

# LAND REFORM IN NEW CHINA

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## FOREWORD

The Delhi School of Economics has pleasure in placing before a wider public the text of the two articles on Land Reform in New China contributed to the February and August, 1953 issues of the School's official Journal, the *Indian Economic Review*, by Prof. B. N. Ganguli. This has been done in response to requests from many members of the public.

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DELHI  
5th December, 1953.

## CHAPTER I

### AN ANALYSIS OF NEW CHINA'S AGRARIAN REFORM LAW

In this chapter I have attempted an analysis of the Agrarian Reform Law of the People's Republic of China. A good deal of misconception on the subject of the agrarian situation in China can be traced to misapprehension or lack of proper comprehension, of the essential details of the Agrarian Reform Law. I have, therefore, chosen to analyse carefully the provisions of the Agrarian Reform Law with a view to bringing into sharp relief the objective features of the new agrarian situation in China. This will be followed by another chapter which will deal with the Chinese conception of the process of agricultural reorganization which must follow land reform and the various ancillary or supplementary measures which have been taken to remove the natural and institutional obstacles in the way of the release of "rural productive forces" and increase of agricultural production in an under-developed economy.

What is abolished by the Agrarian Reform Law in

China is not land ownership as such, but "the land ownership system of feudal exploitation by the landlord class" (Article 1). It is the functionless, rentier class of landowners who subsist merely on "feudal exploitation" that is eliminated. This implies several things. First, whether an individual belongs to the "landlord class", and hence whether his surplus land and other property should be confiscated, is a matter of estimation according to defined criteria. Secondly, it also follows that "the land and other properties used by landlords directly for the operation of industrial and commercial enterprises shall not be confiscated" (Article 4). The Chinese land reformers have thus drawn the line between those who are functionless owners and those who are not. In any case they have clearly wanted to avoid the collapse of rural industry and trade while uprooting feudalism and have, therefore, protected the national bourgeoisie engaged in a vital sector of the economy by decreeing that "no infringement upon industry and commerce shall be permitted" (Article 4). Thirdly, in China, as in India, the upper strata of the peasantry are characterized by complicated agrarian relations. For example, a person may be technically a rent-receiving landlord in respect of part of his holding, a cultivating owner in respect of another part and a tenant or a share-cropper in respect of still another part. Land reform in such a context becomes a question of the *degree* of "exploitation" (depending upon the proportion of the total income derived from "exploitation") which the

community finds it *expedient* to tolerate. Certain interesting facts bearing on this aspect of land reform will be stated below when I discuss the criteria devised in China for determining the class status of an individual.

It was not enough to provide for the abolition of the land ownership system of feudal exploitation by the landlord class. The abolition of this system (which meant "confiscation and requisitioning" of land without compensation) could possibly lead to either nationalization of land or distribution of confiscated land amongst the existing or newly created small peasant proprietors. This issue was not left undefined (as in the U.S.S.R. when landlords' estates were temporarily transferred to rural committees and district soviets), but was categorically clarified by stating (in Article I) that "the system of peasant land ownership shall be introduced". As if that was not enough, the sanctity of the right of peasant proprietorship was formally guaranteed in Article 20 by the requirement that "after agrarian reform is completed the People's Government shall issue title deeds and shall recognise the right of all land owners to manage, buy, sell or rent out land freely" (italics are mine).

The recognition of private property in land has been justified in New China not on the basis of an abstract principle but on the basis of pragmatic utility. It is regarded as a means to the following ends:—(a) "to set free the rural productive forces, (b) develop agricultural production and thus (c) pave the way for New China's industrialization" (Article I). Such an enunciation of

means and ends calls for a few comments. In the first place, the Chinese do not believe merely in the magic of private property turning sand into gold : rather they believe that agrarian reform must be followed up by measures designed to remove the institutional and natural handicaps to agricultural development, although they also recognize that, psychologically speaking, land reform is calculated "to set free rural productive forces". In the second place, it is interesting to note that the Chinese are realistic enough to recognize that in an underdeveloped economy agricultural development is a prior process which paves the way for industrialization. As Liu Sao-Chi explains, "The industrialization of China must rely on the vast rural markets at home" which can develop only through the increase of agricultural production and expansion of rural purchasing power. Lastly, one can hardly miss the strong emphasis in Article I on production and the release of rural productive forces. "The basic aim of agrarian reform is not purely one of relieving the poor peasants". It is designed to "set free rural productive forces", land reform being thus closely co-ordinated with the development of rural production as a whole.

The operation of the principle of discriminating confiscation is seen to best advantage when we note the following categories of land which are to be confiscated :—(1) the landlord's land which he owns qua 'landlord'; (2) the rural land belonging to ancestral shrines, temples, monasteries, churches, schools, hospitals and other public trusts. Land owned by mosques

is exempt from confiscation. The financial loss sustained by religious institutions becomes a concern of the Government which has to subsidize them out of general revenues ; (3) rural land and peasant dwellings owned by merchants and industrialists. Their other rural properties, lawful business and the land and other properties used directly in connection with commercial and industrial enterprises are not confiscated ; (4) the land of absentee landlords who follow other occupations, provided that the area of land so confiscated exceeds 200 per cent of the *per capita* availability of land in a certain locality after land distribution ; (5) the land rented out by rich peasants of the semi-landlord type under certain conditions. It should be noted that in the case of pure landlords, who are classified as such, confiscation also extends to certain specified categories of property other than land, *viz.*, "draught animals, farm implements, and surplus grain and their surplus houses in the countryside." If the essential means of production are not mobilized by confiscating the surplus in the possession of landlords the peasants who have obtained land cannot start production at all. The comparatively lenient treatment of landlords in respect of their property other than surplus agricultural assets is deemed expedient, because otherwise the search for the landlord's *other* properties will lead to chaos, and also because the landlord's *other* assets may take the form of productive investment and thus benefit the country's economy.



The Chinese Agrarian Reform Law does not recognize share-cropping (which, I understand, is banned in China), but it does recognize the status of non-cultivating owner. Indeed the class of rent-receiving owners is sufficiently numerous, though its importance either from the point of view of its relative size or from the point of view of its exploiting power should not be exaggerated. Articles 5 and 6 of the Agrarian Reform Law specify the the character of the people included in this class. First, there is mention of "revolutionary army men, dependents of martyrs, workers, staff members, professional workers, pedlars and others" who are not "classified as landlords," and their holdings are not touched provided that they do not exceed 200 per cent of the average *per capita* availability of land, after land distribution, in a particular locality.<sup>1</sup> Secondly, this ceiling of 200 per cent of the average *per capita* availability may be waived "in individual cases" in the case of "old persons living alone, orphans, invalids, helpless widows or widowers" who depend upon their land for their livelihood. Thirdly, the same rule applies "if the land proves to have been purchased with the earnings of the owner's own labour." Liu Sao-Chi has justified the unorthodox (from the Communist point of view) principle of renting out of land on the ground that "the total amount of land rented out

1. In the case of the functionaries of the People's Government and people's organizations less than *per capita* availability of land may be allotted or even no land may be allotted if their salaries and other income are sufficient to maintain them and their dependents. Actually their salaries are very low and they are, therefore, a charge on land to an appreciable extent.

in small plots does not exceed 3 to 5 per cent of the total acreage of arable land". Moreover, according to him it is necessary to "show consideration" for people in the first category for whom the net income from land (rigidly controlled through the fixation of both rent and Land Tax) is a source of supplementary income for the family as a whole. In the absence of social insurance for the benefit of those who have lost their labour power or are unemployed (persons in the second category) the concession of a maximum of 200 per cent of the average *per capita* availability of land as well as waiving of this ceiling in individual cases is a socially necessary arrangement. But the waiver provided in the case of persons who have purchased land with the earnings of their own labour may easily be interpreted as a "liberal" concession. Liu Sao-Chi defends it by saying that "there are advantages in allowing such persons to retain this part (that is bought with earnings of past labour) and continue to rent it" : after all this land "has been bought with the hard-earned proceeds of the unremitting toil of individuals."

It is necessary to draw the particular attention of the reader to the treatment accorded to the rich peasant under the Agrarian Reform Law. According to Article 6, "land owned by rich peasants and cultivated by themselves or by *hired labour*, and their other properties, shall be protected from infringement" (*italics are mine*). Hiring of labour involves exploitation according to Marxist thinking. In China the land reformers have

avoided the extremes of (1) self-cultivation with no hired labour and (2) completely collectivized agriculture and have recognized the existing disparities in land-holding resulting in varying degrees of dependence on hired labour for agricultural operations. The limit of tolerance as regards this form of exploitation should, however, be narrow and is determined by what the community feels expedient in the existing circumstances. The rich peasants can rent out small portions of their land. In certain special areas in which they are of the semi-landlord type, the land rented out by them may be requisitioned with the approval of the Government. The rich peasant would be classed as a semi-landlord if the part of the holding rented out exceeds the part that is cultivated by himself with the help of hired labour; in this case the excess will be requisitioned. In determining the area rented out, however, the area which the rich peasant has obtained on rent from somebody else will be balanced against what he has rented out to others. After land reform the draught animals, farm implements and buildings purchased by the rich peasants, even if they are more than sufficient, shall not be confiscated or exchanged. The attempt of the Chinese Communists to preserve what they call the "Rich-Peasant Economy" is a deviation from past practice and is part of the changed tactics of the Communist Party after liberation.

The Agrarian Reform Law contemplates a nationalized sector so far as ownership and/or management of land is concerned. The principle that is observed is

that where overriding public interest demands such a course, or where private ownership and management of land is likely to lead to undesirable results, land should be nationalized. It should not be inferred from what has been said so far that land *other than arable land* is not distributed in the same way as arable land. According to Article 16, "confiscated and requisitioned woods, fish ponds, tea groves, tung oil plantations, mulberry fields, bamboo groves, orchards, reed lands, wasteland<sup>1</sup> and *other distributable land* should be calculated in terms of ordinary land at an *appropriate ratio* and distributed in a uniform way" (italics are mine). The more remunerative forms of land (in the broad economic sense) mentioned in Article 16 are distributed in the same way, provided that an appropriate ratio between arable land and non-arable land, depending upon the higher value productivity of the latter, is maintained. Since the exploitation of non-arable land requires capital, skill and technique which is beyond the reach of the ordinary peasant the principle is that, as far as practicable, the existing peasants utilizing such land should not be disturbed, but that they should get little or no arable land as the result of land distribution.<sup>2</sup> If, how-

1. Wasteland reclaimed by private persons after reclamation will, however, continue to be tilled by those who have reclaimed it and will not form part of the divisible pool of land (Article 22).
2. In the case of farms, seedling nurseries and experimental farms cultivated with machinery and also in the case of large bamboo groves, large orchards, large plantations, large mulberry fields and large pastures requiring the use of specialised technique, fragmentation of private holdings and operation is scrupulously avoided (Article 19).

ever production is likely to suffer as the result of distribution of non-arable land, such land should be operated by the local people's government. Irrigation works, such as ponds and dams which are not distributable, should similarly be managed by the State. State ownership and/or management is also provided for in the following cases :—(1) "Large forests, large water conservancy works, large expanses of wasteland, large uncultivated hillsides, big salt fields and mines as well as lakes, marshes, rivers and ports" (Article 18). Where, however, private capital and management are responsible for the utilization of these assets it is not supplanted by State ownership and operation, although private enterprise must operate according to the decrees promulgated by Government ; (2) large groves, orchards, pastures, mulberry fields as well as seedling nurseries and experimental farms previously owned by landlords; (3) scenic spots, historical relics, places of historical interest ; (4) surplus houses of landlords in the countryside which are not suitable for peasant's use and can only be used for public purposes; (5) land and houses owned by overseas Chinese ; (6) "sandy and shoaly land" owned by landlords or public bodies ; (7) land bordering on railways, highways, river banks and dykes, land occupied by airfields, harbours and fortifications; (8) the sites of projected railways, highways, waterways and airfields, the date of construction of which has been fixed

(Article 26);<sup>1</sup> (9) land (not exceeding 1 per cent) which is administered by the local government (but rented out to peasants) and which is either used for adjusting the supply of land to the increase in demand or is reserved for those who have fled or the whereabouts of whom are unknown, but who may yet return ; (10) land to be used for State experimental farms or State model farms ; pending the establishment of such farms this land is rented out to peasants. In some of the obvious cases mentioned above State ownership of land implies State operation. In many cases, however, State ownership is combined with private management ; but "private persons managing land owned by the State may not rent it out, sell it or leave it untended". The agrarian reform thus involves State landlordism in particular spheres without the tenant acquiring the right of absolute ownership or the right of sale or subletting of land. In some cases again the State allows private operation of small areas of land on the basis of tenancy if the surplus obtained by way of rent is customarily used for public purposes, such as upkeep of bridges, lanes, wayside tea stalls, free ferries and other public facilities in rural areas (Article 23).

Under the Agrarian Reform Law distribution of land is governed by certain basic criteria, principles and procedure. Peasants' Associations have been recognized as instruments of requisitioning and distribution of land.

1. In the case of China's current public works projects there is thus no problem of compensation for private land acquired, say, for example, for river-valley projects.

Since land reform has been achieved by stages and after adequate preparation liquidation of landlords and distribution of land have not been carried out blindly by the masses. The unit of land reform organization has been the *Hsiang* or an administrative area covering several villages. The operation of actual land reform in units is subject to review and possible revision by the wider units of land reform or governmental organization at higher levels.<sup>2</sup> In fact the basic Agrarian Reform Law has to be adapted to the peculiarities of local conditions, and the actual regulations framed at the Provincial level have to be ratified by the higher authorities (Article 39). The Chinese thus seem to be anxious to avoid blind mass action which had led to economic chaos and dislocation and destruction of property, agricultural equipment and livestock in the Soviet Union.

When we examine the broad principles of land distribution we observe how the Chinese have curbed the revolutionary zeal for irrational equalitarianism in regard to land distribution. I have already referred to the realistic principles of discriminatory confiscation. The same cautious approach is evident in the matter of land distribution. "Landlords are given an equal share, so that they can make their living by their own labour and thus reform themselves through labour" (Article 10).

2. The Law contemplates "*Hsiang*" and village peasant meetings, peasant representatives' conferences, committees of peasant associations elected at such conferences the peasant congresses at different levels and committees of such congresses as the legal executive organs of land reform (Article 29).

Liquidation of landlords does not, therefore, mean that they should be victims of mass vengeance and economic retribution. The main principle of land distribution is that "land owned by the tiller should not be drawn upon for distribution" (Article 12). If the tiller has rented out land in any locality which is distributed he is entitled to compensation in the form of land of equivalent value being allotted to him at the time of land distribution in his own locality. The land which the tiller acquires through land distribution *plus* his own existing holding shall be "*slightly and suitably more*" than the landholding, after distribution, of the peasants who had little land before or were merely landless agricultural labourers. These criteria clearly suggest that not only are the middle peasants and rich peasants (except in circumstances explained above) protected against encroachment, but suitable disparity is also sought to be maintained between the relative land holding of the lower layer of the peasantry (poor peasants) and the still lower layer of peasants recruited from the ranks of the landless proletariat as the result of land reform. It is clear that the Chinese Communists have refused to ride the hobby horse of equal distribution of land at the expense of agricultural efficiency and output. But at the same time one must recognize that weightage is given in respect of the share of land obtained by "the landless and land-poor". For example, a poor peasant family of one or two able-bodied persons may be given more land than the *per capita* average falling to the share of one or two



persons. Rural handicraftsmen, pedlars, professional workers and their dependents are entitled to a certain amount of land (i. e. less than the *per capita* share) provided that their earnings from the main occupation are insufficient for their regular maintenance. The same rule broadly applies to government functionaries and the salaried staff maintained by the People's Organizations. Article 13 (c) does not specifically mention the applicability of this rule to martyrs' families, army men and wounded and demobilized servicemen of the People's Liberation Army. Dependents of persons who leave the rural areas and take up occupations elsewhere get the same share as the landless, provided that the earnings of the principal earners elsewhere are insufficient for the support of their family dependents. Similarly the certified unemployed from the towns who come back to the rural areas are entitled to the share of land and other means of production if local conditions permit. Thus unemployment relief is, as far as possible, a charge on the land resources of the country. The same treatment is accorded to landlords who have returned and persons who once worked for the enemy, but who have come back to their villages. Persons belonging to the religious orders are allotted land on the same basis as the landless if they have no other means of livelihood except agriculture.<sup>1</sup> It is the settled principle of land reform that

1. Those who do not satisfy this condition become a charge on those who profess particular religions: but under Article 3 when land which once supported monasteries is requisitioned the State recognizes the obligation of solving their financial problems including that of supporting the religious order.

the families of public enemies should not be victimized : they should be given the same share of land and other means of production as peasants if they are able and willing to perform agricultural work.

The most striking feature of land reform in China is the differentiation of the class status in the countryside. It follows from the analysis of the Agrarian Reform Law that the twin processes of confiscation and distribution of land mainly hinge upon the differentiation of the class status of individuals, i.e., whether an individual in a concrete case is a landlord or a middle peasant or a rich peasant or a poor peasant or a landless agricultural labourer, or whether he belongs to any of the non-agricultural functional groups specified in the provisions of the Law. From the point of view of the tactics of social revolution, the differentiation of the economic (and social) status transcends the exigencies of interpretation of law. But in the present context let us confine ourselves to the basic question of interpretation of law and its actual application.

According to Article 31 the class status of an individual "shall be determined by democratic estimation and decision". Cynical critics regard this as an euphemism for the operation of blind vengeance and irrational prejudice of the peasant masses against the more prosperous classes. But they omit to mention the safeguards provided in the Agrarian Reform Law itself against blind mass action. Village peasant meetings and peasants' representative conferences take part

in "democratic estimation" no doubt ; but their decisions have to be ratified by the People's Government at the county level and even then an appeal lies to the County People's Tribunal which is charged with the responsibility of preventing peasants from taking the law into their own hands, of preventing by deterrent punishment, destruction of agricultural capital assets and of interpreting the Agrarian Reform Law in such a way that people's democratically expressed wishes conform to democratic rights. One may, however, very well ask, is there any code which regulates "democratic estimation" ? Or, is it left merely to common sense or equity at its best and mass vengeance or mass prejudice at its worst ? It appears from a close study of the available documents that through a process of trial and error and as the result of an enlightened interpretation of the spirit of land reform a code seems to have evolved which serves as a reliable guide to correct practice. The content of this code may now be briefly indicated in the interest of objective thinking on China's land reform.

Let us, first, consider the landlord's status. The essence of landlordism is supposed to be feudal exploitation. Money-lending and hiring of labour as well as receiving of rent are the criteria. The rent-collectors and agents of landlords are in the same class as landlords. These criteria may be relaxed in cases where persons concerned are economically worse off than ordinary middle peasants. Intermediary landlord interests that obtain land on rent but live upon the fruits of hired

labour are sub-landlords. If a sub-landlord cultivates part of his land he has the status of a rich peasant. Non-cultivating owners recognized by law (Red army-men, dependents of martyrs, workers, professional workers, etc.) are excluded from the category of landlords. If a person derives his income from many occupations his class is determined by the major source of his income.

The line of demarcation between the landlord and the rich peasant is rather thin. Receiving of rent, hiring of labour and money-lending are also characteristic of rich peasants, although some of them may be owner-cultivators, not hiring any labourers. At one time, therefore, it was difficult from the point of view of equity to regard the difference between the landlord and the rich peasant as being one of kind and not one of degree of exploitation. After the decision of "preserving the rich-peasant economy" was made certain interesting criteria seem to have been evolved. First, if the area rented out by a rich peasant exceeds the area cultivated by *himself* with the help of hired labourers he is treated as a landlord in respect of the excess. Secondly, taking the family as a whole (some members of which may be engaged in major agricultural labour all the year round), if it is a landlord's family it will be treated as such if the area rented out is three times (or more) the area of land cultivated jointly by the family and hired labourers. In the case of a rich peasant the limit of tolerance is twice (or more) the area cultivated

jointly by the family and hired labourers. Members of landlords' or rich peasants' families who are mere labourers do not get the status of their families. It is obvious that these working principles are based on what is deemed expedient as the tolerable limit of "exploitation" rather than on fundamental principles.

Middle peasants are not purely cultivating owners. They may be tenants to some extent and also landless tenants. They may borrow as well as lend money. Thus if exploitation is a criterion, while they exploit others they are also exploited by others. Exploitation in their case is not of a constant character; nor is it anything but "mild". If there is one fundamental characteristic it is that they do not sell their labour-power. In actual cases it should not be difficult to decide who is a middle peasant. He is not a *kulak*, as in U.S.S.R., and there is no encroachment on his rights in China.

The poor peasant owns insufficient land and implements, has to obtain land on rent and to borrow capital and is thus subject to mild exploitation that is permitted by law. But the main difference between the poor peasant and the middle peasant is that the former has to sell his labour-power for short periods.

The agricultural worker is one who owns neither land nor implements, or a very small amount of both, and depends wholly or mainly on the sale of his labour-power for his livelihood.

In actual practice the application of these criteria depends a good deal upon the meaning of agricultural work or labour, as opposed to mere exploitation. The Chinese have drawn a distinction between "labour" and "supplementary labour" which really mean essential and non-essential labour in agriculture. The rule of thumb that is applied is that a family is said to be engaged in 'labour' (essential labour) if one member of the family is engaged in "essential labour" for one-third of a year. If, however, there is a family of more than 15 members the requirement is that at least 3 members of the family must be engaged in "labour" for a minimum period of 4 months in a year. It is this criterion of "labour" which is the basis on which a landlord is distinguished from a rich peasant. (This distinction is akin to the Physiocrats' distinction between "productive" and "unproductive" labour). Now "labour" (which is equated to "essential labour") means generally the main forms of agricultural production, such as ploughing, planting, reaping, etc.<sup>1</sup> On the other hand, labour such as helping in weeding, vegetable-growing and looking after farm animals, is defined as "supplementary labour" or "non-essential labour". Mere direction of production on a farm is not considered essential labour. The logic behind these distinctions is as unclear as that underlying the old Physiocratic distinction. These ordinary rules are, however, waived in the special circumstances

1. A later decision, however, defined work in occupations other than agriculture as essential labour also.

of particular cases to avoid hardships and prevent persons from taking advantage of a rigid interpretation of these rules.

Another important problem inherent in the process of class differentiation has been that of drawing a line between the rich peasant and the middle peasant. The main criterion of differentiation is the degree of *permissible* exploitation. Generally a person whose income from exploitation exceeds 25 per cent of his annual income is a rich peasant ; if it is 25 per cent or less he is a middle peasant. The rule of thumb is not to class a peasant as a rich peasant if he hires only one long-term agricultural labourer, or his income from exploitation is equal to, or less than, the income derived from hiring one long-term agricultural labourer. A peasant is a rich peasant if he hires two long-term agricultural labourers, or if his income from other forms of exploitation is equal to, or more than, the income derived from two long-term labourers. If his income from exploitation in other forms ranges between the income derived from the use of one hired long-term worker and that derived from the use of two long-term hired workers care is taken to see whether the exploitation income actually exceeds 25 per cent of the income. 'Long-term' in this context is understood to mean a period of 120 days in the year. 'Income from exploitation' means *net* income, i.e., the residue after deducting from the gross income the income received from the peasant by others through exploitation.

Rich peasants accused of counter-revolutionary

activities of a criminal character are classed as reactionary rich peasants. Their property is confiscated, but that of the members of their families is not.

There is an interesting class of persons recognized in China which is described as 'poor odd jobbers', i.e., those who are wholly or mainly self-employed, manage their own limited means of production, have no fixed occupations and face a hard life. This is a numerous class in the cities and they swell the ranks of those who are victims of disguised unemployment.

In the class structure of the New Chinese society the intellectuals are not recognized as a class apart. The black-coated gentry and professional workers are classified as "Staff members" and are part of the working class. If they take to other occupations they are classed according to their functional status.

Persons who have resorted to "improper methods" of earning their livelihood, i.e., those who cannot be included in the broad categories of workers and peasants are classified as "Idlers or vagabonds". "Poor odd jobbers" obviously do not belong to this class; priests and clergymen would have been included into it but for the invention of another class description, viz., "Religious Practitioners".

It is not difficult to understand that in the course of the revolution that has engulfed the Chinese society numerous individuals have been 'de-classed'. All of them naturally want to belong to the class of workers



or peasants or poor odd jobbers in order to escape being described as "vagabonds". The qualifications for admission to the working class is that a person must be engaged in labour as the principal means of livelihood for one year.<sup>1</sup> Feudal or capitalist class origins are forgotten if a person satisfies this test. Change of status through marriage makes no difference if a person satisfies this simple test.

An important problem arising from land reform is the determination of the class status of persons engaged in small-scale manufacture. There is, first, the class of *handicraftsmen*, who do not own any means of production or own just a few implements and mainly sell their labour to others who own them. They have the same status as workers or agricultural labourers. Secondly, there are *small handicraft producers* who own a small quantity of raw materials and implements and small workshops, but depend mainly upon their own labour and hire assistants and apprentices only for auxiliary labour. This class has the same status as the middle peasants. Thirdly, there is the class of *handicraft capitalists* who subsist on hired labour and work for profit. Their class status does not seem to have an analogue in agriculture. Similarly *small traders and pedlars* who do not employ hired labour are also a class of independent producers working for profit. These

1. Here labour includes domestic labour according to a more recent interpretation.

two classes are not only tolerated but also actively encouraged, although profit according to orthodox Marxist doctrine is an income based on exploitation. Again, there is the class of *commercial capitalists or merchants* who employ hired workers and work for profit, but have a recognized place in the economic society. An interesting class designation, which shows a most commendable spirit of toleration and compromise on the part of the Chinese Communists, is what is called the *Enlightened Gentry*. It applies to the class of patriotic landlords who have positively helped the cause of the People's democracy and who are given an economic and political status, although their lands and property are confiscated and requisitioned in accordance with the Agrarian Reform Law. Landlords who have engaged themselves in labour and behaved as good citizens for a period of five years consecutively can have their class status changed into that of workers or others. In the case of rich peasants the requirement for the change of status is good behaviour for a period of three years.

It may be asked, what is the whole purpose of this elaborate class differentiation? It is not easy to answer this question. One may concede that land reform cannot be effected in terms of the Agrarian Reform Law without determining the class status of an individual. But why is it that a regime which aims at a classless society should start with meticulous class differentiation? The theory that explains this apparent paradox is that behind the *facade* of usual classes found elsewhere there

are the broad classes of exploiters and the exploited and that it is the determination of the proper economic status of an individual in terms of the degree of exploitation involved which brings the class character of a society out in the open. Class differentiation does not mean merely, as a superficial observer may think, turning the old class society and its social stratification upside down. In fact, with the exception of the residual class of functionless exploiters of the feudal type and "vagabonds or idlers", the various classes broadly fall into the category of workers and peasants. But, as I have explained, the definition of 'exploitation' in the context of class differentiation is elastic. Classes like handicraft capitalists, small traders and pedlars, and commercial capitalists and merchants who hire labour and work purely for profit are recognized as respectable classes. The Chinese, like the Physiocrats, have tried to draw the sharp line of distinction between "essential" and "non-essential" labour. The distinction in concrete terms is bound to lead to contradictions. But considering the vast mass of idleness and parasitism which characterize a feudal society, emphasis on essential labour as the basis of social and economic transformation is quite understandable. And in practice a consistent attempt has been made to resolve the contradictions as they have arisen. But there is no doubt that class differentiation in China has set the pattern of a class structure stratified according to the degree of permissible exploitation attaching to each class. To the extent that there is

social mobility and equality of opportunity economic inequality in the class structure is calculated to keep efficiency keyed up to a high pitch. At the same time since exploitation remains unmasked and the spirit of class conflict in the broad sense is sustained the degree of legitimate exploitation becomes socially controlled and the danger of reaction is avoided. Class differentiation thus shows the spirit of Chinese realism at its best.

The objective implications of land reform in China may now be briefly summarized. Land reform has involved abolition of feudal practice as well as feudal ownership. The significance of this revolutionary change is realized only in the context of agrarian conditions in old China. In old China the landlords did not conform to the same type. In some areas they were local, hereditary, political or administrative chieftains. In these areas forced labour was part of the feudal system of land ownership due to scarcity of labour. Apart from meeting costs of cultivation the tenant had to pay a tribute (one-tenth or more) to the chieftain and perform an unlimited amount of service, such as transport service, domestic service and other kinds of menial service. This kind of agrarian serfdom has now become a thing of the past. In the North and North-East Borderland Region landlords were not feudal lords, but either bureaucrats (both civil and military) or speculators, merchants or usurers who invested their savings in land deliberately or through the process of foreclosure. In this region land reform has meant the end of bureau-

cratic capitalism and the functionless ownership of land by industrial and commercial classes. In China proper, as Dr. Chen Han-Seng<sup>1</sup> has remarked, the landlords' income was derived from "rent, tax, squeeze, usurious interest and business profit, all four at the same time." The landlord was thus not a pure bureaucrat. As Dr. Chen Han-Seng says, in North China 57 per cent of the big landlords were bureaucrats and 28 per cent usurers, and in South China 27 per cent of the big landlords were bureaucrats and 43 per cent usurers. Far more landlords in the South than in the North were industrial capitalists as well. Land reform in China proper has done away with bureaucratic capitalism, limited the incidence of rent where tenancy is allowed, kept Land Tax within reasonable proportions, and has cut at the roots of squeeze and usury. But the commercial and industrial activities of the landlords have been directed into constructive channels and have ceased to have a predatory character.

The abolition of landlordism has to be viewed in the light of the extreme concentration of ownership of land in old China. The following table compiled by Dr. Chen Han-Seng and reproduced in *The Chinese Peasant*<sup>2</sup> helps us to realize the revolutionary character of land distribution in New China.

1. Chen Han-Seng—*The Chinese Peasant*. (Oxford Pamphlets on Indian Affairs. No. 33) 1945. p. 13.
2. *Ibid* p. 13.

### *Land Concentration in China Proper*

<i>Classes</i>	<i>Percentage to total number of families</i>	<i>Percentage to total acreage owned</i>
Landlords		
(who did not cultivate)	3	26
Rich Peasants		
(well-to-do cultivators)	7	27
Middle Peasants		
(who barely paid their way)	22	25
Poor Peasants		
(who were always in debt)	68	22

It will be seen that an agrarian situation in which the bankrupt, poor peasants formed 68 per cent of families and owned only 22 per cent of the total acreage was hardly conducive to social stability. Landlords constituting 3 per cent of families and owning 26 per cent of the land could not but be a target of attack under any scheme of fair distribution in an overpopulated countryside. In North Manchuria conditions were worse still: poor peasants (tenants and hired labourers) forming 43 per cent of families owned not more than 9 per cent of cultivated land. But it is obvious that the landlord was the target of attack, because he was not merely a functionless owner but also happened to be an oppressive bureaucrat, a hated tax-gatherer, a local despot who ruled with an iron hand and exacted forced labour, a usurer and profiteer who indulged in the worst forms of exploitation of human beings and observed no limits to throwing the burden of rent and taxes on poor

peasants. Merely from the point of view of maldistribution of land rich peasants did not give a much better account of themselves than landlords. In fact at one stage Communists treated landlords and rich peasants on the same footing. But I think that both rich peasants and middle peasants must have come down in the economic scale during the period of hyper-inflation. Not to speak of the middle peasant, even the rich peasant in China was not really so rich as the *kulak* or the middle peasant in Russia. Moreover, we must not lose sight of the definite policy of preserving the rich-peasant economy as the spearhead of agricultural progress and the very basis of industrialization.

Apart from the abolition of feudal practices and other evil features of landlordism as explained above, the Chinese land reform has meant a reduction of the economic burden on the peasant. Share-cropping has been banned, and consequently the considerable leakage inherent in this form of cultivation has been stopped. The obligation of the State to provide through co-operatives (and also as the result of the distribution of surplus means of production in the possession of landlords to a small extent) the means of production to the hitherto landless labourers has created conditions under which the tendency to share-cropping is discouraged. Organization of temporary and permanent mutual aid associations which has resulted in mutually advantageous pooling of surplus labour-power and surplus tools and implements has also enabled poor peasants with surplus

labour-power to co-operate fully with prosperous peasants owning surplus implements, but lacking adequate labour-power, without the agrarian relation degenerating into one of exploitation based on share-cropping. As we have seen, tenancy has been reduced to small dimensions in areas in which land reform has been carried out. Moreover, the incidence of both rent and land tax has been reduced, whereas the incidence of both was unlimited in old China. The tenant pays to the owner 25 per cent to 30 per cent of the gross produce of the main crop. This is of the nature of economic rent. What the owner (the cultivating owner as well as the non-cultivating owner) pays to the State is the Land Tax which may be 8 to 10 per cent of the gross produce of the main crop. The net income of the non-cultivating owner cannot, therefore, exceed 8 to 10 per cent of the gross produce of the main crop. In areas in which land reform has not been effected the balance is redressed in two ways. The rent payable by the tenant to the non-cultivating owner is subject to a ceiling. Moreover, Land Tax is progressive enough to absorb the non-wage element (surplus) for the benefit of the community and thus ensure social justice. In these areas the poor peasant may pay as Land Tax 10 per cent and landlords as much as 50 per cent of the gross produce of the main crop. Land Tax in China is realized in kind. There are other smaller rural taxes collected in kind. The term "Public Grain" stands for rural taxes in general. The Land Tax which accounts for practically the whole of "Public Grain" has been fluctuating



in its incidence, depending upon the exigencies of public finance. There is no doubt that "Public Grain" has borne the brunt of the exigencies of revenue requirements during the early period of the consolidation of Communist power. Production in rural areas could not only be restarted but also speeded up almost as soon as liberation of the vast rural areas was completed step by step. But the important urban areas near the coast were liberated at a later stage and, at any rate, rehabilitation of urban industry and trade took a much longer time. Consequently to start with, the only source of public revenue which really mattered was "Public Grain". Thus it was taxation of rural incomes (direct and indirect) which was the mainstay of public finance. As urban areas have developed their productive power and urban incomes have been generated the revenue derived from urban areas has increased *pari passu* with the increase of taxable capacity and, therefore, the incidence of "Public Grain" has been lessened. Thus in 1950 urban taxes pushed "Public Grain" from the first place as the source of revenue. But in a country in which almost 90 p.c. of the national income is derived from agriculture, "Public Grain" is bound to be an important source of public revenue. In fact in 1950, 37.2 per cent of the State income was said to have been derived in the form of "Public Grain." In 1951 and 1952 with the growth of urban income the percentage fell, but it was still as much as 30 per cent. It seems, therefore, that the State in China has been trying to redistribute the burden of

taxation as between the rural and the urban sectors of the economy. After land reform fixing a favourable price parity for agricultural products has been employed as an incentive to increased agricultural production and generation of a larger marketable surplus, This has raised the problem of the inflationary pressure of an increase in the effective demand for industrial products in the countryside. Sale of Victory Bonds in the rural areas has been a means of mopping up surplus purchasing power. Indeed at one time pressure was put on peasants to buy these Bonds, and this was subsequently condemned by the Communist Party. But the problem still exists, and its solution requires an increase in the supply of farmers' requirements, which again means an expansion in the output of both capital goods and consumer goods. Mere lowering of the price-parity of agricultural products in relation to industrial products is not enough. But taking all these trends into account, one can say that the average Chinese farmer is much better off than before. He has gained economic stability, self-respect and a sense of purpose and even in narrow economic terms his standard of living has improved in spite of the burden of taxation he has been called upon to bear in the interest of the nation.

## CHAPTER 2

### REORGANIZATION OF CHINESE AGRICULTURE AFTER LAND REFORM

This chapter is designed to present such facts as the writer has been able to glean relating to the 'follow-up' measures adopted by the People's Government to achieve a complete reorganization of Chinese agriculture by gradual stages.

Neither in theory, nor in practice, is land reform in terms of the Agrarian Reform Law assumed to be the be-all and end-all of land reform in New China. Creation of millions of peasant proprietors by means of land reform is merely designed to release first of all rural productive forces. The peasant's land hunger is first appeased, his psychology is revolutionized and he gains self-respect and a sense of purpose. But the Chinese land reformers are fully aware that atomization of ownership raises, rather than solves, the problem of economical agricultural production. They know that China is faced with the basic problems of agrarian over-population and of removal of natural and technical handicaps to solvent agriculture. Reform of land ownership is merely the initial step. In a way land reform has created a situation where the farmer is made to realize

the economic advantages of co-operation and pooling of resources, because *per capita* availability of land after land distribution is too small for progressive farming. According to an expert on agrarian problems in China with whom I discussed this question, on the basis of area cultivated now there are 3·7 *mous*, or a little over half an acre of land, available per head of population in China. After distribution of land, holdings cannot be 'economic'. But with rational use of land, in the absence of exploitation, such small holdings will go farther than they would do otherwise. The subsequent step after land distribution, therefore, is to induce such a reorganization of agricultural production as will maximise economy of effort through pooling of the farmers' individual resources. The first part of this chapter will be devoted to the question of agricultural reorganization as the Chinese understand it. But it is obvious that, with the best of collective effort, it is not possible to remove some of the fundamental natural and technical handicaps to agricultural progress in an undeveloped country like China unless the State removes them. This is part of the problem of planned economic development. This aspect of the problem will be discussed in the second part of this chapter.

## I

The various stages through which Chinese peasants are expected to pass in order to reach higher and higher

levels of *per capita* productivity as the result of more and more intensive co-operation are as follows :—

- (1) Temporary mutual aid association
- (2) Permanent mutual aid association
- (3) Agricultural producers' co-operative
- (4) Collective farming

### **Temporary and Permanent Mutual Aid Association**

After land reform the problem that has faced landless labourers who have come to possess land as well as poor peasants who have obtained more land is one of dearth of working capital in the form of food, seeds, fertilizers and implements. Confiscation of the surplus food, houses, draught animals and farm implements of landlords and their distribution among the impecunious small farmers cannot be a solution to the vast problem. Mutual aid teams are, however, found to be a fair solution. Families begin by forming labour-exchange teams on a temporary and seasonal basis without payment in cash or kind. Draught animals or tools are loaned by those who do not need them for current use and can spare them. The borrower compensates the lender by sparing his manual labour for agricultural operations particularly at the time of sowing or harvesting. This arrangement is satisfactory so far as it goes. But under this arrangement the more prosperous peasant is not expected to invest more of his capital in tools and implements and produce more ; nor is the poor

peasant expected to look forward to a rapid rise in his standard of living. Seasonal and temporary mutual aid is clearly not enough. It is necessary to have a permanent form of joint activity which would bring together the unused capital (animals and equipment) in the hands of prosperous peasants and unused labour-power of poor peasants, to the advantage of both. It is thus that a permanent mutual aid association comes into existence.<sup>1</sup> Details of this type of organization are interesting. The unit of accounting in a permanent mutual aid association is the "work-day". The standard work-day may consist of 10 points—two points for work in the early mornings, four points for work in the forenoon and four points for work in the afternoon.<sup>2</sup> Ten points are the maximum which can be credited to any member of the team, the daily points to be credited to an individual depending upon the nature and quality of his work. The work-day unit is valued at a certain amount of grain; but the value varies according to the seasonal type of work such as ploughing, sowing, harvesting, weeding, etc.<sup>3</sup> The daily points credited to an indi-

1. The best size for such a team is ten families according to Chinese experience.
2. Sometimes the breakup is as follows :—  
2 points before breakfast, 2 points between breakfast and mid-morning, 2 points between mid-morning and noon, 2 points between noon and mid-afternoon break and 2 points between then and nightfall.
3. In one case, for example, the value is fixed at 6.8 pounds of polished rice in the spring and summer and 8.8 pounds during the autumn harvest.

vidual depend upon the amount and quality of work done. If a person is more efficient he goes up in the scale till he reaches the maximum ; if he is inefficient he goes down. The actual means of payment are 'point-slips' printed in the denominations of one, three, five, eight and ten points. Now, suppose the mutual aid team works on the farm of a member on a certain day. The member concerned does not receive any point-slip for the day. He has to sign and seal the point-slips of all members who have worked on his farm and these slips are also validated by the team leader who also makes a record of the amount and name of the person entitled to it. After the harvests when the crops have been sold the point-slips representing mutual credits and debits are balanced (like the clearing of cheques in a clearing house) and the net debit balance has to be paid in cash or kind or labour by the debtors. It should be noted that meetings are held at the end of each day to distribute slips ; and evaluation of work serves the purpose of keeping members keyed up to a high pitch of efficiency. A mutual aid team of this kind has to face the difficult question of the contribution made to the work of the team members in the form of tools, implements and draught animals. When mutual aid teams were first started a draught animal working on a poor peasant's farm was sometimes credited with 20 points.<sup>4</sup> Thus

4. In one case the work of a large water-buffalo was rated at 15 units per day, that of a small buffalo at 12 units. Bigger implements were also given on rent at the same rate.

poor peasants in the team had to work hard to clear debits which, on balance, were large owing to the fact that the contribution of capital to productivity was rated much more highly than the contribution of labour-power. Gradually mutual aid teams began to build up capital (draught animals, implements, wells and other irrigation installation, etc.) in the interest of the poor peasants who naturally formed the majority. A flat rate hiring charge (of 2·5 Kg. of grain for 1 mou of land owned) was fixed for the use of farm animals owned in common. More costly agricultural implements were purchased for the team as a whole, each member contributing to the cost in proportion to the size of his holding. In this way poor peasants have become not only owners of land but also joint owners of farm animals, implements and irrigation installation which have raised their productivity as individual members of the team.

It is obvious that pooling of resources and their concentration on the holdings of members by turns on the basis of team-work is bound to lead to better farming. Better or deeper tillage is possible when a whole team is operating on a peasant's holding with suitable ploughs and draught animals than if an individual drives his lonely furrow. An old peasant's holding may perhaps be ploughed twice by the team and yield better crops. When there is an emergency it is the entire team which is ready to face it rather than an isolated individual. When a mutual aid team is working better farming be-



comes possible as the result of division of labour and specialization. Experienced veterans can be put on to seed selection. Some may specialize in killing pests or destroying weeds. With division of labour more intensive cultivation, better manuring and transplantation of paddy at the proper time become a normal feature of agriculture.

When a team of peasants is organized for the sake of farming and economy of agricultural operations, a part of total manpower becomes surplus as the result of rationalization. This surplus is utilized in subsidiary occupations, such as working on State farms, transport work with the help of draught animals owned by members, fishing, reclamation of virgin land in the slack season for the benefit of the entire team, poultry farming, truck-farming, tree-planting and handicrafts.<sup>1</sup>

The success of a permanent mutual aid team depends upon several factors. The first requisite is the team-spirit and sense of fellowship. Secondly, such a team can function on the basis of democracy. Seasonal plans are discussed thrice a year before the spring sowing, autumn harvesting and winter sowing by the team as a whole. Once every three days a team meets to compare notes. Then there are weekly meetings to discuss the weekly working plans corresponding to the seasonal plan. Thirdly, such a team can succeed only if the system

1. Handicraft work and other auxiliary labour are usually paid for at piece rates.

of remuneration—evaluation of work, assignment of points and varying the value of the workday unit according to the quality of work depending upon the season—is considered fair and also practicable by the team members. Making a mutual aid team function is itself a training in economic democracy. Lastly, the success of a mutual aid teams has also depended upon the financial assistance of the Government credit agency, the advice and assistance of the agricultural bureau and close working relationship with the marketing co-operative.

On a careful scrutiny of available facts it seems that temporary mutual aid teams of simple, 'labour-exchange' type have been in existence in areas which have been under the Communist regime much longer than the rest of the country. In the six Provinces of north-east China in which the situation is supposed to be most advanced (politically) mutual aid teams now include 70 per cent. of all rural families. *But only about 25 per cent of these teams are of the permanent type.* In the five Provinces of north-west China there are 620,000 teams of which *only 18 per cent are of the permanent type.* In the north holdings are large due to comparative aridity of soil and crops amenable to methods of extensive agriculture are raised. Technical and natural conditions thus favour pooling of resources and even co-operative farming. But even here barely one-fourth of the teams are of the permanent type. In the eastern, northern and western China it is doubtful whether intensive garden cultivation on small holdings leaves much incentive for pooling of resources.

I do not think that these areas have, by and large, even got to the stage of temporary mutual aid association, although in the Yangtze valley good progress has been reported recently.

### **Agricultural Producers' Co-operatives**

A Chinese agricultural producers' co-operative has many of the features of a permanent mutual aid association, such as division of labour, a certain degree of crop planning, combination of agriculture with subsidiary occupations, and ownership of a certain amount of common agricultural property, particularly agricultural implements. But the main feature of a co-operative is unified land management based on members investing their land in the common enterprise and being credited with a certain number of shares which entitle them to a certain ownership dividend in the form of rent. It has been realized that mutual aid teams can raise agricultural productivity only up to a certain point. The amount of capital which they can accumulate cannot be enough for the expanding needs of better farming. Manpower can not also be utilized fully in a planned kind of way. Scattered holdings are also an obstacle to economy in production. A team of only ten families reaches the saturation point of increasing *per capita* productivity pretty soon. Unified management and collective labour organized into a large unit are, therefore, necessary, and an agricultural co-operative becomes clearly desirable as a form of agricultural organization.

The obvious technical advantages of an agricultural co-operative may be briefly summarized in concrete terms. Under individualistic farming as practised in China, each member of a mutual aid team raises all the crops he needs for self-consumption or for sale on his own holding which is divided into tiny plots for growing grain, cotton, vegetables, etc. This kind of production is uneconomical, unless it is meticulous garden cultivation (which it is in the fertile areas of middle and south China). But when land is pooled and crop planning is determined by a co-operative the choice of crops is governed by the suitability of particular soil areas. Secondly, certain permanent improvements, such as levelling and terracing, can easily be effected by a co-operative. Thirdly, the larger scale of operations in a co-operative permits of better planning and expert guidance and better division of labour resulting in the creation of a large surplus of manpower available for subsidiary occupations. This, of course, raises the problem of absorbing this surplus in subsidiary occupations. Fourthly, a co-operative can set apart experimental plots for seed selection which is an important means of improving crop yields. Fifthly, since boundary lines are obliterated there is saving of land to that extent which benefits all. Finally, a co-operative finds an answer to the difficult question of balancing the interests of individual peasants in the course of agricultural operations. In the sowing and harvest seasons when members of a mutual aid team have to work against time each

member is naturally worried about his own plot and is anxious to see that his own plot is attended to first. In a co-operative clash of interests of this kind is avoided.

In China the experiment of producers' co-operation in the field of agriculture has achieved limited success broadly for the same reasons for which even permanent mutual aid teams have not yet become the dominant type of organization. Certain objective features of agricultural co-operatives which seem to emerge from China's limited experience are summarized below.

A member of a co-operative is allowed to retain a piece of land for personal use, such as raising vegetables or fruits or livestock. If the plot is too small the needs of the household cannot be met ; if it is too large the peasant will concentrate more on his own plot and less on the co-operative farm. Perhaps the device of safeguarding private ownership in respect of not only the family plot but also the part of the holding which goes to the common pool and yields ownership dividend, provides a better balancing of individual and common interests than would be possible in the case of collective farming which negates the right of private ownership of land.

The system of remuneration for farm work is essentially the same as the system followed by mutual aid teams. The workday consists of ten points—the maximum which represents a day's ordinary labour at average efficiency, work involving special skill or extra labour be-

ing rated at 12 or 13 points. Points credited to a member are checked up every day according to the quality and quantity of work done, and the total number of points earned is tabulated at intervals of ten days. It is stated that owing to the higher economies of co-operative farming the average daily income of a member may be twice as much as the average daily income of a member of a mutual aid team.

The manner of the distribution of the net produce is interesting. The dividend is *net* after making allowance for taxes and seeds. Out of the net produce, say, 52 per cent is distributed as wages, 40 per cent as dividend imputed to land and 8 per cent is set apart as public savings. In the case of a co-operative village in Mukden that I saw the share of wages was 60 per cent, that of land 30 per cent and that attributed to carts and animals owned by individuals was 10 per cent. I must add that the ownership dividend in respect of land (rent) is assessed not on the basis of area but on the basis of its crop yield. The large share of labour in the net produce is an incentive to hard work on the part of poor peasants who lack means of production. Public savings represent an essential factor in distribution. But capital formation in a co-operative cannot really go very far. If too much is deducted from current net income individuals who own more land or agricultural capital assets and contribute less of labour-power bear the brunt of capital formation, because savings are supposed to come out of surplus profits (rent plus earnings of capital assets) and not out of wages.

Chinese experience shows that the enthusiasm for taxing 'surplus value' for the sake of capital formation actually leads to failure of co-operative effort. Consequently public savings are not more than 10 per cent of the net income of a co-operative.

The bearing of agricultural reorganization on improved agriculture in China will perhaps be set in its proper perspective if I quote my personal experience of two reformed villages that I saw in China, (1) a village of peasant proprietors with no mutual aid teams even near Peking and (2) a co-operative village near Mukden. The first is a village of truck-farmers consisting of 430 families and with a total population of 2050 persons. The average size of about 4.8 persons per family is about as much as the average in India. Garden cultivation is by its very nature intensive agriculture which yields best results under small-scale peasant farming of the individualistic type. Since this is a semi-urban village the productivity of agriculture of this type depends upon capital-intensity based on sound and advanced technique rather than on the mutual aid system or co-operative farming. Before land reform the arable area consisted of dry and wet land, the dry soil bearing millet and corn and wet land yielding two vegetable crops and an intermediate crop of maize, so that agriculture was a year-long job. After land reform there is irrigation of dry land. Intensity of cultivation has increased and total as well as *per capita* productivity has gone up. The scientific Research Institute has discovered better technique for

farmers. More fertilizer is being used. Government has loaned out implements, horses and mules and has also given cash loans to the extent of 126 million Yen. There are 174 donkeys and mules, 305 carts, 175 wells, 94 sprayers and 118 water-wheels. The resulting capital intensity has boosted up the output per acre, and vegetables being a fairly valuable product which can be sold in Peking only 10 miles away, the farmers are much better off than before. In view of the high density of population in relation to land the *average* area of land per head of population is only 1 *mou* (0.1647 acre). Even this small area *per capita* goes fairly far owing to the intensity of cultivation. The size of the holding, however, varies according to the quality of land. A family of 10 persons was found to have 4.2 *mous* of wet land and 3 *mous* of dry land, and the annual income was stated to be 20 million Yen. Before land reform there were 20 families of landlords with 156 members, and each landlord possessed 7.3 *mous* of land, whereas now they have 1.9 *mous* each. The maximum that a rich peasant owns is 4.3 *mous*, and he can hire farm hands. I saw in this village vegetables being grown in hothouses in which hot water pipes running along the wall keep the air humid. The farmer (a rich farmer) is able to raise vegetables in winter when the prices of vegetables are very high and also special vegetables like peas and tomatoes of which I saw excellent specimens. It is clear that development of irrigation, use of better technique and fertilizers, larger capitalization, fairly good prices



offered for vegetables in relation to corn and manufactured products more than land distribution or agricultural reorganization (of which there was no sign), which really explain why the truck-farmers were doing fairly well in spite of the unfavourable man-land ratio. In this village I saw a sale and purchase co-operative society stocked with consumer goods. On enquiry I found that there is no co-operative sale of vegetables ; only grain is sometimes sold through the co-operative. Owing perhaps to the smaller importance of off-season unemployment the only handicraft is mat-making and mats find a ready market in Peking.

The second village that I saw was a co-operative village of 166 households with a total population of 746 persons, which means that the average size of the family is 4.5 persons, which is slightly less than the average in the case of truck-farmers near Peking. The total arable area being 2743 *mous*, *per capita* land holding now comes to about 3.6 *mous*. But land near Mukden is comparatively arid and can grow *Kaoliang*, Soyabean and corn as well as jute, cotton and peanuts—crops which are not amenable to intensive farming like truck-farming. In this village landlords owned 88 per cent of the land before land reform. Poor peasants had little land and farm workers had no land at all. Out of 166 households 54 were households of landless labourers. The middle peasant who rented land from the landlord operated on 20 *mous* of land, but after rent and taxes were paid had a net income which was insufficient for subsistence.

There was great disparity in the distribution of houses. There were 156 rooms in the village of which 40 were occupied by 8 landlord families, and 52 per cent of the landless and land-hungry peasants did not possess any room. After land reform those who were shelterless have built 73 rooms for themselves, so that on the average there are now 1.4 rooms per household. The main problem in this village after land reform was dearth of farm animals and equipment in the case of landless workers who obtained land. 54 households of farm workers did not own any draught animals, whereas 8 landlord families had an average of 3 draught animals. As the result of redistribution of draught animals productivity has increased. Peasants started with mutual aid teams, and in 1952 they organized a producers' cooperative. They pooled their land, labour, draught animals and carts. All farm implements are now driven by horses. Boundary lines between fields having been wiped out, 23 *mous* have been added to the cultivated area. Formerly 29 draught animals were maintained by many families. Now under unified management one person is needed to look after 29 animals. 235 units of labour-power have been saved for transplantation of *kaoliang*. Due to rational management of capital 6 horses and 4 carts with rubber-tyres have been added to the capital assets of the village. The co-operative has organized off-season auxiliary occupations which add to the village income to the extent of 6,14,000 *catties* of grain. New techniques have been learnt, such as

sowing of sterilized seeds by machines rather than sowing seeds in rows by hand. The co-operative uses horse-drawn agricultural machines, such as the mechanical sowing machine, the mechanical harvester, the machine for pressing land and the mechanical sprayer. The machines are loaned by the Government on hire-purchase basis. 25 per cent of the cost is recovered in the first year, 35 per cent in the second year, and so on till the implements become the property of the cooperative. I found a stamp of prosperity and well-being on the life of the village. The farmers' cottages, particularly those of model workers, are neat and clean, each with its garden allotment, its poultry shed and its pig-sty. The rooms are nice and airy, there are glass panes on windows and the cottages have fine, durable tiled roofs. I saw a shrine in an alcove in one of the cottages—a symbol of ancestor worship. A family which possessed two derelict rooms (for 12 members) before has now built a cottage, and a bright and effusive lady—the daughter-in-law of the household—showed us their satin coverlets, their beautiful chests and lacquer-painted family boxes with great pride. The village now boasts of a children's school, a school for adults, a circulating library and an amateur dramatic association. The cooperative store of this village is a real sale and purchase society. Sales are Rs. 250/- a day. The store supplies grain and the farmer's requirements. 40 per cent of net profits goes to the reserve, 35 per cent as bonus to purchasers who are members of the cooperative store and the rest, i.e. 25

per cent is used for the education of staff members, construction of new houses, welfare of members, etc. This store was certainly much more impressive than the one that I saw in the village of truck-farmers. But then the truck-farmers are not far from Peking, and since they market their own vegetables they can buy their requirements at reasonable prices in Peking itself.

### Collective Farming

Since the transition from mutual aid teams to an agricultural producers' co-operative has been rather slow and tentative in character, collective farming naturally remains a distant ideal. We find an account of China's first collective farm in an article contributed by Ten Liu to the *People's China* of July 16, 1952. This farm is situated in the boundless prairie region of north-east China. Land was reclaimed in this area and peasants were given not only land, but also houses and implements. At first working groups of 4 families each were allotted land according to the labour-power at their command. But the individualistic spirit was so strong that the land was divided on the basis of constituent families. Since each fully working member had barely one hectare of land the results were bound to be disappointing, because the size of the economic holding had to be much larger in view of extensive agriculture practised in a prairie region. Later on while some peasants persisted in individual farming, a great majority formed small mutual aid teams consisting of 3 to 6 fami-

lies each. Some farmers also formed agricultural producers' co-operatives. Thus, all the types of organization were established side by side to enable farmers to decide upon the best type suitable in the circumstances. Communist *cadres* who were giving the lead ran into fundamental difficulties fairly soon. They suggested that the co-operative's harvest should be distributed according to the actual work done by each member. Farmers wanted a division according to the size of land contributed. Families with fewer working members and greater working capacity were naturally handicapped, because the more numerous the family the larger the area of land it possessed. There was also shortage of working hands, and both co-operatives and mutual aid teams were hard pressed when certain jobs had to be done all at the sametime. If the individual farmer had labour-saving machines dearth of labour would not have mattered as in the case of prairie agriculture in the U.S.A. and Canada. But the strategic advantage which labour, particularly skilled labour, somehow had in this field of experiment enabled it to press successfully for the acceptance of the principle of collective farming, i.e., distribution on the basis of work-days contributed. Once a collective farm was organized peasants of a co-operative farm naturally joined it. On the basis of Socialist distribution there were also other reasons for this development. In a new colony of migrants there was little disparity in the amount of capital possessed. Pooling of labour and land was necessary in the interest of

productive, extensive agriculture : it was necessary for capital formation required to raise the economic level of the farmer through better farming technique. The State was also always prepared to aid the Collective Farm. In addition to the loan advanced by the State for the construction of dwelling houses, the collective farm was assisted to purchase more than 60 oxen and many farm implements. Conditions were, therefore, peculiarly favourable for the success of collective farming.

It appears that this collective farm has been able to reap significant economies of large-scale agriculture. Specialization has proceeded on the basis of a production team, a horticulture team and a livestock-raising team, the team being sometimes divided into sub-teams. Use of machines has resulted in rational standardization of 'work-day' : the evaluation of work-points (which is a difficult process when agricultural work has largely a manual character) has been obviated. The farm has decided to invest 12 to 15 per cent of the total income in a public fund. The farm will be enlarged from 99 hectares to 160 hectares, and while membership will also increase from 36 to 60 families, the arable area per head of working member will increase from 2.5 hectares to 3 hectares. There will thus be an increase of both per acre and *per capita* productivity. The technique of agriculture on this farm which is still simple is based on the use of men and draught animals aided by machines. The main variable factor of production which explains increasing productivity seems to be land. *Per capita*

availability of land per head of working members has risen from 1 hectare (under individual farming) to 2.5 hectares which is now sought to be increased to 3 hectares. It is clear, therefore, that this Chinese collective farm is different from the highly mechanized collective farm of the Soviet Union.

## II

### Supplementary Measures Following Land Reform

As I have already said, the basic problem of China's rural economy is one of agrarian surplus population. Better distribution of land and better organization have no doubt resulted in an increase of both *per capita* and per acre productivity in agriculture. In this connection one may stress the psychological factor which land reform has exploited for the release of productive forces in the countryside. But what is perhaps more important is the three-fold development which one witnesses in China :—(1) removal of technical handicaps to progressive agriculture, as distinguished from the mere institutional handicaps, (2) creation of better employment opportunities through removal of natural handicaps by extension of irrigation, flood control and reclamation, afforestation and improvement of transportation and (3) absorption of the agrarian surplus population in the tertiary sector of the economy and in occupations which offer supplementary employment to farmers. Something has to be said briefly on these lines of development to counteract

the wrong impression that land reform is the *sine qua non* of a country's agricultural policy.

(1) When I speak of removal of technical handicaps to progressive agriculture I am using the term 'technique' in the broad sense to include not merely the technique of farming, but also the technique of credit supply, marketing, purchase of farm requirements at fair prices and fixing fair terms of exchange between farm products and non-farm products.

Farming technique in China has been improving through the application of science to agronomy. There is emphasis on better tillage. More and better fertilizers are being used. We are told that in the first half of 1951, 1,000,000 tons of oilcake and 150,000 tons of chemical fertilizers were sold to peasants through co-operatives and government-run Domestic Products Companies. There is greater emphasis on seed selection. It is said that in some wheat-growing areas 40 p.c. of the peasants were using selected seeds in 1951. A careful study is made of highly productive strains with pest-resistant qualities, so that in some cases yields up to 10-12 per cent. above the average have been obtained. Where mutual aid teams operate, plots of land are set apart for seed selection experiments. Farmers are more conscious of the need for better and sterilized seeds. New and improved farm implements have resulted in better agronomical practices. New ploughs which have deep and wide furrows are becoming popular, because weeds and tough grasses can be easily uprooted and at



the same time there is no greater strain on animal power. Even pulverizer-barrow is becoming popular wherever the unit of farming is large enough. Farmers have found that the new plough worked faster and produced on an average 16·8 per cent more. It turns up unused soil, breaks the clods of earth thoroughly, makes the land more absorbent and ensures good distribution of moisture. It also buries injurious weeds and their seeds deep into the soil, while insect eggs and larvae are brought to the surface where they are killed by the sun. Improved cultural practices such as deeper ploughing, seed selection and planting of seedlings less densely (to avoid there being more stalk than ear) have spread in the rural areas through actual extension field trials. To popularize the use of animal-drawn implements the Government even enters into contracts with peasants by which it agrees to make good the difference between the normal and actual harvest if the implements do not produce the expected results. There is no doubt, however, that the improvement in the technique of agriculture is a slow process. The transition from the stage of wooden plough to that of modern scientific agriculture will naturally take a long time.

The technical developments just mentioned would be out of the question unless there is a rational technique of supplying farmers with short-term as well as long-term finance. Since private money-lenders have almost disappeared in rural China the vast vacuum has to be filled by either co-operative finance assisted by State

finance, or, in the absence of co-operative finance, by State finance alone. Agricultural co-operative banks have been started in large numbers under the leadership of the People's Bank, China's Central Bank. But co-operative banks are, by and large, virtually run by the People's Bank through the local branches of the Savings Department of the People's Bank. This Department has its branches in remote villages and mobilizes and distributes credit for rural industry and agriculture. Every village has its Commissioner of Finance—an important public functionary through whom credit is channelised. The Government makes large annual appropriations in the budget for low-interest loans to peasants. The co-operatives also make substantial advances against future delivery of agricultural products on the basis of forward contracts. The Government supplies the farmer with fertilizers, good seeds, draught animals and improved farm implements. Farm implements are supplied to mutual aid associations and farm co-operatives on a hire-purchase basis.

The marketing organization has been put on a rational foundation. Reference was made above to the system of forward contracts for future delivery of agricultural products which co-operatives enter into with peasants. Co-operatives (which are more numerous) work in close co-ordination with State-trading companies which operate in big cities as well as in villages and hamlets even

in remote areas.<sup>1</sup> The latter have different lines of business (handling the trade in grain, cotton yarn and cloth, producers' equipment, salt, tea, etc.), but together they buy the larger part of China's agricultural products. They sell every spring modern implements, sprayers, insecticides and fertilizers. After the harvests they sell consumer goods and also buy grain, cotton, tea, tobacco and silk which are sold in the urban areas. Private trading is encouraged by the State to the maximum extent by fixing the price spread between wholesale and retail prices in such a way as to leave a fair profit margin.

There are other technical devices by which the economic incentive of the farmer to produce more is sustained. Increased output per acre is stimulated by exempting from all taxes that portion of the crop which exceeds the average for a given area. Reclamation of land through private enterprise is also fostered by ensuring to the farmer the fruits of his enterprise. The Government has also fixed a favourable price-parity between farm products and non-farm products. This has stimulated agricultural production. And a larger marketable surplus, combined with far better procurement and distribution than ever before, has enabled the Government to remove shortages, even out supplies and thus get rid of inflation. But the increase in the purchasing power in the hands of the peasant (small per

1. In 1951 almost 200 branches and over 100 agencies were started in national minority areas in South-east China and nearly 300 among national minorities in the North-west.

*capita* and large in the aggregate) has raised the problem of shortage of industrial goods available in the countryside, because the supply of industrial goods, though considerable, has not matched the increased effective demand diffused in the countryside. There is no doubt that sometimes non-economic incentives have been employed to keep agricultural production at a high level. But there is no evidence of resort to violence. An interesting aspect of price incentive in agriculture is fixing of the parity between grain prices, on the one hand, and prices of cotton, tobacco, and hemp, on the other hand, at a level which makes the cultivation of industrial crops more remunerative. Obviously larger industrial crops are needed to produce more of industrial goods so as to sustain increasing production in agriculture as a whole.<sup>1</sup>

(2) In China floods and droughts have been the traditional natural handicaps to agriculture. During the last 2 or 3 years several large-scale flood control and irrigation projects have advanced so far as to ensure substantial immediate results in terms of increased agricultural production. In 1951 the Huai River Project was well under way and an important stage was completed. A large number of small-scale irrigation works were completed, including the sinking of hundreds of thousands of wells and the excavation of 1.4 million small

1. In 1951 the area under cotton was 30.2 p.c. greater than in 1950. It was more than 17 p.c. greater than the highest acreage recorded in pre-war years.

canals and ditches. Embankments, sluice gates and diversion channels have also multiplied as part of both irrigation and flood control programmes. In the arid North-East Area 15 or 16 small river-valley projects have either been completed or planned. On the upper reaches of 4 important rivers in Manchuria river reservoirs have already been constructed. In middle China the Huai River irrigation system when it is completed will irrigate 1 to 1.7 million acres of land in the upper reaches of the river and 6 million acres each in the middle and lower valley. The flood detention basin on the middle reaches of the Yangtse river is another remarkable achievement. The water of this river irrigates one-fifth of China's soil. Its 40,000 kilometre long navigation channels carry one-half of China's inland trade. But a section of the middle reaches of this river was liable to floods threatening the livelihood of 3 million people. The flood detention basin has now guaranteed security of agriculture. On the northern bank a long dyke controls the flood water and below the southern bank there is the oval-shaped basin protected by embankment with two regulating moving dams to control the inflow and outflow of water. A more ambitious project is the Yellow River Project. At present the main achievements are dyke-fortification and bank-protection, diversion of flood water through two spillways into a flood detention basin, one in Pingyun Province and the other in Shantung Province, and the People's Victory Irrigation Canal which irrigates 66,700

hectares of land and also increases the volume of water in the Huai River, making it navigable all the year round over one stretch of the river. But when irrigation schemes are expanded they will cover vast stretches running into 2 million hectares of agricultural land. An interesting aspect of flood control measures in the Yellow river basin is the reclamation of vast areas of arable land. Destruction of dykes to divert the waters of the Yellow River southward had resulted in the flooding of vast areas. There was inundation for nine years and millions of people in the Yellow River valley and the Huai River basin suffered. With the construction of dams and reservoirs and spillways and embankments flood damage has been made good and extensive areas of arable land have been reclaimed.

While in the middle China there is the problem of floods, in north China nine years out of ten in the past were years of drought. Reference has already been made to the construction of huge storage works on the northern rivers. Large-scale afforestation has also been planned of which more will be said below. Short-term measures against drought adopted during the last two years have ensured the stability of agricultural yields. They are based on (1) wider use of drought-resisting seeds, (2) better methods of planting to offset the effects of drought and (3) better use of existing sources of irrigation and development of new sources. The methods of dry farming are interesting. One method is to scrape

off the dry surface soil, planting the seeds in the moist lower layer, covering them up with dry top-soil and pressing it down to conserve moisture. A second method is to plant the seeds together with an inch of soaked *Kaoliang* (Sorghum). A third method is to sow 5 or 6 seeds, properly spaced, in a single hole, to dig 4 or 5 small holes around each plant, to pour water into them and to plug up the holes with soil after water has soaked in. There is now better use of existing water supplies. There is joint management of the sources of irrigation, whereas formerly villages upstream had as much water as they needed and those downstream were starved of water. Under fair rules of water utilization more water can now be used at a quicker rate of rotation. The organized effort which can now be directed to fighting a common calamity, drought, is possible through the mutual aid of farmers and the co-operation between the Government and the people. Thus in Hopei and Pingyuan Provinces 10 million peasants dug 38,955 new wells and over 4000 irrigation channels equipped with 66,603 water-wheels. In Hopei 2 million acres of cotton were protected against drought in 1951 and thus helped the Government to overcome the shortage of cotton during a very critical year.

Afforestation is a long-range programme of agricultural development which has engaged the serious attention of the Chinese. The famous shelter belt project of north-east China, which will be a barrier against the

shifting sands of the Gobi desert region, is already under way. When it is completed in 15 years, 1,800,000 hectares of barren land will be brought under cultivation and over an equally large area agricultural output will increase by 30 per cent. At the same time timber of the annual value of 40 million tons of grains will be added to the agricultural output. China has 675 million acres of submarginal land which are fit for bearing trees. The Chinese want to plant this area under forests; and when this becomes a forested area, the area under forests will have increased from 5 per cent to 20 per cent of the entire area of China. This will transform the face of the countryside and the character of agriculture.

Perhaps the most remarkable factor of agricultural development which has followed land reform is the development of facilities of transportation which have opened up China's vast hinterland, and particularly many fertile, but inaccessible, areas to a wider, more stable and better integrated market economy. The development of trade between the country and the town has stimulated both agriculture and industry.

The restoration of the Chinese national economy soon after the establishment of the new regime was very largely a matter of restoring and then expanding the vital means of communication. To some extent the process of advance of the Communist army was dependent upon restoring the means of transportation in the rear. As the advance was not often reversed means of



communication were developed on a fairly large scale and in an integrated manner. With the advent of peace the progress of transportation was accelerated as a means to economic stabilization. In China coastal shipping is a vital sector of the transportation system. Coastal shipping routes totalling 4000 nautical miles were quickly reopened to traffic. Inland water routes which are equally important for trade were improved and extended to a length of 35,340 miles. In fact Chinese shipping played an important part in the movement of grain and coal, the two commodities which were basic to restarting of production. It carried large quantities of coal to Shanghai, China's great centre of consumer goods industries. In 1950 Chinese shipping carried rice down the Yangtse River from the south-western provinces which had enormous marketable surpluses of rice. Shipping has also helped railway construction by transporting large quantities of construction materials. Taking 1950 = 100 the index number of freight carried in 1951 was 196. In 1952 it was expected to be 267. Trade has been stimulated not only by the expansion of transport facilities but also by the reduction of freight charges. Maritime freight charges are now only 12 per cent of what they were initially. River freights are now 43 per cent of what they were before the Communists came into power. An important aspect of the expansion of inland shipping is the extension of the navigable mileage of inland waterways. Another interesting aspect is the organi-

zation of the older forms of transport, such as transport by junks and barges, and their co-ordination with inland water transport services of the modern type, as the result of which a carrying capacity of several million tons has been integrated into a unified system. This has enabled farmers in their spare time and also regular boatmen to get regularly employed according to a rational system of operation. What is true of China's shipping is also true of road transportation. It is said that as the result of years of war road mileage had been reduced to 10 per cent of the total. During the "war of liberation", as I have said, roads were built or repaired on a large scale, so that in 1950 road mileage was seven times as much as in 1949 and covered all economically important trunk and branch roads. Both soldiers and civilians participated in road building, because roads were the life-line of the Chinese economy. It is claimed that owing to better maintenance and better road surface driving speed has increased, consumption of fuel has diminished and there is less wear and tear of tyres. There is the new system of driver responsibility which safeguards cargo and also the efficiency of the vehicle itself. Cost of administration is less. Runs are more frequent and halts are of shorter duration. Just as transport by junks and barges has been co-ordinated with steamer services in the same way cart transport (organized on the basis of co-operation) has been co-ordinated with motor transport. Railway development in China has also kept

pace with road and shipping development. China formerly had 14,000 miles of railways. By 1951 the whole of this mileage was restored. It is said that Chinese railways in 1950 handled 510.6 per cent as much freight as in 1950. In the first half of 1951 there was further increase of 50.2 per cent over the same period of 1950. The north-south lines of communication together with the lateral feeder lines have now been integrated and have helped to raise the tempo of both agricultural and industrial production. It is said that in 1951 railways transported to Shanghai alone as much coal as was transported to the whole of east China in 1950. They also transported 700,000 tons of beancake fertilizers from Manchuria, the land of Soyabean, to farms all over the country. Perishable fruits of the south, bananas and oranges, were transported as far as the north. The railway network has been handling the broad movements of foodgrain from the surplus to the deficit areas. Manchuria's large surplus and the surplus from inner Mongolia can now move to the food-deficit areas of north China including the areas inside the Great Wall. Part of the northern surplus can now join the surplus coming from Central and south China and Szechuan Province and move to the deficit region of east China including Shanghai. These movements which have evened out supplies and prices and stopped inflation are handled not by railways alone, but by the unified and coordinated system of transport which China has been building up. I may add that the railway network has now been penetrating into the re-

mote regions of rural China. The most significant development in this respect has been the construction of two new railway lines, the Chungking-Chengtu and the Tienshui-Lanchow lines. The Chungking-Chengtu line is 505 kilometres long and runs through eight counties and along 50 towns and villages. It serves a part of the Szechuan basin, rich in natural resources and inhabited by 12 million people. The western section of the railway traverses the Chengtu plain which is the famous granary of south-west China. Tobacco grown here sells as far as Shanghai and Canton. 70 to 80 per cent of the sugarcane in south-west China is grown in an area traversed by this railway line. The country also produces salt, oranges and tangarines and also a special type of linen. There is also a large surplus of coal which can feed the industrial centre of Chungking. There are also native products like hemp, bristles, hogs, cotton, tung oil, silk, wine and medicinal herbs which can now find a very wide market. The effect of the opening of this new railway (it was opened on July 1, 1952) can be easily surmised. Rice, sugar and salt can now easily move to other areas. Already there has been a 50 per cent increase in the planting of sugarcane; cane production in 1952 is expected to reach 200,000 tons. Linen output has increased by more than 120 per cent and tobacco output nearly fourfold. The market for hemp has widened, since the freight is now 6 per cent of the freight charged for motor truck transport. Yak wool and medicinal herbs

from Thibet are now being transported to east, north and central-south China in large quantities.<sup>1</sup> Yungchuan has now become an important collecting centre for food-grains and is developing as an industrial and commercial city. Chungking which was an industrial centre before has experienced a revival of steel and machine tool plants (400 in number) owing to railway development. These and other industries, such as cement, the building trade, bricks and tiles, saw milling, chemical and electrical goods, are bound to expand owing to the economic development of the agricultural belt and increased trade with Thibet.

(3) Let us turn finally to the development of the tertiary sector of the economy which has lessened the pressure of the population on the soil and has been paving the way for rationalization of agriculture. Development of spare-time occupations for farmers, which is another way in which disguised unemployment is being reduced, is also reacting favourably on agricultural efficiency. Without these developments mere land reform would have achieved little in New China.

I have already described the remarkable development of transportation as the life-line of the Chinese economy. This development has not only contributed to the rising productivity of agriculture, but has also provided a vast mass of employment to the unemployed and the under-

1. This railway will be a life-line of communications with Thibet.

employed in the rural areas. Transport by mules, carts, junks and rafts which has been co-ordinated with transport by modern carriers has provided a large volume of both permanent and spare-time rural employment. Surplus labour of mutual aid teams and co-operatives is earning additional income in transportation services of various kinds. I have found that where grain is moved over very long distances from surplus to deficit areas sometimes the cost of transportation exceeds the price of grain itself. One ground on which such grain movement has been justified is that it creates employment for large masses of unemployed people in the countryside.

Inland trade is another part of the tertiary sector which has created large additional employment opportunities. The main organs of internal trade are State trading corporations and co-operatives which give employment to a large number of persons who are concerned with collection and handling of goods (besides transportation) at various stages. There are also private traders who handle the products of peasants' spare-time occupations and industrial products for rural distribution. Besides, there are also retail shopkeepers in the countryside. To the extent that internal trade has expanded mainly as the result of expansion of transport facilities employment in commerce and distribution has also increased. Retail trading in the countryside has been encouraged by the State ensuring a sufficiently

fair margin between wholesale and retail prices and also guaranteeing transport facilities to the retailer.

Spare-time subsidiary employment in rural China has also been stimulated by the development of trade and transport and widening of the internal market. The growing demand for a large range of products (due, among other things, to the economic blockade of the Chinese mainland) has been met in many ways by products of handicrafts and many agricultural products other than the main crops raised by farmers. Most of the latter used to be consumed by peasants for lack of markets, or simply as fuel for lack of better utilization in industry, or were wasted, as in the case of fruits and vegetables in remote areas. It is said that 80 to 90 per cent of such products is now sold in open markets and the sale proceeds now constitute an appreciable proportion of the additional purchasing power in the hands of the peasants after land reform. A few examples would not be inappropriate. Owing to the difficulty of obtaining imported wood-pulp Kiangsi paper-pulp used previously for making hand-made paper is being demanded by paper mills in Shanghai. Supply of Kiangsi paper-pulp has now been stepped up and peasants have benefited immensely by this development. Formerly crude turpentine produced in a village in South China used to be exported for processing to the U.S.A. Now it is processed in China and the difficulty of obtaining imported turpentine has stimulated the demand for the crude

product, and the farmers are the important beneficiaries. According to one estimate the value of the products of the subsidiary industries (apart from the production of the main crops) in China amounts to about 2 billion dollars per annum. It is difficult to judge the accuracy of this figure ; but in view of the economic blockade, search for domestic substitutes and the expansion of domestic trade there is no doubt that subsidiary employment in rural China must have increased very considerably.

Offseason employment in public works projects is another fruitful source of supplementary income for the farmers. Offseason farm workers work on the public works projects, like the river-valley projects, for a period of 80 days in the year, the period of seasonal unemployment. They are paid travelling and medical expenses by the State which also provides free accommodation. Workers get piece-rates. The least efficient person gets 4 *catties* of rice per day which are sufficient to cover expenses for food and other miscellaneous needs. Wages are slightly higher than the earnings of poor peasants. Loss of wages due to bad weather is made good. The minor agricultural operations on the farms of offseason workers are looked after in their absence by the village communities. A good deal of patriotic propaganda is generated every year to enlist the offseason farm workers. This shows that a mixture of both economic and non-economic motives is brought to bear



upon the task of economic reconstruction. But there is no doubt that provision of off-season employment is a boon to peasants even if they are unable to bring back home any savings. Besides, the industrial technique and methods of work with which they come in direct contact are a valuable experience which widens their mental horizon and sometimes develops their aptitude for industrial work.