JOHN DAVIS, LIMING WANG AND FU CHEN*

Land Reform Initiatives in China

INTRODUCTION

Various approaches to land reform are being pursued in most of the current and former command economies throughout the world. China has tended to emphasize reform of its systems of land-use rights whereas, in the Central and Eastern European countries, farmland privatization has generally been seen as a crucial component in economic transition. There is a fairly rich literature dealing with agrarian restructuring in these countries (Csaki, 1990; Csaki and Lerman, 1994, 1996; Brooks and Lerman, 1993, 1994, 1995; Swinnen, 1997; Lerman, 1999). Comparatively little, however, has been written about the reforms taking place in China, particularly in the last decade. Notable exceptions include Wenfang and Makeham (1992), Gaynor and Putterman (1993), Liu *et al.* (1996), Chen (1996) and Chen and Davis (1998). The main purpose of this paper, therefore, is to review some of the major land reform issues and developments in rural China since the mid-1980s and to examine four experimental reform models, which may be viewed as examples of induced institutional change.

Given the huge size of China and its diversity in natural endowments and economic development, it is not possible to be fully inclusive in a paper of this nature and so we restrict our coverage to what we see as the main issues and approaches. The paper is organized as follows. As institutional innovation is being driven by the weaknesses of the existing system, the next section provides an overview of the Household Responsibility System, focusing mainly on its institutional weaknesses. Bringing about further land reforms is bound to be a difficult and contentious process in China and the issues are being extensively debated internally. Therefore a review of some of the controversy and debate among Chinese economists about the nature and direction of reform is included after that. Later sections examine four reform models which illustrate the main approaches adopted since the mid-1980s. Finally, some conclusions are drawn about the experiences to date with land reform measures and some issues to be addressed in the possible deepening of the process are highlighted.

*John Davis and Liming Wang, The Queen's University of Belfast, UK; Fu Chen, South-China Agriculture University, Guangzhou, PR China.

LAND REFORMS AND THE HOUSEHOLD RESPONSIBILITY SYSTEM (HRS)

Since the founding of the People's Republic in 1949, China has experienced three major farmland reforms. First came a radical farmland revolution in the early 1950s. By expropriating landlords and distributing their land to landless peasants, China achieved the goal of 'tillers having their own land'. This had been the dream of Chinese farmers for thousands of years and created a stratum of private smallholders. Like other socialist countries, China shaped its policy around the Soviet Union model of collective ownership and unified collective operation. To achieve this goal, China carried out its second land reform, a campaign of collectivization in the mid-1950s, in which farmers were compelled to join collectives. The collectivization finally developed an institution called the 'People's Commune'. With centrally controlled property rights and a misapplied egalitarian principle of distribution, the communes destroyed farmers' operational freedom and their enthusiasm for production.

There is much literature illustrating the poor performance of the commune system: for example, Stavis (1982), Lin (1982), Lin (1987) and Chen (1994). At the end of the 1970s, China launched its economy-wide reforms, pioneered by rural reform. Breaking with Soviet doctrine, she introduced a family-based contract system, the so-called 'Household Responsibility System' (Perkins, 1988). Initially, this operated on an informal basis, with typical contract periods of only a few years. The system was formally adopted by the Central Committee in 1981 and in January 1984 the contract period was extended to 15 years (Central Committee, 1984). Since then, this has been the nationwide statutory pattern of agricultural land tenure. Honoured as the third land revolution in China, the Household Responsibility System was a great success. It provided farmers with incentives for production by giving them individual rights to residual income from agricultural land. They also had relative, though not absolute, freedom in land use and production decision making. As a result, China's agriculture was dramatically revived. Compared with the stagnation in the previous 30-year period, growth in agricultural output in the first half of the 1980s accelerated to a rate several times the previous long-term average. Output of the three main crops, grain, cotton and oil-bearing crops, increased at annual rates of 4.8, 7.7 and 13.8 per cent, respectively, between 1978 and 1984, compared with average annual rates of 2.4, 1.0 and 0.8 per cent from 1952 to 1978 (SSBC, 1985). Grain, the most important commodity, reached a peak of 407 million tonnes in 1984, a net increase of more than 100 million tonnes (40 per cent) in only six years.

The fundamental problem of feeding the giant population, a great pressure in China for several centuries, seemed to be solved. The subsequent performance, however, was less encouraging: a 6 per cent drop in grain output, followed by stagnation until the early 1990s (*China's Statistical Yearbook*, various issues). It appeared that the HRS had exhausted its benefits; although it should be said of course that grain price changes also played an important part in these trends.

The HRS was clearly a very important innovation but it could not address everything. Several years of practice exposed a number of inherent limitations

and weaknesses. First, there was the emergence of tiny and fragmented farming units as farmland was distributed to individual households to farm independently. Land distribution derived directly from the principle that all farmland in a village was owned by all of its members collectively. As a result every member had an equal claim and the basis for distributing land, therefore, was size of peasant family. Given the high population density, the amount distributed to each household was very small. Moreover, as farmland differed from parcel to parcel owing to soil fertility, irrigation condition, location and so forth, a household had to obtain parcels from each of the grades. Thus the total was not only insufficient but also fragmented and scattered around villages. Large areas of cultivated land were wasted in the form of paths and boundaries separating individual holdings. A Ministry of Agriculture survey (MoA, 1993) showed that in 1986, among 7983 sample villages from 29 provinces, average cultivated area per household was 0.466 hectares (*7mu*), spread over 5.85 plots (Table 1). Although the number of plots per household declined, farming structure remained highly fragmented.

TABLE 1 *Structure of farming under the HRS*

	1986	1988	1990	1992
Cultivated area per household (ha.)	0.466	0.446	0.42	0.466
Number of plots per household	5.85	5.67	5.52	3.16
Average size per plot (ha.)	0.08	0.078	0.076	0.148

Source: Ministry of Agriculture (1993, p. 48).

Second, there was vagueness and uncertainty in property rights. As land eligibility was linked to a person's villager status, no matter when it was obtained, changes in village composition due to births, deaths, marriages and so on could trigger redistribution of land; when a member died his or her right would automatically disappear. An MoA survey showed that, by the early 1990s, 65 per cent of villages had found it necessary to redistribute land, about 30 per cent twice or more; the main reason given was population growth (Kong, 1993). Not only did this add to fragmentation, it also resulted inevitably in insecurity of tenure and short time horizons for farmers. There were, therefore, few incentives for them to invest in land improvement or infrastructure; indeed, the opposite was the case and there was considerable overexploitation of resources. The redistributions also incurred high transaction costs in terms of village and administrative manpower.

Third, the egalitarian basis of distribution (household size) meant that relatively little consideration was given to inter-family differences such as labour capacity, education and individual preference (Kong, 1993). As a result, some large households with limited available labour could have too much land to work. Smaller households, particularly those specialized in agriculture, could

have insufficient land for full employment. This problem was much worse in areas experiencing rapid rural industrialization and urbanization. In these areas there was a general deterioration in the agricultural labour force as the higher-quality human capital tended to leave the villages. Adding to the problem was the fact that those finding off-farm work tended not to renounce their right to farm but to retain a part-time involvement. Many did not give priority to cultivation and at times even let their land lie idle. Thus the most scarce resource was underutilized and there was no effective institutional basis to facilitate land mobility. For example, MoA surveys (1991, 1993, 1996) showed that in the first half of the 1990s only 1 to 2 per cent of households were involved in subcontracting arrangements. These negative features of the HRS placed a constraint on agrarian development and China faced a challenge once again.

Internal debate on further land reform

By the mid-1980s, as problems with the HRS were emerging, China began to consider further institutional change under a call for 'the second stage of rural reform'. We now consider briefly some of the theoretical and ideological controversies surrounding that debate.

In the early stages, discussions mainly focused on whether or not collective ownership should be maintained and the form of property rights to be adopted. Two divergent ideas drew much academic attention. One group of economists advocated 'farmland nationalization', that is, state ownership of farmland with individual lifelong possession. They argued that collective ownership of farmland did not really exist in practice: rural collectives never had exclusive property rights on land under the collective system. During the commune era, collectives were prohibited from selling their 'owned' land (except to the state) or from buying land from other 'owners'. Moreover, the rigid state procurement and marketing system weakened farmers' land-use rights. Under the HRS, curtailment of their rights continued; for example, they did not have the right to transfer contract land. Thus it was argued that the state was the real landowner, 'the biggest landlord' in rural China. It would be better, therefore, to abandon the name 'collective' and institute state ownership instead. If farmland were nationalized, farmers should be granted permanent land-use rights; and they should be able to buy, sell, mortgage and inherit these rights. Although peasants would not be landowners, lifelong tenancy could in effect be as efficient as a system of owner–cultivators (Din and Cheng, 1994; Chen and Xiao, 1995).

Some economists bitterly criticized the idea of land nationalization, seeing it as intending a return to the commune system; others viewed it as a kind of quasi-private ownership. There were concerns about whether the state could manage farmland as well as collectives and whether it could afford the financial costs of such a massive purchase. These were persuasive internal arguments against the proposal.

A second group of economists took the more radical line of individual ownership as the only effective means of overcoming the deficiencies of col-

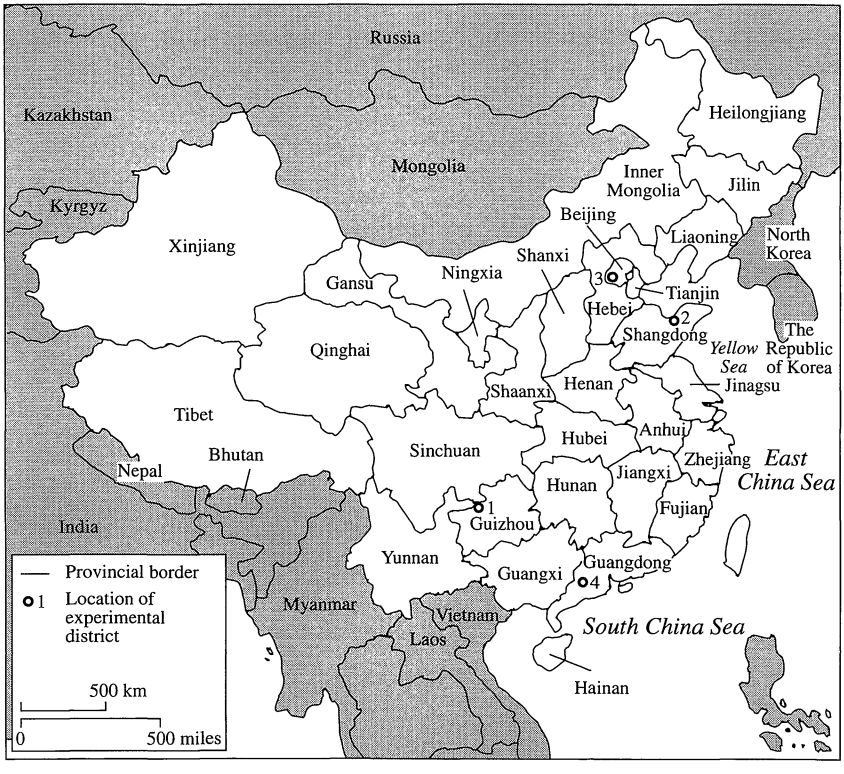
lective ownership. As a means of avoiding criticism, they sought to 'reinterpret' Marxist theory, arguing that socialism would rebuild society through 'socialized individual ownership'. The vital difference between socialism and capitalism is that, in the former, the main means of production are owned by all individuals but, in the latter, only by a small number. They argued for a break with the dogma that socialism requires state and collective ownership of land (Li and Li, 1989; Lin, 1989). These arguments rebelled against tradition and orthodoxy and did not find adequate internal support. The proposal was seen as capitalism by another name even though it was presented as a 'modern' interpretation of socialist ownership. There were fundamental concerns about whether privatization would be an effective solution to China's land problems. For example, there were fears that fragmentation would be further worsened. Recreating the private sector would require very careful planning and would entail substantial economic, social and political risks. The problems encountered in attempting rapid agrarian privatization in the CEE countries are well documented (Nikonov, 1992; Novoselov *et al.* 1993; Brooks and Lerman, 1995; Peters, 1995). There was also evidence that Chinese peasants did not show much enthusiasm for privatization. In a 1991 survey, almost 80 per cent expressed a negative attitude, a response which was fairly uniform across the various income strata at village level (Xian, 1992). There is, however, a need for a more up-to-date review of peasants' attitudes to this issue.

Gradually, the arguments of a third group of economists began to take hold. Their view was that the debate was trammelled by previous doctrine on ownership and, as Barzel (1989) points out, property rights should be seen as a package of rights; this includes rights to consume, to obtain income from and to alienate assets. The purpose of property rights should be to define clearly and unambiguously the interests and obligations among the various stakeholders. A more feasible and effective option for China would be to clarify land-use rights. The aim should be to give farmers full and exclusive use rights which would include the freedom to obtain income from and to alienate their use rights, thus greatly reducing the current uncertainties and ambiguities in the system and facilitating the introduction of market forces to land transactions.

Although differing in their approaches, all three groups seemed to agree about the need to clarify land property rights. Following the logic of the third group, this would be done within the framework of collective ownership but with reformed land-use rights. As a gesture in this direction, in the late 1980s, rural households engaged in non-farm businesses were allowed to sublease their land to other villagers in order to prevent land being left idle. In 1993, the Central Committee announced a policy initiative with a view to extending the contract to 30 years. This was followed by a detailed policy statement from the General Office in 1997 implementing the initiative, with the stated aim of stabilizing and improving the land contract system. According to the MoA, by mid-1999, about 77 per cent of all production teams had 30-year contracts issued (MoA, 1999). As part of this process the government also gave permission for the initiation of experimental reform models which would seek to reflect the diversity of local conditions. We now examine four of these pilot projects.

MEITAN: FIXED RESPONSIBILITY FARMLAND CONTRACT

Meitan county is located in north Guizhou Province (see Figure 1) and has a rural economy typical of the province. About 93 per cent of its 400 000 population is engaged in agriculture. Meitan is rather poorly endowed with farmland. In 1987, the total 30 000 hectares of cultivated land occupied only 17 per cent of the territory: per capita cultivated land was a mere 0.087 hectares. In the process of implementing the HRS, land fragmentation emerged as a big problem owing to population growth and land redistribution. The level of fragmentation was very high. According to a survey, each household's cultivated land in the county was divided on average into 15 plots of land, with the largest, 0.13 hectares, and the smallest, 0.005 hectares. In one extreme case, Zhu Yuequan, a peasant householder with seven family members, had 128 plots of farmland (Li and Din, 1994). The boundaries and paths between plots occupied nearly 12 per cent of active land area in the county. The



Notes: 1, Meitan; 2, Pingdu; 3, Shunyi; 4, Nanhai.

FIGURE 1 *Location of experimental land reform districts*

fragmentation became intolerable to the extent that farmers themselves expressed a strong desire to stop land redistribution.

The local government response initially was to make another distribution and then to fix the structure for 20 years. Most peasants, however, disagreed with this proposal. An investigation among 510 peasant households showed that about 65 per cent wanted to stop redistribution at once. A local policy, therefore, of extending the tenure term from 15 to 20 years, and fixing contract land within this period irrespective of changes in household composition, was initiated in December 1987. After being carefully tested in two villages, the policy was extended to all rural areas of the county. Farmers were granted inheritance rights on their land, the ability to exchange land with one another, to subrent, pool and mortgage for credit. The local government encouraged households to farm wasteland, develop small family businesses such as processing and animal breeding, and to find off-farm employment (MRRDO, 1993).

After several years of operating the policy, some early effects were observed. According to Li and Din (1994), the policy was welcomed by most local farmers and only 10 per cent of households asked for land readjustment. Farmers had greater incentives for land investment and conservation. By 1993, there had been significant new land development, land fertility grades were advanced and farmers increased their purchases of fixed means of production. Land fragmentation was to a large extent brought under control. For example, the area occupied by paths and boundaries was stabilized. Land subdivision now took place mainly within a household as children matured instead of being redistributed among the households of a village.

In addition, farmers' attitudes towards increasing family size changed. Traditional Chinese culture equates more children with more happiness. However, under the new land system, as new babies are not able to get land during the contract term, 41.4 per cent of the sampled households showed a negative attitude to having more children (ibid.). In 1993, the policy of fixing contract land was formally legislated as the provincial land management law and applied in all rural areas of the province. In 1995, when the Chinese government issued the new land policy, in advance of the first 15 years tenure coming due, Meitan's experiment was included in the central government document. However, this document only suggested that appropriate villages should consider the policy. Nevertheless, this means that, after being experimented with for eight years in a small local county, the policy of fixing land was gradually becoming integrated into the nation's institutional arrangements; this was indeed a significant change.

PINGDU: TWO-LAND SYSTEM

China's strong desire for social equity in land matters was seen as limiting the national adoption of the fixed land system. An alternative which sought to promote economic efficiency while also addressing social equity was the so-called 'two-land system'. Pingdu is a county-level city in Shangdong Province

and is the original location of the two-land system; we now examine the background to its adoption.

In Pingdu, cultivated land and collective economic infrastructure were relatively well developed in the people's commune era. After adopting the HRS, Pingdu was confronted with a growing number of issues which individual farm households found difficult to handle. These included how to encourage the use of advanced agricultural machinery and equipment and the further development of agricultural infrastructure. In 1984, Pingdu adopted the two-land system on a trial basis. In a relatively short period, the two-land system developed from a couple of village experiments to nationwide practice. By the early 1990s, it became a nationally accepted and popular form of agrarian institutional innovation. By 1990, 27 per cent of all villages in China accounting for 38 per cent of cultivated land under the HRS had adopted the system; and by 1994 these figures had increased to 32 per cent and almost 50 per cent, respectively (MoA 1991,1993, 1996).

Why did the two-land system achieve such apparent success in a relatively short time? A plausible explanation is that, by separating household land into two categories, the new system instituted a seemingly workable means of preserving social equity but at the same time allowing the pursuit of greater efficiency. Total cultivated land in a village is divided into food land (*kouliang tian*) and contract land (*chenbao tian*). Food land is for family consumption and contract land for commercial farming. All households have their own food land and can choose whether or not to take contract land. Usually, part-time farmers only take charge of food land for subsistence production; they also pay taxes including the state agricultural tax. Households who also take contract land have an obligation to fulfil government procurement quotas and pay taxes. They can, however, sell their surplus production in the free market, thus creating an incentive for production on contract land. The key feature of the two-land system is division according to usage. As food land is to guarantee subsistence requirements, it is distributed relatively evenly or equitably. In Pingdu, it was done using a formula based on human and animal consumption needs and on seed grain requirements. This usually translated into a food land requirement of at least 0.5 *mu* (0.07 ha.) per person, assuming a local grain yield of 650 to 700 kilograms per *mu*.

The main concern in allocating contract land is efficiency, and farmers bid competitively for this land. The bid price in Pingdu normally reflected obligations towards government procurement and the collective as well as land tax (approximately 4 *yuan* per *mu* of land). Bid prices reflected the grade of land. In 1988, the price range per *mu* per annum was 53–71 *yuan*, which typically represented 30 to 40 per cent of annual net income per *mu* of farmland. Allocation of contract land, however, was not decided solely on price. Owing to the relative scarcity of farmland and limited off-farm employment opportunities, some intervention was still judged to be necessary to prevent excessive competition between farmers. Usually a limit on cultivated area of between 5 and 15 *mu* per labour unit was imposed, depending on the land endowment of the locality. To encourage larger-scale operation, contract land was offered in relatively large parcels, usually between 20 and 30 *mu*, depending on locality

and land quality. Group bidding by households was strongly encouraged in order to promote cooperative activity. Land was normally allocated for five years and the contract could not be changed within this term. However, during the period the relative amounts of food and contract land could be altered if household sizes changed. If they increased in size, the village would reduce a household's area of contract land or, alternatively, their procurement obligations, so as to increase the capacity for subsistence production; if a size reduction occurred the process operated in reverse. Despite the possibility of making these adjustments, the frequency of changes in the level of active contract land per household was reduced.

After only a relatively short period of operation, the two-land system seemed to have achieved some encouraging results. First and foremost, the previously even allocation of land among households was significantly altered. According to a survey of 120 households in 11 villages, 30 per cent of them increased land areas, with 50 per cent increasing by as much as 5 *mu* per household (Jiang *et al.*, 1994). Just over 9 per cent of households cultivated only food land using female labour: as a result, the male labour was able to concentrate on non-agricultural business. Agricultural performance also improved. Total grain output increased from 795 000 tons in 1987 to 1 041 000 tons in 1994 and grain yield per unit of land increased by 32.4 per cent. By the mid-1990s, Pingdu ranked tenth in grain output among 2200 counties and county-level cities in China. Per capita annual income of the rural population of Pingdu grew 2.3 fold in nominal terms, from 732 *yuan* in 1987 to 1658 *yuan* in 1994 (RIDA, 1995).

Towards the end of the 1990s, the two-land system has tended to fall from favour as a possible national model. The precise reasons are not clear but we believe that one factor has been administrative and bureaucratic 'difficulties' which have been the result, in part, of a lack of accountability at local level. We refer to these problems in the final section of the paper.

SHUNYI: COLLECTIVE FARMING

In the two models examined so far, individual farming, the core of the HRS, remains largely unchanged. However, as we have shown above, land fragmentation has been a big problem. Reconsolidation of farming land has, therefore, been seen as one of the further reform goals and is the subject of continuing debate. Perhaps surprisingly, collective farms began to reappear in some rural areas close to urban centres and in some coastal provinces in the late 1980s. This development attracted considerable international attention; see, for example, Reisch (1992). There was concern that it could signal a return to the people's commune system.

Shunyi, a suburb county located northwest of Beijing, is one location of such a collective farm. A very important factor in the successful establishment of this collective was the relatively high level of rural industrialization. About 60 per cent of the rural workforce had abandoned farming for work in township enterprises, and part-time farming became the norm: as the contribution of

agriculture to household income declined, a lower priority was given to farming. Its location near the suburbs of a major consumption centre meant also that it had available to it well developed marketing channels, transport systems and advanced communication facilities.

Agriculture in the area, therefore, was experiencing major adjustment problems. For example, between 1978 and 1984, the annual growth rate of grain output was 6.4 per cent, but between 1984 and 1986 this fell to 1.2 per cent (Luo and Zhang, 1995). Most part-time farmers even wanted to return their entire land entitlement to the village cooperatives. In response to farmers' requests, collective farms were introduced in 1986 in order to achieve a more optimal-scale operation. According to a survey reported in the *Peasants' Daily* (1994), by 1994 collective farms in Shunyi occupied about 63 per cent of cultivated land, equivalent to around ten hectares per employee.

The operation of these collective farms is significantly different from that in the peoples' commune era. Normally, the village provides agricultural machinery and is responsible for developing infrastructure. Collective farms are identified as the farming enterprises of the villages with which they have signed a contract and they operate independently. The employees of the farms earn wages rather than the working points of the old commune system. After completing the contract, which usually includes fulfilling state procurement quotas and a commitment to the cooperative, collective farms distribute part of their surplus as a bonus to employees according to their performance; the remainder, the farm's profit, is set aside as a common accumulation fund. Those who returned their land-use rights to the village are given the privilege of purchasing grain for their own consumption at special low prices. The collective farm operates under a system of collective responsibility rather than an individual household contract system. As the collective farm is registered as an enterprise of the village, it is possible for the village to transfer some profits from non-agricultural enterprises to the farm. The effects of this kind of operation are somewhat controversial. On the one hand, agricultural infrastructure is rapidly improved by the financial support from non-agricultural enterprises. On the other hand, there are concerns that the system may encourage free-rider behaviour, a common problem under the old commune system; this may depend on whether suitable incentive systems can be put in place.

Available evidence suggests that there have been some initial achievements by the collective farms in Shunyi. Although total grain output and yield per unit of land increased modestly between 1986 and 1994, grain output per agricultural worker grew dramatically, at an annual average rate of 30 per cent. Labour productivity was enhanced by rapid farm mechanization, from ploughing through to harvesting. As a result, employees of collective farms in the second half of the 1990s were earning higher incomes than part-time farmers employed by township enterprises. The internal accumulation by the collective farms reached 60 million *yuan* in the five years from 1987 to 1992. Annual per capita nominal income of the rural population in the county grew from 600 *yuan* in 1986 to 4000 *yuan* in 1993 (RIDA, 1995).

NANHAI: FARMLAND SHAREHOLDING COOPERATIVE SYSTEM

This system has emerged as a completely different type of collective. So far, it has been confined to the Pearl River Delta area of Guangdong Province and has aroused considerable interest. It was initiated at the end of 1992 on an experimental basis in Xiabai, an administrative- level village in Nanhai county, one of the major growth centres in China over the last two decades. Nanhai became known as one of the so-called 'four tigers' in the area owing to its rapid industrialization and urbanization: in the period from 1978 to 1992, the annual average nominal GDP growth rate in the county was almost 22 per cent (*Guangdong Statistical Yearbook*, various issues). In the process of such rapid development, land reform emerged as an issue of great importance, for two main reasons, firstly to halt agricultural decline following the migration of farm labour, particularly by younger more educated workers, to the non-farm sector. These individuals usually retained their responsibility land owing to the perceived risk associated with losing land rights. In most villages farming had to be carried out by the residual labour force, mainly females, the elderly and even children. The view of the local administration was that economic and social modernization could not be sustained without agricultural development. Secondly, there was a need to develop a more integrated land-use planning system, taking account of the needs of agriculture, industry and urban development. The uncontrolled proliferation of small factories and towns had led to enormous waste of scarce land. This problem was worsened by the lack of clarity about who the responsible authority should be. Rural land was in the hands of natural villages, the basic unit in rural China, but these were too small to manage land planning effectively. The administrative village, a higher-level organization, had greater capacity but was not the landowner. In an attempt to resolve the conflicts the farmland shareholding cooperative system, a kind of land-as-stock system, was initiated.

Under this system the first step is to have a valuation of farmland and three bases have been used: (a) the prices paid by government for land conversion; (b) according to the net incomes of land after deducting input costs; and (c) a mixture of the first two methods (NRRDO, 1994). Although the methods were imprecise, this did not hinder the implementation of the system.

The key aspect of the system is the distribution of land shares to individual peasants. Membership of a cooperative serves as the main criterion for share entitlement. Age is an additional consideration. Normally, the principle of 'adult, full share and children, half share' is followed. Shares are paper entitlements and there are no financial transactions at distribution. When land shares are allocated there is no actual physical distribution of plots. Furthermore, the shares cannot normally be withdrawn or transferred. After receiving land shares, farmers return their land-use rights to the natural village to which they belong. The natural village then offers the land entitlement to the administrative village to which it belongs. The administrative village is now in charge of land use. Usually, an agricultural company subordinate to the administrative village is founded and this becomes responsible for agricultural land. The land is contracted to individual specialist farmers or farming teams based on a bidding

process. In practice, most peasants did not bid to farm the land. However, as land shareholders, they are able to share dividends and also to promote their ideas at shareholder meetings; individual members also have incentives to monitor managers.

The system is an interesting and innovative institutional change which is still at quite an early experimental stage. Some positive effects have been observed. Within only three years, the system was introduced to almost all villages in Nanhai and other rural parts of the Pearl River Delta, and welcomed by local people. Agriculture was much improved, principally through the ability of the system to promote larger-scale farming. In 1993, cultivated area per labour unit in Nanhai increased to 7.6 hectares, a tenfold increase (RIDA, 1995). In Xiabai, the birthplace of the system, grain production was contracted to a group of 30 farmers. They manage the farm independently and provide the main source of grain for local consumption. Administrative villages have made comprehensive land-use plans and there is now at least a framework for more rational and efficient land utilization. It should be added, however, that there has been relatively little research on the progress or achievements of the system in recent years. Work by Chen (1999) suggests that it has not progressed much beyond its original areas in the Pearl River Delta and is not being seen as a suitable national model.

DISCUSSION AND CONCLUSIONS

Although China has been making some progress with the deepening of land reforms, the pace has been somewhat slower than expected and in some respects the process could be said to have stalled. The new approaches remain, at best, in the experimental stages and no mature national model has emerged. We now discuss four broad conclusions based on our review of experiences to date and our understanding of how the political economy of China may be influencing the process.

China's land reform process involves difficult political choices

These involve, for example, the classic trade-offs between egalitarianism and economic efficiency and the balancing of central and local government powers. The process since the mid-1980s has reflected these dilemmas. Where social equality or equity considerations predominate, economic efficiency has been held back. For example, the fixed responsibility land in Meitan could only be maintained for one contract term of 20 years; after that, redistribution of land could not be avoided. The equal distribution of land shares under the farmland shareholding system in Nanhai, effectively ignoring the relative contributions of workers to the collective, illustrates the priority given to the egalitarian principle. The implementation of the two-land system, arguably the most suitable for many rural areas as it is less restricted by local conditions, also illustrates some of the dilemmas. Although, as we outlined above, the system produced some initially encouraging results, the speed of its implemen-

tation has slowed in recent years; indeed, there are signs that it is falling from favour with government and farmers. In particular, the bidding process for contract land remains relatively minor and has not brought about the hoped-for consolidation towards larger-scale commercial farming. During the first half of the 1990s, only around 6 per cent of contract land nationally was leased on a bid basis. The remainder was allocated using standard HRS criteria of household size and labour availability (MoA, 1996). Thus the goals of equality or equity in land affairs still appear to be outstandingly important; and a workable reform strategy should reflect these priorities and recognize perhaps that greater efficiency can only be sought incrementally.

The clarification of land property rights is still at an early stage

Although the constitution states that land is owned by the collective, it is not at all clear at the local level who actually constitutes the collective: for example, whether it is the natural or administrative village, or some other body. The reform process so far has not provided farmers with sufficient clarity about their land property rights, in particular their individual rights vis-à-vis those of the collective and those of the state. For example, in the cases of the fixed responsibility contract and the two-land system, property rights are still unstable. As the contract term progresses to the due date there will be great uncertainty amongst farmers about whether they will lose productive capacity. This will tend to perpetuate the problem of underinvestment in land and fixed assets. In the case of the farmland shareholding cooperative system, the land shares are really just paper entitlements which lack the real attributes of shares in a joint-stock company. In particular, farmers cannot get compensation for their shares even when they move to a city and are no longer active in their village. It may be argued that the system is locked in a kind of path dependence (North, 1999) that currently hinders it from being developed further. Chen (1999) proposes that individual members should be able to purchase their shares, and have the right to alienate them for cash, effectively giving them full property rights. The current lack of incentives tends to make farmers reluctant to leave their village, and surplus agricultural labour continues to grow, slowing down the process of structural change. As the inadequacy of property rights will continue to hinder and frustrate the reform process, further clarification of farmers' land rights is undoubtedly an issue of prime importance. This area, however, remains very controversial. Further debate and research are urgently needed about the rationale and the scope for granting protected rights to farmers. In particular, as Liu *et al.* (1996) argue, it may be important to disaggregate land property rights into their multiple dimensions and to explore the productivity implications of different arrangements. The whole area of property rights also raises questions about the roles of central and local governments. To date the central government has tended to stand back and leave decisions to the local authorities. The latter, however, are calling for a clear general statement of policy on this issue of fundamental national importance. This goes wider than land rights and will extend to areas such as rural enterprise. The further deepening

of property rights, of course, might be said to increase the perceived exposure and vulnerability of the state, the implications of which are difficult to predict.

Land reforms have reflected and will probably continue to reflect local conditions

In the early 1980s, the HRS emerged as the dominant national institution. Since then the deepening of the process has paid much more attention to regional diversity. On one level, this might simply be seen as a refinement of the HRS and the avoidance of fundamental changes to property rights which we point to above. At the same time there is sound logic in taking account of local conditions and in not being excessively dependent on an imposed imported model. Indeed, the more successful initiatives have been in those areas where there has been a clear understanding of local specificity. The tailoring of reforms, however, has had other unfortunate consequences which should be guarded against in the future. For example, administrative interference and rent-seeking behaviour are reported to have heavily distorted the two-land system in some areas. The levying of excessive charges for contract land meant that contracts were disrupted and some farmers lost half their original land. As a consequence, farmers' attitudes towards the system have become much less welcoming, even hostile in places (MoA, 1996). In some coastal areas farmers are reported (*People's Daily*, 25 September, 1996) to be abandoning their food land completely and the land is being tilled by village-organized farms: effectively, a move back to a one-land system.

A major challenge for the global agricultural economics profession

It may be a statement of the obvious, but the deepening of the rural reforms in China poses huge challenges for our research agenda, some of which have been identified above. Western economists can continue to make an important contribution in collaboration with Chinese colleagues. The limited availability and reliability of data are barriers to progress, but with greater openness these problems can probably be overcome. A more fundamental problem is the complexity of the issues. As North (1999) implies, the Chinese transition poses unique challenges to established economic paradigms; but that raises a set of questions which are beyond the scope of this paper.

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