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Management and Policy Issues in China's Rural Development 1977-81

by Paul Steidl-Meier, Rome*

China's rural development policy has divided the Chinese leadership since the mid-fifties. Since about mid-1977 Deng Xiaoping has been in the ascendancy. In the rural areas he has striven to rapidly introduce a number of far-reaching policies. These policies are discussed in the following article and the likelihood of the continuing implementation of Deng's line assessed.

China's economic progress in the last 30 years has been significant, not only in the heavy industry sector but also in agriculture. But this is not at all the primary issue in policy discussions. The main point is whether growth has been adequate or even, on a historical level, as impressive as that of India or Japan, for example.¹ On this point the present leadership is clear: agriculture has not developed at a pace adequate to make its expected contribution to society in terms of food for the populace, raw materials for industry and generating a surplus for export. Indeed the low and unstable performance of agriculture, in a relative sense, is a serious drain on foreign exchange and, hence, threatens modernization plans in terms of the agricultural imports which are necessary to make up shortfalls in needed supply. Further, there is every sign that agricultural imports will continue to rise.

Deng Xiaoping has been in charge since he returned to power in the summer of 1977. After five years he can no longer convincingly blame shortcomings and failures on the deposed "gang of four". The heart of the overall Deng programme has centred upon planning and management. These touch not only upon production but also marketing and consumer issues. They deal with how to accumulate, on both local and national levels, the scarce resources of production and how to allocate them. The question is, how to produce it, and for whom. Within this context, the major issues that surface in China are summarized below.²

Overall planning of the economy is criticised for not being scientifically based and for being too centralised.

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Insufficient attention has been paid to specialization in production, to overcoming marketing bottlenecks and to improving accounting and statistics. The most serious issue is the imbalance between agriculture, light industry and heavy industry. Within this context, financial policy (both the level of accumulation and priorities in investment) is also an issue. Discussion focusses upon appropriate levels of national accumulation and consumption, on problems of rural credit and local accumulation and lack of efficiency in choosing investment projects.

At the same time there has been a furious debate over structures of socialist management, with one group arguing for even higher levels of collectivisation, while the other favours smaller units and even some forms of household management.

These first problems have been the key issues ever since the period of the Great Leap Forward in 1958 and they remain the key points today. Related to them are a number of subissues which are discussed below.

¹ X u e Xin: Scientific Socialism or Agrarian Socialism?, in: Social Sciences in China, March 1982, pp. 70-93; "People's Daily article reviews Guidelines in China's Economic Work", in: New China News Agency (NCNA), 10 April 1981; "How are we to grasp this year's economic work well?" (Chinese), in: Renmin Ribao, 9 March 1981; D e n g Qi: Going Down a New Road of Economic Development in Readjustment (Chinese), April 1981, pp. 6-8.

² There are multiple sources. One of the clearest and earliest statements of the "new line" was: Y u Qiou-li: Condition of our Country's Development (Chinese), in: Renmin Ribao, 24 October 77, pp. 1,4. An abbreviated version, "Development of China's National Economy", appears in: Peking Review, 4 November 1977, pp. 6-9. Mr. Yu is vice-premier and minister in charge of the State Planning Commission. A further speech he gave on 21 June 1979 carried the argument further, cf. Y u Qiou-li: Arrangements for the 1979 Economic Plan, in: Peking Review, No. 29, 20 July 1979, pp. 7-16; by the same author: A Study of the Planned Management of the Chinese Socialist Economy, in: Peking Review, No. 43, 26 Dec. 1979, pp. 14-20.

Industrial Inputs for Agriculture

The first issue is that of supplying to agriculture the needed industrial inputs. Most important are fertilisers and pesticides, cement, pumps and small machines, as well as new seed varieties and overall measures of land and water policy to improve the agricultural production environment. The key word in almost every category is shortages. But there have been some significant gains, especially in chemical fertilisers which grew at a rate of 21 % from 1953 to 1978; the biggest percentage gains took place in the early seventies.³ In 1978 8.6 million tons of fertiliser were produced. This increased to 10.6 in 1979 and 12.5 in 1980; the original planned production for 1981 was 12.3.

From 1953 to 1978, cement production grew by over 12 %. In 1978 it was 65.3 million tons, in 1979 73.9 and in 1980 80.2. The number of tractors has increased greatly since the early fifties. In 1979 production reached 126,000 units but in 1980 production decreased to 97,500 (the same figure for the 1981 plan). This would in part seem to reflect a decision to back away from the programme to rapidly mechanize agriculture, as was called for in the early part of the mechanization programme. In many areas buffaloes are used as they are cheaper and do not pose the same maintenance problems as tractors.

One of the perennial problems in China has been land and water management, touching not only traditional areas of drought and flooding but also more basic environmental problems of deforestation and destruction of the rural ecology.⁴ These problems have been discussed for a long time, but recently they are taken more seriously. There are a number of critical issues to be solved: lack of food and of local energy leading to deforestation. Deforestation in turn causes erosion to increase, leading to the silting up of dams and reservoirs with resultant impairment of the irrigation system and increased danger of flooding. Land surveys are being conducted so as to plan more efficient use of resources.⁵ But only about one third of the agricultural land is of high and stable yield quality; a further one third is dependent upon weather conditions for good

production and the remaining third is consistently of low productivity.

Regarding green revolution technology, about one fifth of the arable land is sown with new, higher yield varieties.⁶ Progress seems hopeful, especially as more fertilisers are produced, irrigation (now about 45 million hectares) improves and measures to improve the productive capacity of the agricultural environment take hold. The biggest challenge of the moment is not industrial inputs but the efficient implementation of an eco-development policy and the solving of the rural energy problem. Nearly two thirds of peasant households lack sufficient fuel for some two to four months a year. Lack of food and fuel leads to deforestation and erosion.

Infrastructural Changes

To put the new agricultural plan into effect a number of structural and administrative changes have been introduced. First, the Chinese Agricultural Bank has been reinstated to resolve the problem of rural credit. Secondly, to assist in planning and local specialization, a "State Commission to survey Agricultural Resources and to institute Agricultural Zoning" has been set up. The idea is to select certain areas with high growth potential to specialize in certain crops and to receive priority inputs.⁷ The original modernisation plans called for specialization in the production of twelve commodity groups and also for devoting more resources to areas with the greatest potential productivity. It is not clear where this programme stands at the present time. Yet it seems that it will proceed slowly, as it can only really be implemented once the land survey is completed in 1985.

There is also new emphasis placed upon rapid expansion of agricultural research and the setting up of extension programmes to effectively diffuse the results of such research.⁸ Both programmes suffered setbacks in the form of reduced funds and personnel during the cultural revolution, which maintained a bias against intellectuals and experts who were accused of being more technocratic than "red".

³ The statistics I cite here and in the rest of the article are taken from NCNA sources as presented in: *Economic Reporter*, July 1980, pp. 16-19 and March 1981, p. 4.

⁴ More information is given in an article co-authored with Bernhard Glaeser: *Rural Eco-Economic Policy During China's Period of Readjustment, 1979-1981*, Wissenschaftszentrum, Berlin, May 1981.

⁵ "China Completes National Soil Survey of 192 Counties", in: NCNA, 25 March 1981; "Hard Facts on the Use of Land", in: *China News Analysis*, No. 1141; "Scientists and Land Utilisation", in: *ibid.*, No. 1172, 18 Jan. 1980.

⁶ "Water Conservancy in China", in: NCNA, 29 Sept. 1980. The article states that in the past 30 years Y 70 billion have been invested in water programmes and that now one half of the country's farmland (upon which two thirds of national foodgrain output is produced), is irrigated. One half is a high estimate in official statistics. Cf. also "One Fifth of China's Farmland Uses Fine Seeds", in: *ibid.*, 17 Jan. 1981.

⁷ "People's Bank of China Takes Measures for Currency Recovery", in: NCNA, 22 April 1981. Loan priorities for light industry and agriculture are stressed. Cf. also "Accelerating Farm Production", in: *Beijing Review*, 9 Nov. 1979, pp. 5-6.

⁸ "From 5 Sides Strengthen the Work of Diffusing the Work of Agricultural Science" (Chinese), in: *Renmin Ribao*, 4 April 1981, pp. 1, 2; "China Should Have More Economic Information Centers Suggest Chinese Economists", in: NCNA, 23 April 1981.

The two primary infrastructure items to be tackled, though, are the problems of energy and transport. China is suffering an acute energy shortage. Immediate plans to remedy the problem focus upon coal and the vastly underdeveloped hydroelectric potential. There are moves to decrease domestic consumption of petroleum, because it is so valuable in earning foreign exchange for trade purposes. New forms of energy are also being experimented with, and in the future it seems likely that methane and solar energy will assume important positions especially in the rural economy.⁹

At present in the rural economy, 18.6 million hectares have electric power irrigation (reportedly some 45 to 47 million hectares are irrigated; but it should be noted that definitions of irrigation vary – some reports put the stable irrigation area at 33 to 35 million hectares). China produced some 297 thousand million kwh of electricity in 1980 with the 1981 plan calling for 312. In 1980, rural consumption was 37 thousand million kwh, which was an increase of 13.8 % over 1979. Thus, of national energy, the rural sector receives about 12 %; but if county-run power industries are included, the rural sector consumes about 25 % of the national total. There are over 90,000 small hydroelectric stations, but they are very unevenly distributed, with over one seventh in Guangdong province alone. In general, from state and local power grids, electricity reaches 90 % of the communes, 60 % of the brigades and a little over 50 % of the teams. Local energy sources, then, must either turn to coal and petroleum, which are neither plentiful in all parts of the country nor cheap, or must turn to wood and agricultural waste products (which causes ecological problems).

The transport system is of vital importance to market development and the procurement of both production inputs as well as necessary consumer goods. At present, China has some 875,000 km of highways, up over 116,700 in 1952. However, a recent report says that they are not well distributed and are of poor quality.¹⁰ In 1958 the General Administration of Highways, 8 Road Engineering Bureaus and 5 Institutes for Road Design were all abolished and only recently is good management being revived. Even official statistics vary on the extent of the network (the usually quoted figure is 890,000 km). 45 % of the roads are technically inferior. First class roads (23 meters wide) and second

class (12 meters wide) comprise only 2 % of the network. Only 17 % of the roads are paved. There are 128,000 road bridges (90 % permanent) and most of them are one-lane. In 1979 there was still little road investment.

The railroad situation is somewhat better.¹¹ Steam engines are to be the priority for the next ten years (diesel priority is low, as oil is to be exported). Congestion is commonplace. In November 1979, 10 million tons of coal sat idle, one fifth at sidings and the rest at the mines, some 315,000 tons were lost to "natural causes". There are 7,899 steam engines in use (73.8 %). 2,014 diesels (19.9 %) and 236 electric locomotives (2.3 %) with 16,000 freight cars and about 850 passenger cars. In 1979 total track was given as 86,787 km, of which 51,523 km is open to traffic and 48,808 is classified as commercially active! Electric lines cover 1,038 km, diesel lines cover 6,872 and the rest is steam engine area; 7,900 km are double-tracked.

In addition to highways and railroads, water freight is very important to China, although in a significant number of areas it is not mechanised. Overall, from 1952 to 1978, agricultural and industrial output increased six times and the transport network only 3.3 times.¹² The rail network has increased 1.1 times while freight has increased 7.2 times. Water freight has increased 26 times while the network increased 14 times. It is clear that transport is a very big limitation upon the Four Modernisations. During the first five year plan transport received 16.4 % of total investment; today it receives 12.3 %. There are numerous proposals as to how to improve the system; they focus upon new investment and vastly improved management.

Rural Development Strategies

The management aspect of rural development strategies has frequently been discussed. The shift has been away from the leftist model of Da Zhai, which emphasized increased levels of collectivisation and egalitarian distribution of income, to the Deng model which accords much more scope to private initiative. This has come to be known as the responsibility system of socialist management.

⁹ C h i Hong: Coal Is Top Priority In China's Energy Resource Policy, in: Economic Reporter, March 1981, pp. 23-27; C h e n Dzuya: There are Many Ways to Solve the Rural Energy Problem (Chinese), in: Renmin Ribao, 22 Jan. 1981, p. 3; "China's Countryside Uses More Electricity", in: NCNA, 8 Jan. 1981; "Liaoning's Measures to Save Energy", in: NCNA, 18 March 1981; "China's Annual Hydroelectric Power Plan Fulfilled", in: *ibid.*, 5 Nov. 1970; "China Invests More to Save Energy", in: *ibid.*, 1 Nov. 1980.

¹⁰ W a n g Pei: The Road Building in China is to be Pushed On – But Difficulties Remain, in: Economic Reporter, Feb. 1981, pp. 21, 22; "China Now Has 875,000 km of Highways, But Most of Low Standard", in: NCNA, 9 Jan. 1981.

¹¹ "China's Railroads to Go Modern", in: Economic Reporter, Oct. 1980, pp. 27-30; "Railways", in: China News Analysis, No. 1120, 19 May 1977; "China's Railways Top 1980 Quotas", in: NCNA, 12 Dec 1980.

¹² H e Rongfei: Discussing Development of Our Country's Transport (Chinese), in: Jingji Yanjiu, Dec. 1980, pp. 58-64.

The principal rural development strategy calls for diversification of the local economy together with eco-development policy.¹³ Since the new agricultural policy of the early sixties the emphasis has been on producing enough foodgrain for the people. In terms of population increases of nearly 400 million people – greater than the total population of any other country except India – this has been and continues to be a tremendous challenge. The gang of four have been accused of so emphasizing grain that they induced eco-catastrophe; they are accused of destroying the environment. Such an explanation, though, is rather unsatisfactory and the pressing problems of food and fuel shortages explain more of the environmental problems. In China today everyone wants, of course, to have grain to eat; but not everyone wants to grow it, for grain is not as profitable as other crops. In the past two years, it is reported, the sown acreage for grain has declined each year.¹⁴ The leadership points out that grain still must be the number one priority but, at the same time, the local economy must be diversified. Such diversification has been emphasized since the Great Leap, and back then it included backyard furnaces to produce steel! Diversification now means that, in addition to producing grain (hopefully a surplus) the local area should produce poultry and animal husbandry products, raise fish, plant trees and orchards and produce handicrafts, bricks and so forth. This is seen as a matter of vital importance. Why? If a locality does not produce enough food, it faces malnutrition and if it does not diversify its economy it will not be able to accumulate a financial surplus so as to modernize agriculture.¹⁵

As has been stated, the policy is of critical importance but it is not new. What is new is that most of the diversification is being entrusted to households under the responsibility system. Private plots are increased to 15 % (but there exists further local leeway). Autonomous workers (dzliu ren) are allowed; these are

people engaged in business for themselves in areas of small services or small cooperatives for handicrafts etc. In the new management of rural development the family and the individual have a vastly new role. This has led to growing differences in income distribution both within localities and between localities. Some families do well and go on to meet their consumption needs and desires. But there is growing evidence that some (especially those whose productive power is low) are quite poor; a significant number of families are in debt to the local collective just in order to be able to meet their basic needs.¹⁶

Overall food grain production, from 1951 to 1978, grew at an average rate of 2.4 % to 304.7 million tons. 1979 saw an all-time high of 332 and 1980 fell back to 316. From 1953 to 1978 the number of hogs grew by 4.8 % a year and the number of sheep by 4 %; but the number of large animals grew by only 0.8 % (from 76 to 98 million).¹⁷ Large animals include horses, donkeys, oxen, mules and camels. The fact that their number has increased so little shows that their clear potential in agricultural production (manure, traction) has been overlooked. What is now being urged is a liberal policy for peasants and herdsman. In 1979 it was reported that there were 1,617,000 hand tractors in use. That would work out to an average of 1 to every 5 production teams and there is no reason to suppose that they are evenly distributed. Further, in terms of ecology as well as both fuel and maintenance costs, it can be seen that priority should be given to animal traction for some time to come.

Price Policy

The most significant change in planned state policy has been to reduce the percentage of agricultural tax, to keep the prices of industrial inputs from rising too high and to pay better prices for agricultural products sold to the state. According to Yu Qui-li, state grain prices were to rise 20 % and prices for grain sold above the "quota level" would rise 50 %.¹⁸ Prices for fats and oils were to rise 25 % (50 % for purchases above the quota), the price of cotton was to go up 15 % (30 % for purchases above the quota), the price of pigs was to rise 26 %. The other 14 major agricultural products (beef cattle, sheep and goats, eggs, aquatic products, sugar beets, sugar cane, hemp, ramie, castor oil, silkworm cocoons,

¹³ Lu Wen: Further Increases in Economic Efficiency and Results in Farm Productivity (Chinese), in: Nongye Jingji Wenti, 2/1982, pp. 2-24; "A Summary of the National Symposium on the System of Production Responsibility in Agriculture" (Chinese), in: Nongye Jingji Wenti, 2/1982, pp. 3-8; "The Road and Style for Chinese-Style Agricultural Modernisation" (Chinese), in: Jingji Yanjiu, Dec. 1980, pp. 49-51, 72; Ma Shibo et al.: Modernisation and Environmental Protection (Chinese), in: Hong Qi, No. 5, March 1981, pp. 41-48.

¹⁴ "Radio Beijing Stresses Grain Production", in: Foreign Broadcast Information Service (FBIS), Washington D. C., 5 Feb. 1981, p. L 9.

¹⁵ Hu Hongming: A Brief Discussion on the Objective Necessity to Develop a Diversified Economy (Chinese), in: Nongye Jingji Wenti, 3/1982, pp. 42-45; "Party Circular On Diversifying Rural Economy", in: NCNA, 6 April 1981. This is an important central committee decision; the full text is carried in Renmin Ribao for the same day, p. 1; "China Expands Sideline Production", in: NCNA, 4 Dec. 1980. The central government is giving financial aid to various localities in over 1000 counties. Since 1972 interest free loans totalling Y 780 million have been given to peasants to develop such activities.

¹⁶ Helene Marchisio: La vie en chine populaire, in: PROJET, Feb. 1981, No. 152, pp. 185-196; "Rural Policy", in: China News Analysis, 23 June 1978.

¹⁷ "More pigs, sheep and draft animals in China", in: NCNA, 4 Sept. 1980.

¹⁸ "Higher Purchasing Prices Bring Good Results", in: Beijing Review, 9 Sept. 1979, p. 5.

timber, bamboo, oxhide, buffalo hide) were all to rise by 20 to 50 %. All these increases were planned at a cost to the state of nearly 7,000 million Yuan.

Mr. Zhan Wu pointed out clearly how the farmer has been caught in a "price squeeze" over the years 1965 to 1977.¹⁹ He began by pointing out that from 1965 to 1977 use of agricultural machinery increased 8.3 times; fertilizer use went up 2.6 times. Output increased and overall farm income increased 0.8 times but farm costs went up 1.3 times. A commerce study of 23 provinces and districts over 1965 to 1976 showed that while grain output went up 36 %, costs increased by 54 %; furthermore, in these same regions daily wages declined from 0.7 yuan a day to 0.56 yuan a day. Another government sample survey, however, which covered some 16 provinces or areas, registered a 4 yuan income increase over the 1965-77 period, or 0.33 yuan a year. However, in 1978, due to the new price policy, on a national average the income of commune members increased 9.23 yuan, up 12.3 %. At the same time costs went up 10.4 %, so there was an increase in real net income but it was slight.

The historical neglect of family incomes as well as the lack of provision of consumer goods has been interpreted by the new leadership not only as a misinterpretation of the final purpose of socialist production but also as a basic misunderstanding of the interrelations between production forces and production relations. The new price policy is clearly geared to provide the peasants with incentives to produce more. On the one hand, they can sell their produce to other peasants at rural trade fairs and, on the other, they can sell to collectives and the state at increasingly attractive prices.²⁰ For many items, especially foodgrain, price levels are fixed somewhat low for mandatory sales to the state; but for sales over and above that quota, prices become very attractive. The volume of the commercial sector is growing very quickly. Total value of retail sales went from Y 152 billion in 1978 to Y 175 and Y 207 billion in 1979 and 1980. In 1979 procurement of farm products increased 27.6 % in value over 1978. The purchase year extends from April 1 to March 31 of the following year. For 1980, the purchase plans for cotton, tea, sugar and edible oils had been fulfilled a month ahead of time; but grain was down 3.8 million tons from 1979 as the

overall harvest was lower and disaster also afflicted various parts of the country.

Rural trade fairs have been revived. They seem to be both a stimulus for the people to produce more for trade as well as an efficient channel through which people can acquire the goods and services they need. A completely planned market system would be under very severe strain to ration quantities of all sorts of goods and establish prices for them unless it had a very sophisticated information, transport and storage infrastructure, none of which is known to exist in China today. The rural trade fairs, if nothing else, are a practical solution to both problems of production and distribution.

Labour Policy

China has always been in turmoil over labour policy. Today there are two issues which dominate the scene: unemployment and wages. Unemployment has been estimated at anywhere between 20 and 26 million people. Most of it exists in the cities; this may be because much of rural unemployment is disguised. From 1977 to 1979 some 20 million (city) people were given jobs and an additional 6 million in 1980: 50 % went to state-owned activities, 45 % to collectives and self-owned cooperatives and 400,000 persons set up their own businesses in services and repairs.²¹ In seeking work, young people prefer the "iron rice bowl" of party cadre and state enterprise positions. Here, room is limited; also at the collective level the job situation is crowded. Increasingly, it seems, people are thrown back on their own initiative; again, it is a pragmatic solution to problems which the central government cannot solve. Further, given the number of young people who will be seeking jobs in the next 20 years, it can only be expected that such a trend will continue.

Labour remuneration policy has changed and now is much more based upon the economic value of one's work. The leftist Da Zhai model had evolved a much more egalitarian position and political rectitude was emphasized over economic contribution. This now has clearly been reversed and, although conditions differ through the various regions and local leaders have much more leeway to experiment with new methods, the basic system used for collective work is the quota and piece-work system. There is basically a contract system for different tasks and collective work is then carried out and rewarded in terms of responsibility management.

¹⁹ Chen Kaiguo: *The Price Scissors Between Industrial and Agricultural Products* (Chinese), in: *Zhongguo Shehui Kexue*, 1/1982, pp. 115-130; Zhan Wu: *Walk the Road of Chinese Agricultural Management* (Chinese), in: *Jingji Guanli*, Sept. 1979, p. 11, and Oct. 1979, pp. 4-9.

²⁰ "Purchase More Grain at Negotiated Prices", in: *FBIS*, 3 Feb. 1981, p. L 25; "Animal Husbandry Thrives in Sichuan", in: *NCNA* 3, 19 March 1981; "China Meets 1970 Purchase Plans for Grain, Cotton, Edible Oils", in: *ibid.*, 21 April 1981.

²¹ "Renmin Ribao Article on Economic Work in 1981", in: *FBIS*, 11 March 1981; "Country's Unemployed Reportedly at 26 Million", in: *ibid.*, 13 Feb. 1981; "Labor Bureau Releases Statistics on Employment", in: *NCNA*, 4 Feb. 1981.

Welfare

It is very difficult to gain an adequate picture of living conditions and welfare in China. Recent reports state that grain consumption was 240 kg per person in 1979 (an unusually high production year!) as compared to 214 kg in 1976. For 1980 it should be recalled that the harvest was 16 million tons less and the population has approximately 16 million more people. In a February 1981 report Yao Yulin pointed out that peasant income in 1980 amounted to 25.8 billion in net profit; it is estimated that some 4.7 billion came from rural markets²²; further, wages in state-owned enterprises increased on the average to 80 yuan per person (it must be recalled that such jobs are "iron rice bowl" jobs)! But all in all life has improved. A study of 23 provinces, cities and regions, which covered 408 counties and 10,282 households (58,153 people) published in early 1981 stated that in 1979 average gross income was 179.8 yuan per household (an increase of 29.2); net income was Y 160.2, an increase of Y 26.6. On an average the net income of Y 160.2 derived Y 102 from collective work, Y 44 from sideline activities and 14.2 from other activities. Further, in the sample studied, 10 % of the households had income less than Y 80 and 3.7 % had income less than Y 60. This would indicate that there are pockets of poverty (which would relate to what was mentioned earlier about some families being in debt to the collective in order to meet basic needs).

As for other factors, medical workers in China have grown at about 5.1 % a year from 1953 to 1978 and even more in the past few years. The greatest change in services has been the new emphasis on technical school enrollment (1979 registered a 34 % increase over 1978) and university enrollment (which increased by 19 %).

Conclusions

Can China move from significant growth to excellent growth where the agricultural sector will supply the food needs of the people, supply the needs of industry in terms of agricultural raw materials and supply a surplus of products for export? Under present policy some success along these lines is probable but not inevitable. The most telling factor will not be just technical matters but whether over the next twenty years there is strong, competent and efficient management at all levels of the economy that can both make its will known and enforce it.

²² Q u i Zhizhong: Adjusting the Agricultural Economic Structure Should Start from Satisfying the People's Needs (Chinese), in: *Jingji Tansuo*, 3/1982, pp. 51-63; "Yao Yulin Presents Economic Report at the NPC Meeting", in: *NCNA*, 26 Feb. 1981; "Rural Peasants' Average Income Increases to 179.8 Yuan", in: *Renmin Ribao*, 3 Jan 1981.

Two issues stand out as very important: the support of the bureaucracy in implementing policy and the compliance of peasants with government plans.

The first problem of the middle management is uncertainty, for Deng and the chief architects of the modernization plan are old; there may be serious doubt whether they will last until 1985 or thereafter. Politically, many cadre do not wish to overidentify with Deng and the old guard and it is not certain where younger people in Deng's line will survive. Secondly, the position of Hua Guo-feng is still in doubt. Many of the middle cadre came to power during the cultural revolution as did Mr. Hua. For this they may feel more allegiance to the "gang of four" or even to Mr. Hua than to Mr. Deng. Furthermore, they may feel threatened by the technocratic emphasis on scientific competence. Whatever the reason, one finds repeated suggestions in the literature that one of the main problems to implementing the "four modernizations" is a certain passive resistance at the level of the middle cadre.

Regarding the possibilities of divergence between state plans and local objectives the economist Xue Mu-qiao spoke of the policy instruments the government can adopt to secure adherence to its plans.²³ There are five tools which the state has at its disposal: 1. taxation either to encourage the production of needed goods or to discourage the production of others; 2. price policy, as incentives for production; 3. regulation of the supply of materials such that priority enterprises will receive fuel, electric power and raw materials as well as other inputs; 4. investment policy to channel funds to high priority enterprises, leaving others pretty much on their own; 5. credit and loan policy made more favourable to the key enterprises. Mr. Xue saw many advantages to such economic management, such as less "subjectivism" and bureaucracy, improved management in light of local conditions and overall greater economic results.

It seems unlikely that radical Maoism will return, if for no other reason than that there does not seem to be a leader of his calibre who could carry it off. But, for reasons of organizational politics, it is not certain that Dengism will last. Right now, policy is like one of the saplings that Chinese plant in the spring campaigns to afforest the land. What is needed is a period of political stability to move beyond crash campaigns to sustaining institutions and structures for development (much as the Breznev years accomplished for the Soviet Union).

²³ G u o Ming: A Summary of the Discussion in the Past Year on the Responsibility System in Agricultural Production (Chinese), in: *Jingji Yanjiu*, 3/1982, pp. 75-79; X u Chong-de: Reform of the Local Organs of Power, in: *Beijing Review*, 24 Dec. 1979, pp. 18-21; M a Hong: Change Economic Management and Expand Decentralized Planning, in: *Hong Qi*, 10 Oct. 1979.