

# *Rural China, 1985-1990*

*Are the Reforms Really Bogging Down?*

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NOW, at the beginning of the 1990's, a disillusionment seems to prevail in people's views towards China. Since the hopes were so high because of the progress made after the reforms of the 1980's, the political reversals of 1989 came as a shock. Then, the most optimistic observers were forced to revise their prognostic, while, in a more general manner, the public opinion in the world turned away from the Chinese scene that had so suddenly turned sour.

In the case of agriculture, the disenchantment started much earlier. In 1985, crop production collapsed after years of good harvests, and little by little the economy appeared to fall into a protracted crisis.<sup>1</sup> While the first reforms, which were to end collectivization in agriculture (1979-1982) had been crowned with success, the second phase of the rural reforms, beginning precisely in 1985 with the reorganization of the marketing channels for agricultural products, began stumbling, even producing unintended effects. The spirit of innovation, fed by the progress that had marked the dissolution of the collective structures of production and the reinstatement of family farms, seemed to succumb to disorders and impotence, whereas the rising wave of grievances effaced the previous enthusiasm of the peasants.

Are the rural reforms in China, therefore, really bogging down?  
The difficulties indeed, the reluctance of the authorities in

establishing real market mechanisms in the countryside, and the conservative backlash that more or less directly strives to obstruct the achievements of the “responsibility systems,” could make one believe that the reforms are not only bogged down, but also gravely endangered.

Beyond the disorders of the markets, however, it is possible, – in spite of the “counter-reforms” initiated by some conservative leaders –, to perceive a certain continuity in the dynamics of the social and economic forces unleashed by past reforms. It seems doubtful – for the present moment at least – that these dynamics may be able to breathe a fresh life into reforms which the archaism of the political system makes difficult to develop. But they can, nevertheless, translate into a renewed capacity of the peasants to resist the initiatives of the authorities, and into a strong resilience of the new economic forms that have appeared in the countryside.

It remains to be seen, however, if this peasant resistance, that is, this economic resilience and social dynamics, will manage to overcome the Chinese political rigidity and to succeed in pulling the reforms out of the rut into which the authorities have conducted them.

## The Disorders of the Markets

### The Turning Point of 1985

The year 1985 established a real rupture, opposing the first half of a decade marked by a strong growth in production and incomes, against a second half dominated by a stagnation.

Although peasant revenues continued to grow in nominal values between 1984 and 1990 – going from 355 yuan per person a year to 630 yuan – the inflation, which became more pronounced in 1988 and 1989, erased the increase in its totality. While the revenues had more than doubled in real terms between 1978 and 1984 (index 100 for 1978, 226 for 1984), they reached a ceiling and then decreased slightly in the latter half of the 1980’s (index 238 for 1987, 227 for 1990).<sup>2</sup> Although this hardly constitutes a crisis, as the peasants were, after all, able to protect their purchasing power for the most part, it was clear that the expansion of the first years of

the reforms had come to an end.

A more careful analysis of these revenues seems to indicate that the incomes from breeding and from non-agricultural activities have, after all, continued to grow. The overall sum of the net revenues from breeding (in real terms) increased close to 50% between 1984 and 1990, and the revenues from the non-agricultural activities around 30% in the same period. During this time, breeding and non-agricultural activities expanded their shares in the peasants’ revenues from 10 to 15% and 30 to 40% respectively. Thus, it is the decreasing returns from crop-growing that are at fault for the stagnation in the peasants’ revenues, diminishing (in real terms) by 25% between 1984 and 1990, as their share of the revenue has gone from 50% to only 40%.<sup>3</sup>

Indeed, the second characteristic of the Chinese agriculture in the latter half of the 1980’s, was a stagnation in the volume of crops, which contrasted clearly with the continued and rapid expansion of the animal products during the same period (the production of red meat grew by 63% between 1984 and 1990). After the phenomenal harvest of 1984 (407 million tons), the grain production fell again, and has oscillated around 400 million tons since then. For cotton, the downturn was more spectacular still: six million tons in 1984, but only four million tons in the following years. Most of the other crops experienced the same development (cf. table), and it was only in 1990 that a recovery became apparent: the grain harvest set a new record (435 million tons, or 7% increase from 1989), the production of cotton rose considerably (in spite of 19% increase, it did not, however, reach its 1984 level), and, above all, the production of oil-seeds boomed with an increase of 25%, thus breaking the record of 1985.<sup>4</sup> What led to this stagnation?

There were, of course, a great number of factors. The climate played a major role, with a succession of particularly grave natural calamities (the “record” years of 1984 and 1990 were, by contrast, marked by an extraordinarily clement weather). The essential element was, however, of structural rather than climatic nature. It was in these years, in fact, that new regulations were set up for the commercialization of agricultural products, where the delivery for the major crops received a treatment very different from that for other products.

## The Loss of Price Controls

Apparently, the new regulations were not so unfavorable for the crops, at least not if one is to judge from the price levels obtained by the peasants. Certainly, as all peasants in the world, the Chinese cultivators have complained about the prices for their crops, especially since 1985, and for grain in particular. The numbers seem, however, to contradict the peasants' complaints. For grain, the rise in prices followed its course after 1984, and it even accelerated in the late 1980's. After an augmentation of 50% between 1978 and 1984, the average price for grain (all modes of procurements included) increased by 90% between 1984 and 1989. Similarly, the rise for cotton was 50% between 1978 and 1984, while the prices increased still by 45% from 1984 to 1989.<sup>5</sup> In fact, the loss of governmental control over prices in agriculture seems to characterize this phase of agricultural trade "reforms" in the course of the last few years, just as much as the stagnation of the harvests.

This loss of control denotes a real impotence of the authorities to maintain low levels of agricultural prices. As early as the first half of the 1980's, the share of "quotas" for obligatory deliveries of grain (paid at a low price), fell constantly, from 75% of all grain put on the market in 1978 to 26% in 1984. In the same way, the share of delivery "contracts," which substituted the quotas in 1985 (but remained, despite their name, obligatory in reality), has decreased ceaselessly, passing from 73% on the commercialized grain in 1985 to 40% in 1989.<sup>6</sup> This forced retreat of the State, unable to enforce procurements' quotas paid with unprofitable prices set by the administration, illustrates the independence regained by the peasantry. Liberated from the tutelage of the old labor collectives, the peasants were fully capable to resist the coercive structure of the State controlled commerce.

Thus, after 1979, following this retreat of the State, a recourse to grain sold "above quotas" (paid at a 50% higher price than the quotas) assured a continued supply. From 1985 on, sales at "negotiated prices" (*yijia*, as opposed to the "fixed" prices of the contracts, *hedong dingjia*) replaced these "above quotas," and, very rapidly, these became to predominate (purchases at negotiated prices and the sales on peasant markets made up, in total, close to 60% of the commercialized grain in 1989). In 1989, the average

negotiated prices for wheat and paddy, sold locally, passed 40 yuan (for 100 *jin*<sup>7</sup>), against the contract prices of 28 yuan for wheat and 22 yuan for paddy.<sup>8</sup> For all grains, the average price of all deliveries, contracts and outside of contracts, stabilized at around 33 yuan for the 100 *jin*.<sup>9</sup>

For cotton, over which the State has always retained a total monopoly (sales on an open market remain, in principle, forbidden), and for which there exists, therefore, only one price, fixed by the administration, pressure on price increase happens through the granting of preferential rates by local firms. From 1987, or at the time when scarcity began to be felt, barriers were raised everywhere and bonuses distributed, creating veritable "small cotton wars," in order to prevent the producers from supplying cotton- and cloth-mills (very profitable) to neighboring districts.<sup>10</sup> For this reason, the average price actually paid to the producers in 1988 was much higher than the one fixed by the administration: 200 yuan per 100 *jin* against the centrally fixed price of 176 yuan. In 1989, to prevent a total loss of control over the situation, the State was obliged to raise the official price by 34% in one measure (to 236 yuan per 100 *jin*).<sup>11</sup>

## The Inflation of the Cost of Inputs

What is surprising is that the peasants did not react to these massive increases in prices in the same way they did at the beginning of the 1980's. Then, rises in delivery prices, in addition to regained efficiency of family farms, led to a veritable leap forward of production (grain harvests increased by 30%, harvests of oil-seeds doubled, and those of cotton tripled between 1978 and 1984).

The answer generally given by the peasants is that increase in the cost of inputs, especially chemical fertilizers, has wiped out the gains from the price increases. The farmers are right: while it had only risen marginally during the first phase of the reforms, the price of fertilizers (which are the principal item of the material costs of production) suddenly took off, and accelerated from 1986 on. At this point of time, the liberalization of trade in agricultural products provoked a drastic readjustment of prices. As a matter of fact, this liberalization resulted less in a diversification of the marketing channels for the inputs, which remained almost entirely

under the control of the “cooperatives for supply and purchase” (agencies which, in reality, depend on the State controlled commerce, and are, therefore, “cooperatives” in name only), than in the appearance of double prices (just as for grain): a fixed price of allocation and a negotiated price. In a traffic closer to a black market than an honest trade, the agents of the State sold the peasants an increasing part of the fertilizers, and in particular, those highest-valued urea and compound fertilizers, at a negotiated price.<sup>12</sup> Thus, urea, sold at an allocation price of 520 yuan a ton in 1986, reached a negotiated price of 1,300 yuan in 1989, i.e. an increase of 150%.<sup>13</sup>

This argument, which does not lack support, has to be qualified, however. If we take the example of rice in the year of 1986, the material cost of production represented only around 6 yuan out of the 17 yuan (contract price) or the 22 yuan (negotiated price) the peasant received for the 100 *jin* of paddy at the time.<sup>14</sup> A doubling in three years for the whole material cost, in line with the generally observed average increase in inputs' prices, made the cost around 12 yuan in 1989 for a paddy valued then at 22 yuan at a contract price, but close to 40 yuan at a negotiated price.<sup>15</sup> The net revenue (in nominal terms) decreased, therefore, only by one yuan if we refer to the contract price, but, on the contrary, it increases by as much as 12 yuan for sales at a negotiated price.

But, even in this last, and most favorable, case, one must remark that for the peasant the total increase of the net revenue (accounted) for his crops counts less than the net gain from his sales. To take the same example as before, close to 30% of the rice being commercialized,<sup>16</sup> the increase in the returns (6 yuan for 30 *jin* sold at a negotiated price), compensated exactly for the augmentation in the outlay for inputs. At best, therefore, the net returns stagnated.

For cotton, the calculations lead to a similar conclusion. In 1986, the average material cost, observed in a national survey sample, was around 55 yuan for each 100 *jin* of fiber, which were valued at 175 yuan (entirely commercialized).<sup>17</sup> In 1988, the increase in material cost (which had risen to some 85 yuan) resulted in only a minimal increase of the net revenue, on a return that had reached on average 215 yuan.<sup>18</sup> This increase of the net revenue in nominal

terms (less than 10% in two years) was actually more than offset by the inflation of the sole year 1988 (officially 19%).<sup>19</sup>

### Dissuasive Relative Prices

Under these conditions, taking the monetary erosion into account, it was hardly surprising that the peasants were not inclined to increase their cropped surface. They were even less so, as, independently of the net returns expected in the end, the whole system of relative prices sent them signals that were at least dissuasive.

For grain, a progressive liberalization during the period of 1978-1984 permitted the peasants to sell directly on peasant markets what remained of their grain crops after the delivery of the quotas. However, the smallness of the amount sold on the free market (less than 10% of the quantities marketed) had the effect that the average prices paid by the State remained the prices of reference. These prices, through the shift to above quotas, were, in fact, index-linked to the volume of sales and the peasants had therefore a formidable incentive for the increase of their harvest. After 1984, the free market prices became the prices of reference. Supposedly, this was to be the basis for the “negotiated price” in the “two track system” (*shuang gui zhi*) established in 1985 (fixed prices for the “contracts,” market prices for the rest of the deliveries). The problem was, however, that the bureaus charged with the purchase of grain manipulated the “negotiated prices,” so that these prices were rarely those of a real market: authoritarian ceilings on the purchase prices, closure of markets until contracts had been honored, tariff barriers preventing the peasants from selling their grain elsewhere at a better price, etc.<sup>20</sup>

The result of all these maneuvers was that the “negotiated prices,” even when they approached those on the residual peasant markets, were always resented as unfair, or more as symbols of an arbitrary bureaucracy than a just reflection of the equilibrium between supply and demand. Thus, in spite of their relatively high level, they have never played a compensative role vis-à-vis the contract prices, as they were supposed to do, and for that reason they have not succeeded in boosting the cereal production despite mounting grain deficits.<sup>21</sup>

Regarding cotton, the cotton/grain price ratio has always been

of great importance for the choices the peasants make. After the extremely high rates reached in 1983 and 1984, thanks to the granting of regional premiums and favorable methods of calculation, the size of the surplus of cotton in 1984 (close to two million tons for a harvest of six millions), led the authorities to suppress the diverse advantages from which this cultivation had benefited, in addition to putting pressure on the price (an authoritarian downgrade of quality, etc.). By doing this, the cotton/grain price ratio diminished in 1985, at the same time as the prices declined (going from 170 yuan for the 100 *jin* to 160 yuan). This readjustment had the desired effects, and the cotton harvest fell the same year to the levels of demand (around four million tons).<sup>22</sup>

The problem is that, because of the sluggishness of the bureaucratic decision making process, the authorities delayed to raise again the prices even when the demand exploded.<sup>23</sup> Thus, the extremely rapid development of the textile industries transformed the surplus into deficit of almost two million tons which could not be made good by import.<sup>24</sup> In spite of this reversal on the demand side, the relative price fell constantly from 1984 to 1989, going from 8.65 to 6.60, depressing the production and accentuating the scarcity.<sup>25</sup>

### The Bumper Crops of 1990

If the dissuasive effect of the relative prices, in addition to the stagnation of the net revenues (or the net returns) from cultivation, despite the ascent of prices, accounts for the difficulties in agriculture at the end of the 1980's, how, then, do we explain the aforementioned good harvests of 1990?

As far as the grain production is concerned, the extremely favorable weather, from which the Chinese agriculture benefited in 1990, explains the records achieved to a large extent. This conclusion is supported by the fact that two-thirds of the growth in the cereal production observed at the time, can be imputed to the provinces of Manchuria alone: the harvest there advanced by 18 million tons, making it a phenomenal growth of 45% (maize above all), while the total harvest in China augmented by 28 million tons.<sup>26</sup> Although the other regions of the country certainly demonstrated a respectable growth, this was of much less mag-

nitude: 6% for the northern plain, 4% for the southern provinces and Sichuan. The lower and middle reaches of the Yangzi valley, the principal grain producing region of China, suffered a drought and experienced a slight weakening of its harvest (3% decrease).<sup>27</sup>

Beyond these regional differences, it seems clear that 1990 (just as 1984, and 1979 before that) was, therefore, one of these exceptional years that come every five or six years, when all the crops benefit from the clement weather. And, in the northern half of China, cotton, as well as oil-seeds, profited similarly from the favorable climatic conditions, providing record yields.

In addition to these exceptional climatic circumstances came the inflexions of the harvest prices which, after a considerable rise in the preceding years (but without a decisive effect on the revenues), experienced an extraordinary surge in 1989. For that year alone, while an 18% rise in contract prices was announced in the spring, the average price paid for grain (all types of deliveries included), as verified at the end of the year, in fact advanced by 33%. For cotton, the basic price increased by no less than 34%.<sup>28</sup>

For grain, it is possible that this rise, without increasing the net returns in a decisive manner (cf. *supra*, our calculations for rice), was ample enough all the same to encourage an enlarging of cropped land. Furthermore, the checks that the authorities attempted to apply in the second half of 1989 in order to halt the rise in the price of fertilizers,<sup>29</sup> as well as the financial efforts deployed for enabling cash payments for the deliveries, certainly contributed to the recovery of grain-growing. For cotton, the augmentation of 1989, the first of such a magnitude for a decade, helped, without a doubt, to counter the drift of the revenues for this cultivation and contributed to the revival of interest for it among the cultivators.

### From Scarcity to Oversupply

Did the final levels of prices for crops and the modes of fixation really help to produce enough incentives for the cultivators, bringing the period of stagnation to its definitive end? Unfortunately, nothing is less certain. Paradoxically, the good grain harvests risk to precipitate a crisis in the future, while, just as a pendulum that goes from one extreme to another, the relative prices of the cash



crops may now bring new imbalances.

In spite of bumper crops in 1990, the production of cotton still cannot satisfy the great demand. The price levels for cotton in 1989 (basic price of 236 yuan for the 100 *jin*, average real price paid to the peasants: 248 yuan) were, thus, deemed to be insufficient and the authorities planned a new increase of 27% for 1990.<sup>30</sup> Indeed, the basic price, that would then be 300 yuan per hundred *jin*, still appeared to be too low to alleviate local scarcities and a price of 350 yuan was practiced by certain firms in 1990 in order to ensure supply.<sup>31</sup>

In the same way, the prices for oil-seeds have increased considerably in 1990 (31% for rape-seeds), so as to reduce the difference between the prices of delivery and the prices on the free market, even though the prices of delivery had already risen by some 17% in 1989.<sup>32</sup>

At the very moment when the cash crops, under the persisting pressures of scarcities, see their prices still going up, the grain production experiences a reverse development, with oversupply in 1990 and falling prices!

Despite more than 15% increase in purchases of grain by the State bureaus,<sup>33</sup> causing a new overflow in the granaries (a similar situation in 1984 has already been described), unsold sacks pile up in the courtyards of the peasants, while the markets are congested.<sup>34</sup> The free market prices did not take long to plunge: in Anhui, where the 100 *jin* sack of paddy was sold for 43 yuan on the peasant markets in August of 1989, it went for only 28 yuan one year later.<sup>35</sup> In September 1990, the prices on the free market in Sichuan had fallen similarly from the preceding year, by 29% for rice, 20% for wheat, and 16% for maize.<sup>36</sup> In spite of the support prices (35 yuan for the 100 *jin* of paddy) that the State strived to fix for its purchases outside of the contracts<sup>37</sup> (the "contracts" remain always just as badly paid), the general price level for grain has, thus, declined considerably in this year of bumper crops: on average, the market prices for all grains decreased by 18.6% and the procurement prices by 6.8%.<sup>38</sup>

Noting the fall in market prices, and experiencing a lot of difficulties in selling their crops, the grain-growers have already reduced their cropped land for the 1990-1991 season – and the

collapse for the year 1991 could be harsh. At the same time, the surface devoted to cash crops has expanded drastically: it increased by 19% for cotton, by 8% for rape-seed, by 16% for sugar cane, etc.<sup>39</sup> The cash crops/grain price ratio, benefiting both from the increases consented for the former by the authorities and the plunge, entirely involuntary, of the market prices for grain, has this time become extremely favorable for the cash-crops. For cotton, it has, for example, passed from 6.6/1 in 1989 to over 9/1 in 1991; it is, therefore, well above the 8/1 ratio deemed to be optimal for the equilibrium of the land use.<sup>40</sup> There is a great risk that the scarcity of cotton could be ended in 1991, at the cost of new deficits in the grain production, if we add to the effects of relative prices the dramatic consequences of the present floods in East China.<sup>41</sup>

### The Role of the State Called into Question

From these contrasting developments, the first and obvious conclusion to be drawn is that the levels of agricultural prices are now, in the last analysis, altogether determined by the state of supply and demand. In spite of the administrative fixation of a large number of these prices (contract prices for grain, basic price for cotton, etc.), the pressure for increases continued to work through the years of shortages during the second part of the 1980's, while they fell with the grain surpluses of 1990. This observation confirms the fact that the State has no longer any means for an authoritarian planning of the cultivation: the State must utilize regulations of prices to fulfill its objectives and, thus, it has to pay attention to the constraints of the market.

This is, without a doubt, an achievement of the agricultural reforms which cannot be reversed, and the principal consequence of the decollectivization process and the relaxation of coercive practices on the peasant population which the latter had allowed for. For all that, the reforms of the marketing for agricultural products, and particularly for the crops' one, have not been carried on to their end. The fact that the state of the market determines, in the last analysis, the general trends of the prices, does not mean that true market mechanisms have been substituted to the past Plans in a satisfactory manner. The interventions of the State are characterized by their delay in responding to the market situation

(the case of cotton during the last years is one clear example of this), and, above all, by the inadequacy of the signals sent by the system of relative prices, with the disastrous use of the “two track system” for grain in particular.

It is, therefore, primarily the role of the State and of its monopolies that should be called into question. If, as we will see later on, these monopolies have largely been abolished for the animal products, as well as for fruits and vegetables (cf. *infra*), they still survive for the most part as far as crops are concerned. The monopoly remains total for cotton, and it has not really disappeared for the grain.

The institution of the “two track system” for grain in 1985 signified, however, the desire of the government to open a large part of this commerce to the mechanisms of the market. But, in fact, the failure to really diversify the channels of distribution, and to allow independent economic actors to establish themselves in this commerce, brought this opening to an end. Permitted since 1983, the private wholesale business has never had the means for a true expansion, and the State has retained a *de facto* monopsony on the cereals’ procurements. Given this fact, it would have been very surprising if the State organizations, which were in a dominating position, had accepted to play the game of the market for the part of the grain that they were supposed to buy at the market price: the manipulations of the “negotiated prices,” the irregular closures of local markets, etc., were an indication of that.

The difficulties in managing the grain surpluses of 1990, far from rendering a support for the liberalization of the cereal trade, has, on the contrary, reinforced the centralizing role of the State. To avoid that local bureaus refuse to purchase the surplus grain, which they had no means to stock or to pay, the State decided to create, in the summer of 1990, a system of “special grain reserves,” supplied by the purchases made beyond those normally carried out. The remaining surplus grain, after deliveries of the contracts and planned sales at negotiated prices, is bought through special funds from the Center, and managed directly by the authorities in Beijing.<sup>42</sup> In October 1990, close to 18 million tons had already been purchased at support prices inside the framework of this new organization.<sup>43</sup>

This centralizing shift was also confirmed in the field of semantics: this same autumn it was announced that the “contract” quotas did not really correspond to transactions of mutual agreement with the cultivators – not that they had, in reality, ever been anything else than obligatory deliveries – and, henceforth, the term “deliveries fixed by the State,” (*Guojia dinggou*) appropriately enough, replaced the one of “deliveries fixed by contracts” (*hetong dinggou*).<sup>44</sup>

The management of the grain trade by State organizations is far from efficient. The creation of the “special reserves” highlights, in fact, the fundamental inability of the local grain bureaus to deal with anything else than shortages. In times of bad harvests, like the one in 1988, these bureaus knew exactly how to requisition the meager peasant surpluses, if needed by force (thus, in some villages, children stood guard and signaled with a gong the arrival of the agents from the bureaus so their parents could go into hiding).<sup>45</sup> It is this capacity of “requisition” that often perverted the implementation of the purchases at a “negotiated price,” transforming them into “second forced sales” instead of being done at the market price.<sup>46</sup> This administrative, and coercive, know-how is absolutely of no use in cases of overproduction. In these cases, the bureaus display instead their material poverty and their financial paralysis.

Lack of materials: it is apparent that the commercial networks of the State are in dire need of more granaries. In a normal period, almost 20 million tons are stockpiled, at least for some months, without any cover. In a year of an exceptional harvest, as in 1990, the quantities stocked in open air are doubled.<sup>47</sup>

More serious still is the bureaus’ lack of financial means. Since the reform of 1985, they are supposed to provide themselves, by *ad hoc* loans from the Agricultural Bank, the sums necessary each year to purchase grain and oil. In years of meager deliveries, there is sometimes a shortage of money, as diverse speculations and waste divert into other projects the funds that theoretically are to be used to pay for the crops. And, since 1985, and still on a more massive scale from the autumn of 1988, when austerity measures dried up the coffers of credit organizations, “IOU” appeared (called “blank slips,” *bai tiao*, by the peasants), as the grain bureaus had not the

assets any more to pay the peasants cash for the amount of their deliveries.<sup>48</sup> In a year of overproduction, the chronic lack of money becomes insurmountable and the bureaus refuse to buy more than the quotas fixed by the Plan.<sup>49</sup>

Thus, a total lack of flexibility characterizes the administrative organizations, although it is imperative for them, because of their commercial tasks, to adapt to an ever changing economic climate. It is already an arduous task to reconcile, on one hand, the quantitative goals of procurements (contracts and purchases at a negotiated price), which are fixed vertically by the supervising authorities and, on the other, the possibilities of borrowing locally, which depend on the horizontal relationships between the bureaus and the credit organizations.<sup>50</sup> The problem becomes intractable when changes in harvests provoke enormous variations in the quantities that are put on the market.

This state apparatus of grain trade is not only rigid, and, thus, inefficient, but it has also perverse effects on the proper circulation of the surpluses. The surplus regions are, indeed, loath to increase their exportations, beyond the regulated quantities that are imposed upon them, towards the exterior zones that are in deficit: they cannot, in fact, recuperate the cost of credit and storage for the exported grain (sold at the administrative price of transfer); moreover, it is often a monumental task for them to extract payments, within a reasonable period of delay, from the offices of the regions of importation.<sup>51</sup> As a result, there is a tendency for a regional autarchy and a division of the markets which accentuates the situation of localized surpluses or scarcities for lack of adequate exchanges.

This structural obstacle to the expansion of exchanges is not only unfavorable to the equal distribution of the available grain, it impedes, above all, a more efficient exploitation of the agricultural resources in China and slows down the necessary specialization of the regions. Moreover, the same tendency of market division concerns not only grain, but all commodities that are subject to government supervision. We have already mentioned the "cotton wars," but there have been also "silk wars," "wool wars,"<sup>52</sup> etc.

### *The Vitality of Private Trade*

There is a striking contrast between this "apoplexy" of the governmental trade, which was clearly demonstrated in the chaotic management of the cereal surpluses in 1990, and the flexibility and vitality of the private trade in the branches where it has been authorized.

In 1985, at the same time as the "two track system" for grain was launched, trade of animal products (mainly pork), as well as fruits and vegetables, was set free. This was the result of a gradual retreat by the State which, since the beginning of the 1980's, had, little by little, reduced the number of products subjected to obligatory deliveries (products labeled as of "first category," subject to "unified purchase and supply," or of "second category," only partially subjected to obligatory deliveries); these went down from 46 in 1979 to only 12 in 1984.<sup>53</sup> Pork (product of the "second category") still remained among the last mentioned, in addition to grain, oil-seeds, and cotton (products of "first category").

In 1985, the trade of products of the "second category" was entirely liberalized and, therefore, delivery quotas of pork were abolished.<sup>54</sup> Henceforth, the State-run slaughterhouses had to buy hogs on the market. Unlike grain, where the substitution of "contracts" for quotas and the linking of negotiated prices to market prices did not result in a real and consequential opening to market mechanisms, this trade reform for animal products (the same can be said for fruits and vegetables) was brought to a successful conclusion. As a matter of fact, in these sectors, private merchants, or the peasants themselves, have actually overtaken the distribution network of the State. Thus, while 99% of the retail sales of pork were controlled by the State stores in 1978, and still 78% in 1984, the part of the State in the pork trade was down to only 36% in 1988.<sup>55</sup> The progression of the free market was even more spectacular for the other animal products: the peasant markets represented 75% of the egg trade and 90% of the trade in poultry. Furthermore, 80% of the fruit and 60% of the vegetables sold were bought directly by city-dwellers from peasants' stalls.<sup>56</sup>

The liberalization of commerce had an immediate and very positive effect on production prices. For pork, to take but one example, the price ratio of hog (alive)/grain which, after rising

slightly at the beginning of the reform period, reached a ceiling after 1980 (ratio of 3.1/1 in 1978, 3.5/1 in 1980, 3.4/1 in 1984). Then, the price ratio took off, approaching or passing the threshold of 5/1 which is considered a decisive one for the peasant (4.8/1 in 1989, even peaking at 5.7/1 in 1988).<sup>57</sup> Encouraged by the favorable price ratios, the peasants continued therefore to develop their meat production, which, unlike the harvests, grew constantly during the latter half of the 1980's: 47% increase for the pork between 1984 and 1989, and, more still, 67% for eggs, 74% for milk, 89% for poultry, etc. In 1990, this growth followed its course steadily, with more than 7.4% increase for pork (22.8 million tons, out of total 25.1 million tons of red meat), 10.4% for eggs (7.9 million tons), 9% (4.2 million tons) for cow-milk, etc.<sup>58</sup>

The same progression can be observed for fruits and vegetables. From 1984 to 1989, the fruit production increased not less than 86%.<sup>59</sup> The efficiency of the private trade has now overcome the difficulties in transportation, and, at present, oranges and bananas of southern China inundate the markets in the towns of the North, competing vigorously with apples and pears.<sup>60</sup> This efficiency owes nothing to the administration which is mostly visible by its exactions, notably by numerous roadblocks erected to tax at random the lorries, loaded with fruit, that pass on the road.<sup>61</sup> For vegetables, the surface cultivated has expanded by 46% in the same period, and never has the supply been as varied and plentiful in the cities.<sup>62</sup>

The scene is, of course, not entirely without shadows. For pork in particular, cycles have appeared which ill-advised State intervention,<sup>63</sup> in addition to serious shortcomings in the infrastructure for transporting, slaughtering, and refrigerating, have helped to accentuate.<sup>64</sup>

This does not change the fact that the performance of this sector has improved the revenues of the peasants, contrasting with the hazards that have plagued the crops and their marketing. This demonstrates that, despite the errant course and hesitations on the part of the State in its introduction of market mechanisms for the crops, a real dynamism has followed in other sectors where State has retreated. The statistics for the private trade bear witness to the same development, as the urban and village markets have closely

followed the expansion (they were 73,800 in 1989, more than trebling their business between 1985 and 1990).<sup>65</sup> Generally speaking, now one can count over four million private rural stores in China, employing in 1989 over six million persons, or about 60% of the commercial employment in the rural areas.<sup>66</sup> Thus, in spite of a dominant position of the State in key sectors of the agricultural trade, i.e. grain and cotton, an estimated 40% of the value of the marketed agricultural products is sold on fairs and in private stores.

### The Stakes for Liberalization

The question then arises, given this success of the liberalization of trade for the "secondary" agricultural products, such as meat, eggs, fruits, and vegetables, why the State has not taken a similar step for the basic products as grain, vegetable oil, and cotton.

For cotton, the reason is probably the desire to control the supply of the cotton- and cloth-mills, as they represent, by their profits and the taxes that are levied on the textiles, an essential source of revenue for the central as well as the local governments. For grain and oil, the reason is evidently the wish to preserve a basic level for urban retail prices in the case of foodstuffs that remain rationed in the towns. The use of an expedient like the "double track," permitting the administration to pressure on prices, has no other explanation.

In fact, the liberalization of prices on meat, fruits, and vegetables, although it has had undeniable benefits on the levels of production and the quality of supplies, has also weighed heavily on the urban budgets. The price of pork (1.4 yuan a *jin* in 1984, 3 yuan in 1989) has more than doubled since the liberalization; the price of fruits and vegetables has practically trebled.<sup>67</sup> Meat, poultry, eggs, fruits, and vegetables, which accounted for half of the food expenses in the cities in 1984, now represent two-thirds of them (for an urban household, foodstuffs constitute close to 60% of the daily expenses).<sup>68</sup>

This increase has not been a slightest source of the urban discontent, as became clear, in particular, during the events of 1989. At the time of the 1985 readjustment, however (when the State stores aligned their prices with the market prices), and again

in 1988 (the State retail prices lagged behind the market again, and meat rationing by the State, at good price, had been re-introduced in the winter of 1990), urban residents were given direct and considerable subsidies to compensate for the rise in prices: 5 yuan a month for each worker in 1985, 10 yuan in 1988 (in the big cities only).<sup>69</sup> In 1989, these subsidies cost no less than 4 billion yuan.<sup>70</sup> Although these increases were not free of cost, either for the State or for the inhabitants in the cities, they did attain their goal all the same, as, for one thing, the production received the price incentive it needed for its growth, but also because the urban prices, despite certain deviations (the winters of 1987 and 1988), have presently reached a level of equilibrium: the price of pork has hardly varied since the autumn of 1989, and the prices in State stores are practically in line with those on the free market (only lean pork is still a little higher there, as it is more abundant on the peasant stalls).

It has been calculated, on the basis of 1987 situation, that a similar liberation of the prices for grain and [vegetable] oil would lead to a trebling of their urban retail prices.<sup>71</sup> As these two items do hardly represent more than 8% of the expenses of the urban households in 1989, this price readjustment seems technically possible. But, just until a recent date, it has appeared politically too dangerous for the authorities to attempt it.

Thus, the rise in production prices for grain and oil has had no, or at least little, effect on the retail prices for the rationed goods. Consequently, the subsidies that the State has had to pay to cover the deficits of its distribution apparatus has risen constantly, from 5 billion yuan in 1979 to 20 billion in 1984. After that, the "double track" had some effect, as the rationed prices in the cities have moderately augmented (38% increase from 1985 to 1989), permitting a stabilization of the subsidies at their 1984 level (20 billion yuan in 1988). In 1989, the considerable increases of production prices have restarted the spiral of inflation for subsidies, which then reached 26 billion.<sup>72</sup>

It is clear that only a reform of the urban rationing system would relieve the constraint that obliges the State to maintain, if only on a small part of the crops, too low a price for the production, undermining, as we have seen, the whole system of relative prices and, therefore, sending the cultivators the wrong signals.

There has been no lack of propositions for such a reform. As the political will to abolish the delivery quotas and the rationing in one sweep is lacking (with the exception of local experiments, cf. *infra*), the experts advocate gradual reforms: limiting, and then reducing, the relative part of the rationed grain bought at subsidized prices in the urban supply, a progressive rise in the price of the rationed goods (with direct and explicit subsidies to the most poor consumers replacing the undifferentiated subsidies that presently cover the deficits of the State commerce), closing the gap between the sale and purchase price of grain.<sup>73</sup>

In fact, reforms along these lines have quite recently been launched, thus belying the impression of immobility given by the conservative government of today. Already, during the last years, regional experiments with a liberalization of the grain trade have taken place. This was most notable in Guangzhou, where considerable rise in the retail prices for rice, caused by experimentation of this kind, incited a large number of peasants from other provinces (Hunan in particular) to go there in order to profit from the windfall by selling their surplus rice at a very high price – provoking the authorities (of the producing regions) to close their provincial boundaries.<sup>74</sup> More recently, the model reformist district of Guanghan, in Sichuan province, is reported as having abolished the whole system of compulsory quotas, as well as the rationing in the district city.<sup>75</sup> It is, of course, difficult to assess the significance of such local moves: they are still exceptions to the national situation where the "double track system" is the rule.

A more significant, and decisive, step was, in fact, taken in the spring of 1991, with a 0.10 yuan nation-wide increase on the *jin* of rationed flour and rice, making it an increase of almost 70%, and 1.35 yuan rise in the price of one *jin* of oil, or an augmentation of no less than 170%.<sup>76</sup> This measure has not corrected the discrepancy between the price of rations and the market prices. The price for one *jin* of clean rice (of a mediocre quality) in the city rose then from 0.16 yuan to 0.26, while the negotiated price (outside of the ration) proposed by the State stores is around 0.50 yuan (for rice of good quality) and 1.20 yuan at the store of the private merchant. Thus, only half the way have been passed towards true prices (in the context of production prices that are still depressed by the State

commerce). Moreover, as already has been done in the experiment of Guangzhou, a direct subsidy of 6 yuan a month for each worker compensates for the major part of the extra expenses caused to the city-dweller. The total sum of the subsidies paid by the State has, therefore, not decreased all that much.

Yet, this is clearly a major break-through, a courageous step if we take the explosive social situation in the cities into account, which is likely to open the way for the trade reforms that still have to be made. If we add the already noted experiments of Guangzhou, and more recently, those of Guanghan, some kind of pattern takes shape, indicating that reformist leaders, either local ones or at a national level, try to initiate again a true reform of the grain trade system.

Ideally, such a reform should make the State abandon its shop-keeper's role, leaving that function to the private sector (in order to do this, it will be necessary to rehabilitate the private wholesale trade in grain, which has been practically illegal for two years, and to permit private transactions for cotton), and let it devote its efforts solely to tasks of regulation, to the creation of strategic stocks, etc.

We are, of course, still far away from this objective and the State does not seem to be ready to give up its prerogative in this field, no more than the grain bureaus appear to be disposed to abandon their prebends. However, after the *de facto* reinforcements of the monopolies during the last two years, voices are beginning to be heard, advocating a novel and true diversification (meaning the end of the monopolies) for the marketing of the crops.<sup>77</sup> The State itself has tried to rationalize its distributional network, by bypassing the vertical links with their proper grain bureaus and instituting "wholesale markets," where transactions are negotiated directly (outside of plans) between institutions, firms, or the commercial administrations of the different provinces, dealing with grain that was beforehand delivered by the peasants on market prices. Markets of this type have appeared in 1990 in Manchuria (Jilin for maize), in Jiangxi (for rice), in Henan (for wheat), and in Hubei (for wheat and rice), etc.<sup>78</sup>

Small steps have therefore been taken – with wholesale markets on the one end and a gradual correction of retail prices on

the other – which will, at last, create conditions under which the State can engage itself in establishing market mechanisms – towards the foundation of a real market – for grain trading. These progresses are a testimony to the fact that the economic realities – the constraints of the market, and the necessity for a more efficient regulation of the crops through prices – are imposing realistic measures upon those who are responsible for the Chinese economy, bringing them inexorably closer to the moment when the reformist route has to be chosen with vigor. The inertia of conservatism obstructs, however, the development of this pragmatic approach while archaic propaganda campaigns are stemming from the most reactionary flank of the old men, still in power in China at the moment.

## The Conservative Offensive

In the mid 1980's, the implementation of the responsibility systems did much more than realizing the decollectivization of the structures of production. It led, in fact, to *de facto* privatization of agriculture in the majority of the villages. It should not be surprising, therefore, that, already long before the political shift of 1989, conservative offensives were directed against these systems of responsibility, in the hope, if not of a return to the collectivization of the past which seemed definitely gone under, then at least of a consolidation of certain number of the collective controls or regulations.<sup>79</sup>

## The Reexamination of the Contracts

At the beginning of the institution of the systems of responsibility, the agricultural privatization stopped at the threshold of private land ownership, which remained collectively in the hand of the old village units. The first conservative offensives attacked precisely the problem of ownership of agricultural land. Furthermore, the existing "all-round contracts (of exploitation)" (*dabaogan*) were also subsequently challenged under the pretext of realizing the so-called "economies of scale in agriculture" (*nongye guimo jingying*).

Whereas certain reformers supported privatization of agricultural land in order to increase the peasants' motivation to invest in land improvements, and thus rectifying the inconsistencies of the existing system of *de facto* double property (ownership of land belonging to the village and giving rise to the payment of collective "levies," and a family ownership of the exploitation rights, allowing for transactions between neighbors), the conservatives counteracted with plans for a "nationalization" of the land. This nationalization would have removed the land ownership from the village collectives and handed it over to the State-run land offices which henceforth would have managed the leasing of the agricultural land (then, individual peasants would have become tenants of the State). This land reform would have permitted, according to its supporters, to rationalize the granting of contracts of exploitation and a more efficient supervision of land use, leading to a more careful exploitation of the agricultural resources. Furthermore, the conservatives maintained that, by this way, an end would have been put to the prevailing disorders regarding both the fixing of terms of contracts, and the collection of rents by the village collectivities.<sup>80</sup>

During the last two years, the conservative tide has silenced the partisans of privatization. But, for all that, the nationalization of land was not realized, so a *status quo* has continued to prevail in matters of land ownership.

Indeed, the conservative goal, under the cover of rationalization of land-use, aimed, above all, at promoting large scale farms ("economy of scale"), the only ones able, according to the conservatives, to achieve the modernization of the Chinese agriculture and to bring it out of its semi-autarchic state of the present. This was not possible, taking the high density of the Chinese agricultural population into account, but by evicting the small, part-time cultivators (workers in rural enterprises during the week, cultivators over the weekend on their small plots under contract) that occupy the greater part of the agricultural land. The townships' land offices, far from the social pressures of the villagers, could have been the ideal instruments for a land concentration of this sort, by using a selective renewal of leases going through their jurisdiction.<sup>81</sup>

For lack of land offices, and for want of nationalization of agricultural land, this movement of concentration is now advocating a change of the present systems of responsibility, which the conservatives try to impose wherever they can.

In a certain number of localities, and then usually in an authoritarian manner, contracts of exploitation, that have been signed since 1984 for duration of fifteen years or more, are revoked and a new partition of the land is carried out. A part of the land (the "fields of the ration," *kouliangtian*) are divided equally between all the families that can cultivate there the crops necessary for their subsistence. The rest (the "fields of obligation," *renwutian*) is, on the contrary, offered to the highest bidders, or the cultivators that are able to pay the highest "levies" to the village that owns the land, who obtain it by short-term contracts (generally for two to three years only). Whereas a very low tax is levied on the "fields of the ration" (or they are, indeed, exempted from all collective duties), the rent levied on the fields that are auctioned can reach extremely high levels (up to half of the net revenue from the harvest), at the same time as they sustain the obligatory delivery quotas to the State in their entirety. In this way, it is possible for a minority of "large peasants" that have substantial financial means (or the right connections) to take the majority of this heavily taxed land, which their neighbors are unable to rent, and to create thus large farms.<sup>82</sup>

For lack of meaningful statistics, it is obviously difficult to measure to how large extent these new land renting systems have been put in place. If it is certain that they have both led to a weakening of the right to land, a right that constituted an essential gain of the decollectivization, and to an increase in the rent levied on the peasants, it is not certain at all that they have permitted – and that is very fortunate – a real expulsion of the part-time cultivators from their plots of land. Just the opposite, the awarding of "fields of the ration" for free often amounts to a consolidation of *de facto* private property on a sizable part of the village land, while the part-time cultivators see their rights reaffirmed in this way (even if this is only on a small part of the agricultural land).

In fact, recent surveys show that, far from having decreased, the part-time agriculture, which is a consequence of the develop-

ment of non-agricultural enterprises in the villages (cf. *infra*), seems to have become a dominant trait of the Chinese countryside.<sup>83</sup> For a large majority of the peasant households, the right to the “fields of the ration” is, thus, imperative for their survival.<sup>84</sup> Further still, far from being a drag on the modernization of the countryside, the access to a land for the peasant-workers (a guaranty of survival through periods of unemployment) is, without doubt, the best method to conduct a smooth transition towards industrialization. It is therefore much more of an asset for the development of the economy as a whole, as has been demonstrated in the past both in Japan and in Taiwan.

The wish of the conservatives to drive the part-time cultivators out of the land and to form farms of vast surfaces, originates, in fact, in a conventional idea in the socialist countries, where modernization in agriculture is to take place through the formation of large, mechanized estates. This vision is at variance with the real dynamic that has manifested itself in the Chinese countryside, and it is difficult to see how those who support the generalization of the “economies of scale” will be able to reach their goals.

### “Collective Systems of Socialized Services”

Facing the difficulties of really challenging the present state of the “responsibility systems,” the conservative offensives mounted a new battle horse in 1990: rehabilitation of the collective economy in the villages.

This collective economy has been, ever since the inception of the systems of responsibility, reduced to the smallest share: as the means of production in their totality (except for land) were privatized and the majority of the tractors and the power-driven cultivators passed into private hands, the teams (or the villages) most often entrusted the management of the heavy equipment that rested in their care (small hydraulic installations, threshing-machines, mills, etc.) to “specialized families.” Generally, therefore, the collective economy hardly exists any more in the villages, except for the small workshops that still remain there (when even they are not leased out to subcontractors). In the poor regions, where rural industrialization is underdeveloped, even this part of the collective economy has disappeared.

The conservatives never cease to denounce this situation, to the effect that this collective village economy has become little more than an “empty shell” (*kongke cun*) in the majority of the countryside.<sup>85</sup> At this moment, their strategy is to recharge this collective component in the villages, or, in a sense, to find a new equilibrium for something that, in their opinion, has never ceased to be a cooperative “economy on two levels” (*shuangceng jingying tizhi*, the familial level of the daily management of the farms, and the collective level of the rest of the village economy).

Lacking the power to attack the systems of responsibility themselves (except for the questionable establishment of new contracts, cf. *supra*), now the conservative offensives tackle an upgrading of the collective services provided by villages for cultivators, at both ends of the production process, under the pretext of better connecting the small family farms with the rest of the economy. In fact, under the cover of better serving the cultivators, this is a real project of regaining the economic power in the villages, by attempting to control collectively the agricultural activities, through their supplies (material as well as services) and the marketing of their products.

A comprehensive project, it does therefore propose the establishment of “socialized services systems,” (*shehuihua fuwu tixi*) as experimented in a few model villages: providing technical services (making seeds and veterinarian services available, etc.), assistance for some tasks of production (mechanization of the plowing, crops’ protection, etc.), aid with the commercialization (collection and sale of the products), help with employment (recruitment of workers for the workshops), information (for the marketing of the crops), and, last but not least, assistance for the implementation of the “agricultural policies” (in other words, for the increase of the authorities’ control over actions and behavior of the villagers).<sup>86</sup>

At best, this type of initiative can lead to an improvement of services that the village leaders most often neglect, but that are, however, useful for the peasants (technical services in particular). In the worst case, this could encourage a supervision of the totality of the agricultural process through the implementation of “unified plans” that are imposed upon the villagers. A typical example of this is the experiment conducted in a municipality of Shandong,



where everything was “unified” according to plans: crops planning, plowing and sowing (mechanized), irrigation, protection of the crops, threshing, and the transportation of the harvests. Nothing was left to the individual cultivator, except the daily management of the fields, the harvesting of the crops, and, of course, the financial risks of their cultivation.<sup>87</sup>

Setting up “services” of this nature, evidently demands a strengthening of the collective resources. To achieve this, certain localities have reinstated “economic cooperatives” (*jingji hezuoshe*) that, on the village level, administer the collective assets which, without this, would be squandered by the leaders (as still is the case in China today in the majority of the villages where the sums appropriated for the collective funds are used for daily expenses and salaries for the cadres). These cooperatives should, first of all, clear the accounts, recuperate old debts and equipments improperly distributed, collect “levies” from peasants according to their contracts, construct and administer collective enterprises (a source of fat revenues), and, finally, organize services proposed to the villagers (with timetables, tariffs, etc.).

At the township level, the “confederation of economic cooperatives,” (*xiangzhen lianheshe*) possessing and managing the large enterprises, as well as the large hydraulic and mechanic equipment, top the village cooperatives, negotiating for them with State commercial agencies or specialized companies the purchase of the inputs (chemical fertilizers, seeds, pesticides) which are then resold to the cultivators. They organize also the marketing of the agricultural products, placing themselves therefore as necessary intermediaries between the peasants and the State organizations for the purchase of the harvests.<sup>88</sup>

Specialized financial structures complete this “cooperative” reorganization of the agriculture with “cooperative funds” (*nongcun hezuo jijin*), draining the savings of the peasants and feeding directly the collective activities of the village cooperatives.<sup>89</sup>

This attempt of reorganizing collectively the rural economy, on a “territorial” basis, is not without a resemblance with the collective structures of the past brigades (villages) and “popular communes” (townships).<sup>90</sup> The only difference, a sizable one, is that the basic structures of the agricultural production, the family

farms, remain decollectivized.

To what degree have economic cooperatives of this sort been effectively established in the villages, and what is the real implementation of the proclaimed “systematization” of the services in the villages? A few local models do not constitute a reorganization of the whole, and it is very difficult to separate the effects claimed in the propaganda and the reality with regard to the workings of these new collective structures.

There is, indeed, a great difference between the desire to establish new “service” institutions for the peasant, be they collective, and the reality in the villages, dominated, as most investigations have demonstrated, by dishonest cadres that have, most certainly, little interest in serving their fellow citizens.

### The Regaining of Control over the Village Cadres

In the villages, it seems common that cadres constantly abuse their power. They raise taxes, levies improperly, and waste the funds thus collected in sumptuous expenses for their own personal use. Even if not all village leaders are corrupt, the denunciations of these inconsiderate increases in the “peasants’ burdens” (*nongmin fudan*) are so common and general, that the ill must certainly be fairly widespread.

The charges that the peasant must normally sustain are of three categories: taxes paid to the State (including the farm tax), the levies paid to the villages in order to supply the collective funds (accumulation and welfare), and the taxes collected by the authorities of the township (for schools, the militia, roads, etc.).<sup>91</sup> Except for the taxes paid to the State, the charges ought not exceed 5% of the net revenue of the peasant families. But, in 1989, a conservative official estimate for all China revealed that on the average they amounted to 7.7% of this net revenue.<sup>92</sup> In fact, a double accountancy is rampant in many Chinese villages, and local inquiries show real rates well above this estimate, going as high as 10% to 15% of the peasants’ net revenues.<sup>93</sup>

The deviations take on multiple forms, which are commonly branded as the “three disorders” (*san luan*):<sup>94</sup> a disorderly and groundless multiplication of the items listed, by the village leaders, for various expenses (including the unintentionally

humorous “provisions for unforeseen expenses,” levied on a village in Jiangsu),<sup>95</sup> disorders in the increases of fines (those for breaking the rules of family planning being among the most lucrative), and an improper and endless extension of the surtaxes collected by the townships, which remind us of similar fiscal inflation sustained by the Chinese countryside during the republican period, sixty years ago.

These charges are primarily intended to cover the salaries, subsidies, and secret funds of the local cadres, whose power does not appear to have diminished so much with the decollectivization.<sup>96</sup> They did have retained their power, although their role has changed. At least in the villages that have not been touched, as yet, by the “systematization of services,” these leaders have both resumed the traditional roles of intermediaries between the central authorities and the peasant population, also mediating in internal conflict in the villages. And they do not play anymore, at least significantly, the past roles of agents of transformation for the rural society, carrying out the policies imposed by the Party. And these leaders support themselves, as the landowners before them, or the gentry, with the modern land rent, that is, the collective levies, as well as with surtaxes and the diverse expenses.

The institution of the new systems of collective “services” presupposes, therefore, a radical transformation of the village cadres. Quite logically, as can be seen from certain experiences reported in the press, the conservatives waged a campaign, which went hand in hand with their “systematization of the services,” of purging the village cadres and reshaping the local authority apparatus.

In the district of Laixi in the Shandong province, which is now given as a model, a process of “reconstruction of village organizations” (*cunji zuzhi jianshe*) has been carried out during the last years. In this district, where the majority of the village cadres had effectively abandoned their role in the communal affairs, a purge has led to the dismissal of village leaders, who, for many of them, have been replaced by administrators coming from the Party organizations of the township administration (they are, thus, total outsiders in the villages into which they are “dropped”). Henceforth, these emissaries of the external political power engage them-

selves actively in the application of the governmental policies, even those which enjoy little support by the population, like the family planning, the control of cropped surfaces, the levying of forced labor for the maintenance of infrastructures, etc.<sup>97</sup>

A National Conference, held in August 1990 under the presidency of the conservative leader Song Ping, praised the experience of Laixi and advocated the extension of this “reconstruction of the village organizations” to the whole country.<sup>98</sup> This “reconstruction of the village organizations” signifies, in fact, the reentry of the Party into the village affairs. At the center of such a reorganization is the branch of the Party, led by the secretary as the central figure, that directs the mobilization of the mass “organizations,” which are the traditional recruit groups for the Communist machinery: women’s associations, youth leagues, popular militias, etc. The “village assemblies” are convoked to participate in the new decisions, in the purest style of the “campaigns” (*yundong*) of the past.

It is indeed a real campaign for a “socialist education” developing in the villages at this moment,<sup>99</sup> at least if one believes the propaganda in the newspapers, with portraits of charismatic leaders and model families.<sup>100</sup>

The alleged goal of this campaign is to “normalize” (*guifanhua*) the villages. Under the direction of the Party, laws and regulations are supposed to be studied and internalized, before they are applied by the population mobilized to this effect. The “socialist” point of view, inculcated in this way in the peasants, must lead to a fulfillment of the economic objectives advocated by the conservatives: that is, a respect for the delivery quotas (paid at a price fixed by the administration), increase of the collective funds by the collection of levies, participation in forced labor for the work on the infrastructure.... It goes all the way to the fight against the “feudal” customs and superstitions, which are included in the study sessions, allowing for, in particular, more success in the limitation of births.<sup>101</sup>

The confusion of the “regulations” realm, at the discretion of the Party, with the legislative domain, the overlapping of the ideological and economic spheres, give this “normalization” a totalitarian flavor which clearly demonstrates the fact that the

conservative offensives attempt to limit the space of liberty (economic for the most part) that the agricultural reforms have conceded to the peasants.

Of course, it is still difficult to assess the real extent of this redemption of the Party in the village society, or the real impact of the current campaign for a socialist education. In any case, a highly symbolic issue, where the conservatives seem to have had some success, is the resumption of the “corvées,” in an atmosphere which is not without a resemblance with the “campaigns of emulation in Dazhai” of the past.

### The Rehabilitation of the Corvées

Since the mid 1980's, the disappearance of the collective economy in the villages has been criticized as giving way to the demobilization of the peasants, and the neglect of the “corvées” that resulted from it. This collective resignation has been blamed, not without reason, for having caused the present poor state of the hydraulic and land infrastructures, weakened by lack of maintenance and unfit to meet disasters, as when they broke out in 1985, or in 1991.

The notion of “accumulation of labor,” that disappeared long time ago from the vocabulary of the reformers, surfaced again both in articles by economists in learned journals and in the propaganda of the media.<sup>102</sup> The opportunity to go back to this form of investment was underscored by the budgetary deficits that forbade the State to significantly increase the investments for “agricultural basic construction” (hydraulic projects and land improvements).<sup>103</sup>

If the arguments presented appeared to make good sense (existence of vast resources of rural manpower unemployed during the slack season, necessity to proceed with the reparations and development of the hydraulic infrastructures forsaken since the decollectivization), the underlying philosophy did not conceal the desire to regain control over the population that always marks the conservative offensives. Besides, only a return to coercion, in one form or another, would have allowed for the revival of forced labor, which had disappeared by the combined effects of the dissolution of the collective structures of labor mobilization and the increasing opportunity cost of labor, in the context of a diversified

rural employment.<sup>104</sup>

In 1986, the rules in force were listed again in a document from the Central Committee. In these regulations, it was expected that every rural worker would contribute 10 to 20 days of labor every year to the maintenance of smaller constructions, under the jurisdiction of the district or the township. The regulations were not, however, very strict, as it was possible to substitute the labor with a simple payment of money (generally 3 to 5 yuan a day, or the equivalent of the wage of a day-laborer).<sup>105</sup> These rules, indeed, were not seriously followed after the decollectivization, as the local cadres hardly had the means, and the will, to mobilize the workforce for jobs that had, moreover, a bad reputation due to the excesses of the past (undiscriminating requisitions and transfers [*yiping er diao*], etc.).<sup>106</sup>

It took, in fact, several winters of propaganda, and the sending down of districts' and townships' cadres, so that the number of days devoted each year to forced labor had been significantly corrected. Only the last two labor campaigns (during the winters of 1989-90 and 1990-91), coinciding with the increasing potency of the conservative offensives, have really resulted in a mobilization on an important scale with 4.2 and 4.8 billion days of work, respectively, invested in forced labor.<sup>107</sup> For an agricultural workforce of 330 million persons, this makes 13 to 15 days of forced labor on the average, finally reaching the levels required in the regulations. These official figures should, however, be taken with a certain suspicion.

Very often the village accounts of the days of “corvées” include the number of work-days equivalent to the sums paid by the peasants who wanted to escape the obligatory labor, sums that were utilized for entirely different purposes than the work on the infrastructures.<sup>108</sup> Furthermore, in certain localities, the peasants can count the maintenance work (digging of draining ditches, etc.) on their own plots as “days of corvées.” A certain formalism does even seem to reign while the forced labor is carried out. Thus, the workers act very slowly while no serious supervision is attempted when the work is under way, and the officials sent to participate in the manual labor sometimes come to the work-sites in limousines.<sup>109</sup>

All this campaign for the renewal of “labor-investments,” indeed, appear both a little nostalgic and unrealistic. Nostalgic, as the use of the old models of Xiyang (the seat of Dazhai), of Linxian and its famous Canal of the Red Flag (“an army of 100,000 workers conquers the Taihang”),<sup>110</sup> that were dug up on this occasion. Unrealistic, as (apart from exceptional periods of natural disasters when labor mobilization is indeed required) this campaign is waged in a time when the real goals in the improvement of the agricultural land, as defined officially by the Ministry of Agriculture, should henceforth be attained with means and strategies much more complex and sophisticated than the simple recourse to a forced mobilization of labor. Thus, the plans for development of the alkaline zones of the North Plain, of the eroded hills of southern China, rest on an “integrated development” (*zonghe kaifa*) of the local resources, largely calling for judicious financial provisions and combined operations of ecological and agricultural research and development. In short, they are more in need of investment of capital and technological knowledge than of labor.<sup>111</sup>

### The Resistance of the Reformers

It is hardly a coincidence that the conservative offensives seem to have had more impact in the disciplinary realms of the Party, or the ideological fields of the propaganda, than in the real world of the rural economy. At least, their limited capacity to deal with the economic and social problems of today rural China, is in the likeness of the archaism of the methods put forward by their supporters. It seems hardly plausible that the old recipes of the past – collectivization of the economy, socialist education campaigns, labor-investments – will be able to respond to the difficulties caused by the reforms, as the rural society as a whole has developed considerably during the decade of reforms.

The problems that the conservatives have brought to our attention are real ones, however. In particular, the lack of “services,” and of intermediate bodies between the multitude of small, poorly endowed individual farms and the omnipotent administration of the State are beyond any doubt major deficiencies of the agricultural reforms. Rather than a reorganization of collective institu-

tions, based on administrative territories and articulated around the political authorities, it would seem more judicious to set up professional organizations that transcend the village or townships boundaries and are able to defend the peasants’ interests.

In fact, a few organizations of this type have already been formed. In particular, professional agricultural associations, such as associations of growers of watermelon or mushroom planters, but also of grain farmers, etc., have been established on a local basis, and try to provide technical services for particular crops.<sup>112</sup> Although, they most often emanate from the corresponding State technical services in these localities, they are none the less truly directed by professional peasants, and their audience exceeds the narrow territorial limits of their place of origin. Therefore, these associations could serve as prototypes for future organizations permitting the agricultural profession to take charge of its own problems.

The other real issues are those of the disorders in the village finances and the corruption of the cadres at the basic level. In order to solve these problems, however, different ways could be found, and some of them have been actually attempted, other than purging the cadres, the only method proposed by the conservatives. The widespread practices of embezzlement of funds, of falsification of accounts, of extravagant expenditures essentially reflect the autocratic character of the village power structure. So, some villages have encouraged the creation of an independent body of accountants, with a true autonomy and a real professionalism in the accounting methods then practiced. Based on a specialization of the accounts and, moreover, a separation of powers (the distinction is made between the administrative field and the authority of the village leaders), this effort would be, if really put into practice, nothing less than a total modernization of the village authority structures.<sup>113</sup>

In fact, the principles of transparency and the methods of public verification of the accounts, which are implied in this modernization, presuppose a democratization of village life. There, still, experiments have been undertaken which approximate a kind of system of representation as necessary preconditions to any democratic process. Thus, in one district of

Shandong, a system of deputies, democratically (?) elected by all the households, has been grafted on the existing village assemblies. In contrast with the majority of Chinese villages, where formal assemblies are generally without power, these delegates are said to have the authority to verify the accounts and manage the expenditures of the villages.<sup>114</sup>

This legalistic approach has certainly inspired a proposition, made by 70 deputies at the 4th Plenum of the 7th National People's Congress, and supported by the Ministry of Agriculture, establishing a "Fundamental Law for the Agriculture" (*nongye jiben fa*) that deals not only with the proper problems of this sector, but equally with its relations to the entire social and economic environment.<sup>115</sup> The arbitrariness of the local regulations, oscillating with the fluctuations in the policies of the Party, would thus be counteracted by the regularity of the law, sanctioned by the proceedings of the popular representatives.

In spite of the conservative offensives, the supporters of continued and thorough reforms in the countryside have, therefore, still lost neither all initiative nor their capacity of proposition. Without being intimidated by the socialist educational campaigns, or the attempts to consolidate the collective economy, some even take occasion of the development of the "farm-yard economy" (*tingyuan jingji*) to praise in fact the "family economy" and to propose a counter-model to the "systematization of the services," appealing to the resources of the civil society. Thus, in another district of Shandong where the vigor of the family economy is based on a "hybrid" system of services for the agriculture, combining the specialized companies in the townships administration and their R & D stations in the villages, the professional agricultural associations for specific productions, the chains of private firms for transportation and commercialization of the products, the specialized wholesale markets, etc.<sup>116</sup> It goes without saying that this system functions mainly in the branches where the State has retreated (animal breeding, agriculture, vegetable production, etc.). It does not preclude, however, that such an organization has an exemplary value, demonstrating that, despite the conservative attacks, the already transformed rural economy is giving rise to social innovations more in line with the requirements of the

market economy.

Despite its preponderant position in the media, the conservative offensives are, therefore, quite far from dominating the field, as they are checked by the dynamics that the reforms have set into motion. If one adds to this the political *status quo* at the top, between the conservatives, still dominating but on the defensive, and the reformers, in minority but in a phase of comeback, we understand better the extreme carefulness of those responsible for the agricultural policies, whose keyword at the moment is "stability." In a counter point to the articles praising the experiences of "systematization of services" and the "normalization of village life," series of editorials have, since the summer of 1990, not ceased to call for prudence.<sup>117</sup>

The legitimacy of the family "systems of responsibility" was, thus, reaffirmed, while the necessity for stability in that respect was emphasized. The validity of the experiments of "economy of scale" has, once more, been limited to the suburbs of the big cities or the highly industrialized zones of China, where, already, the majority of the rural population is fully employed in the factories. Moreover, the collective economy is clearly delimited to the only domain of organization of services. Finally, in a retreat to a "technological strategy of development" which is well preferred in periods of political uncertainty, it has been emphasized that progress was still possible through the promotion of "scientific agriculture," the only method capable of exploiting the vast resources of the Chinese continent.

If we add to this the remarks of Tian Jiyun, relaunching in hidden words the reform of the marketing systems by an increased diversification of the distributional channels (cf. *supra*), it is clear that the reformers, certainly still very careful, have not uttered their last word.

### The Resilience of the Small Rural Industries

The major challenge that the countryside poses to the conservative strongholds is not, perhaps, the decollectivization, and the rampant privatization of the agriculture that has followed, but rather the phenomenal growth of rural enterprises, collective or private, in the "townships and the small towns" (*xiangzhen qiye*). These

enterprises represent, in fact, a considerable part of the economy, – with more than half of the value of production and services in the rural areas, and even a quarter of the national industrial production<sup>118</sup> –, which largely escapes the control of the plans and competes dangerously with the State industries, the very foundation of the “socialist” economy in China.

During the second half of the 1980’s, the extraordinarily rapid growth of these firms, particularly in provinces like Jiangsu where annual growth rates of over 50% have been seen, began to worry a number of economists. This growth has been supported by Fei Xiaotong who considers it as a vector for a gradual urbanization of the countryside, with the development of the large boroughs and the small towns, and, therefore, preferable to the heavy industrialization privileging the large cities. On the contrary, these rural industries were accused by the conservatives of a wasteful use of energy and raw materials, of polluting the environment, of producing articles of mediocre quality, and, moreover, of tapping financial resources that are generally in short supply.<sup>119</sup>

Since the autumn of 1988, with the institution of austerity policies that were inspired by the conservatives, these rural industries have confronted severe credit restrictions and have been subjected to harassment of various nature: fiscal amendments, denied access to primary materials of which the parallel markets are severely restricted, etc. In the spring of 1989, this sector could fear the worst, with forecasts of 15 million lay-offs (out of 90 million workers).<sup>120</sup>

Against all the odds, these small industries have mostly resisted the adversities that have been inflicted upon them. Certainly, the rise of the employment figures (which had already reached a ceiling) has clearly halted, while the closure of some 400,000 enterprises (out of a total of 18 million) has led to a dismissal of close to 2.5 million workers.<sup>121</sup> But, this was far from the expected collapse. Better still, it has been proven that, in spite of all the discriminations that they have suffered, these small factories have experienced growth superior to the large state-run factories during this period of recession. While the production of the latter grew only by less than 4% in 1989, the small rural workshops expanded theirs by almost 13%.<sup>122</sup> This superior performance of

the small rural industry was confirmed again the following year, with a growth of 12.5% against only 2.9% for the State industry.<sup>123</sup>

It is precisely during this time of crisis that the rural firms have been able to take advantage from the superior flexibility of their management, their private financial resources, their capacity to adjust to changes of demand on the market, for preserving their growth, although they were not able to sustain the same level of employment. In the context of the present absolute necessity of restarting the economy in order to avoid serious social problems, it has been necessary to recognize the eminent capacity of these enterprises in giving a stagnating production a new lease on life, securing by the way sizable revenues for the State, in order to cover the deficits of its large industries that weigh heavy on the budget.

Thus, for the last months, these rural industries have witnessed a real official rehabilitation to which their conservative foes have had no answer.<sup>124</sup> This rehabilitation is not only a sign of the resilience of these small industries, but it is also an indication of the fact that the reforms are irreversible and that, in this sector, they have established new economic forces that will hardly be halted anymore.

## Conclusion

Beyond the stakes of the struggles between the conservative forces and the reformers in China lay the formidable challenge of achieving the take-off of the whole rural economy in the near future. During the past decade of reforms, in spite of the erratic course of the last years, the rural sector of the economy has demonstrated its great vitality. Particularly, the growth of rural enterprises was able to create more than 60 million non-agricultural jobs in the countryside, drawing down the part of the agricultural labor from 90% of the rural manpower to about 75%.<sup>125</sup> The great difficulty ahead is now to keep up this trend, thus ensuring a sustained development of the economy.

This task will not be easy. One can consider that the past rapid growth of the rural industries and services was, for a great part, only making up for the time lost during the collectivization period.

Even before the halt in employment caused by the recession of last years, the rate of growth of the non-agricultural manpower in the countryside was already leveling off. So, the prospects for the next ten years are not particularly favorable, as the easy part of this process is now behind. During the next decade, 10 million new workers will have to be employed every year in the countryside. If the rural workshops cannot absorb these new comers, then the under-employment which affects now about 100 million peasants will increase dramatically. In the absence of effective means of coercion, a possible outcome of this increased pressure could be an uprise in rural exodus.<sup>126</sup> Last years, after every Chinese New Year, thousands of peasants have regularly flown into Guangzhou in search of seasonal jobs, creating serious disturbances in the vicinity of the railway station.<sup>127</sup> This could be the prefiguration of difficulties ahead for the other cities of China, which, up to now, have escaped these effects of unbalanced development, widely experienced in most under-developed countries.

That is, indeed, a real threat for the privileged urban dwellers, and a great headache for the Chinese authorities. Both the conservative leaders and the reformers have no easy answer for this pending problem. The former, as they expressed it in the Ten Year Program, have only defensive measures to propose: severe checks on the transfer of agricultural population to the cities, intensification of farming work, labor absorption in infrastructure projects, etc. The latter can only hope that a vigorous resumption of the urban reforms will boost general economic growth and give outlets to the over numerous manpower, by creating new jobs, either in the cities or in the rural market towns.

In fact, short of a return to the rigid controls of the past (with the effects of halting the whole economy), the only way out for China now is to go on with the economic reforms, and the present shift in the balance of power in favor of (moderate) reformers is a clear testimony to that. A clear victory for these reformers, in the political struggles to come, would not mean, however, that their tasks, afterwards, would be easy to achieve. On the contrary, the most difficult part of the long way of China towards modernization would be still ahead.

## Notes

1. Claude Aubert, "The Agricultural Crisis in China at the End of the 1980s," in Delman *et al.* (Ed.), *Remaking Peasant China*, Aarhus University Press, 1990, pp.16-37.
2. *Zhongguo Tongji Zhaiyao 1991 (Chinese Statistical Abstract 1991, Abbrev. TJZY)*, China Statistical Bureau, Beijing, 1991, pp.38, 48. The nominal revenues of the surveyed peasant families have been deflated by the general index of retail prices in order to get the evolution of real incomes.
3. Deduced from *Zhongguo Tongji Nianjian 1990 (Chinese Statistical Yearbook 1990, Abbrev. TJNJ)*, China Statistical Bureau, Beijing, 1990, p.313.
4. *TJZY 1991*, pp.56-59.
5. Deduced from *TJNJ 1990*, p.283.
6. See *Zhongguo Shangye Nianjian 1990 (Chinese Commercial Yearbook 1990, Abbrev. SYNJ)*, for detailed data on the sales to the State, in 1989, on contract (*hetong dinggou*) and at negotiated prices (*yijia shougou*), pp.47sq.
7. One *jin* equals to half a kilogram.
8. Contract prices for 1989 announced in *Nongmin Ribao (Peasants' Daily, Abbrev. NMRB)*, 3 and 27 March 1989. The average price for all deliveries in 1989 was 33.5 yuan for wheat and 30.5 yuan for paddy, see *Zhongguo Wujia Tongji Nianjian 1990 (China's Statistical Yearbook of Material Prices 1990, Abbrev. WJNJ)*, p.290.
9. Price for gross weight. The average price of "commercial grain" (semi-processed grain) was 750 for one ton in 1989, see *TJNJ 1990*, p.283.
10. Reaffirmation of the state monopoly on cotton trade by Tian Jiyun, in *NMRB* 8 August 1990. For a recent report on "cotton wars", see Sun Naihui in *NMRB* 20 August 1990, p.2.
11. Average price for 1988, in *TJNJ 1990*, p.283. Basic price for 1988, and increase announced for 1989 in *NMRB* 9 August 1990, p.1.

12. Very often, the employees of the specialized companies for the sales of the fertilizers give (or sell) the tickets for low priced (*pingjia*) allocated fertilizers to relatives, friends or associate companies (*renqing fei, guanxi fei, zhaogu fei, ...*), and the peasants are obliged to buy their needed fertilizers at the high "negotiated prices" (*yijia*), cf. investigation of Wu Si in *NMRB* 24 March 1989, p.2. A lot of black market trafficking occurs with the implementation of the "*sanguagou*" policy (in 1988, the sale to the State of 100 *jin* of grain entitles the peasant to buy at low prices 5 Kg of standard fertilizer, 1.5 Kg of fuel, and 20% advance payment): as the quantities are not enough to really encourage the peasants, the low priced fertilizers are generally monopolized by village cadres, cf. investigation in Jingmen, Hubei, by Qin Zunwen, in *Zhongguo Nongcun Jingji* (*Chinese Rural Economy*, Abbrev. ZGNCJJ), March 1989, pp.7-9.
13. Personal survey in Hubei province, Autumn 1989. The official data for average fertilizer prices (understating the part of the sales at "negotiated prices") indicates a rise of 61% between 1986 and 1989, see *TJNJ* 1990, p.282.
14. Data on costs and prices for 1986, in *Quanguo Nongchanpin Chengben Shouyi Shouce, 1986* (*Handbook for Costs and Benefits of Agricultural Products of All China, 1986*, Abbrev. CBSYSC), Beijing, 1988, 313p.
15. For 1988, the average material cost for 100 *jin* of paddy was more than 9 yuan, for a total value of 26 yuan (average of contracts and *yijiagou* prices in the surveyed families), cf. *Quanguo Nongchanpin Chengben Shouyi Ziliao Huibian, 1989* (*Compendium of Materials on Costs and Benefits for the Agricultural Products of All China, 1989*, Abbrev. CBSYZL), Beijing, 1991, p.3. No reliable figures are still available for 1989 (the data quoted in the Agricultural Yearbooks rely on different survey samples, often understating the real costs of crops).
16. In 1989, 34.4% of the grain output was commercialized, cf. *TJNJ* 1990, p.620.
17. CBSYSC 1986, p. 141, data for North China.
18. CBSYZL 1989, p.69.

19. The official figures for the inflation of retail prices in 1988 and 1989 are 18.5% and 17.8% respectively, see *TJNJ* 1990, p.249. We estimate the real inflation in 1988 at a minimum 30% (based on personal observations).
20. Investigation on improper closing of grain markets in Xinle district by Ren Xianliang, *Renmin Ribao* (*People's Daily*, Abbrev. RMRB) 9 February 1989, p.1. Report on barriers for grain in Chuxian, by Niu Xiaofeng and Zhao Yipo, *NMRB* 17 January 1989.
21. According to a research group on grain policies of the Ministry of Agriculture, the deficit between output and consumption was 16 million tons grain in 1985, 19 million in 1986, 21 million in 1987; as for the period 1985-1987 the net cumulated imports of grain totaled only 8 million tons, therefore, in these three years alone stocks must have been depleted by a figure of about 50 million tons, cf. *Nongye Jingji Wenti* (*Problems of Agricultural Economy*, Abbrev. NYJJWT), May 1988, pp.3-9.
22. See Mei Fangquan *et al.*, in *NYJJWT*, June 1988, pp.20-24, for a detailed analysis of the cotton price policy up to 1987.
23. See the case study of cotton's price fixing in Zhu Xigang and Tian Weimin, "The System of Decision Making for Agriculture in China," *The Australian Journal of Chinese Affairs*, January 1989, pp.161-170.
24. Cf. Louise de Rosario, in *Far Eastern Economic Review*, 26 January 1989, pp.55-56. For lack of cotton supply, a great number of weaving plants are to close for several months a year, see local data in *NMRB* 6 August 1990, p.2.
25. Relative prices computed from *TJNJ* 1990, p.283.
26. Reported grain crops' figures in *Heilongjiang Ribao*, 3 March 1991 (translated in *Summary of World Broadcasts*, Abbrev. SWB, Far East, W0175), in *Jilin Ribao*, 10 March 1991 (SWB, W0176), Liaoning in *Xinhua News Agency News Bulletin* (Abbrev. XNANB) 14 December 1990. Strangely enough, the detailed provincial data for grains have not been reported in the last issue of the Statistical Abstract, of May 1991, cf. *TJZY* 1991, pp.56, 61-62.



27. Personal computations from reported provincial grain outputs.
28. Cf. *TJNJ 1990*, p.283. Due to the irregular local price hikes for the cotton which had already occurred in 1988, the increase of the average price paid to cotton growers was "only" 24% in 1989.
29. Beginning in January 1989, the State monopoly on the sales of chemical fertilizers was reinstated (announcement in *XNANB* 13 October 1989), but it did not seem at the very beginning to be able to stop the inflation of the fertilizers (cf. critical editorial in *NMRB* 17 February 1989, investigation in Chenggu Xian, Shaanxi, in *NMRB* 13 April 1989). This inflation was probably reduced during the second half of the year, as the official figures for fertilizers' prices imply a rise of only 18% in 1989, compared to 26% in 1988. The amount used in 1989 and 1990 went up by 10% each year, compared to a growth of only 3% in 1987 and 7% in 1988 (cf. *TJNJ 1990*, p.282, *TJZY 1991*, p.64).
30. Price increase as reported by Tian Jiyun, cf. *XNANB* 7 October 1990, and *NMRB* 11 October 1990, p.1.
31. Cf. Li Yongsheng, in *NMRB* 24 January 1991, p.2.
32. Then, the list price (*dinggoujia*) for rapeseed oil was increased from 158.4 yuan (for 100 *jin*) to 207.4 yuan, and the difference with the market price was reduced from 114 yuan in 1989 to only 51 yuan in 1990 (the market price, however, decreased by 5% in 1990 due to the good harvests), cf. *NMRB* 24 October 1990, p.2.
33. In terms of "commercial grains", the total sales (State procurements and private sales) rose from 121 million tons in 1989 to 140 million in 1990, cf. *TJZY 1991*, p.95.
34. Unsold surplus grain remaining in the hands of the peasants estimated at 2 million tons in Heilongjiang, 1.5 million tons in Jilin (with a total of 5 million tons unsold, mainly corn, for the whole Manchuria), cf. *NMRB* 28 February 1991, p.1. Unsold surplus of 1 million ton in Anhui (*ibid.*), of 2 million tons in Hunan, cf. *NMRB* 8 April 1991, p.1, etc.

35. Letter from Xuanzhou, in *NMRB* 10 September 1990, p.4.
36. Investigation in 37 local markets at the 10th of September, cf. *NMRB* 7 November 1990, p.2.
37. The local regulations, in Sichuan, fix the support price for clean rice at 50 yuan for 100 *jin* (i.e. about 35 yuan in terms of paddy), *NMRB* 16 October 1990, p.2. In Guizhou, the regular support price for paddy was 37 yuan (for 100 *jin*), compared to the market price of 34 yuan actually paid to the farmers by the local bureaus, *NMRB* 15 November 1990, p.1.
38. Cf. *TJZY 1991*, p.38.
39. Cf. *NMRB* 1 April 1991, p.2.
40. Last autumn, in the big producer region of Jingmen, Hubei, where the price of cotton, encouraged by local policies had reached 320 yuan for 100 *jin*, while the average price for grain was only 25 yuan (100 *jin*), this ratio was even as high as 12.8/1, cf. *NMRB* 10 September 1990.
41. In addition to decreases in crop surfaces, the summer grain crops of 1991, which had already suffered from a drought at the beginning of this year in a large part of North China (*XNANB* 23 February 1991), were hit by unprecedented grave floods in East China, particularly severe in Anhui province (*XNANB* 18 June 1991). At the moment of writing the exact extent of the damages caused by these floods still cannot be accurately assessed.
42. A first decision in that respect was taken by the State Council in August 1990, cf. *NMRB* 6 August 1990, p.1. The formal institution of the "System of special State reserves of grain" ("Guojia zhuanxiang chubei liang zhidu"), was announced in September (*NMRB* 12 September 1990). A local recentralization of funds for grain management have also been experimented at the level of Tianjin municipality, in order to help local bureaus to enlarge their stocks, cf. Li Xiuyi, *NMRB* 23 January 1991, p.1.
43. *RMRB* 8 October 1990.
44. Decision by State Council of 10 November, in *NMRB* 12 November 1990, p.1.

45. Cf. Liu Zifu and Wang Bin, in *NMRB* 31 March 1989, p.1.
46. Example of this kind of "second requisition" (*Di er hetong*, or *Di er dinggou*), in Leqing, Zhejiang, *NMRB* 4 January 1989, p.1. Cf. also editorial of *NMRB* 20 January 1989, p.1.
47. As the average turnover of grain procurements is about 100 million tons a year, the capacities of State commercial organs' granaries is only 80 million tons (of which 55 million tons in old installations from the 50's or the 60's), implying open air stockpiles of 20 million tons every year. This quantity of open air stocks was doubled in 1990 (cf. Zeng Yang in *NMRB* 6 August 1990, p.2). In June 1991, the open air stocks were reported as of 45 million tons (cf. *XNANB* 5 June 1991).
48. See the precise analysis of the underlying causes of the appearance of the "IOU" by Zhao Zekun, in *NMRB* 17 July 1989. In spite of the efforts from the authorities to avoid this kind of payment, the "bai tiao" were still very common in 1990, cf. examples in Hubei, *NMRB* 6 and 7 February 1991.
49. This kind of difficulties has been reported in detail in Anhui (Dingyuan Xian, cf. *NMRB* 16 July 1990, Fuyang Xian, cf. Li Jingchun *et al.*, *NMRB* 18 October 1990), in Hubei (Jingmen, *NMRB* 10 September 1990), in Sichuan (Daxian, *NMRB* 12 October 1990), etc.
50. In Zhumadian, Henan, a system of "double guaranty" (*shougou zijin shuangbao zhi*) has tried to address this problem, cf. *NMRB* 13 November 1990, p.1.
51. Concrete example at Jingmen, Hubei, *NMRB* 10 September 1990, p.4.
52. Cf. Andrew Watson *et al.*, "Who Won the 'Wool War?': a case study of rural product marketing in China," *China Quarterly*, June 1989, pp.213-241. On the unfortunate effects of such marketing dysfunction for the wool in Inner Mongolia, see Ji Ligen, *NMRB* 23 July 1990, p.4.
53. For a general presentation of the reforms of the marketing system, see Thierry Pairault, "La Distribution en Chine," *Le Courrier des Pays de l'Est*, janvier 1991, pp.3-29. Terry Sicular, "Agricultural Planning and Pricing in the Post-Mao Period,"

- China Quarterly*, December 1988, pp.671-705.
54. For a general presentation of the reforms for the marketing of animal products, see Zhang Lechang, in *ZGNCJJ*, May 1989, pp.35-40.
  55. Inferred from *TJNJ* 1990, p.628 and *SYNJ* 1989, p.51.
  56. Cf. *XNANB*, 9 July 1990.
  57. Deduced from *TJNJ* 1990, p.283.
  58. Cf. *TJZY* 1991, p.59.
  59. Cf. *TJNJ* 1990, p.366.
  60. Cf. *NMRB* 25 March 1991, p.2.
  61. See the odyssey of a truck of oranges from Sichuan to Xi'an, in Liu Xinghan and Jiang Zhiquan, *RMRB* 6 August 1990, p.4.
  62. A strategy for the development of suburbs' production of vegetables, eggs, etc. has been devised through appropriate plans and founding, see the proceedings of a Conference devoted to that subject in *NMRB* 10 and 16 July 1990, p.1.
  63. Cf. Zhang Lechang, *supra*.
  64. The capacity of cold storage for chilling the meat in 1989 was only 2.5 million tons for a total pork production of more than 20 million tons (of which more than 10 million tons are retailed every year), cf. *NMRB* 7 February 1990, p.2. and *TJNJ* 1990, pp.375, 628.
  65. Cf. *NMRB* 13 February 1991, p.2.
  66. Cf. *SYNJ* 1990, p.439.
  67. Personal surveys.
  68. Cf. *Zhongguo Chengzhen Jumin Jiating Shouzhi Tiaocha Ziliao* 1989 (*Survey materials on incomes and expenditures of resident families of cities and towns in China, 1989*), Beijing 1990, p.6 (and pp. 75sq for provincial details).
  69. Cf. *XNANB* 12 May 1988.
  70. Cf. *TJNJ* 1990, p.244.
  71. Cf. Duan Yingbi, *NYJJWT*, October 1988, pp.19-23.
  72. Cf. *TJNJ* 1990, p.244. The Chinese reports' stated figure of 40

billion yuan for the grain and oil subsidies in 1990 (*XNANB* 27 April 1991) seems a little bit exaggerated, as Wang Bingqian report on the 1990 budget indicated only 37.9 billion yuan expenses for all prices' subsidies (*RMRB* 12 April 1991).

73. For a recent detailed plan, taking into account the public opinion of city dwellers, see Deng Yiming, *ZGNCJJ*, April 1991, pp.10-15. See also the propositions of an *ad hoc* research group of the Ministry of Agriculture, in *NYJJWT*, February 1990, pp.7-11. The cut in the urban rations would be the more justified that the city dwellers (who have begun substituting meat for grain in their consumption) do not eat them entirely and sell the remaining tickets on the black market, cf. investigations in Jiangsu by Wang Fongyi, *NMRB* 19 February 1990, p.2, in Beijing, *NMRB* 19 March 1990, p.2. In January 1991, a Conference sponsored by the World Bank in Beijing advocated radical reform for the grain trading system, cf. Tang Hai, *NMRB* 23 January 1991, p.3.
74. In Guangdong, a reform was launched in 1988, which aimed at the removal of the dual track system in three years, with the institution of a fund for the regulation of grains' prices, see Su Xiaohe, *NYJJWT*, October 1988, pp.28-30. The first step of the implementation of the plan provoked a doubling of retailed rice's price which was compensated by a direct monthly subsidy of 6.95 yuan per worker, cf. Yang Qirong *et al.*, *NYJJWT*, October 1988, pp.24-27. Sales of rice at a high price by Hunanese peasants on the Guangzhou market, see *NMRB* 30 January 1990, p.1.
75. Cf. *South China Morning Post*, 28 May 1991 (information communicated by Prof. R. Edmonds). The district of Guanghan was already an experimental district for the disbanding of the Commune system at the end of the 70's, when Zhao Ziyang was in charge of the Sichuan province.
76. Cf. *XNANB* 27 April 1991.
77. The official policy is still cautious, but, none the less, open to change. At the National Conference for Agricultural Work, in January 1991, Tian Jiyun spoke of the necessary diversification for distribution channels, cf. *NMRB* 24 January 1991, p.1. A readjustment in favor of the market was then proposed in the "1991 Major Economic Restructuring Points" recently approved by the State Council, with more autonomy given to provinces as concerns the reform (curtailing) of the retail sales of low price (*pingjia*) grain, and, for the first time since two years, the reaffirmation of the possibility of free trade for grain and oil, after the delivery of the State quotas. The same document advocates the establishment of a reserve regulatory system for grains. Cf. translation of the text from *XNANB* 20 June 1991, in *SWB*, FE/1108.
78. For a general reassessment of the desirable State's role in future grain trading, together with the establishment of wholesale markets, see Wu Shuo *et al.*, *NYJJWT*, February 1990, pp.17-21. Details on the Zhengzhou market in *XNANB* 25 June 1990, *NMRB* 19 October 1990, 25 February 1991 (first future trading in wheat reported in *XNANB* 14 April 1991), on the Changchun market in *NMRB* 7 November 1990 and 25 February 1991, on the Jinjiang (Jiangxi) market in *XNANB* 8 December 1990, on Wuhan market in *XNANB* 25 February 1991 and 7 March 1991.
79. In the following part of this paper, the measures described as a part of a "conservative offensives" could be assessed as mere rational readjustments, that could be accepted as such by the reformers themselves. Nonetheless, we consider them "conservative" moves in the sense that they are associated with economic concepts or political schemes closely related to those of the collectivization period ("economies of scale" of large mechanized estates controlled by the State, "cooperative" structures based on a territorial basis, social controls in the villages through Party mobilization, etc. ...).
80. Cf. Gao Hongbin, *NYJJWT*, March 1985, pp.9-14, and the conservative reply of Yi Zhi, *NYJJWT*, September 1985, pp.48-52. Actually a lot of debates occurred at that time, see also Liu Fuyuan, *NYJJWT*, April 1985, pp.16-18 (for State regulation of land use), several papers in *NYJJWT*, September 1985, pp.26-56, in *NYJJWT*, April 1986, pp.22sq.
81. See Meng Fanqi, *ZGNCJJ*, June 1988, pp.33-36, December 1988,

- pp.11-15, Wu Weidong, *ZGNCJJ*, June 1988, pp.37-40, etc.
82. Recent example of this "double land system" (*liang tian zhi*) in Shandong, with rents up to 30-40% of crops net income, cf. *NMRB* 24 July 1990, p.2. Other variant in Hebei, with a close supervision the land use, cf. *NMRB* 24 October 1990, p.2. The peasants are often afraid of these authoritarian changes, cf. a report from Henan, and a letter from Hubei, in *NMRB* 7 February 1991.
  83. See for example the survey of 100 peasant families in Gu'an Xian, Hebei, where more than 80% of the families have multiple activities outside farming, cf. Yu Dechang, *ZGNCJJ*, February 1990, pp.59-62.
  84. In 1988, Lu Long reflected these predominant views among the peasants in favor of preserving access to the land for the "peasant-workers," in *NYJJWT*, May 1988, p.42. More recently, among the numerous rhetorical articles dealing with the present state of the responsibility systems, one could find one clearly defending the family farms' interests, cf. Zhao Tieqiao, *NYJJWT*, April 1991, pp.39-41.
  85. In the old revolutionary areas of Jiangxi, a survey showed that up to 48% of the villages had no more any form of collective economy, cf. *NMRB* 24 July 1990, p.1.
  86. Numerous examples in *NMRB* 13 July 1990.
  87. Example of Zhucheng Shi, Shandong, in *NMRB* 24 August 1990, p.1.
  88. Detailed description for Hebei, in *NMRB* 18 January 1991, pp.1-2, with an appropriate editorial.
  89. Actually, these institutions seem to have preceded a long time ago the present drive for the collective economy, and they already existed in one third of all townships, cf. *NMRB* 28 March 1991, p.1. Precise data for these funds in Sichuan province, *NMRB* 3 April 1991, p.2.
  90. This "conservative" approach has been clearly stated by Zhang Yunqian, in a talk on the "rural cooperative system," cf. *NMRB* 3 April 1991, p.3.
  91. Restrictive definition of "charges" in *NMRB* 28 January 1991, p.4.
  92. Declaration of Liu Zhongyi, Minister of Agriculture, in *NMRB* 7 February 1991, pp.1-2.
  93. Local levels of 11% reported in Shandong (survey of Liang Yushu, *NMRB* 10 July 1990, p.2), 11% in Jiangxi (*NMRB* 4 October 1990, p.4), 9% in Hebei (survey of Qiu Wenying, *NMRB* 24 April 1991, p.2), etc.
  94. See a decision of the State Council to put an end to these "disorders," *NMRB* 16 October 1990, p.1.
  95. Cf. Liu Yong, 30 July 1990, p.4.
  96. Precise descriptions of these expenses in letters from Jiangxi, *NMRB* 4 October 1990, p.4, and from Hebei, *NMRB* 21 January 1991, p.4.
  97. Report and editorial in *NMRB*, 7 August 1990, p.1.
  98. Cf. *NMRB* 9 August 1990, p.1.
  99. Cf. editorials in *NMRB* 17 and 28 January 1991.
  100. Cf. the praises for the Party leadership in Shandong, *NMRB* 19 February 1991, p.1. Campaign for the "Three Families" (*san hu*) in Sichuan (respectful of the rules, model for the "five good" and "two civilized"), *NMRB* 11 October 1990, p.1.
  101. Report on Zhangqiu Xian, Shandong, and editorial, in *NMRB* 9 January 1991, p.1.
  102. Cf. Tan Yuhuan, *ZGNCJJ*, January 1990, pp.30-31, Guo Zhengmo, *ZGNCJJ*, December 1990, pp.27-31, Jing Tongquan, *ibid.* pp.32-33.
  103. The official budget deficits grew from 7 billion yuan in 1986 to 9.5 billion in 1989, *Zhongguo Guonei Shichang Tongji Nianjian 1990 (Statistical Yearbook of China's Domestic Market 1990, Abbrev. ZGGNSCTJNJ)*, p.25, while hydraulic investments from State budget stagnated at a very low level (1.7 billion yuan in 1986, 2.95 in 1989, i.e. in real terms about 0.45% of the total value of agricultural production, compared to a level of 2% at the end of the 70's).
  104. See our paper "Investissement-Travail et Infrastructures Agricoles: bilan et actualité des corvées en Chine," *Revue Tiers-Monde*, juillet-septembre 1991, pp.511-532.

105. Rules detailed in *Zhongguo Nongye Nianjian 1988 (Agricultural Yearbook of China 1988, Abbrev. NYNJ)*, pp.84-85.
106. Investigation in Hunan by Tan Yuhan, *ZGNCJJ*, January 1990, pp.30-31.
107. Workdays for the Winter 1989-90 quoted by Tian Jiyun, cf. *NMRB* 28 August 1990, for the Winter 1990-91, cf. *NMRB* 26 February 1991, p.1.
108. Cf. investigation in Jiangsu by Lü Zhijian and Yan Hongxiang, *NMRB* 21 January 1991, p.4.
109. Letter in *NMRB* 28 January 1991, p.4.
110. Cf. *NMRB* 9 March 1990. Quasi rehabilitation of the Dazhai model in a Shandong model district, Wulian Xian, cf. *NMRB* 19 March 1991, p.1.
111. Cf. Wan Baorui, *ZGNCJJ*, February 1990, pp.17-23, Wan Baorui *et al.*, *NYJJWT*, August 1990, pp.44-48.
112. Professional association for watermelon growers in Hebei, cf. *NMRB* 18 February 1991, p.1. "First" professional association for grain cultivators, in Lingshi, Shanxi, cf. *NMRB* 10 February 1989, p.2.
113. Cf. propositions by Zhi Han, in *NMRB* 21 January 1991, p.4
114. This system, actually permitted by the law, was reported in the reformist model district of Zhaoyuan, cf. Wang Xiuxi, *NMRB* 13 July 1990, p.3.
115. Cf. *NMRB* 1, 2, 3 and 8 April 1991.
116. Cf. report on Changle Xian, by Yan Zengbao and Fan Xuezhong, in *NMRB* 12 April 1991, p.1.
117. Cf. editorials in *NMRB*, 25 July 1990, 4 October 1990, 8 and 15 January 1991, etc. In September 1990, Liu Zhongyi, then the new Minister of Agriculture, who had succeeded the reformist He Kang, stressed both the necessity of stability for the responsibility systems and the importance of scientific progress in agriculture, cf. *NMRB* 28 September 1990, p.1.
118. With a value of outputs and services estimated at 840 billion yuan in 1990, these enterprises constituted 58% of the "social

- output value" of the Chinese countryside (cf. *TJZY* 1991, p.65). The value of the rural industry, 614.6 billion yuan, was 26% of the total value of the Chinese industry (*ibid.*).
119. For a general presentation of these debates, see our "The Chinese model and the future of rural-urban development," in Karl-Eugen Wädekin (Ed.), *Communist Agriculture, farming in the Far East and Cuba*, London, Routledge, 1990, pp.16-66.
120. Cf. *NMRB* 15 December 1989, p.1.
121. Cf. *XNANB* 19 December 1990.
122. Cf. *XNANB* 20 February 1990, in *SWB*, FE/0708.
123. Cf. *XNANB* 21 February 1991, in *SWB*, FE/1005.
124. In early 1990, the presentation of the economic results from the rural enterprises was the occasion of a vigorous defense of their merits, cf. *NMRB* 15 March 1990, p.1. The stress was put upon their utility for relieving the rural under-employment, cf. Guan Zhiguo, *NMRB* 14 February 1990, p.3. Last April, as Li Peng personally reassured the "individual business" (*geti siying*, *NMRB* 17 April 1991, p.1), the "ten (good) effects" of the rural enterprises were described at length, cf. *NMRB* 25 April 1991, p.1. About the same time, a conservative attempt to put these independent industries under the scope of the Plan (*hua yikuai*) was coldly received by local leaders, who accepted the idea of benefiting from low priced allocated materials but were not eager to lose their autonomy, perceived as their main asset, cf. interviews of delegates to the NPC in *NMRB* 2 April 1991, p.1, and the opinion of Fei Xiaotong, *NMRB* 8 April 1991, p.1.
125. The workforce employed in non-agricultural rural enterprises (not including non-agricultural staff of education, health services, etc.) increased from 25 million persons (on a total rural manpower of 318 million) in 1980 to 90 million (out of a total of 420 million) in 1990, cf. *TJNJ* 1990, p.400, *TJZY* 1991, p.65.
126. From 1982 to 1989, the number of "non-agricultural inhabitants" (*fei nongye renkou*) of the cities and towns had already grown by 79 million persons, of which, according to our computations, 65 million correspond to changes from agricul-

tural population to non-agricultural one (36 million for the cities, and only 29 million for the market towns). So, in that respect, one can say that the rural exodus has already begun on a very large scale. As a result, the urban population (according to the new, reliable, criteria of the census), reached 302 million persons at the end of 1990, i.e. 26% of the total population of China (cf. *TJZY 1991*, p.14).

127. Cf. the recent report of Lin Zhixu, in *NMRB* 25 February 1991, p.2.

### *Rural Economy of China, 1984 – 1990*

(units: million tons, billion yuan, million persons, yuan/cap.)

	1978	1984	1985	1986	1987	1988	1989	1990
Grains	315.58	407.31	379.11	391.51	402.98	394.08	407.55	435.00
	100	129	120	124	128	125	129	138
Cotton	2.167	6.258	4.147	3.540	4.245	4.149	3.788	4.508
	100	289	191	163	196	191	175	208
Oil-seeds	5.218	11.910	15.784	14.738	15.278	13.203	12.952	16.132
	100	228	302	282	293	253	248	309
Sugar Cane	21.116	39.519	51.549	50.219	47.363	49.064	48.795	57.620
	100	187	244	238	224	232	231	273
Beet-roots	2.702	8.284	8.919	8.306	8.140	12.810	9.243	14.525
	100	307	330	307	301	474	342	538
Jute	0.544	0.746	2.060	0.710	0.569	0.540	0.660	0.726
	100	137	379	131	105	99	121	133
Red Meat	8.563	15.406	17.607	19.171	19.860	21.936	23.262	25.135
	100	180	206	224	232	256	272	294
Eggs	—	4.316	5.347	5.550	5.902	6.955	7.198	7.946
	—	100	124	129	137	161	167	184
Cow Milk	0.883	2.186	2.499	2.899	3.301	3.660	3.813	4.157
	100	248	283	328	374	414	432	471
Agric. Output Value real terms index	139.7	321.4	361.9	401.3	467.6	586.5	653.5	766.2
	100	155	161	166	176	183	188	201
Rural Entrep. Output real terms index	49.3	171.0	272.8	354.1	474.3	649.6	742.8	943.0
	100	347	553	718	966	1318	1507	1716
Rural Manpower	306	360	371	380	390	401	409	420
	100%	100%	100%	100%	100%	100%	100%	100%
Agric. Manpower (estimates)	280	305	297	297	299	302	312	324
	91%	85%	80%	78%	77%	75%	76%	77%
Enterp. Manpower (non-agric. only)	22	49	67	77	85	93	91	90
	7%	14%	18%	20%	22%	23%	22%	21%
Peasant Income/cap. real terms index	134	355	398	424	463	545	602	630
	100	226	232	234	238	236	221	227
Inflat. Retail Prices (previous year=100)	100.7	102.8	108.8	106	107.3	118.5	117.8	102.1

Sources: *Zhongguo Tongji Nianjian 1990*, *Zhongguo Tongji Zhaiyao 1991*.

NB: The rural enterprises output value (real terms) has been deduced from the current value by deflating with the index of production prices.

The number of agricultural workers has been deduced from the total rural workforce by subtracting the enterprises workers and the staff of health, education, etc. apparatus.

The grain output figure for 1978 is the corrected one from *Zhongguo Nongye Nianjian 1980*.