

# Two Decades of Rural Reform in China: An Overview and Assessment

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China's countryside has been the target of dramatic change since 1949.<sup>1</sup> The CCP directed redistribution in land reform, the transformation away from private farming to collectivization, and, most recently, the move back to household production. Throughout the PRC's 50 years, agriculture and peasants have paid for the regime's ambitious programme of industrialization, as the price scissors consistently favoured the urban over the rural producers. The state struggled with its food producers over the grain harvest, using ideology and organization to maximize both the production and extraction of the surplus from the countryside.

The regime's concern for food security remains unchanged, but beginning in the late 1970s it abandoned the previous system of collective production, diversified the rural economy away from grain production and turned to economic incentives to spur growth. By the mid-1980s household production was firmly in place, agriculture output grew and, most impressively, rural industry went from almost nothing to become the fastest growing sector in the entire economy, with output increasing more than 20 per cent a year. More than 200 million peasants were lifted from extreme poverty by government procurement price increases (by as much as 50 per cent from the Mao period), free market development and new income opportunities.<sup>2</sup> Net income rose from less than 150 *yuan* in 1978 to close to 400 *yuan* in 1985, and reached approximately 2,000 *yuan* by 1997.<sup>3</sup> In real per capita terms, rural incomes increased by 63 per cent between 1985 and 1997.<sup>4</sup>

Such impressive economic results gave the regime a tremendous boost in legitimacy, but the process of reform had just begun. China reformed around the system of central planning to avoid the thorny issues of the "big bang" approach.<sup>5</sup> But for the last decade or more, policy makers have had to confront the dilemma of incomplete reform as well as deal with the consequences of successful reform. On the agricultural front, after stunning success in raising grain production immediately after the reform began, by the second half of the 1980s grain production dropped as new, more lucrative job opportunities lured rural labour away from agriculture. On the industrial front, after almost a decade of booming

1. I would like to thank the participants of the workshop held in conjunction with this volume at the Centro De Estudos Asiáticos, Universidade de Aveiro, Portugal, for their helpful comments. Special thanks go to Scott Rozelle for his critical reading of an earlier draft of this paper. I also want to thank Cai Yongshun for research assistance.

2. Scott Rozelle, Albert Park, Vincent Benziger and Changqing Ren, "Targeted poverty investments and economic growth in China," *World Development*, Vol. 26, No. 12 (December 1998) pp. 2137-51.

3. *Zhongguo tongji nianjian 1998 (China Statistical Yearbook 1998)*, p. 345.

4. Albert Nyberg and Scott Rozelle, "Accelerating China's rural transformation," World Bank Working Paper Series, Washington, D.C., forthcoming.

5. See, for example, articles in Andrew Walder (ed.), *China's Transitional Economy* (Oxford: Oxford University Press, 1996).

growth, township and village enterprises began to show serious problems by the early 1990s. Regional inequalities became more rather than less evident, as the coastal areas continued to pull ahead of the still desperately poor central and western regions, creating two disparate faces of the Chinese countryside. The peasant discontent in some instances erupted into unrest, mostly in the poor agricultural regions of the country that had benefited little from the reforms.

What the existence of these problems says about how far the rural reforms have succeeded is ambiguous. Any assessment of China's rural reforms depends on the yardstick one uses. For example, one could view the results primarily from an economic perspective, looking at growth rates and yields per hectare of land, or from the perspective of inequality and stratification, or from that of political stability, and in each case the outcome will differ. Similarly, does one compare the results to what other developing nations have been able to achieve or does one focus on China's remaining problems? The mass of rural residents have raised their standard of living, but there remain another 50 million (about 6 per cent of the rural population) who still live in abject poverty. Incomes on average have increased steadily at around 5 per cent a year since 1991, but this also means that those who have failed to benefit from these increases feel that much poorer by comparison.<sup>6</sup>

China faces the problems of consolidation of reform, which is more challenging than its initiation.<sup>7</sup> The insulation provided by initial policy successes begins to give way to growing problems and discontent. After a decade of transition, by the 1990s, the "trickle-down" theory underlying Deng's policy of "let some get rich first" has come under increasing question as those who have fallen behind in the first phase of reform become anxious and those who have failed to benefit lose patience. What makes these problems particularly challenging for the current Chinese communist leadership is that the initial reforms, while not complete, have significantly altered the economic and political context. Policies that were effective during earlier periods may no longer work.

This article provides an overview and assessment of the major rural reforms of the last 20 years. It views these reforms from the perspective of the social, political and economic goals of the regime. What will become evident is the increasing number of trade-offs that the regime has had to make as its policy agendas have become increasingly complex and interrelated. What looks economically irrational and inefficient may be essential for political and social stability.

### *Reform in Agriculture: An Old Story in a New Context*

Beginning in the late 1970s and culminating in the early 1980s, the initial phase of rural reforms worked remarkably well to solve the

6. Nyberg and Rozelle, "Accelerating."

7. See Joan Nelson, "The politics of economic transformation: is Third World experience relevant in Eastern Europe?" *World Politics*, Vol. 45, No. 3 (April 1993), pp. 433-463.

incentive problems that had plagued Maoist agriculture. Production boomed to the point where peasants for the first time had difficulty selling grain to the state. Unfortunately, this increase was short lived. After 1985 the state once again worried about grain supply, as production increased only about one per cent per year.<sup>8</sup> While some have attributed the initial increases in grain production to the change in property rights from collective to household production, others have blamed the same system for the decreases after 1985. The problem, these latter analysts argue, is the incompleteness of property rights reform, that is, ownership remains collective and peasants do not have secure rights over the land they are working. This keeps peasant investment in and enthusiasm for agriculture low.<sup>9</sup>

Household contracting allocated peasant households the right to manage the land they worked and rights to the residual income from that land, but not the right of alienation, that is the right to dispose of the land. This prohibited peasants from selling their land, but more disturbing, it left the collective – either the village or in some cases the village small group – with the right to take that land and redistribute it to someone else. The original land contracts provided no commitment that those who invested to improve the land would be the long-term beneficiaries of such investments.

The general principle regulating land distribution was that if a household lost or gained a member, then it would have a portion of its land adjusted accordingly. However, it was left ambiguous as to when there would be a redistribution, whether it would be a minor adjustment or a major redistribution where everyone's land would be re-allocated, and whether families would get back the same plots. Government-sponsored surveys found that since the initiation of the household responsibility system, nation-wide, between the late 1970s and the mid to late 1990s, the majority of villages (at least 80 per cent) had adjusted land allocations at least once, and some did five times or more.<sup>10</sup>

Not all research comes to the same conclusion about the importance of secure property rights. Some suggests that peasants may not always want long contracts.<sup>11</sup> The insecurity problem is not an issue in villages where social norms prompt all households to invest at least minimal amounts of

8. Nyberg and Rozelle, "Accelerating."

9. See, for example, Roy Prosterman, Tim Hanstad and Li Ping, "Can China feed itself?" *Scientific American*, November 1996, pp. 90–95.

10. See Office of Fixed Investigation Points in Rural China (Nongcun guding guancha dian bangongshi), "Dui dier lun tudi chengbao gongzuo de guancha fenxi" ("An observation and analysis of the second round of land contracting"), *Jingji yanjiu cankao* (*Reference of Economic Research*), No. 73 (1997), pp. 32–42; and Office of Fixed Investigation Points in Rural China, "Dangqian nongcun tudi chengbao jingying guanli de xianzhuang ji wenti" ("The current situation and problems of the management of land contracting in the countryside"), *Nongcun jingji yanjiu cankao* (*A Reference for the Study of the Rural Economy*), No. 5 (1998), pp. 28–30.

11. Kung and Liu, for example, note that some "villagers prefer short-term contracts ... because off-farm employment remains unstable and farming therefore serves as the last resort should these more lucrative alternatives become suddenly unavailable." James Kai-sing Kung and Shouying Liu, "Farmers' preferences regarding ownership and land tenure in post-Mao China: unexpected evidence from eight counties," *China Journal*, No. 38 (July 1997), pp. 33–64.

effort and fertilizer. In such villages, even if there were a land readjustment, each household could be reasonably assured that it would get a comparable, if not the same, plot of land.<sup>12</sup>

Betting that lengthening the land contracts would at least ameliorate the problems in agriculture, the state took a decisive step towards granting peasants more secure property rights, but stopped short of privatizing ownership. The state increased the length of land leases in 1993 to at least 30 years, and for some more marginal lands, termed the “four types of barren land” – barren hills, slopes, ditches and beaches – lease rights could be 50 years or more.<sup>13</sup>

Whether this extension of property rights will be sufficient to increase enthusiasm for farming is questionable. Regardless of the security of rights over the land, the returns from agriculture, particularly grain production, rank at the bottom compared to other income opportunities in China’s new economic context.<sup>14</sup> Although the state has raised grain prices a number of times since 1979, and finally abolished food rationing in the early 1990s, the government remains intent on keeping grain prices low and supply stable for the urban areas. After the glut of grain in 1983–84, a 1985 ruling said that peasants would receive a higher price for their quota sales to the state, but they would no longer receive a high over-quota sale price for any over-quota sales. The free markets were not much relief as prices plummeted with increased supply. Grain prices have continued to fall sharply during the good harvests, such as occurred in 1991 and 1992. In 1997, according to one report, the market price of grain in one area dropped by 40 per cent.<sup>15</sup>

The situation is worse when one considers the costs of production and the relative lack of infrastructural and technological support in the wake of decollectivization, especially low investment in the development of water supply, which is essential to maximize benefits from fertilizer. Throughout the period the costs of production have steadily increased. On average for all agricultural products, production costs have increased close to 15 per cent per year between 1984 and 1996.<sup>16</sup> The re-emergence of the scissors effect, which was only temporarily mediated by the 1979 price increases, inclines peasants to invest less time and fewer resources in their allocated plots of land. Peasants can use organic fertilizers, and this is what the state encourages because of their long-term benefits to the

12. Cai Yongshun, “Peasant and farmland use in five Chinese villages,” M. Phil. thesis, Hong Kong University of Science and Technology, Division of Social Science, 1997.

13. See Chen Xiwen, “Ba-wu nongye” (“Agriculture in the Eighth Five-Year Plan”) in *Zhongguo nongye nianjian 1996* (*China Agricultural Yearbook 1996*), pp. 19–20.

14. James Kung, “Equal entitlement versus tenure security under a regime of collective property rights: peasants’ preference for institutions in post-reform Chinese agriculture,” *Journal of Comparative Economics*, Vol. 21, No. 2 (1995), pp. 82–111; Kung and Liu, “Farmers’ preferences regarding ownership.”

15. Gao Youqing, “Taiping xiang bufen nongmin weihe gandang hei hukou” (“Why were some peasants in Taiping town willing to have a black household registration”), *Neican xuanbian* (*A Compilation of Selected Internal Materials*), No. 21 (1998), pp. 16–17.

16. Lu Nan, “1980–1996 nian nongye shengchan chengben he nongye laodong shengchanlü wenti” (“Issues of agricultural costs and the rate of agricultural labour productivity between 1980 and 1996”), *Jiage lilun yu shijian* (*Theory and Practice of Price*), No. 9 (1997), pp. 23–28.

soil and higher yields, but use has decreased. This may not be a result of insecure property rights but simply of decreased supply and the high opportunity costs associated with collection and application.

The low rate of return is further aggravated when the procurement system goes astray and peasants are given only an IOU and told to wait for actual cash payment, sometimes for months, when they deliver their grain for sale to the state. The state hopes to end IOUs with the establishment of the Agricultural Development Bank, which is separate from the Agricultural Bank, to channel procurement funds directly to the state granaries to prevent localities from illegally mis-allocating funds earmarked for procurement.

### *A Losing Battle: New Aspirations of China's Peasants*

As the years of reform have passed, the economy has become more diversified and peasants have more freedom of choice and movement. There are signs that regardless of the extension of land contracts, increasing numbers of peasants are becoming, at best, only part-time farmers, and some would prefer to leave farming entirely.<sup>17</sup> By 1996 China had over 23 million rural enterprises, employing over 135 million people, about one-third of the rural labour force.<sup>18</sup> These jobs absorbed a substantial portion of the surplus labour created with the decollectivization of agriculture.

It is true that only a relatively small portion of China's countryside, concentrated mainly along the eastern coast, has many rural industries. But the existence of alternative lucrative income opportunities, even if limited, has restructured the aspirations of the entire rural labour force. Approximately 60 million rural residents migrate annually in search of higher paying jobs. Some migrate to cities, others to richer, more industrialized rural areas where villagers are too busy working in industry to farm.<sup>19</sup>

Regional inequality existed during the Mao period as well, but the differences were less sharp. Most importantly, the state could effectively use administrative means to prohibit peasants from leaving their assigned villages to find better job opportunities. The rural reforms set into motion in the late 1970s, particularly decollectivization and the re-opening of markets, effectively ended the state's ability to control migration. Originally, when the reforms began, peasants were required to have authorization (*zhengming*) before they could leave their home villages, but in practice this was only loosely enforced, if at all. In China today, peasants

17. Chu Yelai, "Neimenggu xuduo nongmin qigen waichu dailai xin wenti" ("New problems arise because peasants leave land for off-farm work in Inner Mongolia"), *Neican xuanbian*, No. 27 (1998), pp. 21–22.

18. The 135 million represents a 46% increase in jobs from 1990 alone. *Zhongguo tongji nianjian 1997*, p. 6.

19. See Solinger in this volume and Elisabeth J. Croll and Huang Ping, "Migration for and against agriculture in eight Chinese villages," *The China Quarterly*, No. 149 (March 1997), pp. 128–146.

have the freedom to leave the fields and leave the countryside in search of opportunities.

Most, if not all, modernizing countries would see such a massive movement of the population from agriculture as a positive development – it is a phenomenon all industrializing countries face. But in China, successful rural industrialization has created a disjuncture between the new realities of the Chinese countryside and the government's expectations towards its rural population. The state maintains land and grain policies formulated for a period when it could keep all people registered as peasant households on the farms, actively working the land and growing grain.

The consequence is policy incoherence where off-farm jobs, the source of rural income increases, continue to mushroom and the rural labour force is allowed to be increasingly mobile, but the regime stubbornly adheres to its original policy of household responsibility contracting that allocates land to approximately 70 per cent of China's population that is registered as "peasants." Each peasant household, regardless of whether it wants to farm, is allocated land, required to cultivate that land and pay all taxes and fees, and to sell to the state a set quota of grain associated with each plot. Little land actually lies fallow, but an increasing amount is not worked with the care and investment of time and inputs that would produce maximum yields. Those who are now only part-time farmers find it burdensome either to spend their off-farm earnings to buy market-priced grain to meet state-mandated grain sales quotas or to leave the older and weaker members of their families to farm the family's land allocation. How effectively they can do the latter often depends on how much mechanized assistance is available for the heavier work.

#### *Underlying Agenda for Collective Ownership of Land*

The problem is not that the state is unaware of the problems with its land policy. The State Planning Commission and the Ministry of Agriculture have discussed large-scale rural urbanization and population reclassification to change the status of 300 million peasants into residents of rural towns by 2010.<sup>20</sup> The question is why the leadership clings to a seemingly outdated land policy.

There is no economic reason why all rural residents must farm to ensure China a sufficient grain supply. While some worry that China might empty the world's food basket, it can import more grain. Those only concerned with economic efficiency might wonder why China doesn't simply privatize the ownership of land and allow a true market in land to develop. It could then subsidize those who do farm to ensure profitability and rely on scientific advances in farming to increase yields. Such subsidies and division of labour were already under way in the most

20. Lin Zhaomu and Shao Ning, *Kua shiji de fazhan silu yanjiu (Research on Thoughts on Development at the Turn of the Century)* (Beijing: Zhongguo jihua chubanshe, 1995), p. 59.

highly industrialized villages like Daqiu Zhuang, near Tianjin, where as early as the 1980s, only a few households that were designated to farm were able to produce sufficient grain to feed the entire community and allowed the village to meet its grain sales quotas to the state.

In China, equal land distribution and the desire to keep as many peasants as possible growing at least some grain is a political rather than an economic issue. But ideological rigidity does not seem to be the primary force driving this policy choice. More important are the political obstacles and underlying agendas that collective ownership of land can serve within the broader context of the regime's programme of gradual reform.

First, and perhaps foremost, China, like Japan in the past, does not want to be dependent on imports of grain. Just as the regime wanted all areas of the country to be self-sufficient in grain during the Mao period, forcing everyone to "take grain as the key link" regardless of whether they were suited to growing grain or not, China's long-standing concern about food security and supply turns a positive development – the restructuring of the rural labour force – into a worry for the regime. On the one hand, China needs and wants to diversify the rural economy and develop rural industry: those small factories that dot China's countryside, which now produce more than half its total industrial output, account for a sizeable portion of its exports and have been responsible for the bulk of the rise in rural incomes. Yet the regime is deeply ambivalent about the prospect of increasing numbers turning agriculture, and particularly grain production, into a sideline activity; there are millions of peasants who have migrated to the cities or found employment in rural industries.

Secondly, even if the state is not worried about food security, it must worry about a political backlash from the bulk of rural households if it tries to take land away from the peasants. While rural households have a decreased interest in working their land, most seem unwilling to give it up. Some pay outsiders to farm their land, simply to maintain their rights to that land, which remains their security. The growth of rural industry does not overshadow the fact that nation-wide, even though the proportion has decreased, agriculture still accounts for about 60 per cent of rural household income.<sup>21</sup>

Thirdly, the state needs to have an economic cushion for the peasants as it begins to tackle the state-owned enterprise problem, where it has created massive lay-offs. The threats to stability are that much greater in the shadow of the Asian financial crisis. The millions who have previously found work in the urban centres are going to find it increasingly difficult to keep their jobs as more and more of the urban population becomes unemployed. Authorities can more easily justify telling rural

21. Agricultural Investigation Group of the State Statistical Bureau, "Nongchanpin shengchan bodong dui nongmin shouru de yingxiang" ("The impact of fluctuations in agricultural production on peasant income"), *Jingji gongzuozhe xuexi ziliao (Study Materials for Economic Workers)*, No. 31 (1998), pp. 6–18.

migrants to leave the cities and factories, both in urban and rural areas, if these individuals can return to farming.

### *Retreat from Grain Markets*

The state concern about food security and supply is further evident in its policies towards grain markets. The regime has consistently shown signs of unease with the grain market that emerged after the reforms began. Throughout the 1980s and 1990s, grain markets were closed when state grain procurements were being collected. Only after the peasants had met their state obligations of grain could they sell it on the open market. Nevertheless, for most of the 20 years the state allowed a substantial force of private grain traders to traverse the countryside, buying directly from the peasant households. Concurrently, the state encouraged its state grain stations to pay market prices to compete with the private grain traders for peasant grain.<sup>22</sup>

But in 1998, the state took a step that signalled new concerns and anxiety over grain supply that had not been seen for most of the previous 20 years. It reversed earlier policies and declared that state grain stores should be the *sole* procurer of grain from the peasants. Private grain traders are allowed to operate, but they can only buy grain from the state grain stores and are forbidden to buy directly from the peasants.<sup>23</sup> While details of this are still sketchy, the state's actions indicate a clear retreat to administrative prohibitions and more, rather than less, state intervention in the market, in an attempt to re-create the state's Maoist era monopoly.<sup>24</sup> It remains to be seen how viable this policy will be in the new context. As is well known, local officials are good at the "selective implementation of policies."<sup>25</sup> The key is how costly this policy will be to local interests. Apart from the convenience and savings to the producers of having private traders go to the farms, there remains the issue of price. Will these reforms provide peasants a more stable price? If so, will grain prices throughout the system increase, thus fuelling inflation?

### *Reform of Rural Industry: From Collective Ownership to State-sponsored Privatization*

In contrast to land and grain policy, the leadership has more room to manoeuvre in the case of rural industry. Changing ownership forms within rural industry directly affects a much smaller proportion of the population. The regime has moved fairly quickly and decisively to

22. See Albert Park, "Reforming state-market relations in rural China," *Economics of Transition*, Vol. 6, No. 2 (1998), pp. 461-480, and Terry Sicular, "Establishing markets: the process of commercialization in agriculture," in Andrew Walder (ed.), *Zouping in Transition: The Process of Reform in Rural North China* (Cambridge, MA: Harvard University Press, 1998), pp. 115-157.

23. See "Liangshi liutong tizhi gaige de yuanze" ("Principles for reforming the grain circulation system"), *Neican xuanbian*, No. 22 (1998), pp. 7-11.

24. See Scott Rozelle, "Grain marketing brief," unpublished ms., 19 September 1998.

25. See, for example, Kevin O'Brien and Lianjiang Li, "Selective policy implementation in rural China," *Comparative Politics*, Vol. 31, No. 2 (January 1999), pp. 167-186.



address the economic problems of rural industry – that sector of the rural economy that has been at the core of China's economic success in the last 20 years. During the 1980s the regime pursued a strategy of local-state led development that favoured publicly owned firms at the township and village levels. But by the early 1990s, local governments, with the support of the centre, began to shift preferential treatment to private firms.<sup>26</sup> By the mid-1990s, local governments below the county level began a programme of state-sponsored privatization that is the prototype of the experiments now being conducted in the urban state-owned enterprises. Township and village governments are selling their enterprises for private operation, even in places like Sunan, the home of the "collectivist model of rural development."<sup>27</sup> Along with outright sales, there are half-way arrangements that turn collectively owned enterprises into shareholding arrangements.<sup>28</sup> By the end of 1997 about a third (520,000) of all collectively owned enterprises nation-wide had been reformed. Of these, the largest number changed into shareholding co-operatives (21.3 per cent).<sup>29</sup>

The impetus for this change was a recalculation of local interests. The need for more revenue at both the national and local levels overshadowed concern about forms of ownership. Originally local officials promoted collectively owned enterprises because it served both the interests of local governments and the officials who served in them. Township and village enterprises yielded revenue for local coffers that could then be used for administrative expenses and for individual cadre bonuses. Successful development of local industry also elicited admiration from the higher levels. But by the early 1990s collectively owned enterprises were becoming liabilities rather than assets. Local agricultural banks and savings and loan co-operatives, the major lenders to this sector, were coming under increasing pressure from the upper levels as they failed to collect their loans: there was no easily identifiable party liable for the debt. Instead of collateral, township and village enterprise loans were guaranteed by local government agencies or officials.

Local authorities could afford to shift their support because private firms were finally becoming a viable alternative source of tax revenue. By the early 1990s, private firms were beginning to grow both in number and in scale, as individual savings increased and political restrictions on private business eased. To ensure that these firms grow, county authorities provide various types of assistance and offer incentives, including changing one's household status, to individuals who start

26. For an elaboration of points made in this section see Jean Oi, *Rural China Takes Off: Institutional Foundations of Economic Reform* (Berkeley: University of California Press, 1999).

27. See James Kung, "The evolution of property rights in village enterprises: the case of Wuxi county," in Jean C. Oi and Andrew G. Walder (eds.), *Property Rights and China's Economic Reforms* (Stanford: Stanford University Press, forthcoming, 1999).

28. Eduard Vermeer, "The development of the shareholding cooperative system: a property rights analysis," in Oi and Walder, *Property Rights and China's Economic Reforms*.

29. Chen Jianguang, "Dangqian xiangzhen qiye fazhan qingkuang ji duice jianyi" ("The current development of TVEs and some suggestions"), *Jingji gongzuozhe xuexi ziliao*, No. 27 (1998), pp. 36–47.

private businesses over a certain size.<sup>30</sup> The symbiotic relationship that developed between the private sector and local governments lessens the threat to the local state of a rising private business class.<sup>31</sup>

While some township and village cadres resisted and resented this shift in support, those in the most developed villages agreed that the scale of their operations had become so large that it was no longer possible for them to continue their "hands-on" involvement. Some small firms have been sold or leased because of labour problems; some township and village enterprise managers are no longer willing to accept a subordinate role and limited pay when others with similar skills have become rich in private firms.<sup>32</sup> Consequently, for some villages, it is easier to sell some of the enterprises or at least sell part of the shares in them and get income without the headaches. Limited privatization is embraced to improve the overall efficiency of rural industry and increase profits.

Does this mean that privately owned firms will soon overshadow collectively owned enterprises in China's countryside; that private businessmen will replace local communist officials in economic and political power? A number of factors argue against this. Local officials still control numerous resources on which private business depends. Moreover, privatization is still limited: in some places only the smaller and more problematic are being sold while the larger and more economically profitable are being kept under local state control. Of those that have been turned into shareholding co-operatives, local governments often still retain controlling interests. Local governments are unlikely to relinquish completely the access that they currently have to non-tax revenues of publicly owned firms. Another consideration is the social and political consequences that might come with changes in ownership systems. The dislocations of transition to a market economy found in Eastern Europe and the former Soviet Union have been attenuated to an extensive degree in China by the redistributive socialism that existed at least to a limited extent under local state corporatism.<sup>33</sup> Local governments will have to think carefully about how a larger private sector will affect their ability to provide an economic cushion for their communities. This is yet another reason why the state may want to maintain collective ownership of land.

### *Reform in Village Leadership: Peasant Discontent and Democratic Elections*

The spectre of peasant discontent and unrest has already appeared in parts of the countryside that remain mired in poverty. Peasants have

30. See Jean Oi, "The evolution of local state corporatism," in Walder, *Zouping in Transition*, pp. 35–62.

31. See David Wank, *Commodifying Communism: Business, Trust, and Politics in a Chinese City* (Cambridge: Cambridge University Press, 1999).

32. See Kung, "The evolution of property rights in village enterprises."

33. Jean Oi, "The fate of the collective after the commune," in Deborah Davis and Ezra Vogel (eds.), *Chinese Society on the Eve of Tiananmen: The Impact of Reform* (Cambridge, MA: Council on East Asian Studies, Harvard University, 1990), pp. 15–36.

always had the means to show their unhappiness with government policies and local officials, even during the Maoist period.<sup>34</sup> But unlike in the past, their resistance is now overt, protesting against high taxes, low grain prices, land requisitions, social and cultural policies, and abusive officials.<sup>35</sup> Some have been large, violent demonstrations, such as occurred in Renshou county, Sichuan, where 10–15,000 people were involved.<sup>36</sup> Others are more peaceful and use law to argue against their local officials.<sup>37</sup>

What is new and surprising is not the existence of such disturbances so much as the state's response. The centre strongly supports the Organic Law of Village Committees (*cunweihui zuzhi fa*), passed in draft form in 1987, which promotes village assemblies and competitive elections of village officials. But one should not jump to any conclusions about what this might mean for democratic change under communist rule. Here, the CCP has a clear underlying policy agenda. While the end result may be more democratic participation in villages, elections are being pushed by the central state, not as an end in themselves but as a means to solve the problems of economic stagnation and cadre recruitment in poor villages that are "paralysed" or "partially paralysed" after decollectivization transferred the rights to the income from the sale of the agricultural harvest from village government to the individual peasant producers.<sup>38</sup> The urgency of the situation has been compounded by an ageing village leadership and lack of interest among talented individuals to serve as cadres.<sup>39</sup>

Village elections are a pressure valve to let peasants vent their dissatisfaction, but one meant to point the responsibility for continued poverty and poor leadership in villages away from the central authorities. Elections put the burden of success and failure directly on the villagers and their popularly elected leaders. The central authorities hope the successful implementation of competitive elections and village representative assemblies will elicit more rather than less compliance. Examples suggest that after leaders are popularly elected, peasants pay their fees and obligations

34. See Jean Oi, *State and Peasant: The Political Economy of Village Government* (Berkeley: University of California Press, 1989), ch. 5.

35. For a detailed discussion and examples, see Thomas Bernstein, "Instability in rural China," in David Shambaugh (ed.), *Is China Unstable? Assessing the Factors* (Washington, D.C.: Sigur Center for Asian Studies, July 1998), pp. 93–110. Also see Kevin O'Brien and Lianjiang Li, "Villagers and popular resistance in contemporary China," *Modern China*, Vol. 22, No. 1 (January 1996), pp. 28–61.

36. See Bernstein, "Instability in rural China."

37. Kevin O'Brien and Lianjiang Li, "The politics of lodging complaints in rural China," *The China Quarterly*, No. 143 (September 1995), pp. 756–783. Also Kevin O'Brien, "Rightful resistance," *World Politics*, Vol. 49, No. 1 (October 1996), pp. 31–55.

38. See, for example, Wang Qinglin and Fan Wenke, "Jiaqiang nongcun jiceng dang zuzhi jianshe shi dangwuzhiji" ("Strengthening the construction of rural Party organization at the grass roots is a pressing task"), *Hebei nongcun gongzuo* (*Hebei Rural Work*), No. 12 (1994), pp. 7–8.

39. See, for example, Zhang Guoqing, Fan Zhiyong, and Yan Xinge, "Zhuazhu san ge huanjie, gaohao cunji ganbu guifanhua guanli" ("Seize the three links, manage the standards of village-level cadres well"), *Hebei nongcun gongzuo*, No. 5 (1994) p. 42.

more fully, but whether this will always be the case is the risk that the regime has decided to take.<sup>40</sup>

*A Mid-term Assessment: Conflicting Goals and Directions of China's Rural Reforms*

As China has been on the road between a Maoist and market system, the decision makers have driven at varying speeds and in different directions while trying to achieve diverse results in a changing rural context. In some instances the regime seems intent on clinging to earlier policies; in others it moves boldly ahead. The regime refuses to privatize land, but it supports the privatization of rural industry. Private grain traders and a grain market have been allowed to develop, but this was followed by a return to a state monopoly for the procurement of grain. Most surprisingly, a regime known for resisting political reform is promoting village self-governance and competitive village elections. While there may still be an ideological compass, the lack of consistency in rural policies suggests that other more immediate and pressing issues guide decision makers.

The establishment of village elections is an instance where the cost of not taking this action outweighs the risks. While the state may fear that allowing village elections will provoke other sectors to demand political reform, not taking such a step may entail even more serious problems, given the signs of increasing discontent in the countryside and the difficulties of finding suitable leaders for the poorest of China's villages. Potentially, the policy of village elections is the most radical of the rural reform measures. In practice, the impact of this policy is likely to be muted, at least in the short term, by problems in implementation. Preliminary evidence suggests that there may be a negative correlation between levels of industrial development and political participation in China's villages, both in interest in attending village assembly meetings and in the occurrence of contested elections.<sup>41</sup> It is also true that the Communist Party has only consented to go part of the way down the road of reform. Party officials, that is the village Party secretary, who may still be the most powerful decision maker in China's villages, are not subject to popular election.

In sum, the rural reforms have not moved in step and there is no reason to believe that future policies will be any different. Some policy areas are likely to be reformed more than others. Some policy decisions will move the economy closer to the market, while others at times may even go backwards. This should not be surprising. China is a country riddled with policy contradictions. While it arrests dissidents, it also promotes democratic village elections and encourages peasants to attend village

40. On village elections and their role in village politics see Jean C. Oi and Scott Rozelle, "Elections and power: the locus of decision making in Chinese villages," paper presented at the conference "Elections in Taiwan, Hong Kong, and Mainland China: Does Limited Democracy Lead to Democracy?" Hoover Institution, Stanford University, 5-6 March 1999.

41. *Ibid.*

assembly meetings. One can explain these contradictions by pointing to divisions within the leadership or by arguing that different sectors are under the control of different levels of the system. This study has shown that policies may serve more than one set of agendas, interests and audiences.