The Peasant Household Economy and Decollectivization in China

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ABSTRACT

“A critical problem of the people’s commune system was the inability to resolve the "free rider" problem within the framework of collective agriculture. The appeal of household production to both the State and peasants has been the dramatic increase in agricultural productivity and household income. Unlike collective farming, household production minimizes the "free rider" dilemma. Decollectivization and the expansion of rural markets has brought about significant socio-economic changes in the Chinese countryside, some unintended by State reformers. These unintended consequences of decollectivization, however, threaten to undermine the social goals of the Chinese Communist Party.”

RECENT DEVELOPMENTS stemming from the dramatic reversal in agrarian policy in China have resulted in the resurgence of the peasant household economy. In the past, the role of the peasant household in the rural economy was on the decline, its functions having been largely taken over by the collective economy (Schurmann, 1966; Yang, 1959; Vogel, 1969). Left with a residual private plot, pigs, poultry, and assorted sideline production, the household economy was seen as generating limited cash income and meeting supplemental consumption needs which were not efficiently produced by the collective sector (Walker, 1965). The peasant family, as a corporate economic unit, continued to be a basic building block of village life in its old functions centered on reproduction, family life and care for the aged (Parish, 1975; Parish and Whyte, 1979). But the organization of farm labor was no longer part of the peasant family’s functions in the village.

The return to household production has, however, restored to the peasant family its traditional role as a basic production unit, reversing the direction of change in the organization of work and family life over the past two and a half decades. As a result, the organization of farm work is once again based upon the household division of labor. The Chinese state has, in a sense, rediscovered the efficiency of the peasant household economy as a production unit. By contrast, the collective system of production is now seen as inefficient and in-

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capable of channelling the production maximizing drive of peasants. In the 
frequent characterization of the collective system as one plagued with the 
problems of "eating from the same big pot," there is an implicit analysis of 
the sources of inefficiency in the collective system.

The Chinese are in the process of shifting from a bureaucratic rural 
modernization program to a household driven model of rural economic 
growth. This paper points to certain areas of convergence between the present 
Chinese model of rural development and the "peasant maximizing" perspec 
tive in American social science (Schultz, 1965; Popkins, 1979). According to 
the "peasant maximizing" view, peasants are rational economic actors, who, 
given proper opportunities and incentives, will save and invest in new factors 
of production and drive up productivity and agricultural growth rates.

The structural changes in the rural economy and society are likely to have 
lasting consequences, many unintended by the state. The consequences of 
these changes on village and family life are likely to be as significant as the ma 
jor structural transformation of Chinese rural society that took place in the 
1940s and 1950s. The resurgence of the peasant household economy has the 
potential of restoring many of the social structural features of village and family 
life in presocialist China. It is likely to result in a strengthening of patriarchal 
authority in the Chinese peasant family through the restoration of the 
economic base of patriarchy, introduce new forces for socioeconomic stratific 
ation, strain local ecologies, slow down progress in population control, weaken 
communal welfare guarantees, and compel peasants to rely even more on 
household individualism as a strategy for survival and prosperity.

The Household Economy Under Mao

The new view of the role of the peasant household economy represents an 
important shift from the orthodox Marxist assumption of the limited economic 
role of the peasant household economy under socialism. The developmental 
path of the state socialist societies largely conformed to this assumption. With 
the possible exception of certain East European countries, peasants in state 
socialist societies tended to be passive participants in state-dominated rural 
development programs (Volin, 1970).

Viewed as the "accursed problem," even in the liberal NEP period.
Soviet peasants were portrayed in negative terms, as "petty bourgeois" by 
nature, mired in backwardness, ignorance, and conservatism (Nove, 1970). In 
the Great Debate over agriculture in the Soviet Union, Bukharin argued that 
the private peasant economy had to be tolerated as a condition for balanced 
economic growth, and that the rate of industrialization should be slowed down, 
lest too heavy a burden be imposed on the peasantry (Carr, 1970). By relying 
on the market economy, Bukharin believed that peasant self-interested activi 
ty, nonetheless, would eventually lead them to cooperative farming as they 
sought to transcend the limits of small scale production (Lewin, 1968,
pp.135-145). On the Left, Preobrazhensky maintained that priority had to be
given to rapid development of heavy industry, and that agriculture, the non-
socialist sector, was to be "exploited" as the source of "primitive socialist ac-
cumulation." Though Preobrazhensky did not advocate forced collectiviza-
tion, Stalin's forced draft collectivization in response to the procurement crisis
of 1928 drew heavily from Preobrazhensky's theory of "primitive socialist ac-
cumulation." Common to both Right and Left was the assumption that the
predominance of the peasant household economy was incompatible with
socialism and was to play a limited role in providing capital accumulation for
the development of the industrial socialist sector. The differences between
Bukharin and Preobrazhensky, instead, were largely tactical in nature (Lewin,
1968, pp.150-154). All factions agreed that the driving force for the socialist
transformation of agriculture was not to come from within the peasantry, but
from an activist socialist state. All believed in the principle of the historic
necessity of the collectivization of agriculture; the disagreement was over the
timing and method.

The view of the limited role of the peasant household economy in socialist
economic development was consistent with the main direction of rural develop-
dment during the first three decades of Chinese Communist rule. Though Mao
emphasized the boundless energies of the peasant masses, it was the local
cadres who were to unleash and direct the productive forces of the peasantry.
Mao believed that only within the framework of collectives could existing fac-
tors of production be utilized more efficiently; social and political goals of the
"socialist transition" period achieved; and agriculture thereby made more
productive and more modern. Mao appears to have accepted the basic doc-
trinal tenets of Stalinist collectivization: 1. Collective farms increase the size of
the agricultural surplus through its efficiencies of scale. 2. It increases the
state's ability to extract the surplus for investment in industry and to feed the ur-
bam population. 3. The market is suspect and unreliable as an allocator of
resources and factors of production, a role more fairly performed by the state.
4. Peasants could be educated to respond to political directives and collective
incentives. 5. Collectivization could precede and anticipate the mechanization
of agricultural production. Unlike Stalin, however, Mao sought from the
outset of collectivization to make compatible both the extractive and
developmental features of collective agriculture (Shue, 1980).

During the Maoist era, the peasant household economy was regarded as a
necessary expedient, to be supplanted by the collective sector as rural develop-
ment progressed, an objective already realized in advanced model units such
as Dazhai and Wugong. The state tolerated the existence of the peasant
household economy as a "petty bourgeois" remnant, a reminder of
agriculture's backwardness and potential for retrogression. State policy was
directed to restrict and contain this "tail of capitalism," managing the com-
petition between the public sector and the private sector, the domain of the
household economy, so that the collective economy remained dominant. It was
only in the aftermath of the Great Leap Forward, when famine conditions
became prevalent in some areas of China, that the state made concessions in its
policy to restrict and contain the peasant household economy (Baum, 1975). But these measures, the policy of sanzi yibao, were viewed by Mao as temporary, to be retracted after the achievement of economic recovery.

In the Maoist view, the unfettering of the peasant household economy would benefit primarily the rich and upper middle peasant households, without resulting in real economic benefits to the poor and middle peasants (Mao, 1965). More importantly, it would result in the undermining of collective farming as the expanding peasant household economy diverted labor, raw material and capital from the collective sector. If collective farming were allowed to unravel, poor and middle peasant households would suffer setbacks as new rich peasants reestablished presocialist patterns of land and farm capital utilization. The outcome would not be economic development but inequality and impoverishment for the poor and lower-middle peasants. Thus the gradual elimination of the private household sector and the expansion of the collective sector was seen as the only road to socialist agricultural modernization, one which promised a broadly based, egalitarian approach to economic growth (Peck, 1975).

The Peasant Household and Collective Economy

But the actual performance of collectivized agriculture proved to be disappointing in China, as in the Soviet Union. During the past two decades the average annual growth rate of agriculture was between 2.9% (Surls and Tuan, 1982 and 3.2% (State Statistical Bureau, 1979). At this pace agricultural production kept slightly ahead of natural population growth at 2.1% per year. But due to the state extraction from agriculture for “primitive socialist accumulation,” increases in per capita food consumption largely stagnated from 1956 to 1978 (Kilpatrick, 1982). Ominously, the rate of return on agricultural investment declined steadily through the 1960s and 1970s, reaching its lowest level in 1977.

Explanations for the disappointing performance of collective agriculture in China over the past two decades cluster into three analytic perspectives. Orthodox Marxist-Leninists argue that because Chinese agriculture still relies largely on labor intensive methods, the forces of production had not developed an adequate technological basis for efficient collectivized farming (Xue, 1982). In the absence of development of the productive forces, changes in the relations of production are not likely to produce productivity gains. A result, collectivization did not yield significant economies of scale, but instead complicated management problems. According to this view, the continuing backwardness of Chinese agriculture rendered socialist relations of production premature. The fact that peasants in the poorest brigades are among the most enthusiastic supporters of decollectivization would support the orthodox Marxist-Leninist view.

A second “voluntarist” line of analysis argues that the demise of collective farming was not intrinsic to the form of collective farming that developed in
China (Puterman, 1985a; Selden, 1982). Economies of scale were achieved, especially in building and maintaining irrigation systems, in mechanization and rural industries. Adequate individual incentives were provided by the workpoint system, so the collective economy could sustain peasant involvement on a voluntary, democratic and participatory basis (Puterman 1985b). The problems were not intrinsic to collective farming, but extrinsic, in the policies of the state and the actions of its bureaucrats. A major error, for example, was Mao’s decision to accelerate collectivization, forcing it upon peasants in a very short time period, from 1955 to 1957, and thus violating the principle of voluntarism (Selden, 1982). Had collectivization proceeded according to a more gradualist, step by step development, based upon demonstrated gains to peasants, collective agriculture could have realized its potential.

The limitations of both the orthodox Marxist-Leninist and voluntarist perspective is that there is little evidence that peasants, even in developed agricultural areas, have voluntarily pushed to establish collective farming. Historically, peasants have entered collective arrangements en masse only under the threat of coercive action by the State. Though peasants may seek to develop marketing cooperatives, these have allowed households to farm as individual units, and have been more limited than collective farms in scope.

A third “structural” perspective emphasizes features in rural society that promoted peasant household individualism, which in turn worked to undermine the pursuit of the collective good (Nee, 1985). According to this view, the minimal subsistence insurance provided by the collective economy necessitated a continuing dependence upon the family for basic security and well-being (Parish, 1975). Collective incentives were developed to reward meritorious performance, but peasants nonetheless sought to optimize their own household’s interests, often at the cost of the collective good. Peasants worried that, though their diligence in the collective sector ultimately benefited their own household, it also benefited all other households, subsidizing less diligent and capable villagers. If the benefits of team productivity are available for all to enjoy, there is an inherent problem of “free riders” and “slackers” who try to contribute less to the effort than they get in return (Homans, 1971; Olson, 1965; Popkins 1979). Small production teams, in which social sanctions against free riders are intense, are more likely to be successful than large teams. Even in small production teams the “free rider” dilemma has rarely been resolved in practice. This is partly because small teams have been emphasized during periods of liberalization, when individual incentives were also in favor. Dennis Chinn (1979) has argued that greater reliance on individual incentives tends to undercut peer pressure and team cohesiveness. For these reasons, according to the structural perspective, peasants remained household individualists, resulting in a persistent problem of suboptimal productivity gains and low growth rates. If the “free rider” dilemma was not successfully resolved in Chinese collective forms, the problems of lower than expected productivity gains and less than optimal growth rates were not simply due to “extrinsic” factors, but were also intrinsic to the practical operations of brigade and team economies.
It is significant that during the current reform of agriculture the Chinese have focused on the problem of “eating from the same big pot” as symbolic of what was wrong with collective farming. Though Maoist egalitarianism has been blamed for the “eating from the same big pot” policies of the past, what has really been under attack is collectivized agriculture as a system of production. The identification of “eating from the same pot” as symbolic of what was wrong with collective farming underlines an unspoken awareness of the “free rider” dilemma. “Eating from the same big pot” is neither symbolically nor substantively linked to either the issue of technological prerequisites, or to a need for a voluntaristic “mass-line” approach to collectivization. It has everything to do with the issue that if all eat from the same pot, then free riders cannot be kept from enjoying the fruits of the labor of more diligent and capable farmers. The Chinese reformers repeatedly argue that the effect of “eating from the same big pot” will be that peasants put out less than their best effort to achieve productivity gains in agriculture. It is doubtful, however, that scholars will be able to agree over whether the demise of collective farming was due primarily to “intrinsic” or “extrinsic” factors; but neither side of the debate can readily dismiss the evidence and arguments of the other.

**Persistent Features of the Peasant Household**

In traditional peasant society, the “free-rider” dilemma was resolved by favoring the stem and nuclear family as the unit of production. Chinese social anthropologists who conducted field work in villages in the 1930s and 1940s were unanimous in their views on the peasant family as an unit which suppressed individualistic behavior and achieved a high level of coordination as a production unit. In village communities, economic cooperation outside of the family tended to be temporary, involving seasonal labor exchange and sharing of draft animals between households (Wong, 1973; Fei, 1946; Yang, 1945; Yang, 1959).

The peasant family is the only natural small group in village society that “is a sufficient unit to provide the necessary and minimum social cooperation in everyday economic pursuits” (Fei, 1946, p.2). This cooperation is reinforced by the reproductive and child-rearing functions of the nuclear family. In larger joint family households, a mechanism to deal with the emergence of a “free rider” dilemma is to divide into smaller units, which is why the joint family household tends to be unstable. The marriage of two sons typically results in tensions within the joint family over the relative consumption and contribution of each family to the household economy. If one sibling's family is more diligent, or suspects that their labor might be subsidizing the other sib's family, intra-family tension mounts, and eventually precipitates a household division. Thus, the peasant family has typically stabilized close to the optimal division of labor required for farm production, the nuclear or stem family arrangement.

The strongest case for the peasant household as a maximizing unit in presocialist China was made by Ramon Myers (1970) in his analysis of data
from Japanese ethnographic studies and John Lossing Buck's empirical studies of the Chinese farm economy. According to Myers, the peasant household economy was surprisingly robust during the 1920s and 1930s. Myers' portrayal of peasant economic behaviour stressed that peasants were efficient allocators of resources, responded rationally to changing market conditions, and were flexible and resourceful in gaining advantage for their household economy.

Although the peasant household economy was disfranchised of private landownership, draft animal and major farm implements, after collectivization the allowance of a private sector alongside the collective sector provided a continuing base for the household economy. Though much reduced in scale of operation the underlying components of the household economy remained intact. Within its domain, the private plot, about 5% of the cultivated land, the household sidelines and animal husbandry, the household continued as a highly efficient production unit, maximizing output to the extent that the household economy produced 25% to 30% of the peasant total income (Stavis, 1974).

The private sector competed with the collective sector for raw material and labor power and remained significantly more productive per unit crop area than the collective sector; but it was tolerated because it was seen as an essential component of the collective economy, allowing for production efficiencies in areas where the collective sector was clearly inefficient (Fung, 1974). Collective efforts at animal husbandry, especially the raising of pigs and chickens, have seldom been successful. The private household pig production thus provided the primary source of organic fertilizer for the collective sector, as well as pork to meet state meat quota sales and household consumption needs. Vegetables likewise require intensive cultivation more suitable to household production and difficult for the production team. For peasants, the efficient management of the household economy often meant the difference between relative prosperity and poverty in the village as it was the principal source of cash income, fresh meat, and vegetables. Moreover, unlike the collective sector, products produced by the household sector were not taxed by the state, with the exception of the indirect taxation through the quota sale of pigs and certain cash crops.

Within the private sector, the peasant household economy operated as a production and marketing unit in virtually the same manner as in presocialist China. In the village, each household acted as an independent unit, seeking to maximize output and income from its household economy. In Yangbei village, the major part of the education of a young man was to learn how to manage the household economy. This education was not taught in school, but passed on from father to son and acquired through listening in on the gossip of older, more experienced farmers. Thus at night, young men typically gathered in the homes of experienced farmers to pick up useful tips on household sideline production and marketing, which were major subjects of village talk. To manage the household economy, peasants routinely made both short- and long-term
plans and investment decisions. For example, the anticipated marriage of a son might require years of planning and saving to build additional rooms in the house, a new bed, bedding and other furniture, money for the bride price, and food and cash for the wedding. Whether or not these expenses and resources could be raised depended on the careful management of the household economy. It also required thrift, saving and delay of gratification from current consumption for a future purpose. Peasants, are in fact, very thrifty and disciplined about curtailing current consumption. (In Yangbei, villagers try to avoid in selecting a mate someone who is known to love to eat.) The curtailment of consumption is not only a mechanism for survival in a subsistence economy, but also a means by which the household allocates resources for reinvestment in the household economy. Animal husbandry, the primary source of cash income, is dependent upon the availability of surplus grain above what members of the household consume.

An examination of peasant marketing and investment strategy under socialism reinforces the view of Chinese peasants as subtle, fine-tuned, calculating household economic maximizers. In Yangbei, prior to 1977, peasants engaged in an active interprovincial black market in grain in which peasants from Guangdong and Fujian marketed grain to take advantage of favorable price differentials in grain between the two provinces. Likewise, peasants closely followed price fluctuations on other commodities in both the local and surrounding free markets. They frequently walked to more distant markets to take advantage of minor price differences to gain marginal profits. They carefully planned the timing of the sale of the household pig to coincide with seasonal fluctuations in the price of fresh pork to maximize profits. So important was marketing to peasant life, even under socialism, that a good part of village gossip centered on price movements, and supply and demand of key commodities in the local and surrounding markets. The available ethnographic evidence of peasant marketing behavior clearly suggests that peasants remained astute and shrewd marketeers, calculating costs and benefits to gain the maximum returns on resources managed by the household. Moreover, peasant maximizing calculations centered on the household which remained the primary basis of solidarity and cohesiveness.

The existence of a "free rider" dilemma in collective agriculture tended to reinforce household individualism, whereby members of a household acted as a corporate group to maximize household interests. It is ironic that peasant household individualism may even have been exacerbated by collectivization. In China, after collectivization in the mid 1950s, there were many reasons for peasants to view the world as a limited good or a zero-sum game. With only very limited chances of moving out of the village, or of starting non-agricultural enterprises in the village, everyone was drawing on a single set of resources. The result was seen in how calculating peasants were in their relations with neighbors. The perception of the world as a "zero-sum" game reinforced peasant household individualism and weakened the basis for informal forms of cooperation among households outside of the collective sector.
Peasant household individualism manifested itself in many areas of village life. As we have already mentioned, peasants behaved as household individualists in favoring their own household private economy, the recipient of their greatest care and diligence. Another example can be seen in peasant fertility rates. Under collective agriculture, due to the system of grain allocation, households sought to maximize their share of collective grain and private plots by having more children than mandated by the two-child norm encouraged by the state. Though the rapid growth of village population contributed to a stagnation in per capita food consumption and was a drag on village economic development, peasants feared losing material advantage to other households with more children.

Thus under collective agriculture, though in theory each household’s interests were furthered by the maximization of productivity in the collective sector, in reality this may have been realized only in truly exceptional model villages. Instead, what was more typical were teams and brigades that experienced sluggish long-term growth rates, due to problems of lower than expected peasant productivity in the collective sector. The existence of such “intrinsic” problems in collective farming, however, does not imply that they caused the demise of collective farming. The anti-incentive and anti-market policies of the Cultural Revolution period did much more damage to productivity, not only by exacerbating problems intrinsic to the organization of collective farming, but also by disrupting predictable opportunities for households to maximize returns within the framework of collective farming. Rather, “intrinsic” problems such as the “free rider” dilemma explains peasant preference for individual household production over collective farming and why the new household responsibility system was so popular among peasants once it became official policy. The actual decision to decollectivize was political, made by the Deng Xiaoping and his reform faction in the Chinese Community party, leaders who opposed Mao’s collectivization policy in the first place.

The Household Economy and the New Agrarian Policy

In order to provide ideological legitimization for the new agricultural policies, over the past years, the Chinese press has decried the problems of too much egalitarianism, stagnation in peasant living standards, inefficiency of the commune system, corruption of local cadres, and the low incentives for productivity gains in agriculture under the commune-brigade system. Such articles, critical of the people’s commune system, provide the backdrop for an emergent view of peasants that defines a new role for the peasant household economy in rural development (1980-1983).

The new view of the peasant emphasizes this entrepreneurial spirit and his drive to take advantage of new opportunities to expand household production. It portrays peasants as capable of combining factors of production in new ways that significantly increase productivity. The outcome of successful peasant entrepreneurship is a net expansion of the village economic pie, not a zero-sum.
Not only does the peasant entrepreneur benefit, but so may other households, if the scale of production reaches a point where the peasant entrepreneur needs to develop cooperative enterprises.

According to the new view, an expansion and liberalization of rural free markets provide powerful incentives for gains in agricultural productivity, benefiting both the peasantry and urban population. Not only do peasant households produce more, but a greater diversity of commodities becomes available in the free markets for rural and urban consumption. In the new view, peasants do not gobble up their increased earnings through undisciplined consumption. Instead, the Chinese press has sought to promote an image of the peasant as someone who, given the proper incentives, will save a significant part of his income.

Many articles praise the development of commodity specialization that was stimulated by the liberalization of rural free markets. Household commodity specialization is seen as helping peasant households to transcend the limits of traditional household production, increasing productivity and rural division of labor. Surplus farm labor is absorbed into new productive activity as households specialize in vegetables, cotton, flowers, fruit trees, medicinal herbs, rabbits, mink, bees, silkworms etc. "This type of household economy has broken natural economic boundaries and become the embryonic form of specialized commodity production." (Renmin Ribao, June 14, 1982). Previously sidelines were part-time activity pursued after peasants farmed the land.

There is considerable evidence that the new agricultural policies have been quite successful in stimulating sustained growth in production and private investments. Growth in total agricultural product in 1982 over the previous year was reported by the State Statistical Bureau to be a hefty 7%; this followed three years of annual growth of agricultural products which averaged 5% from 1978 to 1981 (Xinhua, August 8, 1982). Moreover, the return on agricultural investments began to increase; whereas in 1977 the net income for 100 yuan investment in agriculture was 181 yuan, in 1978 it increased to 186.7 yuan and by 1981 it reached 218.4 yuan, an increase of 20.7% over 1979 to 1981 (Xinhua, August 23, 1982). According to the State Statistical Bureau, peasant purchasing power increased 35.9% from 1979 to 1981 (Xinhua, June 3, 1982). The Agricultural Bank of China recently reported that though consumption has gone up, there has been a significant increase in peasant savings and investments in modern inputs, chemical fertilizer and farm machinery (FBIS, October 28, 1982 p.k19). The Ministry of Machine Building Industry reported sharp increases in the sale of hand tractors, hand sprayers, rubber-tired carts and pumps to peasant households (Xinhua, February 9, 1983).

The initial evidence from surveys conducted by the Chinese government has pointed to a broadly-based improvement in peasant household income. Gains in household income, overall agricultural products, and a doubling of agricultural growth rate to over 5%, have raised the living standards of the rural poor. The State Statistical Bureau recently released the result of a national survey of 18,529 peasant households in 568 counties that showed per
capita income growth from 1979 to 1981 had more than doubled the total increase registered from 1956 to 1976 (Xinhua, June 2, 1982). Although prosperous peasant households experienced significant increases in income, the households in the lower income brackets, below 150 yuan per capita, dropped in absolute numbers. In another rural survey, conducted in Anhui province in 1982, which focused on poor households, the study concluded that peasant poverty in Laian County was due to factors that preceded decollectivization, such as unfavorable labor/dependent ratios, lack of farm implements, household savings and poor natural and human endowment (Xinhua, August 9, 1982). According to the survey, though poverty persists in Laian county, poor households have benefited from household production, resulting in a sharp overall reduction in the number of debtor and impoverished households. In a survey conducted by the State Statistical Bureau of 12 farming areas identified by the State Council as the poorest in China, there was a similar report of sharp increases in per capita income since 1978 (Guangming Ribao, September 25, 1983, p.3). According to the survey, data on household income from a sample of 949 households in 23 counties showed that the per capita income had increased from 100.4 yuan in 1978 to 177 yuan in 1981. If these State Statistical Bureau surveys give some indication of the distributive effect of household production, then the initial evidence would suggest a broadly-based improvement in peasant household income, which has benefited not only the strong and well-endowed households, but poorer households and households in poor regions, as well.

Accompanying the positive accounts of peasant household production have been reports on negative consequences of unleashing the peasant household economy from the constraints of collective management. There have been reports of difficulties in enforcing stringent birth control regulations; peasant households withdrawing children from school to work for the household economy; widespread and increasingly serious deforestation in mountainous regions; illegal practice of buying the right to farm land assigned to poorer households by more well-to-do households; occupation of farmland for household construction sites, especially by cadres; reports of commodity speculation, gambling and petty corruption; and low morale of local cadres who prefer to develop their own household economy than serve as cadres.

What is important for our analysis is that both the positive and negative reports make similar assumptions about the peasant household economy. Though unified and inclusive view of peasant household economic behavior is left unstated in current Chinese writings on agricultural policy, nonetheless we can make inferences from the data presented in the Chinese press. First, peasants seek to optimize their household income. Second, peasants are highly responsive to market incentives and changing opportunity structures. Third, peasants make both short- and long-term investment decisions based upon their perception of profitability.
China’s New Agrarian Policy and the “Peasant Maximizing” School

In order to highlight the sharp departure from the Maoist agrarian policy of the past, I shall briefly point to areas of convergence between the peasant maximizing school of agricultural economics and the main tenets of the New Agrarian Policy. A central assumption of the peasant maximizing school is the belief that peasants are efficient farmers given the resources available to them (Schultz, 1965). The low productivity and conservatism associated with traditional peasant economies is viewed as a result of peasant accommodation to an economic environment which does not make investments in new income streams and factors of production profitable. Despite the high level of efficiency of peasant farmers, growth rates in traditional agriculture achieved within the bounds of existing factors of production, are likely to be small and costly. However, with the proper agricultural policy, agriculture can become a source of high growth for a developing economy at relatively inexpensive costs. What is necessary is to provide the right incentive structures so that peasants will find investments in new factors of production profitable. Theodore Schultz writes, “Once there are investment opportunities and efficient incentives, farmers will turn sand into gold (1965a p.5).”

Schultz argued that the Stalinist belief in economies of scale, the strategy of large-scale collectivization, was based upon false premises. More important than the size of the farm is the locus of control over decision-making. Just as absentee farm ownership gives rise to inefficiency, so does large scale farming where decisions are made by cadres located in bureaucracies. The owner-operated farm is far more efficient than absentee farm ownership and bureaucratically managed farms. However, according to Schultz, this does not imply that the state does not have a role to play in modernizing agriculture. The state should and can make investments in human capital by providing for rural education and literacy, can invest in infrastructure development such as roads and communications, provide agricultural services and research, and help ensure pricing and opportunity structures that make peasant productivity gains and investment in new factors of production profitable.

To suggest that there has been some areas of convergence between current Chinese agrarian policy and the peasant maximizing school, however, does not imply that we feel the Chinese have become radical marketeers. Dorothy Solinger (1983) argues Chinese marketeers have had to struggle continually with radicals and planners who continue to distrust and oppose the policies supported by the marketeers. Nor do we argue that the new Chinese agrarian policy is in accord with Schultz’ views in all respects. For example, in recent years the state investments in agriculture and rural education have stagnated, if not declined. Yet, insofar as the household responsibility system has become the cornerstone of the current Chinese agrarian policy, we argue that the constellation of policies associated with the implementation of the household responsibility system are compatible with core assumptions of the peasant maximizing school in regards to the importance of individualistic incentives for peasants and the efficiency of the peasant household as a production unit.
Unintended consequences of household production

Chinese agricultural reforms have sought to achieve gains in agricultural growth rates primarily through improvements in direct incentives to peasant households which rewards productivity gains and investment in new income streams. The relaxation of controls over the free market and the raising of state purchasing prices for key agricultural commodities were designed to achieve growth in output, not through bureaucratic directives, but through market and price mechanisms. The dismantling of collective farming, assignment of land to households, and division and sale of collective assets were aimed at cutting back bureaucratic control over agricultural production. Instead, decision making was to be decentralized to the household unit. Through market incentives, peasant households are now encouraged to invest in new commodities (i.e.) poultry, fisheries, bean curd, and dairy.

It is important to note that decollectivization has not taken place without opposition. Local cadres may oppose the introduction of the household responsibility system because it threatens to undermine their power bases and control over local resources. Opposition to the return to household production has been subtle and indirect. Criticisms are voiced in skeptical remarks such as: "Production contracting can only cure poverty. It cannot lead to prosperity." "Production contracting can only lead to individual prosperity. It cannot lead to collective prosperity." "Production contracting can only lead to prosperity. It cannot ward off disasters." "Production contracting leads to difficulty in birth control work (Renmin Ribao, July 29, 1983)." Others voice concern over the implication of collective discipline breakdown, and the erosion of brigade-team control over peasant households. Opposition within the state has also been expressed indirectly through the publication of letters from local cadres critical of some of the unintended consequences of decollectivization. For example, letters sent by local cadres to the "Peasant Letterbox" were published expressing concern over the increase in utilization of child labor and the withdrawal of children from school: (FBIS, November 17, 1982, p.k9).

"Since the establishment of the production responsibility system, the number of children engaged in labor in the rural areas has increased, whereas the number going to school has dropped. A production team in our brigade originally had 25 children in middle school but now only 5 remain. The other 20 were called back by their families to help in farming. Most of these children now engaged in labor did not go to junior middle school. In fact, some of them did not even graduate from primary school. If this situation is allowed to continue, more illiterates will come into being before the old ones are wiped out. How then can we advance the four modernizations in the future." (Xie Yanfu, cadre in Hequing brigade of Qingfeng county, Henan province).

Because the unfettering of the household economy is likely to result in socioeconomic outcomes that may prove difficult to justify within the socialist framework, we can anticipate more debate and controversy in the future. Whether this will result in discrediting the household responsibility system is difficult to say. The unleashing of individualistic peasant households can result in unintended consequences that may be costly to society, often as the result of
rapid economic growth. Among the most lucrative sources of income has been the development of nonagricultural household sideline production. The rapid growth of household commodity production, however, has given rise to increasing demand for raw material. As peasants scour their surrounding areas for available raw material, local ecologies have been strained. Severe erosion problems have been created as peasant demand for energy has led to denuded hills where grass, bushes, small trees have been sheared off. Increasing prosperity has also stimulated a housing boom, as peasants seek to replace older structures with new homes. This has, in turn, led to deforestation in many areas, and aggravated erosion problems. The demand for energy and raw material is likely to grow as peasant households develop sideline production and new prosperity increases household consumption. Local ecological imbalances, already seriously aggravated by the previous decades of development and population growth, may reach crisis levels as some regions confront the ecological limits to economic growth (Smil).

As the foundations of the commune system are eroded, and resources and savings are diverted from the collective sector back to the household, the collective insurance provided to peasants by the brigade and team are likely to evaporate. Already, in many brigades, cooperative health care and medical clinics have collapsed from a shortage of brigade revenues. Moreover, morale among brigade barefoot doctors has been poor due to the cutbacks in the cooperative health programs, and the perception that others are becoming rich by working for their own households. Though the collective welfare program was minimal, it did provide basic subsistence guarantees to peasants. Further, the erosion of team and brigade welfare funds will make weaker and poorer households all the more vulnerable during bad harvest years and natural disasters.

Though progress was made in furthering sexual equality in the Chinese countryside, women nonetheless continued to be a subordinate group (Diamond, 1975; Stacey, 1983). It is likely that a return to household production will strengthen patriarchal power, and result in retrogression in the limited gains achieved by women under the collective system. Sexual division of labor is likely to return to the presocialist pattern as women leave collective labor to return to household labor. Marriage may become more a household concern than an individual's, and incidents of arranged marriages may increase. Likewise, traditional peasant customs and beliefs may surface, as they have in many localities, to buttress patriarchal authority.

The findings of rural surveys conducted by the State Statistical Bureau indicate that thus far the benefits of household production have been broadly based, with the poor gaining benefits along with the more prosperous households, though probably at a lower rate. These reports are, however, inconclusive as it is still too early to assess the consequences of decollectivization on intravillage, intervillage and regional patterns of inequality. It may be that growth with equity can be achieved, as it apparently has in Taiwan, but this has yet to be demonstrated.
It is plausible that the benefits of rapid economic growth will be felt by most households, since all began at roughly equal per capita land allotments. The state forbids the sale of land and regulates the hiring of labor (Fujian Ribao, February 3, 1983, in FBIS, February 17, 1983 p.01). It also provides a limited source of credit for peasants to purchase factors of production such as seeds, chemical fertilizer, and farm implements. It may be that the socialist state is in a more privileged position to sponsor household-based economic growth without aggravating social inequality. However, some households can be expected to lag behind, even to falter and experience economic hardships, whether due to illness, death, or other factors, while others may experience exceptional luck, their diligence rewarded many times more than that of their equally diligent neighbors. In time such processes will result in new stratification in the village community. Likewise, areas favored by rich natural resource endowment or location, situated close to major transportation arteries or urban markets, may develop more rapidly, while other areas less favored in natural resources and location, may stagnate by comparison. Unequal development rates may result in aggravation of intervillage and regional inequality.

The sharp increase in agricultural productivity following the implementation of the household responsibility system has led to displacement of surplus labor from agriculture. Under the commune system peasants were bonded to their village and locality through a number of overlapping controls, such as household registration, grain rations, brigade certificates. These controls, however, are either weakening or breaking down as the result of decollectivization. Many peasants now spend their time in non-agricultural work, whether in developing their household sidelines or seeking work outside of the village economy as contract laborers or itinerant craftsmen. Whatever is the case, the Chinese countryside is now teeming with foot-loose peasants out to make money. The lure of urban life is likely to attract peasants as it has throughout the world. Urban industries and construction projects are viewed by peasants as favored sources of employment. The pressures for substantial rural-urban migration may prove too powerful and persistent for even the Chinese socialist state to dam up, given weakened control mechanisms of the commune system over peasant households.

The Chinese birth control policy has been achieved to achieve an eventual negative population growth through the enforcement of a one-child limit (Su, 1981). While the one-child limit has been realized in the cities, in the countryside it has been far more difficult to enforce. With the implementation of the household responsibility system, it may prove impossible to realize a one-child peasant family, even with considerable doses of state coercive power. A two-child limit may also prove difficult to enforce as household demand for additional labor power stimulates pressure to have more children. With the weakening of collective subsistence insurance, peasants become all the more dependent upon their children for support in old age. Because Chinese peasants practice patrilocality marriages, this has meant reliance on adult sons for support in old age. So strong is the pressure to have a son that in some areas
where the one-child policy is stringently enforced, there have been reports of sharp increases in female infanticide and abandonment of baby girls (Zhongguo Qingnian Bao, November 9, 1982, p.3).

Yet, according to Chinese demographers, even if the present population plans are met and the birth rate drops from 13 per thousand to 11 per thousand, there still will be 19 million babies born each year, with a projected population of 1.2 billion by 1990. The problem, as one editorial stated, is, "If there is the slightest relaxation, the population will grow still more." (Renmin Ribao, August 23, 1982). This realization has set birth control planners against the preference of peasants for having children as a source of labor power and security in old age.

As we can see, the unintended consequences of decollectivization may result in ecological and social disruptions which may prove very costly to the Chinese socialist state. Whether increased agricultural productivity and economic growth rates will justify such costs is unclear; but if the costs escalate, and become more apparent, the debate over decollectivization will likely become more acrimonious.

Conclusion

This paper has argued that the disappointing performance of collective agriculture cannot be adequately explained by problems "extrinsic" to collectives, in the relationship between state and village. Instead, an analysis of structural sources of disincentives within the collective system provides a more fruitful explanatory approach to peasant preference for household production and this unwillingness to fight to maintain the collective system. According to the structural approach, though the peasant household economy was greatly cut back following collectivization, it continued intact, coexisting alongside the collective economy. The minimal collective welfare provided by the collective sector provided peasants with a subsistence guarantee, but at levels so close to subsistence margins that peasants continued to depend upon their own households for basic income and well-being. Due to the existence of a "free rider" dilemma in the collective sector, peasants did not work to maximize collective outputs. Instead peasants behaved as household individualists.

The ethnographic evidence on Chinese peasant economic behavior, on balance, presents a composite portrait of the rational familist, who seeks to maximize not individual interests, but household corporate interests. There is considerable data that provides evidence of the careful, fine-tuned calculations of Chinese peasants, their marketing activity, their short- and long-term investment strategies. In addition, the considerable entrepreneurial talents of Chinese peasants have been documented in the many studies of emigrant peasants in overseas Chinese communities in Southeast Asia and the West. We argue that the Chinese new agricultural policies should be seen as a regime accommodation to the high level of efficiency and productivity of the peasant household as a maximizing production unit. Though, recent production in-
creases were achieved in part by pricing policy, the state has been reluctant to provide further subsidies to agriculture. Some have argued that the Chinese financed the 1978 price increase subsidy by reducing state investments in agriculture. The return to the household mode of production thus can be seen as a strategy to gain higher productivity without increasing state investment in agriculture.

Chinese reformers came to believe that the weak link in China’s modernization drive was the sluggish performance of the agricultural sector. Agriculture provided a major source of capital for ‘‘socialist accumulation,’’ raw material for light industry, and a market for manufactured products. As long as the agricultural sector grew at a slow pace, it acted as a drag on industrial growth as well. Moreover, agriculture was the key to improved food consumption and greater supply of light industrial products, which reformers defined as a priority of their reform movement.

NOTE

1 Research for the Yangbei study, on which the discussion of peasant behavior is largely based, was conducted in two stages. The first stage involved intensive interviews with educated youths who had settled in the village. These interviews were conducted primarily at Cornell University from 1977 to 1978. The interviews produced over 1,200 pages of interview texts. Additional field work was carried out in China in 1980 in Yangbei village during March and April. Research for the study was supported by the Social Science Research Council International Post-doctoral Grant.

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