

Life in the Chinese Hinterlands under the Rural Economic Reforms

by Jonathan Unger and Jean Xiong

Introduction

Some of the poorest peasant households in one of China's inland provinces are being hurt by current government policies toward agriculture. This is the distinct impression obtained during two months of travel and research in Yunnan Province during mid-1988. As consultants to an international development project, we had an opportunity to explore the hill districts of northern Yunnan in a four-wheel drive, free to conduct interviews with grass-roots officials and peasant families. A total of thirteen villages were investigated, selected largely by ourselves.¹

Our formal investigations focused almost entirely upon the narrow technical topics of the development project. But during the visits to villages, we also had a chance to get repeated glimpses of other aspects of the rural economy and to engage in unstructured talk with peasants and village officials about social conditions in the rural districts.

In these informal discussions and in our own observations of the countryside, we were curious to know the answers to several key questions: How have the poor households in the backcountry fared some half-dozen years after the return of family farming? What have been the effects in the better-off rural districts of the province? Is the gap between rich and poor widening or narrowing? Who is it that government policies are favoring or disfavoring, and how?

In terms of political reform, we wanted to know how the wide-sweeping changes of the past decade have affected local government. As illustrations of the very different political and economic situation that we found in poor as compared to prosperous districts, the discussion later will focus on the poorest district that we visited—and on the richest.

In sociological terms, we wanted to know how the developments of the past ten years have influenced community cohesion and cooperation among families in the hill country. And we wanted to know how the return to family farming has affected the peasant family cycle, when it is that families divide (*fen jia*), and how the new patterns of inheritance operate.

The following is a potpourri of the most interesting of our findings. But we did discover that, sometimes in unexpected ways, the answers to these various questions are interconnected. We shall examine them in turn, starting with the economic issues, then the political, and finally the social.

The Squeeze on the Poor

To put our findings into context, it must be borne in mind that Yunnan is one of China's poorest regions. Indeed, government statistics rank the per capita peasant income in Yunnan as twenty-fourth among the twenty-nine provinces.² The national government has divided China into three zones as regards economic development policies, and Yunnan has been included in the impoverished inland third zone that is expected to develop most slowly in the near term.

[p.5]

¹ Most of these villages were ethnically Han (culturally Chinese), as is the case with the majority of Yunnan's rural population, but four villages of other ethnic groups—Moslem, Bai, Yi, and Miao—were also included in our sample. We held discussions, in addition, with the leaders of three townships (*xiang*, what formerly were called communes) and with officials from several county-level agricultural bureaus. In the provincial capital, Kunming, we also had the opportunity to interview the leading officials of various agencies that are involved in rural policy implementation.

² Guojia tongji ju (National Bureau of Statistics), *Zhongguo tongji nianjian 1987* (China statistical yearbook 1987) (Beijing: Zhongguo Tongji Chubanshe, 1987), p. 701.

Thus far, this slower development has applied even to agricultural production. Nationally, rises averaging 4 percent per annum in grain production were recorded between 1980 and 1987, but in Yunnan the annual increases averaged only 2.6 percent,³ and all of those gains were achieved in the first part of the decade. Since 1984, grain yields in Yunnan have steadily declined.

Despite this, it was obvious during our travels that even this backwoods inland province has witnessed noticeable rises in rural living standards, gained partly through the peasantry's off-the-farm endeavors. This was graphically visible in some of the districts we visited, where a very sizable boom in new peasant housing is evident. In fact, close to half of the homes in which we conducted interviews had been built within the past decade.

However, while many households have been doing better, it became equally clear to us that some of the poorest families have become trapped in a desperate predicament. It is a predicament caused, in part, by the present mix of government policies. On the one hand, rural China has, by state policy, reverted to a smallholding peasant economy in which households have been set free to sink or swim on the basis of their own capacity to produce. On the other hand, a program of state-enforced crop quotas and exactions persists from the Maoist era. The least advantaged households have been caught in a vice between these dual sets of pressures.

During the collective era, villages had been responsible for selling a fixed amount of grain to the government at a predetermined low price. In the early 1980s, when the fields were divided among households, these grain quotas were apportioned among the families along with the fields. They became the families' personal responsibility, much like a fixed tax. Families that subsequently become prosperous are not necessarily obliged to provide any more low-priced grain to the state today than the impoverished families of their village.

Though the government announced in 1985 that this grain-quota system would be abolished and replaced with a system of contracts between the farmer and the state, in the villages that we visited the policy change has been in name only.⁴ All families in these villages are forced to fulfill grain "contracts" that in all ways resemble the former grain quotas. In some of the villages that we visited, poor households that cannot raise [p.6] enough grain to feed themselves after their sales of "contract grain" simply go hungry.

Before, during the Maoist era, the grain-quota burden had been shared by a whole peasant collective; and if there was not enough grain left to keep the peasantry fed after the quota sales, the collective received cheap "buy-back" grain from the government. This buy-back (*fanxiao liang*) system still exists, as does a system of excusing the poor from their grain sales to the state, but these relief programs apply only to whole villages, not to individual families.

High atop a gully in the mountains, we visited one such abysmally impoverished village, where most families worry whether their supply of potatoes, the mainstay of their diet, will last the winter. Each year since 1985 the village has been excused from delivering its quota of contract grain.⁵ Some mountain districts in Yunnan, largely in areas inhabited by minority peoples, are so impoverished that whole counties have been excused from providing any taxes or contract grain.

³ *Jingji wenti tansuo* (Enquiries into economic questions) [a Kunming monthly journal] no. 10 (October 1988), p. 17.

⁴ The policy shift to "contracts" seems to have been aimed at regions where *grain* production had been rising rapidly and where the state wanted to free itself from an obligation to buy more grain than needed. In provinces like Yunnan, which did not see such sharp rises in grain production, the state has chosen to continue to extract grain from the villages on the same terms as previously.

⁵ Decisions on how the village is to be dealt with are made by higher-level authorities on an ad hoc year-by-year basis; at the time of our visit, the village was waiting to learn whether it would again be excused from providing contract grain to the state in 1988. In any years when the village did have to sell grain to the state, the county government refused to accept potatoes and instead insisted on maize, which the village does not grow. So in the past the village has had to exchange potatoes for maize at a 5:1 ratio in order to sell the maize in turn to the county procurement office.

But this system for safeguarding the poorest is of no help to an impoverished family in a village and district of average prosperity. The criteria for excusing grain-quota sales and for providing relief grain to the poor are direct carry-overs from the collective era, when families worked the land together and shared in the proceeds, and when households within a single village consequently had similar living standards; the main distinctions then in wealth and poverty were between villages. Almost no provisions today are made for the fact that relatively prosperous villages may contain destitute families; they get no relief from quota levies. In several such localities, we were told that the very poorest households, harnessed to grain contracts that they have difficulty meeting, cannot even afford to buy matches or salt.⁶

Making matters worse for them, they need to use commercial fertilizers to meet their grain sales quotas, and to buy this fertilizer such families must seek short-term credit from the local credit association at the beginning of the growing season. A principal function of the state-run credit associations is to provide such credit. But the associations' personnel have come under pressure to show profits in their operations, and in a number of villages we were told that they are rejecting the poorest households' requests for loans on the grounds that such households cannot guarantee repayment. In these Yunnan villages, a family that falls below a certain threshold can find [p.7] itself caught helplessly in a downward spiral into slow starvation.

In none of the Yunnan villages that we visited did we hear that any such families had experienced any confiscations of land due to nondeliveries of quota grain or defaults on loans. But elsewhere in China, reports of such foreclosures have begun to surface. In one publicized example of a village in Heilongjiang Province, more than ninety impoverished households recently lost all of their land in this fashion.⁷

Aid to the Poor

To be sure, the state is not entirely uncaring about the precarious circumstances of the worst-off peasantry. It does have a number of special credit programs that are aimed specifically toward helping impoverished families. But again, in a carry-over from the era of collectives, most of this credit is earmarked for the poorer counties, not specifically for poor families. The national government, for instance, sponsors a credit fund titled the Old-Minority-Border-Poor Fund (Lao-shao-bian-qiong kuan) for old pre-Liberation Communist base areas, ethnic minority groups, districts along the country's foreign borders, and poor counties. Yunnan occupies a priority status vis-à-vis the latter three categories, and accordingly received an allocation of Rmb 100 million in 1987 and Rmb 80 million in 1988.* The funds have not been allocated according to the criteria laid down by Beijing, however. In past years, 60 percent of this funding in Yunnan has been diverted to lowland, nonpoor, nonborder, nonminority counties, and not even necessarily to the impoverished within these lowland counties, in keeping with a provincial-level "bet on the strong" bias in economic policy.⁸

Nationally, there is a separate special credit scheme to aid the poor (*fu pin kuan*). In 1988, Rmb 76 million of these national funds were distributed to Yunnan, and the bulk of this credit was supposed to be allotted to the province's twenty-seven poorest counties (the poorest quarter of Yunnan's counties). To a certain extent the scheme operates as it is supposed to. In that very poor mountain village, which is located in a terribly impoverished county, a number of households have recently

⁶ A detailed examination of one village with families in these straits is provided in Jean Xiong and Jonathan Unger, "Zou fang Yunnan shancun ting xinsuan de gushi" (Bitter tales heard through interviews in a Yunnan mountain village), *Chaoliu* (Tide magazine, Hong Kong) no. 31 (September 1989), p. 62.

⁷ *Jingji ribao* (Economic daily), 17 April 1989, p. 1

* Rmb refers to the PRC's currency, the *yuan* or *renminbi*.—Ed.

⁸ This diversion of 60 percent of the funds is discussed in *Minzuxue yu xiandaihua* (Ethnic studies and modernization) [a quarterly Kunming journal] no. 2 (1987), p. 4.

received interest-free loans under this program in order to start sideline enterprises in pig raising.⁹ But much of the aid-the-poor credit is also finding its way into nonpoor hands. In the course of our rural interviewing, we came upon two instances where very prosperous households in relatively prosperous counties had been placed in line for substantial aid-the-poor credit; in both cases the households were closely connected to important local officials.

It is not just through nepotism that these funds get siphoned off. The mechanisms that are used for distributing the aid contribute to its diversion. Each county has an “aid-the-poor leadership group” that determines the allocation of the funds, and the local branch of the Agricultural Bank disburses the money on its behalf. In 1987, by way of the bank, 60 percent of the province’s aid-the-poor credit went directly to individual families. But starting in 1988 the policy is for the Agricultural Bank to provide almost all of this money to intermediate units—for example, the county agricultural bureau or a county industrial enterprise—and then let the intermediate agencies take responsibility for subcontracting the loans. More than that, the ultimate recipient no longer even ostensibly needs to be a poor household. The intermediate government agency, or even a county-town private factory, can plow the money into its own enterprises. The only proviso is that 50 percent of the newly hired work staff is to come from poor households. As a leader of the provincial Agricultural Bank whom we interviewed in Kunming told us, “the bank is quite aware that making a county well off is not the same as making poor households in that county well off. But we simply prefer to deal with units.” The bank reasons that it is short of competent personnel to oversee such loans, and a few administrative units or enterprises can more readily be processed than hundreds of scattered households. Moreover, agencies and enterprises more readily can be expected to repay loans. Administrative convenience wins the day.

There may well be yet another factor at work here, too. The entire bias in rural policy today is weighted toward rural industry rather than agriculture and toward the most productive sectors rather than the most needy. County officials and Agricultural Bank officers have become accustomed to thinking in these terms.

The Credit Crisis

One consequence is that the peasantry of Yunnan—and not just the poorest households among them—have scant access to loans to develop agriculture. Almost all of the credit available to village households comes from the local credit associations, which are controlled by the provincial Agricultural Bank. But such credit-association loans are all small and short-term. In one village after another we were told that the local association never advances more than Rmb 1,000 and that this credit is [p.8] only available on terms of three to twelve months’ duration. Such loans are to tide families over sudden illnesses, to buy agricultural inputs at the start of the growing season, or to buy animals for fattening and quick resale. For such purposes the monthly interest rate, as of mid-1988, was .96 percent (11.5 percent per annum). Given a national inflation rate of some 7–11 percent over the past few years (and presently much higher), such an interest charge has not seemed exorbitant for most short-term investment purposes. Monthly interest rates have been set a bit higher, at 1.2 percent (15 percent annually), for house building, weddings, and other nonproductive purposes, and there have been a great many takers. But interest penalties on all loans from the credit association mount sharply if repayments are not made by the end of the loan period—that is, at a maximum, by the end of one year—putting the credit associations out of bounds as a source of more long-term credit for investments in agriculture.

Peasants do not have recourse to other credit facilities on their own initiative. Ostensibly, the Agricultural Bank offices in the county towns are available for such loans. But rural officials and

⁹ For fear that these desperately poor households will instead spend the credit to meet daily needs, the loans have been provided to the families in kind, in the shape of fine-breed pigs and commercial pig fodder.

peasants alike told us that access to the Agricultural Bank is beyond the reach of almost all rural inhabitants. To apply for such a loan under the bank's new businesslike approach, a peasant must find a well-off guarantor who will accept part of the risk. In the villages where we inquired, interviewees considered an approach to the bank as out of the question.

The bank, in fact, contributes to the credit crisis of the villages. If anything, the bank has become a vehicle through which money has been drawn out of peasant communities for nonagricultural investments, not so much a means for pumping money into agricultural development in the hinterlands. Of the Yunnan Agricultural Bank's total deposits of Rmb 1.8 billion, fully half—Rmb .9 billion—are enforced deposits from village credit associations.¹⁰ In Yunnan at the time of our visit the bank paid the credit associations a very low monthly interest rate of only 29 percent on these large deposits—in other words, the associations and their peasant members subsidize the bank. The county offices of the bank in turn lend some 60 percent of their loan funds to county-level state-owned and collective industrial enterprises; additional funds go to private firms. From Chinese press accounts and the writings of leading economists, this lending bias appears to be part of a deliberate strategy by the government to finance the rapid development of rural industry. The belief, perhaps correct, is that the overpopulation and underemployment that is so evident in agricultural villages can satisfactorily be resolved only through the transfer of manpower into rural industry. But the net result of this policy is that the financing of agricultural development receives the short end of the stick.

Betting on the Strong

Within agriculture, the better-connected and financially better-off households appear to enjoy a distinct edge in getting access to whatever grants or credit become available. Again, part of this can be explained as nepotism or corruption, but the prevailing "bet on the strong" bias in national policy is also a significant factor at work here.

We happened upon a hill village, for example, where under a provincial government program to sow and fertilize hill pastures, thirty families, less than 10 percent of the village's households, had been granted near-permanent leases in 1987 to most of that village's pasturelands. From what we could gather from interviews with local peasants, corruption or favoritism had not been evident here. But the criteria by which the thirty families had been selected by government officials had stressed their financial soundness: the families needed to possess sufficient incomes and assets to ensure that they would be able to repay on time the loans extended to them on special favorable terms to fence and stock the pastures. In short, provincial support and subsidies have gone to an already advantaged minority, with the consequence that a majority of the families in the village have lost access to common grazing lands; they have ended up on the outside of fences looking in.

When we raised this problem with the provincial extension officer who is in charge of the site, she quoted in response the official slogan that "some families should be allowed to get rich sooner than others." Implicit in such a statement is the presumption that other families will later have an opportunity to catch up. But this has in fact become out of the question now that most of the village's pasturelands have been closed off to them. What is occurring, in almost all aspects of the rural economy, is that some advantaged families, often with government assistance, are gaining near-permanent control over local assets, be they ponds or orchards or local industry or pastures.

One disgruntled peasant from the village, interviewed while tending sheep as a hired hand on his more fortunate neighbor's fenced pastures, defiantly told us that he would somehow build his own large flock anyway, on the verges of grass along the roadway and amidst the bushlands. From his tone of voice, it was obvious that he did not genuinely see this as a viable plan; rather, he seems to

¹⁰ The national policy is that the credit associations are required to place at least 30 percent of their own deposits at the Agricultural Bank as a reserve. (On-kit Tam, "Rural Finance in China," *The China Quarterly* no. 113 [March 1988], p. 67.)

have been trying to express to us his own angry refusal to accept that in one fell swoop a new economic/social structure in the village had been erected upon unequal access to property.

There seems to be an awakening awareness on the part of national leaders of the consequences of present policies, including the disgruntlement it is arousing among the great numbers of peasantry who are being bypassed. Official policy is beginning to shift—if not in Yunnan then in national policy-making circles. During our stay in Yunnan, articles were beginning to appear in the People's Daily praising model sites where contracts [p.9] for various agricultural enterprises had been given to groups of several households to manage jointly, rather than to single prosperous families. But Yunnan's officialdom seemed oblivious to this new shift in national policy. As of mid-1988, the thrust of official thinking in Yunnan regarding agricultural development remained, from top to bottom, wedded to the individual peasant family and to a "bet on the strong."

The Desperate Districts

Yunnan is crisscrossed by mountain ranges scattered capriciously across the landscape. The development of transport systems into large parts of the province accordingly has been difficult and expensive. Even today, only a third of the province's rural townships (formerly communes) are accessible by motor road.¹¹ Even a very heavily populated county in the hill country may be served by only a single dirt entry road that snakes up and down endlessly from one mountain and canyon to the next.

Precisely such a road struggles north from Kunming hour after hour and then, branching off, climbs dizzyingly upward toward an isolated county in the high country, home to some 750,000 people. It is a route that is at once beautiful and depressing, for wherever in the plunges of cliff a scrap of mountain slope contains a pocket of soil, hungry peasants have arduously planted small patches of potatoes. Many of these patches are angled at inclines greater than forty-five degrees, and farmers sometimes must strap themselves to supporting ropes to avoid falling into the gorges below.

What drives peasants to climb great distances to scratch out these remote fragments of land becomes apparent as the road reaches one hamlet after another high in the mountains, in territory that in America or Europe would be empty wilderness. In this barren mountain country, extreme Malthusian pressures are forcing peasants to wage a war with nature to survive.

In Dadian Village, some 10,000 feet above sea level, villagers barely manage to struggle through from year to year on their potato yields and their proceeds from wool sales. Even the best-off families there normally must borrow from the credit association to make ends meet over the winter and then, after the annual sales of wool, must immediately hand over most of their proceeds to the association to meet their debts. Since sheep raising provides their only cash income, each household is desperately trying to increase its own flocks irrespective of the fact that overgrazing is stripping the mountain slopes of grass. Already, some sheep are dying of hunger, and gullies recently have begun creasing the stripped high-mountain pastures. In these respects the uncontrolled decollectivization and expansion of flocks is proving ruinous. This stretch of high country is moving rapidly toward irreversible ecological disaster.

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In this particular locale, unlike less impoverished districts, the immiseration of peasant families is not in any way a consequence of the government's procurement policies. Indeed, many of the mountain villages in the county have been absolved from providing contract grain, and central government aid in the form of aid-the-poor credit has been made available. But such measures do not touch upon the root causes of the area's abysmal poverty. The problems involved here are

¹¹ *Jingji wenti tansuo* no. 3 (March 1988), p. 3.

larger and more intractable: the population pressures that are pressing on the land, the misuse of the mountainsides, and the devastating environmental damage that is resulting.

Fifty percent of Yunnan had been covered in forests in the early 1950s, but this has declined to under 25 percent today.¹² This destruction had proceeded at a rapid pace throughout the era of collective agriculture under directives that land should be cleared for grain and grazing. From 1950 through 1975, in fact, the province's forest area had been depleted at an annual rate of 1.36 percent, compared to a lower (though still worrisome) rate of 0.9 percent from 1975 through 1987.¹³ Certainly, in the immediate district surrounding Dadian Village, all forests had disappeared long before family farming was restored in the early 1980s.

To protect the environment, the government's wisest move might be to restrict the peasantry's use of the steep slopes and to put government funds into reforesting the mountainsides. Such proposals have been mooted in China. But the Catch-22 dilemma* is that the peasantry of districts like Dadian would starve if denied access to their eroding potato patches and pastures. In this circumstance, a best-case scenario might be to move part of the population to other richer districts; but the lowland districts of Yunnan are also straining with people. Nor does the growth of industry in Yunnan's cities and towns offer any immediate employment possibilities for the poor of Dadian. Men from the village have tried their luck as far away as Kunming, but have discovered that the competition from other poor job-seekers has driven down the wages for unskilled migrant labor to such an extent that they could not easily recoup the expense of their bus tickets from Dadian.

Given these circumstances, the most feasible response to the plight of Dadian Village lies with China's birth control campaign, which the provincial government has been trying to enforce with renewed vigor since 1987.¹⁴ But even this effort realistically is aimed only at curtailing the growth of the rural population, not at reducing it; the goal in the hinterlands of Yunnan is to restrict each family not to one child but to two.¹⁵ Even if the birth-control campaign succeeds, it will only hold the district to its present degree of overpopulation. Into the foreseeable future, irrespective of government policies, villages like Dadian face continued hunger and continuing environmental degradation.

Dadian is reverting to traditional poor-peasant mores in [p.11] self-protection. This is particularly evident in the arrangement of betrothals. The peasants of impoverished villages face difficulties in the competition to obtain brides for their sons, and so some Dadian parents, in a throwback to time-honored practices, are entering into negotiations with other local families to swap their daughters as brides for each others' sons. Moreover, most parents are seeking as far in advance as possible to line up a fiancée for their boy: childhood engagements have again become the norm. As the village's party secretary explained to us:

The result is that most of the girls here are engaged to be married at the age of two or three; the eldest would be four or five. Why? Because it's an old and widespread custom, so if you wait any longer you won't find anyone acceptable to marry your son or daughter to. Besides, if you agree to a childhood engagement, the little bride-to-be will receive new clothing each year from the boy's side.

In other words, parents in this impoverished village betroth their girl toddlers in part so as to reduce the expense of raising them. To the peasants of Dadian, the national Four Modernizations slogan is

¹² *Minzuxue yu xiandaihua* no. 2 (1985), p. 13.

¹³ *Jingji wenti tansuo* no. 4 (April 1988), p. 39.

* From the 1961 novel by Joseph Heller, a paradox in a law, regulation, or practice that makes one a victim of its provisions no matter what one does.—ED.

¹⁴ At Dadian, an overquota birth today is penalized with a fine of Rmb 800–2,000, depending on whether or not the mother accepts a tubal ligation.

¹⁵ Dadian is a Han Chinese village; in ethnic-minority villages, the regulations were more lenient until recently.

no more than an irrelevant catchphrase. What concerns them is simply to ensure their family's survival and perpetuation.

Advantaged Districts

The poverty of Dadian stands in dramatic contrast to the rural districts in Yunnan that are well-endowed with natural resources or close to urban centers. A good illustration of this contrast is provided by Tuanjie (“Unity”) Autonomous Yi-Bai Township, spread across the mountains that overlook Kunming on the city's western flank.

As its name implies, Tuanjie is populated by a mixture of peoples: half of its 18,000 inhabitants are of the Yi tribe, a fifth are Bai, several hamlets are Miao, and only a third of the populace are Han. To their great good fortune, large quartz-sand deposits with a very high silicon content have been discovered in the mountains, and much of Kunming's glass now comes from these quarries. The township government directly owns two of these quarries, plus an iron mine, a phosphate mine, and an adjoining phosphate factory. It has become rich on the proceeds.

A number of other quartz-sand quarries are owned by six of the ten villages in the township (these dispersed “villages” are former production brigades, each comprising a number of hamlets). Three of these villages have become so wealthy that they distribute an annual stipend of Rmb 1,000-1,200 to each village resident; even babies and the retired elderly get individual shares of more than a thousand Rmb.¹⁶ Part of this windfall has been reinvested in more than 200 large family-owned trucks, whose owners work ten or more hours a day hauling quartz sand on the half hour drive down to Kunming. Other Tuanjie peasants work full-time at high wages in Kunming's construction industry. The terraced fields above Tuanjie's villages lie abandoned as households concentrate on other more lucrative enterprises.

Some families no longer even have the time to cultivate their rice plots in the valley flats, and hire laborers from desperately poor counties to do their farmwork for them; some employment of this sort does exist for men from places like Dadian. The very dirtiest, heaviest labor in Tuanjie gets reserved for such hired labor. On one of our four days in Tuanjie we paused to watch construction work on a new village headquarters. A coolie work crew of young migrant laborers was painfully inching its way up three stories of scaffolding under the excruciatingly heavy burden of a thick concrete roof beam.

Such hired labor—exploited labor, one might call it—has been introduced with the reforms of the eighties. However, the policies of the collective era, which all but banned labor mobility and such wage labor, were not necessarily preferable. When the hiring of migrant labor was eliminated in the mid-1950s, the peasants from the poorest districts had been forced back upon the resources of their own villages. Deprived of any means to escape from their community, they were consigned for two and a half decades to a hopelessly meager livelihood. No socialist policies were devised to bring underemployed labor to where it was temporarily needed, say at harvest time. Instead, to the economic detriment of all sides, each village was left to fend for itself. This self-reliance most hurt the destitute areas, which generally lacked the climatic and soil conditions conducive to developing food production. Over those two decades, consequently, per capita income differentials substantially widened between the better-off and poorer districts.¹⁷ In short, even under Mao the Chinese countryside had consisted of “two nations” of have and have-not localities—indeed, more

¹⁶ To ensure that the birth-control program succeeds here, families with an overquota baby are not only docked a trifling Rmb 300 fine; much more importantly, for the following five years the family becomes ineligible to receive any of the annual income grants.

¹⁷ See Peter Nolan and Gordon White, “The Distributive Implications of China's New Agricultural Policies,” in Jack Gray and Gordon White, eds, *China's New Development Strategy* (London and New York: Academic Press, 1982), p. 182; also Nicholas Lardy, *Agriculture in China's Economic Development* (Cambridge: Cambridge University Press, 1984), ch. 4.

so, it seems, than might have been the case had less inflexible and less “socialist” policies prevailed.

However, in previous decades, with the best-off and worst-off communities isolated from one another, this chasm in incomes had had fewer political and social ramifications. Within the richest communities today, in contrast, sizable groups of poor immigrant laborers are living cheek by jowl with the most fortunate of the rural populace. As one striking example, directly after our travels in Yunnan one of us had a chance to visit a village in a district even wealthier than Tuanjie—Chen Village, in Guangdong Province—and there a neighborhood of bedraggled tents accommodates more than a hundred long-term immigrants, some of whom have even brought their families with them. They are evolving into a permanent underclass, one that is denied all of the rights and privileges enjoyed by local residents. An atmosphere of palpable tension and mistrust between the have-not immigrants and the indigenous villagers is already evident there.

Rich communities like Tuanjie and Chen Village are not required to share their good fortune with the more impoverished districts in their provinces. In Tuanjie, as elsewhere in China, government taxes on nonagricultural income is low, and consequently very little of Tuanjie’s wealth gets redistributed to [p.12] poorer parts of Yunnan. Combined, the product tax, income tax, education tax, and construction tax come to only a bit more than 10 percent of the profits of Tuanjie’s enterprises.

Much of the remainder of the profits gets plowed into services for local residents. Medical care in Tuanjie is heavily subsidized, and to promote education the township government has built nineteen new school buildings since 1984. Education from the age of four up to university is free, and large prizes of money are granted to families whose children get admitted to a vocational school or university. Whilst Dadian Village goes hungry, the peasantry of Tuanjie participate in a mini-welfare state.

Tuanjie’s Township Government

Despite the vaunted separation of state and party in China, the division seems no more than cosmetic in the rural districts that we visited. The party leadership remains in the driver’s seat, overseeing economic as well as political policy. Tuanjie Township provides a good illustration of this. When we asked Tuanjie’s party secretary about the township party committee’s role, he replied that it “decides important policies such as economic development plans—should we develop animal husbandry, how much concentration should be given to grain, how much sand should be mined, should a road be built?” The party secretary takes a personal hand in such new endeavors. He supervises the new 400-pig piggery that the township government has established, and he is the moving force behind plans to establish sown pastures on thousands of acres of hillside.

The township government that the party leadership oversees is divided into a number of offices that are parallel in structure to the county government: a civil affairs office, a public security office, a legal affairs office, a financial office, a Women’s Association office, and so forth. In fact, every county-level bureau has its counterpart at the township level; the township government is, as it were, the county government writ small. It is not to be wondered at, then, that all of the township offices are in fact under the dual control of both the township government and the relevant county bureau. For instance, the township’s legal officer comes under the joint control of the township leadership and the county judicial department. In such circumstances there is sometimes a subtle tug-of-war between the township and county to hold predominant influence over the township-level offices. Here Tuanjie’s wealth gives its leadership more leverage than most other townships enjoy.

As one example, the leadership of mountainous Bodian Township (the former commune that contains impoverished Dadian Village) seemed competent and energetic, more than enough so to

control their own bailiwick. But the profits from the township-owned enterprises amount to only some Rmb 14,000—while all of the agricultural taxes and contract grain go directly to the county, not to the township, as do all the sales taxes on commercial transactions within the township. In return, the county provides the township with funds for administrative expenses, for special projects, and for all of the cadres' salaries. In fact, the county provides more funding to the impoverished township than it extracts in taxes each year.

In an interview with Bodian's township head it was evident that, to his chagrin, the township's animal husbandry station comes more under the control of the county's bureau of animal husbandry than under his own. In contrast, the Tuanjie party secretary insisted to us in no uncertain terms that his township effectively holds the preponderance of influence over all of its offices and personnel. The general rule of administrative sway in China, repeatedly made clear to us during our two months of interviews with provincial and local cadres, is that "he who pays the piper calls the tune."

The Tuanjie township government employs more than forty cadres. Most of these are state cadres, that is, they are paid on a scale set by the state. But their terms of employment have undergone a dramatic change in recent years. In keeping with the central government's drive to encourage expertise, in 1986 Tuanjie's recruitment system for these personnel was revamped. In a new "open recruitment system" (*zhao pin zhi*), the township receives permission from the county to fill an appointment and then advertises it throughout the township. Candidates have to pass through an investigation and then, more significantly, also have to take both a written and oral examination. The questions are set by the county, and differ for different types of positions. The township proceeds to sign a three-year contract with the successful candidates, which can be renewed for further three-year terms.

Under this new system, the township employees' positions effectively have become part time. Those who gain the job contracts still possess their own farmland, and many of them take leave during the height of the agricultural busy seasons. Would-be applicants carefully calculate how much can be earned nowadays from becoming a township cadre as opposed to other endeavors, and one consequence is that there are fewer candidates from Tuanjie's richest villages.

To a modest extent, a system of checks on the powers of the township's party/government leadership has been put in place in Tuanjie by way of the establishment of a township People's Congress in early 1988.¹⁸ Whether the congress can obtain an independent standing or influence remains an open question, however. In the elections held in Tuanjie, township residents ostensibly could stand for election as long as they obtained ten names on a petition. But these petitions were vetted by the party/township leadership, which made the final decision on which candidates would be listed. For each set of electoral slots, slightly more candidates were named than seats were available, and the electors' function simply was to eliminate the least popular of the designated candidates.

Tuanjie's fifty-member People's Congress is supposed to provide a forum for decision making, but its manner of selection all but assures that it serves as a vehicle of the party leadership and township administration. This can be seen in the composition of the Congress's presidium. This eleven-member presidium consists of two township cadres, one village head, one hamlet head, one peasant, plus an official from the township enterprises; and one official apiece from the commercial department, the school system, the clinic, the bank, and the supply and procurement office. In short, if the composition of the bulk of its membership provides any clue, it is a forum by and for the

¹⁸ Yunnan is rather late in establishing these. On earlier township People's Congress elections, see J. Bruce Jacobs, "Political and Economic Organizational Changes and Continuities in Six Rural Chinese Localities," *The Australian Journal of Chinese Affairs* no. 14 (July 1985), pp. 120–21.

township government. The chairman of Tuanjie's People's Congress—a full-time salaried post—had been serving until January 1988 as township head, and was obliged to resign that [p.13] position when elected chairman. A skeptic might presume that his selection as congress chairman was a demotion engineered by the township party secretary, but whatever the case may be, he was already a prominent member of the local government, not an independent outsider who could be expected to serve as a gadfly, watchdog, or ombudsman. In fact, he was, and still is, one of the seven members of the township's all-influential party committee. In the political arena, there is often less to the recent reforms than meets the eye.

Village Services and Community Cohesion

The interaction between villages, townships, and counties has been complex during the reform era. As seen in the case of impoverished Bodian Township, the higher level can simultaneously serve as financial benefactor and overlord as well as taxpayer. This is especially the case where county governments have generated a substantial amount of revenues from county-owned industrial enterprises, one of the fastest growing sectors of the Chinese economy. In past years, the counties have been able to conceal a large amount of these profits from the abysmally outmoded taxation efforts of the province and central government, which have had to rely largely on county officials to police the gathering of taxes from their own domains. Given leeway to under-report the county enterprises' profits, the county officialdom quietly has been plowing almost all of the earnings back into new investments and into subsidies to help fund township and village public services.

The central government, starved of revenues, reacted in 1987 with a new tax program entitled "financial contracting" (*caizheng bao gan*), under which each administrative level, from the province to the prefectures on down to the counties, simply hands down to the level below it a fixed tax quota to be filled. One of the immediate consequences has been a withdrawal upward of funds from county coffers; and some of the county governments in Yunnan have attempted to recoup this loss by imposing new levies on the peasantry. In one county that we visited, for example, the peasants are now required, in addition to their grain levies, to plant tobacco for sale to the county at an artificially low price.¹⁹ (Tobacco is a very major source of government revenue in Yunnan; at present, well over half of the provincial-level administration's funds derive from tobacco and cigarettes.) In one of the villages where we conducted interviews, families that refuse to plant a fifth of their land in tobacco are fined Rmb 10 per *mu* and have been threatened with confiscation of their land; in a second village, peasants who refuse to provide tobacco are fined at a level equivalent to 15 percent of the ungrown tobacco's value.²⁰ The [p. 14] line between higher-level benefactor and exploiter is a thin one and ever changing.

In many of the poor villages that we visited, village-level services are in decline. But notably, the new upper-level exactions are not the only or even the most important cause. Even before the recent squeeze on county revenues, education in many of these villages was underfinanced and in some places near collapse. In one of the villages, no schooling whatsoever is available after the fourth grade because the school's poorly paid teacher is too busy supporting his family through farm work.²¹ In a second village, each year only one grade of children is taught, and the school's

¹⁹ Both through the forced conversion of fields to tobacco and through the peasantry's voluntary plantings for sale on the market at high prices, a great deal of acreage in Yunnan has been transferred from grain production to tobacco, exacerbating the grain crisis. In 1984, tobacco occupied 1.6 million *mu* of land (some 270,000 acres) in the province; by 1987, that had risen to 3.6 million *mu*, a climb of 2 million *mu*. During that same four-year period, the acreage planted in grain had declined by precisely the same amount: by 2 million *mu*. See *Jingji wenti tansuo* no. 10 (October 1988), p. 23.

²⁰ See Jean Xiong and Jonathan Unger, "Zou Fang Yunnan," pp. 63–64, for the economic crisis created in this second village—a village where the land is unsuitable for tobacco cultivation.

²¹ In Yunnan Province as a whole, 47 percent of the primary schools today possess only one teacher. See *Yunnan jiaoyu* (Yunnan education) no. 5 (May 1988), p. 5. That figure partly reflects the hill-country population's dispersion in small

only teacher advances from grade one to grade six with this one group of students. All other children have to hike to another village for their schooling, or must wait for the local school's six-year school-grade cycle to be repeated.

In part, the poverty of public services in these villages is due to a decline in the village governments' own control over revenues. With the reinstatement of peasant smallholdings, village cadres in these entirely agricultural communities no longer administer income-generating resources, and households are unwilling to contribute from their own meager incomes to meet local public expenses.

In one extreme case, a village without any natural water supply had raised funds twenty years ago to install a system of pipes leading into the village from a spring a mile away. The aging pipes have begun to leak badly, but the village today can no longer raise enough money from among its sixty-five households even to repair them. Instead, the peasantry once again carry buckets of drinking water back from the spring for themselves and their animals. In this particular village, according to the village head, real incomes have increased substantially since decollectivization. The crisis in this village, therefore, is not so much economic as organizational: a weakness of leadership and a loss of community cohesion.

Local governments, very obviously, have not been evenly affected by the economic reforms. In rich districts like Tuanjie, which have witnessed very rapid expansions in profitable collectively owned enterprises, village and township governments can provide a wider range of community services than in previous decades. Through their financial resources, such local governments also continue to exert a powerful and energetic influence on economic development. In those districts, local community organization remains strong. Conversely, in the very villages where community organization is most sorely needed—the poorer villages—it very markedly has diminished in the wake of the agricultural collectives' disbandment.

Cooperation among Families

The reluctance in the poorer villages to cooperate in behalf of community goals has its counterpart in a reluctance among families to cooperate in developing their private assets. For a quarter century under the collectives, the peasants of these [p. 15] villages had cooperated in owning and working the land together as a group. Yet today, families are decidedly reluctant to jointly own or manage any agricultural enterprises whatsoever, even with a close friend or relative.

One reason, we suspect, is that frustrations under the collective system during the 1970s had sapped the peasantry's patience with organized cooperative efforts in agriculture. Previous research suggests that the radical policies of the 1970s had undermined the peasants' production cooperatives through repeated interference from higher administrative levels.²² Until Mao's death, the Chinese peasantry had been required to experiment with agricultural techniques totally unsuited to local conditions; had been obliged to labor during the slack seasons for little pay on commune and county public works projects of no direct benefit to themselves; and had repeatedly seen the size of their private plots and the numbers of their poultry and pigs reduced to force them to concentrate on raising grain. China's peasants had been obliged to grow grain even on fields

hamlets, but it also is a consequence of inadequate funding. This paucity of funds is graphically reflected in the fact that a quarter of the province's students have to make do without desks or chairs (ibid.). Education in the poorer districts always has been spartan, and in some respects it has even improved during the eighties. According to official figures, in 1980 some 85 percent of the province's children entered primary school, and by 1987 this had risen to 94 percent. But as of 1987, the retention rate of pupils through the fifth grade was only 51 percent (ibid.). For rural China as a whole the drop-out rate has worsened, and the net result, nationally, is that total rural-student enrollments declined by some 20 percent from 1978 through 1986.

²² See, for example, Jonathan Unger, "State and Peasant in Post-Revolution China," *Journal of Peasant Studies* vol. 17, no. 1 (October 1989).

woefully unsuited to grain production, rather than plant other more profitable crops. In a downward spiral, the collective agriculture of a great many villages throughout China had been operating with ever-decreasing effectiveness. The subsequent decollectivization drive of 1979–82 was organized by the leadership and bureaucracy; peasants were offered no choice in the matter. But given the peasantry's growing dissatisfaction and frustration, once they were ordered to withdraw from enforced cooperation into independent family farming most Chinese peasants apparently welcomed the change.²³

Repeatedly, interviewees told us that they and their neighbors are wary today about co-owning property of any kind. They are not even ready to lend equipment or draft animals to one another, let alone co-own them. In one hamlet that we visited, six pairs of draft animals had been sufficient to plow the large collective fields of the collective era; now, more than half a dozen years later, the hamlet's fifty-six households own seventy water buffalo and cattle since, as it was explained to us, difficulties in cooperation among families have precluded much sharing of animals during the plowing season.

This is not to say that families refuse to cooperate with one another in other ways. They regularly lend a hand to relatives and neighbors in house building or in providing needed field labor during the busy seasons or when a new fishpond needs to be dug. There is little hiring of labor for such purposes within most of the villages in our sample; friends and relatives provide their labor for free, and receive in return only a meal or two as tokens of appreciation. It is an interesting phenomenon. The turn away from cooperation and sharing has been of a particular sort. In Yunnan's impoverished hill country, people appear much more willing to give away their labor, which is "cheap," than to lend or share their property, which is in much shorter supply.

Even such statements need to be qualified, however. Where some particular endeavor promises high profits but a single family would not be able to handle it alone, some families are willing to bite the bullet and cooperate in co-ownership. In almost every village that we visited, for example, some of the peasants could readily name a few other families with whom they were willing to cooperate on endeavors if development-project credit could be made available; any sizable loan would pose too great a risk to shoulder alone. Whatever the feelings about cooperation, the peasant in Yunnan is a pragmatic "economic man," carefully weighing risks and possible profits, and is willing to put aside emotional preferences when faced with the prospect of substantial income gains.

The Peasant Family Cycle

In the new economy of smallholdings, the Yunnan peasant family's prosperity tends to rise and fall over time as children are born, grow up, and marry, for the household's access to labor varies as mouths are transformed into teen-age hands and then, in turn, are lost to the household at marriage.

The process of decollectivization in 1982–83 caught different households at different points in the family cycle, and accordingly affected them quite differently. Land was allotted to households largely on a per capita basis, and families with several small children often discovered they could not work all of the cropland they had acquired.²⁴ They sometimes found themselves scrambling to stay above water financially, especially given the fact that the crop delivery quotas had been attached to each plot of allotted land. Families with several teen-agers fared better. They often had

²³ Discussions in 1983 with informants from twenty-eight villages suggested that, on average, something like three-quarters of the peasant households had been in favor of decollectivization and something like one-quarter of the families had been opposed. Jonathan Unger, "The Decollectivization of the Chinese Countryside: A Survey of Twenty-eight Villages," *Pacific Affairs* vol. 58, no.4 (Winter 1985–86), p.597.

²⁴ *Ibid.*, pp. 595–91.

enough hands available not only to work the allotted croplands but also to handle herding and various economic activities outside agriculture.

In the half decade since then, however, shifts in the life cycle of families have altered the economic circumstances of these various households. Families that before were struggling to support small children now have strong teen-agers to help with the work. In contrast, families that had several teen-aged boys at the time of decollectivization now sometimes find themselves in financial trouble. The bulk of the money that they had made while their sons were teen-agers soon had to be spent to acquire wives for their sons; a son's marriage is an extremely expensive proposition in rural Yunnan today, costing more than a year's income of the whole household. Furthermore, as the sons have each brought their new brides from outside into the village, the family's labor force has expanded, but the family has become strapped for land. This is because the bride's allotted share of land cannot be transferred to her husband's family. A similar problem did not exist under the collectives because the new bride could immediately earn work-points in her husband's village and could receive from the collective her share of private plot. But the new system of peasant smallholdings does not readjust land allocations to account for changes in family size.

The young wives, furthermore, have given birth by now to a couple of children apiece. In 1982–83, when the collective land was divided among families, a married couple with three [p. 16] teen-aged sons would have received five portions of land, but these fields must now support, in addition, the son's wives and children—some fourteen people in all. With their sons only a couple of years away from marriage at the time of decollectivization, such families were the ones who, most of all, were caught then at the wrong time in the family cycle. In villages in Yunnan's hill districts where there is not any alternative employment off the land, they are in trouble.

Marriage, Inheritance, and the Division of Family Resources

Regarding these enlarged families, one might have expected that in unity there is strength. But that is not the case. Families invariably divide when the eldest son marries, rather than endure the frictions of an expanding household. The newlyweds move into a new house and the eldest son takes with him his share of the family property, including a portion of the fields that had been allotted to the family. As each succeeding son marries, he too "divides the household" (*fen jia*) and takes with him his inheritance. The youngest son stays with the parents after his marriage, and it is he who inherits the ancestral house and the remaining family property when the old couple pass away. The daughters take with them a small dowry when they marry, and this is their sole share of family property. They, too, inherit nothing when their parents die.

This is the custom in every village in which we conducted interviews, including villages of the Yi, Bai, and Moslem peoples.²⁵ In the Han villages at least, we had expected to find some families resorting to the traditional extended family as a means to marshal and consolidate economic resources. But there was not a single report of an extended family in any of the villages that we visited. The division of family property at so early a point, decades before the older generation's death, poses serious obstacles to the diversification of peasant household endeavors and to long-term investment planning. We did not have time to examine carefully why, given these facts, none

²⁵ The partial exception was the Miao village that we visited, and the only difference here is that when the old couple die, the property is divided once more and the elder sons get a share.

It is possible that the very large degree of similarity between Han and non-Han villages is due to the fact that the tribal villages in which we conducted interviews are close to Han settlements and were strongly influenced over the centuries by Han customs. Other non-Han villages that are further from long-established Han settlements might possibly diverge noticeably from present Han practices. It should be noted, though, that in a study of the Bai ethnic minority, Colin Mackerras reports that the Bai have adopted most Han customs, See "Aspects of Bai Culture: Change and Continuity in a Yunnan Nationality," *Modern China* vol. 14. no. 1 (January 1988), pp. 51–84.

of the families in these villages have been willing or able to resurrect the extended-family structure. It would make an interesting topic for future research.

Fears on Tenure

If we may hazard a guess, though, one of the reasons why extended families have not reemerged may lie in the fact that most households, irrespective of property divisions, are not presently willing to contemplate very long-term investments. We gained the impression from interviews that even though the peasants believe government policies in favor of private economic endeavors will remain reasonably stable over the next couple of decades, they nevertheless have also learned during the past forty years of party rule that unpredictable twists and turns and about-faces always unexpectedly surface. (With this in mind, one of the heads of Yunnan's Land Management Bureau suggested to us that any contracts for vacant hill land should not exceed five years' duration; any arrangements beyond that might not be safe. A portion of the officialdom seems less certain of the reforms' durability than any of the peasants whom we interviewed.)

The assumption among villagers is that the longer the period needed to get one's returns on an investment, the greater becomes that element of risk. In one village, accordingly, peasants expressed a willingness to invest in sown pastures, where investments can be recouped within seven or eight years, but these same peasants are unwilling to plant trees on the mountain bushland that has been distributed to households, for fear that government policy will swing against private endeavors before commercial timber trees could be harvested.

Such worries do not seem to be shared to the same degree by all peasants, however. Our small sample of interviewees provides suggestive evidence that the older generation of villagers may well be more cautious about long-term investments than the younger generation. The elders can remember several cycles of political and economic relaxation followed by radical periods of property confiscation. Members of the younger generation have few such personal memories, and from some of the examples and anecdotes that were related to us, they may well be more willing to look to the long term.

Dilemmas and Prospects

Even if policies do not change dramatically, the Yunnan countryside still faces an uncertain future. As earlier observed, even when peasants are willing to make long-term agricultural investments, they cannot normally get credit. Aggravating the resultant dearth of investment in the land is the fact that the government's own spending on the agricultural sector has been in decline throughout the eighties. Moreover, as already seen, community organization and agricultural infrastructures in the poorer villages are deteriorating and ecological damage in the hill country is noticeably worsening.

Earlier in the eighties, incomes from agriculture had risen substantially, in part because the peasants were set free to diversify part of their production into whatever particular crops grow well in their locality and fetch a good price on the market. The benefits deriving from Ricardo's law of comparative advantage were demonstrated here in almost textbook fashion. But the easiest gains to be made through crop specialization have already been made, and the point appears to be at hand where future productivity gains increasingly will necessitate new investments. The declines in agricultural investments of the past decade need to be reversed. Yet the government's bank credit policy continues to starve Yunnan's villages of investment capital in favor of county-town industrial investments. If such rural industrialization does not succeed in providing enough new markets for agricultural products and sufficient jobs to compensate for the belt tightening that is being imposed on Yunnan's agriculture, this inland province could find itself in dire trouble.

Some of the peasantry, as we have observed, are already in dire straits. Even when marked gains in agriculture were being made in much of Yunnan's countryside, the poorest were [p.17] already going under, victims of official callousness in grain-quota policies. The authorities obviously find it administratively most convenient to supervise a grain procurement program in which each household, be it the wealthiest or worst-off in its village, simply hands up a relatively equal share of the village's grain quota. Inequitable though this is, it probably does not impose undue hardships in China's most prosperous regions, where the grain levies constitute a comparatively smaller part of family budgets. But no one in the top government echelons, with eyes and hopes fastened on the more developed parts of the country, bothers to notice that the poorest households of villages in the hinterlands do not have enough to eat after they have handed up their quota of grain.

The way that this program of grain levies operates complements the "bet on the strong" thrust of government policy. As seen earlier in this paper, undue advantages are flowing to those households within the villages that have influence and capital. Economic polarization, in fact, has been directly promoted by government policy (a striking example being the village where almost all of the pasturelands have been given to thirty well-off families). Current policies, moreover, do not take into account the adverse consequences of such polarization. Whilst the unchecked private accumulation of wealth by rich peasant households and successful entrepreneurs has generally been encouraged (and largely untaxed), few welfare measures (fewer, it appears, than under the collectives) have been provided to cushion the fall of the families and individuals who are ill-equipped to compete. These are troubling times.