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The Second Economy of Rural China

Summary

Drawing chiefly on interviews with emigrants from villages in rural China, this study focuses on the participants of peasants in the second economy. By defining the second economy rather broadly as any economic activities, legal or illegal, that fall outside of the state plan, the authors underscore the fact that the Chinese peasant economy is characterized by significant enclaves of legal private activity— in particular, the private plots and the free markets. Moreover, the very illegality of a wide range of economic activity in the peasant economy is largely a function of pendulum swings in government policy which repeatedly push second economy operations underground and then pull them back again out into the open.

The body of the discussion of second economy activity is divided into six sections: agricultural collectives and the state plan; private production; marketing; village-owned factories; procurements; and second economy workers. A common theme emerging from the discussion is the interaction between peasants and government policy, with two aspects of peasant behavior standing out in particular: their constant efforts to evade government regulations which conflict with their self-interest, and their response to the incentives set up by the official government pricing structure. In the agricultural collectives, for example, second economy activity chiefly takes the form of a collective effort by each production team to conceal its grain output from the authorities, thereby evading a procurement program which forces the peasants to supply the cities with basic foodstuffs at fixed low prices. At the same time, the government pricing structure, whereby most of the collective grain is sold cheaply while privately grown vegetables can obtain much better prices, provides an incentive to peasants to reduce their effort on collective production in favor of their legal private plots. Likewise, with respect to the marketing of farm produce, the pricing structure is such that state prices are almost invariably lower than free market prices, resulting in an incentive structure which contravenes the government's desire to channel more produce into the first economy. In this particular instance, the government's response has been as calculating as that of the peasants: since petro-fertilizer is in short supply and is rationed to production teams as part of their annual plans, the government offers fertilizer coupons as bait to induce teams to sell more of their surplus grain to the state.

While much of their discussion focuses on the friction between the state
sector and the legal private sector, the authors also found some evidence of explicitly illegal private activity -- for example, the smuggling of produce across county lines for speculative purposes and black marketing in 'Class I commodities', such as grain, where distribution and sales are supposed to be completely controlled by the state. According to the authors, however, such illegal activities are more common in the poorer districts, and therefore would appear to be more attributable to the circumstance of poverty and the corresponding need to make ends meet, rather than to pure and selfish greed. In substantiation of this view, it is observed that the authorities tend to be more tolerant of illicit or evasive activity in the poorer districts. In addition, some forms of illicit activity -- in particular, the informal procurement of scarce materials, capital goods and spare parts -- are permitted by the authorities in recognition of their usefulness in circumventing the rigidities of the official supply system.

In concluding their discussion, the authors address the issue of whether the rural second economy in China is rooted in official corruption. In general, while peasants do complain of political abuses of power by local officials and of on-the-job 'perks' that some local officials consider their due, the evidence available to the authors provides no indication that corruption is a major fact of rural life. Rather, to the extent that local cadres connive in or tacitly approve of second economy activities, it is out of the recognition that they are necessary elements of the rural economy which provide needed supplements to diets and incomes.

(Summary prepared not by the authors.)
Much research has been done on the second economies of the U.S.S.R. and Eastern Europe, but little on that in China. Yet in China, too, a vast amount of economic activity contravenes state regulations. Some of the anecdotes told by emigrants from China are quite similar to stories told of Eastern European countries. The fundamental similarities in all of those countries' planned economies and political structures inevitably have bred many of the same techniques for circumventing the state's rules.

Writers on Russia and Eastern Europe frequently stress the illegal or corrupt aspects of second economy endeavors. But our survey of rural China's various second economy operations will show the difficulty of defining most of these activities strictly in such terms. For much of the second economy, there are no hard and fast lines of demarcation between legal and illegal. This is true, too, of the Soviet marketing system (Katsenelinboigen 1977). In both countries there exists a grey area of semi-legality midway along a wide
spectrum. These semi-legal economic operations are not strictly in accord with the rules but are usually tolerated by the authorities as economically beneficial.

When the Chinese government has objected to any of these semi-legal 'grey' activities it was either because an activity (i) irritatingly interfered with the first economy's operations or (ii) was conducted for purely personal profit and thus purportedly endangered the Party's egalitarian socialist goals. The distinction between these two kinds of governmental objections is important. Some endeavors in the second economy may supplement the first economy and benefit economic development but at the same time may go against ideological principles. The government has swung back and forth in its tolerance for such activities, depending upon the leaders' political priorities of the moment. During radical periods like the early 1970s, a large proportion of the peasantry's second economy undertakings became politically unacceptable. Conversely, beginning with the late 1970s, when China's economic development became the government's top priority, these same activities were publicly lauded. 'Legality' does not seem a very precise concept to most Chinese when swings of the political pendulum repeatedly push second economy operations underground and then encourage them to resurface.
Our discussion of rural China will span this cycle of the 1970s. It is drawn from Chinese documentation and from the accounts of emigrants who left China from the mid 1970s through the early 1980s. During three visits to Hong Kong, in 1975-76, 1978 and 1982, we had the opportunity to interview two dozen emigres from Chen Village, Guangdong province. Interview were also conducted with emigrants from close to a dozen other Guangdong peasant villages, three of whom regaled us with very detailed accounts of their own villages' second-economy activities. Most of the examples that we will cite derive from Chen Village and these three other communities. By the standards of Guangdong province, Chen Village stood slightly above average in prosperity in the 1970s, as did Wei Pond, the second village. Ling Hollow, the third, was rather poorer; and Lee Family Village, the fourth, was a destitute mountain hamlet struggling to maintain subsistence living standards.

To place the second economy into an understandable context, we will pause at various points to sketch in the structure of China's rural economy. Our description will be divided into five sections: (1) agricultural collectives and state quotas; (2) private production; (3) the marketing of produce; (4) the procurement of needed supplies by village factories; and (5) second economy workers. For each of these major aspects of the rural economy, we shall describe those
activities which the government considers perfectly legal, those which normally enter the 'grey' sector of the economic spectrum, and those which edge off into the 'black.' A final brief section describes the government's quandary in dealing with the second economy phenomenon.

I. Agricultural Collectives and Sales Quotas

After the disastrous failure of the Great Leap Forward of 1958-60, China's leaders realized the peasants had to be given a material stake in the productivity of the collective sector. Accordingly, in 1961-62, relatively small production cooperatives were established. These are composed of some ten to fifty neighboring families. Sometimes they constitute a hamlet or sometimes the neighborhood of a large village. Called "agricultural production teams," they possess a fair degree of independent authority. The peasant households collectively have owned the land, elected their own leaders, and shared the proceeds, with each team member paid according to the value of the labor he or she has contributed. Because it is a cooperative the peasants know their personal interests are served not just through earning a bigger individual slice of the team's proceeds; they also profit if the whole team pie gets bigger. One result, as we shall see, is that team members sometimes have connived to cheat the state on their team's behalf.
The peasants are reacting to a system of production quotas which the state plan annually sets for the major grains and commercial crops. A province apportions the quotas among its counties, which subdivide the quotas among the communes. In turn, each winter the peasant officers of the agricultural production teams attend a conference at the commune seat (their local marketing town) to hammer out the team quotas for the following year. These annual quotas have forced teams to concentrate on providing the cities with stable supplies of basic foodstuffs and industrial raw materials at fixed low prices. Such quota procurements have constituted a considerable part of rural production: as of the mid-1970s, for example, the grain quota in Chen Village came to about a third of the rice yields. Except in years of crop failure, a team had to meet its quota before it could distribute any basic foodstuffs to its own members.

Moreover, when a Chen Village team had an unusually good harvest, regulations forbade it from distributing to its members more than an average of 25 kilograms. One stated reason was to keep grain that was above the consumption needs of a family off the rural black market. A second function was to channel this grain into urban shops and exports. To induce the teams to strive for good harvests, the government has offered a price some 40-50% higher for this above-quota grain than for the quota grain.
The low price offered for the quota grain has been resented by peasants. What has irked them even more, however, has been their inability to keep more grain for home consumption. The problem has been especially acute in poor areas. After selling quota-rice to the state, peasants sometimes found they had to buy back grain on the black market at double or triple the price. In these poorer villages, the peasants understandably have tried to sell as little of their grain as possible to the state. Throughout the 1970s, Ling Hollow and Lee Family Village -- the two poorer villages in our small sample -- consistently hid as much as they could from the eyes of officials. They kept secret the locations of some of their mountain fields, reported good grain as having been spoiled, handed in wet grain in the place of dry, and laboriously fiddled their account books.

The government itself complained in 1980 that it was common for teams not to report the new lands they opened up -- whereas teams never failed to report the loss of land to new roads, reservoirs, or buildings. Thus, in China as a whole, "the reported amount of cultivated land currently is diminishing year by year." Beijing estimates that a great many teams conceal twenty percent of more of their acreage. 4

All of these various types of cheating must, of course, be done collectively, with the connivance of Party members
and village leaders. In Lee Family Village, the poorest of the four villages, it was reported:

Our team secretly distributed a hundred kilos of rice to each of us before the team handed in anything to the government. The team heads gave us a lot of instructions, very detailed, to cover up the discrepancies .... If we were ever questioned by higher-level cadres coming down, we were to say that we only had 15 kilos per month on the average. The big charts up at the team office showing the grain ratios of each family were for outsiders only .... The team kept two separate account books, one real, one false.

Needless to say, this hidden grain is not included in the Chinese government's data on national agricultural production. To this extent, scholars probably have underestimated total grain production and per capital levels of consumption in China.

It seems from interviews that grain concealments of this type have been more common in small isolated hamlets than in large village settlements composed of several production team, partly because rival teams may not trust each other to keep secrets. But more than this, most large settlements are in the better-off delta and plains areas, and they can expect to produce enough to retain a grain cushion even after their quota deliveries. Since such villages do not desperately
need to hold back grain, the upper administrative levels scrutinize their books much more carefully. In the poorest districts the officials must take into account the peasantry's plight and seem to look the other way even when the teams engage in fairly clumsy machinations. Ling Hollow and Ling Family Village felt secure in regularly committing transgressions that members of a community of average prosperity such as Chen Village would not even have contemplated attempting. Throughout the 1970s, in fact, there does not seem to have been a single case of a Chen Village team hiding any of its grain output.

The concerns of these teams instead revolved around efforts to resist the urgings from higher-level officials to sell more of the team's above-quota grain to the state. When these more prosperous teams very occasionally did try to bend government regulations, it involved attempts to diversify their agriculture secretly away from grain production and into crops like vegetables or peanuts which fetch better prices. The Chen peasants considered these incursions on the team's grain fields merely as making good business sense, whereas the state used to denounce such practices as "capitalist roading." The local Party officials had to try and control the agricultural production teams in these occasional games of hide-and-seek.
Starting in 1979, under the liberalization program of Deng Xiaoping's administration, some teams, especially in poorer districts, have been allowed — or even pushed — by the government to parcel out the fields among their households and to hand over to the families all major responsibilities for production. By the close of 1982, most of China's teams had gone that route. As all production teams must still provide quota-grain to the state every year, each household has become responsible to the team for fulfilling quotas on the fields they have been allotted. Chinese newspapers complain that some of these families are stubbornly attempting to evade the quota sales. The government, in trying to combine economic liberalization with its old system of crop quotas, has gotten caught in frustrating new dilemmas.

II. Private Production

The rights of peasants to engage in private sideline production have been guaranteed by the state (with local and temporary exceptions) since 1962. China's political leaders had learned in the disastrous experiences of the Great Leap Forward that the private agricultural sector, particularly the private plot, was a necessary adjunct to the socialist economy. The new regulations of 1962 let the teams set five to seven per cent of their arable land aside for these
private plots (in 1981 the limit was raised to fifteen percent). Because most Chinese villages have little land per capita, we are talking about relatively tiny plots. In the 1970s, these ranged in Chen Village from a minimum of a thirtieth of an acre for a single person or married couple to a maximum of a tenth of an acre for families with six or more members. A family held only temporary usufructual rights, and the size of its plots were readjusted from time to time as new children were born and older children married out.

The peasants could also engage in other private sidelines. The most important of these is pig raising. Most of the pigs in China were reared privately, usually with government encouragement. In fact, for each sow it owns, a Chen Village family was allotted an extra thirtieth of an acre for growing animal fodder. Most of China's chickens and ducks are also the private property of families, as are some of the fruit trees planted in courtyards and scattered on hilltops. Further private income could usually be earned by gathering wood or grass for fuel, or fishing after-hours, or private cottage handicraft industry.

These private economic activities have been essential to the peasants' livelihood in two ways. First, whereas the collective fields have provided almost all of China's grain, the private sector provided the bulk of the peasants' vegetables and meat. This is reflected in the saying,
For the bottom of the pot rely on the collective,  
For the top of the pot rely on ourselves.

Second, these private plots and other private activities often have been the peasants' most important sources of cash. During the 1960s and 1970s, at the end of each harvest each household's payments from the collective sector were first paid out mainly in the form of staples, and having deducted the cost of these, the household got its half-yearly cash income. This system guaranteed to all families a minimum amount of food, but households in especially poor districts or households with too many mouths to feed received little or no cash. These families had to depend almost entirely upon their sidelines for cash. Even a comparatively well-off neighbor, moreover, normally would not have enough money on hand to meet the costs of a family funeral or a son's wedding. On such occasions, peasants sold what they jokingly refer to as their "piggy bank" -- one ore more of their hogs. Thus for all peasants, prosperous and impoverished alike, a second rural saying also applied:

For eating rice rely on the collective,  
For money rely on your sidelines.

Partly because of the government's own pricing mechanisms -- under which most of the collective grain is sold cheaply while private vegetables procure far better prices -- the peasants could earn considerably more per hour
from their private endeavors in the 1970s than from collective labor. All told, thus, a quarter to a third of a Chen Village family's gross annual income (including both kind and cash) came from the private sector.10 In poorer villages like Lee Family Village and Ling Hollow, where the earnings from the collective fields were far lower than in Chen Village, up to a half of the family income derived from private activities.

Though an indispensible part of China's agricultural economy, this private sector inevitably impinged upon the productivity of the collective sector. This can be witnessed graphically in the expansion of private acreage. It is to the advantage of the state, the collective, and the private household to put under the plough as much cultivable land as possible, even when marginally cultivable. Peasants therefore have been allowed to expand their private plots by reclaiming odd strips of fallow land or semi-arable hill slopes.11 In Chen Village about half the families regularly did so in the 1970s. But the numbers of these cleared patches tended to grow over time, diverting some of the peasants' energy away from their collective duties. So about once every three years all of the new plots were confiscated by the Chen Village Party committee and incorporated into the production teams' holdings.
The teams also resorted to economic sanctions against members who stayed at home too much on private business. If a healthy peasant in Chen Village showed up for work in the collective fields fewer than 28 days a month, his or her grain allocation was cut off. All told, the price of black market grain was too high to permit such absenteeism.

But some peasants still faced strong temptations to conserve their energies for their private undertakings. In Chen Village:

There's grass on the mountainsides that can be sold to the village brickworks for 2.8 yuan per 100 kilos. In a good year you'd only earn 1 yuan for a whole day's collective work, while some folks can cut up to 100 kilos of grass in the same day. As soon as collective work stopped for lunch, [some of our team's members] would immediately clamber up the hillsides, running along cutting grass fits to kill and stuffing rice-cakes in their mouths at the same time .... When collective labour resumes, they're pooped and so relax in the fields a bit by working at a leisurely pace. Then through this, they recoup and go off to work at their private stuff, such as more grass cutting, when the work-day ends.

The state periodically reacted with campaigns to tighten the reins on the private endeavors. These campaigns usually
were backed by ideologues among the Party leaders, who always worried that private undertakings encourage a selfish "small producer mentality" among the peasantry. Some of Chen Village's cadres, with an interest in boosting their production teams' productivity, used to be willing helpers in pushing such campaigns locally. During one such campaign in 1969-70, lunchtime and after-hours grass cutting in Chen Village was temporarily banned -- at local initiative.

However, the last major campaign of this type, the Line Education Campaign of 1975-1976, was removed from local cadre hands. The higher authorities wanted to be absolutely sure that tough new measures were put through. Workteams of officials sent from above momentarily took over the villages. In Ling Hollow, a cadre workteam established a supervisory system that stipulated that the private sector no longer could comprise more than 40 percent of a peasant family's gross income. In Chen Village, the peasants no longer were permitted to raise more than ten ducks, whereas before the campaign each household had raised twenty to thirty. And henceforth in Chen Village "if you were out of money and took leave from the fields for a day to cut grass you'd be fined 5 yuan."

But such restrictions could not resolve the inherent contradiction between the private and collective sectors. The various restrictions simply depressed rural income;
aggravated the shortages of poultry, meat and vegetables in the urban markets; and throughout China generated intense dissatisfaction with the Party radicals in power. Politics and economics demanded that a new balance between private and collective be struck. After Mao’s death and the purge of the "Gang of Four" in late 1976, the new leadership in Beijing was quick to encourage private sideline production once more.

III. Marketing Farm Produce

The government has faced many of the same questions in its rural marketing policies as in its policies toward agricultural production -- how to exert controls without adversely affecting the collectives' and peasants' incentives to produce. In the following pages, it shall again be seen that the state’s mixed success in this regard has been achieved only at the price of a very substantial second economy.

In a system borrowed wholesale from the Soviet Union, all rural products have been divided by the state into three categories: (1) Class I commodities, where sales are completely controlled by the state. In the 1970s, these included grain and vegetable oil in most rural districts. Class I commodities may not legally circulate in the free market. (2) Class II commodities, where the state sets delivery quotas, but where the product legally can be sold in
the free market once the quotas have been fulfilled. This category usually has included the peasants' privately raised pigs and poultry\textsuperscript{13} and certain collective subsidiary crops like sugar-cane. (3) Class III commodities, which are not subject to any quotas and can enter the open market freely. In most districts, these include vegetables and handicrafts.

The state's purchasing depots try to compete against China's 33,000 commune-town peasant free markets\textsuperscript{14} for Class III commodities and above-quota products in Class II. Since the prices the state is willing to offer normally have been lower than the free-market prices, it has had to resort to alternative means to keep its terms competitive. For instance, petrochemical fertilizer is in short supply in China. Most of it is rationed to production teams as part of their annual plans; and a team usually has not been able to go out and legally buy extra amounts, even when it had the cash on hand. To induce teams to sell more of their surplus products to the state, therefore, the government has dangled fertilizer coupons as bait. (Note that this fertilizer is not free; it still has to be paid for at normal prices.) Similarly, for each extra duck a peasant sells to the state, he receives cash plus a fertilizer coupon. A peasant must always decide does he prefer the extra money from the free market, or does he have greater need for a bag of fertilizer for his private plot? The government finds this to be a very
advantageous arrangement. It can buy foodstuff more cheaply simply by wielding its discretionary powers in the allocation of needed supplies.

Even in 1976, when private endeavors were relatively restricted, nearly a quarter of all the products (measured by value) taken in by the state's purchasing depots came from the peasants' private sidelines. But the peasants, both then and now, have opted to sell more of their produce on the free market. In their attempts to do so, however, they have faced numerous restrictions. The state usually has tried to keep private sales local and small-scale, so that any production beyond what a rural market could absorb would have to end up in the state's commune-town purchasing depots. To assure this, the specialty products of an area normally have not been permitted to be sold across county boundaries by either teams or households. Moreover, until very recently, to prevent the peasants from flocking into the suburban free markets, where food sells at higher prices, only those teams and peasants who resided within a metropolitan county were allowed to sell any produce there.

Peasants resorted to both legal and illegal means to get around these restrictions. As a legal stratagem, they could bring their produce to huge unregulated free markets on the main roads just outside the metropolitan boundaries. Since urban markets regularly faced shortages in the 1970s, urban
residents used to travel out to such markets on their days off to stock up on meats and vegetables. Peasants who were enterprising would also sometimes circulate within their own county, buying in one market town one day and then re-selling their purchases the next day at higher prices in another market. In the early 1970s, market days were synchronized in a number of counties to curtail this "bourgeois" small-scale profiteering.

More illicitly, some peasants smuggled produce across county lines or tried to sell Class I Commodities privately. These illegal activities have been more common in the poorer districts. There, as we saw earlier, peasants cannot easily make ends meet if they always adhere to regulations. Our respondent from Lee Family Village recalls one example from the early 1970s:

Up in the hill country livestock sells for less. So people from our village would climb even further up into the back country, buy things like chickens and cows, and sell them in the richer districts or even in Canton. This kind of thing isn't easy. During the day there'd be Market Control Corps personnel guarding the paths out of the hilly regions. So we'd do our bargaining for the animals during the day and secretly bring them out at night. It was risky, because the terrain is rugged and
the back paths slippery. All over Guangdong province, once the sun goes down, people are on the move. Lee Family Village even sometimes engaged collectively in such smuggling and black marketing. The village's main marketable product is timber from the surrounding hills. To conserve the forests, the amount that legally can be felled is regulated by the state.

But the peasants didn't care. They just sawed them into short logs, bundled them up, and tried selling them far away in places not near any hills, where people would buy wood at high prices. So at night we'd cycle our secretly with wood on our bikes, to escape being caught by the people in charge of forestry. We usually went in groups. All the labor power from each family would be mobilized, including the team cadres and even the village heads.

In the poor regions, higher officials frequently turned a blind eye to even these large-scale violations. They similarly tolerated the black marketing of grain. One of our interviewees frequented a large market town at an intersection between a rich district and a poor district, where black market grain was sold openly. In the relatively prosperous district surrounding Chen Village, the peasantry engaged in far less illegal activity: they felt less need to, and had been allowed fewer opportunities to do so.
Again, a 'grey' activity in poorer regions was dangerously 'black' in a better-off district.

Even in the more prosperous districts, however, chronic shortages in consumer goods and the restrictions on private long-distance trade gave rise to small-scale smuggling and profiteering. A 1979 government radio broadcast complained:

Commodities produced in distant localities are sold at local fairs for big profits. Instead of selling self-produced commodities consigned to them for sale at local fairs, some people buy commodities from traveling merchants from other provinces or localities or from illegal local peddlers and sell them for profit at the local fairs .... Sunflower seeds bought at 0.50-0.60 yuan per catty from Jilin and Heilongjiang provinces are being sold at local fairs in Liaoning province at 1.3 yuan per catty. Yet no action has been taken against this speculating and profiteering. Market management departments have shown an indifferent attitude toward these activities. Leading organs have made no arrests.16

The very existence of the free markets always bothered the more radical wing of the Party, which used to argue that the free markets inevitably became "sprouts" for this type of trafficking. Before Mao died, political editorials in the mass media sometimes referred to the peasant markets as
"capitalist free markets" and "tails of capitalism." Hence, when the radicals had a hand in national policies in the early and mid 1970s, fewer types of commodities were allowed to be bought and sold at the markets. At two of the villages in our sample, moreover, peasants and teams were forbidden to sell at all outside their own local market town. In some places, according to present reports, free markets were closed entirely. The results were disastrous.

In much of China, the several years before Mao's death witnessed agricultural stagnation. The radical campaigns of the early and mid 1970s to reduce the size of private plots, together with the clamps placed on the free markets, simply exacerbated the shortage of foodstuffs. Black markets flourished and prices on them spiralled. "It is not possible to stop [private] trading," a rural official was quoted in 1979 in a Chinese journal. "We did ban it a few years back, but that only drove it underground and gave the green light to capitalist practices. A black market came into being and piglets were being sold at twice the price over those sold in the open market." In Chen Village's district, the price of black-marketed vegetable oil rose from about Y1.50 at the beginning of the decade to Y5 by late 1977. Black marketed rice -- always sold discreetly in this district, through private introductions -- almost doubled in price between 1974 and late 1977, rising from Y20 to Y35 per 100 catties (50
kilos). Those who suffered the most from this blackmarket price spiral were from impoverished villages that were short of grain and oil.

The post-Mao Party took steps to reverse these trends. Beginning in 1977-78, the regrowth of free markets was officially encouraged. Even grain and other erstwhile Class I produce can now be bought and sold legally in these markets. Moreover, the state quotas on grain in 1978 purposely left more grain than usual in the peasants' hands. For the first time in years, hence, the prices for privately traded grain declined -- in the government's estimates, by some 20 per cent nationwide between mid 1978 and mid 1979. The state also eased its restrictions on the transport of agricultural produce and permitted peasant free markets inside the cities. The proponents of the Four Modernizations clearly had decided that if you can't lick 'em, join 'em. Second economy activities which until now had been "black" were being redubbed as "white"--or winked at as "grey."

Even so, this liberalization in marketing policies ironically has increased the scope of black activities. Allowing expansions in the grey zone, for one thing, has provided far more room for wheelings and dealings by private operators. Activities which the government would have considered grey if engaged in by a team or by a peasant dealing in his own produce, the state still considers black
if carried out by fulltime entrepreneurs. In the free markets, such "profiteers" are now buying up vast quantities of produce and organizing their transport to distant markets. This illicit traffic has become large-scale enough to cut noticeably into the state purchasing depots' business.

So, too, have the illegal transactions of production teams. With better marketing opportunities, many of the suburban teams have been tempted to ignore their Class II quotas and illicitly sell off their produce at high prices in the urban free markets. At least in part because a rising proportion of such produce has been diverted from the cheaper state channels into the free markets, the cost of foodstuffs in the cities began edging upward again. To help control inflation and redirect more produce back into state channels, the government in 1981-82, with apparent reluctance, took steps to arrest the trend toward too active a market economy. The State Council issued regulations (1) to prohibit teams from selling Class II commodities in the cities; (2) to require state factories to buy agricultural products only through higher levels of the state marketing system; and (3) to establish price-control commissions to police all markets. The government remains engaged in its tug-of-war with the second economy -- a contest it has never entirely won.
IV. Village Factories, Middlemen and Procurement Officers

Even in the radical early and mid 1970s it was legal for most village-owned factories to operate entirely in the market economy. They held the right to sign contracts with other enterprises or to sell their goods piecemeal to other collectives or individual peasants. Very often, such village factories ran into difficulties finding enough customers to stay in business, and many resorted to the services of self-employed middlemen. Our interviewee from Ling Hollow, who served as accountant in the early 1970s for his brigade's new tile-works, explains how sales were made:

In the streets near our county supply and sales headquarters you could find middlemen who make a living on commissions. The state bought tiles but the price was low, so we preferred the middlemen. These people have a lot of connections, a sweet tongue and know how to socialize .... Some were officially licensed by the county to do such work ... [Yet] most operated illegally, and the state tried to catch and prosecute them -- to make them give up their money, confess, and reform ... [But] they [usually] got away with it. Since both the sellers and buyers were breaking the law [as accomplices], they didn't dare turn the middlemen in to
the authorities. Factories like ours really needed them to promote sales in unfamiliar territory. In fact, a factory like ours often had to plead with them to take our goods—had to wine and dine them... This kind of middleman does very well in China. [But] they need a lot of money for bribes and entertainment, exactly like in Hong Kong.21

Middlemen look for opportunities to expand their operations into any crevices not filled by government organs. The interviewee from Ling Hollow offers an example:

If your tractor breaks down and local state maintenance people can't handle it, one of these middlemen might show up and say, hey, I can get this fixed for you right away for a measly Y500 [which is more than a peasant earns in a year]. Then he'd bring in a mechanic from Canton or somewhere and get the job done.

Middlemen also help procure capital goods and spare parts. Tractors, water pumps and even nails normally are in short supply and are rationed. Local units in desperate need for items but caught waiting in a long queue have had to go to unofficial channels of supply. Through a middleman, a village may pay extra on the black market or barter goods with other production units.

But more often, village leaders will handle such transactions directly, trading upon their political linkages.
their relative security from prosecution, and their control over village resources. In this respect, China's and Russia's command economies are similar. Blat -- the Russian practice of using personal "pull" and favors-trading to obtain commodities and services\textsuperscript{22} -- has its counterpart in the Chinese term guanxi (connections).

This 'informal' procurement of scarce materials is so complex and time-consuming that village leaders cannot handle all such transactions by themselves. Just as in Russia, where blat gives rise to the salaried tolkach, or "pusher", who wangles and horsetrades to get supplies for his unit, so too in China a unit's need for connections has spawned the "procurement officer". Since the 1960s Chen Village brigade and every one of its production teams have each employed their own procurement officers.

In the 1970s, the people who often were best placed to establish guanxi -- and therefore were used as the village's procurement officers -- were urban youths who had been "sent down" to the countryside to settle. One pertinent example was a young man in Chen Village whose father worked at the county capital's railway freightyard devising delivery schedules. Playing upon his father's position, the son was able to build a guanxi network of considerable value:

I went to the county resources bureau for nails. I knew the people there. They're friends of my father. When
they want to have things transported they go to my father, and when my father wants something, he goes to them. When I was young he used to take me around with him to teahouses, and so I got to know his friends. So when I see them, they'd say: "Eh, this is so-and-so's son!" Then I'd go right ahead and ask them: "Eh, you have any nails? Now, come on ... " It's based purely on these social relationships.

To be most effective, the procurement officer has to establish good guanxi with a very broad range of agencies; family connections alone will not always suffice. A successful procurement officer, like the Russian tolkach, has to be outgoing, entrepreneurial, pushy, an insistent bargainer, a sweet-talker when necessary, not too highly principled, a pragmatist who gets things done and is willing at times to take risks.23

For someone with such attributes, it can be an enjoyable job: a procurement officer (like a Western business executive) often finds it pays to mix pleasure with business. He must know how to get a valued supplier into an accommodating mood during an expensive lunch or dinner out on the town -- at his own unit's expense. Even a Chen Village peasant who had been sent out simply to buy a cow spent a few days' worth of wages on dinner with a middleman. But it did not matter to village officials. So long as a procurement
officer gets the needed materials, they are willing to pay the price.

Because good procurement officers are invaluable to brigades and production teams, the brigade and team leaders tend, too, to grant them other types of special privileges. Our interviewee was paid as much as the strongest and hardest working peasant in his team; and every time he went on a procurement mission, he enjoyed a subsidy of an extra half day's income. When not on errands, he was supposed to work in the fields; but he normally came late to work and took afternoon naps. The other team members dared not complain too vehemently, however, since they had to rely on him to secure the building materials for any new homes:

I'd file a false report at the county resources department claiming the production team desperately needed, say, cement. Best of all was to declare that the team needed more storage houses for the state's grain, or needed cement for building concrete drying yards for the grain. Actually our team had enough storage space, etc. But through my guanxi I'd get the material to build private residences. Without resorting to these illegal means there was no way to build a private house in the village. Materials were simply too scarce.
For important transactions, a village requires more than just a well-connected and clever procurement officer. It also sometimes needs to bargain from a position of strength -- using whatever scarce resources it possesses. Chen Village held two good cards in its hand. At its own discretion, the village could sell timber from its reforested hillsides to their villages or county factories; and timber has been in short supply in Guangdong province. The bricks from the village kilns were similarly at the village's disposal; and bricks, too, have been desperately in demand in Chen Village's county. A former Chen Village resident explains,

Units without their own brick sources will send someone to Chen Village to negotiate. Selling bricks to whomever the brigade wants offers the brigade a certain power. It can get stuff otherwise unobtainable. The brigade may not even sell the bricks, but instead engage in a fair exchange with a unit which has something Chen Village needs. It might even involve a three-way exchange -- giving our bricks to a village that produces something that a factory somewhere needs, some factory with a product that Chen Village needs. These deals and sales can be very complicated, much more so than just that.
Often there was no bartering at all; Chen Village simply sold its bricks as a 'favor':

"We can use most of our bricks in our own village. Why let other villages have them when we need lots of bricks ourselves? ... But the village production head and village Party secretary let their friends buy our bricks. After all, these friends are fellow cadres whom they meet at meetings at the commune market town. If we let them buy bricks they'll be appreciative, and that type of guanxi will prove helpful to our village in the future.

Such local guanxi networks sometimes are useful in creating a chain of intricate trade-offs that can reach extraordinary lengths. These are facilitated by the existence of second-economy trade centers -- the teahouses. They were frequented by the leisured gentry before the Communists came to power. The government keeps many of them open, and their best customers became procurement officers, cadres, and middlemen in search of deals. In fact, different Canton teahouses are known to specialize in deals for different categories of products.

A Chen Village procurement officer visited these teahouses in the early 1970s when Chen Village needed a large motor that was not available through official allocation channels. The brigade-level procurement officer -- the son
of a former Canton businessman — had learned that his best source of supply was a Shanghai factory. This factory illicitly had shifted part of its production into warehouses, so as to be able to sell or barter motors discreetly. The Chen Village procurement officer first had to find someone in his own province to whom the Shanghai factory owed a favor — be it a provincial official of some Guangdong factory's procurement officer. He then had to determine if any units or persons who were already in Chen Village's debt had a product needed by the procurement officer or official he was wooing. If not, he had to set up the appropriate intermediate barters through the teahouses. Finally, carrying with him his letter of introduction to the Shanghai factory, he traveled the thousand miles to Shanghai to negotiate the actual transaction.

These types of informal tradeoffs are illegal but have always been permitted to operate fairly freely by the government. In fact, Chen Village's procurement officer needed — and received — a travel permit to go to Shanghai. Officials have realized that, without these informal deals, production in China would be snarled by the rigidities of the official allocation systems. As the manager of a factory in Shenyang complained in 1978:

We can get only about 25% of the cement we need and have to obtain the rest by ourselves. How must we
obtain it? By bartering or by buying cement of inferior quality at high cost.24

The government also knows, however, that the shortage of materials in the pipelines of the planned economy has been exacerbated by the very fact that each unit needs to barter and to hoard materials for a rainy day. But periodic government campaigns to raid industrial warehouses to reduce the hoarding have had little effect. Once again, in the late 1970s, the government decided that "if you can't lick 'em, join 'em." If the bartering is necessary, let it be done openly -- with greater convenience, less expense, less need to hoard and less chance for corruption. As one example,

Supply departments in Jilin city have taken measures to regulate supplies that have accumulated in warehouses by calling a comprehensive supply exchange meeting. At the meeting, a total of 2,610 contracts were signed involving Y25.18 million [about U.S. $18 million]. 308 units in the city participated.25

Nevertheless, back-door trade-offs and guanxi network remain de rigueur for most enterprises -- and particularly necessary for village factories. Rural collectives, in fact, were excluded from Jilin city's "comprehensive supply exchange meeting." It is doubtful if the teahouses of Jilin are any less crowded.
Chinese publications report, in fact, that the scale of illegal 'backdoor deals' expanded greatly in the early 1980s. Loosening up the economy and giving rural collectives and even individual peasants a freer hand to set up small manufacturing enterprises has led, for one thing, to a more frantic scramble for raw materials and for markets for the goods. With little experience or time to develop guanxi networks of their own, many of these new small factories began hiring middlemen from the outside to be their procurement officers and sales managers. These middlemen wanted the credentials of such posts as a protective cover for their own separate speculative deals. At the very same time, a great many procurement officers and cadres, taking advantage of the opportunities provided by economic liberalization, were using their guanxi to branch out profitably into their own private deals. The distinctions between middlemen and procurement officers, and between collective entrepreneurship and private hustling, were becoming increasingly clouded.

Alongside this -- and even more worrying to the authorities -- was the noticeable rise in the incidence of bribe-taking and graft. Interviewees in the mid 1970s had reported only a small amount of personal corruption evident in the illicit wheelings and dealings between units; by the early 1980s, contrarily, interviewees and the official
Chinese media were speaking despairingly of corruption. All of the stratagems that had always been necessary for horse-trading in the grey sector of the second economy -- not just the bloated entertainment budget but also the unwritten deals, the fixing of books, the concealment of warehoused goods -- were now providing fertile ground for outright embezzlement and bribery by cadres and procurement officers alike.

Why so much more corruption in the early 1980s than in past decades? A large part of the answer lies outside the purview of this paper -- in a cynical mood among a sizeable share of the cadres, which has its roots in China’s turbulent politics of the 1980s (Chan, Madsen and Unger 1983). A smaller part of the answer lies in new government programs to improve work incentives. Collective factories were now allowed to retain more of their profits for distribution to their workers. But one unintended consequence has been that, just so long as factory cadres and procurement officers can secure profitable deals and get needed supplies, many workers were now willing to connive actively in their schemes, and even look the other way when those who pull off a good deal cream a bit from the top.

From Chinese press reports, it seems that a vicious circle has ensued. As more and more of these illicit activities occur, the more extended become the conspiracies.
linking the leadership and workforce of a factory, the more sizeable becomes the corruption, and the more protection it enjoys from interlocking guanxi networks of Party, industrial and commercial organs. Mutual backscratching was becoming a national preoccupation.

In 1981, the State council promulgated a set of regulations aimed at curbing the abuses: procurement officers no longer legally could claim "entertainment" expenses or receive special "bonuses"; companies no longer would be allowed to get away with accepting kickbacks; etcetera. But the regulations did not seem to have had the desired effects, and in 1982 the Party leadership launched a major Anti-Corruption Campaign, aimed at both urban and rural areas. As part of it, in Guangdong Province a special Anti-Corruption Investigatory Office was instituted — responsible only to the very highest levels of the Party, so as to circumvent the protective powers of guanxi networks.

V. Second-Economy Labor

The final major way in which the countryside has entered the second economy is through itinerant work and 'black labor' (hei gong). Like the other aspects of the second economy that we have touched upon, (i) much of this activity used to be discouraged by the state even when legal, (ii) some of this labor is distinctly illegal but has been
tolerated by authorities, and (iii) certain types of 'black labor' are considered criminal. Whatever its particular legal standing, most of this activity fills the cracks and crevices that are difficult for the planned economy to cover effectively.

Perhaps the most obvious examples are the itinerant rural craftsmen and peddlers -- the menders of pots and pans, knife grinders, barbers, candy vendors and other peddlers. To get enough business, they must make a circuit of large numbers of villages. But since the Party has not wanted free-floating operators, the itinerants are all required to belong to an agricultural production team in their native village. From their earnings every month they must pay a fixed sum to their team in return for their food rations and certificates authorizing their travels.

Even so, the individualistic and profit-seeking nature of the itinerants' trade sometimes ran afoul of Party ideology. During the more radical periods, itinerant trade was forbidden in some rural districts, and in other districts the range of permissible services was reduced. As one example, during and after the Cultural Revolution of 1966-68, Chen Village's carpenters were confined to the village and became fulltime brigade employees. But the new system did not entirely satisfy either the carpenters or the private needs of peasants: "So after work they still carried out
their own side-line work. If a carpenter makes a table for you and you give him some money, who's to know?"

While frowning on private labor, the government was more tolerant during the radical Seventies when the work was collectively organized. Villages and production teams, for example, sometimes sent out squads of peasants -- entirely legally -- to work for other collectives or factories. To avoid disruptions to agricultural production, the government strongly preferred that these squads operate only during slack seasons. But very often a successful squad would continue its operations year-round, without the government's knowledge. One of our interviewees from Chen Village had belonged to such a squad. It sought out construction work in the county towns in the mid to late 1970s, and, by working furiously and putting in over-time, each squad member earned Y100 a month.34 (By comparison, the average urban factory worker received only about Y50 a month, and Chen Village peasant earned less than Y30 working in the collective fields.) But in an arrangement similar to the itinerant peddlers', each equal member had to contribute Y50 a month to his own production team's coffers.

Such work outside the village occasionally could edge over into the 'black' zone. An interviewee from one of Guangdong's mountainous counties offers an example form the early 1970s:
A mine was opened but there weren't enough workers, so the mine recruited groups of peasants from the countryside in order to meet its quota. The workers recruited this way weren't state-paid; in fact, they weren't even reported by the mine. This kind of thing is referred to as an 'underground factory' even when it's at a state enterprise, and the labor employed this way is called 'black labor.' Those peasant-workers drew their grain rations from their own production teams. But sometimes, to encourage them to work harder, the mine also provided them with extra grain rations that the mine had procured illegally.

This type of illicit hiring may have had little or nothing to do with corruption. As with some of the blat that we have observed, supervisory cadres simply have to cut corners and enter into illegal activity to fulfill their own responsibilities effectively. But in many other cases, of course, corruption and private greed do enter into such hiring practices. The very illegality of the hiring practically invites criminal abuse. Radio broadcasts from Yenan provide this portrait of labor racketeering:

... There was not only an illegal surge of rural population into the city of Yenan and its suburbs over the past few years; there are also speculators and black contractors. When erecting a factory building, the
Yenan papermill's Party branch used an illegal contract labor force and protected and supported illegal foremen who embezzled state funds [i.e., took a slice of the contract as a personal profit?]. The head of the mill Party branch and another branch member took bribes and used their powers to serve the capitalist [sic] activities of these illegal foremen ... Some leading cadres in the city's Communications Administrative Center regularly took bribes and supported and protected illegal contract labor and illegal transport [crews].

This 'black labor' contracting, like the other sectors of the second economy, seems to have increased noticeably in the early 1980s. For one thing, the decentralization of farming has given peasants more freedom to dispose of their own work schedules. From the urban side, more companies see advantages in using black labor to shave construction costs, now that increased corporate profits mean larger wage bonuses. Alongside this (as the above quote suggests), more cadres see ways of obtaining graft through such deals.

The Government's Quandary

What can be done? Certainly, the government knows that it must distinguish clearly between outright corruption and the various types of hidden maneuvers which have helped villagers sustain their livelihoods. As we have seen in the
examples from the early and mid-1970s, the village factories often engaged in grey-economy barter and in illicit favors-trading, because without these practices they could not get needed parts. The team cadres and peasants of poor districts hid fields and concealed grain (often with the tacit forbearance of local authorities) to avoid ruinous crop-quotas. Peasants everywhere sought to circumvent cropping and marketing regulations which depressed village living-standards. In the face of government restraints on labor mobility, members of free-lance labor squads were gainfully employed in construction work. We observed repeatedly, in short, that what inspired many of the activities in the grey and even black sectors of the rural economy were sets of government restrictions that villagers considered onerous, arbitrary, or injurious to local economic development.

Articles in Chinese publications in the early 1980s recognized the validity of the peasantry's past complaints. but, despite all the economic reforms since Mao's death, most of the earlier reasons for the peasantry's circumvention of government regulations remain. Government policies, as always, are beset by serious contradictions. Take, for example, the area of agricultural pricing. Though the government's purchase prices were now higher than in earlier decades, they were still lower than free-market prices. The imposition of quotas persists. The countryside, as a result
of such policies, remains trapped in noticeably adverse terms of trade with the cities. It is not surprising that, when economic liberalization gave the peasants more room to maneuver, their second-economy activities in both agricultural production and rural marketing increased significantly. The government could, of course, rectify this situation by altering its agricultural pricing policies; but Party leaders, faced with the heavy financial demands of the Four Modernizations, have not seemed eager to eliminate what is, in effect, agriculture's subsidization of industrial development. They have preferred, thus far, to settle for the unsatisfactory situation of past decades: strict government regulations that are applied erratically and that only partially hamper the operations of a large second economy.

Similarly, the government does not quite know how best to handle the bottlenecks in commercial distribution. Despite the relaxations of the late 1970s which allow major firms somewhat greater freedom to buy and sell goods on their own, a large proportion of the supplies that are needed in the villages and by urban industry has continued to be allocated all too awkwardly through state channels. Hoarding and back-door trades consequently remain essential to villages and industrial units alike. But Party leaders seem reluctant to loosen much further the state's controls over
the allocation of resources. For one thing, this power is essential to command-economy planning. But there may be another, equally cogent reason why some leaders seem hesitant further to liberalize trade: they have seen that greater tolerance for a free market has already -- as the more radical elements predicted -- opened the floodgates to "spontaneous capitalist tendencies" and an upsurge of speculation and profiteering. They can observe that expanding the grey sector in commerce has provided more opportunities for black-economy abuses and corruption. Perhaps most worrying of all, the Party's own cadres have been implicated in much of this widening corruption. Chinese journals in 1981-82 expressed concern that the Party's reputation and legitimacy were being seriously eroded.

The top leaders understandably have been reluctant to loosen government restraints on economic transactions any further until the spreading rot is brought under control. Accordingly, in early 1982 they turned their attention away from economic reform and toward a political rectification campaign reminiscent of earlier decades. Whether this new Anti-Corruption Campaign effectively staunched the abuses of cadres who have weathered so many previous campaigns remained very much in doubt, however. Interviews suggest that, by the mid-to-late 1970s, many rural cadres had already become inured to such movements: they knew from past experiences
that they could rebound and survive as cadres, so long as they retained *guanxi* (Chan, Madsen and Unger 1983).

Uncertain as to how to deal with the various sectors of the second economy and corruption, the Party's leaders in 1982 were testing weak new economic nostrums and falling back reluctantly on Draconian, out-of-date political remedies. They were in a quandary. Caught within contradictions inherent to their own economic priorities and political mechanisms, they continued to grope, ineffectually, for ways to reconcile government control and economic liberalization.
Notes

1. Our methodology is described in Anita Chan, Richard Madsen and Jonathan Unger, 1983. We would like to thank Prof. Madsen for the use in this paper of material from our joint project.

2. Different categories of team members are allotted different proportions of this collective grain, in line with what are calculated to be the differences in their consumption requirements. During a somewhat good year in Chen Village in the mid Seventies -- still somewhere below the grain ceiling -- each working man was allotted 30 kilograms (66 pounds) per month, a woman 25 kilos, the retired elderly some 17-20 kilos, and children, depending on the age, some 10-15 kilos.

3. *Beijing Review*, October 26, 1976, P. 15, November 9, 1979, p. 5, reported a rise to 50 percent. Until then Chen Village was offered a price some 42 percent higher for its surplus grain than for the quota grain. The surplus grain had brought in Y14 per 50 kilos (100 jin), while Chen Village had received Y9.8 per 50 kilos (100 jin), while Chen Village had received Y9.8 per 50 kilos for the grain (Y8.9 until about 1966).
The families of Chen Village bought their grain for household consumption from their team at a price of Y9.8 per 50 kilos (that is, at the quota grain price), whereas workers reportedly bought polished rice in the stores of Canton for Y13.4


5. While in some villages the peasants were happy to go along with this program, in others there was strong opposition. Two interviewees report that government officials in 1981 literally had to force their teams to divide up the property and equipment. The peasants there had calculated that productivity would be higher and their livelihoods more secure if they continued to work together collectively.


7. "Regulations on the Work of the Rural People's Communes (Revised Draft), September 1962", *Documents of the Chinese Community Party Central Committee, September 1956-April 1969*, Volume I Hong Kong: Union Research Institute, 1971, pp. 719-722. The same guarantee has been reiterated more recently as part of the program of Four Modernizations. See Xue Muqiao (1979, 14-20).

9. In 1979-80 the rules were changed nationally in ways that attenuated the connection between family size and plot size. In particular, to encourage one-child families an only child became entitled to 1.5 plot shares, while the newly-borns of families with more than two children were entitled to neither plot shares nor inexpensive grain rations.

10. These calculations were derived through lists of all the sources and amounts of income of the household interviewees. Another scholar who has compiled interview lists writes that in the suburbs of Canton a third to half of a farm family's total cash income came from private endeavors (Burns 1977). A second scholar calculates that generally twenty to forty percent of a rural family's total income in the 1970s came from private enterprises (Davis-Friedmann 1977). More recently, the Chinese government declared that a quarter to a third of total family income comes from private sideline production (Beijing Review, July 7, 1980, p. 7).

11. According to Parish and Whyte (1978, 119), these clearings officially were not permitted to exceed fifteen percent of a team's land.

12. Though mandatory delivery systems have been abolished today in most of the East European countries, these three categories of agricultural prices endure in most of them: "essential" commodities have fixed prices; "less essentials" are marketed on a maximum/minimum price basis; and a fairly
large group of "non-essential" products in Eastern Europe have freely floating prices. (This information has been supplied by Lewis A. Fischer.)

13. In the Chen Village marketing district, for example, each family annually has to sell one private pig, two chickens, one goose and a kilo of eggs to the state. Through such quotas the government obliges peasant households to participate in the private sector -- for any household which has not raised a hog would have to buy one from a neighbor so as to sell it at a loss to the state.


19. Nanfang Ribao, January 9, 1982, p. 3 and January 10, 1982, p. 1; An investigation in 1982 of a suburban commune near Canton discovered that half of the production teams secretly were selling in the free market most of the vegetables from their quota'd "responsibility fields." Nanfang Ribao, January 15, 1982, p. 2.


21. These passages were culled from three different interviews with the same respondent. Two of these interviews were conducted by Prof. Christine Wong, who graciously gave us access to her transcripts.


23. Berliner observes that in Soviet industry it is precisely the tolkach, the supplies purchaser, who develops the wheeler-dealer style and outlook of the classical entrepreneur of the capitalist world. Notably, our interviewee, two years after arriving penniless in Hong Kong as an immigrant, was already prospering in that acutely capitalist city as a middleman in deals between merchants and subcontractors. He attributes his rapid success to his
entrepreneurial experiences as a procurement officer in China.


26. E.g., Minzhu Yu Fazhi (Democracy and the Legal System) [a government publication], No. 1 (January), 1981, pp. 7-8.


32. Beijing Daily (Sept. 29, 1981) explained: "At the moment, when the 'art of guanxi' is all the rage, if one wants to make things go smoothly one has to rely on exchanging guanxi and buying the selling guanxi ... To give consideration to or to try to build guanxi, some people .... plead for mercy for and give unprincipled protection to those who violate .... state laws, with the result that the violators ... have not received deserved education and punishment. This 'art of guanxi' is continuing to spread
unchecked ... not only among the ordinary enterprises, but also among [government] offices and organizations and even some Party organs." (For a more complete translation see FBIS-CHI-81-200, October 16, 1981, p. R1.)


34. A labor squad sent out by a north China team whose members earned up to Y200 a month transporting goods for local factories is described in Jack Chen (1973, 270-2).


37. E.g., Nongye Jingji (Agricultural Economics) 10: 54, 1981:

"The pricing of agricultural products is unreasonable, especially when compared to manufactured products. For a long time, the prices of agricultural products have been depressed, while those of manufactured goods have been kept high .... There is too big a gap between the procurement and selling prices of Class I agricultural produce, ... about which the peasants have a lot of complaints."
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