example, Economic Daily reported on chaos and overproduction in the pesticide industry in 1984 owing to the setting up of nearly 570 pesticide plants in the countryside. These new operations were competing with more than two hundred existing state-owned plants for raw materials and markets. But much worse, according to this report, was the fact that they were producing inferior, in some cases even phony, products thereby cheating peasant buyers and threatening agricultural production. Furthermore, the paper added, because of their inferior equipment and production methods, these factories had also become an ecological hazard. (China Daily, March 17, 1984: 2)

Inadequate market information is a major problem for small rural suppliers. However, the small scale and low capital intensity of these operations gives them considerable flexibility to adapt their production
to changes in the structure of market demand. Unlike state factories, the small collective factories are not expected to provide housing and an array of social services for their workers and administrative staff. They are often able to recover initial investment very rapidly. But sometimes there are costs which are not calculated in measuring their cost efficiency. Many such industries are destroying rural environments by dumping pollutants into rivers and lakes whose untreated waters are the only source of drinking water for millions of peasants. Others are polluting the air with sulfur dioxide by burning low-quality, unprocessed coal. Brick works have also been eating up precious topsoils and reducing the cultivated area. Competition for electricity has meant that many industries in town and countryside close down for one day a week or more as power station managers try to juggle the inadequate supply. Meanwhile, forty percent of China's villages and four hundred million peasants still had no electricity in the early eighties. (Smil 1984: 140)

Western and Chinese analysts of China's development prospects have generally been far too sanguine and negligent in their handling of the question of natural resources. Rural and urban industries have been eating up China's extremely scarce farmland at an alarming rate. Farmland decreased by twenty-five percent between 1957 and 1977. Rampant legal and illegal felling of trees for handicraft, furniture, toy, and construction industries is destroying China's already minimal timber resources. China is a large country with rich resources, but because of her huge population, virtually every natural resource could be put on an endangered list. China's per capita oil resources are one-eighth and coal and mineral fuels one-half the world's average. Water is China's most desperate problem. With just one percent of the world's per capita average,
the water table is falling rapidly in many areas because of waste and overzealous digging of tube wells and pumping of ground water throughout northern China. Surface water in lakes and rivers in much of the country is polluted with industrial wastes and pesticides. While the large urban industries have been the principal air and water polluters, rural industries, particularly small inefficient state-owned steel and fertilizer plants under the jurisdiction of county and prefecture governments, have been the target of much criticism and some closures in recent years. (Wong 1982).

Pollution has become an intolerable problem in many Chinese cities and in recent years city governments have begun banning many polluting industries, particularly some of the neighborhood factories that had become a real health hazard to nearby residents. However, instead of closing down these inefficient and unpopular operations altogether, many have simply moved to the countryside, bringing their noise, air, and water pollution with them. Shi Shan, an agronomist associated with the State Council's Rural Development Research Center, in an article in a publication on ecology pointed to major pollution problems arising from the rapid development of township industries in the suburbs of Suzhou, Wuxi, and Changzhou in southern Jiangsu. However, in the same article Shi Shan cited the positive example of Shunde county in Guangdong, which has achieved industrial development while maintaining strict pollution controls. Each new enterprise must be approved by the local department of the environment before it can obtain bank funds or raw materials. The key to Shunde's success is attributed to a major education campaign to explain ecological hazards, government regulations, and the system of legal sanctions to enforce environmental protection legislation. (China Daily,
May 10, 1985: 3)

Because of the generally underdeveloped character of a great deal of rural industrial production, it is easy to point to numerous instances of waste and inefficient utilization of resources. Vaclav Smil's (1984) study of environmental degradation in China catalogues dozens of examples taken from the Chinese press. However, all this waste and inefficiency must be set beside the enormous waste of underutilized labor, capital, and raw materials scattered throughout the countryside. For example, in the grasslands there is terrible waste of animal parts not used for meat or wool that could be turned into useful byproducts if only there were local processing facilities. Much precious wood is wasted for lack of wood chip and particle board processing operations. Many perishable crops cannot be grown not because of unsuitable climates, but simply because of the lack of local canning, dehydrating, or freezing operations. Much food is wasted because of spoilage during transport.

But perhaps the worst waste of all is the squandering of technical and entrepreneurial ingenuity locked up in the unused potential of millions of Chinese peasants still tied to a stultifying, monotonous struggle for subsistence with the barest minimum of resources, equipment, and options. Nowhere is this more true than in the villages in remote areas lacking highway and public transportation links. Peasants in these villages are reduced to largely monocrop production of less perishable grain crops, which are then sold to the state. And yet for them, until recently, the industrializing strategy was nothing but a seemingly unrealizable dream. The goal of industrializing China's countryside has not been altered with the change in leadership after Mao Zedong's death. But the strategy for achieving it has.
The Impact of Administrative Reforms on Rural Industrialization

In the old rural industrialization strategy, the initiative for starting new enterprises tended to be confined to county or commune cadres. It was not simply that the village collectives lacked industrial management expertise or entrepreneurial imagination. The main problem lay with the dependence of any would-be collective undertaking on the formal permission of higher authorities to set up the enterprise in the first place; to get remission of taxes until on its feet; to obtain loans, equipment, raw materials for processing, or parts for assembly; and to arrange for the purchase and transport of the product. There were a hundred and one controls over the development of direct exchange relations between producers and the end users or consumers. Establishing market relations without official sanctions could lead to prosecution for speculation, bribery, illegal trade, etc. Given all the obstacles, it is hardly surprising that most commune, brigade, and team enterprises were started at the suggestion and with the active support of higher authorities. This dependence on higher authorities to initiate rural collective industrial projects was just one instance in a more general situation of restriction of economic self-management rights produced by the state's circumscription of the sphere of legitimate commodity relations and creation of a sellers' market for itself.

The economic reforms are having the effect of breaking this state monopoly of trade and are creating certain conditions for the elimination of paternalistic, bureaucratic relations of dependence and subordination between rural collectives and party and government authorities.

The old tri-level commune-brigade-team structure began to come under
Criticism focused on the commune's integration of economic management and government administration. The commune was supposed to be both a producers' collective and the lowest level of government in the rural areas. The dual character of the people's communes had facilitated government extraction of surplus from the countryside to fuel development of heavy industry in the cities. It had made it possible for the government to impose grain quotas without regard for the opportunity costs to farming communities. It had subordinated local interests to administrative priorities without allowing for the development of effective forums for the articulation of local desires and needs.

In January 1981, an article appeared in the national journal *Economic Management* [Jingji Guanli] calling for the elimination of the three-tiered structure of ownership and return to ownership by the teams as independent agricultural producers' cooperatives. (Lin Tian 1981: 10-13) This article and others in 1981 and 1982 presented a whole series of objections to the commune system. An article in *People's Daily* (July 30, 1982: 5) by Zhang Chunsheng and Song Dahai pointed out that the critique of the ultra-leftism of some commune and brigade leaders who had indiscriminately expropriated smaller collectives' property and commandeered labor without compensation was inadequate. This was not simply a matter of individual cadres' ideology. The problem was systemic. It derived directly from the three-tiered hierarchical structure and the political clout of the commune leadership in particular, as local representatives and salaried employees of the state. According to Zhang and Song, peasants' worries about the "capriciousness of policy" were the product of "a frame of mind that reflects precisely such a contradiction." A second argument for the separation of political and economic authority derived from the recent deve-
Development of commodity relations that reached across commune, county, prefecture, and even provincial boundaries. As economic activity was no longer so atomized and self-sufficient, the development of the social division of labor and commodity relations along specialized and socialized lines required the transcendence of the original, more limited forms of cooperation and their geographic boundaries. It was also argued that many commune cadres had been unable to do their jobs properly because their responsibilities were so comprehensive. On the one hand, they were supposed to handle the economic affairs of the commune, including overseeing management of enterprises, but also exploring prospects for other income-generating projects. On the other hand, they were expected to mobilize support for tasks handed down by the central government and the party. A further criticism of the commune's concentration of economic and political power in the hands of commune leaders was that it obstructed progress in building grassroots political power.

The current system of integrating government administration with commune management is prone to an excessive concentration of power by the communes and production brigades which is detrimental to the effort of fostering socialist democracy. Availing themselves of the power in hand, a few cadres have even resorted to such measures as denying job assignments, withholding grain rations, and deducting work points to suppress criticism and retaliate against the masses. One major cause for the problem is, aside from the organizational and ideological impurity among the ranks of cadres, the system itself. With the power of all political, economic, cultural, and educational affairs concentrated in the hands of a few at the grassroots level without effective supervision, it is hardly avoidable for a few individuals to abuse their power and violate the masses' democratic rights. (Zhang Chunsheng and Song Dahan 1984: 81)

Another important argument against the overlapping of economic and political authority was the charge that many tasks and financial burdens, such as organization and maintenance of education, health, public security, transportation, and communication facilities, services, and
programs, which in urban communities were organized and funded by the state, in the countryside had been thrust on teams and brigades in the name of expanding democratic popular control. (Feng Decai 1980: 80-81)

The State Constitution revised by the National People's Congress in 1982 spoke of the need to separate rural government and economic functions [zhengshe fenkai]. Item five of Document No. 1 (1983) also called for reform of the commune system. It stated that after the setting up of township governments to replace the political functions of the communes, the teams (or brigades where they had become viable basic accounting units) should remain as cooperatives, but the name and scale of their organization and form of management should be decided democratically by the members themselves. According to the document, whether the communes and brigades should be retained as cooperative economic entities should be determined "according to specific conditions after consultation with the masses." (People's Daily, April 10, 1983: 1)

The communes were the driving force of the rural industrialization strategy prior to the eighties. Township agro-industrial-commercial integrated corporations or associations became the driving force for the industrialization, commoditization, and socialization of the rural economy in the eighties. The method used to carry out this reform of the rural economic structure and local government was a familiar one. Experiments with different institutional arrangements were carried out in selected counties and communes in provinces all over the country. This use of pilot projects followed by the discussion of positive and negative lessons in meetings and conferences of cadres and peasants from the surrounding area before final widespread introduction of new institutions was borrowed from the experience of the land reform and the early coopera-
tivization movement. Zhang Chunsheng and Song Dahan (1984: 82-83) urged the use of this old and tried method because the appropriate form and method for the concrete conditions of different areas had yet to be discovered. Each area would have to determine what was the most appropriate size for a township government given the population density, communication and transportation facilities, and the advantages and disadvantages of past arrangements. Decisions had to be made about the structure of the township government and how it would administer and supervise economic enterprises without interfering in their self-management. Ways had to be found whereby the township governments could ensure implementation of the state plan without infringing on the self-management rights of rural collectives.

Reports on progress in setting up township governments in local newspapers and radio broadcasts mentioned a circular issued by the Central Committee and the State Council. In the same vein as earlier national movements for institutional change, government documents served as a focus for mobilization of local people, particularly local cadres, to discuss and organize a plan of action. The use of target dates for completion of the reform in stages is also typical of past approaches. Thus, for example, The Masses Daily, published in Jinan (December 30, 1983: 2; FBIS, Jan. 19, 1984: 04-06), reported on the Shandong plan for establishing township governments and separate management of economic operations in three stages in the winter, spring, and autumn to achieve completion of the reform by the end of 1984. A year of experimentation with pilot projects in 1983 preceded this decision. The same report also spoke of the need for counties to send inspection teams out to examine the results after the setting up of township governments and for prefectural and
provincial authorities also to conduct investigations to ensure that the restructuring was neither perfunctory nor superficial.

Virtually all public documents, published articles, speeches, and media reports on the restructuring stressed the importance of shaping institutions to suit local conditions. [7] This produced a considerable array of formats and names for the institutions created both between and within different provinces. Everywhere township governments were being established, but in some provinces, such as Guangdong, Yunnan, and Shandong, new "district" [qu] governments were appearing as well. [8] In more densely populated areas, some of the former communes provided the boundaries for district governments while township governments were given jurisdiction over new or old subdivisions of the former communes. In Guangdong province, for example, restructuring has varied considerably with a minority of townships corresponding to former communes while the rest correspond either to former brigades or to combinations of brigades (Guangzhou radio broadcast, July 18, 1983; FBIS, July 22: P3-P4). In some areas that are sparsely populated, there has been some amalgamation of former communes to form the jurisdictional boundaries of new township governments. In Shandong, the plan for establishing township governments recommended township populations of about ten thousand with more people on the densely populated plains and fewer in the mountain districts. The plan also allowed for the creation of new townships in recently developed trade centers, harbors, and industrial and mining zones, where industry and commerce have been developing rapidly, where population is relatively concentrated, and where townships existed in the past.

In minority areas, the establishment of township governments opened up possibilities for greater local autonomy for minorities. In Qinghai,
for example, Tibetan, Moslem [Hui], and Mongolian nationality townships were being set up in 1983. [9] The 1982 revised constitution stipulated direct elections of township government leaders and the right of township people's congresses to pass laws and regulations according to the special needs, customs, and desires of the local minorities. In Qinghai, for example, in the Tibetan nationality townships Tibetan is the official language used by the government and in the local schools. (Xining broadcast, June 10, 1983; FBIS, June 17, 1983: TI-3)

Parallel with the establishment of these new local governments, in many provinces new horizontally integrated bodies were established to coordinate the agricultural, industrial, and commercial operations of townships and in some cases counties and municipalities as well. The names of these overarching organs of economic management vary. In Sichuan province where the reform began very early in Guanghan county in 1980, separate township governments and integrated agro-industrial-commercial corporations [nonggongshan lianhe gongsi] replaced the former integrated commune administrations. In Heilongjiang in 1983, there were reports that after setting up township governments, economic affairs were being handled by people's commune management committees. (Heilongjiang Daily, July 27, 1983: 1; FBIS, Aug. 26, 1983: S1) The subordinate units of these committees were departments of agriculture, forestry, animal husbandry, water conservancy, managerial affairs, commune and brigade enterprise management, electric power, seed control, and tractor stations. This structure was in marked contrast with that of Sichuan where three specialized companies assumed responsibility for coordinating agriculture, industry, and commerce respectively and sought to achieve planning and coordination primarily through legally-binding economic contracts. Inter-

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viewed cadres in Jiringol people's commune in Xilingol league in Inner Mongolia in the summer of 1983, described plans to set up three companies for animal husbandry, agriculture, and industry under the township government. Since the commune had a small population of seventeen hundred in just over three hundred households in three brigades, there seemed to be no felt need for a further separation of government and overall economic coordination.

In Henan, planning and coordination of township economic activity became the responsibility of township economic associations [jingji lianheshe]. In Chapter Five two different formats for these township associations were described. The more common type incorporated all the economic departments, enterprises, offices, and production and commercial units of the original communes. The other type centered on industrial and commercial enterprises, leaving administrative units to the jurisdiction of the township government. In explaining the reasons for these differences, the report on an investigation of these economic associations done by the Henan party policy research office (1984: 7) stated that there had been persistence in starting from reality in determining the associations' content, form, methods, and evolutionary stages. The formats of the associations had evolved through a process of probing, creating, comparing, and selecting from options. They were not the simple result of administrative instructions from higher authorities.

Below the townships there has also been some separation of civil and economic administration. In some provinces such as Sichuan, economic organizations at the brigade level have been dismantled, while teams have returned to their original status as independent agricultural producers' cooperatives (Lin Ling and Gu Zongcheng 1985: 191). In other provinces
such as Henan, former brigades and teams have reorganized into economic associations or producers' cooperatives.

In all provinces, village residents' committees [cunmin weiyuanhui] were being set up in 1984 and 1985. The Jinan Masses Daily article (December 30, 1983: 2) referred to earlier stated that the function of the village residents' committees was to organize self-education, self-management, and self-service programs; to administer welfare programs; to manage village public utilities; and to assist the township people's government to oversee civil affairs, production, and construction. The leaders and members of the village residents' committee were supposed to be elected by all the villagers "after repeated deliberations and consultations," which probably indicates some involvement of party or other higher authorities in drawing up or approving slates of candidates.

According to this plan from Shandong, below the village residents' committee should be established subordinate committees responsible for public health, public security, mediation, and civil affairs. Since the creation of so many committees could produce quite a drain on village funds, the Shandong article stated that the burden on the people might be lightened by amalgamating these committees with the economic organizations of the village into one body that would exercise dual duties. Larger villages, however, were encouraged to retain the separation of powers. In Henan also, investigation revealed that in some villages, the organ of economic management and the village residents' committee was "one group under two placards" [yi tao banzi liangge paizi] and in some smaller, poorer villages, everything was handled by only one or two cadres.

In examining the relation between economic management and government administration at the village level in Henan in Chapter Five, I pointed
out that there appears to be some overlapping and ambiguity about the relation between the village residents' committees and village-level organs of economic management, where they exist. This is also true of the role of village small groups, which may correspond to teams that are subdivisions of larger villages. Little is written about them and they are apparently supposed to function as forums for supervision of local cadres by the villagers. They could play a role similar to the poor peasant associations in many areas during land reform. Like the poor peasant associations, they could be used to involve peasants in open door rectification of cadres and evaluation of policy implementation, processes which gave the land reform much of its legitimacy in the eyes of many peasants.

Vivienne Shue (1984a: 267) points out that the 1982 constitution (Article 97) states that the village residents' committees and small groups should play a role in the election of township people's congresses. In 1984, elections to such congresses were beginning to occur in some places where township governments had been set up. Eventually these congresses are supposed to elect the directors of the township economic organizations. For the time being, many of these leaders are actually appointees sent down from county-level administrative positions. This, too, is similar to the "sending down" [xia fang] of cadres to lead the land reform and early cooperativization movements. It is also linked to a campaign to streamline and rationalize county-level administration much like the movement for "crack troops and simple administration" in the Yan'an period. The plan in 1984 was to reduce the number of county-level government bureaus and departments to twenty-five, a reduction of thirty percent. Also similar to the Yan'an movement is the current effort to reduce the autonomy of various bureaucratic chains of command and improve
communication and coordination among different departments. What is quite different is the method whereby such coordination is being achieved.

In a few places, counties have actually established separate economic associations (Henan) or corporations (Heilongjiang) to coordinate planning and development of agriculture, industry, and commerce. But in most areas this function is still played by the county government. However, in Sichuan's model Guanghan county, within the county executive committee there is a division of labor among the head and vice heads with separate responsibility delegated for government, party, and economic affairs. Economic affairs are handled by a county economic committee [xian jingwei] with offices responsible for overseeing agriculture, industry, finance, diversified operations, commune and brigade enterprises, as well as a party section. (Shue 1984: 274) It is not clear how the party exercises its role as the "core of leadership" in economic management, but it does appear that the role of the county party committee in directing economic affairs has been considerably downgraded in the new structure. Meissner and Blecher (1983: 39), on the basis of research in China in 1979, come to a similar conclusion. This is what is most strikingly different from the decentralization of the Yan'an period when the party played a central role in coordinating the activity of decentralized village governments and economic organizations. Nevertheless, the stepping aside of party authorities in economic matters should not be exaggerated since the party still exercises a powerful role in initiating overall economic policies and providing their ideological justification.

The intention behind the elimination of many of the old county-level bureaus, with their hierarchical chains of command reaching down into the villages, was to break the state's monopoly over management of the economy.
at the lowest levels. The horizontally-integrated county-wide committees that have replaced the old bureau structure are supposed to give guidance and assistance to the economic associations, cooperatives, companies, and township and village governments; they are not supposed to give orders. However, no institutional rearrangement can achieve of itself the elimination of hardened bureaucratic practices. And the Chinese press still contains many letters of complaint from peasants and cadres describing bureaucratic interference in the affairs of village and township governments and economic organizations. For example, two reporters from the Economic Daily and the New China News Agency exposed the results of an investigation that uncovered instances of county governments transforming village and township collective enterprises into state-owned enterprises by administrative fiat in the name of "reform," "centralized management by specialized departments," "joint operation," "solving problems of funds and raw materials," etc. In Yidu county in Shandong, the Mihe township machinery plant with 2.2 million yuan of fixed assets and a 1984 output value of 6.5 million yuan was taken over by the county. In Inner Mongolia, the Hulun Buir league government appropriated seventy-seven village and town enterprises that had an annual income of fifteen million yuan, which was more than one-quarter of the league's total collective enterprise income. (Beijing radio broadcast, Dec. 6, 1984; FBIS, Dec. 7, 1984: K14-15)

Many articles and reports on the progress of economic integration in the townships and villages call for reforms of county, prefectural, and provincial government structures to make them more able to effectively serve the emerging needs of specialized commodity producers and their economic associations. According to the Henan party investigation of
township economic associations, it is these organizations that play the pivotal role in transforming and coordinating the participation of county bureaus and offices in rural development schemes. It is they who are breaking down the former barriers between bureaucrats working in segregated hierarchical state bureaus. It is the township associations, companies, and corporations that are actively soliciting the participation of government departments and offices in agro-industrial-commercial joint ventures. Such participation increases the revenues of government departments by expanding their operations while at the same time benefiting the collectives. In other words, rather than fighting over their share of the pie, they are encouraged to help to make a bigger pie.

The township economic management organs are also helping to coordinate the services of former commune service stations such as the agro-technical, veterinary, and machine stations. The Henan investigation revealed that many of these stations had been unable to pay wages to their technicians for some time before their reorganization under the township agriculture companies. After the restructuring, they began to sign contracts guaranteeing services in return for a fee or a percentage of the output if it exceeded an agreed upon target. They no longer operate in the red and their staffs are no longer subsidizing agricultural development out of their own pockets. The township associations are trying to establish a comprehensive service system [zonghe fuwu tixi] to meet the needs for supplies and marketing, processing, transport, technical services, etc.

Perhaps the thorniest relation between economic units and government is that between old and new township enterprises and the new township governments. It is very revealing that under the former system, commune
industries were grouped together with state-owned industries in national statistics. With the reform of the three-tiered ownership structure, the collective ownership of township enterprises is being reasserted with independent accounting so that they assume responsibility for their own profits and losses while being protected from indiscriminate transfer of assets and labor by outside authorities. In the past, commune enterprises were the main source of revenue for commune administrations' operating funds. Enterprise revenues were used by commune authorities to finance technical service stations and to subsidize development projects in the poorer brigades and teams. There was a notion that through a transfer of funds and resources downward from the commune, leaders could gradually close the gaps between incomes in different teams and brigades thereby hastening the transition to higher levels of unified accounting until eventually the commune itself could be transformed into a state farm and peasants would become workers receiving standardized wages.

Given this legacy of recent practice and concepts, it is hardly surprising to hear charges that some township government officials have been interfering with the self-management authority of township enterprises. There have been complaints that some officials think only government-run enterprises are socialist. [10] There have been charges of mismanagement by officials who have usurped control over enterprises, distributing wages and bonuses indiscriminately and hiring relatives and friends. In many cases, however, it is not a question of graft but simply of wanting to divert enterprise revenues to other uses, often very worthwhile projects to help other villages get on their feet.

At the heart of this controversy is the issue of to whom do these collective enterprises belong. In the past, they belonged to the commune
as a whole. Their production plans, operating budgets, wage structures, internal regulations, purchases of inputs, and marketing of products were all arranged by commune authorities. Enterprise managements were appointed by commune leaders and had a minimum of autonomous authority. In other words, the commune enterprises were collectively owned to the extent that the commune was a collective, but they were in no sense collectively managed. In recent years, many former commune and brigade enterprises have become joint ventures, commonly shareholding operations, managed cooperatively by brigades and/or teams. They are managed jointly in recognition of the fact that many communes and brigades had not really possessed the wherewithal to create such operations on their own so that the original investment of land, labor, equipment, and funds had been amassed by transfers from lower-level collectives without adequate compensation. After this restoration of collective ownership to the original investors, managers have been either elected by the workforce of the enterprise or hired on a contract basis. Such managers have much greater authority over the organization of production, including personnel management, than their antecedents.

In the past, while communes acted as tax collectors for the county, they themselves relied on direct remittances of enterprise profits as the major source of their own revenues. Those communes that lacked such enterprises were simply bankrupt administrations with very little to offer in the way of services or subsidies to the brigades and teams so that bonds of respect and solidarity between them were weak and tenuous. Those commune cadres who were simply reallocated positions in the township governments naturally felt threatened by their loss of authority over the material base of their former status in the commune hierarchy. It is
hardly surprising that conflicts should have arisen between such cadres and the managers of recently "liberated" township enterprises.

The key to stemming the tendency of township governments to try to siphon off resources from collective enterprises is seen to lie in consolidating their tax base. Once tax revenues from enterprise profits are guaranteed, township governments' material interests lie in expanding this tax base. In these circumstances they tend to respond positively to requests from economic associations and individual economic units for assistance in establishing contract relations with higher-level government departments for supply of inputs, technical assistance, and transport and sales of products. Township governments are also beginning to respond to township enterprise requests for legal protection as they reach out to establish contract relations in ever wider networks of commodity exchange.

So far we have focused on the impact of the reforms on the original collectively-owned enterprises. In fact, the reforms have had their greatest impact on the initiation of new enterprises. As just as in the resolution of conflicts over the old enterprises, joint ownership and shareholding have also played a key role in opening up prospects for many new rural industries. However, this innovation has not been introduced without conflict. There has been contention over whether shareholding represents a genuinely socialist form of cooperative ownership. There are some who opposed allowing shares to be freely transferred between owners. Some argued that shares should be viewed merely as an accounting device in determining the distribution of profits. There was a long dispute over whether individuals should be allowed to buy an unlimited amount of stock in village and township enterprises until Zhao Ziyang replied with an unequivocal "yes" at a session of the National People's Congress in May.
1984. He demanded that all restrictions on stock purchases be lifted to enable the supply and marketing cooperatives to increase their financial base as rapidly as possible.

The restoration of the shareholding character of the supply and marketing cooperatives, which began on a large scale in 1982, laid a foundation of experience and ideological concepts that facilitated the widespread adoption of shareholding as a popular method for accumulating investment funds for industrialization projects. There are 35,000 supply and marketing cooperatives in China of which 2,100 are county cooperatives and the rest are township cooperatives. Many of these cooperatives no longer confine their economic activity to supply and marketing, but have become major investors in joint ventures with township and village economic organizations and individual households and their economic associations. Their sphere of activity is no longer confined to supplying means of production and markets for agricultural production. They have become actively involved in a variety of processing and manufacturing operations as well as service trades. They have been especially active in Hebei, Jiangsu, Hunan, and Sichuan in setting up factories to produce processed food and wood products, building materials, and clothing. They have also established 2,500 wholesale trade centers where rural industries can negotiate sales contracts for their products. (China Daily, June 7, 1985: 2)

Shareholding has also made possible a large increase in the proportion of industries launched by the smaller team collectives. They have been able to pursue all sorts of joint ventures in which they provide the land, labor, and sometimes buildings while the supply and marketing cooperatives or the township or village supplies equipment, technical experts and training. These joint ventures may involve shareholding, but also sub-
contracting or compensation trade.

The party report on the investigation of economic associations in Henan revealed certain problems in the relations between the township economic associations and the supply and marketing cooperatives. Basically it was a problem of neglect because of the fact that the cooperatives were totally independent and not a source of revenue for the township associations. In some counties, this was resolved by establishing joint ventures and allowing the economic associations a ten or twenty percent share of net profits. This naturally stimulated the township associations to encourage the supply and marketing cooperatives to organize more industrial operations. In Henan, this cooperation between township associations and supply and marketing cooperatives has greatly improved the financial position of the cooperatives, which turned their several hundred thousand yuan deficits into profit margins of equivalent size in a single year. The Henan report provides examples of fruit, fodder, milk, and cotton processing operations initiated by supply and marketing cooperatives that were so successful that county and township cadres decided to refuse to take "even one penny of their earnings" and instead urged the cooperatives to reinvest in further industrial operations.

Small-Scale Cooperative and Private Ventures

By the end of 1984, 4.5 million specialized households had joined together to engage in 800,000 small-scale cooperative ventures. Although this number is still small, it is growing very rapidly and in certain parts of the country, such ventures make up one of the most dynamic sectors of the economy. For particular townships, small-scale joint ventures have radically improved income-earning opportunities. An article
by Li Shihui (1983) in Problems of Agricultural Economics describes how this new industrialization strategy transformed one brigade in Rui'an county in Jiangsu province.

After less than two years of contracting responsibility to households, 240 out of the total 315 families in Jin Hou Brigade (Ting Ri Commune) invested 570,000 yuan, which they had recently accumulated from household farming operations, into seventy-one new joint ventures covering a wide range of economic activity, including processing agricultural products and plastic wastes; manufacturing buttons, saw blades, and straw paper; generating electric power; and providing transport and marketing services. Although the average size of these operations is only three to four households, the results have been impressive. Most important they provided an outlet for surplus labor, which accounted for eighty-one percent of the labor force before the introduction of the responsibility system and even more after. The seventy-one ventures created jobs for 1,094 people of whom more than three-fourths were women. Every household had on average 2.8 family members working in one or another of these ventures. These ventures have provided full employment in Jin Hou and created jobs for three hundred people from outside the village.

In 1981, when the brigade was still under collective unified management, the total annual value of production was 300,000 yuan. In 1982 after development of these joint ventures, annual output value leaped to 1.264 million yuan. Profits alone exceeded the output value of the preceding year. In 1983 output was expected to reach 3.37 million yuan. In 1981 industrial sideline products constituted 26.6 percent of total output value, in 1982 the proportion rose to 89.84 percent and in 1983 was expected to reach ninety-five percent. At the same time, agricultural
output has also risen steadily.

Although taxes paid to the state have risen from 10,000 yuan in 1982 to 100,000 yuan in 1983, per capita earnings (aside from private sidelines) rose from ninety yuan in 1981 to 274 yuan in 1982 and were expected to reach four hundred yuan in 1983. In the whole village about one-third of the households had incomes of more than one thousand yuan per person, more than three times the national average at the time. For some families the rise in income had been unimaginable. Of the brigade's twenty-six households classified as "poor" [pinkun hu], twenty-four had become "rich" in one year. One family of seven increased their household income from 280 yuan in 1982 to more than six thousand yuan in 1983. The husband grew grain while the wife, a daughter, and a son participated in joint ventures. In 1983, they built themselves a new three-room house; while just two years before, their labor could not cover the cost of their grain rations. The joint ventures have been particularly important for the elderly who are unable to do heavy agricultural labor. Of eighty-seven individuals over the age of sixty, more than forty had earnings, some as much as five hundred yuan in 1982. (Li Shihui 1984: 25-26)

The reassertion of the principle of collective enterprises assuming full responsibility for their own profits and losses created the conditions for contracting of collective enterprises to individuals. This in turn laid the basis for legitimizing private industrial ventures run by households or individuals. People's Daily (May 14, 1985: 1) reported that there were already more than five million rural entrepreneurs, managing 900,000 private enterprises by the end of 1984. Their net profits amounted to 2.5 billion yuan after paying 558 million yuan in taxes. After the state tightened its control over bank lending to rural
enterprises in April 1985, private investment assumed even greater importance for rural industrial development. In some provinces, it is beginning to play more than a marginal role in rural industrialization. In Zhejiang, eleven percent of rural industrial output was produced in 250,000 household-run industrial enterprises that utilized 3.5 percent of the province's rural labor force in 1984. (China Daily, Jan. 30, 1985: 1) But by April of 1985, there were 300,000 such enterprises in the vicinity of the city of Wenzhou alone. (China Daily, June 7, 1985: 4)

Most of these household industrial enterprises are labor-intensive operations that require little equipment and a minimum of initial investment. These courtyard enterprises have the important ecological advantage of saving farmland from being turned into factories. This is very important in the suburbs of large cities where farmland is disappearing at such an alarming rate. They often utilize the byproducts or waste of other industries: They tend to produce small commodities that are not particularly responsive to economies of large-scale production, such as electronic parts, plastic woven goods, acrylic knitted clothing, buttons and other small items that are in great demand owing to the fact that many state and collective factories are turning to more profitable products and abandoning or reducing production of these small necessities. By 1984, production of these small items had increased per capita incomes around Wenzhou by six hundred percent compared with 1978. Some economists are beginning to talk about a "Wenzhou pattern" that could be copied by peasants in other areas. (World Economic Herald [Shijie Jingji Daobao] Jan. 1, 1984: 12; China Daily, June 7, 1985: 4) However, the Wenzhou model is only relevant to peasant households located in areas with well-developed supply, marketing, transportation, and market information net-
works, which tend to be in the densely populated suburbs of large cities.

In Shaanxi province there is another type of private industrial venture that does not require such a well-developed commercial infrastructure and that is providing a welcome new source of income for 500,000 households in remote villages in the Xinling and Bashan mountains. Peasants are opening up private mines in the mountains to collect more than fifty different minerals including gold, manganese, phosphorus, and asbestos, as well as marble and coal. The government allocated nineteen million yuan in interest-free and low-interest loans to encourage private prospecting and mining in these mountains, which had been left virtually untouched before 1984. Local governments have also arranged for technicians to provide training for new prospectors and miners to try to prevent irrational exploitation and waste of mineral resources. The Shaanxi government is also building and improving about 10,000 kilometers of highway to facilitate transport of minerals, timber, and medicinal herbs out of the region. (China Daily, May 21, 1985: 3)

However, the relations between private entrepreneurs and governments are not always so amicable. Particularly in 1983-84 there were quite a few articles in the Chinese press describing attempts to close down private operations. For example, in Zhengyang county in Henan province, seven peasants started a vinegar and sauce factory with their pooled savings. But a few weeks after they went into business, commune leaders asked the county Bureau of Commerce to revoke the factory's business license because the commune was already running a vinegar mill that was threatened by the new competition. Even though the bureau had determined earlier that there was a market for the new factory's vinegar and sauce products, it revoked the business license as requested. However, the
seven peasants sent a telegram to the provincial party secretary, Liu Jie, inquiring about their rights under the current policies. They were soon back in business thanks to an intervention on their behalf by the party secretary. The story was carried on page one of People's Daily (Feb. 8, 1984) no doubt as a warning to other collective or state enterprises who might try to eliminate private competitors on the grounds that their's was a more "socialist" enterprise.

There have been numerous reports in the press of rural cadres viewing household industrial enterprises as capitalist free enterprise that should be restricted. (People's Daily, June 9, 1984: 2 and April 24, 1984: 2) There have been complaints about discriminatory taxation and licensing, restrictions on borrowing from banks and credit unions, and limitations on access to markets and transportation. Even village cadres have been reported withholding electric power or technical services unless private industrial establishments pay unofficial levies into the village's collective account. (People's Daily, April 24, 1984: 2)

In March 1984, the State Council published regulations to protect the rights of private entrepreneurs in the countryside. Private rural industrial, handicrafts, commercial, transport, and service operations were promised preferential loans, prices, and taxes and offered technical assistance. Their right to hire two assistants and up to five apprentices was reaffirmed. So also was their right to engage in wholesale trade and long-distance transport of goods and materials.

Most of the private enterprises in China are quite small. And yet, despite the regulations limiting hiring, there are reports of rather large private companies. For example, China Daily (Jan. 21, 1985: 3) carried a story about a thirty-year-old peasant who together with seven other
peasants managed to amass a capital investment fund of three million yuan, with which they started a construction company to build housing in the city of Zhengzhou. This bold entrepreneur signed contracts for construction of about 1,300 apartments in 1985 and hired more than one thousand construction workers, and more than twenty engineers, accountants, and academic advisors. Before the reforms, this fellow had been a temporary construction worker, but since 1980 he had developed his entrepreneurial skills by managing a chicken farm and an inn and by building parking lots. The failure to enforce the regulations limiting hiring by private entrepreneurs is likely due to a common perception that such people are playing a valuable role by creating employment opportunities. This is especially true in villages that are just beginning to industrialize. This particular construction company created jobs for many rural laborers skilled in construction trades as well as helping to solve the acute housing shortage in the city. The story states that the city government supported the construction company and provided the land on which to build the apartments. The government must also have given the company some kind of official recognition to enable these private entrepreneurs to set up an account in the Construction Bank [Jianshe Yinghang], otherwise it is hard to imagine how they could do business.

The Role of Banks in Rural Industrialization

With the relaxation of many government and party bureaucratic controls over the economy, banks have begun to play an increasingly key role in controlling investment patterns. State, collective, and private rural industries can apply for loans from the state Agriculture Bank while collective and private entrepreneurs can also borrow from the rural credit
unions. In 1984, the Agriculture Bank and the credit unions had 360,000 offices with a staff of one million scattered throughout the countryside. With the introduction of the new economic policies, both rural deposits and borrowing increased substantially. From 1979 to 1983 bank and credit union offices paid out a total of 178 billion yuan in loans, which was sixty billion more than the total loaned in the previous twenty-nine years. (China Daily, October 6, 1984: 4)

In recent years, peasants' bank deposits have increased very rapidly. By the end of 1984, they were reported to have reached 53.5 billion yuan or a per capita average of sixty-three yuan, up from forty-six yuan in 1983. (China Daily, May 30, 1985: 3) The Agriculture Bank is eager to attract rural savings and is involved in programs to promote rural industrialization, particularly food processing and feed production. It offers loans to rural industries as well as assistance with management and accounting. In 1984, forty-five percent of Agriculture Bank loans went to township and village enterprises, a total of 47.5 billion yuan. (China Daily, January 18, 1985: 2)

The Agriculture Bank is both encouraging and controlling rural industrialization. Vivienne Shue (1984: 270) reports that the head of the Guanghan county government had to struggle with bank officials to get their approval of company stock issues and private purchases of shares. Bank officials appear to have viewed peasant savings as a market they did not wish to share with stockholding companies. They preferred to have peasants deposit their savings in the bank and let the bank loan money to the companies. Shareholding is one way enterprises can increase their own control over investment planning. However, they are required by law to register and get bank approval of all stock and bond issues.
But the major area of contention is naturally the bank's efforts to control investment by restricting loans to industries deemed inefficient, redundant, dangerous, polluting, or unwarranted for some other reason. People's Daily (June 5, 1985: 1) published a story about an attempted extortion of bank officials by county government and party leaders because the bank had refused to approve loan applications from two rural factories in the county. The Agriculture Bank in Linggui county in the Guangxi Zhuang Autonomous Region refused the loans after investigation convinced bank officials that the factories did not have sufficient capital to guarantee repayment. The factories had friends in high places and soon the county government chief and party secretary stepped in to try to convince the bank managers to lend the money "in the interests of the county." In a meeting of county officials, attended by the bank's managers, the party secretary tried to pressure the stubborn bank officers stating, "You should remember that even though you are not directly controlled by us, at least your party membership is in our hands." At the time of the People's Daily report, the issue had still not been resolved, though the party newspaper praised the bank managers for sticking to principles in the face of such threats. The party also called for the reinstatement of comrades in other places who had been deprived of party membership or positions of authority because they resisted illegal demands by superiors.

Although early in 1985 the Agriculture Bank announced its intention in that year to match its previous year's unprecedented level of loans to rural industries, a few months later, the Bank of China's president, Chen Muhua, at a national banking conference in Beijing in late April, announced a new policy of fiscal restraint aimed at curbing indiscriminate
loans, particularly for capital construction. About this same time, some economists began discussing China's "overheated economy." The problem was blamed on excessively fast growth generated by deficit financing of capital construction projects plus wage and bonus hikes that outstripped the growth of labor productivity. This was a destructive combination that was pumping an excess of currency into circulation. In an attempt to curb these inflationary tendencies, the Bank of China and the Agriculture Bank and other specialized banks were instructed not to extend loans or credits to enterprises that were inefficient and turning out expensive products of poor quality with little or no profits or taxes paid to the state. The national banking conference decided that rural credit would be largely restricted to the production and purchasing of farm produce and that rural industries would have to rely on their own accumulated funds for development. Since more than fifty percent of Agriculture Bank loans in 1984 went to rural industries, the vast majority township and village industries, this represents a major shift in bank policy and cutback in state investment in rural industrialization. It is likely to produce an even greater move toward shareholding as a way to attract peasant investment in rural enterprises. In Guangxi, it has also produced another surprising development, the removal of restrictions on private lending at a mutually agreed upon interest rate. (China Daily, May 28, 1985: 4)

Although the Agriculture Bank and rural credit unions have stated their intention of cutting back credit to collective rural industries, the policy of fiscal restraint should not be interpreted as a triumph of principles of economic efficiency and cost accounting over redistributive justice and affirmative action in development programs. From 1979 to 1984, the Agriculture Bank extended 25 billion yuan in development loans
to two hundred of the country's poorest counties. (China Daily, January 21, 1985: 3) Since there are a total of more than 2,100 counties, this represented a significant commitment to development of the poorer regions.

On January 24, 1986 Agriculture Bank president, Ma Yongwei, announced at a national conference of rural bank and credit union officers that in 1986, the Agriculture Bank would increase credit available for development of agriculture; he urged rural branches and credit unions to do the same. Ma stated that despite the tight controls on loans imposed by the bank in April 1985, loans to township enterprises increased by 2.3 billion yuan while loans to agricultural projects had been 49.89 billion yuan, a decrease of 7.3 percent. Ma reiterated that rural industries should become self-financing but, he added, "that doesn't mean we do not support their development. Money will be provided to aid technical innovation, processing of sideline products, the development of the building and mining industries and transport." Ma also stated that bank lending policies had been adjusted to meet the special needs of underdeveloped regions to help them develop commodity production and delay repayment of overdue loans. According to the Agriculture Bank president, outstanding loans exceeded two hundred billion yuan of which "a large proportion" were "overdue or stagnant." Total loans issued by the bank reached 392.3 billion yuan in 1985. (China Daily, January 25, 1986: 1)

The Role of Cities in Rural Industrialization

In the rural industrialization strategy of the Mao era, there was a notion that urban industries should establish links with rural industries, provide them with technical assistance, and where feasible arrange subcontracting of parts production, processing of production materials, or
assembly of semi-finished goods. This strategy remains intact in the present period, though its scope has been greatly expanded and the commodity relations it involves have largely been put on a contractual basis. In a speech to a meeting in Beijing on development of rural industries and urban industry reform, Wan Li argued that China’s industrial sector must open its doors not only to foreign capital, technology, and management, but to the rural areas as well. He called on urban industries to rise to the challenge of developing and transferring cheap and efficient new technologies suitable for use in village and township factories. The speech was published in the Rural Work Newsletter [Nongcun Gongzuo Tong-xun]. (Dec. 5, 1984; FBIS, Dec. 7, 1984: K16)

One result of recent reforms has been greater mobility of labor between city and countryside. Rural industries are beginning to attract urban people with technical and managerial expertise to leave their jobs in the city to come to work for them. They are doing this by offering salaries two to three times higher than those in municipal enterprises as well as better housing than is generally available in the cities. Past restrictions on changing jobs, particularly in the state sector, made such movements well nigh impossible until recent decisions to allow personnel to look for other jobs if they felt their knowledge and skills were not being fully utilized. There have also been reports of retired technical personnel moving to the countryside to take up positions in rural industries.

Another recent reform affecting urban contributions to rural industrialization is the restructuring and decentralization of research in applied sciences and economic management. People’s Daily (June 4, 1984) reported that since 1982, nearly 10,000 new non-governmental research
institutes had been established as commercial companies offering consulting services, technical advice, and training to smaller rural and urban factories on a fee or contract basis. The story gives the example of a technical company in the city of Changzhou which helped set up four township industries in only four months. The explosive growth of rural industries in Jiangsu is attributed, in part, to the involvement of these new city-based research companies. It is they who are perhaps playing the most significant role in meeting Wan Li's challenge to develop appropriate technology for rural industrialization. The People's Daily article cited the example of a Shanghai laboratory that had developed a process for converting waste plastic fibers into inexpensive furniture.

**Relations of Production within Rural Industrial Enterprises**

The focus of reform in rural collective enterprises has been on actualizing their self-management rights and improving their economic efficiency by rationalizing their management structure. This has required changes in both external and internal relations. Many township and village industries are not the property of those who work in them. They belong to the larger collective of the township or the village or possibly to a stockholding company set up by the township or village or its economic association or agro-industrial-commercial corporation. Commonly the collective owners have a contract with the enterprise that covers their expectations concerning its output, profits, taxes, collective levies, and system of remuneration and penalties. In the past, collective industries were subject to considerable control by county, commune, or brigade leaders and party secretaries. The current reforms are supposed to delegate major responsibility for internal management to the director.
or manager, who has the right to set up his or her own management team.

In most rural industries, job post responsibility systems have been instituted involving the signing of responsibility contracts by workers and management at all levels. Responsibility contracts in industry have a function analogous to those in agriculture. They combine unified and decentralized planning and management. For example, in the Gansu food-processing company discussed in the preceding chapter, the chairman of the board of directors, the factory directors, the workshop foremen, the team leaders, and group leaders respectively sign contracts with the company, the factories, the workshops, the teams, and the work groups. Cadres at every level are viewed as being simultaneously leaders and hired staff. They are no longer state appointees with guaranteed tenure. They are also no longer cadres whose wages come out of the collective's accumulation fund. Their wages, like those of everyone else in the enterprise, come not out of the pockets of peasants, but out of the surplus produced by the working collective to which they belong. Their contracts stipulate their responsibilities. If, within a set period of time, they are unable to make up deficits or otherwise fulfill stipulated responsibilities, they are expected to resign and to compensate for economic losses. At the same time, the workforce under the leadership of cadres at each level is supposed to exercise supervision over the cadres so as to protect themselves, the collective owners, and the surrounding community from economic losses, occupational hazards, environmental degradation, etc.

Nevertheless, managerial authority over the workforce has definitely been strengthened. Factory directors have the power to fire workers whose performance is deemed unsatisfactory. Most rural collectives no longer use workpoints to compensate either agricultural or industrial labor.
Many factories have introduced piece rate wages. Others have floating wage systems whereby workers who fail to meet quotas receive only seventy to eighty percent of their base wage. Most enterprises now have elaborate regulations tied to bonuses and fines. The pace of work is generally much faster and quality controls more rigorous. This is the discipline of market competition reflected in the workplace. However, most workers when asked their opinion of the changes tend to point out that higher productivity has meant higher wages. They do not tend to blame management for the imposition of fines since they know that the directors are also subject to such discipline and for them the penalties are generally much more severe. However, the rewards for overfulfilling targets are also generally greater for factory directors than for the workers, though some enterprises still retain an old restriction that management bonuses should not exceed the average of the workers under them. However, in some contracts between rural collectives and factory directors, their rewards for better than anticipated performance are generous to the point of being exploitative.

There has been little or no discussion of the need to democratize labor-management relations within rural enterprises. I have seen only scant evidence of rural workers' participation or supervision of management. There are few reports of workers' congresses or trade union organizations in rural industries except in larger, usually county-run state-owned factories. Most rural industries are quite small, a few dozen workers at most, but they are beginning to expand and some have workforces of several hundred.

Besides their generally small scale, another likely explanation for the lack of institutionalized mechanisms for worker participation or
supervision of management in rural industries is simply the inexperience of rural workers, who are generally the first members of their families to work in industry. But there is another possible explanation and that is simply that until recently, rural enterprises had so little self-management autonomy that it was pointless for workers to struggle with managers who had no real authority over wages, working conditions, product mix, marketing, organization of production, purchase of supplies, taxes, profits turned over to the commune, brigade, or team, etc. If workers had grievances, they would have to tackle those who held the real management authority, the commune or brigade leaders or in many cases the party secretary. Since accounting was not open and often an impossible mess to untangle from general collective accounts, workers could easily be awed into silent submission.

But with the reforms and the widespread introduction of contract responsibility systems with more strict cost accounting and enterprise responsibility for profits and losses, the situation is changing. In some townships and villages, enterprise managers have been selected on the basis of public tenders whereby prospective candidates draw up a plan or contract covering targets for output value, turnover, taxes, wages, bonuses, profits, reinvestment, etc. These are public documents that are discussed by the collective's leaders and activists. In some cases, these contracts are debated and ratified at public meetings. Often the major terms of these contracts are included in a more general contract between the township, village, or team leaders on one side and the collective as a whole on the other. Appendix B contains one such general contract drawn up by Luxia Brigade in Fujian. Once these contracts are drawn up and the rights and responsibilities of enterprise managers
spelled out, it is at least conceivable that workers could, either as workers or as members of the general collective, call into question management decisions that they believe involve a breach of the agreement. Unfortunately, without further investigation of the impact of the contract relations that have become such an integral part of the rural economy, it is only possible to speculate on their possible effects. Nevertheless, as these fifty million rural industrial proletarians represent a sizable and growing proportion of China's wage labor, it is certainly a mistake to ignore them as do virtually all analyses of China's working class. [11]
CHAPTER SEVEN

CONTROVERSIES

By most standard measures of economic performance such as growth of per capita output, total output value of agriculture and rural industry adjusted for inflation, personal incomes, standard of living indices like size and quality of housing, or personal consumption patterns, China's rural economic reforms can be judged a major success. [1] The structure of agricultural production by the end of 1985 was much more diversified, and productivity and incomes were showing the effects of the economics of comparative advantage. The rate of commoditization in the rural economy had risen rapidly with the effect that peasants' purchasing power was beginning to have a major stimulating effect on industrial consumer and producer goods industries in city and countryside. Peasant savings, investment, and consumption had been rising simultaneously and steadily since 1978.

Not all the gains can be attributed simply to the entrepreneurial skills and acquisitive drive unleashed by the reforms. First of all, as many Chinese authors acknowledge, it must be remembered that the preceding period of twenty-six years of massive efforts to level, terrace, and irrigate fields; to tame rivers and contain and conserve water in reservoirs; to build roads and highways; to install telephone lines; to electrify villages; and to establish village industries together created the basic infrastructure that made many of the breakthroughs in the
eighties possible.

Secondly, many of the production gains in agriculture after 1978 were attributable to the doubling of fertilizer application, the introduction of Japanese techniques of cultivation under protective plastic sheeting, the planting of new high-yield hybrids of rice, wheat, corn, cotton, and vegetables, and other technical innovations. Nevertheless, it is also true that many of the people who developed the new strains, popularized the plastic green houses, or purchased the fertilizer were peasants whose technical and managerial skills were released or developed in the context of the new policies.

Role of Local Leaders

Although it would be difficult to find anyone in China who would disagree that the new economic policies in the countryside have been a success in economic terms, some cadres have expressed doubts or misgivings about their own role in the new context. From party documents, theoretical journals, newspapers, and radio broadcasts, it appears that a major stumbling block to the implementation of the new rural development policies has been the resistance of many rural cadres. This is not surprising. The reforms required reorganization of both economic and political relations. In grassroots accounting units, many cadres had their jobs eliminated by collectives who decided a smaller and cheaper administrative team was adequate for their needs. Reductions of fifty percent or more of the leadership at team level have been not at all uncommon. An Pingshen (1983: 6), party secretary of Yunnan province, writing in the journal, Economic Management, felt it was necessary to clarify that those who said that "when contracting work to the household, there is no need to have
cadres" were incorrect. Like the movement for "crack troops and simpler administration" in Yan'an in the forties, the contemporary reorganization has also returned many cadres to productive labor to earn a living. Team cadres, in particular, engage in a range of economic activities and many have set up specialized farming or industrial household enterprises. There have even been reports praising the vanguard role of village or brigade party secretaries who have set up household enterprises and hired other villagers to work for them. (China Daily, Jan. 28, 1985: 4)

Figures on cutbacks of the number of cadres on state or collective payroll do not necessarily correspond to cutbacks in the total number of cadres. At the commune and brigade level, many cadres have switched from being salaried bureaucrats to being business executives whose incomes are set by contract and are derived from the earnings of the collective enterprises they manage. Thus the burden on villagers to pay cadre wages out of limited collective accumulation funds has been reduced. Some cadres have greatly increased their incomes in their new posts of responsibility and welcome the changes in their role. But others regret or resent their change in responsibilities or status.

Many cadres have felt overwhelmed by the complexities of their new responsibilities in a rapidly changing context. An editorial in People's Daily (January 20, 1984: 2) provides a typical example of the party's response to confusion about the roles of team and village leaders and the meaning of "unified management" in the new context.

So-called "unified management" does not in any way imply the restoration of the past practice of centralized labor, centralized distribution, and arbitrary uniting of household managed units by administrative command. The "unified management" that we emphasize nowadays requires that cooperative economic organizations strengthen their services for household operations and solve the problems which peasant household management, key households in particular, cannot solve on their own.
The key word here is "service." The new orientation calls for leaderships that are able to serve the needs of household producers without infringing on their autonomous rights as self-managing producers. Old notions of unified management as "centralized control" are being challenged. The emphasis has shifted to coordination, provision of information, and assisting people engaged in different activities to set up cooperative agreements and relations. Team and village leaders are expected to draw up plans for how to fulfill state quotas, how to coordinate planting, watering, pest control and disease prevention, use of farm machinery, etc. These plans are sometimes in the form of contracts between team or brigade leaders and the collective such as the Luxia contract in Appendix B. In Luxia brigade in Fujian, in Jiringol commune in Xilinghot's grasslands, in Pingbu brigade in Shunde county in Guangdong, and in Tuqiao village in Xishuangbanna, local leaders were selected through secret ballot elections. A new trend is emerging in which prospective leaders present a sort of platform in the shape of a development program for the collective. In some villages on the Hetao plain in Inner Mongolia candidates actually bid for a contract to serve as team or village leader. What they offer are promises to coordinate efforts to achieve specific development goals, for example, a certain income level, building of a transportation link, a school or clinic, electricity lines, setting up of collective enterprises, etc. These promises are concretized in the form of agreements (commonly formal contracts) hammered out through leaders' negotiating efforts inside and outside the collective. At the end of the term of office or contract period, peasants review the achievements and failures of the collective, evaluate the revealed strengths and weaknesses of their leaders, and consider whether to let someone else have a try.
What peasants are demanding of leaders in the present context is no longer an amorphous attitude of willingness to "serve the people." Villagers want very specific services. They are no longer an amorphous group, "the people" or "the masses" or "the peasants." They are specific individuals, specific families, specific economic associations who have specific needs for material supplies, market information, cooperation of government bureaucrats, etc., that they are asking their leaders, as their local representatives, to help satisfy. Leaders are no longer expected to "serve the people" by organizing and managing the collective's labor. People are organizing themselves and asking for specific assistance to solve bottlenecks, conflicts, etc. This is not to say that leaders have no role in initiating projects. Quite the contrary. But it is no longer assumed that all the initiative can or should lie in their hands.

Gao Zhanxiang, party secretary of Hebei province, writing in Workers' Daily (Dec. 14, 1984: 2) in an article entitled "to lead is to serve," argued that cadres must be public servants and the public must guard against their servants being transformed into their masters. He reminded his readers of Marx's and Engels' high estimation of the Paris Commune, which initiated a system of election and recall of public servants and restriction of their wages to that of ordinary workers. The introduction of responsibility systems and use of contracts coupled with popular elections is meant to make grassroots leaders more responsible to those whom they are supposed to serve and to check their exercise of arbitrary power. Theirs is not an easy role to play, for grassroots leaders are subject to criticism from above and below and there are no longer any monolithic models to copy. Leadership in the present period requires a great deal of imagination, tact, and courage.
A Cooperative Commonwealth?

Many cadres' objections to the new economic policies go deeper than confusion about or dislike for their new roles as leaders. They have misgivings about the nature of the social relations emerging in the wake of the reforms. They believe a socialist society should be a cooperative commonwealth in which there is a spirit of "all for one and one for all," in which solidarity derives in great part from the lack of any significant disparities between different individuals' opportunities to live a full and meaningful life. Party assurances that the new policies are intended only to release latent productive powers and to prevent the stifling of "those who get rich first" leave some still doubtful. They fear that present disparities will harden into long-term relations involving both subordination and exploitation. These fears are found among rural cadres and peasants, among Chinese intellectuals, and among many western observers and scholars.

The gap in incomes between the wealthiest and the poorest peasants in China is very large, on the order of one to two hundred or more. However, households with per capita incomes of more than ten thousand yuan or of less than fifty yuan are quite exceptional and not likely to be found in the same village. Intra-village income disparities seldom exceed one to twenty, which of course is still very large. None of the villages we visited had disparities exceeding one to ten. This is, however, still a very large gap and naturally a source of tension.

Table Nine provides data on the changing structure of income differentials taken from sample surveys in 1978, 1982, and 1983. These data are indicative of income trends, but probably do not provide a reliable picture of actual income distribution. Early in 1985, Minister of
Civil Affairs Cui Naifu, in a speech to a national conference on assistance for poorer families, acknowledged that there were fourteen million rural households or seventy million people whose incomes were below the poverty line. This represents about 7.6 percent of rural households and 8.4 percent of the rural population. Per capita income of less than one hundred yuan is a commonly used poverty yardstick, but only by including all households with incomes of 150 yuan or less can one come up with 7.6 percent in the 1983 sample survey. The percent of surveyed households with per capita incomes of one hundred yuan or less is only 1.4 percent. However, the China Daily (May 21, 1985: 3) report on Minister Cui's speech does not actually specify the figure used to determine who is "poor" and the same story states that in Liaoning province, the Civil Affairs Bureau grants special assistance to households with annual per capita incomes below 120 yuan. However, Liaoning is a relatively well-off province in which in 1984 average rural per capita income was 477 yuan, compared with the national average of 355 yuan. But regardless of likely bias in the sample, the figures are indicative of a general trend toward a widening of the gap between the richest and poorest families, but also a general movement upward and a clustering of incomes at a much higher level. Whereas in 1978, sixty-five percent of households had per capita incomes below 150 yuan, by 1983 only 7.6 percent of households remained in this category, fifty-six percent clustered around the two to four hundred yuan level, and twenty-three percent had per capita incomes exceeding four hundred yuan. [2]

In 1984 and 1985, articles in the Chinese press drew attention to the persistence of poverty in the countryside with reports on surveys to determine the number of poor households and the reasons for their
inability to keep up with the growing incomes of their neighbors. (China Daily, May 15, 1985: 4; March 9, 1984: 3; and Beijing Review, February 3, 1986: 16) Shortage of labor power and investment funds are the two most common problems, but lack of technical or economic information, experience or fear due to recent losses in poorly conceived ventures, or the traditional conservatism of peasants are also common explanations. Many solutions are being tried to overcome these problems, including the setting up of technical training programs in animal breeding, construction, food processing, handicrafts, or other viable sidelines. Development of small-scale economic associations is also creating opportunities for families who lack labor, capital, or know-how to pool resources, share risks, and develop skills with the help of others.

Poor households are being encouraged to develop sidelines and to become specialized households. While it has been generally true that the wealthiest households are specialized households, specialization is not meant to be the prerogative of a rural elite who can disassociate themselves from a majority who remain tied to the collective and to crop farming. Nevertheless, specialized households have been viewed as the leading edge in the effort to diversify, commoditize, and socialize the rural economy and have therefore been eligible for all sorts of preferential support. While rural collective industries were being cut off from Agricultural Bank and credit union loans in 1985 and told to finance development projects out of their own accumulated savings, household enterprisers were still being promised loans on preferential terms. However, only those investing in agricultural production or agriculture-related service or processing operations were supposed to have priority. Specialized households were also supposed to get preferential treatment in
the distribution of scarce inputs, such as fertilizer, machinery, animal feed, plastic sheeting, and chemicals.

Under the circumstances, it is hardly surprising to learn that in many villages virtually every family has been trying to get classified as a specialized household (People's Daily, Oct. 20, 1983: 5). County governments have the authority to grant the status of specialized household. (People's Daily, July 25, 1983: 2) However, as there is no universal criteria for defining or approving such classification, this is a murky area of administrative power over differentials in income-generating opportunities between households.

According to a Hefei radio broadcast of June 3, 1983 (FBIS, June 8, 1983: 01), the Anhui provincial government distributed printed copies of eleven draft regulations relating to the certification, rights, and priority treatment of specialized households. The regulations specified that crop cultivating households whose specialized commodities constitute more than sixty-five percent of their total household output value and whose total production for the market (as opposed to subsistence production) exceeds eighty percent should be issued specialized business certificates by the relevant county or municipal government departments. Among specialized households producing products other than crops, their rate of specialization overall commoditization must both exceed fifty percent. However, it is not clear how rigorous is the accounting procedure whereby these rates are determined, nor is it clear whether every provincial-level government has issued such regulations and, if so, to what extent they have effectively prevented or contained corrupt use of this new power by administrative officials.

It is not clear to what extent the field is really open to any and
what is clear is that those who succeed are not only getting rich faster than others, they are also being drawn into positions of authority and influence in party and government. According to People's Daily (April 6, 1984: 1), in some regions forty percent of new party members recruited between 1979 and 1983 came from specialized households. They are also well represented in new township and county people's congresses. Without further investigation, however, it is difficult to know to what extent the overrepresentation of specialized households in party and government reflects the simple fact that many natural leaders are also turning to specialized production or that participation in economic associations or community development schemes has brought specialized producers well-deserved recognition, prestige, and thereby nomination for positions of authority or influence.

Besides the gap between specialized households and households still engaged in unspecialized crop farming, another common source of differentiated income-earning opportunity is access to jobs in industry. Worker-peasant households who have one or more family members working in rural or city industries tend to have incomes that are significantly higher than unspecialized peasant households. Song Linfei's (1984: 113) study of Nantong county in Jiangsu province revealed that a workday in commune or brigade-run industries yielded income double that of a workday in farming, while the workday of a specialized household producer yielded on average an income three times that of an unspecialized crop producer. Like the specialized households, the worker-peasant family usually needs some sort of administrative approval or assistance to obtain access to this income-earning opportunity. That cadre control over access to jobs
in rural industries is a potentially corrupting source of power is evident from numerous complaints in the press about favoritism and nepotism in enterprise recruitment.

But it is also a common practice for cadres to use this power to equalize income-earning opportunity between households by offering jobs in industry or other collective enterprises to families in financial difficulties. Despite a common western perception that the Chinese have abandoned all concern with egalitarian distribution of wealth following a virulent attack on "ultra-left egalitarianism," readjusting and balancing incomes between various occupations remains one of the major responsibilities of rural cadres and has been stressed by many party leaders. [3] In Luxia village near Fuzhou, jobs in the brigade's industries were very carefully allocated so as not to offend villagers' sense of justice. The brigade also used a workpoint system to mitigate income gaps that would otherwise have driven many out of farming altogether. However, in Luxia there were enough jobs in the brigade's industries that virtually every family was a worker-peasant household and while some were clearly increasing their incomes faster than others, every family was prospering as never before. Tensions over intra-village income gaps are more likely where a few households suddenly become quite wealthy in comparison with their neighbors who have not basically changed their means of livelihood. It is differential access to means of production and not differential results from equal access to income-generating opportunities that is behind most of the divisive phenomena of gossip, ostracism, extortion, and even theft of the money or property of newly rich households. (Perry 1985a and 1985b)

The party has tenaciously resisted all tendencies at lower and higher

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levels to identify growing income gaps with class polarization. The newly wealthy have been defended as having earned their incomes through honest labor. This is not to say that there have not been exposures, criticisms, and punishment of individual cases of fraud or otherwise dishonest business practices. But there has been a scrupulous effort to distinguish between legal and illegal, honest and dishonest practices. The principle of socialist distribution of reward according to one's labor is regularly held up as the criteria for distinguishing the prosperity of the newly "rich" peasants from that of the landlords and rich peasants in the era of class exploitation. And yet, there is also a recognition that most of the income gaps are also the product of differential access to means of production and not simply superior effort, skill, or ingenuity.

Chinese authors speak openly about the need to minimize the operation of the principle of reward according to access to means of production. In the original distribution of land contracts, families were allocated an average of eleven miniscule plots, each of which had been carefully rated according to its past and probable future productive capacity. (*Economic Research* [Jingji Yanjiu], No. 11, 1983) In the system of all-inclusive contracting that has come to dominate land contracts, there is calculation of the standard output value, standard cost of production, and standard labor input required in order to determine a fair share to be handed over to the collective. Those who manage through extraordinary effort, investment, or ingenuity, to exceed anticipated results are free to reap the benefits and are required to turn over to the collective only what was stipulated in the contract. The purpose of the careful calculation of standard output value on the basis of a standard cost of production and a standard labor input is to "exclude as much as possible the factor of
nonlabor earnings." (Lin Zili 1983: 5 and 1984: 3)

This attempt to fashion a fairly egalitarian distribution system, in which unequal incomes derive from unequal labor, is seriously undermined by increasingly differential access to means of production. The most obvious example is the recent decision to allow and even encourage the transfer of land contracts between households. Section three, item one of the party's Document No. 1 on rural work in 1984 recommends extension of land contracts to a minimum of fifteen years and legitimizes "small readjustments in the interests of broad stability" on the basis of full discussion and unified decision by the collective. Land transfers are not restricted to this one readjustment however. The document stipulates that where peasants wish to be freed from responsibility for crop farming or to contract for a smaller area either because of insufficient labor or resources or because of desire to specialize in some other economic activity, they should be permitted to transfer the contract either back to the collective for redistribution or to another household. However, such transfers must be registered and authorized by the collective or its leaders.

Document No. 1 (1984: Section 3, Part 1) also stipulates that "under the present circumstances governing the state monopoly for the purchase and marketing of grain, the transferee of a contract should provide the original owner with a certain amount of grain at parity price." The purpose of this rider is not only to guarantee some security to households who lack the labor power to farm land originally contracted to them, but also to overcome traditional identification of land with security and encourage specialized ventures in which peasants leave the land, but not the village or its vicinity.
A second form of compensation involves estimates of the value of private investment in land improvements by the original holder of the contract. This requires "democratic consultations among commune members" to establish "specific criteria for grading and pricing land." However, this is for purposes of compensation for investment and not for purposes of sale of land, which is illegal. However, contracted land can be leased, although not to a third party. Land contracts also cannot be transferred to individuals wishing to use the land for housing or other nonagricultural use. These stipulations are clearly meant to prevent the development of a land market while allowing for adjustments in the decentralized management of crop farming. While they technically prevent the development of a landed gentry, they do not prevent growth of differentiated incomes derived from differentiated access to the most basic means of production in agriculture.

Lin Zili, writing in People's Daily (February 16, 1983: 5) states that in an earlier article in August 1982 he had argued that wherever the rural economy remains largely undiversified and uncommoditized and land is scarce and population dense, land must be contracted strictly according to population to guarantee more or less equal access to the basic means of livelihood. Otherwise, peasants will justifiably reject the responsibility system. Lin predicted, however, that with the development of productivity, greater diversification and commoditization would open the way for contracting according to the ratio of family members to labor force, or even entirely according to labor power. In other words, some would specialize in crop production while others would do something else.

In the subsequent follow-up article (1983: 5), Lin Zili states that the day for this transformation has already arrived in the more developed
areas, where land contracting need no longer be tied to criteria of equality of access to this essential means of agricultural production, but rather to unequal endowments of skill, capital, and technology. In other words, those who have the greatest potential for producing the most should be given the chance to realize this potential for the benefit of themselves, the community, and the nation. Concentration of control over land resources is seen as logically necessary to achieve efficient use of land, labor, water, chemicals, machinery, and funds. This is, of course, the same argument that lay behind the original development of producers' cooperatives and the unified management of collectives. However, while some unified management still persists, the orientation of this strategy is quite different given its commitment to preserving decentralized household management wherever feasible. At the heart of this commitment is a notion of equalizing opportunity to realize one's full productive potential. The heart of the critique of egalitarianism is a critique of its inequalitarian tendency to stifle or prevent the development of unequal talents, capacities, and needs. The key to overcoming the injustice of income gaps derived from unequal access to means of production is seen to lie not in restoring equal sharing of a single means of production--arable land--but in developing a diversity of income-generating economic activity that can greatly expand the options for realizing a diversity of types of capacities and needs among the rural population.

In those developed areas where the rate of commoditization of production is already quite high, this strategy is becoming a feasible option for the present. However, in underdeveloped regions where largely monocrop production remains, the development of specialized commodity grain household producers may represent a real threat to the goal of
on the basis of a series of reports in the *Rural Work Bulletin* [Nongcun Gongzuo Tongxun], describes the transfer of land contracts as perceived by many peasants as a "second land reform" in which "scores of peasants driven by poverty into the various non-farm sectors rush back to participate in the 'second land redistribution,' which they regard as a 'social insurance,' with the hope that the 15-year leasehold will automatically transfer into private ownership upon its expiration, to sustain the extra rental bonanza." According to Kueh, the reports in the *Rural Work Bulletin* describe a mushrooming of "leasehold markets" in unused plots that peasants are withholding rather than returning to the collective for reallocation without compensation. Document No. 1 does not specify under what circumstances land contracts should be simply returned to the collective and when it is permissible to sublet land to others. In the latter case, the original contractor is still responsible for the agricultural tax, the quota to be given to the collective, and the sale of the crop. Thus the subletting party must pay a fee to the original contractor for the use of the land (the "rental bonanza" referred to above). Maintaining one's contract with the collective is one way of retaining one's right to a share of rationed grain distributed at subsidized prices by the collective. Besides the user's fee, this is another reason why a household might logically wish to retain formal control over the land contract.

The *Rural Work Bulletin* reports also express dismay at widespread social conflict over reallocation of land contracts and arbitration of disputes. This sort of conflict is the logical result of what Lin Zili warned against, the inegalitarian allocation of land contracts on a basis
other than population in areas where the principal means of production remains the land because production remains largely undiversified and uncommoditized. Kueh's assertion that peasants have been "driven by poverty into the various non-farm sectors" and that they will rush back into farming if given access to more land does not accurately reflect the general situation. While it is true that there are cases of such movement back into farming, such as the two brothers who left city jobs to contract land for a specialized grain operation described in Chapter Four, most peasants who are able to find or create employment for themselves in the non-farm sector earn much higher incomes and have little or no desire to return to farming on a full-time basis. The squabbling over land contracts does not represent some innate peasant yearning for land, but merely the struggle for a larger piece of a very scarce resource in conditions where other means of livelihood still remain largely undeveloped.

In communities where there are jobs available in industry and the infrastructure exists to support a wide range of specialized commodity production, many households will neglect or abandon farmland and even buy grain on the market, if necessary, to take advantage of more lucrative and (in the estimation of many) more interesting occupations in non-farm sectors. In such communities, arrangements to allow specialized grain producers to manage larger tracts of the collective's land will be welcomed as a way of guaranteeing food supplies, meeting state quotas, and freeing the majority to develop a more diversified and productive economic base, which is of benefit to the community as a whole. With such a division of labor, differentiated access to different means of production, as opposed to the former simple pooling of largely undifferentiated labor and sharing of land and the larger means of agricultural production, can

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yield significantly higher incomes for the entire community on the basis of significantly higher productivity.

However, Kueh and the authors of the reports in the Rural Work Bulletins have grounds for doubts and concern about the impact of land contract readjustments in villages that still lack the infrastructure for a greater division of labor. In such villages, the development of specialized households who monopolize not only land but also (because of preferential treatment) high-yield seeds, fertilizer, credit, and technical services, represents a very inegalitarian development. In Yanbei prefecture in Shanxi province, for example, households that produce five tons of grain are rewarded for their contribution to commoditization of grain production with five hundred kilograms of fertilizer. (Chinese Peasant News, March 20, 1983: 1) Fertilizer is a scarce commodity in China and shortages are possibly the number one factor holding back higher yields. Peasants spend up to one third of their investment funds on fertilizer. Despite the fact that fertilizer has been liberated from the nonmarket supply system of the command economy, because it is such a scarce commodity its sale is still somewhat regulated and purchases still often require authorization. This naturally opens the way for a lot of bartering, favoritism, and outright corruption.

But the most serious danger is that of class polarization. It is becoming clear that a relatively small number of specialized grain producers, if equipped with the necessary means of production and skills, are quite capable of producing all the commodity grain required to feed the urban population and the growing non-farm sector in the countryside. In such a situation there is a danger that local cadres, eager to impress county planners and grain bureau agents, might push for the "rational"
reallocation of land contracts to permit those households that have exhibited superior ability to monopolize the necessary resources so as to more "efficiently" manage grain production for the collective. Where no other means of livelihood have been developed, such a move would likely create a pool of labor that has lost its access to the means of production and can only sell its labor power to more richly endowed neighbors who have been granted the privileged status of specialized commodity grain producers. Although a number of western authors have pointed to this obvious danger (Conroy 1984 and Hinton 1984, for example), Chinese authors seem relatively unperturbed by the development of this new labor market in the countryside. Although there are regulations limiting hiring of labor, it is clear that many officials are simply looking the other way and welcoming the creation of almost any new source of income for a generally grossly underemployed rural labor force. However, unlike other household enterprises, these specialized grain operations, in hiring labor, do not create new means of livelihood but only an appropriation and concentration of control over the only means available, thus causing a "second proletarianization" of a segment of the peasantry.

Differences in income-earning opportunity is not only a factor in the relations between specialized and nonspecialized land contractors. It affects the relations between grain cultivators and all other peasants. I pointed out in Chapter Four that many households had abandoned grain farming because it was so unrewarding when compared with labor expended in other forms of production. Both specialized households and worker-peasant households were found to be neglecting contracted land, leaving it to lie waste until it was agreed that subletting and readjustment of land contracts should be permitted. This is just one indication of a deeper
problem arising out of the opportunity costs of continuing to engage in crop farming when other forms of farming or nonagricultural economic activity are available. This is partly due to still inadequate farm gate prices for many products and still inflated costs of many inputs, particularly fuel and machinery. This is, of course, a world-wide problem. But in China it is exacerbated by the fact that peasants who have contracted land have been subject to an array of taxes, fees, and levies for such things as cadres' salaries and expenses, health and education facilities and staff wages, subsidies for the militia, and per capita payments into collective welfare and accumulation funds. Recent reforms that commoditize many formerly "free" services, such as health care, veterinary service, water and electricity, film showings and performances, have focused the burden of costs on users and forced many providers of services to pay more attention to cost efficiency.

Nevertheless, the press still carries stories about the unreasonable financial burdens being imposed on peasants who are being encouraged to refuse to pay any fees or levies not authorized by the county people's congress. (People's Daily, May 24, 1985: 1) But one way of escaping many of these fees and levies is simply to disassociate oneself from the collective, leave crop farming, and go into business. While it is generally considered a good thing that so many peasants are turning to more diversified forms of economic activity, it is also creating certain problems. For example, vegetable production in the suburbs of some large cities, particularly Beijing, became inadequate in 1985 because of the movement of many traditional vegetable producers into handicraft, manufacturing, or commercial private or cooperative ventures.

In the context of the new policies, there is only one way state
planners can correct such market disturbances and that is to negotiate with producers to find out what are the obstacles to making agricultural production more profitable and attractive relative to other occupations. It is this sort of investigation and negotiation that has produced the contractual agreements and new cooperative relations between urban governments and rural economic associations whereby dairy, poultry, and egg supplies for major cities are being planned and guaranteed. However, if relatively independent agricultural producers are to continue to supply urban markets with a reliable stock of food products, governments will have to remain sensitive to their needs and have the courage to carry out necessary price reforms with temporary subsidies and adjustments if necessary. Peasants who are no longer trapped in a situation in which they have no other way to make a living except to produce food for a state monopolized market have the freedom to refuse to produce food, even if it is needed, on the grounds that they have their own families' needs to look after and can make a better living doing something else. The only alternative to compulsion in this situation is negotiation and genuine efforts to make crop farming a viable and attractive option.

As more and more alternatives open up, mechanization and concentration of land management will be the only reasonable way to achieve equity between farm and non-farm occupations so as to guarantee the steady improvement of food production. The old model in which the peasantry were to grow prosperous together by pooling their labor to transform the land as their most valuable, equally shared resource is no longer viable. The only route to their common prosperity lies in negating this form of "crude communism" and replacing it with a very different notion of cooperation on the basis of an increasingly complex division of
labor and specialization.

Income differentials due to unequal access to means of production are not a new phenomena arising out of the expansion of commodity relations and greater entrepreneurial freedom. This contradiction lies at the heart of the deepest structures of inequality between villages, between regions, between industry and agriculture, and between the city and the countryside. This tendency is in direct contradiction with the spirit of the basic socialist principle of distribution according to labor. It was recognition of the inequity inherent in a system providing higher incomes to villages endowed with better land that was behind attempts to equalize opportunity by using brigade, commune, or even county funds to finance and organize major farmland capital construction projects in the sixties and seventies. A portion of the differential land rent, which was not the product of superior investment of labor or funds, was diverted to subsidize development projects in less well-endowed teams or brigades or communes. As long as collective assets were not appropriated without consultation or compensation, such subsidization to create a more equitable distribution of means of production usually encountered a minimum of resistance. However, attempts to raise the accounting level, so that existing differences in earning power and long-term subsidization of one village by another was obscured, tended to nurture old and new inter-village hostilities and resentments. On the whole, this approach to resolving income differentials seems to have been abandoned for the time being, if not permanently. However, farmland capital construction projects funded by higher-level economic associations or governments in an effort to equalize opportunity for disadvantaged teams or villages or townships have not disappeared with the new economic policies. What is
different is greater reliance on contracts and specialized construction teams to achieve the requisite mobilization of labor and resources.

This approach has also been incorporated into major regional development projects. In Yunnan, for example, where 41.8 percent of townships lacked highway connections, in the winter of 1984-85 a plan was drawn up for more than ten thousand kilometers of road construction. Plans and contracts were negotiated between provincial, district, county, and township governments. Four hundred thousand peasant road builders were contracted in return for compensation in the form of grain, cotton, cotton cloth, and cash, all of which came from government reserves. (People's Daily, Dec. 13, 1984: 1) To further mobilize local efforts to build transportation links, in January the provincial government announced a program of subsidies for peasants who would undertake road construction. The government offered two, four, or five thousand yuan (depending on the quality of road surface) for each kilometer built. (China Daily, Jan. 16, 1985: 3)

However, in road building and many other rural development projects, the government has increasingly called on local governments and economic organizations to mobilize their own resources to meet their needs and not to wait for the central or provincial governments to organize and fund them. Increasingly, the central government is claiming an inability to do the job. And in fact, state investment in "agriculture," which includes not only forest, aquatic, and animal products, but also rural industries, declined by almost fifty percent from 1978 to 1985 (Lieberthal 1985: 111). Bruce Stone (1985: 119-20) attributes major cuts in the state agriculture construction budget to the very large food subsidies paid both to rural producers and urban consumers to facilitate increases in farm gate prices
in 1979-80 as well as general budget restraint in 1981 in reaction to deficit spending the year before. [4] Originally the state had planned to increase the agriculture portion of its investment in capital construction from 10.7 percent in 1978 to eighteen percent by 1982. But with an overall cut in capital construction of twenty-one percent in 1981, agriculture's share dropped to 6.6 percent. Even after restoration of overall capital construction to earlier levels in 1982, agriculture's share remained at the disproportionately low level of 6.1 percent in 1982 and six percent in 1983. [5] And yet, the rural economy in recent years has been growing at a very impressive pace. The great bulk of capital investment in the rural economy continues to come from the producers themselves.

Accumulation

What is different about the current strategy is an apparently more serious commitment to reducing the rate of extraction of surplus from the countryside to finance capital construction in the cities. This is the deepest and most serious inequity that perpetuates income differentials between city and countryside in virtually all socialist states. For years, Chinese and western scholars underestimated the persuasive power of the Soviet example over Chinese practice. One indication is the high rate of state extraction of surplus, known in socialist economics as the rate of accumulation. [6] In China, this rate reached its maximum in the years of the Great Leap Forward and was at its lowest in the early and mid fifties and the era of the "New Economic Policy" of the early sixties. These were the years of the ascendency of economists like Chen Yun, Xue Muqiao, Sun Yefang, and Yu Guangyuan, whose ideas continue to influence
policy in the era of China's second "New Economic Policy." Another indication of the influence of the Soviet model is the lopsided emphasis on expanding heavy industry at the expense of development in agriculture and light industry.

The extraction of surplus from the countryside in China has been achieved through two principal mechanisms: 1) compulsory sales to the state and 2) the price scissors. Both are directly linked to restriction of commodity exchange and state monopolization of trade. State procurement prices for agricultural commodities were generally higher than the market price in the fifties, when state unified purchase and sale of grain and cotton was first established. In the intervening years, however, the costs of production rose more rapidly than state procurement prices. For years Chinese authors proudly pointed out that state procurement prices for agricultural products more than doubled while the prices of industrial products sold to peasants remained relatively stable from 1950 to 1978. This sounds impressive until one examines prices more closely, as many Chinese economists are now beginning to do.

Higher yields in agriculture have generally been achieved by more than doubling expenditures on fertilizer, chemicals, machinery, land reconstruction, etc. At the same time, labor productivity in industry increased by about fifty percent with no comparable decline in retail prices. This surplus was merely absorbed by the state in the form of taxes and remitted profits. Low prices for industrial raw materials supplied by agriculture also added to profit margins in the industrial sector. Because of these factors, many Chinese economists have concluded that the scissors gap, despite superficial appearances to the contrary, has actually widened significantly under the state's regulation of
Commodity exchange. This inequitable situation enabled the state to derive one-third to one-half of its financing from the agricultural sector in 1977. (Watson 1983: 707-708) Meanwhile, the politically sensitive agricultural tax rate dropped steadily, serving to obscure the real situation. This forced saving in the countryside might not have been so bad if the greater proportion of the surplus extracted had been reinvested in the rural economy. But in fact, agriculture throughout the entire period of the People's Republic has not only provided a major portion of investment funds for urban industry, it has also supplied the bulk of investment in agriculture, industry, and commerce in the countryside. When the state raised procurement prices in 1979, this was not an act of generosity on the part of the party and national government. It was a price adjustment long overdue and still inadequate to actually correct a still fundamentally inequitable price structure. And yet, the cost to the government was very significant. Subsidies to producers and consumers added up to one-quarter of total budgetary expenditures from 1979 to 1982. In 1983 and 1984 the government began to pass on the costs to urban consumers rather than roll back the prices paid to the producers. At the same time, the state began to release its hold on food prices and to allow demand to determine market prices. Ultimately, the only answer lies in increasing labor productivity in the countryside largely through simultaneous industrialization, specialization, technical improvements, and mechanization while at the same time reducing costs of production by insisting that greater labor productivity in industry be reflected in lower prices for machinery and manufactured inputs. This lowering of costs of production may be quite difficult to realize in conditions of relaxed control over prices. The press has been full of reports and commentaries on open and
disguised price hikes for fertilizer, chemicals, and farm equipment, all
in great demand since peasants' won the right to make private purchases of
means of production. For example, a People's Daily commentator's arti-
cle (May 23, 1983: 2) complained of arbitrary and illegal price hikes as
well as deliberate adulteration of fertilizer with useless stretchers to
increase profits. The guilty parties include state, collective, and
private producers of agricultural inputs and equipment. If this situation
is not corrected, the price squeeze will continue to systematically
starve the countryside of investment capital, thereby holding back both
the technical transformation of agriculture and rural industrialization.

The increases in state procurement prices were only one part of a
larger effort by the state to reduce the drain of capital from rural
areas. Taxes and compulsory sales were reduced and even eliminated in
many depressed areas, such as Tibet, Gansu, and Ningxia. In 1979, the
state also increased the tax-free setting-up period for new commune and
brigade enterprises and increased by five hundred percent the maximum
income such enterprises can earn before beginning to pay taxes.

Also important are the structural reforms that enable local govern-
ments to tax local enterprises and use these funds to finance local deve-
lopment projects. The restructuring of people's communes and the setting
up of specialized industrial, commercial, and agricultural service compa-
nies has also opened another way to keep accumulation at the grassroots
and prevent a drain of surplus into state bureaus, many of which are now
being dismantled. Vivienne Shue's (1984) study of restructuring in Guang-
han county in Sichuan revealed significant transfers of profits from the
township industry and commerce companies into team accumulation funds
for reinvestment in agriculture. An article in Problems in Agricultural
Economics (Li Shihui 1983: 26) sums up the basic idea behind these reforms with the fundamental notion: "What is taken from the people, use for the people" [qu zhi yu min, yong zhi yu min]. "The people" [min] here means not the amorphous undifferentiated "masses" [qunzhong] of the whole country, but rather the local citizenry.

It is also no longer considered reasonable to take surplus from agriculture to serve the needs of "the nation" by developing industry. In the words of one county official writing in People's Daily, "The state should not regard the countryside as a kind of colony for the industrial sector, which takes away all raw materials and monopolizes industry and commerce." (Gray 1982: 228) If agricultural surplus is to be used for industrialization projects, it should be invested in local rural industries. The past strategy did involve development of collective industrial enterprises in the countryside, which tended to concentrate on agricultural inputs and equipment, steel, cement, bricks and tiles, and power generation. In the current stage of rural industrialization, there is far greater emphasis on developing light industries and consumer goods production to generate rapid turnover and profits that can be plowed back into local rural development schemes, including agricultural projects. In line with this orientation, which uses industrial profits to finance rural development, Zhao Ziyang in the late seventies backed experiments in Sichuan to leave more profits in the hands of local industries. In the early eighties after he became premier, the central government began urging county governments to hand over to communes and brigades those county industries located outside the county towns. (Meisner and Blecher 1983: 41-42) This involved transforming state-owned enterprises into collectively-owned units and raised interesting controversy about the
relative merits, on a socialist scale of socialization, of the two types of "public" ownership. This issue has also come to the fore in the process of reforming urban enterprise management systems. At the heart of the rural reforms is a controversy over the relative merits of and tension between state, collective, and private accumulation. Past policies treated many types of private accumulation as "capitalist tails" to be lopped off in political campaigns. Collective accumulation was viewed as somewhat inferior, but necessary, stepsister to that which made China a full-fledged socialist country, her state-owned industrial base. Collective enterprises were tolerated and even encouraged as long as they did not interfere with the state's ability to expand its own accumulation. This meant that many rural private and even collective handicraft and industrial sideline operations were closed down or prevented from starting up by officials who refused to grant necessary licenses or access to supplies and markets, all in the name of protecting and preserving the "more authentically socialist" state-owned economy.

The current strategy has a somewhat different orientation. In the past, the party and government kept promising the peasants that if they would just tighten their belts for a few years, higher rates of state and collective accumulation and investment would mean even greater prosperity in future years. But the peasants got tired of waiting and began to dismantle the power structure used to extract the surplus generated by their labor. The effort to commoditize rural production and expand commodity exchange relations has put a lot more cash in peasant pockets and bank accounts. The rate of commoditization of agricultural produce reached 59.2 percent in 1983 and cash income from produce sales increased by sixteen percent in 1984. [7] Peasant bank accounts rose from 26.4
percent of the national total in 1978 to 35.8 percent in 1983.

Peasants have used the greater part of increased earnings to expand consumption of food, clothing, and consumer durables. The major target of peasant investment has been in new housing. However, this is largely a once-in-a-lifetime investment and many families soon turned to investment to expand household production and earnings. Rural cash income from non-farm services and industries increased by fifty percent in 1984. Peasant savings are financing not only private development projects, but also cooperative ventures launched with joint-stock financing or rural credit union funds. The belt-tightening strategy borrowed from the Soviet Union has proved not to be the fastest route to prosperity. The new strategy not only does not systematically starve the countryside for both consumption and accumulation funds, it actually fuels industrial development in the cities. China has finally begun to discover the potential of the rural market. Peasant consumption of light industrial producer and consumer goods is revitalizing many urban industries. The less that is taken away from the peasants, the more there is available for them to spend on urban products. This is the new strategy for financing urban development with rural funds. It cannot remove altogether the tensions between urban versus rural or between state versus collective versus private enterprises over access to scarce resources and competition for markets. But it does set the contradictions in a very different overall context. In my opinion, there is no magic formula for resolving these conflicts; they can only be worked out through planning and negotiation at many levels.
What about Planning?

Another fear raised by cadres, especially middle-level administrators, has to do with the impact of decentralized management on central planning. For surely if one thing is certain, it is that a socialist society is a planned society.

Like "cooperation" and "equality," the meaning of socialist "planning" as an organic communication process has become a subject of dispute. The economists and party theorists who have become most influential in the post-Mao era--Xue Muqiao, Sun Yefang, Chen Yun, Yu Guangyuan, and others--all insist that planning should not be equated with centralized control through administrative commands. Rather, plans should be treated as instruments, sources of information to aid associated producers to coordinate their economic activity to prevent dislocations, shortages, and waste. They speak of the need to switch from imperative planning [zhilingxingde jihua] to indicative planning [zhidaoxingde jihua], a concept borrowed from East European economists. [8]

Indicative planning has greatly increased the self-management authority of households, economic associations, and producers' collectives to plan the use of local natural and human resources. It was centralized imperative planning that caused the enormous destruction of trees to fire the "backyard furnaces" that produced substandard pig iron in the Great Leap Forward. It was centralized imperative planning that produced deserts in Inner Mongolia when pastureland was plowed under to grow grain. Every rural community in China can tell stories of ecological devastation and economic losses caused by imperative planning by authorities too far removed from the scene to comprehend the consequences of their commands.

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The reforms introduced since 1978 have radically altered the planning process for rural production. The old system of output quotas and mandatory sales to the state at fixed prices is rapidly being replaced with advance purchase contracts at negotiated prices. In 1982 the government reduced the number of farm products subject to unified purchase and marketing by the state from forty-six to twenty-one. In December 1984 at a conference of top agriculture officials, it was proposed that quotas of compulsory sales to the state be abolished. In January and February of 1985, the Chinese press began quoting and commenting on statements by Premier Zhao Ziyang and Du Runsheng (director of the party Secretariat's Rural Development Research Center) outlining weaknesses in the planning system based on state monopoly of trade in essential farm commodities and defending the decision to replace it with negotiated advance purchase contracts. (China Daily, January 18, 1985: 3; January 28, 1985: 4; February 1, 1985: 4 and Beijing Review, February 18, 1985: 17) By the middle of 1985, contracts had replaced mandatory sales quotas for grain, cotton, oil-bearing seeds, eggs, pigs, sheep, cattle, and more than thirty other farm products. The government had negotiated contracts for purchase of seventy-five million tons of grain and 4.25 million tons of cotton. Much of this contracting was done by the supply and marketing coops on behalf of the government much the same as they did in the early fifties.

Peasants are free to sell farm products in the market after fulfilling contract obligations. The deregulation of prices in many essential foods resulted in widespread price increases. Meat, egg, poultry and vegetable prices increased by about fourteen percent in the first quarter of 1985 compared with the same period in 1984. (China Daily, May 17, 1985: 1) There was some panic buying but supplies in most
locations increased following the elimination of compulsory sales to the state. After an initial period of inflation, prices of many food products began to fall as farmers increased production of items in demand. However, there are still shortages; and inflation remains the greatest threat to the success of this reform. The inflation is, however, stimulating a change in the structure of production as peasants attempt to reap the benefits of meeting consumer demand for items in short supply. For example, deregulation of pork prices has produced a flurry of pig raising unequaled by decades of administrative orders and mass movements to raise pigs. In the past the state procurement price barely covered the cost of feed grain. (China Daily, May 6, 1985: 1) Increased prices for fish also resulted in increased supplies, since in the past state procurement prices regularly failed to cover the costs of production.

As predicted, the market price for grain fell as a result of local gluts following the record grain harvests of 1984. (China Daily, May 17, 1985: 1) The government, as promised, maintained its procurement prices for grain to try to prevent producers unable to cover their production costs from abandoning grain farming. The government also promised to purchase surplus output if market prices fall below the costs of production. [9] In 1985 the government arranged to sell five million tons of grain to Japan, Korea, Jordan, Zambia, and the USSR as well as making donations to drought-ravished countries in Africa. (China Daily, May 22, 1985: 4) However, this was not enough. Writing in Economic Daily (April 27, 1985), Xue Mugiao called for the restoration of private markets for grain and cotton. He pointed out that of the four hundred million tons of grain produced in 1984, seventy-five million were purchased by the state, 250 million would be consumed by the peasants, and
the other seventy-five million tons would have to be sold by the peasants themselves. Private grain markets have already appeared in Wuxi in Jiangsu province and Wuhu in Anhui. But if peasants want to sell their surplus grain at a profit, they will have to turn it into animal feed or processed food products.

Deregulation of prices and elimination of compulsory sales quotas should not be interpreted as elimination of state planning or state regulation of the rural economy. The state planning commission and provincial and county planning departments still draw up plans and targets for output of essential agricultural products. Municipal and county planners also make recommendations of minimum acreages for certain crops on the basis of investigations of need. In Shanghai suburban communes, these recommendations are taken as reference points for the drawing up of contracts to guarantee year-round supplies of fruit and vegetables to the city's state-run markets, which are probably the largest and best organized in China. [10] The existence of such supply and marketing advance purchase contracts can enable planners to forecast possible shortfalls or overproduction and take steps to encourage producers to make adjustments to their production plans and schedules to prevent losses before it is too late.

But a great deal of farm output is regulated simply through the market by peasants trying to calculate demand with insufficient information as to the production planning of other units and households. In 1982 the greater freedom of producers to determine the structure of production, based on more or less blind calculations of market demand and profitability, caused enormous expansion of acreage sown to tobacco and subsequent overproduction. In 1983 in response to the fiasco of the previous year,
acreage sown to tobacco was drastically reduced with the result that good-quality tobacco had to be imported and mixed with the domestic product to meet the demand. (Beijing broadcast, FBIS, January 31, 1984: K10-11)

This is the nightmare of the anarchy of unplanned production that haunts the dreams of planners. But the reform-minded economists insist that rational, balanced production structures can be achieved without resorting to overly centralized imperative planning. The key is seen to lie in greater use of contracts in planning processes at all levels. It is through the signing of contracts that teams, brigades, economic associations, and township and county governments can include household production, supply, and marketing in local plans. It is also contracts that are enabling governments of provinces and autonomous regions to conduct negotiations to achieve planned development of their jurisdictions. This was tried in Fujian province in 1983 where, on the basis of ecological characteristics, twenty-one areas were established as commodity bases for the production of grains and soybeans and another sixty for specialized cultivation of various cash crops. The number of specialized households rose to seventeen percent and formed the backbone of producers signing contracts to guarantee planned output of the designated crops.

Contracting and specialized commodity bases are also a feature in the integration of provincial and national planning. Thus it was agreed in 1976 that Inner Mongolia should no longer be required to strive for grain self-sufficiency and should specialize in livestock production and concentrate on restoring and building up the productive capacity of its grasslands. The central government also agreed to a decision in Heilongjiang province to restore large tracts of sugar beet fields that had been converted to grain production during the Cultural Revolution. By
1983 ninety percent of the province's sugar beet output was produced by specialized households. Contracts were signed at all levels from the households up to the central government to ensure stable output of sugar.

In 1983 Beijing signed contractual agreements with eight provinces on joint construction of fifty county-sized commodity grain bases. (*China Daily, May 6, 1985: 4*) Preparation for these national-level agreements included setting up of agro-technical service centers and signing of production, supply, and technical service contracts with specialized households, economic associations, teams, brigades, and county and provincial government departments. The contracts between governments include guarantees of funding to develop productive facilities that include water control projects, agro-technical peasant training centers, laboratories, and seed development and storage facilities.

The shift away from centralized imperative planning toward indicative planning with contracts significantly alters the nature of communication in the planning process. Before 1978 in spite of mass line notions of flow of communication up and down the hierarchy, the initiative of cadres and producers at lower levels was rather severely restricted. They sent up information concerning past performance and present conditions which, after synthesis by statisticians and planners, provided the essential data base for centralized planning. At best, when there was some democracy at the base, the producers participated in the "planning" process by discussing how best to implement a detailed set of instructions handed down to them.

In the emerging system of planning, a whole range of exchange of information, discussion, negotiation, and decision making occurs in a myriad of contexts from within the households and teams at the base to the
highest state and party organs. With the decentralization of planning through contracting, it is intended that negotiations and decision making take place at levels appropriate to the decisions to be made. Communication can occur between individuals or groups who are familiar with the concrete conditions and therefore more likely to be clear about capacities, needs, and possible problems. An important role remains for central planners. But this should involve economic information services and coordination to facilitate decision making at lower levels rather than monopolization of planning and decision making by the center.

Struggles over accumulation are struggles over the division and utilization of surplus in a society of scarcity. Contention over planning involves a deeper struggle over the division of labor between those who plan the work of others and those who execute the plans of others. The reforms involve a major decentralization of rights and responsibilities for the planning and management of local economies and specific production and distribution processes. What is emerging is a planning network that not only allows for decentralized self-management and planning by relatively independent economic units, but also coordinated local development planning by county and township governments and economic organizations. For example, according to the Henan party policy research office (1984: 5) investigation of township economic associations, commonly one of the first actions of these new coordinating bodies is to organize the supply and marketing coops and relevant government departments to carry out a study of local natural, technological, and labor resources, the overall administrative setup, and the structure of the economy, encompassing both the structure of production and the character of emerging production relations, including collective enterprises, joint ventures,
specialized households, household contracting, and private ventures. These surveys are meant to uncover "various problems the masses want to see solved." In some places records have been compiled on natural resources, specialized households, etc. Some associations have compiled small handbooks on the local situation. There is registration and filling out of forms; archives of economic and technical information are being created. A major goal of such work is to develop an overall comprehension of the developing situation so as to clarify the tasks to be completed, the division of responsibilities, and the importance of harmonious coordination of the work of various departments.

The report gives the example of one association that, after engaging in such a development planning process, was able to establish a pressed duck factory together with the foreign trade bureau. The foreign trade corporation contracted to sell the product, the factory to manage production, the specialized households to raise the ducks. The foreign trade bureau signed a contract with the factory. The factory signed contracts with specialized households guaranteeing to supply them with ducklings. The economic association's animal disease prevention station contracted to prevent the outbreak of illness. The local people said this sort of association with its vertically integrated production services network was like a dragon whose head was in the county, its midriff in the township and its tail in the households. The dragon's tail and midriff are quite powerful, for the brains (i.e. the planning and conceptualization of production and distribution) are not confined to the head, but neither is it a headless and blind system. It seems to me that under such circumstances, it is fundamentally misleading to interpret the reforms as creating some sort of "laissez-faire socialism" (Conroy 1984).
However, the reforms do seem to involve a fundamental departure from the old commandist model of planning.

**Contractual or Communal Relations**

One thing that immediately strikes the student of contemporary rural China is the tremendous diversity of forms of economic organization compared with the recent past. However, there are particular features that give the picture a certain consistency. Perhaps the key aspect is the widespread reliance on contractual relations to establish horizontal and vertical links throughout the economy. This is true of various forms of economic association, as well as many household and enterprise management and work post responsibility systems. Agreements about supply of inputs, division of production and management tasks, technical services, quality control, conditions of labor, sales, labor remuneration, profit sharing, etc., are all being hammered out through legally binding contracts. Increasingly when Chinese talk about establishing socialist cooperative relations, what they are referring to is the development of contractual relations. Thus to grasp the change in the nature of cooperation and communication, it is necessary to grasp the essential nature of these contractual relations.

Chinese authors have applauded the development of contractual relations, which they see as facilitating and realizing the commoditization, specialization, and socialization of the rural economy. (For example, Gu Ming 1982 and Tao Xijin 1981) They have become increasingly critical of the forms of cooperation and communication embodied in the old commune structures. Peasants were engaged in a form of simple cooperation with little social division of labor. They were transformed into a pool...
of largely undifferentiated labor that could be assigned to different tasks as required by cadres at each level. Their production was largely self-sufficient and covered a rather narrow range of possible economic activity. China's peasants had become rural proletarians who no longer controlled their means of production, their products, or even their own labor. They had no material base with which to defend their interests nor effective forums within which to articulate them. Their collectives lost their spontaneous, self-organized character and became vehicles whereby the party-state organized and directed the population. Civil society disappeared as the distinction between state and collective disappeared. It is quite significant that in Chinese political economy, collectives are defined as one form of "public" ownership [gongyouzhi].

The appearance of contractual relations in this context represents recognition of the existence of independent interests and rights which should not be obscured or absorbed by larger collectives. This independence makes possible and legitimate a whole range of economic activity and independent entrepreneurial initiatives, which are turning surplus labor and capital into productive resources. Chinese authors rejoice at this development because it has brought a tremendous upsurge in the rural economy and rural living standards. But the question remains as to whether such relations are in contradiction with socialist values and goals. This is the issue at the heart of many ambivalent responses to the new policies within and without China. For example, Vivienne Shue sums up her article on "The fate of the commune" with the following remarks.

But decommunization will institutionalize the contract system in township-to-township relations, peasant-to-peasant relations, and cadre-to-peasant relations. In local economic affairs it will change the normative framework for decision-making from the ideals of citizenship and communal welfare to the ideas of efficiency, optimal profitability, and corporation development.
The essential context for understanding basic human relationships and relations of production will be changed from that of communal obligation to that of contractual agreement. (Shue 1984: 277-78)

There is an assumption here that communal and contractual relations are mutually exclusive. But the problem goes deeper, for there is a need to examine the concept of community. To whom does the peasant have communal obligations? To the team? the brigade? the village? the peasantry? the Chinese nation? Current policies tend to focus on the village community, but they do not assume that this is a community having undifferentiated needs with no conflicts of interest. They also do not assume that conflicts of interest are all ultimately rooted in class contradictions as was so often the case in the recent past. Moreover, they encourage the development of other bonds and links that cut across village boundaries and even township, county, and provincial boundaries. Through economic associations, individuals are not confined to membership in one community and may establish cooperative links with many people in different communities and form new communities of interest as well. Geopolitical boundaries and geographically defined communities still exist, but they are no longer the only form of legitimate association and cooperation. The development of specialized skills and independent operations by families and groups of individuals means the development of diversity, the flowering of individuality, and the recognition of individual needs and rights. The kind of cooperation that is emerging in China's countryside in this new context is a cooperation among individuals who are more independent and more able to realize their individual capacities, who have a diversity of needs, many of which cannot but be in conflict with each other in the context of China's continuing state of underdevelopment and scarcity. It is no longer assumed that communal interests and communal
obligations are self-evident like some "general will." The only "social contract" is that being worked out on paper after being debated in countless negotiations among those whose interests are at stake.

The single most important change occurring in China's countryside is the evolution of a specialized division of labor that is becoming increasingly voluntary. It is this transformation that is behind the changing character of the concepts and practice of cooperation, unified management, accumulation, and planning.

Cooperation is no longer conceived as being the product of mass mobilization and political campaigns. The peasants are no longer the undifferentiated "peasant masses," a "community of labor" available to be assigned wherever needed by "the community as the universal capitalist." What is emerging instead is a complex, interpenetrating network of associations of specialized economic actors who are forging multifarious forms of long-term cooperation and short-term agreements based on principles of voluntarism and mutual benefit. Perceived needs determine the structure of relations. In an earlier era, perceived needs also inspired the mass mobilizations and campaigns to build reservoirs and irrigation canals and control rivers. But this need for mass participation and highly centralized management for a particular task was translated into a general drive for producers' collectives that were bigger and more public in every way for every task. As a result, producers lost individual and collective control over their means of production, their labor, their products, and the cooperative institutions they had created—their producers' cooperatives, their supply and marketing cooperatives, their credit unions, and their local people's governments. Recent reforms in all these institutions have created conditions for
peasants to regain the initiative and control that had somehow been lost.

Unified management is no longer conceived of as monopolization of planning and management functions, nor as centralized control of production decisions; nor is it identified with team leaders calling the masses out to work and riding herd on them to make sure they put in a full day's work. Rather, unified management involves functions of coordination, facilitating communication, and establishing organic links between producers, suppliers of material inputs and services, and retailers. Unified management means keeping an eye on the overall situation, drawing the community's attention to problems, and giving direct assistance to those experiencing difficulties.

Accumulation has also changed inasmuch as it is more open and above board. Because of their contracts, households have a much clearer picture of just how much surplus they are producing individually and collectively and where it is going. At the same time, a range of new economic projects have been created with direct investments by peasant households individually or cooperatively. Benefits from such investments are more immediate and direct than state investment of revenues from rural taxes or from disguised accumulation derived from the price scissors.

Planning, too, has been affected by the new context of specialized division of labor. Individual, village, county, and even regional specialization have appeared, putting tremendous pressure on planners at each level from household, team, and village planners to the central planners in the capital. It is much easier to coordinate production when producers have little or no say over what to produce, when people are reduced to amorphous pools of labor power, and planning becomes a means of control in a program of social engineering. It is enormously more difficult to
coordinate the relatively spontaneous economic activity of autonomous, self-managing households in cooperative associations. But without such autonomy and spontaneity, self-managing socialism becomes nothing but illusory rhetoric.

It may come as a surprise to some Marxists that I should argue that the effort to develop a specialized division of labor is opening up possibilities for a more conscious effort to democratize production relations. I do not know if Chinese Marxists are aware of Marx's critique of the crippling and stunting effects of the social division of labor in capitalist society or of his notion of abolition of the social division of labor in communist society. It is quite likely they are unfamiliar with the work of western Marxists on this subject. [11] I do not believe, however, that there is a real contradiction between Chinese efforts to develop the specialized division of labor and the Marxian goal of abolishing the social division of labor. I come to this conclusion on the basis of two observations. First of all, there is a common interpretation of Marx that would make him appear to be a fool who believed it would be possible to have a modern and highly productive society without specialization of functions. This I believe is fundamentally incorrect. The excerpt from The German Ideology most often cited to support this interpretation also contains the clue to what I believe was his real intent.

As soon as the distribution of labor comes into being, each man has a particular, exclusive sphere of activity, which is forced upon him and from which he cannot escape. He is a hunter, a fisherman, a shepherd or a critical critic, and must remain so if he does not want to lose his means of livelihood; while in a communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes... it is possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have a mind, without ever becoming hunter, fisherman, shepherd, or critic. [12]
Most interpretations have focused on the utopian dilettantism of the latter half of this excerpt. But I think the essence of Marx's objection to the social division of labor in capitalist society lay not with the specialization of social functions per se, but with the inability to escape or to choose freely one's "branch of accomplishment."

The development of specialized households and specialized economic associations is the direct outcome of the restoration of personal freedom for peasants to develop their talents in fields suited to their own interests, capacities, and needs for self-realization. Although there are many examples of development of destructive forms of possessive individualism in the wake of the reforms, there is also plenty of evidence of the development of a different sort of creative, emancipatory individualism that finds expression in all sorts of developmental economic activity. This activity gives its architects pleasure because it satisfies their need to make a meaningful contribution to the development and happiness of the community with which they identify. [13] It is precisely by developing specialized skills that these individuals are able to satisfy this need. This is the first reason why I do not feel there is any fundamental contradiction between the recent development of the social division of labor in rural China and the Marxian notion of socialist transition.

The second reason is that Marx's most fundamental objection to the social division of labor rested on a critique of the industrial division of labor in which management was able to consolidate its monopoly over the planning and conceptualization of production by reducing labor to relatively unskilled, mindless operations or simple carrying out of instructions. The development of responsibility systems, specialized households,
and autonomous economic associations is not only dismantling the old division between, on the one hand, team and brigade leaders who plan and organize the labor of the team or brigade and, on the other hand, "peasant masses" who show their communist spirit by earnestly and unstintingly doing what they are told to do. It is also helping to dismantle the old command economy with its fundamental division of labor between leaders who decide what is needed and articulate the "general interest" in the form of plans and "working masses," whose only job is to fulfill the plan targets. This is the second reason why I feel the Chinese effort to develop a specialized division of labor is not in contradiction with the Marxian notion of socialist transition.

The key mechanism whereby cooperation, unified management, accumulation, and planning are being transformed to suit a context of increasingly voluntary specialized division of labor is the contract. It is impossible to penetrate and expose the true character of the development—communication nexus without a closer examination of these contracts. It is essential to uncover who is contracting with whom. Are relatively disorganized individuals, groups, or households signing contracts with relatively autonomous bureaucrats or are allied economic actors negotiating with organizations over which they have some democratic control, be they teams, enterprises, small joint ventures, larger joint-stock companies, village economic associations, or large agro-industrial-commercial corporations. My own research results are still far too fragmentary to be able to draw any firm conclusions about the general character of emerging contract relations. In interviews with peasants and village leaders and Mongolian herdsmen and their leaders, I found a general pattern of meetings of county and commune leaders to discuss how to draw up contracts, followed
by team leader efforts to draft agreements, which were then discussed by households, small groups of households, and meetings of household representatives. After revisions, the contracts were printed and signed. However in discussions with students, I learned that in some localities in Inner Mongolia household contracts were verbal agreements made between team leaders and household heads. These were generally areas where the collective had never been strong and the responsibility systems employed involved all-inclusive contracting with a minimum of unified management, if any.

While it is possible to conceive of peasants achieving and maintaining democratic communication to guide development at the village level, it is quite another thing to fashion democratic institutions for the planning and management of an agro-industrial-commercial corporation that encompasses tens of thousands of people working in state farms, teams, various processing enterprises, retail stores, and the administration of an assortment of joint-stock companies.

The problem is even more disturbing when one considers the challenge of achieving democratic participation in national rural development policy formation. In the still relatively few years since the rural reforms began to emerge, national leaders, especially those in rural development work in the party's secretariat and the central government's state council, have made numerous inspection tours and organized regular rural surveys and conferences to try to understand the rapidly changing situation. Most policies are tried out first on an experimental basis before being recommended for general implementation. Thus for example, the restructuring of the people's communes to separate economic management from government administration was tried in pilot projects in selected
counties in 1983 before becoming a national policy in 1984. Similarly, several of the central committee documents on rural reforms were promulgated first as draft policy statements for trial use and only formally adopted after a year of testing and discussion. In the summer of 1983, the party Secretariat's Rural Policy Research Center set up "rural information points" in selected counties around the country to report on progress and problems in the implementation of the party's rural policies. Within the counties regular contact teams and households in different areas were expected to report on the local situation. (Huhhot broadcast, July 2, 1983; FBIS, July 7, 1983: R3-4)

All these measures are meant to improve the party leadership's understanding of needs, problems, and developments in the countryside. In this way the party attempts to carry out the mass line in rural policy formation, that is, to synthesize the ideas of the peasants and give them back to them in the form of a systematized set of concepts and policies. This is essentially the same communication theory and practice applied in the land reform and the cooperativization movements. It works well in a relatively small geographic area, but when translated into national policies often leads to trouble. What is appropriate for one group of peasants at a particular moment in their shared historical experience may not be at all appropriate for another group. When mass line is used to rationalize a universalizing impulse to transform institutions "with one slice of the knife," people tend to lose control over their situation, to lose any sense of their function as active subjects making their own history.

Chinese leaders have had experience with this universalizing impulse and its devastating effects. Recent party documents, speeches of national
and provincial party leaders, editorials, and articles in theoretical journals have all criticized local cadres who have imposed particular contract and remuneration systems because they thought that these particular innovations were what the party was demanding. Cadres are clearly afraid of "making mistakes" and being "struggled against" or "set aside" as they have been so often in the past. Many simply lack the confidence to allow their community to decide for themselves what is best for them. But the heart of the problem does not lie with the inadequacies of grassroots cadres.

The mass line is not and cannot be a substitute for national debate about alternative rural development policies. It is undemocratic for the party to draft rural policies on the people's behalf no matter how hard they try to keep a finger on the pulse of the nation. The current leadership may be well-intentioned or even wise, but their exercise of leadership is paternalistic and not democratic.

When confronted with this fact, many Chinese intellectuals will nod in agreement, but then state that the problem is not resolvable for the time being because China's peasants are "too ignorant" [bu dong shi; meiyou wenhua]. Such statements are quite shocking to those of us who have been enormously impressed by the community solidarity and institutional transformations wrought by China's peasants under extremely arduous conditions. But those of us who have lived, worked, and become friends with Chinese peasants also know that many of them have only the vaguest notions of what goes on in Beijing or how national policies are formulated. Unfortunately, most of their experience of national politics before 1978 was confined to the "struggle between two lines" as reflected in local factional struggles or enforced participation in national politi-
cal campaigns.

A major obstacle to anyone trying to follow, let alone influence, national policy debates is the fact that they are shrouded in mystery. Citizens are too often reduced to gathering information on who is for what from the "alleyway news" [xiaodaoxiaoxi], that is, rumors. This is not to say that there is absolutely no public debate. In July 1979 People's Daily began printing a special readers' column entitled "Discussions on Guidelines for Agriculture." Prominent agricultural economists and scientists, government administrators, and others participated in debates about regional specialization, grain versus livestock production, and other national policy issues. By the end of the year, the newspaper had received over one thousand contributions to the column. (Smil 1984: 190) In recent years, party and academic journals and newspapers have become much more controversial, introducing contending views on national policy options. But during the same period, editors of dissident journals have been harassed and even imprisoned, which has had the effect of putting definite limits on debates about national policies, especially limiting any fundamental questioning of the overall orientation of the party's development strategy. The situation is both encouraging and discouraging with regard to prospects for greater public discussion of policy alternatives.

What is encouraging is the changing situation in many villages. More and more peasants are pursuing economic activities of their own choosing with great enthusiasm. There is a tremendous demand for more information and more education. Peasants are beginning to transcend the old social division of labor between conceptualization and execution of production planning, between management and labor through their own self-managed operations and cooperative associations. As they expand the sphere of
rural commodity production and exchange, they are expanding the boundaries of their own powers, interests, and needs. Only when they experience the need to participate in national policy formation will it become even possible for China to begin the long struggle to build a truly self-governing socialist society. This struggle is not yet on the agenda, but it is just possible that the present movement in the direction of self-managing economic associations will lay the roadbed and expose the contradictions that will make self-government a felt need and demand not only of some of China's intellectuals, but of her peasants as well.
Mao Zedong shared a lot of the utopianism of Marx. In his aspiration to forge a revolution that would "touch people to their very souls," he went much further than Marx, who did not think of socialist society as a product of the altruistic behavior of human beings imbued with revolutionary consciousness. The socialist revolution anticipated by Marx was not to be engineered by a morally superior minority vanguard party in the name of the proletariat. The proletariat, pursuing their own material interests as a class, would be driven to overthrow the system that required their exploitation. The workers' parties with which Marx was associated were not Leninist cadre organizations, but mass parties open to anyone who agreed with their aims. Marx expected the proletarian revolution would be a self-emancipatory project that would transform the existing capitalist economic system into a more equitable and efficient socialist economy. It would transform an existing bourgeois democracy into a more democratic socialist republic. However, in Russia and China and most of the countries in which Marxist-Leninist parties have come to power, neither capitalism nor bourgeois democracy were highly developed before the seizure of power. Because of this, revolutionary parties that claimed to represent the interests of workers and peasants have been faced with a task of industrialization left incomplete or even barely begun by the bourgeoisie.
In China, in order to obtain the investment capital required for rapid construction of an industrial base, the party felt compelled to impose stringent limits on the growth of consumption. Introduction of a national wage system in the state sector, control over wage policies in the cooperative sector, and strangulation of the private sector served to severely restrict urban incomes. Production of consumer goods was limited with the result that no revolution of rising expectations could fuel popular discontent in a country largely isolated from the rest of the world. To hold down wages, it was deemed essential to implement cheap food policies. However to succeed, this policy orientation required that peasants be compelled to guarantee delivery of adequate supplies of agricultural products at artificially low prices regardless of the opportunity costs of cooperation with state planners.

The real impetus behind the rapid collectivization of the fifties and the abandoning of commitment to upholding the principles of voluntarism and mutual benefit lay not with either Marxian or Maoist utopian notions of the superiority of communist relations of production, but with the exigencies of rapid industrialization in conditions of severely inadequate development of either the productive base or democratic institutions. However, given the task and the unfavorable conditions, the Maoist version of Marxist ideology could be and was used to rationalize and even glorify the suppression of individual and group needs. An essential ingredient in the Maoist project of social engineering to produce the communist spirit of self-abnegation was the subordination of self and group interests to the interests of "society as a whole," often rendered in Chinese simply as "the state." In Chinese, the literal meaning of the "state" [guojia] is "national family." Although Chinese Marxists endorse
the Marxian dream of the withering away of the state, they seldom indicate why this would be desirable and tend to ignore or downplay contradictions between society and the state.

I have never encountered any evidence of Chinese familiarity with the Marxian notion of "the society of associated producers." As I pointed out in Chapter One, Marx himself was extremely vague about the contours of economic and political relations in the world of his utopia. In particular, I stressed the apparent incongruous dichotomy between the pluralism of geographic communities and the monolithic structure of the economy. Despite Chinese silence on the question, it seems fair to conclude from available discussions of socialist transition and practice to date that the prevailing notion of socialist transformation assumes a general "upgrading" of forms of ownership and corresponding relations of production toward a form of state ownership identified as "ownership by the whole people" [quanmin suoyouzhi]. The notion of "ownership by the whole people" implies development of some sort of one-dimensional system of production relations most easily conceived of as a single nation-wide producers' association.

As I explained in Chapter One, there is little room in such a model either for labor self-management or for institutional forums for the articulation of particular group interests and needs. And yet, despite continued commitment to the eventual construction of this utopian national community, actual developments in the wake of the rural economic reforms indicate possible evolution in a different direction. The emergence of specialized, voluntary, relatively autonomous, self-managing economic associations has opened up possibilities for the development of what I would consider to be a much more feasible notion of a society of
associated producers. In such a society, urban and rural freely associated producers could include individuals, families, small cooperatives, and larger collectives allied through a range of possible types of cooperation much the same as what has been emerging in China's countryside in recent years. Producers might or might not actually own their means of production. Self-employed individuals who owned their means of production would not be owners of private property in the Marxian sense unless they hired wage labor to utilize these means of production to produce surplus value for them. Producers' collectives could either jointly own the means of production or act as trustees managing them more or less autonomously on behalf of the owners, who might be the people of the whole country or of a local community. [1]

Commitment to development of this more realistic model of a society of associated producers would require certain shifts in thinking about communication, cooperation, and conflict both in actually existing socialist society as well as in the as yet unrealized socialist society of the future. It would, I think, require abandoning the utopian goal of ultimately eliminating commodity relations. However, it would not require abandoning the struggle to overcome commodity fetishism by constantly examining, exposing, and striving to transform the actual relations of production behind each form of cooperative production. [2]

The rural economic reforms cannot be adequately evaluated in the abstract according to certain preconceptions about centralized planning and markets. They must be examined concretely and closely to uncover the extent to which they are stimulating or obstructing the development of labor self-management and citizens' self-government. It is too early to make definitive judgments or even to draw tentative conclusions. But I
think it is not too early to begin the examination and the raising of the key questions.

In the final pages of this study I want to discuss the more general impact of the reforms on the character and content of political communication, cooperation, and conflict in China. I feel it is a fundamental mistake to view the present situation abstracted from the experience of the recent past and Chinese interpretations of that experience. It is useless to reduce the relation of past to present policies, of Mao Zedong to Deng Xiaoping, to a conflict between good and evil, between collectivism and egoism, between altruism and selfishness, or between idealism and consumerism. If instead, present policies are considered in the light of the past, certain liberating and progressive characteristics become apparent. However, the present policies also contain inherently problematic tendencies that will have to be overcome eventually if the whole project is not to be subverted.

Communication

To examine the impact of the reforms on political communication is to ask to what extent they promote the democratizing of social power over the planning and organization of economic activity. East European authors often refer to this goal as the socialization of planning and management functions. [3] Chinese authors do not seem to use this term, but they do recognize the need for a socialist transformation of relations of production that goes beyond a transfer of legal ownership. In the Cultural Revolution the process of struggle, criticism, and transformation [dou pi gai] was supposed to put social power over the planning and organization of production into the hands of the laboring classes—the workers and
peasants—and remove it from bureaucrats who had monopolized this power for themselves and thereby sabotaged the socialist project. This was precisely the power that was to be seized from the "capitalist roaders" in the party at all levels, including the central and provincial planning bureaucracies. Thus democratizing planning and management decision-making was a central issue in Chinese politics throughout the Cultural Revolution. To understand the current official stance on this question, it is necessary to appreciate the process and outcome of the struggle to achieve this transformation in the Cultural Revolution.

In the west, the Cultural Revolution was widely interpreted as a movement to democratize political administration and economic management. The impression was reinforced by Mao's rhetoric. Consider, for example, this statement attributed to Mao which appeared in Beijing Review (August 20, 1966):

> It is necessary to trust the masses, rely on them and respect their initiative. It is necessary to boldly arouse the masses and let the masses rise up in revolution, educate themselves, run their own affairs, and liberate themselves.

Whatever Mao's intentions may have been, although the Cultural Revolution touched hundreds of millions of Chinese "to their very souls," it did not enable them to "liberate themselves" to "run their own affairs." It produced instead a widespread vigilant mentality that was mobilized in a witch hunt that made the McCarthy era in North America appear like child's play by comparison. Many Chinese describe the experience of the Cultural Revolution as the exact opposite of the democratization process envisaged in the above quotation from Mao. They speak of a reign of "feudal fascism." This or similar terms can be found in the writings of party theoreticians in official journals and newspa-
pers, the articles of dissidents in unofficial publications and big character posters, and the language of everyday conversation among ordinary citizens. What it refers to is the combination of "emperor worship" and Nazi-style demagoguery that gave the movement much of its dynamism. Young and not so young militants fired by impassioned appeals to their emotions and prejudices vowed to defend Chairman Mao from class enemies within and without the party who had supposedly seized power from the proletarian headquarters. These militants' own power seizures and reign of systematic terror in the name of "exercising all-round dictatorship over the bourgeoisie" left much of the Chinese population wary of anyone who would again suggest that the masses must be boldly aroused to run their own affairs. In the early eighties, I was quite astounded by the tendency of colleagues and students to justify the harsh treatment of dissidents as necessary to prevent any repeat of the Cultural Revolution "unleashing of the masses" in a movement to democratize the political system. The Cultural Revolution seems to have left in the minds of a large proportion of Chinese people a legacy of distrust and doubt about their own capacity for democratic self-government.

And yet in the Cultural Revolution, Chinese people did not really experiment with either self-government or self-management, despite all the rhetoric to the contrary. Mao never really called into question the fundamental reality of rule by the party. He did not seek to democratize the political system by restricting the power of the party-state apparatus. Rather he called for rectification of party and state bureaucrats who had lost touch with the people, who were serving their own interests rather than those of the people. "The people" were mobilized to seize power not from the party, but from the "capitalist roaders" in the party.
Mao may well have believed the "revolutionaries" who tempered themselves through these struggles with supposed class enemies would be fit to rule on the people's behalf, but it would still be rule by a vanguard and still far removed from either representative or direct democracy.

The post-Mao leadership of the party has eliminated emperor worship, demogoguery, and much of the mass campaign politics associated with Mao's style of leadership. It has replaced the revolutionary committees forged in the Cultural Revolution with old and new administrative and management bodies. It has not eliminated "democratic self-management" by revolutionary committees because these governing bodies were largely makeshift alliances of leaders of Cultural Revolution factions who had never been democratically elected and were not responsible to a constituency with the power to remove them if their leadership was deemed unsatisfactory.

While the post-Cultural Revolution reforms have not dismantled a nonexistent system of self-management or self-government, they have also not dismantled the fundamentally paternalistic party-state apparatus that continues to monopolize all key policy formation processes. The current leadership is less authoritarian, more liberal in the face of criticism and dissent, but no less paternalistic than the past. What I mean by paternalism is a practice of deciding and providing for people's needs without allowing them any significant individual or collective responsibility for organizing their own lives and work.

While the rural economic reforms have had a major impact on the microstructure of relations of production in the villages, the macrostructure of production relations embodied in central planning and policy-making processes has not yet undergone any fundamental transformation. [5] The mass line is being applied to consultation with academic and other
professional experts, but the party leadership's monopoly of decision-making authority remains unchallenged. When economists, agricultural or environmental science experts, etc., actually participate in decision making, they do so only by virtue of having been incorporated into the party-state apparatus, not as representatives of particular communities or interest groups but as party-appointed bureaucrats.

While much has been done to separate party and government functions at the grassroots level, there is no question of dismantling the party's control of overall policy-making processes. Actually there are a few faint signs that this statement may be too strong. Edward Friedman (1983: 164-66) in a discussion of "the societal obstacle to China's socialist transition," reviewed significant writings by party theorist, Yu Guangyuan, which do put such a dismantling on the agenda. Yu reminded readers that Lenin, unlike Stalin, believed party rule should be a temporary expedient only until conditions had been prepared for fully democratic self-government by working people. Yu stated that history had shown that Lenin was right and that only the transfer of power to the people could prevent the party from turning into a bureaucratic stratum of rulers alienated from the people.

But it is the dissidents who have been most adamant about the need to recognize that the people no longer need the party's paternal rule on their behalf. And it was precisely their challenge to the party's prerogatives over policy and planning in the Democracy Wall Movement of 1978-79 that prompted the leadership to demand that critics refrain from exceeding the boundaries of upholding four basic principles: socialism, the dictatorship of the proletariat, Marxism-Leninism and Mao Zedong Thought, and the leadership of the Communist Party. [6]
The party has every right to decide that upholding these four principles is a requirement for all party members, but to impose such restrictions on the freedom of thought and speech of nonparty citizens erects an insuperable barrier to the development of democratic political communication. Any individual, publication, assembly, or organization that questions, even obliquely, the legitimacy of any of these four propositions is open to a charge of traitorous betrayal of the socialist cause.

There is no real contradiction between this authoritarian proscription and the party's continued espousal of the mass line as a method to democratize cadres' style of leadership. For the mass line notion of democracy rests on fundamentally undemocratic elitist assumptions. Consider this explanation by Mao of the role of mass line democracy within the party.

If there is no democracy we cannot possibly summarize experience correctly. If there is no democracy, if ideas are not coming from the masses, it is impossible to establish a good line, good general and specific policies and methods. Our leading organs merely play the role of a processing plant in the establishment of a good line and good general and specific policies and methods. Everyone knows that if a factory has no raw material it cannot do any processing. If the raw material is not adequate in quantity and quality it cannot produce good finished products. Without democracy, you have no understanding of what is happening down below; the situation will be unclear; you will be unable to collect sufficient opinions from all sides; there can be no communication between top and bottom; top-level organs of leadership will depend on one-sided and incorrect material to decide issues, thus you will find it difficult to avoid being subjectivist; it will be impossible to achieve unity of understanding and unity of action, and impossible to achieve true centralism. (Mao 1962: 164; quoted in White 1983: 36)

Democracy is reduced to a means for achieving unified centralized leadership by the vanguard. Mass line is a technique for overcoming communication barriers caused by hierarchical power relations between party leaders and ordinary party members, between the party and the masses, and between cadres (party and nonparty) and the masses. The mass
line is used to mobilize popular support for policies initiated by the party. Popular participation is largely limited to implementation of the party’s policies. The character and agendas of mass organizations and popular participation are skillfully engineered by party cadres and the party leaven within each organization or community. When effective, the mass line stimulates a seemingly more democratic style of work. Relations between leaders and led appear more egalitarian because leaders are more open, direct, and accessible. They are skilled at persuasion and avoid commandism. But what is replacing authoritarianism is not democracy, but paternalism. The mass line does not alter the fundamentally undemocratic reality of systemic preservation of relations of domination and subordination.

Village cadres have not generally been involved in policy initiation. Instead, their role has been to organize mass participation in processes of policy implementation. However, there is often considerable room for flexible adaptation to local capacities and problems. Local translation of policy directives can and often does involve a considerable degree of local project initiation and institutional innovation. Nevertheless, general policy formation remains the party’s prerogative.

While in theory the masses have the right to recall their leaders, this right until recently has tended not to be formalized in a set of legal procedures for removing elected or appointed cadres. Instead, the right of recall has tended to be exercised only during rectification movements initiated by the party.

As for the masses’ relation to the party, there is no right of recall. There is not even a right to question the party’s mandate to plan and guide the country’s development and socialist transition. In such a
context, the party's close attention to the opinions of the masses becomes a matter of legitimating a basically paternalistic relationship. The mass line is not a vehicle for popular democratic control over the party. However, in the name of the mass line, the party can and has initiated movements for the airing of contentious views including criticisms of the party's exercise of leadership. But in the end, the party usually "systematizes the ideas of the masses" by deciding which are correct and which are incorrect. Once an idea has been defined as incorrect, it is no longer safe to pursue it. The phase of collecting opinions is over and the masses must listen to the cadres' explanation of the correct line which they should embrace wholeheartedly as their own.

It is, in my experience, incorrect to interpret Chinese practice of mass line communication as democracy. But it is also incorrect to view it entirely cynically as a set of techniques for mass indoctrination and manipulation. It is also mistaken to assume that the Chinese people have no power at all over the party. They can and often do sabotage policy implementation that is perceived as detrimental to their own interests.

While mass line cannot be viewed as an instrument of democratic self-government or popular control over policy formation processes, the importance of the mass line in legitimating popular control over policy implementation should not be underestimated. For it is at this level that many decisions are made that are extremely important to peasants. For example, it was not the peasantry who decided that the landlord class should be expropriated or that the fruits of land reform should be shared equitably by the poor and middle peasants. But peasants in many villages did plan and exercise significant control over the processes of classification, confiscation, and distribution.
Mass line does not extend to allowing "the masses" to organize autonomous interest groups or political forces that could challenge, check, or even supervise the party's exercise of state power. The "open door" rectification of local cadres in the land reform described so movingly in Hinton's *Fang Shen* is possibly the closest approximation to popular sovereignty to be found in the Chinese political system, but it too was engineered by the party, who alone determined when this right could be exercised and by whom. Open door rectification should not be confused with the inalienable right of citizens to recall democratically elected responsible officials.

Mao Zedong in the twenties, Peng Dehuai in the Great Leap Forward, and Wan Li in the late seventies all functioned as representatives of peasant interests within the party. In the spirit of the mass line tradition, they carried out careful investigations and attempted to synthesize, present, and defend the opinions of peasants to the party leadership. Zhou Enlai and Deng Xiao ping played similar roles on behalf of cultural, scientific, technical, and academic professionals. But in no case did any of these leaders act as mandated representatives of the constituency for whom they presumed to speak. They were simply irresponsible patrons. Their exercise of leadership was paternalistic and not democratic.

The espoused goal of separating party ideological, government administrative, and economic managerial functions has thus far failed to challenge the party's authority over government and economic policy and overall planning. The National People's Congress has become much more active in investigating and exposing waste, corruption, miscarriage of justice, etc. But its expanded function is not as the voice of popular
sovereignty. In this muckraking role, it functions as a sort of loyal opposition—acting as a watchdog on the bureaucracy, but in no way functioning as a check or balance to the party's supreme authority. The National People's Congress has drafted much new and important legislation, but the original impetus to draft legal codes remains a party prerogative.

None of this would be quite so problematic if the party's popular mandate were subject to routine validation in contested national elections. But since it is illegal to organize any political party that could openly offer an alternative program for citizens' consideration, evolution of such a pluralist political system seems highly unlikely in the near future. Most of those political parties that have survived have been preserved as anachronistic bourgeois parties whose existence makes more convenient the party's efforts to carry out the mass line by regularly consulting with largely irresponsible spokesmen for the national bourgeoisie. It is a supreme irony that in a nominally socialist system, bourgeois parties are preserved and even subsidized, while any attempt to organize a workers' or peasants' party would be viewed as patently counterrevolutionary.

But democratization would require more than regularly contested national elections as is quite evident from the often quite irresponsible functioning of parties and governments in the bourgeois democracies. Democratic political communication requires a multiplicity of forums where citizens can articulate needs and desires and, if necessary, organize pressure to obtain an adequate consideration of their interests by decision-makers. Such forums could include a wide array of social institutions—local to national legislative assemblies and elected councils; political parties and party factions; labor and peasant unions and their
local councils and provincial and national federations; economic associations; professional associations; associations of the elderly, women, youth, ethnic groups, etc.; university, school, hospital, clinic, and library boards, etc.; citizens' investigative commissions; occasional assemblies, conferences, etc.; and finally and most importantly, fully independent public, cooperative, and private communications media. Both direct and representative democratic institutions could and should be involved in policy formation and national and local planning. It is essential that the productionist bias of Marxism-Leninism be overcome to protect the rights of all citizens, regardless of their means of livelihood, to voice their needs and opinions in policy formation and implementation processes.

At the time of land reform, peasants neither expected nor felt any need to participate in, supervise, or otherwise control processes of policy formation. But in my opinion the stage of paternalistic rule on the people's behalf has outlived its usefulness. Peasants generally recognize the great contributions the party made to their liberation from the tyranny of landlord rule and the constant terror of economic ruin and starvation. They also recognize that the party is not infallible. Quite the contrary, it has vigorously promoted certain policies that have seriously undermined the prospects for rural prosperity and the well-being of the peasantry. They are now much more receptive to the notion that they need forums whereby they can articulate their needs and pressure the party and government to satisfy those needs.

To be effective, such a pluralist approach to national planning to achieve optimum resource allocation would have to abandon the view that it is morally superior to subordinate individual or group interests to those
of "the state" or "the whole people." Truly national interests are relatively rare and usually obvious enough not to require such moral admonitions. Most conflicts of interest are between different groups of people. In China, a major contradiction is that between urban dwellers' desire for cheap food and peasants' needs to cover their costs of production, to accumulate savings for expanded reproduction, and to finance a steady improvement in the conditions of life and work in rural settings.

It is essential to overcome what Alec Nove (1979: 116) has identified as "plan fetishism" wherein "relations between men take on a phantasmagoric form of relations between things." When Marx, Engels, Lenin, and their followers suggest the coming of an era in which the state will wither away to be replaced by a mere administration of things, they fetishize planning, which in its essence is the planning of relations between people. Planning the structure of production is a political process. Since scarcity is not going to disappear, the need for a state to organize this political process will also not disappear. However, while the state will not and cannot be eliminated, the paternalistic state can and should be replaced by a democratic political system. While democratic political communication within such a system could not guarantee optimum use of resources and the optimum self-development of the potential of all citizens, it could at least guarantee the ability to respond to mistakes, oversights, injustices, etc., as discovered and exposed by a vocal and organized population.

But if there is no self-regulating market mechanism within such a society, the sheer weight of the millions of investment, allocative, and pricing decisions that would be required to organize a modern economy would place such a model of democratic planning utterly beyond the realm
of the possible. But for the market to be able to exercise a regulative function, there must not be such scarcity as to create a chronic seller's market. Furthermore, there must be autonomous producers and producers' collectives who are sufficiently responsible for the conditions and process of production to be able to compete freely in the market. However, autonomous labor self-management without democratic planning will produce anarchy, shortages, and waste just as assuredly as has command planning and the abandonment of labor self-management. Both the market and labor self-management can help to reduce the enormity of the task of planning the structure of production to feasible proportions.

Cooperation

Democratizing planning is one aspect of the process of socializing control over the means of production. Relations between citizens (both as producers and as consumers) constitute the macrostructure of relations of production. Democratizing management within the workplace is the other aspect of the socialization process. Labor-management relations constitute the microstructure of relations of production. Neither transformation alone could be adequate to make feasible the elusive socialist goal of collective self-determination in a cooperative commonwealth.

There are two possible models of such a cooperative commonwealth that can be derived from the legacy of China's recent history. The first is that of the "war communism" of the preliberation guerilla war bases. It was a time of extreme deprivation and hardships, which were shared rather equitably by officers, soldiers, and civilians. Many old revolutionaries in later years looked back on this experience with understandable nostalgia for the revolutionary elan and solidarity it had
evoked. In the Jiangxi Soviet, on the Long March, and in Yan'an, everyone wore more or less the same uniform and ate the same meager diet. It was the sort of experience out of which legends are made. But it was a crude paupers' communism nonetheless. And in later years it fostered illusions about the feasibility and desirability of mass campaigns to forge cooperative relations on a similar foundation of self-sacrifice and universal reduction of need satisfaction to a simple common standard.

The other model of cooperation derives from the early period of the cooperativization movement. The mutual aid teams and lower-stage cooperatives, the supply and marketing cooperatives, and the rural credit unions were all originally organized on the basis of principles of voluntarism, mutual benefit, and democratic self-management. Members were free to withdraw from the cooperatives after the harvest and great attention was devoted to promoting the economic interests of members. The positive experience with cooperative arrangements, remuneration systems, and contract agreements during this period inspired many of the innovations with responsibility contracts and new economic associations in the post-Cultural Revolution period. The reassertion of principles of voluntarism, mutual benefit, and democratic self-management in the 1978-85 period represents both a reaffirmation of the early fifties model of cooperation and a rejection of "crude communism."

The Socialist High Tide of 1956 and the communization movement of 1958 radically transformed the nature of "cooperation" within and between the agricultural producers' cooperatives. It was essentially a process of etatization whereby the state penetrated civil society in the countryside. State cadres took up positions in commune administrations where they used their authority to transfer labor, funds, and productive assets from one
producers' collective to another or from one level of ownership to another. Peasants could no longer withdraw their labor or assets from the producers' associations they had originally created with their own wealth and productive powers. Those who complained about eroding or stagnant incomes and those who devoted time, energy, and personal funds to private sidelines to supplement meager earnings from collective production were accused of selfishness and lack of cooperative spirit. Compulsion and self-denial replaced voluntarism and mutual benefit as the cement holding together the producers' collectives. Loss of labor mobility and household self-management autonomy and the subsequent complete dependence of peasants on team or brigade leaders to provide employment to family members produced paternalistic relations of personal dependence and encouraged village leaders to use patronage to build a base of local support for their leadership. The "cooperators" in this arrangement were becoming mere means to each other. Furthermore, the politicization of this "cooperation" meant that possessive individualism was replaced not by a creative self-developmental individuality, but by enforced conformity and social ostracism of those who refused to "cooperate."

A new concept of cooperation began to emerge in the wake of the rural economic reforms. The introduction of responsibility contracts opened up greater room for negotiation of terms of mutual benefit and freedom to refuse to cooperate if plan targets, state purchase prices, and costs of inputs make agreement unattractive compared with other available options. Responsibility systems and specialized household production have restored considerable self-management autonomy to household producers. The new economic associations, being organized by independent specialized households and more fully autonomous village producers' collectives and village
enterprises, because of their greater independance and freedom to asso-
ciate or disassociate, are able to establish more authentically coopera-
tive internal and external relations. Ideally these relations are charac-
terized by a symmetrical reciprocity that prevents the domination of one
partner over another not through moral exhortation, but by stipulation of
rights and obligations in mutually binding contracts.

Contractual exchange relations can be quite liberating in a society
where traditional distaste for money and market exchange has produced a
different sort of exchange relation based on building up a stock of
personal obligations that can be drawn on to obtain all sorts of favors.
A large range of goods, services, and special assistance is simply not
available unless one knows the right people. Most people spend incredible
amounts of time and effort cultivating potentially useful relationships
and doing or requesting favors. An individual leader's effectiveness
rests largely on his or her "connections" [guanxi]. This is an important
consideration in selecting village, township, or enterprise leaders. The
growing reliance on contract negotiations and market exchange relations
has not eliminated this phenomenon of trading favors, but it introduces a
more dependable, convenient, open, and straightforward method of operation
and undermines the prejudice against money and market exchange which has
fed this essentially precapitalist system of exchange of personal favors
for centuries.

The market is not only an economic mechanism, it is a network of
social relations. Its existence depends on impersonal horizontal rela-
tions resting on reciprocal and equivalent rights and responsibilities of
fully independent exchangers. Thus Marx explained that in the transition
from the dominance of a feudal mode of production to a capitalist mode of
production, expansion of market exchange and contract relations replaced a system that rested on relations of personal dependence with one that required relations of personal independence. But, as pointed out in Chapter One, Marx added that this personal independence, while a major step forward, is not yet full liberation since it is founded on an objective dependence of individuals on a system of social production built around commodity exchange through money. This market produces a web of interdependencies, a division of labor, a set of commodity relations that take on the appearance of an accident of history beyond human understanding or control.

Many Chinese economists and party theorists believe this objective dependence can be overcome by planning and regulation of the market. They are not recommending introduction of a system of free enterprise in which supply and demand are automatically adjusted by a self-regulating market. They are experimenting with indicative planning and regulation of the economy through the market. However, from the perspective of agricultural and industrial managers, there is no fundamental difference between their cost accounting or reading of market indicators and similar entrepreneurial activity by their counterparts managing capitalist firms and farms. The key difference lies in the intervention of planners to regulate the regulator by certain controls over a limited set of strategic prices, including steel, grain, wages, energy, transport, and investment loans. By regulating the structure of macroeconomic development indirectly through the market, Chinese planners hope to enable producers' collectives to exercise self-management authority according to market criteria without creating external disequilibrium.

Marx would, I believe, have objected to this strategy. For what it
proposes to the producers is production for profit pure and simple. For Marx, the fundamental difference between the logic of economic calculation in capitalist and socialist society is the distinction between production for profit as opposed to production for use, between production of exchange value as opposed to production of use values. In Chapter One I pointed out that Marx's most fundamental objection to the market mechanism is that in his view it produces alienated labor. Producers shift their attention away from the utility of the product of their craftsmanship to its exchange value—how much they can get for it. Other people are no longer viewed primarily as human beings with needs that the producers can satisfy by exercising their creative powers. Instead, other people become viewed not so much as users of products, but as consumers who not by their use but by their purchase of goods and services give them value. In Marx's perspective, producers working under such conditions are alienated from themselves, each other, their own labor, their products, and those who use their products. This would all follow logically from the simple recommendation that self-managing producers' collectives should base their production management decisions on market criteria of profitability.

The planners would, no doubt, respond to Marx's qualms by pointing out that they, of course, are concerned primarily with maximizing the production of social utilities and not appropriation of surplus value and that therefore the situation is in no way comparable to that in a capitalist market setting. And anyway, China is a very poor country and cannot afford not to pay attention to cost effectiveness by abandoning profit as a measure of efficiency.

As long as ordinary producers are more or less totally excluded from the process of investigation, discussion, negotiation, and choice of needs
to be met by a particular structure of production and distribution, i.e., planning, Marx's objection remains valid. However, it is important not to limit the project of democratizing planning to the sphere of the party-state decision-making apparatus. I see no reason why ordinary producers cannot and should not be included in workplace discussion of production goals in which both social needs and profitability are considered. Moreover, the market is a source of information about both aspects. Workers and peasants are perfectly capable of understanding the importance of subordinating profit maximization to the position of a means for maximizing the satisfaction of needs. In capitalist economic calculation, the situation is just the opposite. Satisfaction of needs, equated with effective demand in the marketplace, is a means for maximizing profit. To reject issues of profitability as unbefitting the concerns of socialist associated producers is simply to invite the squandering of resources and neglect of needs that could be met by more efficient organization of production. On the other hand, to restrict self-management to calculation based purely on profit maximization is to prevent producers from overcoming the commodity fetishism that hides the true value of their labor in satisfying the needs of fellow citizens.

This is not to deny that there are and will continue to be contradictions between need satisfaction and profitability. The situation is greatly exacerbated by the irrational price structure produced by decades of command planning in which plan prices too often reflect little more than the prejudices and preferences of planners. The answer lies not with elimination of calculation of cost efficiency and profit maximization, but in negotiation and discussion of how to cover costs including a fair return for labor, while meeting legitimate demands for need satisfaction.
Cooperation implies freedom, including freedom to refuse to cooperate in production that is not beneficial to the producers. Such forms of compulsion as imposition of plan quotas and extreme restrictions on labor mobility are incompatible with cooperative forms of production. If association is neither voluntary, nor mutually beneficial, it is not truly cooperative labor. Negotiation of binding contracts is one way of preserving the freedom of associated producers while guaranteeing satisfaction of social needs. But if the rights and needs of producers as well as consumers are to be respected, such negotiation will no doubt have to involve price adjustments or subsidies; otherwise a group of producers would be expected to subsidize the need satisfaction of a group of consumers. If subsidization is deemed necessary, the burden should be shared equitably. It does not matter whether the product in question is grain, coal, newspapers, health care, bus service, or whatever. The autonomous self-managing rights of associated producers in such essential sectors must be respected and not subordinated to the general interests of citizens. Subordination of the market to social control cannot be limited to decisions taken by planners to achieve an overall balanced and rational allocation of productive resources including labor. Contract negotiation can play an integral part in socializing intervention to regulate the market regulator.

Conflict

Perhaps the most striking difference between rural life and rural policies before and after the death of Mao is the withering away of "class struggle." Between 1978 and 1985 there were no political campaigns to wage class struggle in the countryside. In the period before it was
eventually scrapped altogether, even the movement to criticize bourgeois liberalism was restricted to urban areas to ensure that it would not stir up antagonisms in the countryside. At the end of 1978, four million former "landlords, rich peasants, counterrevolutionaries, and other bad elements" who had been designated as class enemies [dai maozi] were officially rehabilitated and had their civil rights restored. This was nearly ninety-nine percent of the total of such people still alive. According to Beijing Review (Jan. 21, 1980: 14), the number of still unrehabilitated targets of class dictatorship still subject to mass supervision and denied civil rights was about fifty thousand. The significance of this policy shift can only be appreciated in the light of Chinese peasants' experience and understanding of class struggle after liberation.

A central feature of the land reform process all over China was the investigation and designation of each household's class character. Peasants participated in the classification process whose outcome determined the distribution of land and other major means of production. These class designations were based on an analysis of each family's household economy in the final years before liberation. They became a family's most significant legacy of the preliberation era. For three decades these classifications were used as one important criteria for making discriminatory decisions about allocation of leadership posts, jobs in rural industries, places in school, and even goods and services like fertilizer and medical care. Even the grandchildren of former landlord or other inferior category households suffered discrimination. Such treatment was based on an assumption that the offspring of "class enemies" would naturally harbor feelings of resentment or hostility toward the party and socialism. It actually was in some cases a self-fulfilling
prognosis. But in many instances it simply destroyed families by causing children to hate or resent their parents, especially their fathers. In fact, it was the stated intention of the policy to drive a wedge between the "class enemies" and all those who might be influenced by them. The cultivation of class feelings, that is, hatred and distrust of the exploiting classes, was viewed as essential to forge and preserve the unity of "the masses" in the project of socialist transformation.

It was quite essential to imbue exploited peasants with a class consciousness that could give them the self-esteem, courage, and confidence to overthrow the power of the landlords as a class. But once land reform was completed, party efforts to repeatedly reinforce class consciousness began to work against the interests of the peasantry. Poor and lower middle peasant associations were established to give the party a mass organization within which it could recruit leaders and mobilize support for its own policies. Former poor and lower middle peasants were regularly described as the most reliable forces in the countryside, whose manifest destiny it was to lead the masses of peasants in socialist transformation. Even a quarter century later, long after the land reform classifications had ceased to bear any resemblance to existing economic relations, the former poor and lower-middle peasants were still being held up as the most reliable rural class forces.

While the party's post liberation class line meant certain advantages in the form of status and privilege for poor and lower-middle peasants, it also put a lot of pressure on them to live up to the party's expectations of them. The logic behind the party's favoritism lay with an assumption that the poor and lower-middle peasants would naturally have the highest level of political consciousness and be the firmest supporters of the new
socialist system and its leaders. Poor and lower-middle peasants were fully aware that their privileged position rested on their exhibition of militant class consciousness. On the one hand, this meant maintaining vigilance against the threat of sabotage by the overthrown class enemies. It meant drawing a clear distinction between one's own family and the inferior category households. Although class origin was an inherited attribute, class consciousness was something that had to be cultivated and could be lost if not constantly reinforced. A superior category family could "fall from grace" if one of its members exhibited behavior that caused him or her to be designated as a "counterrevolutionary" or a "bad element." The discriminatory treatment of the village's inferior category families was a constant warning to others to be on guard against providing any possible pretext for village leaders to so categorize them and thereby bring disaster to their families. This system put tremendous power into the hands of village party authorities.

If all that was required to exhibit a firm class stand was discriminatory treatment of "lower" class neighbors, the party's class line might have survived much longer. However, as per capita output and incomes began to stagnate, the party increasingly turned to appeals to peasants to manifest their revolutionary consciousness by fulfilling and even exceeding targets for grain deliveries to the state at prices that were increasingly inadequate to cover rising costs of production. Also in the name of exhibiting the superior consciousness of Dacha-type collectives, team and brigade leaders coerced peasants into abandoning lucrative sidelines and reducing or eliminating private plots. Not only private sidelines, but even collective production of cash crops became evidence of a less than firm class stand.
By the 1970s, widespread disillusionment with the concrete outcomes of the party’s rural policies caused the party’s class line to become counterproductive. Village collusion to fool outside authorities about the peasants’ “class stand” and related structure of production became common. At the same time, many peasants began to feel sympathy for inferior category families, particularly the offspring who were hapless victims of a system in which they had taken no part. This was particularly true in those villages where brutality toward “class enemies” became an integral part of class struggle rituals in the Cultural Revolution. Given the general terror and disgust inspired by the actions of Cultural Revolution fanatics who professed the highest degree of class consciousness plus the party’s repeated calls for peasants’ class conscious self-sacrifice of their own interests, it should come as no surprise that the majority of peasants welcomed the party’s decision in the late seventies that the struggle to modernize the forces of production, and not class struggle, was the main task to be achieved in the current stage of socialist transition. There were few objections to removing discriminatory labels and upholding a principle of equality of all citizens regardless of their class origins.

When the party decided to downplay class struggle and turn its attention to economic development instead, this decision represented much more than the liberation of four million individuals from mass supervision and from the legitimized discrimination of their families. For the continuation of class struggle in the period of socialist transition had served as the logical justification for the need for the temporary replacement of one system of class rule by another, namely, the dictatorship of the proletariat. In the name of “exercising all-round dictator-
ship over the bourgeoisie" in the Cultural Revolution, efforts were made
to politicize the whole of social life. The situation can be reasonably
compared with that of Europe in the Middle Ages when the power of the
Church and its religious dogmas reached into every corner of life and
thought. The bourgeois revolution, and in particular, the Enlightenment,
secularized civil society. The dictatorship of the proletariat as exer-
cised in the Cultural Revolution, imposed the authority of political
dogmatists over all aspects of life and thought. Civil society, as an
independent entity separate from the party and state, more or less ceased
to exist. In its place a pseudo-version was constructed on the basis of
the party's mass organizations, transmission belts, etc. Thus the party
was able to establish a monopoly of control not only over the means of
production, but over all means of social organization and communication.
In my own view, it is this elimination of a "secularized" and independent
civil society, and not the elimination or extreme restriction of market
exchange relations, which has given Chinese socialism a fundamentally
undemocratic character quite alien to Marx's notion of a society of
associated producers. The plan versus market debate is misplaced. The
tension between planners and marketeers is a superficial manifestation of
the deeper contradiction between the party-state and civil society.

Just as the producers' associations in a society of associated
producers must have a certain degree of autonomy to freely associate and
manage their own affairs without state interference, so too must the rest
of civil society. The right to a private sphere of life and activity
began to be reasserted in China following the party's decision to withdraw
from the battle to "wage class struggle on every front." An unprece-
tedly large variety of new and old forms of association to satisfy a wide
range of needs appeared in the years between 1978 and 1985. A wide array of associations from brass bands to political journals were organized without party sponsorship or approval. There seems to be a gradual recognition that the party cannot and should not try to transform society through a process of deliberate engineering of all social relationships and that there are many spheres of life that should be beyond the party's authority. There is no agreement on the exact boundaries of the party's authority and this will no doubt continue to be a source of conflict and tension, but the recognition that there are boundaries is in itself a significant change.

The party's strategic retreat has opened up space for the appearance of autonomous and voluntary professional, cultural, economic, social, and political associations, in other words, for the restoration of civil society. Disorganized, atomized citizens reduced to the position of undifferentiated, voiceless "masses" are just beginning to organize themselves to give voice to their opinions, interests, and particular needs. It is not just peasant producers, but factory managers, trade union leaders, teachers, researchers, writers, and artists who are beginning to discuss openly the importance of freedom from party and state interference. It remains to be seen whether the party will allow pluralism and civil society to continue to develop or put on the brakes in the name of a pragmatic need to preserve unity and stability so as to prevent delays in the realization of the urgent task of modernizing the economy.

There is a very real danger that overcoming utopianism will mean reversion to a pragmatism more or less devoid of social ideals. There is a danger that the rejection of the moralizing of the Cultural Revolution will involve a rejection of ethics altogether. There is also the danger
that rejection of large-scale class struggle will involve elimination of
struggle over questions of equity and justice. All of this would add up
to a triumph of pragmatism over practical reason. The goal of the effort
to realize democratic planning and management of the economy is to enable
laboring people to use their critical capacities to make decisions on
those matters that are both most important to them and on which they
have the greatest competence to make judgements. The sphere of practical
reason encompasses not technical details but overall strategic choices.
Self-government and self-management would not be feasible if not limited
to the key strategic decisions. Therefore in a self-governing, self-
managing society of associated producers, there would necessarily remain a
division of labor between government and citizens and between management
and labor. However, government and management would no longer retain
their monopolies over processes of conceptualization and planning. They
would be expected to prepare and present alternative strategies and their
ethical and political implications to citizens and labor for discussion
and decision. This would mean the triumph of practical reason over prag-
matism. As long as the party maintains that the main task is a nebulous
"modernization with particular Chinese characteristics," the danger of a
triumph of pragmatism over practical reason will remain. There is an
urgent need for a wide ranging discussion of what ought to be the main
features of a feasible and desirable modern and socialist China. But such
a discussion would require criticism of that which exists and at least
indirectly criticism of those responsible for what exists.

The party's use of state power to silence those who dare to challenge
its monopoly over the conceptualization of the present reality and pos-
sible future alternatives is most discouraging. The process of communica-
tion whereby the dramatic policy shifts underlying the rural economic reforms were achieved cannot be described as democratic. And yet, it does indicate a willingness to listen on the part of at least a section of the top leadership. It is dramatic evidence of an ability to accept the fact that major mistakes have been made and that there is still much to be tried and learned.

The reforms have called into question many fundamental assumptions about socialist relations and the socialist transition. The writings and speeches of many party theorists indicate a return to the more open, experimental, and humble spirit of the party before it captured state power. The questioning of past and present options is a positive development. However, it remains to be seen whether it can be expanded into a contention of ideas involving not just party theorists or a handful of courageous individual free thinkers, but a multiplicity of forums in which freely associated individuals can express their views and needs without facing charges of group particularism, trade union economism, bourgeois nationalism, localism, factionalism, etc. People must have the right to give their ideas potency by articulating them collectively so as to realize Einstein's requirement for an "organized democratic counterweight to administrative power."
Chapter One

1. The English translation comes from Edward Friedman's study of the political overtones of Chinese evaluations of Einstein in China Quarterly (Mar. 1983: 73). According to Friedman, the underlined words have been modified by Zhou Pehyun from Einstein's original May 1949 text which reads "far-reaching centralization," "the bureaucracy" and "the power of bureaucracy." It seems to me that Zhou's translation is more faithful to Einstein's intent than a more literal translation. In Chinese, "centralism," "centralization," and "concentration" can all be translated with a single word, "jizhong." Jizhong is often used in common speech to refer to a democratic process of collecting opinions or democratic consultation. It is used in the term "democratic centralism" [minzhu jizhong]. To add an adjective to imply "far-reaching" would only reinforce the idea of a democratic discussion which reached out to a large number of people. However, "high degree of concentration" [gaodou jizhong] is a popular way of saying consultation and democracy have been minimized. The avoidance of "the bureaucracy" was, I think, also a wise decision as the word has come to carry extremely negative connotations in Chinese. It is clear from Einstein's original that the bureaucracy may become "all-powerful and overbearing," while in Chinese to call administrative personnel "the bureaucracy" implies they have already become all powerful and overbearing.


3. Charles Bettelheim was one of the earliest and most influential scholars to adopt this view. In English, his best known statement on the subject is an article entitled "The Great Leap Backward" (1978). William Hinton (1984) has also expressed misgivings about what he sees as basically capitalist relations of production in the countryside.

4. Forces of production include means of production such as land, water control systems, tools, machinery, buildings, and materials used in farming, handicrafts, and industrial production as well as the labor force. Relations of production have three aspects: 1) relations of ownership and control over the means of production, 2) relations among people in the process of production, and 3) relations of distribution arising from the allocation of new wealth created in the process of production.

5. I use the term "social formation" here to denote a structure that is not monolithic, in which there may coexist more than one mode of production though one would be dominant. Although the Chinese, unlike some western Marxists, do not use the term, they do recognize the
possibility of the phenomenon and openly acknowledge that the capitalist mode of production and extraction of surplus value by capital do exist in China in the form of foreign ownership of a small segment of industry as well as in the hiring of labor in the private sector.

6. The idea that "crude communism" is a mistake stemming from ideas like those of Babeuf is the Soviet interpretation of this discussion in Marx. However, there is another interpretation that Marx saw this as a necessary and inevitable stage in the dialectical process of transcending private property. It would be followed by the "negation of the negation," that is the actual transcendence of private property in a higher stage that Marx identified as socialist society. But only in a society of abundance would it be possible to transcend the limitations and alienation of universalized private property characteristic of the lower stage of communist society, which Marxists since Lenin call "socialist society." My thanks to Mike Lebowitz for pointing out these conflicting interpretations on reading an earlier draft of this chapter as well as for other useful comments.


8. Although compensatory consumption needs would no longer be stimulated by the unmet satisfaction of emancipatory or self-actualizing needs in the communist utopia, nevertheless the present level of scarcity in most of the world remains a severe obstacle to the universal development of a social reality experienced as a society of abundance in which the free and maximum development of human capacities is no longer a privilege of a few but a universal condition. For further discussion, see The Theory of Need in Marx by Agnes Heller (1976) and Rudolf Bahro (1978: 272-73).

9. Lenin's statement can be found in Selected Works, Vol. 2 (Moscow, 1967: 344) and is cited in Selucky (1974: 57). Włodzimierz Brus in The Market in a Socialist Economy (1972: 15) and Selucky in Marxism, Socialism, and Freedom (1979: 30-33) argue that Marx saw the division of labor within the workshop, which is not based on commodity exchange between autonomous producers, but on the "undisputed authority of the capitalist over men who are but parts of a mechanism that belongs to him," as a reasonable model for the division of labor in society after the abolition of commodity relations and institution of central control of the "community's" labor power.

10. Preobrazhenski's views are summarized and compared with Bukharin's in Brus (1972: 48-58). Stalin's views can be found in his Economic Problems of Socialism in the USSR (1972: 15-16). Mao's views can be found in A Critique of Soviet Economics (1977: 135-47). In China, the Soviet Union, and Eastern Europe, debates over the role of markets and money is often subsumed in a more general discussion of the role of the law of value in the socialist economy. The law of value refers to the idea that the value of a commodity is determined by the socially necessary labor time required to produce it. Upholding its role in a

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planned economy implies ensuring that prices reflect the costs of production so as to produce an exchange of equal values.

11. This point is made by Alec Nove in his critique of Charles Bettelheim in his Political Economy and Soviet Socialism (1979: 116). It is also a central theme in Selucky's "Marxism and Self-Management" (1974).

Chapter Two

1. Carefully researched and thoughtfully analyzed accounts of this activity in the twenties can be found in Roy Hofheinz, Jr. (1977)

2. The full text in translation is available in Mao's Selected Works (Vol. I: 23-59). The version that appears in the Selected Readings is greatly abridged, omitting the entire latter half of the original. Accounts of events leading up to the coup d'etat by the right wing of the Nationalist Party and subsequent massacres of hundreds of thousands of workers, peasants, and intellectuals can be found in Jean Chesneau (1968: Part III); Chesneau, Le Barbier, and Beryere (1977: Chapter 6); and Nym Wales (1945).

3. This relationship is explored in detail in the work of Ilpyong Kim (1968 and 1969).

4. Consider for example the following statement from Lenin:

   To serve the masses and express their interests, having correctly conceived those interests, the advanced contingent, the organization, must carry on all its activities among the masses, drawing from them all the best elements without exception, at every step verifying carefully and objectively whether contact with the masses is being maintained and whether it is a live contact. In this way, and only in this way, does the advanced contingent train and enlighten the masses, expressing their interests, teaching them organization and directing all their activities along the path of conscious class politics. (Lenin, "How Vera Zasulich Demolishes Liquidationism," Collected Works, Vol. 19: 409)

5. The passage comes from "Some Questions Concerning Methods of Leadership" in Selected Works, Vol. III: 120. Other formulations of the mass line can be found in "On Coalition Government" and "Get Organized!" and "The United Front in Cultural Work" all written in 1943. A statement written during the Jiangxi Soviet that reveals the limited development of the concept in 1934 can be found in "Be concerned with the Well-Being of the Masses, Pay Attention to Methods of Work" in Selected Works, Vol. I: 149.

6. Much has been written about Chinese notions and practice of mass line. It is widely interpreted as one of the most important characteristics of the Chinese approach to revolutionary change. See for example, Marc Blecher (1979), Edward Hammond (1978) and Arif Dirlik (1983) and Mark Selden (1971).
7. Without speaking of the mass line as such, this tension is explored very fruitfully in a study of "Socialism, Democracy, and the One-Party System" by Marty Johnston (1970).

8. The following discussion of the mass line in Yan'an relies heavily on Mark Selden's The Yenan Way in Revolutionary China (1971) and "The Yenan Legacy: The Mass Line" (1969).

9. The cult of Mao began in Yan'an. Although it may have served to unite the population around a "wise and daring leader," I do not feel it can in any way be viewed as a positive legacy.

10. In conducting interviews with peasants with whom I lived for several months in Xinhui county in Guangdong in the winter of 1975-76, I was struck by the very different character of their accounts of land reform when compared with those of William Hinton and David and Isabel Crook and peasants I had interviewed in Hebei and Shanxi in 1974-75. The difference is also apparent in Ezra Vogel's Canton Under Communism (1969).

11. A portion of these surveys has been translated into English and is available in Socialist Upsurge in China's Countryside (1978).

12. See, for example, Thomas Bernstein (1967), Peter Nolan (1976), and John Gurley (1978). Selden (1983a; 1983b: 633), by contrast, argues that Chinese "instant, imposed collectivization" actually outdid the pace of the Soviets despite the illusions fostered by its apparent nonviolence.

13. See Franz Schurmann's discussion of the role of the media in Ideology and Organization in Communist China (1966: 58-68) and his account of Mao's visit to Qiliying commune (p. 475).


15. Nicholas Lardy in a study of "State Intervention and Peasant Opportunities" (1985: 41) states that the mortality rate rose from an average of 11.39 per thousand in 1956-58 to 25.43 per thousand in 1960. He estimates that the cumulative number of deaths in 1959-61 attributable to food shortages exceeded ten million. According to Stephen Mosher (1983: 263-64), an article by Sun Zhifang in Economic Management [Jingji Guanli] in 1981 states that because of the Great Leap Forward's "blind methods and emphasis on the importance of will" exacerbated by natural calamities, in 1960 alone China's population declined by eleven million. Mosher concludes that since in the 1950s population increase averaged twenty million per year, it would be reasonable to conclude that there were eleven to thirty million deaths attributable to the hardships of the years following the Great Leap Forward.
For a provocative discussion of differences over the nature of socialist transition and the role of class struggle in socialist society between Chen Yun, Sun Yefang, and Zhou Enlai on one side and Mao Zedong, Kang Sheng, and Chai Boda on the other, see Friedman (1982). Taking his cue from contemporary Chinese economists in the Academy of Social Sciences, Friedman (p. 198) makes the important observation that for Chen Boda and like-minded theorists, the key to successful socialist transition was "not democratic, anti-bureaucratic institutions, but making sure real Communists controlled the levers of state power and used that concentrated force to destroy all obstacles to the transition." The Cultural Revolution was the logical outcome of this notion. Some of Chen Yun's writing of the sixties is available in English in Lardy & Lieberthal, eds. (1982). Examples of Sun Yefang's work in English can be found in K. K. Pung, ed. (1982).

This reduction generally alligned commune boundaries with those of natural marketing areas. The significance of this realignment was analyzed by G. William Skinner in a three-part article on "Marketing and Social Structure in Rural China" (1964-65). This article has renewed relevance as a result of recent reforms that have also revitalized rural marketing institutions and structures.

In the Cultural Revolution, Liu Shaoqi was labeled as "China's Khrushchev" and the "Number One party person taking the capitalist road." However, it was Deng Zihui, who headed the party's rural work department at the time, who actually proposed the policy. The "three freedoms and one contract" were official party policy and not the responsibility of any single individual.


In his speech to the first national conference on learning from Dazhai on October 15, 1975, Hua Guofeng outlined the six requirements for qualifying for the status of "Dazhai-type county." These were: 1) a leading core in the county party committee which firmly adheres to the party's basic line and policies and is united in struggle; 2) the ascendancy of the poor and lower-middle peasants as a class so that they are able to wage resolute struggle against capitalist forces and effectively supervise and remold class enemies; 3) county, commune, and brigade cadres' participation in collective productive labor as regularly as in Xiyang (100, 200, and 300 days respectively, P.H.); 4) substantial achievements in farmland capital construction, mechanization, and scientific farming; 5) steady expansion of the collective economy so that the income of poor communes and brigades reaches or surpasses the average of other counties in the vicinity; and 6) all-round development in agriculture, forestry, livestock breeding, sideline occupations, and fishery with considerable increases in output, sales to the state, and steady improvement in the living standards of commune members. (Harold Hinton 1980: 2515)

The essence of this ideology of self-abnegation and its material roots
in the scarcity of "arduous socialism" is insightfully analyzed by Andre Gorz (1973: Chapter 5).

22. This "class struggle" ritual and its devastating consequences for village solidarity and morality are graphically depicted in Gu Hua's recent novel, A Town Called Hibiscus' (1983). The story is based on real events. A comparable account based on refugee interviews can be found in Anita Chan, Richard Madsen, and Jonathan Unger (1984) and Richard Madsen (1984). The character of class analysis and class struggle in the Chinese revolution is analyzed in a provocative study of Class Conflict in Chinese Socialism by Richard Curt Kraus (1981).

Chapter Three

1. This problem is exacerbated when studying societies characterized by some authors as "totalitarian." Even when Chinese society is not so interpreted, the fact that the party and government espouse a program of massive social change can serve to obscure the partial autonomy and initiative exercised by the people who are the targets of the social transformation envisioned. Power relationships, however, are by their nature dialectical, involving mutual dependencies. The degree of dependence on each side is almost always unequal, but it is never confined to one side only. No leader or group of leaders has ever been so powerful as to be able to escape this "dialectic of control." (For elaboration of this notion, see Anthony Giddens, Central Problems in Social Theory (1979: 145-50).

2. This view has been expressed, for example, by William Hinton in an interview in March 1984 with an editor of the U.S.-China Review. See Hinton (1984: 9). Charles Bettelheim (1978) has described the situation as a "great leap backward."

3. This appeared to be the view of the majority of Chinese writers, particularly in the late seventies and early eighties. It is not usually expressed as a step backwards but simply as an expedient measure to overcome the effects of ultra-left mistakes in a socialist transformation that had changed "too much too fast." See for example, People's Daily, October 22, 1977: 1 and Yu Guoyao 1980: 12-15. Du Runsheng (1984: 2) in an article published in People's Daily (March 7, 1983: 2) expressed the view that the new policies and institutional reforms were necessary to perfect the cooperative economy which was itself an expedient transitional form between small private ownership and public ownership. Like other authors, Du Runsheng, was upholding what he saw as "Marxist theory" on the necessary stages of socialist transformation.

4. Mao develops this notion in the essays "On Practice" and "Where do Correct Ideas Come From?" He treats the idea as the "primary and basic standpoint in the dialectical-materialist theory of knowledge." (Mao 1971: 68) His sources in Marx and Lenin can be gleaned from the footnotes to "On Practice."
5. See, for example, the article by Ji Ying on "New Developments in the Rural Economy" (1984: 27). An example of a transitional view in which decentralized household management systems are defended as superior can be found in Feng Jixin (1984: 20-25).

6. This perspective has been developed in Mark Selden (1982a, 1982b, 1983a, 1983b, and 1984).

7. References to the silencing of critics of the Dazhai-Xiyang model and suppression of proponents of alternatives appeared after the fact and spoke only of "the highest authorities in charge of agriculture." See the article by An Gang, a deputy editor of People's Daily, July 9, 1981: 2. Tang Tsou et al. (1982: 44) and, no doubt, most Chinese readers drew the conclusion that this must refer to Chen Yonggui and Ji Dengkui (then the top official in the Agricultural Commission) with the support of party chairman Hua Guofeng.

8. One Anhui peasant described the situation to William Hinton: "In our cooperative days, we used to work all day, every day, year-in and year-out, but we got almost nothing done—work a little, take a break, work a little more, take another break. We felt harassed and we produced very little. What we were doing looked like work but in fact we were stalling around." (Hinton 1983b: 7) Jonathan Unger (1985) provides a graphic account of the devastating impact of the Dazhai workpoint system on one village in Guangdong.

9. Before the Cultural Revolution, Wan Li was a vice mayor of Beijing and in charge of the party's Beijing municipal secretariat. In 1966, Red Guards arrested him and convicted him in a mass "trial." He lost all his posts and didn't reappear until 1971 when he became a standing member of Beijing's municipal party committee. In 1975, he was appointed minister of railways. But in 1976, he was once again removed from all his posts together with Deng Xiaoping. He was alleged to have been involved in mass demonstrations in Tiananmen Square during the Qingming Festival in April. In June 1977, after the arrests of the "gang of four" (October 1976) and the subsequent decision that the Tiananmen demonstrators were part of a legitimate, popular, revolutionary movement and not a "counterrevolutionary incident," Wan Li was appointed first secretary of the Anhui provincial party committee. A month later Deng Xiaoping was also reinstated.


11. State procurement prices for both live sheep and wool were raised. Unlike peasants, herdsmen have not significantly diversified their structure of production. The impact of reforms on herdsmen's incomes is discussed in a later section on grassland responsibility systems.

12. The importance of achieving a more rational structure of agricultural production has been a recurrent theme of articles by reform-minded economists and agricultural scientists. See for eg. Zhang Yulin, (1982: 137-43) and Zhan Wu, (1979: 11-17, 58).
13. See Elizabeth Croll, *The Family Rice Bowl* (1983) for a detailed and recent study of Chinese diets. Fei Xiaotong's (1939: 126) field research in the thirties also revealed peasants' overwhelming dependence on grain to meet almost all their energy requirements.

14. See, for example, *People's Daily*, Nov. 28, 1978: 2, "Providing 'extra food' and more 'assistance' is the ruin of the Taping Brigade" (translated in *FBIS*, Dec. 6, 1978: E6); Radio Peking (English), Nov. 12, 1978, report on speech by Zhao Ziyang: "No encroachment on peasant's interests" in *FBIS*, Nov. 13, 1978: J1; *Yunan Daily* article (no date given): "We must respect the autonomy of production teams" in *FBIS*, Dec. 21, 1978: J1; and Jinan broadcast, March 19, 1979, "Shandong prefecture respects production team decisions" in *FBIS*, March 23, 1979: 03.

15. *People's Daily* (Jan. 23, 1981: 2) reported that the system of contracting responsibility to groups [baochan daozu] had been introduced in the majority of teams south of the Yellow River and along the banks of the Huai River in Anhui, Henan, and Shandong. It had been adopted by 83% of teams in Fengyang county in Anhui in 1979. (Tsou et al.: 47) In an interview in January 1981, the head of the Agriculture Affairs Commission of Xishuangbanna prefecture reported that contracting responsibility to groups had been tried in many teams in all three counties of the prefecture. *People's Daily* (April 2, 1980: 1) reported that 80% of teams had introduced responsibility systems of which 20% involved group contracting.

16. Tsou et al. (1982: 49) report counties in which "bao chan dao hu" was "widely used" in Jiangxi, Anhui, Hunan, Shandong, and Guizhou in 1979. In an interview with the leader of Xianjin Brigade in Simao county in Yunan, I learned that household contracting in Yunan was introduced in mountainous areas in the winter of 1978-79.

17. While there is no consensus among China scholars as to the real dimensions of the growth of peasant incomes and much criticism of bias in Chinese statistics based on sample surveys, there is widespread agreement that the growth is real and significant. For examples of very careful and critical assessment of recent growth and income figures and discussion of bias in Chinese statistics, see Lee Travers, "Post-1978 Rural Economic Policy and Peasant Income in China" (1984); Nicholas Lardy, "Consumption and Living Standards in China, 1978-83" (1984); and Kenneth Walker, "Chinese Agriculture during the Period of Readjustment" (1984).

18. My thanks to Graham Johnson who personally observed this slash and burn agriculture during a visit to Xishuangbanna in January 1983. The only other private farming of which I am aware is in remote areas of Tibet.

19. In Xishuangbanna land reform did not occur until 1956, while coops were not organized until 1958, and people's communes were established in 1969, a decade later than most areas.
20. Although the information in this section is based on personal interviews conducted in Inner Mongolia from 1981 to 1983, it can be reasonably compared with the observations and data provided by Thomas B. Wiens (1985) on "Poverty and Progress in the Huang and Huai River Basins."

21. Hugh Dean (1985: 24) reported that three million peasants in Anhui were engaged in work on water conservancy projects in the winter of 1983-84. William Hinton (1983b: 13) described how a reservoir in Fengyang county in Anhui got collectives to collect water fees from households to obtain revenues for maintenance without tapping collective reserve funds. Then the reservoir, a state unit, signed contracts with three communes and five brigades and sold shares to raise capital to stock the reservoir with fish. The reservoir, a money-losing operation ever since it was constructed in 1958, has begun to earn significant profits for itself and its cooperative share-holding partners.

22. On the grasslands of Inner Mongolia administrative areas equivalent to prefectures and counties in other parts of China are designated by their traditional Mongolian names, leagues and banners respectively. The sparse and scattered population is organized into brigades which are the size of teams in farming areas and communes the size of brigades in more densely populated areas. There are no teams.

23. See Beijing Review, No. 4, 1983: 25. In contrast, during a visit to Luxia Brigade in Chengmen Commune on the outskirts of Fuzhou, I learned that recent prosperity had so augmented welfare funds that the brigade was competing with the state to attract teachers with higher wages. In the past, teachers in village-run [minban] schools have been paid workpoints and typically earned much less than other rural teachers on state salaries.

24. Data in this paragraph was provided by economists at the Inner Mongolia Institute of Agriculture and Animal Husbandry in Huhhot in October 1982.

25. Herdsmen usually graze sheep five to six years till they produce twenty-five to thirty kilograms of mutton which in 1983 sold for 0.59 yuan per kilogram.

26. The document is dated September 27, 1980. Although widely discussed in official circles and quoted in the national and local press, the full text was not published until April 25, 1981 in Fortnightly Chats [Ban Yue Tan] (No. 8) A translation is available in Issues and Studies, No. 5, 1981: 74-83.

27. I base this statement on the supposition of Chinese friends who commented in 1981 that party secretaries in these provinces were most active in defending the household responsibility system in the press, while others remained silent.

29. Press releases, radio broadcasts, news stories, and editorials reporting on these meetings and some of the key speeches by national and provincial leaders can be found in FBIS translations of November and December 1981 and throughout 1982.

30. See People's Daily, July 29, 1982: 1 and Aug. 25, 1982: 1. To a great extent these articles were merely acknowledging a fait accompli. The first article stated that already in 1981, 94% of teams were practicing all-inclusive contracting. This was the party's first open endorsement of its introduction anywhere and everywhere the peasants desired it.


32. I have no idea whether this interpretation of "da bao gan" is unique or could be found elsewhere. It certainly suggests the need for caution in interpreting national statistics reporting the practice of all-inclusive contracting in 94% of teams throughout the country.

33. Pensions for peasants are a very important breakthrough which has appeared recently in the wealthier, more highly industrialized and socialized collectives. They are crucial for breaking peasants' obsession with having sons to guarantee them security in their old age. It is not a coincidence that communes which have been able to accumulate sufficient welfare funds to give pensions have been able to drastically reduce birth rates. In the case of the July 1st Commune, the pension plan was set up with a shared-cost arrangement between the collectives--30% from the team, 30% from the brigade, and 40% from the commune.

34. In 1983 the Chinese Ministry of Agriculture, Animal Husbandry, and Fisheries reported that there were approximately 3.5 million tractors in use throughout the country of which 1.5 million were privately owned (mostly low-horsepower walking tractors), 1 million were collectively owned and contracted out to individuals, and 1 million were owned by state or collective farm machinery stations. (China Daily, Feb. 14, 1984: 4)

35. Chinese rural collectives all maintain welfare funds to provide "five guarantees" [wu baohu] to individuals without other means of support. The five include: food, clothing, medical care, fuel, and burial expenses. However, in many villages, individuals or families who are dependent on such collective welfare funds are often reduced to a bare minimum subsistence.
36. It is not enough to simply examine existing agreements though this is an essential and not always easy first step. Frederick Crook (1985) has provided a translation of a model all-inclusive [baogan daohu] contract published in Shanxi Daily in 1981. He points out a whole range of important unanswered questions raised by the contract's stipulations which could only be answered by field research. The decision to publish a model contract itself indicates something about the degree of autonomy of teams in drawing up contracts to suit their own team's needs and preferences. However, we are still left with unanswered questions about the contract formulation and negotiation process inside the team. In six years of living in China between 1973 and 1983, I have been to the countryside many times and spent many months living, working, and conducting research in Chinese villages. I have seen examples of very impressive grassroots democracy, but I have also seen tyranny and flagrant abuse of bureaucratic power by rural cadres.

37. The story first appeared in a Shanxi literary journal, (Yan He, No. 1, 1982).

38. It was probably an illusion to think these simplifications ever really "captured the essence" of the diverse conditions and approaches of millions of rural collectives, but it could certainly be argued that the three-tiered commune structure reflected a rather homogenized concept of "peasant" needs.

Chapter Four


2. See for example, Carl Riskin (1971), Surtaj Aziz (1978), Jon Sigurdson (1975), and Dwight Perkins et al. (1977).

3. The growing viability of the collective industrialization strategy in the context of the reforms is discussed in Chapter Six.

4. Economic Daily (Feb. 22, 1984: 1) expressed the view that the number of specialized households was "still too low." As so often in the past, government, party, and most importantly, mass media encouragement of the development of specialized household production has resulted in a certain amount of falsification of statistics and certification of unqualified households. As a result, figures on numbers and percentages of specialized households must be treated as indicative of trends but not statistically reliable.

5. For example, Graham Johnson (1986b: 23) reports that in Taishan county in Guangdong province, household poultry specialists raised a minimum of 500 geese, 400 chickens or 250 brooding ducks.
6. Members of a delegation from the Anhui Women's Federation, visiting Vancouver in November 1985, told me that women's status in many villages in Anhui had risen significantly as a result of their greater earning power with the introduction of household responsibility and elimination of discriminatory workpoint systems. They described cases of women who had set up specialized cottage industries and then taught their skills and techniques to other women. Such women are bringing back traditional cloth weaving and needlework crafts, many of which died out with the decline of traditional markets and state interventions to protect urban textile and garment industries in the fifties, sixties, and seventies. For an example of a woman given a contract to run a state dairy farm after outdoing the former management with her own household dairy operation, see China Daily, March 14, 1984: 3.

7. Where collective facilities and services are more developed and valued, specialized households sometimes continue to pay levies or make token payments to retain their rights to cooperative medical care, collective grain rations, subsidized education, water, electricity, etc. However, with the separation of village political administration and cooperative economic management, the need for such ad hoc arrangements may disappear. Administrative reforms that have eliminated the integration of government and economic management functions in people's communes are discussed in Chapter Six.

8. There is a methodological problem within this typology of specialized households inasmuch as the categories are not discrete. The first two categories can and do overlap with the latter three.

9. Zhejiang peasants lead the country in providing technical assistance and labor services to peasants in less-developed regions. According to officials in Hangzhou, in early 1984, there were about one million peasant experts from Zhejiang who had left home to sign technical and labor assistance contracts for tree planting, mushroom cultivation, fish, poultry, and livestock breeding, building construction, carpentry, tailoring, and food processing. (China Daily, March 5, 1984: 3)

10. In the article the figures are disaggregated to show the costs of various items. The article and an analysis by a People's Daily commentator are available in translation in FBIS, July 19, 1983: K6-9.

11. Particularly during the years of income stagnation in the seventies, it was common for team members to become indebted to their team when the value of grain, oil, or fuel allocations exceeded the value of a family's earned workpoints. This is especially common in families with many dependents. The criticism was not of deductions per se, but only unauthorized levies not included in household contracts. Section VI of the Shanxi model contract translated by Frederick Crook (1985) requires the household to specify in how many years the debt to the team will be repaid. Section VII stipulates terms for repayment of team debts to the Agricultural Bank, credit union, or supply and marketing coop for purchases of inputs or equipment or service fees owed to the brigade or commune for agro-technical or administrative services.

Chapter Five

1. Average family size in Nantong county was 3.5 members while the specialized households averaged 4.5 persons. See Song Linfei (1984: 117)

2. Like figures on specialized households, statistics on economic associations should be treated with caution both because of lack of consistency in definition and because of the likelihood of inflated figures due to exaggerations or distortions by cadres at local or middle levels trying to impress higher authorities.

3. This point is stressed in "New problems of agricultural development," Social Sciences in China [Zhongguo Shehui Kexue], No. 3, 1982: 103 and picked up by Andrew Watson, "Agriculture Looks for 'Shoes that Fit': The Production Responsibility System and Its Implications," World Development, Vol. 11, No. 8, 1983: 724. Watson, however, treats this as a distinguishing characteristic of all economic associations, which is not the interpretation of any of the Chinese authors to whom I have referred. On hearing me discuss the notion of "coordination without combination" [lian er bu he] at a presentation to the Canadian Asian Studies Association in Montreal in June 1985, a Chinese scholar present pointed out that the term in some contexts carries a negative connotation, indicating associations that exist in name only. These are associations which are the creation of cadres to please higher authorities; they do not represent any actual new forms of cooperation among the peasants.

4. The legal transformation of relations of ownership in the supply and marketing cooperatives began in 1982 and was more or less completed in 1984. However, the full socialization of relations of control is still to be completed. See Wu Shuo (1985); Gao Dianqi and Bi Maijia (1985); and Zhen Fude (1985) for discussion of progress and problems in this reform of the essential character of the supply and marketing cooperatives.

5. Zhou Yuzhen and Mei Xingbao (1984: 16) report that according to statistics for the latter half of 1983, in Hunan, of over 2000 base-level supply and marketing cooperatives, 763 had established joint management relations with 9,260 specialized farms and teams [zhuanye chang dui] and nearly 100,000 specialized households. They signed 380,000 contracts involving a total sum of 270 million yuan.

6. A similar argument is developed in a discussion "On the shareholding form of cooperation" by Liu Rongqin (1985). This author opposes the notion inherited from the fifties that this form of cooperation rests on comparatively backward and "semi-socialist" relations of production
which were superceded by more advanced relations of production forged in the Socialist High Tide and the Great Leap Forward. See pp. 21-22.

7. Because of the "economics of shortage" which characterizes China's economy as it does all the state socialist economies, it is relatively easy for new producers to find buyers for new or scarce commodities in China's markets. See Lebowitz (1985) for a discussion of the ideas of Janos Kornai, the Hungarian economist who has most thoroughly examined the "shortage, sellers' markets, 'suction,' and resource-contraint" characteristics of state socialist economies. With the expansion of the market, this situation becomes temporary and local as can be seen by the reports of bankruptcies among specialized households because of overproduction and miscalculation of market demand. See People's Daily, Nov. 7, 1983: 1 and Sept. 10, 1984: 1.

8. Most western authors have praised this system, viewing it only in macroeconomic and comparative terms. William Hinton, who has much more intimate familiarity with Chinese peasants than most observers, in Shenfan (1983: 106-109), deals with the inequities of the system from the peasants' point of view.

9. In Chinese, there is a slight distinction between these economic associations [jingji lianheshe] and the household-based economic associations [jingji lianheti] discussed earlier. The latter term is slightly less formal. A similar distinction exists in the uses of the word "association" in English. The following information on township economic associations in Henan comes from the article by the Henan Party Policy Research Office, "Investigation of the Setting Up of Rural Economic Associations in Henan Province" (1984). The administrative reforms that have eliminated the amalgamation of government and economic management functions in the people's communes are discussed in Chapter Six.

10. Ibid.: 4. These village-level organizations in Henan called themselves variously village economic associations [cun jingji liianheshe] or producers cooperatives [shengchan hezuoshe] or simply retained the name of production team [shengchan dui].

11. In Sichuan, townships [xiang] appear to correspond for the most part with the boundaries and jurisdictions of the former communes. This, however, is not the case throughout the country. In Guangdong, for example, the townships were more often established at the former brigade level, while communes were replaced by district [qu] governments. See Johnson (1986a).
Chapter Six

1. Jack Gray (1982) has argued persuasively the essential continuity between the periods before and after Mao's death as far as commitment to industrialization is concerned. Carl Riskin (1978) has also argued convincingly that the characterization of Liu Shaoqi as an opponent of this strategy was an exaggeration. Development of rural collectively-owned industries was and remains a key aspect of development strategy for virtually all party and government leaders whatever their differences over other matters.

2. The Chinese definition of food grains is rather comprehensive including rice, wheat, corn, sorghum, millet, oats, barley, and buckwheat; but also soybeans; tubers like Irish and sweet potatoes; and pulses like broad beans, peas, and mung beans.


4. These figures have not been adjusted for inflation. The retail price index increased by 17.7% between 1978 and 1984. However, food prices increased 26.9%. (China Daily, Dec. 17, 1985: 1) Without a knowledge of the inflation rate for industrial products, it is not possible to calculate the actual growth rate of rural industrial output value. However, it is clear that the rate of growth has been quite significant. Researchers need to approach statistics on rural enterprises with caution. There are many conflicting figures, particularly in the English language press. For example, China Daily, Dec. 23, 1985, gives a figure of 60 million workers in "rural industry." Much of the confusion derives from different categories being investigated. Thus "rural industries" may include town and county level state-owned enterprises. "Township and village industries" may include the original commune, brigade, and team collective enterprises as well as factories and mines organized by new economic associations and even private household and individual enterprises. See, for example, the footnote in China Statistical Yearbook. (1984: 133) "Rural enterprises" will include agricultural, industrial, communications, construction, and other enterprises. The separation of construction from industry removes a very large portion of the rural industrial labor force from the statistics on labor engaged in industry. At the end of 1984, there were five million peasants working in construction. (China Daily, Jan. 16, 1985: 3)
5. Because of lower birth rates in suburban villages and consequently more favorable labor/dependent ratios plus income from production of meat, milk, eggs, produce, etc., for city markets, the higher incomes of suburban villagers cannot be completely attributed to the higher level of industrialization. Nevertheless, the faster rate of industrial development in these areas in recent years is having a very visible impact on closing the gap between incomes and living standards in the urban and rural districts of China's metropolitan centers.

6. According to Vivienne Shue (1984a: 280, note 1), public discussion appears to have been initiated by an article in Economic Research (Jingji Yanjiu) by a well-known economist, Dong Punai, in January 1979. As she suggests, there was no doubt some discussion of the issue in inner-party circles before the public became aware that institutional change was likely. However, criticisms of the erosion of production teams' self-management and collective property rights appeared in the public media as early as the late seventies. This laid the basis not only for later structural reforms, but for earlier team innovations with remuneration and management responsibility systems.


9. In Qinghai province, Tibetan, Hui, Tu, Sala, Mongolian, and Kazakh peoples make up thirty-eight percent of the population.

10. See the China Daily (Feb. 5, 1985: 4) summary of an article that first appeared in Sichuan Daily. This report cites the example of a township brick factory in Wan county in Sichuan that lost 20,000 yuan after being taken over by the township government. After restoration of cooperative ownership, election of a new management, and introduction of a responsibility system, the enterprise earned a profit of more than 50,000 yuan in nine months. See also similar complaints voiced by Yunnan party secretary An Pingshen at a provincial meeting to convey the decisions and sentiments of the national rural work conference in January 1984. FBIS, Jan. 10, 1984: Q2-Q3.

11. Even in China, statistics on "workers and staff" [zhigong] do not include workers in rural industries since rural industry is treated as a subcategory of agricultural production.
1. See Tables Four through Nine for statistical data corroborating this statement. Tables Six to Nine are based on sample surveys and, while indicative of trends, are not wholly reliable. Significant bias, sufficient to inflate income indices because of the unrepresentative nature of the sample, is indicated by the data in Table 6 on the average number of people and labor power in the households surveyed. In the 1983 sample, the average number of persons is 5.43 per household with 2.84 engaged in full or part-time labor. The comparable national figures are 4.5 and 2.4 respectively, which can be derived from the same source as the sample survey results: China Statistical Yearbook. (1984: 131) Nevertheless, solid improvements in general living standards are quite tangible and indisputable. See also Travers (1985), Lee (1984), and Griffin (1984).

2. In defense of the sample survey, I should point out that People's Daily (Mar. 25, 1984: 2) stated that the number of rural households requiring special assistance in 1983 was 1.7 million, or less than one percent of the total. One is left to wonder whether the other 12.3 million poor households included in the Civil Affairs Minister's figure were "too rich" to qualify to receive aid or were bypassed for other reasons such as lack of funds in depleted collective welfare accounts.

3. For example, see the speech of provincial party leader, Li Lian, at a Heilongjiang rural work conference on Jan. 19, 1984 in a Harbin broadcast; FBIS, Jan. 20, 1984: S1-3.

4. The exact impact of subsidizing food production on provincial as opposed to central state budgets is unclear since the sharing of budgetary losses is not clear. The sharing undoubtedly serves some redistributive function between provinces but without much greater information, it is virtually impossible to unsort the cumulative effect of the mass of central-provincial negotiations and agreements affecting their fiscal relations. See Audrey Donnithorne's (1984: 76) discussion of the impact of raised procurement prices in Sichuan. In 1984, Beijing municipality spent more than 380 million yuan on food subsidies, which was about ten percent of the city's revenue. (China Daily, July 8, 1985: 6) This money was used to hold down the prices of tomatoes, cucumbers, and cabbages to ensure stable supplies at affordable prices for low-income families. Meat and other vegetable prices are being permitted to fluctuate with supply and demand. Although prices are generally higher, supply and variety generally improved throughout the country with the elimination of price controls. However, despite government efforts, inflation and shortages were a cause of considerable dissatisfaction in Beijing in 1985 as many peasants abandoned vegetable production for more lucrative options.

5. Table Ten provides an overall picture of shifts in the structure of state investment in 1952, 1957, 1978, and 1983 as well as the structure of output value to reveal the disproportions between relative support for and contributions from the different sectors.
6. Table Eleven compares the rates of accumulation and consumption as well as breaking down consumption into private and social consumption from 1952-1983.

7. The "commoditization rate" in China is determined by comparing the amount of agricultural products sold beyond the state quota and the amount kept by the peasants for their own consumption. (China Daily, Feb. 1, 1984: 4) It is neither an indication of what is sold in the free market, since commodities sold to the state beyond the quota are included, nor is it an indication of the full extent of commodity sales, since quota sales are not included. The 59.2% figure comes from China Daily, Oct. 6, 1984: 4.

8. See Brus (1972 and 1973) and Selucky (1974). Chinese scholars in the Academy of Social Sciences have recently become quite interested in the writings of East Europeans as well as the work of Alec Nove, Antonio Gramsci, the Frankfort School, and other students of socialism formerly ignored. Robert Hsu (1985: 445) mentions W. Brus, L. Lange, B. Glinski, and O. Sik as examples of East European economists being studied by Chinese economists. For a representative discussion of indicative planning by a Chinese economist, see Xue Muqiao (1980).

9. Among western scholars there is some disagreement about whether procurement prices for grain are actually covering the costs of production even after price reforms. Compare the articles by Lardy, Butler, and Weins in Parish (1985).

10. Information based on interviews with the manager of a district fruit and vegetable market in Shanghai and cadres of the July 1st commune in Shanghai's suburbs in February 1983.

11. See the very provocative work of Andre Gorz (1976), Stephen A. Marglin (1976), Harry Braverman (1974), and Donald Weiss (1976).

12. The excerpt, the emphases, and the main argument in this discussion are all taken from Weiss (1976: 112-114).

13. The notion of "possessive individualism" is borrowed from C. B. Macpherson who has also developed the contrasting notion of an individualism that expresses a person's individual capacities "not as a consumer of utilities, but as a doer, a creator, an enjoyer of his human attributes. These attributes may be variously listed and assessed: they may be taken to include the capacity for rational understanding, for moral judgment and action, for aesthetic creation or contemplation, for the emotional activities of friendship and love, and, sometimes, for religious experience. Whatever the uniquely human attributes are taken to be, in this view of man their exertion and development are seen as ends in themselves, a satisfaction in themselves, not simply a means to consumer satisfactions. It is better to travel than to arrive. Man is not a bundle of appetites seeking satisfaction but a bundle of conscious energies seeking to be exerted." (Macpherson 1973: 4-5) Chinese writers do not seem to understand this distinction, although they are beginning to discuss the "awakening of
individuality" as a necessary and desirable aspect of the development of socialist ethics. See Zhao Fushan (1985).

Chapter Eight

1. For a provocative discussion of alternative models of socialism based on careful analysis of existing socialist formations, see Alec Nove, (1985) and the review of Nove's book by Wlodzimierz Brus (1985).

2. For a discussion of commodity fetishism in socialist society, see Wlodzimierz Brus (1973: Chapter 4).

3. The following is a representative sample of writers from Hungary, Yugoslavia, East Germany, Poland, and Czechoslovakia who use the concept of socialization to distinguish existing statist forms of socialism from a more democratically managed and governed ideal of socialism: Feher, Heller, and Markus (1983); Hegedus (1976); Markus (1978); Horvat, Markovic, and Supek (1975); Stojanovic (1973); Bahro (1978); Brus (1973); and Selucky (1979).

4. See the wall poster of Li Zhengtian, Chen Yiyang, and Wang Xizhe written under the nom de plume of Li Yi Zhe in the Amnesty International Report: Political Imprisonment in the People's Republic of China (1978: Appendix V) and Chen Erjin (1984). See also Ruth Earnshaw Lo and Katherine Kinderman (1980). Roger Howard (1981) cites many articles that identify the "gang of four" and Lin Biao as exercising a feudal dictatorship during the Cultural Revolution. This perspective is also widely reflected in the so-called "wounds" literature of the late seventies. See Lu Xinhua et al. (1979) and Yu Shiao-ling (1983). It was also reflected in many of the political cartoons satirizing Jiang Qing and Lin Biao that we photographed in Guangzhou in the fall and winter of 1976.

5. There is a tendency to separate the study of political economy into two parts: the state or political system and the economic system. Study of socialist transformation also often gets subdivided into prospects for self-government and for self-management. In fact, these two projects are the two aspects of a single dialectical relationship; the development of either is impossible without the other. For this reason I feel it is useful to think of relations of production as a dialectical unity of interpenetrating macro-structural and micro-structural aspects. Marc Blecher (1985: 105-110) develops a more elaborate "conceptual scheme for 'unpacking' relations of production" in which he distinguishes six elements of which two are "productive micro-processes" and "productive macro-processes." My thanks to Professor Blecher for drawing my attention to this article.

Appendix A

1. My thanks to Bob Anderson who first brought this book to my attention and who first encouraged me to believe it would be possible to do the research for the dissertation as a participant observer while teaching in China.

2. Franz Schurmann (1968: 58-68) discusses how and why China's "closed" ideological system is nevertheless an effective and relatively open communication system inside China.

3. As students from 1973 to 1975 and as teachers from 1975 to 1977, we went to live and work and conduct "social investigations" [shehui diaocha] in villages and factories in Beijing and Guangdong. We did this altogether seven times for periods ranging from a few days to two months.

4. This point was made to Vivienne Shue in interviews with local broadcasters in 1979 who argued against the upgrading of local networks to a wireless system because it would destroy the more local and private character of the current system. See Shue 1980: 20 and 1981: 329-30. The 1981 article also contains much interesting detail on the organization and content of the local press.

5. Although the effort to develop a more independent and critical press is perhaps most evident in the pages of China Daily, it is not confined to this English language paper. In June 1983, People's Daily carried an article by Tian Jian "On the objectives of the administrative reforms" in which the author stated:

   Some nations put the supervisory power of press opinion on a par with the powers of the legislature, the administration, and the judicature, and call it "the fourth estate" of the nation. The supervisory function of the press has not been brought into full play in our country. Our law should stipulate that the press, radio and TV stations have rights to expose and report on activities in violation of the Constitution and the law, and the interests of the nation and the people. (FBIS, June 8, 1983: K10)
The research for this study had three elements: 1) participant observation, 2) field interviews, and 3) documentary research. I will discuss each in turn and include a few remarks about how each approach enriched or compensated for inadequacies of one or both of the others.

**Participant Observation**

From September 1981 to August 1983, I worked as a teacher of sociology, anthropology, and political economy at the University of Inner Mongolia in Huhhot, the capital of the Mongolian autonomous region. My husband, Roger Howard, was with me and taught social studies. Also with us for the first year were my parents, Dot and Jim Uhl, who taught journalism and American and English literature. Each year we taught a group of approximately seventy students divided into three classes. We lived in an apartment on the campus and our neighbors were other teachers and university employees and their families. We developed relatively close friendships with a number of students, colleagues, and neighbors. Each of us learned much from discussions and observations both within and outside the classroom context. Being an extended family, we naturally shared experiences and impressions with each other. To a great extent, my dissertation reflects not just my own research and insights, but those of all four of us. When we traveled to the grasslands and to south China, we brought
our slides, notes, and impressions back to the university and shared them with students, colleagues, and neighbors. They in turn shared their observations, discoveries, and opinions with us. They understood, welcomed, and in large measure shared our interest in the reforms.

The term "participant observer" is commonly used to describe a field research method used by anthropologists or sociologists who live in close proximity with the people they are studying and observe firsthand the customs, cultural traditions, social norms, patterns of behavior, and/or social relations that give the group its particular character. The social scientist may or may not fully reveal her or his research goals to the community being investigated. In my case, my students and most of my colleagues understood that I was a social scientist and that I was doing research on the economic reforms for a dissertation, though I would not say they all understood the political communication framework of my work.

Although the dissertation covers only the rural economic reforms, I spent two years collecting information on both urban and rural reforms and participating directly in the reform of post secondary education which was an integral part of the reform movement. At the time, it was quite uncommon for students in a foreign languages department to be using their language skills to study social sciences and in particular to be asked to conduct field interviews and to do investigative journalism. Traditionally, language students would study literature and journalism, the latter being largely confined to reading newspapers. So we were participants to some extent in the very reforms which I had come to study.

However, we were not participants in the reforms of production management in the city and countryside which were the main focus of my investigation. If I compare my own role as a participant observer with
that of William Hinton (1966) or David and Isabel Crook (1959 and 1978), I was much more of an outside observer passing through trying to get a glimpse of what was actually happening. Furthermore, the dissertation covers a period of seven years from 1978 to 1985, while I myself was only in the country for two years from 1981 to 1983. These were important years in which the shape of the reforms and their impact was becoming more clear. There were, however, important developments after I left which revealed prospects of which I had been only dimly aware while still in China. Most important of these developments is the emergence of specialized households and of new economic associations. Virtually all the research I did on these phenomena was from documentary sources obtained in Canada after my return home in 1983. Thus there are important reforms described in the dissertation which I never directly observed in China.

I also lived, worked, and studied in China from 1973 to 1977, a period which straddled the deaths of Mao Zedong and Zhou Enlai and the arrests of the "gang of four." My direct observation and experience of the turbulent seventies had a profound impact on my interpretation of the reactive character of the current reforms. It also destroyed much of my naivete about the character of Chinese socialism while at the same time convincing me that a large proportion of the population is committed to socialism as the only way forward for China.

There are very few references in the dissertation to observations or insights gleaned from my role as a teacher in China. I have avoided using such material either because it was of a confidential nature or because it is unverifiable and other more available and verifiable sources of similar data or impressions seemed more appropriate. Nevertheless, "being there" made a very important difference. In particular, it enabled me to check
my data or impressions against those of Chinese friends. And most important, it provided a ready source of interpreters of the social reality unfolding around me. Some of these friends and colleagues became invaluable research assistants in the conducting of field interviews.

Although I have called this research method "participant observation," there is an important distinction between my situation and that of many ethnographers. With the exception of discussions with professors and graduate students in the Departments of Mongolian History and Mongolian Language and Literature, I did not conduct formal interviews at the university where I was living and working. However, the students taught by the four of us did do interviews in the process of learning the techniques of investigative journalism and anthropological and sociological research. Although much of the material they uncovered was quite illustrative of the impact of the reforms, I have refrained from using any of this since it was not done for this purpose. Nevertheless, much of their work was invaluable to me as it gave me clues as to what to look for and what to ask in my own investigations. Only that which could be verified from my own field research or from that of others, either Chinese or foreign, has been included. That which appeared exceptional or at least unverifiable from either field research or documentary sources has generally been omitted.

Indirect Observation through Field Interviews

The academic year at the University of Inner Mongolia lasted from September to early May with a month long break at the Spring Festival. During the term we were able to arrange short visits to the grasslands and during the summer holidays two longer visits. During the Spring Festival
break in both years, we traveled to south China. We conducted interviews in rural settings in Yunnan, Sichuan, Fujian, and Shanghai. After my parents left Huhhot to work in Beijing for China Daily in 1982, we often visited them and with the help of China Daily, were able to arrange to visit the countryside in the suburbs of the capital. In August 1983, before leaving the country, we returned to the Guangzhou Foreign Languages Institute for an extended visit with former students and colleagues with whom we had worked from 1975 to 1977. With the aid of the Institute, we were also able to conduct interviews with local cadres, peasants, and workers in rural industries in Shunde county in Guangdong.

There is nothing random about the places or people we visited in these arranged trips. This raises the question of selectivity and bias in the information gleaned from these formal interviews. This is a serious problem facing all of us, Chinese and foreign, doing social research in China. Places visited tend to be those that are accessible by motorized vehicles traveling on paved roads. And yet, there are hundreds of thousands of villages that do not enjoy such advantages. The pace of development in such villages is directly affected by this lack of basic infrastructure for exchange of information and commodities. Much of my information on such out-of-the-way underdeveloped areas came from students from these villages who were studying in Huhhot and from discussions in the press about problems of uneven development and the persistence of pockets of poverty.

The problem of bias, however, goes deeper than the difficulties of gaining access to the more underdeveloped regions and villages. When interviewed by outsiders [waidi ren], both Chinese and foreign, cadres and peasants naturally tend to emphasize achievements and goals to the neglect
of failures and persistent problems. This source of bias is reinforced by media reports which are "frankly exhortative and normative." (Parish and Whyte 1978: 345) Generally, Chinese efforts to spruce up for visitors and put their best foot forward should not be viewed as a devious conspiracy to fool the foreign guests. Nevertheless, this very normal and natural tendency presents a challenge to the serious researcher committed to uncovering the real dimensions of uneven development, problems, and setbacks so as to more accurately evaluate the present situation and future prospects.

One common approach to tackling the problem of typicality is to construct structured interviews which can be coded, computed, and tabulated for easier analysis of consistency and variation in answers. Such standardization has the advantage of enhancing the reliability of claims of typicality. Research of this type was not possible for me inasmuch as I was not a member of a well-endowed research team. But there are other reasons why I would not have chosen to conduct my investigation in this way even if I had had the financial and manpower resources.

I was not seeking to capture the essential characteristics of some hypothetically typical representation of a Chinese rural collective after the introduction of household contracting. In my choice of villages, cadres, and peasant families to visit and interview, I was less concerned with constructing a precisely representative sample of Chinese rural collectives and communication relations within them than with interviewing a group of sufficient variability to reflect the extremes at both ends of a continuum of prosperity and poverty, unified collective management and decentralized household management, good to poor natural conditions and man-made infrastructural facilities, good to poor political communication
between villagers and their cadres and between the party-state and village cadres.

According to Sjoberg and Nett (1968: 193), "The structured interview is used primarily to verify existing theories and the hypotheses derived therefrom. The scientist who employs this tool is usually intent upon testing an existing set of hypotheses; he is less concerned with discovery per se." My own research was much more of an exploratory nature than a carefully structured testing of hypotheses. This is not to suggest however that my interviews were totally lacking in structure. Before each interview I prepared an extensive list of questions. I usually managed to ask all of them but not always in the precise order or form I had originally planned. Nor did I always ask the same questions of every informant. I used a rather flexible format to enable me to pursue unanticipated insights, information, etc. which invariably came up. Since my understanding and my hypotheses were developing over time, so did my questions. Thus the interviewing done in 1983 was perhaps more structured and focused than that done in 1981 or 1982.

Throughout these two years of field research, I deliberately kept my interview format as flexible as possible so as not to risk imposing an oversimplified set of concepts on to the reality being investigated. Much of what I was investigating was very new and I simply wanted to know how it worked, how it had evolved, and how the informant conceptualized its significance. These interviews commonly took the form of a dialogue because I generally tried to share with the informant what I had learned about other places so as to solicit comparisons. In this way I was able to encourage cadres and peasants to discuss frankly what they saw as the strengths and problems of ongoing experiments in decentralized management.
The unstructured interview format allowed me maximum freedom in posing questions. It also made it easier to avoid an imposition of my own conceptual categories. Because I framed my questions largely in response to statements made by these informants, it was their understanding of the changing situation which tended to shape our discourse rather than hypotheses or conceptual categories I had brought with me. I was not, however, a blank sheet of paper on which anything could be written and I had then and continue to have concepts and hypotheses which are probably not generally shared by these cadres and peasants. Some of this conceptual framework is revealed in the more theoretical chapters of the dissertation. While there was little opportunity to explain these ideas to rural cadres and peasants, I was able to discuss them with Chinese friends in Huhhot and other cities. This was an important aspect of the testing of hypotheses in informal conversations that formed an integral part of my experience as a participant observer.

There seems to be no subject in recent years that has sparked greater interest and discussion in China than the economic reforms. It is extremely easy to strike up a conversation with a fellow train passenger, a cab driver, a hotel floor attendant, or other casual acquaintances about the character and impact of the reforms. This is not simply because the media of communication have devoted so much attention to the reforms since 1978. It also reflects the simple fact that the reforms have had very direct and dramatic impact not only on relative standards of living, but even more importantly, on the character of economic and political relationships throughout Chinese society. The rural economic reforms are the leading edge of a more general reform project in progress. Its orientation and likely outcome carry significant implications for the life
prospects of most citizens. Many people are keenly aware of this and more than willing to express their opinions, hopes, and fears.

It is rare that a social science researcher can find such a large and diverse group of subjects so willing and even eager to discuss the very questions which most interest her or him. This climate had a dramatic impact on my own research. It meant that results of formal interviews with people in positions of authority could be compared with answers or comments about similar questions offered by ordinary citizens with no official responsibility for answering the foreign visitor's questions.

The generally more open and experimental climate that ushered in the reforms also affected the formal interviews. For example, more than once interviews originally expected to last an hour at most went on for many hours as everyone in the room got involved in debating the issues raised by the questions we posed. "We" here refers not only to my husband who was almost always present and to my parents who often were, but also to the teacher or student we usually brought along as well as the interpreters provided by the Association for Friendship with Foreign Countries who accompanied us during most visits in locations outside Huhhot with the exception of Beijing and Guangzhou. Although we understand and speak the dialect of Chinese [putonghua] that is the official national language, we often found that peasants and herdsmen either could not speak it or felt quite awkward trying to and therefore we would rely on local interpreters.

In all our research, Roger and I made a concerted effort to clarify our goals and interests to the Chinese who were there to assist us in setting up and conducting interviews with cadres, peasant families, workers in rural industries, medical staff in rural hospitals and clinics, teachers in rural schools, etc. Whenever possible, we prepared a detailed list of
questions and well in advance of the visit, gave a copy to the teacher or student who had come with us from the university. Again and again during our 1981-83 research efforts, we found our Chinese companions becoming extremely active in interviews, pursuing questions we had posed until they were sure the interviewed person understood what we were after, often pushing for more comprehensive answers, and in some cases even disputing answers or raising further questions on their own initiative. Since our companions understood what we were trying to find out and shared our interests, we generally encouraged this more collaborative research approach.

Although few texts on methodology discuss this phenomenon, it is actually not an uncommon occurrence in ethnographic and sociological fieldwork in which the researcher develops a close friendship with someone in the community who begins to play a key role facilitating communication and interpreting events for the visitor. Often researchers fail to acknowledge the crucial role of these assistants who in effect become amateur social scientists in their own right. One study which makes clear the nature and importance of the role of such persons is Paul Rabinow's (1977) Reflections on Fieldwork in Morocco. [1] Sjoberg and Nett (1968: 214-217) in an effort to formalize the informal or actual norms of social research have designated the product of this sort of collaborative relationship as the "objectifying interview." In their words, "Ideally, he (sic) becomes a peer with whom the scientist can objectively discuss the ongoing system, to the extent that he (sic) is encouraged to criticize the scientist's observations and interpretations." (Sjoberg and Nett: 214) This description is apt for what happened to us except for the fact that our new found colleagues included both men and women. The authors go on
to state that "In practice this ideal is difficult to achieve."

There are several factors that could account for the emergence of this extremely fruitful collaborative relationship between ourselves and our Chinese companions. The first is simply the intrinsic value of the research to politically aware Chinese. The second is the fact that we were not generally viewed as foreign scholars doing research in China, but rather as foreign teachers who wanted to better understand the country to which we had volunteered our services. The third is the fact that everywhere we went people wanted to know where we had learned to speak Chinese. Once they heard that we had lived, worked, and studied in China from 1973 to 1977 and returned again in 1981, they assumed we had a basic understanding of how the economic and political systems work. Even more importantly, they assumed we understood the trauma of the Cultural Revolution and the demand for change it had produced. These assumptions were no doubt reinforced by the fact that we not only speak Chinese, but that we speak it the way it is spoken in the People's Republic. We know much of the political and economic jargon and the popular expressions used to succinctly describe particular situations, relationships, problems, or goals.

Because of village research we had done between 1973 and 1977 on land reform and the cooperativization process, we were also able to raise possible analogies with past experiences and policies. Furthermore, because we studied philosophy at Beijing University in the period of the greatest influence of ultra-left ideology and because we have long had an interest in problems of socialist transition, we are aware of and can discuss shifts between past and present theoretical perspectives. All of these factors contributed to a fairly general tendency for the people with
whom we worked and those whom we interviewed to treat us more as insiders, even as comrades. The result was not only a mass of detailed information, but also and more importantly, hundreds of candid observations which were the furthest thing from an officially sanctioned account. This situation was in marked contrast to the much more formal and censored accounts often taken off a printed "simple introduction" [jian dan jieshao] prepared by some authority for foreign visitor consumption. This is what we often had to struggle to get beyond in the seventies.

However, the greater openness of the current situation raises certain ethical considerations. It is not always easy to judge whether certain candid remarks by cadres, if published, could get them into trouble. I would prefer to err in the direction of excessive caution on this question and often treat the source of such comments very obliquely. While this may detract from the methodological rigor of the presentation, I feel it is the only ethical course to take under the circumstances.

Sjoberg and Nett (1968: 216-17) point out that the "objectifying interview," like all research methods, has its own pitfalls. The main danger is that the researcher will become a "captive" of the assistant who may shape the interviews and the researcher's conceptual world such as to cause the outsider to lose the ability to exercise independent judgment. For us, the key check on this danger was the simple fact that we had half a dozen such research assistants rather than just one. Their views were not at all identical and helped to alert us to the complexities of the situation and the diversity of views among Chinese intellectuals.
Documentary Research

The research methods for this study, as described thus far, bear many analogies to village or community studies by anthropologists and sociologists in widely dispersed corners of the world. However, in one important aspect my research bears little resemblance to these otherwise comparable studies. This aspect is its heavy reliance on documentary sources, particularly the public print and broadcast media of China. Although they have alternative nonpublic channels of communication [neibu tongbao], Chinese party and government leaders make extensive use of the public media to communicate information and even policy documents. Although this material is readily available to researchers, its extensive use of jargon and ideological concepts requires some exegesis before it can be readily comprehended by the uninitiated. [2] Much of my own initiation into how to decode the language of China's public media first occurred while participating in political study as a student at Beijing University and as a teacher at the Guangzhou Foreign Languages Institute. My husband and I also learned the meanings of many terms and expressions while studying philosophy at Beijing University and in the context of discussions of "politics" with workers and peasants while participating in "open door education" in factories and villages between 1973 and 1977. [3]

Chinese print and broadcast reports from 1978 to 1985 are an extremely rich and varied source of data and commentary on the economic reforms. Even in a lifetime of firsthand observation and interviewing I could not have collected a fraction of the information and analysis available in the Chinese public media. Unless otherwise indicated, all translations of articles and documents in the Chinese press are my own. The main sources of translations from elsewhere used in the dissertation
are the Foreign Broadcast Information Services (FBIS) and the journal Chinese Economic Studies, which carries important theoretical articles from Chinese newspapers and journals of economics and business management. The FBIS translations are especially useful because they provide access to provincial newspapers and radio broadcasts otherwise unavailable to me not only in the west but in China as well because it is impossible to listen to broadcasts or purchase newspapers all over the country at any one time. It is my impression that the more local the news gathering and dissemination agency, the more candid the discussion of policies and problems tends to be. Thus, for example, the richest and most illuminating radio broadcasts are often those produced by county, township, or commune wired broadcasting networks that enjoy greater privacy in which to discuss problems. [4]

Andrew Walder (1979) and Michel Oksenberg (1964) among others have pointed out that there are many hazards in trying to infer from the Chinese public media the characteristics of the real object of study. The problem is not to determine whether the print and broadcast media are biased, but rather to determine how reported information is affected by unavoidable bias. The situation is somewhat simplified if the object of the study is limited to collecting data and not interpretations of events or policies. Since both data and interpretations are the object of my own investigation, I could not resort to this method to reduce problems of bias to more manageable dimensions. However, I have tried to be quite explicit about assumptions on which inferences are based.

The main strategy Walder offers for dealing with bias is to pay close attention to problems of sampling at two levels. The first level, over which the researcher has some control, is the choice of sources. The
second is the media's choice of which information and interpretations to publish. Walder stresses that one cannot directly infer knowledge about society from a sample of newspaper articles. For example, in February 1984, China Daily (Feb. 14: 6 and Feb. 23: 3) carried two feature stories about peasants who had started rural schools with their private savings. Even if dozens of such stories are found in an assortment of newspapers from around the country, one cannot infer that such altruistic private investments in rural education are widespread. The most one could confidently infer is that the print media in 1984 were giving considerable coverage to this phenomenon to encourage it. However, when these stories are coupled with reports on the size of peasant private investment in rural education, more can be inferred about the actual situation. Thus when China Daily (May 12, 1983: 3 and 4) reported that peasants in Hebei invested twenty-one million yuan in rural education, one can infer that peasant private investment in education is becoming significant in at least one province. However, we still do not know how much of this investment was privately initiated and how much solicited by local officials. When one adds to this, information on the contents of a State Council circular issued in December 1984, as reported in a Beijing broadcast (FBIS, December 18, 1984: K12-13) in which local governments are told that it is permissible to "encourage various social sectors or individuals to invest in education," one can infer that there may well be pressure on newly wealthy peasant entrepreneurs to exonerate themselves of charges of illgotten wealth by manifesting their socialist spirit with investments in symbols of their magnanimity, such as rural schools. I am not trying to denigrate the undoubted philanthropy of some of these peasants but only to point out that there are serious limitations as to
what can be inferred from a sampling of press accounts.

Because of the scope of my study both in time period and subject matter, it was not even remotely possible to survey more than a fraction of the available and relevant media reports. Therefore, it was necessary to rely on a sample of what was available. The first problem is to determine how representative of the whole is the sample. The second problem is to determine what can possibly be accurately inferred from the media accounts about the reality they purport to describe.

As for the representative character of the sample, my sources included several national newspapers such as the party's People's Daily, [Renmin Ribao], Economic Daily [Jingji Ribao], World Economic Herald [Shijie Jingji Daobao] published biweekly in Shanghai; Chinese Peasant News [Zhongguo Nongmin Bao] published biweekly, and The Market 'Shichang] which began publishing in 1979. A major source of information for the study was the English language China Daily published in Beijing since 1981. This newspaper is unique inasmuch as it has a western format and its staff is committed to developing a more western style of investigative journalism in China. China Daily has its own reporters who produce feature articles based on their own interviews or on reports in national or local papers. It has a lively and often controversial editorial page with letters from readers and often critical commentaries taken from other newspapers. [5] Besides these national newspapers, provincial dailies and the Beijing bimonthly Fortnightly Chats [Banyue Tan] are also cited. Besides newspapers, articles from the party journal Red Flag [Hongqi] and the academic journals Economic Research [Jingji Yanjiu], Economic Management [Jingji Guanli] and Problems of Agricultural Economics [Nongye Jingji Wenti] are cited. The combination of the party press and mass circulation and
specialized newspapers and journals provides a range of articles including party and government documents, theoretical treatises, news stories, features, editorial commentaries, letters to the editor, and academic reports on research or theoretical discussions.

Despite efforts to achieve a wide-ranging sample of the Chinese print and broadcast media, there is no question that these sources generally report on experiments and developments, both positive and negative, to which the party wishes to draw attention. Thus, for example, there is considerable coverage of those areas in which specialization and commercialization are developing rapidly and relative neglect of those areas in which unspecialized grain production to meet state procurement requirements remains the major source of income. I found that the only way to compensate for this sort of bias was to look outside the press for sources of information on the neglected more underdeveloped regions and villages. The major sources I have relied on are firsthand observations during my own travels and indirect observation through interviews and conversations with Chinese who have firsthand knowledge of these backwaters. I have also relied on national statistics released in leaders' speeches, in party documents, in public media reports, and in the publications of the State Statistical Bureau such as the annual statistical yearbooks.

The final problem I want to discuss in relation to documentary research is the reliability of Chinese statistics. I often use Chinese statistics in the study to establish the degree of typicality of villages studied, families interviewed, personal incomes, etc. General readers often have difficulty determining whether a particular level of productivity or income, etc., is good, middling, or poor. Figures that may be very revealing to scholars say next to nothing to others. This is
true of values expressed in Chinese currency [renminbi]. However, I have refrained from converting these figures to Canadian or American dollars on the grounds that not only are the rates of exchange constantly changing, but even more problematic, these converted sums give no accurate indication of actual buying power in China.

With the recent revival of cost accounting, bookkeeping, government auditing, and statistical services, both the media and cadres in charge of production are able to overwhelm the researcher with masses of data. The generation of Chinese statistics, like that of most underdeveloped countries, tends to involve a large element of guesswork. Thus the researcher and student of Chinese society must question whether the statistics available are sufficiently reliable to answer the important questions under investigation. I tend to agree with Dwight Perkins (1966: 215-17) that deliberate falsifications by the government would be generally counterproductive and especially in the case of disaggregated figures rather easily detected by the population. Therefore deliberate falsifications by the government for propaganda purposes are not likely to be common. Moreover, since accurate data is essential to successful planning, the government carries on an active campaign to discourage falsifications by local cadres. However, the campaign is proof of the existence not the absence of distortions.

A more serious problem is the failure to report "bad news" statistics. There are various techniques the government and press have used to disguise the existence or dimensions of declines in production, income, etc. One example is the use of progress statistics often reported in percentages and compared with the early post-war recovery years when most indicators were at levels lower than the mid-forties before the party came
to power. This technique served to hide much of the disruption of growth that accompanied the Socialist High Tide. Of course the most outstanding example is the absence of data on the Great Leap Forward and its aftermath. While it would be incorrect to attribute this lacunae to a government ploy to hide the true dimensions of the disaster, it is also incorrect to attribute the inflation of local output figures simply to the dishonesty of local cadres. Li Choh-ming (1962: Chapters VII to IX) has documented the transformation and even dismantling of the government's statistical services during this period. The party and government have however demonstrated a willingness to try to correct statistical errors as witnessed by the downward readjustment of output figures for the Great Leap years and more recently the honest discussion by the director of the State Statistical Bureau about efforts to reconstruct data for the period of the Cultural Revolution. (Li Chengrui 1984)

Another problem is the use of statistics purported to represent something that they do not. This is a problem of definition. For example, comparisons of per capita incomes before and after the introduction of household responsibility systems do not distinguish gross and net incomes and fail to measure the degree to which peasants after the reforms are making private purchases of means of production or paying fees for access to means of production and social services formerly financed out of collective funds.

Lee Travers (1982: 480) argues that many of these problems are the product of the contradictory functions statistics are expected to serve. He cites three Chinese authors writing in the journal Statistics [Tongji] (No. 1, 1981: 35-36) who state that statistics have three main functions: 1) as a tool for the management of the socialist economy, 2) as a tool in
social struggle and social propaganda, and 3) as a weapon in advancing
social science research. The conflict between these three functions has
plagued the development of Chinese statistical work since the fifties.
Li Choh-ming has documented the struggle between the reform-minded econo-
mist Xue Muqiao, who was director of the State Statistical Bureau from
1952 to 1959, and opponents who wanted to subject statistical work to
local party control under the rubric of "upholding the principle of parti-
sanship in statistical services." The statisticians under Xue Muqiao's
leadership were accused of falling into an "objectivist tendency devoid of
political viewpoint or class platform." (Li Choh-ming: 120)

Xue Muqiao particularly objected to the use of model surveys or what
Lee Travers translates as the "typical example investigation" [dianxing
diaocha]. Xue Muqiao defended regularly scheduled complete enumerations
against those who suggested the typical case survey would suffice in its
stead. (Li Choh-ming: 85-87) Travers, on the other hand, argues for
scientifically selected random sample surveys. For years random sampling
in economic studies, like all econometrics, was viewed as a bourgeois
method that served only to obscure important class distinctions. In 1982,
I attended a lecture on econometrics in the economics department at the
University of Inner Mongolia. The lecture drew a large crowd of students
eager to hear what this recently exonerated discipline had to offer.
Although the national census taken in 1982 did involve the use of comput-
ters to conduct random surveys, typical case sample surveys continue to be
a regular feature of Chinese statistical work. The method is identified
with Mao's investigations of the Hunan peasant movement in the twenties.
Although I have included a number of tables derived from this sort of
nonrandom sample survey, I have pointed out the evident bias indicated by
the reported characteristics of the sample. In general, I believe Chinese statistics should be taken as reliable indicators of trends, but not as accurate enumerations of social realities.

Conclusion

It is apparent that each research method that I have used has its own intrinsic strengths and weaknesses. However, it seems to me that when used with care and in tandem, they can provide a reasonably reliable indication of the social reality being investigated. Nevertheless, the entire study is of a very tentative nature, a sort of exploration of a reality that is still unfolding. While it is still too early to make firm projections of its likely outcome, I believe it is not too early to begin raising the pertinent questions and alerting each other as to the areas that most merit further investigation before firm conclusions could be drawn.
APPENDIX-B

LUXIA BRIGADE CONTRACT

Fuzhou Municipality, Chengmen Commune, Luxia Brigade
1982 Production Plan for Agriculture, Industry, and Sidelines

Encouraged by the spirit of the Third Plenum of the 11th Central Committee, our brigade party branch has shifted the focus of our work to production and construction, liberated our thinking, relaxed our policies, and carried out economic readjustment. Enthusiastically moving to comprehensively develop agriculture, industry, and sidelines, in 1978 the brigade became the basic accounting unit. Since then the collective economy has developed and strengthened without interruption while commune members' living standards have also improved.

After earnestly summing up our experience with management and administration in 1981 and after strengthening and perfecting the system of production post responsibility, we are striving to raise 1982 agricultural, industrial, and sideline production to yet higher levels. We must not only handle well material construction, but also development of a socialist spirit and culture. The 1982 production plan was revised after research by the party branch committee and discussion at an expanded meeting of cadres. We hope all the cadres and masses will work as one to complete or exceed the targets.

Part I: Production Plan

Agriculture:

1. Output:  
   1) early rice - 850 jin/mu; late rice - 900 jin/mu  
   2) wheat - 330 jin/mu  
   3) rape - 120 jin/mu

2. Workpoints: 1200 points per mu of which:

   1) early and late rice - 442 points  
   2) wheat - 444 points  
   3) rape - 420 points

3. Costs of production: 100 yuan per mu of which:

   1) early and late rice - 37.30 yuan per mu  
   2) wheat - 38.50 yuan per mu  
   3) rape - 27.50 yuan per mu
Output targets on land on which orange trees are planted shall be in accord with the spirit of the agreement with the municipality (50%); workpoints and costs of production will be 70% of targets for other land. For every mu to which eight cheng of nutrient rich soil is added 200 workpoints will be paid (after inspection by the brigade). (I have been unable to find out the equivalent weight or volume of the "cheng." P.H.)

Sidelines

1. Tile & Brick Factory: fixed output - 13 million bricks (estimated value - 670,000 yuan)

2. Lock Factory: fixed output value - 320,000 yuan; profit - 25,000 yuan

3. Paper Products Factory: fixed output value - 310,000 yuan; profit - 31,000 yuan

4. Wooden Crate Factory: fixed output value - 260,000 yuan; profit - 18,000 yuan

5. Farm Tools Workshop: fixed output value - 240,000 yuan; profit - 15,000 yuan

6. Plastic Sacking Mill: fixed output value - 300,000 yuan; profit - 24,000 yuan

Part II: "Labor Management"

1. Agriculture:

In accordance with the various planned output targets for each production team, those who exceed quotas for unhusked rice will receive 180 workpoints for every 100 jin of above quota production. Those who fail to meet the quota will forfeit 100 workpoints for every 100 jin short of the target. Those who exceed quotas for wheat yields will receive a bonus of 230 workpoints for every 100 jin above the quota. Below quota producers will forfeit 115 workpoints for every 100 jin short. For rape seed, the bonus will be 400 workpoints for every 100 jin above quota and the penalty for underproduction will be 200 workpoints docked for every 100 jin short. If anyone is found underreporting real output and absconding with a portion for themselves, they will be fined 100 yuan for every 100 jin (rice, wheat, rape seed all included.)

2. Sidelines:

Each enterprise must guarantee fulfillment of quotas for planned turnover and profits. Cadres in enterprises unable to fulfill these quotas will have their wages docked. Enterprises which exceed their quotas will receive bonuses (cadres - 20%, workers - 70%, collective activity fund - 10%). Concrete determination of bonuses and fines will be as follows:

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<table>
<thead>
<tr>
<th>Turnover</th>
<th>Profit</th>
<th>Bonus &amp; Fine System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceeded by 10%</td>
<td>Exceeded by 10%</td>
<td>Distribute as bonus 40% of above quota pure profit</td>
</tr>
<tr>
<td>Fulfilled</td>
<td>Exceeded by 10%</td>
<td>Distribute as bonus 30% of above quota pure profit</td>
</tr>
<tr>
<td>Exceeded by 10%</td>
<td>Fulfilled</td>
<td>Distribute as bonus to cadres 0.5% of excess value of turnover</td>
</tr>
<tr>
<td>10% short of quota</td>
<td>Exceeded by 10%</td>
<td>Distribute bonus of 20% of excess profit to workers &amp; cadres; Fine everyone 0.5% of value of unrealized turnover</td>
</tr>
<tr>
<td>10% short of quota</td>
<td>Fulfilled</td>
<td>Fine everyone 0.5% of value of unrealized turnover</td>
</tr>
<tr>
<td>Exceeded by 10%</td>
<td>10% short of quota</td>
<td>Pay fine of 10% of unfulfilled profit quota; distribute bonus of 0.5% of value of excess turnover</td>
</tr>
<tr>
<td>Fulfilled</td>
<td>10% short of quota</td>
<td>Pay fine of 10% of unfulfilled profit quota</td>
</tr>
<tr>
<td>10% short of quota</td>
<td>10% short of quota</td>
<td>Pay fine of 0.5% of unfulfilled turnover; pay fine of 10% of unfulfilled profit quota</td>
</tr>
</tbody>
</table>

3. Wages of Drivers: 5 ton trucks - 5% of transport fees  
2.5 ton trucks - 9% of transport fees  
Model 50 tractors - 10% of transport fees

4. Drivers of model 12 tractors will contract to turn over rental fees of 550 yuan per year and assume all costs (gas and oil, repairs, road tolls, etc.). Drivers must ensure maintenance of all equipment to preserve its original condition.

5. Drivers of model 12 tractors will each be responsible for the plowing of two teams' land. The value of workpoints earned will be calculated directly by the production team. The brigade will pay a fee of 20 yuan per season per tractor for oil and gas and wear and tear. If there is a tractor temporarily out of commission, then other drivers should lend a hand to get the plowing done. Plowshares will be purchased by the brigade; if drivers through negligence cause damage to plowshares, they must pay compensation.

6. Utilization of concrete boats and tools on board will be managed by the teams who must keep them repaired and afloat. Rental fees will be 300 yuan per boat per year. Boats and tools should be handled with care and in the event of loss or damage, compensation must be paid.
7. Water buffaloes used by teams must be maintained so as to retain their original value and condition. Teams will pay the brigade annual depreciation fees. If a buffalo dies before its time, the team should pay compensation; if it outlives its quota of years, it accrues to the team for its benefit. Brigade cowherds will be paid workpoints on a daily basis. Cowherds who contract with teams to care for buffalo will receive 1800 workpoints per head per year.

Part III: The System

1. Procedures and field management in agricultural production should be handled by each team according to schedule and according to standard criteria. The brigade will organize regular inspections and comparative evaluations and reward those who do a good job and dock workpoints of those who don't. Payment of workpoints for inspected and evaluated operations will be as follows:

1) For wheat field and crop management - five workpoints.

2) For accumulation of fertilizers excepting chemical fertilizers, ten workpoints will be awarded for every mu to which six large cheng of soil, two bundles of sunflowers (40 dan), 60 dan of pig manure, 80 dan of household wastes, or 120 dan of mushroom-growing soil [mogu tu] are applied. (One "dan" weighs 50 kgs. P.H.)

3) For construction of field paths (50 cm. wide and 20 cm. higher than surrounding fields) and drainage ditches (40 cm. lower than surrounding fields) - eight points.

4) For seed selection - two points.

5) For soaking and sowing of seeds (early and late rice seedlings must meet inspection standards) - five points.

6) For thinning (standard 6 X 5, early rice - 8 to 10 rows, late rice 2 to 3 rows) - ten points.

7) For "four sides clean" (weeding? - P.H.) - five points.

8) For thinning rice heads - five points.

9) For summer harvesting and planting (done on time according to brigade's schedule) - ten points.

10) For fulfilling output quotas (in accord with the brigade's requirements and schedule) in the summer harvest - 10 points, in the autumn harvest - 15 points.

11) For warming fields (done punctually and correctly) - ten points.

12) For application of pesticides (early and late) - ten points each time.
13) For straightening seedlings - two points. (No points will be awarded for any mu with three or more missing plants.)

14) For healthy crops - twelve points.

15) For completing the late autumn harvest before the end of the "Great Snow" - ten points. (The "Great Snow" is the 21st solar term in a traditional calendar divided into 24 solar terms which is used by Chinese peasants to plan agricultural production. P.H.)

16) For completion of the planting of winter wheat before the end of the twentieth solar term [xiaoxue nei] - five points.

17) For perfect attendance at all team cadre meetings from beginning to end for the entire year - twenty points. One half point will be docked for late arrival and one full point for every meeting missed.

2. All working members of the brigade, except those attached to commune factories, should be under the unified administration of the brigade and actively participate in brigade industrial and agricultural production. Limited freedoms will be permitted so long as industrial and agricultural tasks are completed in a nonobstructive manner. Except for the following categories of commune members, all those who do not participate in industrial or agricultural production must pay into the three funds. (agricultural tax, accumulation fund, and welfare fund - P.H.) Each person must pay fifty fen per day or fifteen yuan per month or 180 yuan per year. The exempted include:

1) the old, weak, sick, and handicapped
2) demobilized soldiers and returned students
3) peddlars approved by industrial and commercial administrative departments
4) people involved in officially sanctioned household sideline production, raising flocks of ducks or three or more dairy cows

Brigade members who are construction workers or carpenters who contract to build for the brigade must pay into the three funds.

3. Commune members participating in brigade agricultural and industrial production should adhere to the terms of their contracts. Once every quarter factory cadres should make inspections and evaluations according to the responsibilities of their respective production posts. In accordance with agreed upon workpoint payment schedules, all those who complete 80% of their quotas will get full wages, those who fail to reach 80% will have their wages docked in proportion to the percent less than 80%. For example, suppose a factory director's wage is set at 8400 points, but in the final evaluation the factory achieves only 280 points which is 70% or 10% below 80% of its target. This cadre would be docked 840 points so that his wage for that year would be 7560 workpoints.

4. If teams buy soil from other townships, the brigade will provide a subsidy of one yuan for every linpucheng, twenty workpoints for every three linpucheng. For big cheng of silk from the river mouth, the
brigade will pay a subsidy of two points for transport and ten points for purchase, but if soil is transported from one place to another within the brigade, no subsidy will be available.

5. Repairs of team granaries or threshing grounds should be handled within the teams. Requests for new construction must be approved by the brigade and must not exceed the size of Jiebei team's facilities.

6. Pig raising by commune members

1) Every family of five or less should raise one pig while larger families should raise two. (A sow can be counted as part of the livestock on hand). The brigade will inspect three times a year (spring, summer, and fall by the lunar calendar). Those households not raising pigs who haven't been authorized to run a brigade piggery will be accordingly docked the portion of their grain allotment designated as livestock feed (ie. docked 40% of grain allotment).

2) Each year each family should sell one live pig to the state for which the seller will be rewarded one jin of unhusked rice for every two jin of gross weight. For every pig sold whose weight exceeds 150 jin, the seller will be rewarded with a piglet (weighing over 20 jin) plus twenty yuan to pay for nutrition supplements.

3) Families whose pig fails to reach the required weight within one year can postpone the sale till the following year but must also fulfill the second year's quota.

4) Five guarantee households, single persons, and those working all day with no one at home or couples living outside the brigade will be given special consideration and relieved from raising pigs. (Five guarantee households [wubaohu] contain elderly or infirm people without any means of support who are guaranteed food, clothing, medical care, fuel, and burial by the commune. P.H.)

7. The brick works will pay compensation for use of land and extraction of soil for three years. The land will be returned to the respective teams for production. Using a calculation based on the average productivity of each team's land, compensation will be paid at a rate of 30% in the first year, 20% in the second year, and 10% in the third year. In the first year eight cheng of soil will be restored, in the second year six cheng and twenty workpoints will be paid for every cheng transported. Moreover, extra manure from the animal husbandry complex will be distributed (as a form of further compensation).

8. Kids who eat lichee buds will be fined ten yuan; informants who report such offenders will be rewarded five yuan. Those who steal lichee buds will be fined thirty yuan and informants rewarded ten yuan. Those who use sticks or stones to knock fruit out of trees will be fined ten yuan and informants rewarded five yuan. Those who break off branches (regardless of whether or not bearing fruit) will be fined ten yuan and informants rewarded five yuan.
9. Those who steal fish from ponds will be fined ten yuan and informants rewarded five yuan. Those who use chemicals, explosives, or nets to take fish from ponds must compensate for every fish fry taken the market value of a three jin fish and informants will be rewarded thirty yuan. During spawning anyone caught stoning or clubbing fish will be fined twenty yuan and informants rewarded ten yuan.

10. Vehicles will be dispatched by administrative personnel on the basis of written authorization. Deadline for departure will be 6:00 a.m. (except under special circumstances). Vehicles authorized for a half day must return by noon; for a whole day by 7:00 p.m.; if these limits are exceeded the user must pay the normal transport fee.

11. Vehicles must be used first to serve the transport needs of the brigade. When not needed by the brigade, drivers can take on outside hauling jobs after obtaining the authorization of administrative personnel.

12. Every time they engage in transport, drivers must draw up an account with the contracting unit. In contracting within the brigade, the contracting unit will sign the transport fee bill and hand it over to the finance committee for final accounting. When working for an outside unit, drivers will draw up a bill for transport fees for the said unit who will then pay the brigade finance group.

13. If a driver is called out to haul goods and on arrival is told the vehicle is not needed, a half-price transport fee will still be charged.

14. In the above situation, after checking around and after getting administrative personnel approval, drivers may on their own initiative take local jobs. Drivers will receive 30% of these extra transport fee receipts as part of their wages. If they fail to report such income, it will be regarded as smuggling.

15. During periods of maintenance or repair, drivers will receive wages of twelve workpoints per day (not counting average business earnings). Labor and repair charges will be covered by the brigade.

16. If other units with whom we have business relations want to use a brigade vehicle, they must pay commencing with the standard half-day rate.

17. The price for requisitioning a vehicle in the evening to attend a performance shall be ten yuan.

18. In the event that a vehicle is requisitioned for a commune member who falls ill or due to some other emergency, the family will pay for gasoline and the driver's wages. If anyone is injured on the job working for the brigade and a vehicle is used as an ambulance, the work unit will pay for gasoline and the driver's wages. If someone is hurt in a fight, the one who caused the injury must pay the regular transport fee for any ambulance service provided.
19. In every instance in which a driver is caught smuggling goods, he or she will be docked a month's wages.

Family Planning Management

Basing ourselves on the spirit of the upper level party conference on planned parenthood as well as the concrete situation in our own brigade, we have drawn up administrative regulations regarding early marriage and unplanned births. We have put into effect a policy of first providing bonuses, second setting limits, and third imposing penalties. Political education is to be the central focus with reward and punishment secondary. With reference to those who marry in 1982, in accord with the regulations of the new Marriage Law, those who according to their marriage certificates are below the stipulated age of marriage belong to the category of early marriage and will be accordingly fined 120 yuan. If their attitude is bad, they should be treated severely. If such couples not only marry early, but also give birth at an early age, besides having to pay the above fine, their quota of grain to be sold to the state will be increased by a maximum of 500 jin depending on the number of years since their marriage. Those who have a single son or daughter will be rewarded. After the birth of the first child, the coil should be inserted and the parents should take the initiative to apply for verification of their status as one-child parents. The brigade will pay the parents a lump sum of 200 yuan. From the date of the child's birth, the family will receive an adult grain allotment for him or her and all of the child's hospital, medical, and pharmaceutical expenses and elementary school tuition up to the age of fourteen will be covered by the brigade. As for limits, there will be no provision for second births except in special circumstances. In such cases the mother must make application and after mass approval, the planned birth must be reported to and approved by the suburban district family planning office. Third births are out of the question and according to regulations will incur a penalty of 300 yuan and the quota of grain to be sold to the state will be increased by 500 jin until the child reaches the age of fourteen. If a tubal ligation is performed, the penalty will be restricted to the year of birth. After the insertion of the coil four months after the birth of the first child, his or her residency permit will be granted (without which no grain ration will be allotted. P.H.) If this four month time period is exceeded, the parents will be fined five yuan per month, otherwise they will be penalized according to the family planning program. If they do not have the coil inserted and after an interval of three to five years or more give birth to a second child, besides the fine imposed during the early period, their quota of grain to be sold to the state will be increased by 500 jin and they will have to make reports to the commune until the child is three years of age.
Collectively Agreed Upon Regulations for
Maintaining Public Order in Luxia Brigade

1. Opening a gambling house and gambling itself are forbidden. Those who engage in such activities will be subject to fines of 50 to 1500 yuan.

2. Burglars, pickpockets, pilferers, and all thieves will be fined ten times the value of stolen goods.

3. Those who get involved in fights will be fined according to the cause of the fight and the severity of injury inflicted. Besides being fined 60 to 100 yuan, the one who inflicted injury must pay hospital and medical expenses, nutritional food supplements, and compensate for lost income of the injured party.

4. Accidents should be prevented by making thorough inspections and correcting any unsafe conditions. Those responsible for such conditions will be fined from 2 to 100 yuan. If losses are incurred due to such conditions, penalty will be severe.

5. Speculators and smugglers will be subject to fines of 500 to 2000 yuan.

6. Those who engage in feudal superstitious practices, erect shrines or buddhas, produce artifacts of superstition, defraud people of money by exploiting superstition or otherwise disturb social peace will be fined 100 to 500 yuan.

7. Those who engage in hooliganism or bully or humiliate people will be fined 5 to 50 yuan.

8. Those who break the law by embezzling funds, hiding or selling things taken from their unit, or harbouring criminals will be subject to a penalty of 50 to 500 yuan.

9. Those who engage in unauthorized construction obstructing traffic or maring the appearance of the community will be required to remove such construction immediately and pay a fine of 30 to 300 yuan.

10. Those who defraud people to obtain money or goods or practice usury will be subject to fines of 50 to 100 yuan.

In reference to the above regulations, besides the monetary sanctions imposed, depending on the circumstances and the person's attitude, offenders will be subject to criticism, education, and investigation of their criminal liability.

The regulations herein will take effect as of March 1, 1982.
1. The expense account for those who must go out on business will be 40 fen per day. Enterprise directors may collect refunds up to 12 yuan per month. (This statement is followed by a list of director's names for each enterprise. P.H.) Others will be refunded at a rate of 40 fen per day.

2. Those who go out of the county or province on business will receive 1.20 yuan per day plus one yuan for tea and cigarettes. Hard seat train tickets will be refunded and there will be a further refund of 1.20 yuan for every eight hours on the train. An overnight journey of 24 hours will be counted as three days. Sleeping berths or plane tickets cannot be refunded. Under special circumstances, application can be made to the party branch for consideration.

3. Each factory should set aside 0.5% of profits for daily tea and cigarette expenses.

4. In light of the special expenses incurred in receiving guests, in each factory in which one or two people act as hosts, a refund of five yuan per person may be collected (within three days).

5. Supply and purchasing personnel should collect refunds for expenditures within the same month otherwise they will forfeit their refund for travel expenses. Business travel expenses will be refunded in the subsequent month. Those who return to their factories from business trips should hand in all receipts for business expenses within five days.

6. At the time of purchase of equipment or materials, each factory or farm should have the reverse side of the receipt stamped with five seals: the party with whom the transaction was made, the party which inspects the goods, the storage keeper who accepts the delivery, the factory director who should verify that the receipt matches the actual goods, and the accountant, before the expenditure can be refunded. If a receipt is missing, the purchaser must draw up evidence of the purchase and make application to the finance section of the unit for a refund of the expenditure.

7. Supply and purchasing personnel who draw up bills for goods purchased should write clearly which unit supplied the goods and what exactly was purchased. Accounts should be kept up to date and refunds should be collected without delays. Those who let accounting and collection of refunds slide till the following season will pay out of their personal or family account.

8. Security guards should carefully inspect the quantity and quality of goods coming and going and make careful assessments of goods not kept in storage facilities. In the event of a discovery of a lack of correspondence between goods on hand and inventory records, it should be reported to the director and the situation investigated. If the lack of correspondence is due to normal consumption or depletion, the formalities should still be gone through to account for the "loss"
involved. Accountants, in accordance with the financial and economic accounting system, may at any time inspect accounts and goods.

9. The workshop heads and accountants of each factory or farm would keep cost accounts for all products produced. The wages and materials commissioned by workers in the process of production should all be checked and accounted for. In the event any discrepancy is discovered, it should be reported immediately. Otherwise such responsible persons will be held accountable.

10. Workshop heads should do a good job of overseeing production and deal with problems as soon as they are realized. If they run into problems they are unable to solve, they should promptly report the situation to the director. If losses are incurred because someone has shirked his or her responsibilities, the affair should be reported to the party branch who will deal with the matter according to the circumstances.

11. Repairmen and technicians should be responsible for repairs and technology. If losses occur due to the return of products for recasting, reworking, etc. after release from the warehouse, workshop foremen and technicians should assume full responsibility. If the circumstances are serious, the situation should be handled by the party branch. The factory production director is responsible for the factory’s entire production.

12. Handling of materials should be done through collective discussion by factory or farm cadres. Reports and application for approval should be made to the party branch. No one may arbitrarily sell off such goods. On the contrary, responsibility for losses should be determined.

13. Outlays for bicycle repairs shall be made only after completion and after reporting the repair. Don’t procrastinate. Application for compensation should be made within the same month. Major repairs of over three yuan should be inspected and approved by the factory director.

14. The workshop foremen should prevent the disappearance of materials. If there is theft due to a neglect of duty, it should be handled according to the seriousness of the matter.

15. All capital construction and nonproductive expenditures should first be approved by the party branch.

16. At the end of each month, every factory should draw up summaries of workpoints earned by the workers and staff, finished and semi-finished products, electricity consumed, etc. and before the fifteenth of the following month all accounts should be handed in. Reports on wages should be drawn up by workshop teams and groups and inspected, systematized, and passed on to the brigade by the factory leadership. Department and local personnel should receive their wages directly in person; factory cadres should not collect pay for them except when there are extenuating circumstances and the party branch has approved it.
The Scope of Factory and Farm Cadres' Responsibilities in 1982

To strengthen and improve the production post responsibility system on the basis of 1981 administration and management, the new revised enterprise management scheme has been studied by the party branch committee which hopes everyone will comply with and implement the factory and farm cadres' responsibility system.

The Factory Director's Sphere of Responsibilities:

1. Under the leadership of the party branch, the factory director will unite the whole factory's cadres, staff, and workers in a division of labor and responsibilities. He will implement the production post responsibility system while personally assuming responsibility for overall management, production planning, deployment of labor, administration and management, and examination and approval of economic and production matters. Political and ideological leadership should be strengthened and every party task resolutely completed. (Assessment shall be calculated out of a total possible fifty workpoints.)

2. The director will maintain a secure hold over his own work post and will have the right to investigate each person's performance of duties, each responsibility system, the management process, and the thinking and attitudes of workers and staff. The factory director must not treat jobs as though they were an aspect of external supply and marketing relations or use what is public to aid what is private by disguising the placing of relatives in choice positions. If such actions are uncovered, an inquiry should be conducted and the matter treated as serious. (Assessment shall be conducted out of a total of thirty workpoints.)

3. The factory director shall improve professional management to prevent fires and promote safe and orderly production. He should enthusiastically take the lead in preserving the social order and take a turn at guard duty. (Assessment out of a total of twenty points.)

Responsibilities of Supply and Marketing Personnel:

1. Those in charge of supply and marketing must take firm command over their workposts. They should coordinate their work closely with that of the factory directors and draw up plans for the management of specialized production. They too must not treat jobs as a part of supply and marketing or use public assets for private advantage or disguise patronage jobs for relatives. (Assessment shall be calculated out of a total of twenty points.)

2. In this profession it is necessary to strengthen cost accounting and assure timely supply of raw materials and subsidiary materials [fuzhu cailliao] to ensure normal production. (Assessment to be made out of a total of forty points.)

3. Supply and marketing cadres must coordinate their work closely with the workshop foremen to control product quality. They must market products
so as to achieve a rapid return on capital investment. (Assessment out of a total of forty workpoints.)

Duties of Workshop Foremen:

1. The workshop foremen must coordinate their work closely with that of the factory director and supply and marketing cadres in drawing up plans covering production, materials, consumption, and quality controls. They must arrange production so as to unify workers and staff. (Assessment based on a total of twenty points.)

2. Workshop foremen must strictly enforce the production post responsibility system, regularly inspect the pace of production [shengchan jindu], complete the production tasks handed down by the factory departments, implement production safety measures, and do good ideological work among the workers and staff. (Assessment out of forty workpoints.)

3. Workshop foremen must strengthen workshop management, promote orderly production, economize on the use of raw materials, and not allow waste. If they uncover problems within the sphere of their own responsibilities, they should act promptly to resolve them. If losses are incurred due to the return and reworking of products released by the warehouse, the workshop foremen and technicians should assume full responsibility for the losses. (Assessment out of a total of forty workpoints.)

Scope of Responsibilities of Finance Personnel:

1. Finance personnel must earnestly implement the 1982 system of financial management (outlined in a separate document I was not given – P.H.) and act as good staff officers of the party branch. They have the right to investigate the financial management of factories and farms. They have the power to refuse unreasonable expenditures. If finance personnel wantonly neglect their duties or fix accounts so as to disguise expenditures, their culpability should be subjected to an inquiry. (Assessment should be calculated out of a total of fifty points.)

2. Finance personnel should work closely with factories and farms to strengthen cost accounting, probe deeply [shenru] into the workshops, teams, and groups, and provide timely management of goods and materials. (Assessment out of a total possible thirty points.)

3. Finance personnel should adhere strictly to the materials and goods management system and ensure that materials and products are received by the warehouses and entered into the account books in a timely manner and that workers and staff are compensated according to their labor and that payment complies with piecework wage regulations. (Assessment out of a total of twenty points.)
Duties of Warehouse Managers [cangguanyuan]

1. Warehouse managers must strengthen management of goods and materials. They must inspect goods before acceptance. They must receive and release goods and achieve an orderly system of storage and make regular inventories. (Assessment shall be calculated on the basis of a maximum of fifty points.)

2. Jurisdiction over and use of materials will be governed by the production plan and must be approved by leaders in the economics department. Jurisdiction over and use of tools should be governed by the principle of handing in worn out tools for replacement. With reference to non-productive materials, if sales of materials, products, etc. are permitted, it should be done only after approval by the brigade cadre in charge. (Assessment on a basis of forty points.)

3. All materials stored in the brigade by external units should be first reported to the brigade by factory personnel. Only after consulting the brigade leadership can such arrangements be made. If such formalities have not been gone through, the goods may not be accepted or transported and warehouse management personnel have the power to refuse to receive them. (Assessment on a basis of ten points.)

Duties of Factory Custodial Personnel

1. Factory custodial personnel should strengthen the work post responsibility system performing night and day shift duties cleaning offices, preparing boiled water, and keeping the area in front of the factory entrances clean and tidy. At morning, noon, and evening meal times, they should not leave their posts until cadres have changed shift. They should see that electric and coal burning furnaces are used only by and for the collective and not for private use. (Assessment shall be calculated on the basis of a maximum total of fifty points.)

2. Custodial personnel must enforce observance of all factory regulations. They have the right to inspect all incoming and outgoing personnel and goods. If the proper procedures have not been gone through, they have the right to bar entry or exit. (Assessment based on a total of thirty workpoints.)

3. Custodial personnel should strengthen materials management and prevent the transport of goods or materials at night. Only in special circumstances when the proper procedures have been taken should goods or material be allowed to pass. Otherwise transport of goods or material without going through the proper procedures will be punished as theft. Custodial personnel do not have the authority to approve the borrowing of goods or materials. If such arrangements are discovered, an inquiry will be conducted to affix responsibility. (Assessment will be based on a total of twenty possible points.)
### 1982 DISTRIBUTION PLAN

<table>
<thead>
<tr>
<th>Income (yuan)</th>
<th>Workpoints</th>
<th>Value of Workpoints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative</td>
<td>2,090,000</td>
<td>5,780,000</td>
</tr>
<tr>
<td>Agriculture</td>
<td>130,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Sidelines</td>
<td>1,900,000</td>
<td>4,380,000</td>
</tr>
<tr>
<td>Tile &amp; Brick Works</td>
<td>470,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Hardware Factory</td>
<td>320,000</td>
<td>700,000</td>
</tr>
<tr>
<td>Wooden Crate Factory</td>
<td>260,000</td>
<td>700,000</td>
</tr>
<tr>
<td>Paper Products Factory</td>
<td>310,000</td>
<td>430,000</td>
</tr>
<tr>
<td>Plastic Sacking Mill</td>
<td>300,000</td>
<td>700,000</td>
</tr>
<tr>
<td>Tool &amp; Machine Shop</td>
<td>240,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Cotton Wadding Factory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport Team</td>
<td>50,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Livestock Farm</td>
<td>10,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Capital Construction</td>
<td>300,000</td>
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<tr>
<td>Bonuses for Exceeding Targets</td>
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### 1982 DISTRIBUTION PLAN (continued)

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Appropriations*</th>
<th>Payments**</th>
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<tbody>
<tr>
<td>Cumulative</td>
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<td>Agriculture</td>
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<td>Sidelines</td>
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<td>Tile &amp; Brick Works</td>
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<tr>
<td>Hardware Factory</td>
<td>204,000</td>
<td>25,000</td>
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<td>18,000</td>
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<td>Paper Products Factory</td>
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<td>Plastic Sacking Mill</td>
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<td>Tool &amp; Machine Shop</td>
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<td>Cotton Wadding Factory</td>
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<td>Transport Team</td>
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<td>Livestock Farm</td>
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<td>Capital Construction</td>
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<td>Bonuses for Exceeding Targets</td>
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* from higher levels [xia bo]
**to higher levels [shang jiao]
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<thead>
<tr>
<th>Work Groups</th>
<th>Early Rice</th>
<th></th>
<th>Late Rice</th>
<th></th>
<th>Cumulative Output Value (yuan)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Area (mu)</td>
<td>Output per mu (jin/mu)</td>
<td>Total Output (jin)</td>
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<td>61,293.5</td>
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<td>9</td>
<td>71.32</td>
<td></td>
<td>60,622.0</td>
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<td>64,188</td>
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**Wheat**

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<th></th>
<th>Late Rice</th>
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<th></th>
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<th>Cumulative Output Value (yuan)</th>
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<td>16</td>
<td></td>
<td>5,120</td>
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### 1982 AGRICULTURAL INCOME PLAN (continued)

<table>
<thead>
<tr>
<th>Work Groups</th>
<th>Early Rice Straw (2 yuan/mu)</th>
<th>Late Rice Straw (4 yuan/mu)</th>
<th>Wheat Straw (4 yuan/mu)</th>
<th>Cumulative Income from Rice, Wheat, &amp; Straw (yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,324.10</td>
<td>2,648.20</td>
<td>592.00</td>
<td>126,674.57</td>
</tr>
<tr>
<td>1</td>
<td>145.42</td>
<td>290.84</td>
<td>64.00</td>
<td>13,900.35</td>
</tr>
<tr>
<td>2</td>
<td>142.94</td>
<td>285.88</td>
<td>64.00</td>
<td>13,675.91</td>
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<td>3</td>
<td>162.72</td>
<td>325.44</td>
<td>72.00</td>
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<td>4</td>
<td>152.84</td>
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<td>&quot;</td>
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<td>9</td>
<td>142.64</td>
<td>285.28</td>
<td>&quot;</td>
<td>13,648.76</td>
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</table>
APPENDIX C

TABLE ONE

ECONOMIC ASSOCIATIONS IN YIYANG COUNTY, HUNAN PROVINCE

<table>
<thead>
<tr>
<th>Categories</th>
<th>Forms of Association (characteristics)</th>
<th>% of Total</th>
</tr>
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<tbody>
<tr>
<td>According to substantive content of cooperation</td>
<td>centered on labor</td>
<td>43.0%</td>
</tr>
<tr>
<td></td>
<td>centered on capital</td>
<td>20.0%</td>
</tr>
<tr>
<td></td>
<td>centered on skills</td>
<td>13.0%</td>
</tr>
<tr>
<td></td>
<td>centered on production materials</td>
<td>21.0%</td>
</tr>
<tr>
<td>According to type of business activity</td>
<td>specialized production.</td>
<td>29.3%</td>
</tr>
<tr>
<td></td>
<td>provision of pre- and post-production services.</td>
<td>53.0%</td>
</tr>
<tr>
<td></td>
<td>vertical integration of supply, production, &amp; marketing</td>
<td>13.3%</td>
</tr>
<tr>
<td></td>
<td>agro-industrial-commercial complexes</td>
<td>4.4%</td>
</tr>
<tr>
<td>According to type of cooperating partners of households</td>
<td></td>
<td>64.0%</td>
</tr>
<tr>
<td></td>
<td>households &amp; collectives or state enterprises</td>
<td>34.3%</td>
</tr>
<tr>
<td></td>
<td>households, collectives, &amp; state enterprises</td>
<td>0.4%</td>
</tr>
<tr>
<td></td>
<td>between collectives or collectives &amp; state enterprises</td>
<td>1.3%</td>
</tr>
<tr>
<td>According to territory</td>
<td>not exceeding village boundaries.</td>
<td>30.0%</td>
</tr>
<tr>
<td></td>
<td>exceeding village, township, or county.</td>
<td>69.9%</td>
</tr>
<tr>
<td></td>
<td>between cities and townships.</td>
<td>0.1%</td>
</tr>
<tr>
<td>According to method of distribution</td>
<td>according to labor</td>
<td>46.0%</td>
</tr>
<tr>
<td></td>
<td>according to labor plus dividends on shares</td>
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</tr>
<tr>
<td></td>
<td>according to labor, shares, and production materials</td>
<td>34.0%</td>
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TABLE TWO

GROWTH OF COMMUNE OR TOWNSHIP INDUSTRIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Year</th>
<th>Number</th>
<th>Year</th>
<th>Number</th>
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<td>117,000</td>
<td>1970</td>
<td>44,700</td>
<td>1978</td>
<td>164,100</td>
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<td>1979</td>
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</table>

Source: China Statistical Yearbook [Zhongguo Tongji Nianjian]: 193
# TABLE THREE

STRUCTURE OF RURAL OUTPUT VALUE BY REGION IN 1983
(Percent of Total Rural Output Value)

<table>
<thead>
<tr>
<th>Region</th>
<th>Crop Cultivation</th>
<th>Forestry</th>
<th>Animal Husbandry</th>
<th>Fisheries</th>
<th>Sidelines*</th>
<th>Village Industries</th>
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* Sidelines includes village industries.

Source: China Statistical Yearbook 1984 [Zhongguo Tongji Nianjian]: 136

379
<table>
<thead>
<tr>
<th>Year</th>
<th>Grain</th>
<th>Cotton</th>
<th>Edible Oil</th>
<th>Pork, Beef, Mutton</th>
<th>Aquatic Products</th>
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</table>

Source: China Statistical Yearbook 1984 [Zhongguo Tongji Nianjian]: 164
TABLE FIVE

COMPARISON OF GROWTH OF AGRICULTURAL & RURAL INDUSTRIAL OUTPUT VALUE WITH POPULATION GROWTH

<table>
<thead>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Agricultural &amp; Industrial Output Value</td>
<td>100</td>
<td>124.8</td>
<td>137.1</td>
<td>229.6</td>
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<tr>
<td>Population at the end of the year</td>
<td>100</td>
<td>112.5</td>
<td>126.2</td>
<td>167.4</td>
<td>178.3</td>
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</table>

Source: China Statistical Yearbook 1984 [Zhongguo Tongji Nianjian]: 12 and 132

TABLE SIX

BASIC SITUATION OF SURVEYED HOUSEHOLDS

<table>
<thead>
<tr>
<th></th>
<th>1957</th>
<th>1978</th>
<th>1982</th>
<th>1983</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total households surveyed</td>
<td>17,378</td>
<td>6,095</td>
<td>22,775</td>
<td>30,427</td>
</tr>
<tr>
<td>No. of long-term residents</td>
<td>84,279</td>
<td>34,961</td>
<td>124,286</td>
<td>165,131</td>
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<tr>
<td>Average household size</td>
<td>4.85</td>
<td>5.74</td>
<td>5.46</td>
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<tr>
<td>Average no. of full or part-time laborers per household</td>
<td>2.33</td>
<td>2.27</td>
<td>2.58</td>
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<tr>
<td>Average no. of persons supported by each laborer</td>
<td>2.08</td>
<td>2.53</td>
<td>2.12</td>
<td>1.91</td>
</tr>
<tr>
<td>Average no. of new rooms per household</td>
<td>0.08</td>
<td>0.11</td>
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<td>0.31</td>
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<tr>
<td>Average total no. of rooms per household</td>
<td>3.98</td>
<td>3.64</td>
<td>4.56</td>
<td>4.81</td>
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<tr>
<td>Average floorspace per person</td>
<td>11.30</td>
<td>10.17</td>
<td>13.41</td>
<td>14.25</td>
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<tr>
<td>of which living space (sq. meters)</td>
<td>8.10</td>
<td>10.73</td>
<td>11.63</td>
<td></td>
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</tbody>
</table>

Source: China Statistical Yearbook 1984 [Zhongguo Tongji Nianjian]: 471
### TABLE SEVEN

**RURAL HOUSEHOLD PER CAPITA NET INCOME BY SOURCE**

<table>
<thead>
<tr>
<th>Year</th>
<th>1957</th>
<th>1978</th>
<th>1982</th>
<th>1983</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Per capita net income (yuan)</strong></td>
<td>72.95</td>
<td>133.57</td>
<td>270.11</td>
<td>399.77</td>
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<tr>
<td>from collective labor</td>
<td>43.40</td>
<td>88.53</td>
<td>142.84</td>
<td>169.47</td>
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<tr>
<td>from household sidelines</td>
<td>21.46</td>
<td>35.79</td>
<td>102.80</td>
<td>112.13</td>
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<tr>
<td>from other sources *</td>
<td>8.09</td>
<td>9.25</td>
<td>24.47</td>
<td>28.17</td>
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</table>

As percent of total income:
- from collective labor 59.5% 66.3% 52.9% 54.7%
- from household sidelines 29.4% 26.8% 38.0% 36.2%
- from other sources * 11.1% 6.9% 9.1% 9.1%

* Other sources includes cash brought in or mailed to family from outside, welfare, payments for work on public projects, etc. but not income from borrowing or lending.

Source: China Statistical Yearbook 1984 [Zhongguo Tongji Nianjian]: 471

### TABLE EIGHT

**STRUCTURE OF RURAL HOUSEHOLD CONSUMPTION**

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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Per capita living expenses</strong></td>
<td>70.86</td>
<td>95.11</td>
<td>116.06</td>
<td>220.23</td>
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<td>46.59</td>
<td>65.11</td>
<td>112.90</td>
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<td>7.90</td>
<td>8.28</td>
<td>12.36</td>
<td>13.17</td>
</tr>
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<td>housing</td>
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<td>3.67</td>
<td>22.58</td>
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<td>other daily use goods</td>
<td>4.92</td>
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<td>7.62</td>
<td>22.39</td>
<td>26.89</td>
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<td>services</td>
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<td>2.58</td>
<td>3.16</td>
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</table>

As % of total living expenses:
- food 65.8% 68.5% 67.7% 60.6% 59.3%
- clothing 13.5% 10.5% 12.7% 11.2% 11.2%
- fuel 10.0% 8.3% 7.1% 5.6% 5.4%
- housing 2.1% 2.8% 3.2% 10.3% 11.1%
- other daily use goods 6.9% 7.2% 6.6% 10.2% 10.8%
- services 1.7% 2.7% 2.7% 2.2% 2.2%

* Services includes expenditures on education, transportation, medical care, entertainment, haircuts, etc.

Source: China Statistical Yearbook 1984 [Zhongguo Tongji Nianjian]: 473
### TABLE NINE

**RURAL HOUSEHOLD PER CAPITA NET INCOME DIFFERENTIALS**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>1978</th>
<th>1982</th>
<th>1983</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 500 yuan</td>
<td>6.7%</td>
<td>11.9%</td>
<td></td>
</tr>
<tr>
<td>400 - 500 yuan</td>
<td>2.4%</td>
<td>8.7%</td>
<td>11.6%</td>
</tr>
<tr>
<td>300 - 400 yuan</td>
<td></td>
<td>20.8%</td>
<td>22.9%</td>
</tr>
<tr>
<td>200 - 300 yuan</td>
<td>15.0%</td>
<td>37.0%</td>
<td>32.9%</td>
</tr>
<tr>
<td>150 - 200 yuan</td>
<td>17.6%</td>
<td>16.0%</td>
<td>13.1%</td>
</tr>
<tr>
<td>100 - 150 yuan</td>
<td>31.7%</td>
<td>8.1%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Less than 100 yuan</td>
<td>33.3%</td>
<td>2.7%</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Source: *China Statistical Yearbook 1984* [Zhongguo Tongji Nianjian]: 473

### TABLE TEN

**RATIOS OF STATE INVESTMENT (SI) AND OUTPUT VALUE (OV) IN DIFFERENT SECTORS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture SI / OV</th>
<th>Light Industry SI / OV</th>
<th>Heavy Industry SI / OV</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>13.4% 56.9%</td>
<td>9.3% 27.8%</td>
<td>29.5% 15.3%</td>
</tr>
<tr>
<td>1957</td>
<td>8.3% 43.3%</td>
<td>7.7% 31.2%</td>
<td>42.8% 25.5%</td>
</tr>
<tr>
<td>1978</td>
<td>10.6% 27.8%</td>
<td>5.8% 31.1%</td>
<td>48.7% 41.1%</td>
</tr>
<tr>
<td>1983</td>
<td>6.0% 33.9%</td>
<td>6.5% 32.1%</td>
<td>41.0% 34.0%</td>
</tr>
</tbody>
</table>

Source: *China Statistical Yearbook 1984* [Zhongguo Tongji Nianjian]: 18
# TABLE ELEVEN

## RATIOS OF ACCUMULATION TO CONSUMPTION

<table>
<thead>
<tr>
<th>Year</th>
<th>Accumulation</th>
<th>Consumption</th>
<th>Year</th>
<th>Accumulation</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>21.4%</td>
<td>78.6%</td>
<td>1968</td>
<td>21.1%</td>
<td>78.9%</td>
</tr>
<tr>
<td>1953</td>
<td>23.1%</td>
<td>76.9%</td>
<td>1969</td>
<td>23.2%</td>
<td>76.8%</td>
</tr>
<tr>
<td>1954</td>
<td>25.5%</td>
<td>74.5%</td>
<td>1970</td>
<td>32.9%</td>
<td>67.1%</td>
</tr>
<tr>
<td>1955</td>
<td>22.9%</td>
<td>77.1%</td>
<td>1971</td>
<td>34.1%</td>
<td>65.9%</td>
</tr>
<tr>
<td>1956</td>
<td>24.4%</td>
<td>75.6%</td>
<td>1972</td>
<td>31.6%</td>
<td>68.4%</td>
</tr>
<tr>
<td>1957</td>
<td>24.9%</td>
<td>75.1%</td>
<td>1973</td>
<td>32.9%</td>
<td>67.1%</td>
</tr>
<tr>
<td>1958</td>
<td>33.9%</td>
<td>66.1%</td>
<td>1974</td>
<td>32.3%</td>
<td>67.7%</td>
</tr>
<tr>
<td>1959</td>
<td>43.8%</td>
<td>56.2%</td>
<td>1975</td>
<td>33.9%</td>
<td>66.1%</td>
</tr>
<tr>
<td>1960</td>
<td>39.6%</td>
<td>60.4%</td>
<td>1976</td>
<td>30.9%</td>
<td>69.1%</td>
</tr>
<tr>
<td>1961</td>
<td>19.2%</td>
<td>80.8%</td>
<td>1977</td>
<td>32.3%</td>
<td>67.7%</td>
</tr>
<tr>
<td>1962</td>
<td>10.4%</td>
<td>89.6%</td>
<td>1978</td>
<td>36.5%</td>
<td>63.5%</td>
</tr>
<tr>
<td>1963</td>
<td>17.5%</td>
<td>82.5%</td>
<td>1979</td>
<td>34.6%</td>
<td>65.4%</td>
</tr>
<tr>
<td>1964</td>
<td>22.2%</td>
<td>77.8%</td>
<td>1980</td>
<td>31.6%</td>
<td>68.4%</td>
</tr>
<tr>
<td>1965</td>
<td>27.1%</td>
<td>72.9%</td>
<td>1981</td>
<td>28.5%</td>
<td>71.5%</td>
</tr>
<tr>
<td>1966</td>
<td>30.6%</td>
<td>69.4%</td>
<td>1982</td>
<td>29.0%</td>
<td>71.0%</td>
</tr>
<tr>
<td>1967</td>
<td>21.3%</td>
<td>78.7%</td>
<td>1983</td>
<td>30.0%</td>
<td>70.0%</td>
</tr>
</tbody>
</table>

Source: China Statistical Yearbook 1984 [Zhongguo Tongji Nianjian]: 32
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GLOSSARY OF TECHNICAL TERMS

ACCUMULATION [jilei]. That part of net income set aside for expansion of productive capacity, i.e., expanded reproduction; for capital investment in nonproductive sectors such as education, health care, the military, or government administration; and a social reserve fund for use in emergencies such as natural disasters. The concept is used in talking about the national economy as a whole as well as individual economic units. See also ACCUMULATION FUND and RATE OF ACCUMULATION.

ACCUMULATION FUND [gongjijin]. Money set aside by an economic collective for investment in productive assets, i.e., for future expanded reproduction.

ALL-INCLUSIVE CONTRACTING [da baogan or baogan daohu]. Contracting output quotas to individual households without unified accounting and income distribution by the production team. Such households are responsible for meeting the team's quota of sales to the state, payment of the agricultural tax, and payments to the team's accumulation fund and welfare fund. Once these responsibilities are met, the household may produce, consume, sell, or give away whatever they wish.

APPROPRIATION. To take into one's possession something that was formerly not one's own. Marx distinguishes between private and social appropriation. In the former, surplus value produced by workers becomes the private possession of capitalists. In the latter, the surplus produced by workers beyond what is needed to meet their individual consumption needs and those of their families, comes under the control of society as a whole and is appropriated by the state either directly or through a system of taxation.

AUTONOMOUS REGION [zizhi qu]. A geopolitical unit equivalent to a province having certain autonomous powers to pass legislation and establish regulations unique to its jurisdiction. China has five autonomous regions: Tibet, Inner Mongolia, Xinjiang, Guangxi, and Ningxia.

BANNER [qi]. A geopolitical administrative unit in Inner Mongolia equivalent to the county in other parts of China.

BASIC ACCOUNTING UNIT [jiben hesuan danwei]. Within the three-level ownership system of the people's communes, the basic accounting unit is the one that organizes production and distribution of collective income. It is responsible for its own profits and losses and is an independent accounting unit. In most communes, the basic accounting unit remained the team.

BRIGADE [dadui]. Brigades were the intermediate level in the three-tiered structure of the people's communes. Their boundaries generally corresponded to those of the higher-stage producers' cooperatives before incorporation into the communes. They generally range in size from one hundred to several hundred families living in one large village or a federation of several smaller villages.
In this study, the term "cadre" is reserved for individuals who exercise some sort of administrative or managerial authority over others. In China, the term is often used in a wider sense and can include teachers, medical personnel, daycare staff, etc. Party cadres are individuals who hold such responsible positions within the party hierarchy. Cadres are not all party members, nor are all party members cadres.

"CAPITALIST TAILS" [zibenzhuide weiba]. Private production of goods or services for sale in a free market, identified as "petit capitalist" and therefore intrinsically anachronistic and insidious in socialist society. In various political movements, particularly the Cultural Revolution, these activities were restricted or eliminated only to return again once administrative pressure was removed.

CHANNELS OF CIRCULATION [liutong qudao]. Wholesale and retail outlets for the exchange of commodities. In China these channels include state-trading corporations and stores, cooperatively-owned shops, free markets, and private merchants.

COMMODITIZATION [shangpinhua]. Commoditization is the transformation of a product of labor into a good or service sold in a market. The more of their products they sell either to the state or in the free market, the more highly commoditized is a family's productive activity. See also RATE OF COMMODITIZATION.

COMMODITY [shangpin]. A product of labor exchanged in a market for money or for another commodity. Commodities have both use value and exchange value.

COMMODITY FETISHISM [shangpin baiwujiao]. Relations between people in the process of production are fetishized inasmuch as they take on the appearance of relations between things in the process of exchange. The labor expended in the process of production takes on the appearance of a concrete property of the product itself, its value. In the exchange of products in the market place, the apparent equality and freedom of exchange relations obscures fundamental relations of inequality, exploitation, and domination in the process of production. See also FETISHISM.

COMMODITY GRAIN BASES [shangpinliang jidi]. Areas that have contracted with the state to specialize in production of large quantities of commodity grain. They may cover a whole province (Heilongjiang and Ningxia) or more commonly a smaller area with certain ecological advantages for grain production (the Pearl and Yangtze River deltas, the Dongting Lake region of Hunan, etc.)

COMMUNE [gongshe] (full name: "people's commune" [renmin gongshe]). An integrated unit of production and government administration established by the amalgamation of agricultural producers' cooperatives in 1958 in most parts of the country. In the late seventies there were over 54,000 communes in China or an average of about twenty-five per county. Most incorporated thousands of families though in sparcely populated areas, particularly grasslands, they were smaller.
"COMMUNIST WIND" [gongchanfeng]. A period during the Great Leap Forward in 1958 when utopian illusions about the feasibility of a rapid transition from socialism to communism produced widespread tendencies to restrict commodity exchange, to expand equal distribution regardless of labor performed, to appropriate labor and productive assets without compensation, and to transform producers' collectives into "bigger and more public" [yi da er gong] entities.

COMPARATIVE ADVANTAGE. The special ability of producers in a particular enterprise, economic association, geographic area, or country to provide a particular good or service more cheaply than other producers of like goods or services. The idea of comparative advantage was first developed by the English economist David Ricardo in his Principles of Political Economy and Taxation.

COMPENSATION TRADE. A form of barter used in international trade especially among trade partners who include socialist economies. It is a common way of financing purchases of technology by handing over a portion of the product produced with the new means of production. If the supplier of the technology has no use for the new product, a third party is often brought into the agreement. This third party pays for the product and then compensates the original supplier of the technology. Compensation trade is also common in the domestic horizontal exchange relations between units within socialist economies such as, for example, between urban and rural industrial enterprises in China.

CONTRACT [hetong or bao]. There are two Chinese words that convey the meaning of the English word "contract." "Hetong" can be a noun or an adjective (as in "contract labor" [hetong gong]) and implies the existence of a formal written agreement, which in recent years with the development of the legal system may be notarized and legally binding. "Bao" may be either a verb (as in "to contract output" [baocan]) or a noun (as in "three freedoms and one contract" [san zi yi bao]) and may involve a less formal agreement without a document to guarantee the rights of the two sides. "Hetong," perhaps because of its more formal legal connotations, draws attention to the rights of the two sides while "bao" draws attention to the responsibilities guaranteed fulfillment by the agreement. This is a a matter of emphasis, however, and both words like the English word "contract" imply an agreement involving both rights and responsibilities.

COOPERATIVIZATION [hezuohua]. The process of transformation and amalgamation of peasant production first into mutual aid teams, then lower-stage and finally higher-stage producers' cooperatives. In most areas, the transition was completed by 1957. This process is also known as the "socialist transformation" of agriculture.

COUNTY [xiang]. A level of government jurisdiction below the prefecture and above the township. At this level of jurisdiction, there are 2,137 administrative units including seventy-two autonomous counties and fifty-four banners.
"CRUDE COMMUNISM". A type of communism in which the entire population becomes a wage labor force paid equal wages by the "community," functioning as a sort of communal capitalist by virtue of its appropriation of the means of production and control over distribution of social wealth. Its essential characteristic is not the universal development of free individuality but conformity, asceticism, and leveling to a common minimal standard. See p. 8 of text and note 6 on p. 321.

DIFFERENTIAL LAND RENT. The difference between the value of produce on land which is more productive (because of soil fertility or access to markets, which allow production of more perishable and valuable commodities) and the value of produce on the least productive land under cultivation. This difference in income is not the product of differences in labor inputs, skill, or managerial expertise and is directly related to differences in the means of production available.

ECONOMIC ASSOCIATIONS [jingji lianheti]. New forms of cooperation on the basis of specialization. Those discussed in the thesis are rural associations among households, rural collectives, enterprises, state farms, state trading corporations, government departments, etc. Economic associations are also being established among and between urban enterprises, research units, government departments, commercial outlets, etc. They take the form of joint ventures, technology transfers (some involving compensation trade), and creation of new companies and corporations.

ENTERPRISE [qiye]. Any work unit engaged in production, commerce, or provision of services for a fee. Such units may be owned by the state, a collective (which may or may not correspond to those who work in the unit), or a private individual or group of individuals.

EXCHANGE VALUE [jiaohuan jiazhi]. In Marxian economics, exchange value is a reflection of the amount of social labor expended in the production of the commodity and in the production of that part of the means of production consumed in the process of production. See LAW OF VALUE.

FARM GATE PRICES. The prices paid to agricultural producers for their products. See also STATE UNIFIED PROCUREMENT PRICES.

FETISHISM [baiwujiao]. Marx uses the concept of "fetishism" to describe the phenomenon whereby certain material objects like commodities and money are conferred with certain characteristics that both obscure and derive from particular underlying social relations. These characteristics appear as though they belong to these objects by their very nature. However, these characteristics are not the product of mankind's imagination. They are real powers derived from underlying socio-economic relations of subordination and exploitation.

"FIVE GUARANTEES" [wu baohu]. Provision of food, clothing, medical care, fuel, and burial expenses for team or brigade members too old, ill, or mentally or physically handicapped to provide for themselves. The funds come out of collective welfare funds. Where there are able-bodied family members able to provide such support, they are expected
to do so and not rely on the collective to look after the needs of their relatives. The law requires children to provide for the support of their parents in their old age.

FORCES OF PRODUCTION [shengchan li]. 1) The means of production employed by labor, which as they are developed increase labor productivity, 2) labor's level of skill, i.e., the labor force itself, 3) relations of production inasmuch as they stimulate labor productivity. The interpenetration of relations and forces of production makes them somewhat less than fully discrete conceptual categories.

HIGHER-STAGE AGRICULTURAL PRODUCERS' COOPERATIVES [gaoji nongye shengchan hezuoshe]. Producers' cooperatives in which land and other major means of production were collectively-owned with no payment of dividends on original investment. However, some compensation was paid to former owners either during the lower-stage of cooperation or at the time of incorporation into the the higher-stage cooperative. After this initial compensation, payment was according to labor only and the joint-stock character of the cooperative was transformed.

IMPERATIVE PLANNING [zhilingxingde jihua]. Planning within a command economy in which plan targets are handed down to production units who have little or no say in the planning process.

INDICATIVE PLANNING [zhidaoxingde jihua]. Regulation of the economy through the market guided by state plans [jihua zhidaoxiade shichang tiaojie]. A form of planning which involves greater autonomy for producers to determine the structure of production according to market indications of demand and profitability. The state still regulates the economy by adjusting prices of finished products, inputs, labor, capital, borrowing, etc. to encourage a particular structure of production.

JIN. A Chinese measure of weight equivalent to half a kilogram or 1.1 pounds.

KEY HOUSEHOLDS [zhongdian hu]. Households that rely on spare-time or surplus labor to manage fairly large household sidelines.

"LAW OF VALUE" [jiazhi guilu]. The law of value begins with the labor theory of value, i.e., an assumption that the value of a commodity is determined by the socially necessary labor time required to produce it. ("Socially necessary" labor time is the time required under normal conditions of social production, at a given stage of development, utilizing labor of average skill and intensity.) The law of value requires the exchange of commodities based on an exchange of equal values, i.e., fair prices. Chinese economists argue that the law of value operates in any economy in which there is commodity production. When they argue that the law of value should be respected in socialist planning, they are arguing for a more rational price structure that accurately reflects the real costs of production. Otherwise, a reasonable distribution of material and human resources and a reasonably stable regulation of supply and demand are not feasible.
LEAGUE [meng]. An administrative jurisdiction in Inner Mongolia equivalent to what is called a prefecture in other parts of China.

LOWER-STAGE AGRICULTURAL PRODUCERS' COOPERATIVES [chuji nongye shengchan hezuohe]. Considered in China to be "semi-socialist" collectives, these voluntary economic associations evolved out of the mutual aid teams after members pooled their land, draft animals, and major farm implements. Collective income was determined on the basis of labor contributed and dividends on investment of land and other means of production.

MEANS OF PRODUCTION [shengchan ziliao]. Land, natural resources, raw materials, production facilities including premises and instruments of production, means of transportation and communication, etc. used in the process of production.

MIDDLE PEASANT [zhongnong]. Those peasants whose private property placed them somewhere in the middle between the impoverished poor peasants and the rich peasants. They owned land and some other means of production sufficient to enable them to support their families more or less entirely by their own labor. They generally neither bought nor sold labor power except on a very temporary and minimal scale.

MODE OF PRODUCTION [shengchan fangshi]. A very comprehensive category in Marxian theory encompassing forces of production, relations of production and all the social relations manifested in the structure of the state, the family, religious institutions and beliefs, art, culture, law, morality, etc. that are dialectically interconnected with the structure of production. A society may have more than one mode of production though one will likely play a dominant role.

MU. A Chinese measure of area equivalent to one-sixth of an acre or 0.0667 hectares.

MUNICIPALITY [zhixiashi]. A city (including its rural suburbs) directly under the jurisdiction of the central government. China has three such cities: Beijing, Shanghai, and Tianjin.

MUTUAL AID TEAMS [huzhuzu]. A form of labor exchange and mutual assistance with little or no pooling of assets practiced by some peasants in the small-holder rural economy emerging out of the land reform in the late forties and early fifties.

"OPEN DOOR" EDUCATION [kaimen banxue]. An approach to education common in the seventies, geared to breaking down the ivory tower isolation of education institutions. Students took the society as their classroom and went out to carry out social investigations, do oral histories, collect medicinal herbs, write folk dramas, etc. according to their specialized area of study. Workers, peasants, and soldiers were also invited into classrooms to give lectures. "Open door" education was implemented at all levels from kindergarten to university.
"OPEN DOOR" RECTIFICATION [kaimen zhengfeng]. A campaign to rectify party cadre's workstyle by inviting "the masses" to open meetings to criticize local leaders.

OPPORTUNITY COSTS. The real cost of satisfying a want, taking into consideration the cost of foregoing alternative activity or investments.

PEASANT [nongmin]. In Chinese, simply "farming folk" or those who engage in agriculture. The word can be contrasted with "farmer" [nongfu], which implies someone who owns and manages a farm. See also POOR PEASANT, MIDDLE PEASANT, and RICH PEASANT.

PLAN FETISHISM. A tendency to obscure the political and social implications of planning decisions behind an illusion that planning is a basically technical process of allocation and pricing and organization of production of things. For example, the relative prices of fertilizer and grain or oil and coal are derived from and at the same time obscure the substructure of social relations that determine these more apparent relations between things.

POOR PEASANT [pinnong]. Poor peasants were rural semi-proletarians who owned little or no land and few other means of production. They generally found it necessary to rent land from landlords, often had to sell their labor power to supplement their income from farming, and were commonly victims of loan sharks among the landlords and rich peasants.

PREFECTURE [diqu (except in autonomous prefecture: zizhizhou)]. A government administrative level below the province and above the county. There are over two hundred prefectural level administrative units in China including twenty-nine autonomous prefectures and nine leagues (in Inner Mongolia).

PRICE SCISSORS [jiandao cha or gongnong chanpin jiaohuande chajia]. Irrational price ratios between expensive industrial products and cheap agricultural products causing agricultural producers to experience a squeeze in their incomes due to rising costs of production and the consequent poor return for their labor.

PRIVATE PLOT [ziliudi]. A small plot of collectively-owned land set aside for private use. Usually between five and fifteen percent of a collective's land is set aside for such private sideline production by members to supplement their income from collective production.

PRIVATE PROPERTY. Any income producing object, including means of production and money, that is owned by one or more persons who have exclusive right to its use. Private property does not include "personal property," which is not income producing, such as most personal possessions like a car, clothing, books, etc.

PROCUREMENT PRICE(S). See STATE UNIFIED PROCUREMENT PRICE(S).
PROVINCE [sheng]. The next level of government administration below the central government. China has twenty-two provinces (including Taiwan), five autonomous regions, and three municipalities, all of which are provincial level jurisdictions.

RATE OF ACCUMULATION [jileílu]. The percentage of the net income from social production that is set aside for expanded reproduction, non-productive capital construction, and contingency funds. It represents a sacrifice of immediate personal and social consumption. See Table Eleven.

RATE OF COMMODITIZATION [shangpinhuade chengdu]. The percentage of total output beyond the state quota that is sold in the market rather than consumed by the peasant producers themselves. See note 7 on p. 337.

RELATIONS OF PRODUCTION [shengchan guanxi]. 1) Relations of ownership and control over the means of production (including national planning), 2) relations among people in the process of production, and 3) relations of distribution arising from the allocation of new wealth created in the process of production. Relations of production are not confined to the sphere of immediate production and interpenetrate nonproductive spheres such as the legal system, which regulates the relations of classes in the private property system.

REPRODUCTION [zaishengchan]. The cycle of continuing reinvestment to finance further production. Reproduction may be either "simple reproduction" [jiandan zaishengchan] in which there is no expansion of productive capacity or output or "expanded reproduction" [kuoda zaishengchan] in which enlarged investment in production plant and equipment produces a larger or more valuable output.

RESPONSIBILITY FOR ONE'S OWN PROFITS AND LOSSES [zifu yingkui]. A situation wherein the profitability of an enterprise or collective determines the income levels of the unit's personnel. When the state or a larger umbrella collective (a commune or brigade) absorbs losses or takes profits and provides regular allocations of operating budgets, the unit is not responsible for its own profits and losses.

REVOLUTIONARY COMMITTEES [geming weiyuanhui]. Management committees established in productive and nonproductive units during the Cultural Revolution after forging compromise alliances between contending factions among the working personnel of the unit.

RICH PEASANT [funong]. A category used to describe peasants before liberation who were not merely prosperous, but who were exploiters, i.e., they hired labor, rented land to tenants, and earned profits from rents, usury, and speculation.

SECRETARIAT [shujichu]. The Secretariat of the Communist Party is responsible for the routine day-to-day affairs of the Central Committee and is subordinate to the policy making authority of the Politburo and its Standing Committee. This body has been very active in promoting the economic reforms.
SOCIAL FORMATION or SOCIO-ECONOMIC FORMATION. Most actually existing societies are social formations made up of two or more modes of production of which one is dominant. Although Mao never used the term, he described China as a semi-feudal, semi-capitalist society before liberation because of the coexistence of the landlord-tenant relation in rural production and the labor-capital relation in a capitalist sector including a national bourgeoisie, a bureaucrat capitalist bourgeoisie, and a compradore bourgeoisie with some overlap between the latter two categories.

SOCIALIST HIGH TIDE [shehuizhuyi gaochao]. A period of excessively rapid cooperativization in 1956 during which principles of voluntarism and mutual benefit were abandoned and 87.8 percent of peasant families were incorporated into cooperatives in a single year.

SOCIALIST TRANSFORMATION [shehuizhuyi gaizao]. The process of transformation of private ownership into socialist collective or state ownership in agriculture, handicrafts, commerce, and industry. This process was basically completed in the Socialist High Tide of 1956-57.

SOCIALIZATION. 1) The increasing division of labor and interdependency of labor units that characterizes all processes of industrialization. This socialization of production is viewed as a prerequisite for the development of proletarian consciousness and the socialist revolutionary project. 2) "Socialization," particularly among East European writers, refers to democratization of planning, management, and organization of production.

STATE COUNCIL [guowuyuan]. A sort of government cabinet including the Premier, vice-premiers, and heads of government ministries, offices, commissions, agencies, bureaus, etc. There is a great deal of overlap between the top leadership in the State Council and the party leadership.

STATE UNIFIED PROCUREMENT PRICE(S) [tonggou jiage]. Prices set by the government for goods purchased by the state either on the basis of quotas of compulsory sales or negotiated contracts for sales to the state.

SUPPLY SYSTEM [gongjizhi]. A system adopted during the anti-Japanese and civil wars and in the early fifties whereby all personnel on government, party, or military payrolls were provided the basic necessities free of charge in lieu of wages to buy such necessities. It is a system characteristic of "crude communism." The term is also sometimes used to refer to the allocation of investment and operating capital to state enterprises without any charge for the use of such funds.

SURPLUS VALUE [shenyu jiazhi]. The difference between the value of what labor produces and the cost of reproducing the labor power expended in the process of production. The labor power expended in the process of production includes both living and dead labor, i.e., labor power expended in the act of producing the product itself and the materialized labor embodied in means of production that are gradually
worn out or used up in the process of production. Thus surplus value is the exchange value of the product of labor minus the value of capital invested in means of production and labor power. Marx defined "exploitation" as the appropriation of the surplus value produced by labor.

"TAKE GRAIN AS THE KEY LINK" [yi liang wei gang]. Originally part of a longer slogan in the late fifties calling for the all-round development of agriculture, forestry, animal husbandry, fisheries, and sideline production. In the seventies, the overemphasis on production of food grains under this slogan produced stagnation and discontent in many parts of the country.

TEAM or PRODUCTION TEAM [shengchan dui]. The lowest level of the three-tiered structure of the people's communes. Team boundaries often correspond to those of former lower-stage producers' cooperatives and are usually small villages or parts of larger villages. They usually include twenty to thirty families, but may be as small as ten or as large as fifty households.

"THREE FREEDOMS AND ONE CONTRACT" [san zi yi bao]. Policy implemented during the period of readjustment in the early sixties to bring about recovery from dislocations and discontent arising out of the Great Leap Forward. The "three freedoms" included 1) freedom to till private plots, 2) freedom to sell goods in rural markets, and 3) freedom for rural collective enterprises to manage their operations independently with responsibility for their own profits and losses. The "contract" was an agreement between the team and member households to fulfill output quotas according to a responsibility system. This policy was severely criticized in the Cultural Revolution.

TOWNSHIP [xiang]. The lowest level of government administration in the rural areas. Townships were eliminated with the creation of people's communes in 1958 and restored with the separation of government and economic management functions, so-called "decommunization" [zhengshe fenkai], in the eighties.

UNIFIED ACCOUNTING [tongyi hesuan]. A system whereby a rural-collective conducts unified business accounting, maintaining unified accumulation and unified distribution of collective income, typically in the form of workpoints and collective welfare facilities and benefits.

UNIFIED MANAGEMENT [tongyi guanli]. Unified management implies coordination of economic activity either by the original collective (team or brigade) or by new economic associations. Unified management can be contrasted with "decentralized management" [fenhua guanli], which situates control over basic management and income within the household as a relatively autonomous unit of production.

USE VALUE [shiyong jiazhi]. The value an object has for its user. This is a qualitative measure. Objects cannot become commodities with exchange value unless they have use value. However, exchange value is not a measure of use value. While all commodities must have some use value, not all objects having use value have exchange value.
WELFARE FUND [fuji jijin]. A fund set aside from collective income to
develop collective cultural and welfare facilities and services.
This fund typically absorbs about two to three percent of a collective's income.

WORKPOINTS [gongfen]. An accounting device for measuring and recording
labor contributed by members of a producers' collective and for
calculating each person's remuneration. The value of each workpoint
is determined by dividing the total net income of the collective
(after payment of taxes and deposits into collective accumulation and
welfare funds) by the total number of workpoints earned by members.