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China: Reforming Agriculture With the Responsibility System



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A Research Paper

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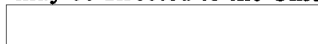
China: Reforming Agriculture With the Responsibility System



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A Research Paper

This paper was prepared by  China
Domestic Policy Branch, Office of East Asian
Analysis. Comments and queries are welcome and
may be directed to the Chief, China Division, OEA,



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**China:
Reforming Agriculture With
the Responsibility System**

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Key Judgments

*Information available
as of 1 December 1983
was used in this report.*

China's peasant responsibility system, the cornerstone of Deng Xiaoping's pragmatic agricultural policies, has been transforming agriculture by increasing material incentives for production. The system attempts to link peasant income directly to production and gives peasants more voice in production and marketing decisions. Under the most liberal and popular type of responsibility system, the land is divided into what amounts to small family farms, with the state receiving part of the production in payment for the right to use the land.

The responsibility system has been the most successful of the leadership's reforms—agricultural productivity has increased and so has rural support for Deng and his policies. The Chinese press gives the system most of the credit for the bumper harvests of the past five years. We believe, however, that a combination of good weather, increased use of fertilizer and equipment, and other related reforms, such as a more rational state pricing system, probably account for at least as much of the increase.

Despite strong support among the top leadership, the rural reform program has many critics within the bureaucracy. Some have attacked the responsibility system on ideological grounds, claiming it promotes capitalism and weakens collectivism. Others have pointed to more practical problems:

- The state's increasing difficulty in maintaining order in rural areas.
- The unresolved role of cadre in the new system.
- Rising birth rates and lower school enrollment and military recruitment as peasants demand more labor for family operations.
- The government's inability to plan and control production of certain commodities.
- Increasing rural inflation and greater income disparities among peasant families.

Despite these problem areas, we believe the responsibility system will continue for the near future, albeit with periodic modifications. We believe there is consensus within the leadership that rural reforms, whatever their ideological faults and practical shortcomings, have played a major role in alleviating China's food problem and strengthening peasant support for the party. Party leaders probably fear that any sharp shift away from the responsibility system risks widespread peasant disaffection and damage to critical farmland. Indeed, Beijing has been at pains to reassure peasants that their worries about the durability of rural reforms are unfounded.

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Over the long term, we believe that the responsibility system could help Beijing further increase agricultural production, but much of the one-time gain obtainable from institutional changes has already occurred. Future increases in output and productivity will depend upon Beijing's ability to encourage private investment, control inflation, and promote the adoption of new agricultural technologies.



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Figure 1. Small, more intensively cultivated private plots in contrast to the large collective ricefields in the foreground.

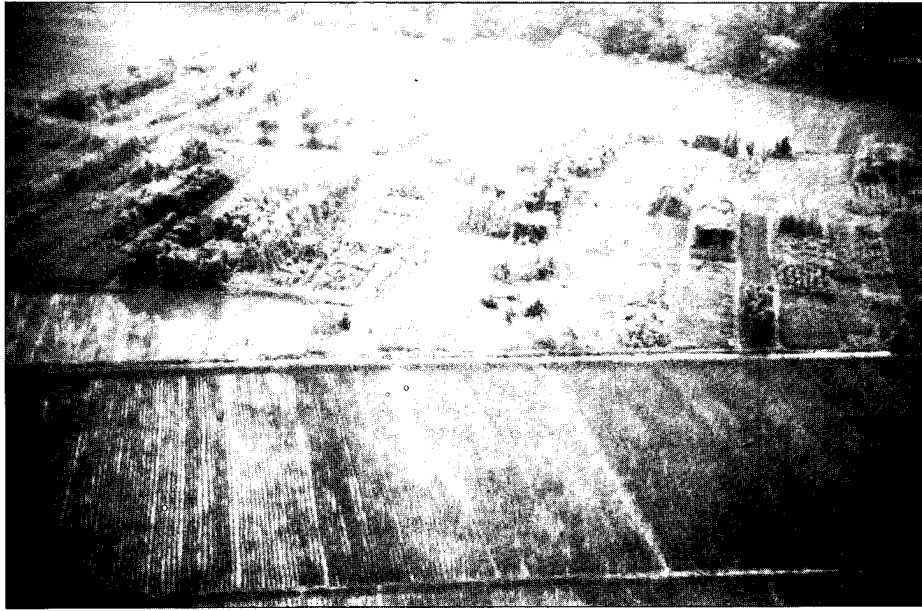


Figure 2. Under the new policies, peasants are allowed to sell their produce in urban free markets that until recently were nonexistent in China.



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**China:
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The Responsibility System

In late 1978 China's leadership introduced a series of pragmatic economic policies that are gradually transforming the country's entire economy. Agriculture has been the testing ground for the most important of the reformist policies—linking income to decision-making responsibility and labor productivity, known generically as the production responsibility system (see box). [redacted]

input levels and marketing incentives, rather than by relying on ideological haranguing. The ideologists are struggling to reconcile material incentives to Mao's brand of socialism. China's 800 million peasants, after decades of collective, politically motivated production, are having to learn to deal with the new freedom to make decisions on investment, cost, and profit. The transition is not always easy, as ignorance and skepticism abound in the countryside. [redacted]

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Several factors probably led to the new, more pragmatic policies. In the mid-1970s food production was barely keeping pace with increases in population, and leaders acknowledged that 100 million Chinese suffered from malnutrition. Nearly all the effort in agriculture was centered on grain production to the detriment of other crops. Production costs had risen, and, in the absence of price increases, farm incomes had stagnated. [redacted]

Laying the Base

The new strategy for economic development became official in December 1978 during the party's Third Plenary Session of the 11th Central Committee. The meeting studied the experiences of teams that had transferred production responsibility to smaller accounting units and individuals, including experiments conducted in Sichuan under the direction of Zhao Ziyang and in Anhui under Wan Li. The experiments resembled the short-lived policies of the early 1960s supported by Liu Shaoqi and Chen Yun after the Great Leap Forward. [redacted]

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Reformers recognized that the collective work structure failed to reward more diligent labor. The basic accounting unit—the production team—consisted of 20 to 30 families, or more than 100 people, and each laborer was awarded workpoints depending on the type of work done; the laborer's sex, age, and fitness; the number of days worked; and sometimes political reliability. At the end of the year, team income was distributed according to workpoints earned. This meant that a peasant's income was only indirectly linked with the actual amount of work done or commodities produced. Peasants also had little or no voice in the collective's production and marketing decisions. [redacted]

Shortly after the plenum, some rural reforms were implemented. Procurement prices were adjusted upward for the 1979 harvests, and larger price increases were made for above-quota sales, increasing the economic incentive to raise production. Price increases were also announced for industrial crops such as oilseeds and cotton. These adjustments represented an initial attempt to control production with market forces, rather than with state-imposed acreage and production quotas. The increase in industrial crop prices also reversed Mao's overemphasis on grain production and his directives that each area should be self-sufficient in grain. Areas were to begin specializing in the crops most suited to that particular region, the eventual goal being the establishment of stable, productive "base areas" for key commodities. [redacted]

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The main thrust of the responsibility system is to make peasants more responsible for their own production by increasing their role in decisionmaking and linking remuneration to output. It also is intended to reduce bureaucratic impediments. [redacted]

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This simple shift in philosophy has produced profound effects. Beijing's economists now approach the basic question of how to increase production by considering

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Forms of China's Responsibility System

The Chinese generally classify the responsibility system into six forms, although actual contract workings vary within each category. Of the six forms, the most popular are the two based on the household—one contracting for land and the other for output. []

Contracting With Households for Land. This is the most popular and widely publicized form. At the beginning of 1983 it had been adopted by more than 70 percent of China's households. Also called households assuming full responsibility for task completion (baogan daohu), this form divides the collective's land, livestock, and farm implements among the peasant families. The state retains ownership of the land, which is allocated on the basis of the size of the household and/or its labor force. The contracting parties are the peasant household and the production team. []

The land contract to households stipulates the amount of product that must be returned to meet the production team's state procurement quota and to cover any team collective expenses. In addition, the households must perform a stipulated amount of compulsory labor, usually for capital construction or maintenance of irrigation works within the collective. The team may still manage irrigation works, large tractors, and other expensive inputs. Peasants are charged for shortfalls in the products or labor agreed upon in the contract, but quotas are lowered in cases of natural disasters. []

The most significant feature of this form is that, except for land and labor quotas, the peasant makes nearly all production and marketing decisions. Moreover, the collective plays no role in distributing the team member's income. A peasant can purchase any additional inputs that are available, such as fertilizer or a walking tractor. Except for cotton and tobacco,

he also can dispose of any surplus as he chooses including sales through the expanded free market system. []

Contracting With Households for Output. This form (baochan daohu) varies widely in the degree of collective involvement. As under the land contracting system, the land is divided among the peasant households, but the collective accounting and workpoint systems are retained. The work team still makes all leadership, planning, and accounting decisions with households working independently on assigned plots. The households must return a fixed amount of their production to meet the team's state procurement quota and collective costs. The team retains control of any above-quota production and rewards members according to workpoints earned. []

Many communes also assign small fields and quotas to cadre, barefoot doctors, teachers, and other traditionally nonagricultural members of the commune. These members must then either farm part-time, hire laborers, or pay a penalty for failure to meet the assigned quota. []

Under this form, the collective can delegate responsibility for planting decisions, fertilization, draft animals, tractors, irrigation, and other tasks to individual households. Thus, contracting by output becomes similar to contracting land. If the team chooses not to delegate, this form resembles the old collective system. []

Specialized Contracting. This is a form designed for highly collectivized areas wherein a group or individual contracts for a specific job such as harvesting or driving a tractor, or for specialized subsidiary undertakings, such as livestock or poultry raising. Specialized contracting tends to embody highly centralized

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planning, management, and accounting with provision for a fixed production quota as well as rewards and penalties for production above and below target. [redacted]

Short-Term Contracting. *Many small or seasonal jobs are contracted to laborers, usually for completion within a relatively short period of time with remuneration received in workpoints. The contract is generally not linked to output but stipulates a specific task to be done, such as weeding a certain area or cleaning a portion of the collective's irrigation canal.* [redacted]

Contracting With Groups for Output. *The team divides farmland and duties among smaller work groups. It also assigns individuals to each group and makes most management decisions. The group then allocates its workpoints among its members by their individual production. If the group exceeds or falls short of production quotas, the team will assess rewards or penalties to the group as a whole.* [redacted]

Contracting With Individuals for Output. *As in contracting output to groups, the team remains the basic accounting unit and makes unified management decisions. But in this form, the team contracts to individual peasants the amount of land, labor, production, workpoints, and inputs. Rewards and penalties are given to individuals based on their actual production.* [redacted]

These contracts closely resemble contracting with households for output. But contracting with individuals for output specifies a fixed period of labor, whereas peasants determine their own level of efforts under the household system. The household system may also give peasants discretion for planting, using draft animals and machinery, and distributing income, all of which remain under collective control in contracting with individuals for output. [redacted]

In 1979 Beijing began encouraging collectives to adopt the "responsibility system," especially in the poorer areas. At about the same time, free markets and private plots were expanded. The free markets allowed peasants to earn money directly by selling either their above-quota production from collective land or produce from their private plots. Private plots, where peasants could plant and manage what they wanted, were to be expanded from roughly 7 to 15 percent of the commune's cultivated land. [redacted]

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Responsibility systems initially met fierce resistance from officials at all levels. Practical as well as ideological objections were raised by those who saw their livelihoods threatened, including local cadre and peasants who had limited labor, skill, initiative, or capital. Beijing countered with a steady stream of directives, inspection tours, and press reports citing increased production and peasant incomes from the new system. By the end of 1979 over 85 percent of the accounting units reported they had adopted some form of responsibility system. [redacted]

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How the System Works

Each form of responsibility system is designed to increase productivity by increasing the peasant's role in production and marketing and by linking his income directly to production. Since 1979 when the systems were first adopted, Beijing has stressed that each area should adopt the form best suited to its particular needs and desires. In fact, peasants were encouraged to experiment with various forms or to invent new ones to meet their needs. Some peasants have signed different types of contracts for the production of different commodities. [redacted]

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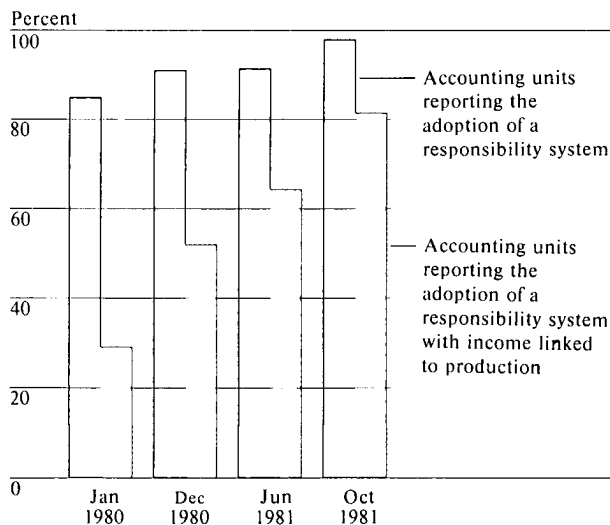
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As a result, a multiplicity of forms of the responsibility system have sprung up, creating confusion both among peasants and local cadre. This, coupled with the desire of cadre to report the changes that higher officials are calling for, casts some suspicion on the

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Figure 3
China: Adoption of the Responsibility System



[Redacted]

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accuracy of the reports Beijing published on the progress of adopting responsibility systems, summarized in figure 3. [Redacted]

Despite the questionable accuracy of the reports, it appears the system was adopted more rapidly than Beijing envisioned. Although the early contracts between peasants and the collective retained the work-point system and did not link income directly to output, peasants demanded the more "liberal" forms as news about them spread. Contracts gradually included responsibility for planting, fertilizing, and all other tasks. They also spread from cropland to include sideline industry, forestry, and fishery production. By February 1983 Beijing had deflated earlier estimates and reported that 92 percent of the nearly 6 million production teams had adopted some form of responsibility system. Contracts with individual farm households were being signed within 78 percent of the nation's teams. [Redacted]

The System's Performance

By most measures the responsibility system in agriculture has been the greatest success of the current leadership's reform program. The most obvious measurable goal was to increase agricultural production. Beijing realized that agriculture held the key, not only to feeding China's huge population, but also to providing the base for the rest of China's economy. [Redacted]

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As table 1 illustrates, China's production of agricultural commodities has soared under the responsibility system. Since 1978 per capita grain output has been at the highest level in the country's history. Grain production has increased despite the reduction in grain acreage caused by more cultivation of industrial crops (see table 2). The diversification from grain has led to successive record harvests of nearly every major industrial crop. [Redacted]

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Although the Chinese press has attributed the unprecedented growth in production to the increased incentives from responsibility systems, other factors probably have contributed collectively just as much to that growth:

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- *Weather.* With few exceptions, weather has been unusually favorable over agricultural areas since 1979, when the reforms were first put into effect.
- *Price Subsidies.* Raising procurement prices before the 1979 harvest increased peasant enthusiasm and helped diversify production by making industrial crops more profitable.
- *Regionalization.* Peasants have been encouraged to grow the crops most suited to their area, resulting in higher average yields nationwide.
- *Inputs.* Table 3 illustrates that Chinese peasants recently have been allocated more inputs to help boost production. Although domestic production of fertilizer has stagnated in recent years, the world glut of fertilizer has allowed increased imports to raise fertilizer consumption.

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Table 1
Production of Selected Agricultural Products

	Amount					Average Annual Increase (percent change from previous year) ^a				
	1957	1979	1980	1981	1982	1958-78	1979	1980	1981	1982
Grain (million metric tons) ^b	190.7	332.1	320.5	325.0	353.4	2.1	9.0	-3.5	1.4	8.7
Cotton (million metric tons)	1.6	2.2	2.7	3.0	3.6	1.3	1.8	22.7	9.6	21.3
Oil-bearing crops (million metric tons)	4.2	6.4	7.7	10.2	11.8	1.0	23.3	19.5	32.7	15.8
Sugarcane (million metric tons)	10.4	21.5	22.8	29.7	36.9	3.4	1.9	6.0	30.1	24.3
Sugar beets (million metric tons)	1.5	3.1	6.3	6.4	6.7	2.8	15.0	103.0	0.9	5.5
Jute, ambar y hemp (million metric tons)	0.3	1.1	1.1	1.3	1.1	6.3	0.1	0.8	14.8	-15.9
Silk cocoons (thousand metric tons)	112.5	271.0	326.0	311.0	314.0	3.4	18.9	20.3	-4.6	1.0
Tea (thousand metric tons)	111.5	277.0	304.0	343.0	397.0	4.3	3.4	9.7	12.8	16.0
Aquatic products (million metric tons)	3.1	4.3	4.5	4.6	5.2	1.9	-7.5	4.5	2.4	11.9
Hogs (million at yearend)	127.8	319.7	305.4	293.7	300.8	4.2	6.1	-4.5	-3.8	2.4
Sheep and goats (million at yearend)	98.6	183.1	187.3	187.7	181.8	2.6	7.8	2.3	0.2	-3.2
Large animals (million at yearend)	83.5	94.6	95.2	97.6	101.1	0.6	0.7	0.7	2.5	3.6
Gross value of agricultural output (billion 1970 yuan)	79.3	158.4	162.7	172.0	190.9	2.9	8.6	2.7	5.7	11.0

^a Based on unrounded numbers.

^b Includes potatoes converted on a grain equivalent basis of 5 to 1.

• *Opening to the West.* China's agrosience base has been improved by scientific, technical, and educational exchanges with the West. Increased foreign trade is bringing China machinery, seeds, management techniques, and a host of other benefits that increase production. [redacted]

"improved situation in the countryside" as among the most important of the party's accomplishments in the past two years. Both have used the success of the rural reforms to stimulate reforms in other areas of the economy, government, and even the military. [redacted]

Aside from its obvious economic benefits, agricultural reform has also paid noteworthy political returns. Both Deng Xiaoping and Hu Yaobang have cited the

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Table 2
China: Grain Area

Year	Million Hectares	Percent Change From Previous Year
1978	120.6	0.2
1979	119.3	-1.1
1980	117.3	-1.7
1981	115.0	-1.9
1982	113.4	-1.4

Problems Arise

The adoption of the responsibility system in the countryside is still highly controversial. Its contribution to better harvests has not prevented it from being heavily criticized for both ideological and practical reasons. [redacted]

Ideological Objections. The obvious success of the reforms has muted criticism, but the strength of the ideological opposition is evident in the frequency of articles and editorials in the party press defending responsibility systems. For officials steeped in Maoist egalitarianism, the responsibility system bears a great resemblance to traditional private farming, or worse, to "capitalism in the countryside." Early propaganda for the reforms, which encouraged peasants to "become rich," probably created considerable misunderstanding. [redacted]

Many lower-level officials still have vague ideological reservations about the system and are reluctant to implement it. Some leftists owe their career advancement to past criticism of the very principles now being promoted. Other, more cautious cadre remember the changing political winds of the past and have been unwilling to support a policy line which they believe may be short lived. [redacted]

Loosening Authority. The most persistent political objections, and the greatest long-term threat to the system, stem from the general loosening of state authority that has come with rural reforms. Peasant life under the collective system was highly regimented, with the state cadre making many of the daily

work decisions. But as peasants have been given responsibility for production and marketing decisions, they have also taken responsibility from the state in other areas. [redacted]

Beijing has encouraged communes and brigades to adopt the new systems to their own unique needs, but some have adopted programs that run counter to the state constitution. In some cases peasants have understated production or simply refused to deliver their output quotas or pay taxes. [redacted]

[redacted] increases in crime, corruption, and more cases of peasants going to the black market to obtain materials. [redacted] last year Fujian Province began establishing police stations at many communes and towns because peasants refused to obey local cadre. Press reports of a recurrence of traditional religious rituals, gambling, and clan activities are also growing more numerous. [redacted]

The weakening of cadre authority may become particularly important during natural disasters when peasants must be organized to provide labor and relief supplies. We believe that crop losses from poor weather may be less severe under the responsibility system than under the old collective structure because of the extra attention given to fields. But, if problems develop in providing emergency relief, many early critics of the system, who had been forced into silence by its success, will renew their attacks. [redacted]

Cadre. As production teams are divided into households, cadre lose their power to assign work and penalties, making it difficult to enforce their orders. Local cadre have come to be viewed by the peasants as an unproductive drag on their economic activities. The prestige and security of the cadre were further reduced when Beijing announced campaigns against official corruption, incompetence, and ideological impurity—campaigns all directed at lower-level cadre. [redacted]

The party press has admitted that morale among rural cadre has plummeted. Some cadre have tried to slow the implementation of reforms by refusing to distribute central documents or by simply ordering that the

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Table 3
China: Agricultural Inputs

Commodity	1982 Level	Percent Change From Previous Year			
		1979	1980	1981	1982
Production					
Chemical fertilizer ^a (million metric tons)	12.78	22.6	15.7	0	3.2
Nitrogen (million metric tons)	10.22	15.5	13.3	-1.3	3.7
Phosphate (million metric tons)	2.54	75.9	26.9	8.7	1.2
Potash (metric tons)	25,000	-23.8	25.0	27.5	-3.8
Chemical insecticides (metric tons)	457,000	0.8	0	-9.9	-5.6
Conventional tractors (units)	40,000	10.5	-22.2	-45.9	-24.5
Hand tractors (units)	298,000	-1.9	-31.4	-8.7	49.7
Gunny bags (million units)	500	18.6	25.9	4.4	16.6
In use					
Conventional tractors (units)	812,000	19.7	11.7	6.3	2.5
Hand tractors (million units)	2.29	21.7	12.2	8.7	12.3
Rural electricity (billion kilowatt-hours)	39.7	11.7	13.5	15.3	7.3
Irrigation pumps (million horsepower)	76.7	8.6	4.8	0.5	2.3
Chemical fertilizer ^a (million metric tons)	15.13	19.0	18.4	5.2	13.4

^a Nutrient weight.

[redacted]

system not be adopted. Others have tried to undermine the system by allowing peasants to divide collective resources for their own use, then reporting them to higher authorities. Some cadre have manipulated the new system to bring maximum benefits to their own families and friends. [redacted]

Beijing's attitude remains ambivalent. On the one hand, it has tried to reassure cadre that they are still needed under the new system to guide production and ideological education and to make sure central plans are implemented. On the other hand, it is also clear

that the party hopes to weed out many of the older, less experienced, and left-leaning cadre through the current party rectification campaign. [redacted]

Birth Rates, Education, and Recruitment. The division of land among households, particularly on the basis of family size (or available labor force), encourages peasants to have more children. This has caused an increase in rural birth rates at a time when Beijing

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Figure 4. Birth control poster showing a little girl and encouraging peasants to marry and give birth late in life.



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is trying to reduce the population growth rate from 2.1 to 0.95 percent and to keep the population below 1.2 billion by the year 2000. The responsibility system, with greater rewards for increased production, has reinforced the traditional Chinese peasant belief that large families are desirable.

To counter the lack of voluntary family planning, Beijing has adopted a mix of incentives and punishments, some stipulated in contracts with couples of childbearing age—called, not surprisingly, the planned parenthood responsibility system. Incentives for single-child families include cash bonuses and improved land allotments. Penalties vary from involuntary abortions and sterilization to economic sanctions. Although these measures have not been successful in lowering rural birth rates, there are reports they have increased tensions between peasants and cadre. Beijing is augmenting its efforts with education campaigns, free contraceptives, and construction of communal care centers for the elderly.

A related problem has been a growing incidence of female infanticide. This past year, selected statistical reports in the party press show the percentage of (surviving) female children dropping in rural areas, in one case to as low as 10 percent of reported births. Responding to government policies, some peasants

have evidently decided that, if they are to have only one child, a boy is preferable to assist with the farmwork and to provide for the parents during old age.

The increased demand for labor in family fields, livestock herds, and sideline industries has also affected education and military recruitment. Local press reports suggest that many peasant children are being pulled out of school permanently to help with family farming, some before they graduate from primary school. According to Western press accounts, the Army, once considered a prestigious career and a coveted method of leaving the countryside, has had trouble meeting recruitment quotas in some rural areas because peasant youth want to stay and help with family operations. In 1981 the party had to mount an extensive propaganda campaign in the military to overcome misunderstandings and dissatisfaction over responsibility systems.

Economic Planning and Control. It has been difficult to blend material incentives and peasant initiative with the administrative habits of a command economy. As illustrated by the box outlining problems with

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China's Tobacco Industry: The Best Laid Plans Go Up in Smoke

The 1978 readjustment of procurement prices made tobacco production relatively less profitable, and peasants consequently reduced the acreage sown to tobacco in both 1979 and 1980. The resultant shortage of supplies for state-owned cigarette plants was further aggravated in 1980 when localities established small-scale cigarette factories and processed their own tobacco rather than turning it over to state plants. Expensive imports were required to satisfy the state plants. [redacted]

Tobacco procurement prices were raised in 1981 to correct the problem, but this time the prices were set too high. Peasants responded by increasing tobacco acreage nearly 50 percent and selling roughly 80 percent more to the state. One press report indicated that China may have produced as much as 250,000 tons more tobacco than needed. [redacted]

In early 1982 the State Council, understandably wary about adjusting procurement prices again, chose to limit cigarette production by ordering all local cigarette plants closed in favor of operating the larger, more efficient state plants. All cigarette production, procurement of tobacco leaf, and allocation of both tobacco and cigarettes were to be carried out within the state plan. Although this move reduced the demand for tobacco leaf, it did not affect the profitability of growing tobacco for peasants, who were still paid the high state procurement prices. Production in 1982 rose to 2.2 million tons, surpassing the 1985 goal of 1.3 million tons. [redacted]

Finally in late 1983 the State Council once again reasserted total control over the industry by declaring a state tobacco monopoly system. Peasants can no longer plant or market tobacco without permits and licenses showing that their activities are within the state plan. [redacted]

tobacco production, not all of Beijing's efforts have been successful, and planners have in some cases returned to the more familiar command style of managing agricultural resources. In many cases the

**Table 4
Per Capita Peasant Income**

Year	1982 Yuan
1978	140
1979	168
1980	201
1981	234
1982	270

policies adopted since late 1978 to increase the production of industrial crops have worked all too well. In their enthusiasm for more profitable industrial crops, peasants have reduced the acreage sown to grain. Some Chinese planners have written that there may not be enough grain if bad weather hits. The state has maintained strict control over cotton production and marketing and closely monitors grain production. Still, peasants often foil collective acreage and procurement plans by planting their most profitable crops on their best land and by giving the lowest quality produce to the state while saving the best to market themselves. [redacted]

Rising inflation in rural areas has been dealt with even less effectively. Peasant incomes have risen dramatically while acute shortages of consumer goods and agricultural inputs exist in rural areas (see table 4). [redacted]

Readjusting procurement prices (prices the state pays for agricultural products), either to stem inflation or to help control the product mix, is not a popular alternative. Lowering procurement prices would be unpopular with the peasants and would damage Beijing's attempts to portray the reform policies as longstanding. Raising selected procurement prices to control the product mix would draw opposition from leaders who believe that state subsidies for agriculture are already a strain on the state budget, accounting for roughly one-third of total budget expenditures by 1981. [redacted]

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A potentially serious problem arising from the agricultural responsibility system has been the widening gap between rich peasants and the poor peasants and cadre. While some communes have always been wealthier than others because of their access to markets, transportation, or better farmland, reform has accentuated income differences within communes as well. Although national media have encouraged peasants to "become rich" through their own initiative, local reaction has often been negative or even hostile. The press has carried stories of poor peasants demanding food and money from wealthier peasants or of cadre attempting to destroy moneymaking schemes or extort goods or cash from the wealthier families. Deng Xiaoping has recently criticized the disparity of income in rural areas, according to Embassy reporting. [redacted]

Where the System Has Not Worked. There are some areas where responsibility systems, at least in the form of household production, provide fewer benefits to the peasants than the old collective system. Many wealthier communes near large urban centers, for example, have large industrial enterprises and few members involved in farming. Most of these communes have found it more profitable not to divide up the land, but to continue paying a few peasants to manage the farmland. [redacted]

On the opposite end of the spectrum, some poor isolated communes with limited natural resources have little chance to prosper under any system of management. These peasants would rather have the security of the collective and of ready state relief supplies in case of disasters. [redacted]

In the wheat-growing areas of the northeast where agriculture is heavily mechanized, fields are larger, and communes have less labor, peasants and cadre do not favor dividing the land into family plots, although the majority of teams have adopted some form of responsibility system in 1983. Some of the contracts cover operation and maintenance of the large implements. [redacted]

Large-scale agricultural support activities have not been done well under responsibility systems. Some irrigation projects, for example, fell into disrepair, and others were diverted to private use. Beijing responded

by encouraging individual contracts for the construction and maintenance of irrigation and drainage facilities. Some contracts are for seasonal work or specific tasks as they come up, while other peasants and officials sign personal responsibility contracts to work full-time managing the facilities. The overall problem persists, however, as peasants are unwilling to devote time or resources to collective improvement projects. [redacted]

Land Ownership

Although the state maintains ownership of the land, the changing rights to use land are having a great effect on China's agriculture. In the early production contracts, peasants were not allowed to buy, sell, rent, transfer, or leave uncultivated the land assigned to them. To ensure equal distribution of their farmland, communes usually divided their collective lands into three quality grades, assigning each individual a separate plot of each grade. Wasteland, forests, surface water, and grazing lands could also be divided among individuals. [redacted]

Land-use rights are becoming controversial as many peasants desire to give up cultivation of their land. The formation of corporations, agricultural-industrial-commercial cooperatives, and the specialization in profitable sideline enterprises are making an increasing number of peasants contract their land to others, hire laborers to work it for them, or simply leave it idle. For many cadre, this raises concerns of a reoccurrence of pre-1949 abuses, such as absentee landlords and labor exploitation. This summer Beijing issued a statement guardedly approving the "rationalization" of land holdings, the right of peasants to develop specialization off the land, and the consolidation of land into more cultivable plots. The idling of productive land, however, is still harshly criticized. [redacted]

It remains unclear how far Beijing will let land transfer progress. The policy was justified by arguing that the practice is already widespread and that the system remains socialist because the land ownership is not being transferred. But an August 1983 report in *China Peasant News* indicated that the policy could

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be carried too far when cadre members in Shanxi Province were charged with acting as middlemen for such transfers. [redacted]

One of the most serious problems relating to land use under the responsibility system is its abuse by peasants who doubt the staying power of reform policies. Believing they would have to turn the land back in a short time, peasants initially cut forests, used farmland for burial plots and houses, and made little effort to maintain or improve farmland. Also, recent indications in the Chinese press that individual land allotments may be redistributed to be more "rational" discourage peasant investment. According to the Chinese press, peasants in some areas of north China reduced agricultural inputs and capital improvements this year because of rumors that their initial three- or four-year contracts would not be renewed. Officials there have tried to allay these fears by signing new five-year contracts. Some officials in these areas are even considering contracts running as long as 10 to 20 years. [redacted]

Policy Prospects

We expect another record grain harvest this year, which augurs well for the continuation, and even expansion, of agricultural responsibility systems. We believe there is consensus within the leadership that, whatever their ideological faults and practical shortcomings, rural responsibility systems have played a major role in alleviating China's food problem and expanding peasant support for the party. In our view, party leaders also realize that any sharp shift away from the new system risks widespread peasant disaffection and damage to critical farmland. [redacted]

In fact, Beijing has already drawn up plans for expanding and adjusting the rural responsibility systems. A central directive circulated in early 1983 details the next steps in agricultural reform, some of which are already being implemented:

- Industry and commerce are to move into rural areas in order to diversify rural production, so peasants will not have to move to the cities.
- Peasants are to expand their capacity for processing agricultural produce and earning more private income.

- The number of families engaging in specialized production for marketing should be increased to contribute to the development of the market economy.
- Communes will continue to be dismantled, area by area, and may cease to be a unit for both political and economic administration.
- Personal employment of hired laborers is to be permitted. However, it is not to be encouraged officially or publicized.
- Peasants are permitted to purchase vehicles for transportation, including large tractors and automobiles.
- Procurement channels other than state agencies should be created, and steps are outlined to ensure an increased flow of commodities through free markets. [redacted]

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Hindrances to Further Reform. It is not clear, however, just how much further the current leadership intends to push responsibility systems. Conservative party stalwarts are vigorously attacking reforms in other sectors of the economy, in education, and in culture on the grounds that party control and prestige are diminished. Thus far, the backlash has not hit agricultural policy, but we believe it could. Both Deng and Hu seem to be carefully distancing themselves from negative aspects of rural reform: Deng by criticizing resultant income disparities, Hu by praising "voluntary" recollectivization in appropriate areas. [redacted]

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In our view, ideological considerations will continue to act as a brake on rural reform. Chinese leaders have doubtless been upset by Western reporters and businessmen claiming that "capitalism" is flourishing in the countryside. We believe that the "spiritual pollution" campaign—now directed at eradicating certain Western influences in China—reflects a heightened sensitivity to ideological questions. In such an environment, no Chinese leader—not even Deng—can afford to be accused of promoting capitalism. Until this campaign is concluded, we expect further development of rural reform to be slow. [redacted]

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Criticism of responsibility systems will remain muted as long as production continues to increase. The system could help boost agricultural growth above the historical average, but several economic problems must be solved first. The biggest factor determining future production levels is investment in agriculture; many of the one-time gains from labor reorganization probably already have occurred. Chinese leaders have said publicly that they intend to concentrate state expenditures for agriculture on large-scale projects, such as irrigation canals, rather than on small-scale inputs such as tractors and fertilizer. Peasant investment is increasing, but the state will have to increase the fertilizer and equipment available for purchase, stabilize land allotments, and promote the stability of the new policies. In our view, further retreats toward a planned economy, such as occurred in the tobacco industry, will erode peasant confidence. [redacted]

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Rural inflation remains a serious problem, but Beijing has apparently not designed an effective strategy to address it. For example, two major conferences this fall came up with different solutions. A forum of Agricultural Bank managers agreed to lower the amount of money in circulation by reducing loans to farmers. The other conference on rural commercial credit decided to make more funds available so peasants would produce more foodstuffs and increase the flow of raw materials to urban industries. [redacted]

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The dissemination of science and technology to the countryside must also be improved for agriculture to continue to progress. Responsibility contracts for science and technology have been proposed in an attempt to disseminate information more widely, but we believe they will prove unsuccessful on a nationwide basis. Chinese officials are studying the US federal and state extension system, but, if copied, it will take time and great expense for Chinese scientists to gain the necessary credibility with most peasants. [redacted]

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