

Understanding China

A Guide
to China's
Economy,
History,
and
Political
Culture

*Revised and
Updated Edition*

了解中国



*"A clearheaded,
multidimensional tour of
China's political, economic,
and social landscapes."
—William W. Finan, Jr.,
Current History*

John Bryan Starr

VI

SOURCES OF RURAL DISCONTENT

THE SHEER SIZE of China's rural population is one of its most arresting features—910 million people, close to three and a half times the total population of the United States. Even when it was only a third of its present size during the civil war, China's rural population was recognized by Mao Zedong as a singular resource that could give the Communist Party the leverage it needed to defeat the city-based forces of the Nationalist Party. And so he set aside the conventional Marxist-Leninist canon and focused his attention on peasant grievances: their desperate poverty and their concern about the depredations committed by the Japanese forces seizing and occupying so much of China's territory. Attending to these concerns, the Chinese Communists mobilized their overwhelming social force and with the help of the peasantry brought about the victory of the Communist revolution in 1949.

By means of land reform and the creation of collective farms in the years immediately following the Communist victory, rural incomes were equalized and raised. But in other ways, the exploitation of the rural population continued. Keeping the price it paid for grain artificially low, the government turned a profit at the expense of the peasantry and then used this profit as the source of capital for industrializing China's cities; city dwellers also got government subsidies for housing and food that were unavailable to the rural majority. And it was the rural population that suffered the most serious conse-

quences of China's disastrously misguided agricultural policies during the late 1950s. In the twenty-five years prior to the reform period, per capita income in the countryside increased less than 50 percent.

Deng Xiaoping began his economic reforms in the countryside for two reasons: he knew that reforming agriculture would be much easier than reforming industry; and if the reform of agriculture were successful, Deng could use that success to persuade his skeptical colleagues to take on the more complicated tasks of reforming industry.

Indispensable to the success of agricultural reform was the household-responsibility system, which had originated as an experiment in the early 1960s, when Deng and his colleagues were looking for ways to alleviate the disaster brought on by the Maoist excesses of the Great Leap Forward in the late 1950s. In the experiment, land was taken out of the collective and given to households to farm; what any one household produced over the quota set by the local government, it was permitted to sell on the rural free market. The experiment had been successful, but it was abandoned once the disaster abated, and Mao later denounced it as unacceptably capitalist in spirit.

The household-responsibility system was resurrected in 1978, once again as an experiment in one or two locations. But almost overnight it was adopted by farming communities throughout China. The incentives it incorporated quickly boosted productivity, output, and household income. When these increments began to slow seven years later, a further round of reform stabilized the contract system and opened the door to the proliferation of small-scale industry in the rural economy.

The combined effect of these reforms was to raise rural incomes by a factor of three over the first twelve years of the reform period. A lot of publicity was given to the first "ten thousand *kuai* households" (households whose annual income had reached twelve hundred dollars). When news of this new phenomenon reached city residents, they found themselves envious of their country cousins for the first time in memory and were more than ready to see replicated in the city some of the entrepreneurial opportunities available beyond the suburbs. And given their significantly improved standard of living,

China's rural residents were generally quite satisfied with their lot at the end of the 1980s. They were somewhat insulated from the inflation that loomed large in the cities, and corruption, which was the second most frequent complaint of city dwellers, had yet to become fully visible in rural communities. This helps to explain why the slogans and speeches of students and workers who rushed into the streets of every major city in China in the spring of 1989 fell on deaf ears in the countryside, why there was so little sympathy among country folk for the demonstrators' demands, and why the demonstrators made virtually no effort to arouse the support of people living outside the cities.

During the 1990s, this quiescent satisfaction in the rural community disappeared. Urban reforms eliminated the small entrepreneurial advantages that rural residents enjoyed over their urban compatriots, and today the gap between rural and urban living standards is growing rapidly. The rural majority is reacting to this situation in two ways: they are taking advantage of the relaxed restrictions on geographical mobility in record numbers, and some 100 million underemployed workers have left their rural homes in search of temporary work in China's largest cities; and those who stay in the countryside are nursing their grievances and, increasingly, acting on them. Given their new attitudes and habits, it seems unlikely that they will sit on the sidelines the next time political dissatisfactions spill into China's streets.

Until the 1980s, the Chinese countryside was organized into large collective enterprises called communes, a unit (or *danwei*) typically incorporating the people of what had been several villages before collectivization began. The average commune, with about two thousand households, was divided into brigades, each made up of a population roughly equal to that of the average village, or about two hundred households; the brigades, in turn, were divided into production teams of twenty to forty households. The production team or, in some cases, brigade held title to the land and equipment for which it

was responsible; members received their work assignments from the production-team leader. Individual householders owned their houses (but not the land on which the houses were built) and personal effects and had use rights to a "private plot" of land on which produce or animals could be raised for home consumption or for sale on the rural free markets.

Compensation within the commune system was based on work points. Work points were assigned based on the difficulty of the task, the capability of the worker, and the amount of time spent at work. Men, who were considered more capable than women at working the land, routinely received more work points than women for performing the same task for the same period of time. After the harvest, grain was sold to the state according to predetermined quotas, and work points were totaled; whatever amount of the team's profit it had agreed to set aside for compensation was then divided by the total number of work points earned by all the team members. This fixed the value of the work point, and team members then received compensation based on the total points. Only the largest, richest communes could offer their members retirement plans, but all of them offered medical care and primary education at nominal cost.

This compensation system gave peasant households fairly secure if very low incomes, but it provided no incentive to work hard or efficiently, and Chinese agricultural production was essentially stagnant. Productivity was very low, and the growth in total output did not keep up with the growth in population.

During the first years after the Communist revolution, ownership of land and equipment and the power to make decisions about production were removed from individual households and vested in progressively larger and larger units—first the mutual-assistance team, then two stages of cooperatives, and finally the communes. In this process, the size of the decision-making unit in the rural economy grew from a household to an entity encompassing, on average, more than five thousand households. But after the failure of the Great Leap Forward, this process was reversed. Beginning in 1959, owner-

led to the cultivation of fruit and vegetables, which were more profitable than grain.

Bringing industry to China's countryside was a goal that Mao pursued during the last twenty years of his life. He saw a number of advantages in doing so: peasants would be proletarianized by exposure to the industrial workplace; rusticated industry would bring factories closer to their source of supply and to the rural consumer; and China's national defense would be enhanced by making each part of the country more self-sufficient, so that the occupation or destruction of one area would not affect the economic viability of the rest of the country. Finally, opening up factories in the countryside would absorb the substantial surplus labor power in the rural economy.

The first step in introducing industrial practices into the rural community came during the Great Leap Forward, with the creation of what were called "backyard steel furnaces." Rural residents, like their urban compatriots, were encouraged to collect scrap metal (along with useful tools and utensils that were declared scrap in order to reach the inflated goals of the campaign) and to melt it down to help increase the nation's steel output. The campaign was a failure on all counts. Few proletarianizing lessons could be learned in these ad hoc workplaces, and the lumps of melted metal produced in them were largely unusable.

Alongside the useless steel furnaces, however, workshops and small factories were set up that began the process of creating a "cellular" economy in rural China. During the 1960s and into the 1970s, a major effort was launched to open new factories and to make China's more than two thousand counties as self-sufficient as possible. Some of these factories belonged to the state sector, many were owned and managed by the county government, and others were owned and managed by individual communes. In the mid-1970s, rural small-scale industry was producing about 10 percent of China's total industrial output; in certain lines, such as chemical fertilizer and cement, the small-scale factories accounted for more than half of the nation's total production. As we have noted, these efforts were

ship and decision making were shifted downward, first to the brigade and subsequently to the production team. The cycle was completed with the reintroduction of the household-responsibility system in 1978. With it, the individual household was re-empowered and once again serves as the locus of production decision making and de facto landownership.

Village governments, which took the place of production-team management groups, put the new system in place. They evaluated their land and divided it into parcels, each parcel containing noncontiguous pieces of good land and less productive land. Households were allowed to bid for use rights on these parcels; better-off families with more able-bodied workers were rewarded with use rights to the larger, better parcels. Team implements and draft animals were sold at auction to householders.

The village authorities and successful bidders signed contracts that stipulated three "fixed items": the price the household would pay for inputs, including seed and fertilizer, which were rationed based on the size of the contracted parcels; the expected output of specific commodities, such as grain or cotton, to be produced on the parcel; and the price the state would pay for the contracted commodities. The initial contracts were written for one-year terms. Everything the household produced over and above the stipulated amount of the stipulated commodity it was free to dispose of as it chose—whether for personal consumption, barter, or sale. Sales could be made either to the state at a price higher than that paid for contract commodities or directly to consumers on the free market.

The rural working community responded to this new system's incentive for hard and efficient work. The increase in grain production was modest, but total agricultural output grew significantly. The average annual increase in the total amount of grain produced during 1970–1977 was 3.6 percent; it rose during the seven years following the introduction of the responsibility system to 5.5 percent; comparable figures for the total income from agricultural production are 3.1 percent and 13.9 percent. These figures reflect the fact that the contract system, which encouraged farmers to diversify their crops,

augmented by the PLA, which was active in building a "third line" of factories in remote areas.

The most recent wave of rural industrialization began in the mid-1980s, when the initial surge of growth in rural per capita income brought on by the introduction of the responsibility system had begun to slow. Reformers now encouraged a rapid proliferation of new industrial enterprises under township and village management; these enterprises now have a workforce of forty million and account for nearly a quarter of China's industrial output, producing both for the domestic market and for export.

Unfortunately, there are negative consequences of this otherwise promising development. The little factories occupy what was once arable land and contribute to air and water pollution. Built with the lowest possible capitalization, very few of them conform to China's environmental protection regulations. Local officials eager to reap the benefits of rapid industrialization put pressure on the environmental protection officials to ignore violations or to grant waivers. In the trenches where the war between economic development and environmental protection is being fought, economic development is winning most of the battles.

The household-responsibility system increased farmers' productivity through monetary incentives. But the smallness of the contracted parcels severely limits the ultimate productivity. Actually, with so much underemployment in Chinese agriculture, inefficiency and lack of productivity are not the obstacles to increased production that they would be were labor scarce. Nonetheless, there is talk of rationalizing agricultural production by combining small contracted plots into larger, more efficient farms.

Some consolidation of parcels is occurring spontaneously. In some places, households pool their parcels, labor, tools, and animals and farm the land as informally constituted cooperatives. Since contracts are transferable, others have sold their contracts and left agriculture entirely. People buy up these contracts, hire a staff of farm laborers, and become large-scale agricultural producers, which can realize economies of scale with respect to inputs such as chemical

fertilizer and insecticides. But large efficient farms turn underemployed farmworkers into unemployed ones. Their need for jobs frequently encourages local authorities to build more factories, which takes badly needed arable land out of cultivation, thereby reducing total production.

With the introduction of the responsibility system came a structural change in rural administration in which the township took the place of the commune as the lowest level in the government structure. On average, each township is approximately twice the size of a former commune, and its administration serves as the local government, supervising the civic life of the two dozen or so villages under its authority, and as a production company, overseeing numerous collective enterprises (the average township has more than seven hundred of these). The production company is organized into agricultural and industrial departments and perhaps others with responsibility for commercial activities, transportation, and the like.

A second stage of structural change has been proposed. The goal is a bold one: to shift the rural-urban population ratio from its current 70:30 to 50:50, which would require a vast expansion of existing rural villages. Facilities and services will be needed for the more than 300 million people to be relocated from their villages to new, more urbanized residences. The purpose behind this radical social restructuring is to transfer rural Chinese underemployed workers into industries based in the countryside. And it is proposed that once this plan has been implemented, rural town governments will take responsibility for administration of their neighboring townships; since there are roughly half as many towns as townships, this consolidation means that the lowest level of rural administration will be roughly twice its current size.

Meanwhile, the countryside is the site of what one observer has called "creeping democratization." Beginning in the late 1990s, elections were held on an experimental basis at the village level. A village committee of three to seven members is directly elected on the basis of open nominations. While the authority of the committee is lim-

ited, voter turnout is typically high. Village elections were sanctioned in a new law adopted by the National People's Congress in 1998. By 2000, more than half of China's one million villages had elected committees, and the experiment had been extended to the township level. Foreign observers of village elections have found them to be open, honest, and boisterous events.

Whereas in the past the Chinese government could count on peasant acquiescence and could focus on the more volatile political behavior of workers, students, and intellectuals, today it can no longer take for granted the passivity of the peasant.

The most serious problem the government faces in the countryside is underemployment, perhaps better conceived of as hidden unemployment, affecting nearly one-third of the rural workforce: the direct cause of the outflow of 100 million people into China's major cities. A first priority is to find a way of providing housing and social services for that proportion of the floating labor pool that is actually needed in the urban economy. Its second, more complicated priority is to find jobs to attract the floaters who are not needed back to their homes in the countryside.

Other problems are related to the task of ensuring a sufficient food supply for the Chinese people. The task is best thought of as a fraction, with the numerator food supply and the denominator population, the aim being to increase the numerator as much as possible while simultaneously controlling the growth of the denominator.

The first aspect of this task is to ensure a steady increase in the production of grain, cotton, and other agricultural commodities, without which the Chinese economy would grind to a halt. The market solution—raising the price paid to the farmer to encourage him to produce more—threatened to create as many new problems as it solved old ones. Under the commune system, farmers had little or no choice as to what to grow, to whom to sell their produce, and at what price. Natural disasters and sloth were the only obstacles to the state's realizing its quotas each year. Natural disasters are a constant, of course; reform policies largely eliminated sloth by means of material incen-

tives. But these same policies created a new hurdle for the government to surmount: producing the basic agricultural commodities became a money-losing proposition for the farmers. Almost anything the rural household planted on its contracted land would yield a better income than grain, given the prevailing prices the state was willing to pay for it.

The situation is comparable in cotton production. Raising cotton on contracted land and selling it to the state at the state's artificially low price produced only about one-fifth of the income that vegetables brought in. Peasants obliged by contract to grow cotton took to selling it on the black market for three times the state's price and claiming a shortfall in the harvest when state purchasers came to claim their contracted amount. Were the government to raise cotton prices, it would increase costs for the textile plants, most of which are state-owned enterprises already teetering on the brink of bankruptcy.

As part of its package of perquisites for city dwellers, China in years past purchased grain well below market prices then sold it in the cities at an even lower price, absorbing the difference as an expense item in the national budget. Similarly, as part of the package of subsidies for state-owned textile factories, cotton was purchased at below-market prices from the farmer and sold to factories at an even lower price. When these expense items grew, the state decided no longer to subsidize grain and cotton and to allow prices to rise to market levels: in 1994, the price of grain in city markets rose by 50 percent, and another 30 percent the following year, a major factor in driving the urban inflation rate to 25 percent in 1994 and 17 percent in 1995. Meanwhile, the price of cotton increased 60 percent in 1994 and another 30 percent in 1995, thereby exacerbating the already precarious fiscal health of the textile industry.

These radical measures (abetted by favorable weather) appear to have been effective. Grain production reached a record output of 504 million tons in 1996 and has remained close to that level in the years since. Cotton production, too, has increased since 1994, though at a more modest rate. Meanwhile, the runaway inflation of the mid-1990s has been brought under control, and grain prices in

the cities have stabilized at a level approximately 75 percent higher than that of 1994.

Increasing the numerator of the food supply-population ratio is all the more difficult because of the declining supply of arable land. Every day decisions are made in rural communities that reduce the already scarce amount of land available for cultivation. China has about 20 percent of the world's population and only about 7 percent of its arable land: currently about 366,000 square miles, which is 80 percent of the 1950 figure. This means that over the past five decades China has endured a net annual loss of about 1,800 square miles despite its vigorous efforts at reclamation; and the rate at which land has been taken out of cultivation since the reforms began is about five times that average.

Yet land is being withdrawn from cultivation for good cause. Rural factories produce goods that augment the gross national product and give jobs to workers who would otherwise leave the countryside or be unemployed. But factories occupy land that could be cultivated, and they need raw materials and markets, which means expanding the highway and rail network, eating up still more land. As rural incomes rise, people are eager to expand their living quarters, and although local regulations restrict the proportion of land in a community that can be devoted to housing, these are often stretched or violated. Land is also taken out of cultivation for uses with little or no value for economic development: many odd schemes have proliferated recently, the most egregious of which are two dozen golf courses laid out in 1994.

In the mid-1990s, some foreign demographers and agronomists issued dire predictions about China's ability to feed its population over the next thirty years. Given the current growth rate of the Chinese population and its changes in diet, they estimated that it would take more than 600 million tons of grain to feed that population in 2030. Not only will there be more people to feed, but as household income increases, so does consumption of meat, poultry, and eggs. Grain production in 1996 reached the record level of 504 million tons. To reach 600 million tons by 2030, production must annually increase

by 3 million tons. But, with land taken out of cultivation more and more quickly in the late 1980s, conservative projections showed a drop in grain output of up to 20 percent over the next thirty-five years, which would result in a grain deficit of more than 300 million tons in 2030. The total world grain surplus available for export in 1993 was only about 220 million tons, and many other countries are dependent on that surplus. "What will happen when China becomes a grain importer on a massive scale?" they asked.

The Chinese government at first ignored these dire predictions, then began to take them very seriously. A land-use law that came into effect at the beginning of 1999 severely restricts the conditions under which land can be taken out of cultivation. Transfers of up to eighty acres of agricultural land to nonagricultural use are subject to approval by provincial authorities; transfers of more than eighty acres are subject to approval by the central government. Land taken out of cultivation must be compensated for by an equal amount of land reclaimed. Speaking directly to the question of China's grain self-sufficiency, Chinese agronomists pointed out that not only is the country very close to completely self-sufficient in grain but average annual per capita grain consumption, at 330 kilograms, exceeds the world average, as does per-unit grain output, at 1.8 tons per acre.

Assuming that these measures will result in continuing growth rather than a decline in grain production over the next thirty years, state planners project an annual increase of between 2 and 3 million tons to a level of about 570 million tons. They estimate the need for grain at some 630 million tons in 2030 and argue that imports should be relied on to make up the shortfall of 60 million tons. They contend that the drive for grain self-sufficiency has resulted in stockpiling, corruption, and a new price structure that puts domestic grain prices higher than world prices without significantly increasing farm incomes.

If the dire predictions were overly pessimistic, these new Chinese government projections seem overly optimistic, given the difficulties in enforcing the new land-use law and the strong economic incentives to disobey it, as well as the lingering economic disincentives to

devote land and labor to grain rather than to more lucrative crops or enterprises.

The goal of controlling the growth of the denominator of the food supply-population ratio is equally daunting. China's efforts to limit population growth to one child per family have fallen short of their target. The average number of children in China's cities is very close to 1 per family, but the national average is 1.84. Rural resistance to the birth-control program is attributable, on the one hand, to tradition, which dictates a preference for a male heir to carry on the family name (multiple births in one family frequently being the result of repeated attempts to have a male child), and, on the other hand, to the economics of the rural reforms. The household-responsibility system rewards big families in which there are many workers. Because girls cease to contribute to their parents' exchequer once they marry and leave the household, boys are considered a better source of income. And since there are no retirement plans in the vast majority of rural collectives, a couple's only source of old-age security is a large family. The birth-control program is successful in the Chinese countryside only when it is enforced with draconian measures, such as forced abortions or sterilizations or the destruction of homes and property. But such measures further alienate the peasant community.

A final source of government dissatisfaction with the rural population is the very high rate at which they withdraw their children from school. Census figures in 1990 revealed that 205 million people, or 18 percent of the Chinese population, were illiterate or semilliterate, of which 90 percent were rural residents and a startlingly high proportion were females under the age of forty. This is precisely because Chinese families will withdraw children, particularly girls, from school before they have completed their education.

Schooling is not free in the countryside. The tuition is nominal, amounting to about two dollars per term, but informal *ad hoc* charges can mount to twenty-five times that—a sizable amount when the average household income is less than eight hundred dollars per year. Most parents see little to be gained by paying for a high-school education for a child, since what the child is likely to learn seems

largely irrelevant to his or her earning capabilities. This is especially so for girls, whose only chance to make money for the family is during their teen years. Only as the economy diversifies and becomes more complex will this shortsighted attitude give way to an appreciation of a high-school education as an appropriate investment. The government's providing truly free schools in rural communities would help to speed this change of attitude.

But rural people have as many reasons to be dissatisfied with their government as the government has to be dissatisfied with them. They face more and more problems that local authorities are unwilling to address or unable to resolve. In some instances, the local authorities themselves are the problem.

Among the most serious sources of dissatisfaction is excessive taxation. There is a cap of 5 percent on the amount of rural household income that can be taken as tax by the government, but in practice, local officials impose fees, tolls, fines, special levies, and charges that in most areas add up to 15 percent or more of household income, in some cases as high as 50 percent. Were this revenue used to pay for public services and improved infrastructure, rural taxpayers would no doubt continue to grumble but would at least enjoy some benefit. In fact, a substantial proportion of the tax revenues goes into the personal accounts of local officials, along with their take from bribes, graft, and profiteering. All too often this ill-gotten gain is consumed in conspicuous displays of personal excess—lavish banquets, expensive automobiles—that only inflame resentment. Indeed, this corruption is itself a potentially explosive source of rural discontent. Those who lived through the final days of the Nationalist government in the 1940s—days marked by rampant corruption—claim that the situation is worse now than it was then. The situation is particularly aggravated in the province of Sichuan, which has been the site in recent years of any number of violent demonstrations by rural residents protesting excessive taxation. Employing a different form of protest, two thousand Sichuanese households took advantage of the 1990 change in the legal code that permits citizens to sue the gov-

ernment and successfully litigated against local officials for levying taxes in excess of legal limits.

Unfortunately, three aspects of Chinese society today combine to create a climate particularly conducive to corruption. The first aspect is a mind-set inherited from the Confucian tradition and its emphasis on understanding society as a web of mostly hierarchical relationships. To make one's way through this web one is supposed to cultivate relationships (*guanxi*) that are likely to be helpful. This practice of *guanxi*, just as vital in contemporary society as it was centuries ago, lends itself all too easily to bribery and political corruption. The line between the legitimate cultivation of reciprocal friendship and the corrupt practice of bribery is difficult to draw, especially where there is the tendency to inflate the cost of the former.

A second element that encourages corruption is the experience of forty years of socialist rule. The Yugoslav author Milovan Djilas, writing in the 1950s, was among the first Communists to describe a "new class" of privileged bureaucrats to which socialist society could give rise. Mao Zedong took up the same theme in his criticisms of the Soviet Union under Khrushchev, and he subsequently applied these criticisms to China itself on the eve of the Cultural Revolution. As managers of state resources, bureaucrats in a socialist system monopolize and misuse those resources for their own advancement. And because they control education and recruitment into the political system, they can perpetuate their personal control by favoring their own choices or indeed their own offspring. Mao argued that this process of embourgeoisement—creating a new bourgeoisie out of corrupt proletarians—could be controlled only by means of a "continuing revolution" that takes power away from the privileged class. The "new bourgeoisie" in China was seriously undermined during the Cultural Revolution, though the perpetrators of that movement abused their power just as much as or more than the targets of their persecution. Many who were victimized during the Cultural Revolution then returned to power under the aegis of Deng, himself a target of the movement, and they seem to regard the comforts of their current station in life as fitting compensation for what they sacrificed

during the earlier thirty years. Deng and his immediate circle of senior colleagues avoided an extravagant lifestyle, but their sons and daughters are infamous for taking advantage of their parents' positions to acquire personal wealth and influence.

A third element of Chinese society that is conducive to the growth of corruption is the economy's current state of partial marketization. Most decisions about allocating resources are made by the market, but decisions about allocating certain critical resources are still made by Party and state officials. The sharp competition among the state, the collective, and the private sector has raised the ante in decisions about who gets what quantity of critical items in short supply, a situation rife with opportunities for corruption.

Corruption, the kudzu of contemporary China, is intractable because the legal system is not able to establish a standard against which to measure it and the political system lacks an independent agency to attack and control it. Central authorities launch periodic anticorruption campaigns, but the agents on whom they rely to implement these campaigns are the very officials who are their most eligible targets. At best, one or two scapegoats are prosecuted and lose their jobs, but the problem grows worse. In the summer of 1993, Jiang Zemin, calling on his authority as president of the PRC and general secretary of the Party, announced a campaign to end corruption; two months later, *People's Daily*, the organ of the Party's Central Committee, editorialized that "a certain amount of corruption in our system is inevitable." Needless to say, Jiang's campaign did not achieve its goal.

Another source of rural dissatisfaction with the government is the periodic cash-flow crises. Eager to take advantage of promising if highly speculative investment opportunities and not always successful in collecting tax revenues, local governments often find themselves strapped for cash just when the farmers are ready to sell their grain to the state and thereby fulfill their contracts. Rather than getting cash for their grain, farmers have got IOUs redeemable when the government's cash-flow problem is resolved. So serious was the cash shortage in 1994 that stories were told of floating workers in China's cities who purchased money orders at municipal post offices and sent

the money orders home to their families, who, when they tried to cash them at local post offices, were given IOUs instead.

One source of dissatisfaction, perhaps not felt by rural residents in their daily lives, is over the long term perhaps the most serious of all: the gap between rural and urban incomes. For a brief time in the early 1980s, economic reforms in the countryside resulted in the income of rural households growing much faster than that of urban households: in 1980, rural incomes were only one-third of urban incomes; by 1985, when reform of the urban economy began, they had at least grown to one-half of the average urban income. But after 1985, the gap began to widen again, and, in monetary terms, it is sixteen times what it was in 1978.

The average urban household income in China's cities stands at about \$3,000 per year; the average rural income is somewhat less than \$950 per year. Three percent of the Chinese population is living in poverty (defined as a per capita income of less than \$220 per year), and the vast majority of these are rural residents. And the situation is getting worse. The overall growth rate in the urban economy is more than 10 percent, and in the rural sector only about 6 percent. Foreign economists estimate that the gap between the poorest of the rural poor and the richest of the urban rich is now as great as that in any country in Asia and surpasses that in the United States and in western Europe.

In the past, this rural-urban gap didn't matter a great deal. The state's control over the flow of information and the almost complete absence of geographical mobility meant that much of China's rural population was ignorant of city conditions, and even if they were aware of the differences in living standards, there was nothing they could do. Today the situation is very different. Information about conditions in China's most highly developed cities is trumpeted in the official media, and a large number of rural families have one or more members who are floating workers temporarily living in cities.

Another aspect of the rural-urban gap, of which individual farmers may be less aware but which seriously jeopardizes their long-term interests, is that the rate of capital investment in the industrial sector is substantially higher than that in the agricultural sector. In the early

days of the People's Republic, it was very different: investment in agriculture constituted nearly a quarter of total investment in China in the late 1950s and early 1960s. By the late 1990s, however, that proportion had dropped to 2 percent, the rationale being that the rural collective sector, powered by reforms, was generating enough capital to allow local governments to take over agricultural investment. The fact of the matter is, however, that this local government investment also declined precipitously during the 1980s, from nearly 40 percent of total local investment to under 10 percent by the end of the decade. Seeking a high return on each investment dollar, local governments are much more inclined to invest in new industries or even real-estate development than to settle for agriculture's low return.

Grain production in China totaled 444 million tons in 1994—a decline of 3 percent from what was then the record harvest of 456 million tons in 1993. Alarmed by this decline, the central government pledged to reverse it and to provide investment funds for agricultural infrastructure and for research and development of new seed strains, new fertilizers, and new pesticides. Although some additional investment has been made in the ensuing years, it has not been sufficient to reverse the continuing problem of underinvestment in the agricultural sector.

Several other problems have caused China's rural residents to lose confidence in their local governments. Environmental pollution is one of them. People in the countryside are the first to suffer when township and village industrial enterprises flout air and water pollution regulations. (Until very recently, China had no grassroots "green" movement pressuring the government to address these matters, but there are signs that a citizens' movement with an interest in improving environmental quality is coming together.) Also, crime is on the rise throughout China, and one form of violent crime endemic in the countryside is the abduction of women and of male children, the women to be sold as wives or prostitutes, the boys to be sold to families who have not produced a male heir. About fifteen thousand cases of abduction are investigated each year. Although the Public Security Ministry reports an increasing number of arrests and

prosecutions in cases of kidnapping and abduction, the crime wave has sapped citizens' confidence in the local governments' ability to maintain civil order.

Inflation, a serious cause of urban dissatisfaction in the late 1980s and early 1990s, was a less serious issue in the countryside, since the rate of inflation there was consistently much lower than in the cities. Rural residents own their homes, and most of them produce at least a portion of their food, so they are insulated from the two major causes of fluctuations in the cost of living in the city.

As we have seen, rural China was largely inactive when students and workers in China's cities were demonstrating against the government in 1989; rural residents were generally unsympathetic with their demands for a more open, more effective government. But since 1989, as the sources of discontent described here have taken their toll on rural toleration of incompetent governance, the climate has changed. In 1994, the Chinese press reported more than a thousand instances of protest demonstrations involving the rural population. Public protests occurred in rural communities in more than half of China's provinces. The largest of these drew more than ten thousand rural residents protesting excessive and illegal taxes into the streets of a community near Chengdu, the capital of Sichuan Province. In the years since 1994, the official press has restricted its coverage of civil disturbances in the countryside. Human-rights monitors in Hong Kong, however, report that rural protests continue unabated in frequency and in numbers of protesters.

Mao's comment in 1930 on the volatile character of a discontented peasantry, "a single spark can start a prairie fire," vastly understates the amount of political mobilization and organizational work that it took for the Chinese Communist Party to launch the revolution that overthrew the old order in the Chinese countryside. A thousand protests do not a revolution make. On the other hand, 910 million people in rural communities who harbor serious doubts as to the capability of their government to address their pressing problems pose a serious challenge indeed to the central authorities in Beijing.