Rural Organization

The village is the fundamental unit of rural society today, as it has been for centuries. However, the Chinese village was swept by two dramatic revolutions during the second half of the twentieth century. The first, during the 1950s, converted every village into an agricultural collective and mobilized hundreds of millions of farmers to build a socialist countryside. The second revolution, just as dramatic and consequential as the first, dissolved the collectives and vaulted much of the countryside into a modernizing and marketizing economy after 1979. Both these revolutions imprinted their features on the Chinese countryside—superimposed on the traditional village—and both left pervasive legacies that shape the Chinese rural environment today.

In this chapter, we examine the dramatic changes in rural organization that have helped make the Chinese countryside what it is today. We examine, in section 10.1, the traditional, organic organization of Chinese rural life. Section 10.2 looks at the rural collectives: the nature and distinctive features of the collectives; the process of organizational change; and their dissolution. Section 10.3 examines the second revolution in the Chinese countryside. It stresses the fact that the impact on agricultural production has been unambiguously positive, but the impact on other aspects of rural life has been much more mixed. The failure to find an alternative to some of the social functions of the collectives presents China with ongoing challenges. Section 10.4 examines the emergence of rural land markets. Although factor markets developed very slowly in the wake of the dissolution of collectives, they are emerging strongly in the decade of the 2000s.

10.1 THE CHINESE VILLAGE

Nearly every Chinese farmer lives in a village, which has been the dominant form of rural organization for as long as records exist. By one count there are
3.8 million villages and hamlets in China. In the developed areas around large cities, especially along the coast, what were originally separate villages now merge into a dense landscape of suburban industrialization and urban sprawl. In remote areas, village size dwindles, settlements may consist of only five or six houses, and there are a few areas where farmers live in individual farmsteads. Especially in the south, some villages, known as single-lineage villages, are composed entirely of households with the same surname. The national government promotes the idea of the administrative village, which should have a “village committee” to serve as a rudimentary institution of self-governance and to carry on some of the functions of the agricultural collectives that were dismantled in the early 1980s. At year-end 2004 there were 632,000 of these administrative villages. Administrative villages may incorporate several natural villages or hamlets, and there are also villages where no village committees function.

Villages vary enormously in their level of modernization and connection to the outside world (Ministry of Agriculture 2004, 5, 275–76). In the most prosperous areas, houses of reinforced concrete, usually two stories high, have become the norm over the past decade. In most areas, houses are predominantly wood and brick, and about a quarter of rural housing is still built of clay or rammed earth. The countryside is being connected rapidly to modern communications networks. As of 2003, 619,000 villages had a telephone, double the number of 10 years earlier, and motor vehicle access was available to 642,000. However, outside the prosperous coastal deltas, most villages have little modern infrastructure. Only 349,000 villages had running water in 2003. About 20% of rural households have access to improved household cooking facilities (gas or electric stoves). The remaining 80% cook either with coal or with straw or twigs gathered from the fields or forests. Interiors are dark and smoky, and indoor air is polluted. Chinese farmers continue to rely on traditional technologies for many aspects of life and work, even though every part of rural China has been affected, and is being more deeply affected, by the impact of modern technologies and the modernizing Chinese state.

The dominant activity in nearly all villages is farming. When villagers need to carry out other tasks, they generally go to a nearby “market town,” which hosts a regular periodic rural market. Once or twice a week, or perhaps every 10 days, farmers come from surrounding villages to sell produce, buy and sell livestock, and purchase other producer or consumer goods. The market town is the most likely place in which a teahouse, retail shop, or credit organization would set up operation. In an influential article, Skinner (1964–1965) suggested that we interpret the entire Chinese countryside as being loosely organized into “standard market areas.” Each standard market area consists of a market...
town and the surrounding villages from which that town is easily accessible within a day’s walk. The market town is the primary locus of interaction between the villager and the larger economic and cultural worlds. The standard market area thus roughly corresponds to the boundaries of the world that an average villager would experience on a regular basis. Occasional trips to larger towns or cities notwithstanding, virtually all the individuals with whom the villager has regular face-to-face contact would be within the standard market area. A traditional hierarchy of places exists, organized by primarily economic forces into households, villages, market towns, and higher-order urban settlements. This hierarchy of places (and economic functions) has existed for hundreds of years, and it exists today as well.

10.2 AGRICULTURAL COLLECTIVES

After 1949 the government of the People’s Republic gradually superimposed a new organizational structure on the traditional base. The socialist organizations did not do away with the traditional rural organizations, but the existing institutions were forced into new molds and given new functions by the Chinese state. The most fundamental change was the organization of farmers into collectives, which took over responsibility for agricultural production from individual households. From the mid–1950s to the early 1980s, the collectives were the dominant rural institution. The state adopted an intrusive and transformative approach to rural institutions. The collectives were disbanded in the early 1980s, and the Chinese government has since then been less aggressive in imposing a specific organizational form on the countryside. However, institutional experimentation continues, as the Chinese government tries to reinvent and restructure rural institutions.

During the heyday of the socialist economy, planners used socialist rural institutions to procure a steady supply of agricultural produce at a low relative price. The entire socialist development strategy was predicated on the state’s ability to mobilize resources for industrial investment. In order for the state to control those resources, it had to be able to extract resources from the countryside. The state imposed a direct agricultural tax on cropland, but much more important was the implicit tax the state imposed in the form of compulsory delivery of agricultural produce, especially grain, at low, state-set prices. In the early 1950s the state had already established systems of compulsory sales of grain and cotton, the two most important marketed crops. The rural collectives that developed subsequently were designed to smooth the extraction of agricultural surpluses from the countryside.
At the same time, the entire Chinese leadership, from Mao Zedong down, was committed to using rural organizations to transform the nature of rural life. Mao famously said that Chinese peasants were “poor and blank,” meaning that they could be remade into exemplary socialist citizens. Rural collectives were seen as a cheap and effective way to remake the countryside, while providing new social services and improved production inputs. Thus the rural institutions created by collectivization were multifunctional. Their primary role was always to organize agricultural production, but collectives were also organizations for the delivery of services and goods that had previously not been available in the Chinese countryside, as well as the organizational starting point for new kinds of activity. In addition, they were inevitably instruments for the extension of state political control into the countryside. After 1970 the government started birth-limitation policies and extended some control over reproductive behavior as well. Collectives helped the government maintain tabs on rural residents and provided a convenient conduit for economic and political innovations that the government was promoting in the countryside.

10.2.1 Features of the Agricultural Collectives

Despite the transformative role of the collectives, their primary function was agricultural production. There were three basic definitional characteristics of the collectives:

1. The land was pooled and worked in common. Collectives differed from farmers’ co-ops in other economies because of this basic characteristic: Cooperation was not restricted to marketing or service delivery, but rather included farming itself. Ownership of the land was transferred to “the collective,” meaning the residents of a given village. Individual farm households kept ownership of their homes and a few farm animals, and they also retained control of “private plots” (which ranged from 3% to 10% of cultivated area). All other productive assets were owned by the collective.

2. The collective served as the basic accounting unit. The collective itself purchased agricultural inputs (often on credit), coordinated farm tasks, and sold output after the harvest. Each able-bodied worker was assigned a daily job by the collective, and labor was coordinated. With the income derived from sale of the harvest, the collective paid off debts incurred to buy inputs and set aside money in a number of collectively controlled funds. Only after these costs were paid and set-asides were deducted did the collective calculate the net income that was available to be distributed to households. Households received income both in kind (primarily as food grain) and in cash. The most impor-
tant collective funds that were set aside were the accumulation (or investment) fund and the public welfare fund.

The size of this basic accounting unit fluctuated over time, as the collectives were gradually adapted to the traditional social structures of the Chinese countryside. The earliest accounting unit was the agricultural producers cooperative (APC), which was about the size of a large village, on average. During the GLF, in 1958, the size of the accounting unit jumped as many APCs were merged into a single giant commune, which often had 5,000 or more households (Table 10.1). This huge and unwieldy organization helped lead the countryside to disaster, and in the immediate wake of the GLF three important changes were made. First, the commune itself was made smaller so that it typically corresponded with a market town and a standard marketing area. Second, the accounting unit was dropped all the way back down to a smaller group than even the old APCs had been. This was the “team,” a relatively small group of about 30–40 households that corresponded to a small village or hamlet, or to a neighborhood of a larger village. The team became the primary accounting unit between 1962 and 1981. Finally, the whole structure was organized into a three-level hierarchy, consisting of commune, brigade (large village), and team. The commune and the brigade managed most nonagricultural activity, including industrial development and governmental functions such as health and welfare, education, and public safety. This basic configuration lasted until the early 1980s.

3. Net income was distributed to households on the basis of work points. Individuals earned “work points” that were entered into ledgers over the course of the year as the work was done. At the end of the year, after the harvest was

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<tr>
<td>Standard marketing area—market town</td>
<td>Commune* (over 5,000 households)</td>
<td>Commune (2,000 households)</td>
<td>Township (3,000 households) government and economic corporation</td>
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<tr>
<td>Large village</td>
<td>Agricultural producers Cooperative* (100–250 households)</td>
<td>Brigade (200 households)</td>
<td>Village</td>
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<tr>
<td>Small village or neighborhood</td>
<td>Team</td>
<td>Team* (c. 30 households)</td>
<td>Household</td>
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<td>Household</td>
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*Basic accounting unit.
in, the total net income of the collective was computed and divided by the total number of work points earned during the year. Only then did the collective members learn the value of a work point. In 1978, according to household surveys, average distributed collective income amounted to 88.5 yuan per person (a little over $50 at the prevailing exchange rate). However, most of this was received in the form of distributed grain; only 25.5 RMB ($15), less than a third of the total, was in cash. Besides collective distributed income, households also earned income from their private plots. In 1978 private activity generated 36 RMB (mostly in cash), primarily from the sale of crops and animals raised on private plots. In addition, households received an average 9 RMB in mostly cash “other” income, including remittances from relatives. Thus, even under the collectives, households received most of their money income from household activities but relied on the collectives for their supplies of staple foods.

The work-point system gave the collective enormous control over the distribution of income. There was, however, substantial experimentation with different methods of assigning work points, searching for methods that would effectively motivate workers, minimize monitoring costs, and yet be consistent with socialist ideals. During the Cultural Revolution collectives were pressured to use the “Dazhai system,” under which each worker evaluated his own work contribution in front of village meetings and then invited public comment and criticism. In most places most of the time, though, work points were assigned more routinely for tasks completed or days of labor. Most collectives were too close to subsistence levels and too aware of their economic vulnerability to be willing to indulge in much utopian experimentation. Perhaps more important, the work-point system gave the collective the ability to tax itself to finance various activities that were not directly productive. By assigning work points to the local teacher and paramedic, for example, the collective could ensure that they received a share of the community’s income.

10.2.2 Discussion of Collectives

In principle, the collectives could have been market-oriented cooperatives, responding to price and other economic signals. In practice, though, the practical decision-making autonomy of the collectives was severely restricted, in part because government leaders could not resist the temptation to use the collectives to impose their own broad agenda on farmers. Collectives were an attractive instrument for attaining government goals, and government officials could never successfully commit to a hands-off policy. Collectives
were used to attain three types of objectives: economic, social, and political.

The primary economic objective, not surprisingly, was organizing agricultural production. In this task it is clear that the collectives failed. The collectives created incentives for farmers to show up for work every morning (otherwise no work points would be received), but it was more difficult to motivate farmers to work hard throughout the day. It was difficult for collectives to coordinate tasks among 40 or 50 households, especially since tasks were spatially separate and had to be expertly timed through the seasons. Long-term, face-to-face relations could ensure that the most important tasks got done in a reasonably effective way, but they could not provide the most efficient forms of work organization. There are no economies of scale in most types of agricultural production in China, so collectives were unable to improve efficiency by organizing larger units.

However, the collectives were able to mobilize resources and so increase the total inputs available for production. In the early years traditional graves that had taken up farmland were plowed under, and scattered fields were consolidated. In this way the collectives augmented the effective land supply. The collectives mobilized and rewarded labor during the agricultural off-season. Construction projects, large and small, were undertaken during the winter. During the 1970s, 100 million workers (30% of the rural labor force) were mobilized for a few weeks of slack-season construction each year, primarily building and repairing irrigation systems. During the 1920s the average farmer had actually worked only 160 days per year, but by the late 1970s the average farmer was working 200 to 275 days per year (Vermeer 1988, 157). A huge effort was invested in China’s irrigation system.

Collectives were also a convenient way to organize nonagricultural activities. Productive services were provided by rural credit cooperatives (RCCs) and supply and marketing cooperatives (SMCs), which were nominally independent but integrated into the collective organization in the countryside. The RCCs collected household savings and provided liquidity to agricultural trade. The SMCs supplied most of the modern agricultural inputs that were required as agriculture developed and purchased most of the farmers’ marketed surplus. Even more important was the role of collectives in developing rural industries, especially after 1970 (Chapter 12). The social functions of the collectives included the provision of social services—especially education and health—as well as insurance against risk. The work-point system made it extremely convenient for the collective to tax its own members to provide social services. All that was required was a decision to award work points to the local teacher or medic. By the mid-1970s such a system had created a
network of rudimentary social services (discussed later in this section). The system paid for 1.2 million rural teachers, for example, and pushed the number of children in schools up to unprecedented levels.

The collectives were also a mechanism to buffer risk. Within a given collective households were less subject to risk, because the collective guaranteed access to land and provided modest welfare payments in the event of extreme need. In 1979 some 15 million households received some kind of relief, either from the state or the collective, although the collective contribution only averaged 3 RMB per household (NBS 1985, 129, 132). Many other households “owed” the collective for staple foods distributed, and many poor collectives were in arrears to the government. A basic safety net had been created.

Finally, the collectives inevitably had political functions as well. The collectives were a channel for education and indoctrination. Collective registration was used to control migration and prevent population movements that were not approved by the government. After 1970 the collective system was used to implement controls on fertility and restrict births in the countryside. Although it was primarily part of the three-level collective structure, the commune functioned part-time as the lowest level of government in the countryside.

The collectives were not an efficient system for organizing agricultural production. However, they were a surprisingly adequate system for organizing much of the rest of rural social and economic life. Particularly after the harsh lessons of the GLF, the rural collective system between about 1962 and 1982 settled down into a reasonably stable configuration. As Table 10.1 showed, the three-level collective system of commune, brigade, and team adapted reasonably well to traditional forms. The commune headquarters was built in the market town, and the commune corresponded roughly to the standard marketing area. The brigade corresponded to the large village. Meanwhile, the team was adapted to a subvillage unit. As such, it was of moderate size, consisting of individuals who knew each other well and interacted on a face-to-face basis. In 1978 the average team had 167 men, women, and children. This basic accounting unit was much smaller than, for example, a Soviet collective farm, and it probably did an adequate job of maintaining farm production. The team specialized in agriculture; most of the nonagricultural functions—both economic and noneconomic—were taken over by the brigade and commune. Thus the three-level collective system also represented a reasonably effective division of labor among organizational forms. It persisted in this form for about 20 years, until the dramatic changes of the early 1980s.
10.2.3 The Agricultural Policy Environment of the Collectives: “Grain First”

In practice, agricultural collectives were rarely, if ever, given sufficient autonomy to respond to market incentives. Collectives were generally forced to respond to pressures to give priority to grain production. “Grain First” policies were exemplified by the slogan “Take grain as the key link” (yiliang weigang), which characterized policy during most of the collective period, but especially during the Cultural Revolution. The emphasis on grain production can be seen as a consequence of the overall development strategy. Strategy emphasized compulsory procurement of grain from the peasantry at a low price. The state-set low price of grain, combined with compulsory targets for delivery of grain, served as an implicit tax, making the peasantry indirectly pay much of the cost of the industrialization drive. However, precisely because grain prices were low, peasants had few economic incentives to grow grain for sale. Once their own subsistence needs were met, peasant households would have preferred to pursue more lucrative undertakings (economic crops or household sideline activities) on which the state did not impose such onerous hidden taxes. But the Chinese government was unwilling to allow such a diversion of peasant energies, at least until their need for grain supplies for the cities had been met. As a result, the collective system was used to apply extraneous pressure on peasant households to meet or exceed their grain-procurement targets. The effect of this pressure in retarding agricultural growth was significant, and the costs great (Lardy 1983).

- The emphasis on quantitative targets instead of on prices and markets meant that peasant households were unable to devise their own maximization strategies, shifting resources among competing alternative uses, particularly when acreage targets were used to reinforce procurement quotas. The collectives had little autonomy to decide how much land would be used for various kinds of crops.

- The emphasis on output quantity meant that many collectives were forced to maximize grain output even when doing so did not increase income. Areas that were well suited for grain were pressured to grow more than was consistent with income maximization. For example, in the rich Yangtze Delta collectives were forced to grow three crops of rice per year, employing more and more labor-intensive production strategies, transplanting seedlings, and increasing fertilizer and irrigation inputs. The additional inputs cost more than the value of the additional grain produced (Wiens 1982).

- Grain First policies stressed grain self-sufficiency everywhere, especially during the Cultural Revolution. Areas that were not well suited to grain were
pressed to grow grain anyway. The result was a loss of opportunities for regional specialization and a decline in interregional shipments of grain.

Grain First policies implemented through the collectives did succeed in increasing grain output, but often at the expense of other products. Total grain output grew at 2.2% annually between 1955–1957 and 1977–1979 (averaging over three years to reduce the impact of weather). That increase was slightly faster than population growth, so output per capita increased 0.2% per year. Grain availability increased somewhat more because grain imports began after the GLF, lowering the procurement burden on China’s peasants and allowing them to retain and consume more grain. However, growth of cotton and oilseed output—the two most important crops after grain—was considerably slower. Cotton output grew 1.5%, and oilseed output only 0.5% annually over this period, both less than population growth. Per capita production of oilseeds was 28% lower in 1977–1979 than in 1955–1957. Rural household per capita consumption of poultry, eggs, and fish also declined, although higher meat consumption may have compensated.

A paradoxical result of the Grain First policy was that a uniform national policy led to a wide range of local outcomes. Some regions did well, particularly if they fell into the group well suited for grain production that were designated “high and stable yield areas.” These areas accounted for a large share of grain procurements, and they received priority access to modern inputs such as fertilizer, machinery, and electricity. These areas were able to reap the benefits of the agricultural “green revolution” (discussed in Chapter 11) and experienced substantially improved living standards. Other areas, which did not have a comparative advantage in grain production, were forced to strive for grain self-sufficiency. By the time they produced enough to be self-sufficient, little or no land was left over for other crops, so they grew only grain. Regions that initially had a comparative advantage in grain production, in contrast, were able to expand production with green revolution techniques and then divert some of their land to cash crops to raise incomes. These effects sometimes produced perverse “reverse specialization” under which localities were growing more of the crops in which they had the least comparative advantage.


After 1978 the relaxation of policy in the countryside led to explosive changes, described in Chapter 4. The Third Plenum in December 1978 made relatively modest adjustments in rural policy that touched off major changes in rural
society. Indeed, only two new policies were adopted at first: (1) an across-the-board increase in agricultural procurement prices and (2) a reaffirmation of the right to self-management of collectives. Individual farming was explicitly condemned. With higher grain-procurement prices, it became less necessary to coerce grain surpluses out of the peasantry with extraeconomic means. Policy-makers gradually reduced their emphasis on the Grain First policy, even stepping up grain imports for a few years in order to allow new patterns of specialization to emerge in the countryside. With higher prices and less extraeconomic compulsion, decision-making autonomy for the collectives came closer to being a reality.

An unanticipated consequence of the expanded autonomy of collectives soon emerged, however. In some areas, collectives began experimenting with more radical reforms in the way that work points were allocated. Instead of allocating work points for inputs (for labor days, reputation, or effort), some collectives began allocating work points for output, linking the remuneration of a given work group or household to the output of a specific plot of land. Some went even further and simply contracted pieces of collective land to individual households to cultivate. Such experiments clearly tested the limits of the collective system as it had been practiced up to that time. During 1978 and 1979 peasant experiments with individual household agriculture were tolerated and protected in the provinces of Sichuan and Anhui. These were provinces that had suffered greatly during the GLF, and by the late 1970s they were governed by close associates of Deng Xiaoping—Zhao Ziyang and Wan Li, respectively. After successful experiments, the provincial leader Zhao Ziyang was promoted to national premier and, not surprisingly, expanded the boundaries of permissible local policy and experimentation. The most radical policies were initially limited to relatively poor and remote areas, and grain-surplus areas were kept on a tight leash to stabilize all-important government procurements. As success emerged in poor areas, the scope of permissive policies was steadily increased.

By 1981–1982 a nationally defined program of contracting land to households, known as “household contracting” or the “household responsibility system” emerged as the clearly preferred organizational system. By the end of 1982 more than 90% of China’s agricultural households had returned to some form of household farming. Initially land was contracted to households for one year, or even for a single harvest cycle. Quickly, however, it was seen that contracts should be longer to be most effective, and most collectives moved to 3-year contracts. These were soon succeeded by 5, 15, and then, in many areas, 50-year contracts to the land. What happened next was quite dramatic.
10.3.1 Production Surges in the Wake of Rural Organizational Change

The growth of grain production accelerated dramatically. This increase was particularly striking, since the stress on grain had been relaxed in order to give households some slack to find a more efficient mix of output. Despite the reduced emphasis, grain output growth between 1977–1979 and 1983–1985 jumped to 4.1% annually, from the previous 2.2%. From previous peaks of just over 300 million tons per year, the annual harvest surged to the tremendous bumper harvest in 1984 of 407 million tons. For the first time in years there was enough grain to go around, and China was even a net grain exporter in 1985 for the first time since the GLF.

The acceleration of grain output growth was the key, given the centrality of grain to the Chinese diet at this time. Nevertheless, output growth was actually greater in virtually every other sector of agriculture. Cotton and oilseed production grew at 15% and 16% per year, respectively. Meat production surged, growing at just below 10% per year. Still more remarkably, these gains occurred in the context of a shift toward a less labor-intensive agriculture. Left to themselves, farm households showed that they valued their labor time more highly than collective planners had. With greater freedom to allocate labor, farmers worked harder, but shorter hours, and shifted cultivation toward crops with lower labor requirements, even though those sometimes had lower value per unit of land. Sorghum, millet, and sugar beets all showed large increases in relative share: these are all slow-growing, relatively low-value crops that require modest labor inputs. Labor inputs to the main staple crops declined as well, after having increased steadily for 20 years under the collectives (Table 10.2). Moreover, as discussed in the chapters on structural change and TVEs, substantial labor was freed to move into nonagricultural activities. Rural reforms had shown that it was possible to produce more with less input, once the incentive and policy environment was set right.

Rural change was rapid because the household responsibility system was adopted quickly. But other aspects of the rural system changed more slowly. The state continued to procure most of the grain crop. There was a movement

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<th>Crop</th>
<th>1953</th>
<th>1978</th>
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<tr>
<td>Rice</td>
<td>250</td>
<td>421</td>
<td>328</td>
</tr>
<tr>
<td>Cotton</td>
<td>300</td>
<td>908</td>
<td>643</td>
</tr>
<tr>
<td>Wheat</td>
<td>120</td>
<td>461</td>
<td>218</td>
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toward use of multitier prices, with the state paying a near-market-price premium for procurements above the minimum compulsory quota. Meanwhile, free markets grew outside the state apparatus. Gradually, government marketing restrictions were eliminated in most crops and sideline products. But the government maintained systematic control over key elements of the marketing system, particularly over cotton, staple grains, and fertilizer, well into the 1990s. In fact, it was not until 2000 that the government finally freed up the price of cotton and allowed textile mills to purchase cotton directly from farmers. While property rights concerning land changed rapidly by the early 1980s, the market system for agricultural output only developed gradually over more than two decades.

10.3.2 The Side Effect of Reform: Rural Public Services Decline

A side effect of successful reform has been reduced efficacy of rural institutions in providing nonagricultural outputs. The success of reforms in agricultural production demonstrated conclusively that rural collectives were less efficient in agriculture than household farms. But in the provision of social services, the collapse of collectives left a void in the countryside. Rural collectives were important in health care and education, and after their elimination the supply of both declined. Here we concentrate on the rural health care system, but the process was similar, though less dire, with respect to primary education.

The rural collectives were key components in the creation of an impressive system of base-level health care delivery in rural areas. The successes in improving life expectancy and basic health conditions, described in Chapter 9, were made possible by an unprecedented system of organizations that provided basic health services to most of China’s villages. The level of care provided was, of course, primitive, but it had a large impact on overall health. This improvement occurred because the system provided three critical components: first, it provided an efficient way to invest in preventive (as opposed to curative) health care; second, it provided basic services for the most easily treated diseases and injuries; third, it provided, at least in some regions, a system of referrals to higher-level medical services. Thus basic health care was brought to most villages for the first time. Simple as those services were, they were effective in providing elementary sanitation and protection against the most prevalent infectious diseases. In addition, the ability to mobilize large numbers of people was used in campaigns against public health threats as well; for example, a campaign was waged against the snails that invested flooded rice fields and carried the debilitating disease schistosomiasis.
In addition, in June 1965, Mao Zedong proclaimed that “the focus of health care work should shift to rural areas.” This was one of the few areas where Maoist ideology had genuine positive effects and did not consist merely of empty slogans. Government health care resources were shifted to rural areas after the mid–1960s. Previously only some 25% of China’s hospital beds were in the countryside, but by the mid–1970s more than 60% of the much larger total number of beds was in the countryside. By the mid–1970s a network of medical services had been created in the countryside. A nationwide system of paramedics was developed. These paramedics were part-time medical workers who continued to farm as well. Brigade-level “barefoot doctors” typically participated in a six-week training course at the county town, their only medical training: There were 1.5 million barefoot doctors in China by the mid–1970s. Even more lightly trained team paramedics, who might have only taken a simple first aid and sanitation course, numbered another 3.3 million. With a total army of rural paramedics of 4.8 million, each of China’s million or so villages had access to four or five part-time paramedics.

These paramedics, at both the brigade and team levels, were paid in work points. In practice, therefore, they were compensated by a tax on the output of the local community, since assigning work points to paramedics meant that the value of the work points assigned for farm work was reduced. In turn, their services were generally provided free to community residents. Most Chinese farmers were thus covered by a rudimentary system of medical insurance, called “cooperative health services.” For simple complaints they could turn to their local paramedic. If the ailment was more serious, they could be referred to the hospital in the commune or county town. By rough estimates, some 70%–80% of the rural population was covered by cooperative health services at the end of the 1970s.

With decollectivization in the 1980s, the flow of resources into this system collapsed. The production teams were no longer assigning work points, so there was no method at hand for compensating health workers. Some communities wrote land contracts in which households paid “rent” to the community to support social services, and communities with profitable TVEs could fund health services out of those revenues. But the proportion of communities that could fund health services out of the public purse declined dramatically. The number of paramedics dropped dramatically. The original “barefoot doctors” disappeared, of course, but the government introduced a program under which former barefoot doctors (and others) could be examined and certified as “village doctors.” By 1992, 800,000 paramedics had been certified as village doctors, and of course many uncertified doctors took up practice. But
the total number of active rural paramedics declined to less than a quarter of the 1970s peak. The total number of rural hospital beds stagnated, with the result that the number of hospital beds per thousand rural residents, after reaching a peak of 1.5 in 1985, began a long, steady decline to 0.72 in 2003 (Zhang and Kanbur 2005; NBS Rural Survey 2004, 215). Because of the drop in public financing, the total health-related resources available in the countryside declined substantially.

Without resources the insurance system of “cooperative health services” collapsed as well. From coverage of 70%–80% of the rural population, cooperative insurance dropped to cover less than 10% of the population by the mid–1980s. The Ministry of Health has carried out a large-scale survey of health care availability every five years since 1993. All three surveys show essentially the same result: about 80% of rural people have no health insurance whatsoever. Less than 10% have cooperative health services, and these are almost all in relatively developed areas close to coastal cities. In the minority of cases where health insurance is available, it is funded primarily by individual premiums (accounting for about two-thirds of funding), with the village contributing about one-sixth and township governments and enterprises accounting for the other sixth (CASS Institute of Finance and Trade Economics 2004, 155–164). Several times during the 1980s and 1990s the central government talked of rebuilding the system of rural cooperative health care, but policies were not well designed, efforts were inconsistent, and funding was inadequate. The problems with rural health care were obvious enough, but no good solution was at hand.

In 2003 a previously unknown, highly infectious, and often fatal disease—severe acute respiratory syndrome, or SARS—spread rapidly out of Guangdong Province. The disease quickly leapt to most of China’s largest cities, including Beijing, causing near panic. Rural migrants fled the cities: during the first 10 days of May 2003, 4.5 million migrants returned to their rural homes, in some cases bringing the disease with them (Population Commission 2003). As these fleeing migrants melted back into their home villages, China’s leaders—and the world—faced a terrifying reality: there was no rural health care system that could take care of the bulk of these rural returnees. There were no health care facilities available to track their progress, quarantine them if necessary, or respond to further spread of the infection. If the disease were to take root and spread in the Chinese countryside, there was nothing the Chinese government could do to stop it. As it turned out, the epidemic did not spread. For unknown reasons the new disease suddenly lost potency in the summer season and faded away as quickly as it had come. China sidestepped a catastrophe through good luck.
The magnitude of what almost happened drove home the inadequacy of the Chinese rural health care system. Chinese leaders strengthened their commitment to building a “new kind” of cooperative rural health care system, one that provided coverage for serious or catastrophic diseases and that would be subsidized by upper levels of government (local in the case of Eastern China, national in the case of Western China). Trial implementation began in 2003 and was scheduled to expand to 40% of China’s counties in 2006. The central government (or provincial governments in more prosperous areas) was slated to contribute 20 RMB for each participant in the program. Still, as of 2003, only 14% of China’s rural residents participated in cooperative health care, and again the bulk of these were in the most prosperous areas (77% in Shanghai and 30% in Guangdong). In some large rural provinces such as Hebei, Shaanxi, and Gansu, only 2%-3% of the population participated (NBS Rural Survey 2004, passim; Jin Renqing 2005; World Bank 2005). New insurance programs therefore have a long way to go.

Today, when rural residents need health care, they pay out of pocket. In the comprehensive survey of health coverage launched by the Ministry of Health in 1998, it was revealed that rural residents paid for 87% of their health care expenses themselves. This figure contrasts sharply with the experience of urban residents, who paid for 44% of their own health care expenses (Zhang and Kanbur 2005, 193). Most urban residents continue to be covered by some form of health insurance, although coverage is declining in cities as well. Moreover, the prices charged for hospital stays increased by six times during the 1990s, and clinic fees increased by eight times (CASS Institute of Finance and Trade Economics 2004, 158). As a result, 46% of rural residents responding to a recent survey reported that they had not sought medical care in a recent case of need because of the cost. Their only option was to wait and hope. These institutional failings, if not corrected, will make it difficult to build on China’s past record in basic health.

10.4 THE EMERGENCE OF RURAL LAND MARKETS

Transition to a market economy in rural China ultimately means that a full complement of well-functioning markets with supporting institutions must be created. The gradualist approach to reform in rural areas, as well as the “fuzziness” of land property rights described in Chapter 5, resulted in the very slow growth of rural land markets. As late as the early 1990s a detailed survey of North China villages revealed that only 3% of land was rented in or out by farmers (Benjamin and Brandt 2002). Short-term labor markets also devel-
oped slowly, perhaps because virtually all potential laborers had access to their own land. It appeared that a variety of factors were contributing to low transactions volume on land markets. Most important was simple uncertainty as to whether the national government approved of such transactions and would provide property-rights protection in case of disputes. Perhaps equally significant was that local government and party cadres had a vested interest in maintaining some kind of collective ownership stake in the land, including the option of redistributing land on occasion. Farmers might hesitate to challenge cadre interests by renting land in or out on a large scale. Finally, there were no formal land registries to support complex transactions.

During the late 1990s, as Chinese government policy swung to become more favorable to migration and to comprehensive marketization, policy-makers began to be concerned with improving the efficiency and volume of land markets. This concern culminated in the adoption of the Rural Land Contracting Law in 2003. The basic purpose of the law was to make rural land property rights more clear and absolute, in order to facilitate the development of land markets. Villages were instructed to sign new land contracts with 30-year lease terms. The boundaries of lands were to be demarcated more precisely, and the process of rebuilding land registries to be accelerated. Several basic forms of land-use rights transfer, including sale, lease, and subcontract, were given sanction and specific legal form. To implement these changes, the government set off a “second round of land contracting,” which was under way in nearly all Chinese villages by the end of 2003.

These changes have coincided with substantial increase in the speed at which land markets are developing. A 1998 survey of six large farm provinces found that 5.3% of land was rented out and that 9.8% of rural households leased out some of their land. In 2001, Sichuan reported that 5.6% of its land was rented out. In developed coastal areas, this proportion is typically much higher. In three highly commercialized Zhejiang counties, between 25% and 33% of land was already rented out in 2001. In Zhejiang province as a whole, a larger survey reported the proportion of land rented out increased from 11.5% in March 2001 to 22.8% at the end of 2003. In the Pearl River Delta, 19% of land is rented out (CASS Rural 2004, 90–93). These numbers indicate that land markets are now developing rapidly in commercialized coastal areas. Poorer inland areas lag behind, of course: In Shaanxi even in 2002 only 3% of land was rented out. However, this pattern corresponds to the one that prevailed in China’s traditional economy. Tenancy and multiple layers of land rights were much more highly developed in the dense, commercialized, wet-rice culture of southeast China. Individual owner-farmed plots predominated in poorer northern dry-wheat areas. Consolidation of plots will certainly be
required in pursuit of economies of scale, as more of the young people leave the land, and as farmers specialize in particular market crops. The explicit government legal support of land rights and transactions makes property rights more secure, thereby facilitating labor movement and land reallocation.

Overall, the development of land markets follows a principle shaping much of China’s transition strategy. Reforms have unfolded at different rates in different markets. Rural reforms began with a change in farmers’ use rights in land. Reforms then spread slowly to product markets, only gradually working down to the more fundamental, and more sensitive, development of markets for land, labor, capital, and finance. In China’s countryside the transition to competitive product markets is essentially complete, but the development of a healthy and thriving land market has really just begun since the turn of the millennium. This incipient reform promises a new stage of rural change and reconstruction. Dramatic changes in rural land property rights, combined with large-scale out-migration, portend a third wave of rapid, even revolutionary, change and restructuring in the Chinese countryside.

BIBLIOGRAPHY

Suggestions for Further Reading

Chan, Madsen, and Unger (1984) is an excellent account of a village in Guangdong through the years of Maoism, combining readability with a scholarly approach. Zhou (1996) is a stirring account of rural reform. Skinner (1964–1965) is a highly readable discussion of the relationship between spontaneous economic organization and political organization in the Chinese countryside, which also contains the classic account of how communes conformed to traditional patterns in the countryside. Cao Jinqing (2000) combines firsthand observation of China’s countryside today with analysis that is firmly grounded in China’s modern history. World Bank (2005) is a good introduction to the rural health challenges.

Sources for Data and Figures


A useful source of data on the rural economy is Ministry of Agriculture (2004, 5, 275–76) for data on villages; SYC (2004, 392–93) for housing; SAC (2005, 115) for administrative villages.

References


Rural Organization


