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Yi Pan

Rural Welfare in China

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The Subject

This book is about social welfare in rural China, presented in a longitudinal context, from the initial creation of a welfare structure under ancient Chinese civilization to the building of a socialist welfare system in the People's Republic of China, especially up to the market-oriented economic reform of the past three decades. This book elaborates and analyses the components of China's rural social welfare system and its core factors. I try to explore the characteristics of the system itself by analyzing its components during the development, transformation, evolution and continuation of Chinese social welfare.

The book consists of three parts, according to time lines. The first part is about ancient welfare in China. Traditional ancient welfare embodies state control, community organization, social networking and family support, all impacting the formation of the Chinese welfare system. The second part is about the socialist welfare system after the establishment of the People's Republic of China. During the period of the former three decades of New China, the welfare system, especially the rural welfare system, reflects socialist and collectivistic ideas with mutual help. The rural welfare system set up at the foundation of poverty and blankness, which based on an urban–rural dual social and economic structure and guides by a planned economy. Part three expresses the rebuilding process of a modern rural welfare system within a market-oriented economy. When the traditional rural welfare system is impacted by globalization and is disbanded and replaced by a social security system learned from Western countries, an exploratory series of modern measures are installed in rural welfare. This book will express the problems and conflicts of this reform process and will also discuss its differences and continuation.

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I put my emphasis on "rural" welfare of China for three important reasons. First, China has always been an agrarian country whose agricultural culture has lasted for thousands of years. For instance, a famous Chinese classic "Lű Clan Spring and Autumn",[1] states that, "agriculture is the root and commerce is the branch" of China. Agriculture has been a key nature of China as a nation, *and* "rural" has certain representativeness.

Second, the majority of the Chinese population are rural citizens and live in the countryside. Along with social and economic development, the term "farmer" is changing, and distinctions between "urban" and "rural" are becoming pretty muddied. This study focuses on the welfare system in rural China that covers both the people who live in the countryside and migrant workers.[2]

According to a survey made by the Bureau of National Statistics (BNS) in 2005, in terms of residency the rural population was 745 million and accounted for 57% of the total population, while the urban population was 562 million and accounted for 43% of the total population.[3] By this method, migrant workers were counted as part of the urban population. According to the Ministry of Agriculture (MA) of China in 2003, there were 92 million migrant workers in the cities and 130 million farmer-workers in township and village enterprises.[4] According to the All China Federation of Trade Unions, the composition of workers has changed significantly in recent years. In 1978, at the beginning of the reform, 99% of industrial workers were urban residents. By the year 2002, migrant workers had already outnumbered traditional urban industry workers.[5] Migrant workers are not covered by the urban welfare system, so in my study I still count them as part of the rural population. According to the tally of the Household Registration System, 77.7% of total households and 85.5% of the entire population of the nation are rural people (Bureau of National Statistics 2005). No matter which number is used, the rural population dominates in China.

Third, the core issue of the Chinese welfare system is rural. China's contemporary rural welfare system is completely different from its urban counterpart. Ongoing rural welfare challenges include pensions, medical services, education, unsupported elderly, women and children left behind at home. Rural areas lack social services, infrastructures and community facilities. While China is in a process of social transition, the issue of rural welfare centralizes all China's problems and is very much related to the development of its economy, modernization, urbanization and grass-root democracy.

[1]It was edited at the end of the Warring States 300 BC.

[2]They are called the farmer-workers in China. They work in the cities but are not registered as permanent city residents.

[3]This survey counted anyone living in one area for six months or longer as resident of that area.

[4]This number was changed to 150 million in 2007.

[5]*Xin Hua News*, March, 07, 2002.

The Significance

When economic development became the top priority of China and its GDP growth the focal point, the hottest research topic was the economy, but rural social development, especially the development of welfare in rural China, was given far less attention.

Of course, economic growth does not represent the whole picture of China. As the author of *China's Peaceful Rise* (2005) points out, "China is suffering from a lack of coordination between economic and social development, between high GDP growth and social progress, between keeping developmental momentum in coastal areas and the lack of development in the interior region, between fostering urbanization and nurturing agricultural areas, between narrowing the gap between the rich and the poor and maintaining economic vitality and efficiency, between deepening reform and preserving social stability, between opening domestic markets and maintaining nation independence, between promoting market-oriented competition and taking care of disadvantaged people. To cope with these dilemmas successfully, a number of well-coordinated policies are needed to foster development that is both faster and more balanced" (Zheng 2005: 23).

These unbalances can be found on several fronts and some studies have already touched on them. The first is the difference between urban and rural areas. The income gap between rural and urban areas is getting wider. The average urban income was 2.27 times that of rural income in 1996, but 3.22 times in 2005 and 3.3 times in 2006 (Ru et al. 2007). According to *the UN Human Development Report of China* published in 2005, 93% of the top 10% income earners were urban residents while 98.7% of the bottom 10% income earners were rural area residents. (Li and Bai 2005). The second is regional difference. The income gap among provinces is quite large. In 2003, the average annual income of urban residents in the coastal provinces was 14,867 yuan (Fujian) and 13,883 yuan (Shanghai), respectively, while it was only 6520 yuan (Guizhou) and 6559 yuan (Sichuan), respectively, in the central and west region of China. The average income of rural residents on the eastern coast was 6654 yuan (Shanghai) and 5602 yuan (Beijing), respectively; the average income of rural residents in the central and western regions was 1565 yuan (Guizhou) and 1673 yuan (Gansu), respectively (Li and Bai 2005). All rural regions had an average income lower than that of the lowest urban area (Guizhou). The differences among urban regions were relatively small. For example, the highest income was 6654 yuan (Shanghai) which was only slightly higher than Guizhou's 6530 yuan (Li and Bai 2005). The National Bureau of Statistics issued an official report in 2013, and the Gini coefficient is 0.45. But 30 years ago, in 1978, the rural Gini coefficient was 0.21, and urban 0.16.

Economic reform has been progressing in China's countryside for the last three decades. It has achieved great successes and farmers' standard of living has improved. Meanwhile, along with the adoption of the Household Responsibility

Contract System[6] in rural China in 1978, each rural household was released from their collective production unit, such as a production brigade or a production team; the collective economy and organization were dissolved, and the rural welfare system was disbanded as a result. *First*, many of the welfare benefits and services, including the five guarantees system,[7] supporting poor families, military families, martyrs' families and disabled and demobilized soldiers, which used to be funded by the collective resource, no longer exist. Second, as the collective production units were disbanded, public administration including welfare management at village level also disappeared. Third, many *legacy welfare systems* of countryside were discontinued. For instance, the Rural Cooperative Medical System, once covering 95% of the countryside in the 1980s, was reduced to 5% in 2000. Last but not least, the construction of public projects, such as roads, libraries, hospitals, water conservancy projects and entertainment and sports facilities, was discontinued.

As the old system was discontinued, serious new problems, brought by rapid economic development, appeared. The first problem is the ageing of the rural population. According to the National Committee on Ageing (2006), the total number of people aged 60 years or older was 149 million in 2005 and 74% of them lived in rural areas. The second is the education and care service for rural children. About 20 million children were left behind in the countryside by their migrant parents. The third is the education and training of farmers. Under the Household Responsibility Contract System, farmers became individual producers but they lack the old collectivist resources such as skills and training for production technology, management, marketing and operation. The fourth, migrant workers not only have not received social security as urban workers have had, but also they leave family. The former family supports lose the role and function. The fifth, individualism and unrestrained development destroy value systems, ethical ideas and traditional Chinese thinking.

There is an urgent demand for a rural welfare system, and the economic growth of the past 30 years has laid an economic foundation for it. The national average net income of a farmer was 136.6 yuan in 1978, and it grew to 4140 yuan in 2007. In some coastal provinces such as in Zhejiang province, the income was as high as 8265 yuan (National Bureau of Statistics 2008). Economic growth is a key precondition of welfare. It made it possible to reconstruct the rural welfare system now.

[6]This is a system of contracted responsibility linking remuneration to output. It does not change the nature of collective ownership of land, but in terms of amount of population and labour force in each household, to assign a quantity of land with autonomy management to each household. While each rural household fulfil the production quantity, they may have more rights for self-management.

[7]Households of the five guarantees: childless old people (orphans) are guaranteed food, clothing, medical care, housing and burial expenses (education for orphans).

The Background

Till now, Chinese society has had a dual urban–rural socio-economic structure. The rural welfare system, before the economic reform, was completely different from the urban welfare system. Rural welfare only guaranteed a very basic living standard for farmers. It was put forward in 1956 and established in the era of the People's Commune in 1958. The rural welfare system was basically only a system of national calamity and poverty relief. There were 125 million rural poor before 1978.[8] During the period of the People's Commune, the state supported 50 million victims of natural disasters and 40 million urban and rural poor households each year. Some other poor families might be helped by the village collectives. Before the economic reforms, the *Five Guarantees* system was established by the state but funded by the collectives which covered over 3 millions widowed and childless elderly. The Rural Cooperative Medical System[9] was also established in the countryside.

However, while the state set up this system, it did not budget adequately for it. For example, the expenditure of calamity relief only assisted a portion of all victims; poverty relief mostly relied on the village collective supports and self-help of the farmers; the state did not finance a free medical care for rural areas as it did for urban areas, the Rural Cooperative Medical System being a system of mutual assistance among the villagers. The state issued the policy of special favourable treatment for soldiers' families, but the funds were collected from villagers. In fact, the family and the land[10] were still the major components of rural social security and support, supplemented by the village collective and local and central governments.

In contrast, the urban welfare system cover was much more extensive than its rural counterpart. It included employment guarantees, unemployment insurance, medical care, pension, family allowance, work related injury compensation, traffic subsidy and even assistance for winter heating costs. Thus, urban welfare was based on an institutional model while rural welfare was just a residual[11] one. Furthermore, since urban welfare was sponsored by work places (*danwei*), once a worker was hired then he or she, including some family members, would be guaranteed many welfare benefits for the rest of their lives. Unlike rural welfare benefits which were

[8]The poverty line of that time was 200 yuan per year.

[9]This system has three components: (1) a medical care system which operated at the three levels of rural administration; (2) a cooperative medical care infrastructure; and (3) large numbers of barefoot doctor teams at the grassroots level.

[10]Land is the essential productive factor of agriculture and the main means of livelihood on which farmers rely for survival. When had land, *they had their dependent on.*

[11]Institutional welfare refers to welfare services and benefits which are embedded in and an integral aspect of society, favours universalism. A residual welfare refers to a selective provision of public welfare, providing modest levels of support and targeted only at the poor and others without alternative resources. Richard distinguished welfare state between residual and institutional in *Essays on Welfare State* 1958.

mainly provided by the farmers themselves and the collectives, urban welfare was mainly funded by the state. According to one statistic, 29 times more money was spent on urban welfare than on rural welfare in this period (Zhu and Ge 1993). For many years, the state paid more attention to industrial production and was concerned more about urban residents, even though the countryside contributed on a huge scale to the capital accumulation for urban industrial development. Therefore, since the state industrial foundation has been established, it is only logical considering and very much needed to repay the countryside for farmers' contributions by establishing a rural welfare system.

Faced with the farmer's welfare requirement under a market-oriented economy, the establishment of rural welfare system has been discussed by policymakers and scholars for a long time since the 1980s. The Ministry of Civil Affairs (MCA) explored what was called the rural social security system. As part of the system, the rural old age insurance was put forward and pilots were started in several provinces around the late 1980s.[12] The MCA took the responsibility to establish a rural old age social insurance scheme in 1991 by issuing *The Basic Scheme of Rural Old Age Social Insurance at County Level*. After testing, the scheme was implemented nationally in 1995 and by the end of 1998, 2123 counties, 65% of all townships (xiang[13]) nationwide had implemented the rural social insurance for old age; 80.25 million rural residents participated in old age social insurance scheme.

The annual contribution to the elderly insurance was 4.14 billion yuan, and the annual expenditure was 540 million yuan in 1998. The old age insurance fund was 16.62 billion yuan, and 500,000 old farmers received insurance benefit payments (Zhang 2001: 252).[14]

Meanwhile, other social security projects promoted by the MCA had been explored by several local governments. The country built a rural grass-root security network at township or xiang level, that included a nursing home for the elderly (old people's home), a social welfare enterprise,[15] a social welfare fund called Mutual Saving Fund[16] (for calamity relief and poverty assistance), favourable treatment for military family policy and Five Guarantees in each town or xiang. About 14,500 townships, one third of the total townships nationwide, established this network in 1992. On average, there were 64 old peoples' homes and 68 welfare enterprises in 100 townships. The Rural Minimum Living Security System was set up in 1995, beside relief funds and food assistance; it also offered special favourable policy in education and medical care. The state budgeted 100 million yuan annually

[12]See Zhu, Tang ed. (1991), Zhongguo Nongcun Yanglao Baoxian Moshi Xuanze (Options for Rural Elderly Insurance Schemes), and Ministry of Civil Affairs in1996.

[13]It is lowest level of government administration in rural area.

[14]I participated in the design for the old age insurance scheme. I was in the team which surveyed Zuoyun County, Shanxi Province in 1990, and Zhaoyuan City, Shangdong province, in 1991.

[15]This is a kind of factory to encourage the handicapped to integrate into society. When it recruited a certain ratio of disabled people, the state would give it a tax exemption.

[16]It was initially operated among farmers in the countryside of Jiangxi province during the 1980.

for rural poverty relief, and the number of the countryside poor population was reduced from 250 million in 1978 to 40 million in 2000 (Yang 2003: 48).

Despite the huge improvement to rural poverty relief in the countryside, the plan for a rural welfare system encountered many obstacles from the administrative authority and academia in the late 1990s. The new liberalism mentioned in Western countries advocated cutting welfare expenditure and weakening the state's role in welfare policy, and elevating the importance of the free market and individual responsibility. The influence of new liberalism came to China when the Chinese welfare system or social safety net under market economy had not yet been established, and it impacted the academic and policymaking areas of China strongly. Some scholars suggested that "plans for universal welfare are utopian and would hold the state's finance system back" and it "would seriously destroy China's capability to compete in the international marketplace, because urban welfare has already been a heavy burden on the state". They also see "it as against the general world-wide trend towards the expansion of civil society and the contraction of government" (Chen 2002: 16–17). In short, they argued that a rural welfare system would cost the state too much and would hinder the development of the economy.

Therefore, the Chinese authority decided that the state should not take the responsibility to develop rural pension schemes because, in a market-oriented economy, the state should be released from the burden of the welfare system. It also suggested that old age insurance commercially run better suited the rural situation. In any case, family support for the elderly should continue to be the main mechanism for rural welfare. Other rural welfare schemes, such as the Mutual Saving Fund and disaster relief insurance, were also debated but were either shelved or cancelled later. The government and academia apparently believed that those rural welfare policies somehow disturbed the commercial and capital market. For instance, the old age social insurance did not receive any political or budgetary support from the state. The Mutual Saving Funds, managed by village committees and set as a good example by the MCA, was stopped by the state, reasoning that it interfered with the operation of the banking system. Instead, commercial insurances were supported by the state.

During this period, the rural welfare policy was reduced to poverty relief only. There is no complete welfare system for the rural areas. Some social welfare projects in fact were stopped. For instance, the rural old age insurance was discontinued in 1998 when the state transferred administrative responsibility for rural insurance from the MCA to the Ministry of Labour and Social Security (MLSS[17]). Unlike the MCA, the MLSS had no official staff working at the township level (it mainly played this role in cities) and therefore had no capability to carry out this task at that moment.[18] The ups and downs of rural welfare reflected the conflicts of ideological ideas and the economic situations of the state.

[17]It was renamed as the Ministry of Human Resources and Social Security in 2008.

[18]On the transition in the management of rural pensions, I interviewed the officials who formerly worked for the MCA and later for the MLSS.

However, since 2000, the state issued a series of policies which influence the direction of reform of the rural welfare system. The Fifth Plenary Session of the 15th Congress of the Communist Party of China (CPC) put forward that China was entering a new development stage of building a comprehensively prosperous society. In 2002 the report of 16th National Congress of the CPC put forward a plan to improve people's livelihood and set up the target of constructing the prosperous society in an all-encompassing way. The objective of building a prosperous society calls for a new demand for better development of the rural welfare system. Thus rural welfare projects have been installed in many places and a rural welfare system is being rebuilt and renewed in rural China.

Framework and Methodology

An academic discipline of social policy has been established, formed in developed western countries. The term "social policy" is used to refer both to the academic discipline of social policy and to what it studies, social policies themselves. A "social policy" is defined as a deliberate intervention by the state to redistribute resources amongst its citizens so as to achieve a welfare objective. A "welfare system" is defined as the range of institutions that together determine the welfare of citizens. Amongst, these are the family and community networks in which the family exists, the market, charitable and voluntary sectors, social services and benefits provided by the state and, increasingly, international organizations and agreement (Baldock 2003: 21). Social policy involves not only social and individual well-being, but also economic, political, moral and ethical definitions of well-being. Nowadays, in the discussion of social policy, the ideal welfare state has a universal coverage principle and citizenship is a central component of it. Social policy has become the central task of modern politics; the classic justification for social policy is that it will lead to greater social justice (Baldock 2003: 22). Social policies are fundamental to the organization of our societies and implicit in the choices we make every day of our lives. As Baldock points out, it is unlikely that you will be neutral, disinterested, or uninterested in the issues of social justice and redistribution, and this study believes the same.

Unlike many other studies, this study does not follow the commonly used Esping-Anderson's model, using the measure of de-commodification and simply reproducing Esping-Anderson's methodology (Esping-Andersen 1990). This study follows a definition of social policy as above mentioned, covering welfare provided by the state, community, family and individuals, to check and analyze rural China's welfare system.

It is a systematic, multidimensional and comprehensive analysis of rural welfare in China. It does not study the field of welfare from just one specific angle, such as culture or economic, but analyses the current rural welfare system from historical, cultural, economic and political perspectives. It covers all welfare items and the entire population of countryside. It is not a localized study of a certain area or

region, but a study of the whole nation. While it focuses on the contemporary welfare system, especially in the three decades after economic reform since 1980s, it also offers a detailed description of the history of rural welfare to understand the composition of this system. This study traces over a long period the evolution of rural welfare.

The arrangement of the study follows three stages. Stage one is to explain the composition of the traditional welfare legacy; stage two is to value the socialist welfare system; and stage three is to examine the reconstruction of the rural welfare system in a market-oriented economic system.

The current welfare system in China is based on traditional ideas and experiences of welfare that included Confucian ideology, strict control by a central government, a network of collective organization and the strong function of the family. This study shows that historical legacies have influenced and still sustain the contemporary welfare system, thus continuing to permeate and impact today's welfare plan and system. The socialist rural welfare system, established in the People Republic of China (PRC), was a significant part of government administration of the countryside. This study emphasizes the structure of rural welfare in the socialist period before economic reform (1949–1978). Socialism was the foundation and principle of rural welfare which lasted until the market-oriented economic reform. Why China chose the socialist principle under state power and how this system managed rural life and rural welfare systems are some of the questions this study tries to answer. The People's Commune was disbanded, collective welfare disappeared, a household contract responsibility system was established in a market-oriented economic development, and the former welfare system that suited a central-planned economy was radically changed. Meanwhile, along with new rural welfare system reconstruction, village level self-government called local election or grassroots democracy, and recollectivism and re-cooperatives, appeared in the countryside.

What kind impact did this have on rural welfare? This book tries to explore the relationship between the democratic political mobilization and rural welfare, and the relationship between recollectivism and welfare in today's countryside.

All of these together constitute a system of rural welfare and it should be a welfare regime with obvious Chinese characteristics different from Esping-Anderson's study, which was limited to developed countries and capitalist societies.

This book attempts to identify the supporting factors of the Chinese welfare system which is mainly supported by state welfare, society welfare and family welfare, which are different from those of Western countries. The latter more emphasizes state, market and individual.

In order to achieve the above-mentioned purpose, this study mainly relies on a qualitative research method, and utilizes several different measures including literature studies, fieldwork and case analysis.

Evidence of traditional theory and practices about rural welfare in China could only be found in classic literature and I have spent a substantial portion of my study time on this topic. Although the specific discussion of welfare is very limited in the

literature, there are many welfare-related thoughts; for instance, references to calamity relief,[19] rural community structure,[20] rural social development,[21] economic production,[22] cultural construction, and so on[23] in many books, from which the organizations and the context of traditional rural welfare can be sorted out. The history of the contemporary rural welfare system of China in the past five decades can only be found in archives of various government administrative departments. I studied them at the information centre of the MCA and other departments for rural welfare policy, using published documents, internal memos, drafts of policies and unpublished first hand materials.

My literature reading also includes research reports, papers and academic books covering areas of development, reform and policymaking of rural welfare in China, and also the welfare state and social policy of the world. Quite a lot of writings in Chinese exist about China's welfare system, done by scholars from mainland China, Hong Kong and Taiwan, and the rich materials provide detailed and comprehensive documentation.[24] Studies in English have also been included in my literature reading, despite there being relatively few of them, which give me different perspectives and critical ideas on rural welfare with which to analyze China's case.

A substantial amount of fieldwork has been carried out for this study. In 2003 and 2004, I conducted a survey of rural old age insurance in 20 villages in Beijing, Shanghai, Zhejiang, Jiangsu and Shandong provinces by doing interviews and group meetings. I interviewed officials at various levels, from the Ministry and Municipalities and Provincial level, all the way down to the Township or xiang, who were responsible for rural social pension insurance. I did village and household investigations about farmers' incomes. The members of group meetings included officials of provinces, university researchers, members of village committees, and village representatives. The data was collected from different administrative offices, township factories and village autonomous organizations, and farmers' homes. In 2007, I conducted another field study on rural community construction. I travelled to Jiangxi, Chongqing, Shandong, Jiangsu, Hunan, Yunnan, Henan, Sichuan and Tianjin provinces and cities. Similarly to the earlier trip, whenever possible I chose several xiangs from each province to hold group meetings or interviews and several

[19]Meng, Zhaohua and Wang, Minghuan, *Zhongguo Minzheng Shigao* (Historical Manuscript of China Civil Affairs).

[20]Hsiao, Kung-Chuan, *Rural China*, *Imperial control in the nineteenth century.*

[21]The same as note 18.

[22]Fei, Xiaotong, *Peasant Life in China;* Ramon, H. Myers, T*he Chinese Peasant Economy, Agricultural Development in Hopei and Shangtung, 1890–1949*; Gamble, D. Sidney (1963), *North China Villages, Social, Political, and Economic*; and Zhao Gang's *Man and land in Chinese History, An Economic Analysis*; from political and social structure; Yu Jianrong's *Yucun Zhengzhi* (*Yue village politics*); Gamble, D. Sidney's *North China Villages, Social, Political, and Economic*.

[23]Fei, Xiaotong's *China's Gentry.*

[24]Zhan Huosheng, Yangying, and Zhang Qingfen's *Zhongguo Dalu Shehui Anquan Zhidu* (Mainland China Social Security System).

farmers' households for interviews. The fieldwork helped me to learn the practices and applications, to understand farmers' demands, to examine the efficiency and to evaluate the results at first hand.

It needs to be explained here that this study tries to give an outline of China's rural welfare as a whole. Some areas, such as medical care and education, although they are also part of the welfare system, this study does not discuss separately or in detail, but rather treats them as part of rural community development as a whole.

In addition to fieldwork in the countryside, I also interviewed academic and government figures, such as scholars at universities (Zhejiang University and Peking University), officials in government administration (including xiang, cities, provinces and departments of central government) and researchers in the social academy. Professors, researchers, policymakers and policy performers offered their ideas and brought discussions and debates for clarifying situations and ideas. These comprehensive opinions helped me to get a valuable multi-angled view of the issues of rural welfare.

During the process of carrying out this study, the Chinese government has issued a series of policies and measures for rural welfare. For instance, the new cooperative healthcare system in the countryside started in 2005, which would universally cover the rural population by 2008; the Rural Social Pension Insurance for the elderly; the minimum living standard for poverty relief; the rural community development plan in 2007, which includes social services, medical clinics, career training, sanitation improvement, culture, sport and recreation and security guarantee. The new trend of social development in rural China is very closely related to the topic of this study: rural welfare. Since this paper focuses on the rural welfare system and the farmers' well-being, it should be a useful document for examining the formation and policymaking of China's rural welfare system.

The Structure

This book is divided into five sections and has 15 chapters. The first section is a general introduction and explains why discuss rural welfare in China and what it will involve. This chapter explains the basic terms, definitions and principles of social policy and social welfare, welfare state, welfare regime, welfare ideology, etc. They set out from a review of the literature and arrive at a practice of my welfare system study. Chapter 2 summarizes the former studies of the Chinese welfare system from the Western and China, and tells how this book elaborates related rural welfare contents according to my understanding.

The second section covers three chapters, which is an introduction to traditional welfare in China. Chapters 3 and 4 present China's traditional welfare institution. This institution includes the roles of state, community, collective culture and family, and the influence of welfare ideology. The state responsibility represents the

ideal of *Renzheng* which is harmony between heaven and humanity.[25] Under these ideologies, the state must take some responsibilities for people's lives. For instance, *Changpingcang* (Ever Normal Granaries) as a state institution for poverty relief appeared as early as Han Dynasty (54 BC.). Collectivist thoughts and organized community also have long existed in the countryside. Similar to the church in the UK, Chinese gentry played a significant role in spreading welfare ideas in China. Instead of individualism, family was a much tighter-knit production and economic unit and served as the basic unit of welfare. All of these created an institution of rural welfare that is the foundation of the modern socialist welfare system. Chapter 5 describes rural welfare in China between the Opium Wars and the creation of the PRC. It is a period of various trials from different groups for improving peasants' living standards and the structure of the countryside. Foreign charitable organizations entered China and Chinese scholars returned from overseas, bringing new ideas and welfare structures. Welfare regulations appeared in China during the Republic Era.

The third section mainly presents the establishment of socialist welfare system under a planned economy. Chapter 6 describes the socialist transformation after the birth of the PRC, which lays a foundation for rural welfare. Chapter 7 introduces the process and contents of building a socialist welfare system in rural China. The first modern rural welfare system covers peasants—the greater part of China's population. The welfare system includes land distribution, work income, calamity relief and poverty assistance, mutual help in collective welfare, the Five Guarantees System, cooperative medical system, family guarantee, compulsory education, and so on. This is the basic guarantee and the state did not budget too much for this system. Chapter 8 discusses the relationship between rural welfare and dual social and economic structure.

The fourth section discusses the transition of rural welfare from planned to market economy, and describes welfare destruction and innovation under market economy. Chapter 9 shows that the old rural welfare system disbanded in the period of economic reform, the poverty situation was serious and a social relief campaign started at that time. Chapter 10 describes the explorations for a rural social security system that suits the new market-oriented economy. The term "social security" was installed into the welfare system in China. Many new methods were experimented as part of a rural social security system, such as a mutual help saving fund, pension insurance, self-help production projects, welfare factory and providing jobs as a way of relief. All these explorations were halted by the state in 1998, impacted by new liberalism. Chapter 11 is a case study for rural pensions. Urbanization and industrialization in well-developed areas of China triggered the need to build a welfare system. A new round of rural welfare schemes are installed in these regions in detail. Pension schemes have been established in Shanghai, Zhejiang, Jiangsu and Beijing. This chapter mainly examines pension schemes based on fieldwork in those areas; it also discusses the links between urban and rural welfare schemes.

[25]Rule with benevolence.

Section five analyses the political, economic and social functions in the rural welfare system and discusses the characteristics and meanings of welfare system in China. Chapter 12 introduces the rural community construction and community development, the governing and service mechanism of the rural welfare system and its production and delivery. Chapter 13 is the emergence of new collectivism. New collectivism was demonstrated in various economic and social cooperative organizations. Did they carry on the old traditions, simply repeating the past, or were they innovations in rural society? New collectivism reflects a spirit of solidarity which is a demand of the welfare system, as well as a continuation of the socialist principle. Chapter 14 talks about relationship between welfare and politics. Village self-government plays a role in the welfare system and decides welfare production and redistribution. The high demand for welfare arrangement and administration of public affairs was a major factor that contributed to the birth of self-government. Chapter 15 is the conclusion. Traditional Chinese welfare thoughts and culture constitute the foundation of the Chinese welfare system. It links the socialist principle of building a welfare system based on the collective structure. The modern factors which come from advanced western countries constitute a new management system. All the above three are the core nature of the Chinese rural welfare system, and it is a model different from western countries. However, China's transformation is still in progress and its welfare structure is in a period of development and adjustment.

Chapter 2
Welfare Studies in the West and China

This chapter reviews the literature on welfare study both from the West and China. It traces the evolution of ideas and practices of welfare states in Western countries and the process of modern Chinese welfare study and policy making.

The Development of the Welfare State and the Impact of Welfare Ideology

Welfare state exists in all industrialized countries (Taylor-Gooby and Jennifer 1981:4). Many scholars have attributed (e.g. Huhnle 1978) the modern welfare state to the product of German Chancellor Bismarck's social policies in the 1880s. In 1883 the parliament (Reichstag) approved the proposal for a national sickness insurance scheme for all industrial workers. In the next 30 years before World War I (1914), 17 OECD (Organization for Economic Cooperation and Development) countries introduced some state-sponsored system of workmen's compensation. Eleven of the thirteen European OECD countries had introduced measures to support health insurance and legislation for old-age pensions. British scholar Pierson called this period (1880–1914) the birth of the welfare state (1991: 102).

Common knowledge is that the cornerstone of the modern welfare state was laid during the post war period (Glennerster 1998 and Backman 1991). It is widely identified with the implementation of the recommendations of Beveridge's *Report on Social Insurance and Alliad Services* in the first years of the post-war UK labour government (Beveridge 1942). The period after 1945 has been widely characterized as ushering in thirty years "Golden Age" of the welfare state (Pierson 1991: 125). As British scholar Pierson stated, "… this period is seen as bringing (1) rapid initial reforms to create a much more comprehensive and universal welfare state based on the idea of shared citizenship, (2) a commitment to direct increasing resources towards the rapid expansion of benefits and coverage within this extended system."

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Finnish scholar Backman stated that this era also gave rise to "a Scandinavian Welfare Model" (Esping-Anderson and Korpi 1987).

Although there are differences in development, coverage, conditions of eligibility, standard of services, relation of state and private services and so on among the countries, state commitment to welfare is virtually universal (Taylor-Gooby 1981:6). This means that society has a collective social responsibility to guarantee a minimum level of living for all individuals. The aim of the social policy was to try to guarantee a fair level of living, social security and comfort or satisfaction to all individuals. The Nordic countries constructed universal, non-contributory and unified programs, thus following the direction of T. H. Marshall's "social citizenship" (1950) idea in social legislation. Marshall defined citizenship in quite a general term as "a status bestowed on those who are full members of a community". In his famous book on citizenship and welfare, Marshall (1950) pointed out that there has been a development from policies directed to the poor and the working-class to policies directed to all citizens. This is a social right for everybody in society. It can be stated that the emphasis of social policy was on solidarity, which was expressed in universal coverage and equal treatment of all citizens.

In social policy studies, a very common way to distinguish among welfare state models is to use concepts of "residual" and "institutional" models as coined by Titmuss (1958). Wilensky and Lebeaux are also early users of two concepts (1965). The "residual" model is based on the principle of economic individualism and free enterprise. It restricts state welfare to minimal benefits and services delivery. "First needs" were met primarily through the market or the family, the state providing an emergency "safety net" when "normal" supports broke down. Accordingly, public welfare was highly selective with low "means-tested" benefits, and widely perceived as stigmatizing. In contrast, the "institutional" model is based on the notions of security, equality and humanitarianism. It embraces universal, rights-based, non-stigmatizing state welfare as a "normal" function. Titmuss distinguished a "residual" from an "institutional" model, exemplified by the United State and Scandinavia respectively.

By using two indicators, the extent of de-commodification[1] and stratification of social benefits in the 1990s, Esping-Andersen (1990) published *The Three Worlds of Welfare Capitalism*. He classified welfare states into three types: liberal, conservative (corporative), and social democratic welfare state regimes. This measurement has become the conventional approach for the study of welfare states in industrialized capitalistic countries.

The liberal type of welfare state has a deep degree of commodification and it lacks a universal and state responsible welfare system. It mainly believes in the free market, and encourages the dynamic mechanism of market, and the strong influence of capital power. Facing the failures in the free market, social organizations,

[1]Here, de-commodification means the extent to which social benefits are provided to workers when in need, in other words the extent to which a person can live without depending upon the labour market when in need.

charities and volunteer groups are very active in the liberal welfare state. Most Anglo-Saxon countries belong to this regime.

The conservative type of welfare state has the corporative tradition and most continental European countries are example of this model. Welfare benefits are career-oriented and the main characteristic of this welfare system is social insurance. This type of welfare has no universal welfare plan; despite this, social expenditure is high but social redistribution is limited by social insurance.

The Nordic countries are social democratic welfare states with a deep extent of de-commodification. As mentioned above, it is an institutional model based on a universalism and collectivism principle, with solidarity the class foundation of the social democratic welfare state.

The dominant concern of the institutional model was to establish a comprehensive system of universal social protection on the basis of a flat-rate benefit system (as is the case of the Nordic countries), and the residual model was the policy of earnings-related benefits (Backman 1991). Earnings-related benefit refers to contributions or benefits which vary with an individual's current or previous earnings, Flat-rate benefit to contributions or benefits paid at a fixed monthly rate unrelated to an individual's past earnings and not means-tested. Its principle is citizenship, used in Nordic countries and the UK before 1974 under Labour's policy.

Social policy in the Nordic countries is based on the institutional model. In this model, the state takes responsibility to set up a comprehensive welfare state which includes education, medical services, child care, pensions and housing policies. Historically, this model is often associated with high social expenditure. In the early post World War II era the percentage of national income used as social expenditure by country was: Finland: 6.5%, Sweden: 7.6%, Norway: 8.4%, Denmark: 8.5%, UK: 12.8% and West Germany: 20%. By the mid-1970s, there was a strong development of welfare and social policy in the Nordic countries. Since 1975 Sweden and Denmark have surpassed West Germany and the UK in social expenditure as percentage of GDP (Backman 1991). In 1981 Sweden was 33.5%, West Germany 29.2%, and the UK 23.1%. By comparison the USA was 20.2% and the OECD average was 14.3% (Ginsboury 1992:197).

Later development showed that social expenditure grew rapidly. For instance, pension costs began to rise with the increasing number of the elderly. As the welfare standards have risen, have expectations and benefits levels. It was becoming increasingly costly to provide the safety net. In the 1970s some countries had economic crisis which were reflected in their welfare policies. Symptoms of the welfare state crises were divided into two types by Swedish scholar Himmelstrand, e.g. the input crisis and the output crisis (1986). He said that "the input crisis is an economic crisis and the output crisis is the supposed discrimination of social policy".

Welfare ideology impacted the development of the welfare state, especially after the 1970s. The new liberalism posed a clear ideological challenge to conventional wisdom and forced a range of important and neglected issues back to a central place in the analysis of the role of the state in welfare (George and Wilding 1994).

The new liberalism believes that it is impossible to create a comprehensive welfare state, that the welfare state is a threat to freedom, and that the market will play a much larger role. By the time Reagan and Thatcher came to power at the end of 1970s, welfare states were injected with market ideology. During the economic crisis, and under the influences of the New Right, welfare expenditure was cut. Marklund in 1988 listed some forms of welfare cuts, such as cuts in the welfare budget, increased service fees, modified indexation rules, reduced compensation level and so on. Afterwards, the concept of welfare pluralism, also called "welfare mix" (Johnson 1987), meaning that it is desirable to include the informal, voluntary and private sectors in the social policy. In the UK the government began to apply a programme to introduce quasi (or "internal")-markets to the welfare state (Bartlett and Le Grand 1993: 2).

The new situation of political and economic globalization impacts nation-state and welfare state, which causes new social problems. George and Wilding argued for the need for a global social policy (2002). Globalization impacts rural China. How does China make policy for individual farmers to protect themselves during the globalization process?

Social Policy on Chinese Welfare

The study of the western welfare state has formed a series of theoretical and experiential systems, and is very exuberant. In contrast, the study of non-Western welfare states, especially in non-capitalist countries, is very limited.

Early analysis on Asian welfare models paid little or no attention to mainland China, perhaps due to two reasons: China was less developed than other Eastern Asian countries and regions, and China is not a capitalist system. Subsequently, along with the rapid economic development of China, some studies on the topic of Chinese welfare emerged. As an Eastern Asia country, China can be viewed as a part of the "Confucian welfare cluster" and "welfare orientalism", a regime of "productivity welfare" and a "developmental welfare state".

In 1990 Esping-Anderson clearly classified "welfare capitalism" on a welfare state that did not include Asian countries. It was not until 1993, in his study of global welfare systems, that Esping-Andersen listed "the Asian welfare system into the Confucian block that compared with that of the Western" (1996). And meanwhile, British scholar Gordon White defined "the Asian phenomenon as welfare orientalism" (1993). In order to answer the definition of Esping-Andersen, Chinese scholar Lin Ka studied Hong Kong, Singapore, Japan, Taiwan and Korea, the so-called "the Asian Confucian welfare cluster" (1998). However, these studies inspect and analyse Asian welfare mainly from the cultural perspective.

Some studies had gone beyond the cultural perspective to study social welfare systems in the Eastern Asian region. These studies connected Japan, Hong Kong, Singapore, South Korea and Taiwan into a unified type. The researchers found that welfare in the Asian region had some common characteristics which were quite

different from and more complicated than that of Europe. In White's study he stated that "social welfare in Asian countries [was] as part of the economic development policy" (1993). The well-known Holliday's study called social policy in East Asia as "productivity welfare capitalism" or "productivist social development regime" (2000); it was also called by Korean scholar Kwon as "developmental welfare state." (2005) These studies illustrated that welfare in Eastern Asia had some common characteristics such as low or medium social security expenditure, high social investment, more extensive gender inequality in salary (Japan and South Korea), medium or high welfare stratification, low pension coverage rate, high individual welfare loading, and high family welfare responsibility. These shared characteristics were "a system of family welfare, a status-segregated and somewhat residual social insurance and corporate occupational plans for 'core' workers" (Goodman and Peng 1996: 207). In short, it was a kind of economic growth-oriented regime (Holliday 2000: 717). Gough believed that the experience of productivist social policy in Asia was proved as a successful strategy (Gough 2004). However, these studies tend to treat Asia as a whole, but China was different from the rest, mainly because they were in different development stages. When other Asian countries had their welfare net—for instance, social insurance and other welfare items—China had just entered a market-oriented economy, and its welfare system had not yet been settled. Therefore, to place China in general productivist welfare terms is not correct.

But how do we view China as a unique country among this cluster? Not only was it not at the same stage of development but also, in fact, China has great differences in social development from the rest of this cluster because of its socialist system, even though Easter Asia shares a similar cultural background. For this reason only China's welfare system requires a unique nature, and measures different from its Asian neighbours and other capitalist societies.

Some studies on Chinese welfare, such as Wong's *Marginalization and Social Welfare in China* (1998) and Huangli's *Chinese Socialist Welfare* (1995), offered detailed comparative studies on Chinese social welfare, both urban and rural, giving readers a better understanding of this system. It is notable that Huangli pointed out that welfare in China was a residual model. Wong's study especially focused on vulnerable groups such as the elderly and the poor who were managed by the MCA's administration. These studies present Chinese welfare as limited in its standards due to its economic situation, but in term of its socialist nature it had undertaken some responsibilities. Huangli's study was a particular and thoughtful analysis of a socialist welfare system, but it stopped at the time previous to the start of rural economic reform. Thus, it did not include the most significant period of welfare reform in China.

More studies about China's welfare system, such as *Social Security System in Mainland China* (Zhan et al.1993) were published in Taiwan, and *Authority and Benevolence—Chinese Social Welfare* (Leung and Nann), published in Hong Kong in 1996. These books provided general and detailed introductions to the Chinese welfare system, but did not provide deeper discussion and analysis. Some scholars did very detailed surveys on certain specific aspects or areas of welfare constitution.

One is Chang and Feuchtwang's study, *Social support in rural China, a statistical report on ten villages* (1996), which analyzed the unofficial support function of the social relationship network. Another is Chow and Xue's study, *Socialist Welfare in a Market Economy, Social Security Reform in Guangzhou* (2001), which presented local welfare reform. These studies provide understanding for welfare composition from various particular aspects. Many more studies were related to or involved rural welfare from the perspectives of social, political, cultural and economic development in China. Among them: *Gao village* (Gao 1999), *Farewell to Peasant China*, *Rural Urbanization and Social Change in the Late Twentieth Century* (Guldin 1997), C*ontroversial Debate on the Village Self-government* (Kelliher 1997), *the Change on Migrant Labour in Rural China* (Murphy 2002), and *Transformation of Rural China* (Unger 2002), these studies gave detailed profiles of rural society from different perspectives and explored inter relationship of rural China.

A study of China's welfare system, specifically from the welfare policy rather than economic or cultural perspectives, a welfare study that views China as an entity distinguished from the rest of the Asian cluster, and a welfare study of China focusing mainly on the rural welfare system is needed. Meanwhile, I want to discover the true state of rural welfare in China and its meaning relative to the Asian countries and the rest of the world.

Welfare Studies in Mainland China

In recent years more and more research appears from Mainland China itself. Research and studies on China's system of welfare can be divided into two sectors. One is the research of welfare design that is done mainly by researchers in institutions attached to government agencies; the other is the academic analysis of welfare theories and systems. As I mentioned in the background section, under the influence of free market economy and impact of market economic reform, research on welfare development has had a series of ups and downs. The study of welfare development has experienced repeated advances and retreats and conflict of thoughts.

During the 1990s researchers in the institutions of public welfare administration gave quite an amount of attentions to rural welfare reform. Seminars on Rural Social Security were held by these agencies, and they invited professors from universities, and researchers from the CASS to study special rural welfare cases together. Rural old-age support and poverty relief were the main topics at that time. "*Options of rural Social Endowment Models*" (Zhu and Tang) published in 1991; *Social Welfare Problems in China* (Zhu and Pan), which put forward the rural social welfare problems was published in 1994, *Demonstration Reports on Basic Program of Rural Social Endowment* by the Institute of Social Welfare of Progress in 1995. Also, *Social Security in Rural China* published by the Research Centre of the MCA in 1997. From then on, they regularly published a series of books, *China Social Welfare and Social Progress Annual Reports,* to report on the facts and data

about rural poverty, to analyse the problems and to explore the solutions. At that time, academia lagged behind government department researchers, for instance, the Institute of Social Welfare and Progress and Social Security News in the MCA, which were at the front line of welfare application and practice. These welfare departments explored to establish a social security net in rural China.

During this period, some social welfare concepts and practices, especially social security, were introduced into China by several scholars. For instance, *International Study about Problems on Social Security system* (Zheng) was published in 1989; *Comparative Social Insurance* (Deng) which introduced western social insurance systems was published in 1992; *Security Index System* (Zhu and Ge) was published in 1993, *Comparative Study of Abroad Rural Social Security Systems* (Li) in 1994; and *Experiences of Western Social Security System and Its Enlightenment to China* (Zhou) was published in 1996. Some scholars also started to categorize China's welfare problems by using the basic theory of welfare, for instance, *Disasters in China* (Zheng) appeared in 1994, and *Comprehensive Evaluation Index System of Social Security in China* (Zhu) a year later.

I would like to call this the first stage of rural welfare study in current China. In this period, the basic theories and tools from advanced industrialized countries were introduced and various welfare plans were designed and discussed.

After the idea of a state welfare system was challenged by some economists, the above-mentioned discussion about China's welfare system, especially the rural welfare system, was disrupted and silenced, but not for long. As the rural problems became more and more prominent and acute, a larger number of publications on this subject reappeared.

The most well-known work at that time was Wen Tiejun's *San-Nong* (three rural related issues, namely agriculture, countryside and farmers) *issues*. In his *The Impact of Principle of WTO to Rural China* (1990), Wen predicted that individual farmers would be severely affected by globalization after China's joining the WTO. Later, Wen also pointed out that two key factors underpin these rural issues: the profound contradiction between a growing population and limited cultivatable land, and the structural contradiction between urban and rural society. During the fifty years since the establishment of the People's Republic of China, the rural population had risen from 400 to 900 million, but at the same time the total area of cultivated land had shrunk (Wen 2001). Around the same time, Lu Xueyi pointed out that between 1952 and 1999 the average amount of land had reduced by 44% per rural household and 37% per capita (2002). Rural land had lost its function of safeguarding the basic well-being of farmers, this being the root cause of the farmers' problems. Soon after this, scholars Chen Guili and Chuntao published their report on the farmers' living situation: *Investigation on Chinese Farmers* (2004).

Along with the exposure of the reality of the countryside and farmers, subsequently discussions about income gaps between regions and urban and rural citizens started. Quite a lot of research had been focused on the topics of rural poverty, regional polarity and social stratification in China, and all of them related to the

huge difference between cities and countryside,[2] for instance, the study which appeared as *Income Gap between Urban and Rural Areas and Social Security Building* (Fang 1997). Following the researches of social stratification, income gaps and regional differences, topics related to rural welfare, such as rural old-age support, migrant workers, and rural grassroots medical care and so on regained momentum.

As migrant workers (farm-workers) became the major power of urban construction, the issues and problems related to them also became prominent. More studies about them emerged. Among the publications, *Economic and Social Analysis on Chinese Migrant Workers* (Li 2003) and the *Problem of Rural Migrant Workers Should be Solve Out* (Lu 2004) spoke out about the migrant workers' working conditions and claims. *The Migrant Workers'* Social Right and Social Security (Zheng 2002) and *Enter City Migrant Workers' Social Security* (Lu 2004) directly debated migrant workers' social rights and social security. However, although the migrant workers work in cities, the urban welfare system did not cover them, because their household registration (their identity) is "farmer". The migrant workers' families and homes are still in the countryside, their roots are in there, and they return to the land every year. Nevertheless, they have more serious problems at home as rural residents. Several topics become more and more clear: old-age support, medical care and the social security system among them. Later, community services were also mentioned more and more.

In 2000 the issue of new medical cooperative care for farmers was brought up. At a time when the old rural cooperative medical care had shrunk to merely 10% of its earlier level, scholars asked: *Who Provide Social Security for Farmers' Medicine* (Zhu 2000), and raised the argument of *Government and Rural Basic Medical Security System Selection* (Zhu). At that time the scholars were very practical and empirical because, without an existing system to examine, the researches and articles about medical care were limited to raising questions and presenting data and facts to express the urgent requirement of it at that time. Another focus of research was rural old-age support. Around the year 2000 many articles and reports on this topic appeared. For instance, *Current Rural Social Endowment Insurance System Defects and Reform* (Wang 2000) raised the question again. Some analyses of rural old-age insurance were also published. For instance, the *Empirical Analysis of Economic and Social conditions on Set Up Farmer Old-age Pension Insurance Scheme* (Yang and Yu 1997). Rural old-age insurance was not widely available at that time and the scholars brought up the issue again to raise awareness of it.

In 2000 the Chinese government put forward a plan to create a comprehensive well-off society, and in 2004 it set the goal of achieving the establishment of rural welfare. More and more rural social welfare policies were put into place.

[2]Wang, Shaoguang, Hu, Angang and Kang, Xiaoguang (1995), *the Report of Regional Differences of China*, *Sociology should pay attention to the ... current problems of peasant*s, Lu, Xueyi (1989), Li, Qiang (2000), *Analyses and Prediction about the Situation of Chinese Society,* Ru, Xin (2002).

Policies and studies about rural welfare not only grew in quantity, but also in content. In the economically advanced regions, rural social welfare was no longer a foreign concept or met by a strong opposition. *Social Security Report from Developed areas of China—a Report from Zhejiang* (Wang 2007) is a comprehensive social welfare study of the developed region of rural China. It covers policy discussions on medical care, old-age insurance, poverty relief, gender equity and migrant workers in rural Zhejiang Province. *The way to Urbanization in Southern Jiangsu: Change and Innovation of Hudai Town* is a study on a town in a wealthy area in Jiangsu province (Zhu, et al. 2008) which analyses the countryside changes, includes social security and public health.

The situation changes fast. When I first made my decision to study rural welfare, welfare measures were stalled. So I quit my job in the Ministry of Civil Affairs in China to go abroad to study social policy, an academic subject that not available in China. During the period of my study at Cambridge, many rural welfare practices and studies and assessments regarding rural welfare in China have sprung up. However, this study still holds its significance and is different from all of the above-mentioned works. This is a comprehensive study of China's rural welfare from both historical and contemporary dimensions. It is a logical and inevitable follow-up to the above-mentioned development of rural welfare studies.

I strive to place the study of China's welfare system into the realm of international welfare study, so that it may no longer be isolated from the international world. For me, it is not only a welfare system under the influence of Confucianism culture or with a label of orientalism, another productivist welfare system, nor merely about whether a specific welfare item has been established or not. The core of this dissertation is to analyse China's rural welfare system as a whole, an institutional perspective, including all the elements such as culture, historical heritage, economic development stages and its socialist characteristics.

Part II
Traditional Rural Welfare (1949 Ago)

Chapter 3
Traditional Welfare: Family and Community the State and Welfare Thoughts

This chapter presents the foundation of rural welfare in China, including analysis of its institutional framework as well as its traditional discourse. The institutional framework of welfare consists of the function of family, land, community and government, while welfare discourse concerns the philosophical roots underlying welfare practice. China has been an agricultural country over the past five thousand years and the majority of its population has always been peasants. Therefore, traditional welfare in China is primarily rural welfare and its beneficiaries are mainly peasants. Through analysing the philosophy behind traditional welfare and how various aspects of it are implemented by family, community and state, we can better understand the historical background underpinning China's current rural system.

Family

The family, rather than the individual, was considered the basic unit of production and consumption in traditional Chinese society. The family functioned as a basic economic, social and political organization. "Since at least the time of Confucius hierarchical relations between individuals have been upheld as the source of social order, and the family has been a primary social institution" (Naquin and Rawski 1987: 33).

A rural family was not only a social unit but also an economic unit. The family unit consisted of kin related by blood, marriage or adoption that shared budget and common properties. Daughters got married to the matrilineal group, while sons (with their wives) shared the residence of their fathers. Once sons and daughters got married and started their own families, the parental family was reorganized and seniors lived with one of their children, usually the eldest son. Family affairs were typically controlled by the patriarch, head of the family, whose extensive powers were legitimized both through social convention and in imperial legal codes. "The

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patriarch controlled the budget for the constituent conjugal units, chose careers for his sons, arranged his children's marriages, and punished them at will. With each member working for a common goal, the *jia* (family) at its best was a powerful institution for achieving and promoting wealth and status" (Naquin and Rawski 1987: 34).

The traditional Chinese family was different from that of the West. In China, the family was usually closely bound to a larger "clan" unit. These larger familial units usually had clan halls and owned clan lands. According to Yu (2001: 32), the Chinese family system evolved through three stages: a Patriarchal Clan System (*zongfa shi*) existed prior to the Spring and Autumn Period (770B.C.–221A.D.); a System of Large Clans (*shidai dazushi*) existed between the Wei Jin (220A.D.) and the Tang dynasty (907A.D.); after the Song dynasty (960A.D.), was the Clan Authority System (*zuquan shi*) that means a clan head took authority, and ancestral halls were created. Small fragmented families were common among the poor; such families had fewer generations and simpler relationships. Wealthy families, in contrast, had large and complex family structures and operated sophisticated farm economies. As Fei pointed out, to have multiple conjugal units of many generations, or "five generations under one roof", was an ideal within China's traditional social system (Fei 1968: 24). In fact, the average family size in China was never as large as "five generations under one roof"; it was mostly considerably smaller. Table 3.1 shows how average family size shifted over time.

Traditional family has its welfare functions. Members of each family shared economic resources and supports. Family members not only shared properties but also had mutual obligations, for example in taking care of old persons, infants, the sick and disabled. Women were often primary caregivers, parents had absolute rights to handle family affairs, and in most cases the father, or patriarch, dominated family decision-making (Huangli 1995: 210).

Chinese family relations were regulated by the principle of "*li*", that is norms, rituals and social conventions. As a social norm, *li* refers to the code of behavioural conduct for five core human relationships, namely, "*Wu Lun*": (1) the father's kindness and the son's filial piety; (2) the politeness of the elder brothers (siblings);

Table 3.1 Average number of persons per household in history

Dynasty	Reign year	A.D.	Family size
Han	Pingdi year 2	2	4.87
Three Kingdoms		262	5.30
Jin	Taiguang Yuannian	280	6.57
Sui	Yangdi Daye year 5	609	5.75
Tang	Muzong Changqing	821	6.63
Nan song	Mingchang year 6	1196	6.71
Yuan	Shizu year 28	1291	4.51
Ming	Hongzhi year 4	1491	5.85
Qing	Qianlong year 14	1749	4.89

Sources Chao (1986), Fei (1981) and Lu (1997)

(3) the righteous behaviour of husbands and the obedience of wives; (4) the benevolent consideration of the seniors and the veneration of the juniors; and (5) the benevolence of rulers and the loyalty of ministers and subjects (Mencius: Tengwengong 1960). Three of the five relationships are about family: father and son, husband and wife, and brothers. The essence of these five sets of norms is "filial piety". As long as an individual behaves according to "filial piety", all the five relationships would be realized. There could be no conflict or friction within the family, for every member was bound by duties and obligations that he or she owed to the others. In traditional China, every relationship was explicitly or implicitly related to one or more of the five relationships (Baker 1979: 11). The underlying core belief is that mothers bring their children into this world with pain and parents raise children with great sacrifice. Raising, looking after and protecting children are duties of benevolent parents (Leung and Nann 1996: 17). In return, children should appreciate their parents and spend their entire lives repaying this original indebtedness (Lin 1999: 52).

Li also refers to a set of rituals and rules that were practiced in the belief that the power of rituals would create harmonious family relations. Filial piety, for example involves ritual practice in which children "payback" parents for the latter's original sacrifice (Fei 1988: 112–121). Another important set of rituals related to ancestral worship. Many clans established a *citang* (ancestral hall) to worship their ancestors. On particular significant days the family clan gathered and ritual ceremonies were performed. For example, the *Qingming* festival ("Tomb Sweeping Day", the fifth of the fourth lunar month) was reserved for the worship of ancestors; the Double Ninth Festival (*Chongyang*, the ninth day of ninth lunar month) was a day to respect the elderly; and the Mid-Autumn Festival (*Zhongqiu*, the fifteenth day of the eighth lunar month) was a time for family members to gather and celebrate harmony and unity under a full moon. The most exciting ritual celebration took place on the "Spring Festival" (*Chunjie*) when family members were reunited to celebrate the Chinese lunar New Year (Lin 1999: 53).

A summary of evaluation for Chinese family is, as follows:

1. As in all other human cultures, the family in China assumes an important function in human reproduction. However, the core value of the Chinese family was distinct: its dynamic was not linear but circular as the family raised children who were then expected to repay the family by supporting the elderly when they are weak or ill. The ritual observance of filial piety and the closely associated ancestor worship are good examples of this social dynamic.
2. Members of each Chinese family formed a unit in which all members shared property, income and risk. This sort of unit provided each individual with a sense of belonging, militating against loneliness and fears of hardship. Family backed up its members. For example, when a member of a peasant family passed the imperial examinations and became a governmental official, he would receive support from every family member over generations. If the older generation worked hard, expanded land holdings and became a landlord, then the next generation would have more economic resources and chances for better

education. Women as mothers and wives made great sacrifice in serving the interests of their families. In turn, those who achieved success were expected to take moral responsibility for ensuring the family as a whole would benefit (Huang 1997: 225).

3. Traditional family structure was extremely hierarchical. The father was the centre of a family; the husband was the master of the wife; elder brothers and sisters dominated younger brothers and sisters. For instance, younger brothers and sisters could not directly call them by their names. Instead, they must politely call them "*Dage*" (elder brother) or "*Dajie*" (elder sister). Family members shared common goals such as becoming wealthy and prosperous. In general the individual had to give up his or her own interests for the sake of collective family well-being. This idea is reflected in a popular Chinese saying: "devoting the small self to a large family". Many Chinese believed that a successful large family would inevitably produce a good life for each individual member. The positive side of this belief is that family members supported each other, while the negative side is that it downplayed individual will, thus undermining the individual.
4. The family clan system in China had a profound impact on the state's welfare policy. In many ways the state was perceived as an extended family unit; for instance, the emperor used to call his people "*zimin*" (sons), while ordinary people called local magistrates *fumuguan* (father/mother officials). Thus, the state was seen in a kind of parental role looking after its people; while the people paid great respect to rulers of the state for the benefits they received. Welfare was provided by the state to everyone from the top to the bottom of society but was distributed through families, not to individuals. The state acted like a strict father who took all the responsibility for his children while controlling their behaviour. China's modern welfare system is not as advanced as elsewhere, partially because the family has historically played such a major welfare role. An advantage of this situation is that it reduced expenditure of the state. The philosophy that governed the welfare system—"*Renzheng*" (benevolent governance)—is explained in detail below.

Community

Another feature of traditional welfare in China is the role of community. According to Bell and Newby, the community is a "social network" based on a "network of relationship between people organized as a residential unit" (1972: 5). Rural communities in China include villages, local voluntary organizations and other forms of social units.

Natural Residential Unit: The Village

The village was the primary residential unit in rural China. One or more family clans comprised neighbourhoods of a community and constituted a village. Generations of a family lived on lands that were handed down from their ancestors and family members inherited social status from their elders. Ideally, each family tried to foster harmonious relationships within its immediate neighbourhood, in order to maximize local security and provide the resources required to satisfy its members' needs. Within a village, people were often tied by blood. If a new family moved into a village, its relationship with the village was limited. If the new family had neither family-roots nor land in the village, it would have a hard time to develop a close relationship with the village.

According to Fei (1985: 4), the reason Chinese peasants chose to live together in villages is related to the nature of China's rural economy. The Chinese family usually owned a relatively small piece of land, and the majority of the rural population engaged in a "petty peasant economy". Thus, people could not live far away from each other and had to live together, with their fields and farms being very close. This condition required cooperative irrigation; living closely to each other could reduce the cost of water infrastructure and maximize the benefit of irrigation. The village also afforded some degree of safety and protection.

In the Tang Dynasty (618–907), village governance was formalized with the appointment of a "village head" (*cunzhang*) who served as a gatekeeper or sheriff. Villages with more than 100 families could have two such officers (Gamble 1961: 11). After 1920, each village was governed by a council consisting of half a dozen or more peasants. The village council selected a headman and his assistant from villagers by annual voting. Members of the village council were chosen annually on the basis of socio-economic rankings of families in the village. The headman was typically selected according to his wealth, education and decision-making capability. Education was essential as the headman was required to record village land transactions on behalf of the county magistrate. After 1920 administrative ability became an important criterion for election, because the headman had increasing duties when the *tiankuan* (land taxes) was increased (Myers 1970: 259). In some villages, instead of elections each family head simply took a turn to serve (usually one year) as headman on a rotational basis (Gamble 1963: 3).

Some villages developed systems of water control which necessitated more complex systems of local village governance. For instance, as Myers recorded, in northern China many villages were irrigated by well, river water and rainfall. Some wells were communally owned, while other wells were privately owned and neighbouring households were allowed to use them. In villages adjacent to rivers peasants built sluices and floodgates and appointed peasants to guard and control the irrigation system. Households using the same sluice formed a group, called a "z*ha*" (sluice gate). The z*ha* selected controllers to patrol and maintain the sluice and additional labour was provided by each household to dredge the sluice or repair flood damage. Within the z*ha,* each household received a certain amount of water at

designated times according to a schedule. The successful operation of water control depended on the cooperation of households within each *zha*, not on the village leadership (Myers 1970: 259–261). In this respect, water control became one of the key issues around which the local community was mobilized to cooperate and manage its own interests.

Another important form of community organization was the crop-watching association, or "*Qingmiaohui*" (green crops association), which was established in many rural villages after 1880. Originally formed to safeguard crops, the organization was later developed into one that directed all affairs of the village, social, economic and political. What spurred the peasants to organize the association to guard a certain area of lands was the increase of taxes levied by the county administration, and increased village expenditures for schools, night patrol and village militia. Village councils decided to allocate an area of village land to raise the necessary funds needed for taxes and other expenditure. Villagers regarded the establishment of this designated area as a necessary step to ensure that it had a source of revenue. Rapid increase in village expenditures occurred in the late Qing Dynasty and early Republican period. Carefully guarding crops helped villagers prevent theft and preserve harvests in order to pay their assessments (Myers 1970: 260). In northern China's Baodi County, for instance, almost all villagers were members of the local *Qingmiaohui* which handled most financial matters, including drafting laborers' and levying taxes in cash or kind.

Each village had its own borders, administrative system, defence force and welfare system. Villagers recognized that having a formal association to guard a village perimeter made it possible for the village council to assess lands that were owned by all households of the village. The activities of the association included maintaining the village temple and its affiliated lands, supporting the village school, conducting night patrol, forming village militia, organizing performances to honour gods and entertain villagers, and various other activities that required financial support. The budget for these activities was collected from village families on the basis of their land holdings, the number of persons in the family, or the number of animals they owned (Gamble 1963: 3). Through such methods the village could better pool its community resources in order to strengthen local bonds and enrich the lives of village families.

In many places village schools, supported by local clans or charitable donations, provided elementary education for the children of village families. This kind of local education was founded upon two key innovations deriving from the Confucian tradition: the concept of private local teachers and the principle that such teachers should accept students from all walks of life. Private teachers were usually drawn from lower level literati and those who had failed to pass civil service examinations. Education in private village schools was usually made available to anyone within the village with the ability and dedication to study (Perkins and Yusuf 1984: 162). In this way the village community could identify and train the most promising youngsters from within its population in the hope that such scholars could, in turn, serve the future interests of the village.

Self-governing Unit

An important innovation in the development of village community organization was the "*Lüshi Xiangyue*" (Lü Clan's Village Pact) that was created during the Song Dynasty by Lü Dajun (1031–1082) of Lantian, Shaanxi Province in 1076. According to this agreement, villagers would help each other in four areas: encourage ethical and moral behaviour; warn each other against bad manners; treat each other according to etiquette and rites; and provide relief against calamities such as fire, flood, theft, disease, injury, death or poverty (Niu 2003; Zhu 1994).

Lü's Pact specified a code of supportive conduct including the following: (1) Community relief to people who suffered from fire and flood; (2) Supporting each other to pursue thieves and to jointly report any thefts to fellow villagers and officials; (3) Organizing people to visit the sick, assist the seriously ill to secure medicine and medical consultations, and provide money to those who could not afford medical expenses; (4) Providing financial assistance for funeral arrangements: (5) Helping widows, the elderly and orphans to be self sufficient, or reporting the matter to the government, relatives or neighbours; (6) Helping those who were wronged to pursue justice through appropriate representation; (7) Assisting the honest poor in kind, in cash, or through loans. The villagers might also lend property, appliances, carts or tools to them. Those who could offer help to the poor but failed do so would be penalized, while those who borrowed materials but damaged them or delayed repayment would also be penalized. In principle all provisions of the pact applied beyond the territory of the village itself, and villagers were required to offer help to the needy wherever they lived.

Participants of the pact were bound by an equal relationship. The key element of the agreement was to help during times of hardship. Some items of the pact required that participants had access to considerable economic resources. For example, the 7th provision required participants to provide the poor with property. The pact was led by a chief (*yuezhang*) who was presumed to be a well-respected figure. Beneath him were two vice chiefs (*fuyuezhang*) who undertook most of the daily work, in addition an executive officer (*zhiyue*) was employed on monthly rotation. All the leaders were elected by the members of the pact and in some sense represented the interests of local villagers (Shen and Zhang 2002). Each village was required to have two books to record villagers' virtues and faults. These records indicated that participants could be rewarded and punished according to the pact. Villagers could also quit the pact and sever the relationship with the pact organization.

In the Southern Song Dynasty, the Confucian scholar Zhu Xi (1130–1200) praised the *Lüshi Xiangyue,* and added some further clauses to the pact, including the stipulation that pact members meet every month to study the pact together(Zhu 1994). During the Ming and Qing dynasties, the imperial court praised the village pact system and several emperors personally wrote further instructions (Shen and Zhang 2002). However, the village pact was a self-governing organization and had very limited power. According to Zhu Xi, its primary role was educational, relying on the local gentry to lead the common villagers in moral and ethical behaviour. In

this respect the neo-Confucians saw the main purposes of the village pact as a way to promote goodness, morality and righteousness but no need to resort punishment (Zhu 1994).

In the early years of the Yuan Dynasty (1927–1368), another form of community organization known as "*chushe"* (hoe society) appeared in northern rural China. According to historical records, the purpose of this organization was to offer help during the busy hoeing season. Peasants who belonged to a hoe society helped to hoe lands of other families who would in turn provide food to the helpers. Hoeing help was provided to each family and the land of all members of the society would be hoed over a 10-day period. When a family was unable to participate due to sickness, other members would provide free help. As a result, "no rice fields where had not been planted and grain ripened and harvested every year" (Meng and Wang 1986: 66). Due to the success of this system, in the seventh year of the Yuan Dynasty (1270), the government issued an order to create hoe societies. Every 50 households formed a society and a senior person who was knowledgeable and skillful in agricultural production, was elected to be the head. The society head would organize peasants to reclaim wasteland, to cultivate, irrigate and also to operate sideline enterprises. This kind of society became widespread in northern and southern China.

Gentry

In traditional rural China, the "gentry" class played a major role within local communities. The term "gentry", *shenshi*, refers to a class of people who occupied a higher status than ordinary villagers and who therefore assumed a range of leadership responsibilities. Gentry were also sometimes called "*shidafu*", namely, scholarly officials (Fei 1968: 17). A modern scholar classified gentry into three kinds: persons who held scholarly honours or official rank, men of wealth and capable persons (Yu 2001: 90–92).

The gentry who held scholarly honours or official rank were those who had passed imperial examinations but did not pursue a career in government; this group also included some who retired from political life to live a quiet life in the countryside. Reverence for education is deeply rooted in Chinese culture, as such schooling was the key to acquiring prestige, wealth and power through the ladder of governmental offices (Perkins and Yusuf 1984: 162). For the wealthy men whom to be considered gentry, they had to work hard through several generations to complete a transition from extraordinary economic abundance to cultural influential. Gentry were expected to be highly cultured, to display good conduct and propriety, and were normally highly respected by local people. In principle the origins of their power were a noble character and moral integrity. Capable persons were those who possessed remarkable skills in combination with good social relationship, wealth or better education. They were not elected by local votes, but became popular because of connections and networks, public opinion, common acknowledgement and

recognition within local communities. They rose to positions of local authority by their own reputation and through their access to power and influence in the local community. Overall, due to their status and education, the gentry played a major role in the organization of local community affairs within rural areas. In the late Qing dynasty, there were more than 1 million gentry, constituting 1.3% of the Chinese population (Yu 2001: 92–93; Shen and Zhang 2002).

While the gentry were politically, economically and socially privileged, they were also expected to undertake social responsibilities and to promote the well-being of ordinary people and serve the interests of their own communities. To the government, they represented local interests; to ordinary people, they played a semi-official role. For example, the gentry took the responsibility to mediate civil disputes, supervise public construction such as building roads, bridges and temples, and collect taxes. In time of war, the gentry organized self-defence within rural society. Although they undertook some administrative work, they were not official representatives of the government. The gentry were a social group that performed local administrative roles on a largely voluntary basis. They worked as local leaders in alliance with government to provide advice and suggestions relating to local affairs. Usually, the government and gentry shared common interests and collaborated to promote social progress and maintain stability. When their interests were not the same, the gentry could criticize government, take an oppositional role and even resist government policies. However, they were never a serious threat to central government authority and, instead, usually operated as a bridge between the state and rural society. Without the gentry, it would have been difficult to maintain a relationship between the government and rural society, and between the rural society and villagers. Moreover, the gentry, who normally outranked clan chiefs, could mediate problems and disputes that emerged between village families and clans. In this way, they further contributed to the maintenance of stability within rural society.

Traditionally in the West, it was the church that provided a cultural and spiritual stronghold within each village or town. In China, however, as Fei (1948: 39) explains, “the separation of political power from ethical power is one of the fundamental ideas in Confucian philosophy and is also an important factor in the Chinese power structure; it may be compared to the separation of church and state in the West”. The gentry were a cultural and ethical power within rural China, but did not have any religious status. They did not promote religion but rather preached Chinese Philosophy, mainly Confucianism. Their influence and impact on rural welfare was therefore not expressed in religious activity, but rather through moral and administrative leadership. Lü Dajun, the creator of the village pact system, was a typical member of the gentry class and exemplified the moral code they sought to foster.

The Baojia *System*

Another important form of organization that played a role in the administration of rural life in traditional China was the *baojia* system. The foundation of the *baojia* system was the household or family. Relatively systematic forms of household registration began as early as the Qin dynasty (221BC). Under the Qin, a three-tiered administrative system was established, consisting of *jun* (province), *xian* (county) and *xiang*. In the Song dynasty, the neo-Confucian reformer, Wang Anshi created the *baojia* system. The *xiang* and below were administered through this multi-level hierarchical organization of households. The *baojia* system was created in order to mobilize local rural populations to participate in the administration of their own affairs. Its main function was to ensure public safety and collect state taxes in cash and in kind from peasants (Yu 2001: 58–72).

The *bao* was an administrative and security unit. The head of the *bao*, the *baozhang*, managed all its daily operations. The *baozhang* usually came from a low or middle-class family and was expected to bear a heavy workload: first, he assisted in collecting taxes in cash and in kind; second, he recruited labourers and collected carts from villagers on behalf of the state. The *baozhang* was also expected to handle various emergency situations—such as theft, floods, drought, etc.—as well as arranging seasonal duties like night-watch rosters to protect the crops. It was an administrative system which executed orders coming from above, but at the same time it was a legally recognized organization that directed local public affairs (Fei 1968: 87–90). The *baojia* system was the most basic unit of state administrative system, also baojia's functioned as a self-governing local unit.

In summary, rural society in China was underpinned by a network of highly structured community organizations. In traditional Chinese society, the community played an important role in welfare to augment the role of the family. Families were grouped at the village level to share common productive activities (e.g. hoeing and irrigation), to contribute to common welfare interests (e.g. crop guarding, defence and education), and to support common economic interests (through taxes, labour, etc.). In addition, villagers were organized to participate in sophisticated systems of mutual aid: the "village pact" and the "hoe society" for example, stressed the importance of supporting fellow villagers as well as providing assistance for the weak and needy. Although depending on local participation and the guidance provided by the scholarly gentry class, these forms of collective action were promoted from above by the state and operated through the formal institutional structure of the *baojia* system. Therefore, village self-governing has a long history in China and its political factor has close relationship with basic democracy, which impacted the welfare of villagers.

Chapter 4
Traditional Rural Welfare: the State and Welfare Thoughts

Throughout Chinese history peasant uprisings were very often and preceded by disasters. When starvation and poverty gripped rural localities it was much more likely that a rural revolt would break out. When uprisings occurred, peasants usually began by seizing grain and, on occasions, this created chain reactions, leading to a larger scale uprising and, in some cases, the overthrow of the dynasty itself. In Chinese history, the downfall of old dynasties and the rise of new ones were usually brought about by revolts following this pattern.

Historically, China has suffered many natural calamities affecting some part of every province nearly every year. Disasters such as hail, storm, flood, drought, epidemic disease, plant disease, insect pests, unseasonal frost and earthquake often destroyed agriculture and dramatically affected rural lives. Often different calamities occurred in sequence like a chain of events: pests emerged after drought and epidemic diseases spread in the wake of floods. These disasters typically resulted in heavy loss of life, the migration of population away from the affected area and serious damage to the local rural economy. Although records on this issue are not complete, we can still find enough data to paint a very grim picture. According to *The History of Disaster Relief in China*, 9 million people died of disasters in 1810; 20 million died the following year; 28,000 people died in 1846; 15 million died in 1849; between 1876 and 1878 10 million died and in 1888, 3.5 million died (Deng 1993).

When catastrophic events like natural disasters occurred, it was the imperial state itself which stepped into provides a basic relief as a bulwark against famine and disorder. As China has always been a predominantly agricultural country, the livelihoods of its people and the affluence of the state all depend upon the rural economy. For this reason the Chinese imperial state always paid great attention to the management of agriculture. Traditional welfare systems in China were focused upon maintaining the viability of agriculture and the rural population. Disaster relief for peasants was a very important aspect of this policy approach. China has a long history of the management of disaster relief that includes both proactive prevention and reactive calamity relief. Proactive prevention involved two areas of

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intervention: first, efforts to improve agricultural production and to support grain storage systems; and, second, the development of national infrastructure such as irrigation, water conservancy, forestry and land reclamation programmes (Duoji 1996a: 4–9). As a last measure the state aimed to maintain a network of granaries to serve as the basis for famine relief when disaster struck. In order to understand the role of the state in this area, it is necessary to first examine the land system in rural China.

Land and Tax

For centuries, the land was the basic living resource for Chinese people and the main source of revenue for the state. During the Sui and Tang Dynasties, the *juntianzhi* system was established as the feudal land system. This land system followed below rules: the state allotted lands to peasants and peasants remitted tax. After peasants died, part of the land could be passed down to offspring; but some land must also be returned to the State. The feudal land system legalized several existing ownership forms, including private ownership, governmental ownership, and joint non-governmental ownership. The imperial court owned all the lands in name, which means "all the land of the earth belongs to the emperor" (putian zhixia mofei wangtu). It came from the ancient Book of Songs, but in reality the imperial court could not take lands away from private owners who possessed lands in their own rights. Feudal governmental lands were registered under the name of the imperial court or the state garrisons. Nongovernmental organizations, patriarchal organizations (family clans), local organizations (temples) and non-profit organizations (schools or colleges) jointly owned lands. Overall landlord ownership was the dominant form and landlords controlled the vast majority of land that was the basic economic resource in rural China. This dominance resulted in conflicts between landlords and peasants. During the Qing Dynasty, between 1770 and 1911, China's population grew from 270 million to 430 million, while agricultural land increased from 950 million *mu* to 1360 million *mu*.[1] Over this period the per capita share of agricultural land fell from 3.52 to 3.16 *mu* (Yu 2001: 109–111). This increased pressure on land resources acerbated the existing tensions between landlords and peasants.

Taxation was the main way the state in imperial China raised funds to support its activities. In the beginning of the Tang Dynasty, there were three kinds of tax: the land tax which was called *zu* and was levied on grain; the household tax, known as *diao*, was levied on linen cloth; and the labour services tax, *yong*, levied on a kind of silk known as *juan*. In the late Tang Dynasty, the prime minister Yang Yan suggested shifting to a system of two basic taxes. Known as *liangshuifa* it was designed to adjust taxes according to prevailing economic conditions. In this

[1]A unit of area = 0.667 ha.

system, household tax and labour services tax were merged and levied according to land holdings, rather than simply on a household basis. In 1581, during the Ming Dynasty, Zhang Juzheng implemented a tax system known as *yitiaobianfa* (the single whip method). It called for all lands throughout the empire to be re-assessed and remeasured, so that none fell outside the taxation system and so that taxes could be spread more equally across the country. The new tax system attempted to force all landlords to pay tax according to their total lands. Prior to this reform tax was levied on landholdings while corvee labour was assigned according to the size of household. The single whip system simplified the tax system by counting labour services that were required by the state on the land. Because of this reform, the land tax to be paid in kind was gradually changed to be paid in cash, and taxes over various items were simplified. Local officials could no longer use free labour for their personal business. Thus, peasant burdens were reduced, state revenue was enhanced and economic development was encouraged. However, over time the old taxation methods were revived in some places and the reforms fell into disuse. This situation eventually led to a third wave of major tax reform during the Qing Dynasty—known as *tandingrumu*, this tax reform was the continuation of the single whip method and eventually entrenched a tax system that merged both land tax and corvee labour into a single tax.

During the late imperial period the main motivation in implementing tax reform was a desire to reduce peasant burdens and, at the same time, enhance state revenue. In this respect, the three tax reforms were each designed to increase fiscal income but also to even out the tax burden and therefore mitigate conflicts between social classes. The reform of the tax system continued in order to regulate the relationship between peasants and the state and between the rich and the poor. In many places landlords owned most lands and established schools or *shecang* (granaries) to provide security for communities. When peasants owned their own land there was generally peace in society, but once peasants lost their lands it was very common for social unrest to appear. Although they generated considerable tensions during some periods, the land and taxation systems contributed to maintaining the long-term stability of feudal society in China.

Food Storage System

The idea of storing grain for emergencies originated from ancient times: buying grain when the supply was abundant and selling it when the supply was short, so that equilibrium in grain prices could be maintained. The foundational Confucian texts, the *Zhou Li* (*Book of Rites*) and *Guanzi* (*Guan Zhong*), both contained explicit explanation of the principles and the logic behind such an idea. Thus from the very beginnings of the imperial period it was accepted that a key duty of the state was to maintain and manage an emergency granary system. This idea is clearly expressed through the vernacular saying that “the state that did not have three years supply of grain in storage is no longer a state” (Weishu 1974). The tradition of state granaries

was maintained throughout the feudal society, becoming a part of the governmental financial system as early as the Xia Dynasty (before 1523 B.C.). Since the Zhou Dynasty (1027–222 B.C.), the imperial rulers not only emphasized the importance of state granaries but also paid serious attention to how to maintain local food storehouses as well. As the granary system developed, its scale was expanded. For instance, in 200 B.C., during the early period of the Han Dynasty, Changan was chosen to be the new capital of the state and the first group of state granaries was built there. These granaries were directly administered by the central government. Lower levels of the state, the *jun* and *xian*, also established local granaries.

The granary system included three kinds of storehouses with different characteristics: *changpingcang* (ever-normal granary), *yicang* (charity or town granary) and *shecang* (community or rural granary). The *changpingcang* were the primary grain stores in the country and were handed down from one dynasty to another (Xiao 1960: 144; Duoji 1996a: 17). During the Sui Dynasty (589–617A.D.), *yicang* were built at the local level in order to act as local distribution outlets. In the period of the Southern Song (960–1279 A.D.), *shecang*, a type of local community-based granary, were built up through the collective efforts of local residents in many areas. During the Qing dynasty, the three-level system of granaries was consolidated. Each of the three types of granary corresponded to a different level of governmental management. The *changpingcang* and *yicang* were established in the cities at the *zhou* (prefecture) or *xian* level, while the *shecang* were built and managed at the village level. Hence, all rural granaries were *shecang* (Xiao 196: 144). Although all *shecang* were built in the countryside, not all *yicang* were built in urban areas.

According to Xiao Gongquan, *changpingcang* were different from the other two types of granaries in that part of their grain reserves came from governmental sources through two annual purchases in summer and autumn harvest seasons, using government funds. Contributions to the state granaries were also accepted from wealthy people (Wang 2002). The reserves of *yicang* and *shecang*, on the other hand, were supported by private contributors at the local level.[2] Many places levied one *dou*[3] from every two *dan* of grain for contribution to the local granary. The former approach was used by merchants of towns or markets, and the latter by residents of rural neighbourhoods. Perhaps a more crucial difference between the various types of granary was that the *changpingcang* were state granaries directly managed by state officials, whereas *yicang* and *shecang* were managed by local communities and subject to governmental supervision and inspection (Xiao 1960: 145).

The granary system did not have a uniform structure across the empire. For example, *shecang* in Guangxi and Shaanxi provinces were known as "government-controlled" because their grain reserves were purchased by government funds or were transferred from the *changpingcang* granaries. Moreover, the distinction between *yicang* and *shecang* often became blurred. These names were

[2]The official tax was two *dans* of grain.

[3]The unit of grain, one *dan* is 10 *dou*.

sometimes used interchangeably as if they were synonymous (Xiao 1960: 145). So far as rural welfare is concerned, it is the *shecang* of the countryside that are most worthy of attention. However, the role and function of the *shecang* can only be fully understood through a detailed explanation of how the entire granary system operated.

Changpingcang *(Ever Normal Granaries)*

The first granary named *changpingcang* was built in the Han Dynasty during the reign of Han Xuandi (54 B.C.). According to regulations that were formulated at that and later times and inherited by the subsequent Jin, Sui, Tang, Song, Ming and Qing dynasties, one or more governmental storehouses were to be built in every *zhou* and *xian* and managed by the local magistrate. These granaries were jointly given the name of *changpingcang* in 583 A.D., when the founder of the Sui Dynasty decided to set up a number of grain warehouses in appropriate places in the newly unified empire to provide against floods and droughts. The ruler of the Tang dynasty adopted the same system with little change. It was in 992 A.D. during the Song Dynasty that the *changpingcang* were consolidated into a unified system of disaster relief, aimed primarily at urban residents. There were a few storehouses in the imperial capital at that time but the granaries had spread out over the entire empire by 1020 A.D. The founder of the Ming Dynasty further extended the local grain reserve system to the *zhou* and *xian*, the lowest administrative level. Ordinary people were encouraged to contribute grains and this practice became a tradition.

Grain such as rice, wheat, sorghum or other foodstuff was procured for the granaries with government funds as well as contributions from other sources. The grain reserve was lent to needy peasants or sold at "normal" (below market value) prices when necessary. Whatever amount was taken out of the granaries was replenished as soon as possible. An annual account was rendered by the local official and eventually sent to the imperial government. Quotas were fixed for all parts of the empire: regulations adopted in 1691 required the storage of 5000 *dan* in a large district, and 3000 to 4000 *dan* in smaller ones. The amounts fluctuated at different times so that the total quota for the entire empire varied between roughly 30,000,000 and 48,000,000 *dan*.

The operation of the *changpingcang* was governed by detailed regulations. A few of them are noted here. Purchases of grain were to be made each year after the autumn harvest, either locally or in neighbouring districts where the prices were relatively low. If there was a shortage of market supply, the routine purchases might be postponed until the next calendar year. Special funds were set aside for making the purchases. "Local gentry and wealthy persons" were invited to make contributions to the government grain reserves and a scholarly title, *Jiansheng*, was awarded to those who contributed considerable quantities of grain (Xiao 1960: 146).

Disbursement of the grain reserve was implemented through *pingdiao* (sale at normal prices) and *zhenji* (relief loans). To prevent grains from going rotten, a fixed

portion of grain, usually 30% of the reserve (the proportion varying in different provinces) was sold below market prices each year in the spring and summer months and replenished after harvest. In case of famine, the amount of grain sold might go beyond the regular percentages. When there was an oversupply of grain on the free market, the amount of sale might be reduced or the sale suspended altogether for the season. Reduction of the selling price varied with circumstances. In years of good harvest the grain was sold at 0.05 *liang* (tael) per *dan* below the market price; in a year of famine, at 0.10 *liang*. Further reductions could be made upon special imperial authorization, but it could never exceed 0.30 tael per *dan*. "Relief loans" were made to peasants who were short of seed or food, but borrowers were required to repay the granaries after the autumn harvest. In ten provinces including Shandong, Jiangnan, Guangdong and Sichuan, no interest was charged. Even in those provinces where a 10% interest was charged, the government waived it whenever a loss of crops amounting to 30% or more was reported (Xiao 1960: 147). At the end of Wendi's reign during the Tang Dynasty the food stored in the *changpingcang* system was enough to serve the population for 50–60 years.

Yicang *(Charity or Town Granary)*

Yicang first emerged in 585 A.D. during the Sui Dynasty as a non-governmental granary system aimed to ensure that local areas were better prepared for natural disasters and providing disaster relief. According to the *Suishu,*[4] in 594 A.D., locally run *yicang* received three kinds of grain donations: upper income households donated one *dan*; middle income households donated seven *dou*; and low income households donated five *dou*. The concept behind the *yicang* system was that it belonged to the local people themselves. While the amounts donated differed in various places, the state encouraged the principles of donation and regulated the system to ensure that its viability was maintained.

The basic features of the *yicang* and *shecang* granaries are clearly explained in a decree issued by the Qing government in 1679: "local functionaries shall persuade officials, gentry, scholars and common people to contribute grain and to build *shecang* in villages and *yicang* in towns and markets. Contributors shall be considered for a suitable reward". Supplementary regulations were drawn up from time to time to enhance the management of the system. As already noted, while *changpingcang* were managed by local magistrates, both *yicang* and *shecang* were managed by local people. The imperial authorities often stressed that rural and town granaries should exclusively serve the peasants of the region within which they were located. Transferring the grain reserve of one place to give relief to neighbouring towns or cities or lending grain to scholars, soldiers, government officials and other persons who were not engaged in farming was forbidden.

[4]A historical book: the History of the Sui Dynasty.

Management of the *yicang* system was influenced greatly by the quality of local administration. The following regulations governing management and operation of *yicang* were issued in Zhili and Shanxi provinces: scholars and ordinary people who contributed grain to *yicang* in Zhili and Shanxi provinces should be given official commendation proportionate to the amount donated, in accordance with the rules governing *she* grain contribution. In the *zho*u and *xian* of Zhili and Shansi provinces, *yicang* should be managed by a *cangzhang* (granary manager) and an assistant. These managers were openly nominated and selected from scholars or commoners who were considered upright, prudent and possessing adequate property, and they normally served a term of three years. The grain stored in *yicang* in the two provinces of Zhili and Shanxi should be loaned out in spring and repaid in autumn (each year), with a charge of 10% interest. Those who suffered a loss of 30% or more could have the interest charge waived; those who had a loss of over 50% might postpone the payment of the loan until autumn of the next year.

Shecang *(Community Granaries of the Countryside)*

The term *shecang* refers to community granaries that were built in the countryside. In the Qing dynasty, both *shecang* and *yicang* were considered to be local granaries and at times the terms were utilized interchangeably.

The *shecang* system emerged in 1168, during the Song dynasty, and signified an initial governmental effort to establish disaster relief granaries in rural areas. Zhuxi established the model for *shecang*. In 1168, he tested his ideas successfully in a district of Fujian Province and became convinced of the importance of his innovation. He reported the results to the emperor Xiaozong in 1181 and persuaded him to promulgate the system throughout the empire (Xiao 1960: 551). The primary purpose of *shecang*, according to an edict of the emperor Kangxi issued in 1703, was to supplement *changpingcang* whose reserves might not always be adequate. Like *yicang*, these rural granaries were handled by local residents and their reserves normally were raised through voluntary contributions. In response to an imperial directive, the government worked out the following resolution in 1703: "wherever a *shecang* is established, the grain contributed (by the residents of) a rural area shall be stored in that same rural area; it shall be managed by honest persons of that locality. In a year of good harvest increased efforts shall be made to accumulate the reserve; in a year of modest harvest the reserve shall be sold and replaced with fresh grain; in a year of bad harvest (the reserve shall be used) to give relief; the amount varies with the number of persons (in the households) that required help" (Xiao 1960: 150).

The main features of this system include free contribution from ordinary people, management by local community, and supervision by governmental officials (Xiao 1960: 551). This basic policy was explicitly stated on more than one occasion. In an edict of 1729 the emperor Shizong stated: "When *shecang* are established by the state, the original intention is to help people accumulate a reserve by themselves so

that their urgent needs may be met by their own resources and provisions. Hence, every *shecang* should manage and keep records of the spring loans, autumn repayments and gains from interests. Local officials had the responsibility to inspect and audit (the accounts) only; they should not misuse the authority to receive and disburse (its grain reserve) (Xiao 1960: 151)". These regulations applied to all of the *shecang* that were built using voluntary contributions—an approach that was used in most provinces. The advantage of the regulations was to avoid government mismanagement. For instance, sometimes officials were afraid of the imperial court and did not dare to make decisions to distribute grain to peasants who needed food. Sometimes grain loaned to peasants had been in store for too long and had become rotten (Niu 2003). When the *shecang* was managed by local communities this kind of problem could usually be overcome.

To encourage wealthy members of the community to make contributions, the government issued the following regulations: Local officials shall, at the harvest time of each year, persuade the gentry, scholars and ordinary people to contribute to the grain reserve of the *shecang*. Each shall contribute according to his ability; no definite amount shall be fixed; and it is forbidden to resort to enforced subscription or cheating behavior. When the gentry, scholars and ordinary people contribute grain to the *Shecang*, the quantities contributed shall be examined and recorded. The local official shall reward a person who contributes ten *dan* or more with red silk, or thirty *dan* or more with a commendatory tablet. If a person contributed a large quantity amounting to three or four hundred *dan* over many years, he shall be awarded the Button of the Eighth Rank upon petition to the emperor (Xiao 1960: 150).[5] The *shezhang* (granary manager) and assistant manager were selected from persons who qualified themselves by "upright conduct and adequate property" and served for a term of 3 years (except in Gansu province where terms could be 10 years, 3 years or 1 year). The term could be extended to another 3 years upon petition by members of the community (Xiao 1960: 150).

Since the grain was given out as a loan, it had to be repaid with interest by borrowers who were able to do so. In years of famine the interest charge was generally waived. Because substantial increments might result from interest on loans, the government fixed quotas for different provinces and stipulated that surplus grain should be sold each year during the "green yellow gap", that is the spring and summer months when the new crop was yet to come and the old crop was nearly consumed. Funds realized from such a sale could be used, with imperial authorization obtained through the provincial authorities, to finance irrigation work or any other projects that were beneficial to peasants but beyond the capacities of individual villagers. Detailed accounts of the grain were kept by managers and by the local magistrate. At the end of each fiscal year, a report was made to the provincial authorities who in turn reported to the imperial government (Xiao 1960: 152). In addition to granting loans and collecting interest, the *shecang* also offered free grain to provide relief to disadvantaged such as the elderly, widows and

[5]Initial in Hu Bu, 1791, 30/1a.

orphans. This was funded using interest that the *shecang* earned through its activities. During the Qing dynasty, although the government insisted that rural granaries belonged to local communities and should be managed by local people themselves, it still imposed a tight control upon these storehouses. Even a routine procedure such as providing loans could not be completed without official scrutiny and approval.

The details provided above show that local granaries were subject not only to the supervision of local officials but also to quite significant intervention from central imperial authorities. The granary system did not always work well in all places at all times and was subject to considerable corrupt activity. At times the granaries disappeared or ceased to operate effectively due to breakdowns in administration or social disorder; however, in such cases the system was usually eventually re-established and returned to operation. When the granaries did not allocate grain to the victims of calamities, peasants would simply resort to direct action and seize the grain by force. While the historical record provides evidence of many instances of this kind, it also suggests that overall the granary system provided a remarkable network for the distribution of grain during times of economic hardship in rural China.

Evaluation of the Granary System

Generally speaking, the traditional granary system in China had the following effects on the welfare system. First, an important role of the granary system was to set the price for grains and thus control the market. During wartime and intervals between harvest seasons, the state sold grains at a "normal" price to help people avoid starvation; when the price of grain was low, the state bought grains from peasants at a "normal" price for storage, enabling peasants to secure a stable income despite market fluctuations. Second, this system provided relief to the poor and insurance against calamity. Third, it also provided support to the army and operated as an emergency source of grain during periods of war. Overall, it seems fairly clear that the granary system helped maintain social stability during the imperial period. The imperial state itself regarded the rural granaries with great concern, since past experience had shown that the efficient management of a grain reserve was one of best means for maintaining peace in times of crisis. In the Song Dynasty, the effective utilization of the *changpingcang* and *shecang* were said to have helped avert imminent uprisings or riots. The emperor Tongzhi of the Qing dynasty stated that the lack of local grain reserves was an immediate cause of his subordinate failure to withstand the onslaught of rebels and bandits. It is needless to say that the food shortage system indeed helped peasants to survive hardships in their lifetime.

Viewing the food storage system from a contemporary welfare perspective, the following observations can be made.

1. Together, the three-level granary network constituted a pluralistic system that coordinated governmental, commercial and private welfare provision. This feature is a fundamental characteristic of the modern welfare system in most developed countries, but it existed in China a long time ago. The *changpingcang* were managed by the government and used as an economic leverage by the state; the *yicang* were set up in towns and markets and functioned like a commercial agency; while the *shecang* were managed by local rural communities and played an important role in the provision of social insurance.
2. In most developed western states the concept of government administration of social welfare did not emerge until after the Second World War. However, the idea of government-regulated welfare has been practised in China since ancient time. In traditional China the state played a highly interventionist role in the provision and management of poverty relief. The granary system, as explained above, was designed to provide a comprehensive safety-net for all sectors of society.
3. The governmental regulation of welfare in China, as exemplified by the three-tiered granary system, first emerged in 54 B.C. and became institutionalized by 583 A.D. This state intervention into social welfare was the earliest known in history and occurred 1000 years earlier in China than in the west. It was nearly a thousand years later that the earliest western government regulation relating to social welfare, the Elizabeth Poor Law, was established in Britain under Queen Elizabeth I in 1598.
4. The reasons for China's imperial state adopting interventionist welfare policies at such an early time involve a complex mixture of philosophical, geographical, demographical, historical, economic and social factors. In part at least, the granary system was a response to the unique susceptibility of China's sophisticated agricultural economy to decimation through natural disasters. By contrast, the western European welfare-state developed as a response to the social problems arising out of the capitalist system and the social and economic dislocation that it generated.

Water Control and Disaster Relief

In addition to the granary system, designed primarily to alleviate famine, the imperial Chinese state has historically intervened in a number of other areas related to public welfare, most notably in water control and calamity relief. The most frequent and serious national calamities have been drought and flood. According to *the History of Disaster Relief of China* (Deng 1993), between 1766 and 1936, there were 5258 natural calamities in China including 1058 serious floods and 1074 major droughts (Sun 2004: 37). Large calamities occurred twice a year on the average. According to *the History of Civil Affairs in China*, in the period of the 1st to the nineteenth century there were 658 floods and 1013 droughts, resulting in a

huge loss of property and lives (Meng and Wang 1986: 176). According to *Hanshu Wangmeng Zhuan* (1963)[6] one prolonged drought during the Han Dynasty lasted many years and led to 70–80% of the population dying of hunger. The historical documents also record the emergence of techniques for water control designed to prevent flood and drought. Over the centuries the state initiated many irrigation projects. By the beginning of Ming dynasty many of them were renovated. The emperor Zhu Yuanzhang ordered the officials of *zhou* and counties to report all irrigation construction immediately and sent skilled persons to supervise and repair them. According to statistics in 1395 (Ming Dynasty Hongwu year 28), in about in 2 years 40,987 pools or reservoirs were dug, 4162 channels were dredged and 5048 dams were built (Meng and Wang 1986: 230). There were many large water control networks in northern China that provided water to clusters of villages. By the mid-eighteenth century local officials had already successfully mobilized villagers to repair, improve and even enlarge this system. The role of officials in this work was primarily to monitor the management of the irrigation system, especially to mediate when disputes broke out between villagers and the headmen of villages were unable to achieve a peaceful settlement (Ramon 1970: 261). The importance of irrigation channels for intensive agriculture, water conservancy for preventing floods, and canal transport for trade and gathering tributes to the Imperial Court from the provinces, led to the establishment of a long tradition of great public works related to water control (Aziz 1978: 3). Over many centuries state intervention and guidance in water control projects contributed significantly to the improvement of public welfare in rural China. Without such efforts the rural economy would have been less productive and the affects of flood and drought far more serious.

When the efforts of water control failed and drought or flood hit, the state was also able to respond with a system of disaster relief aimed at providing emergency assistance as well as support for rebuilding rural communities affected by natural disasters. The system for disaster relief had seven main aspects that are worth mention here:

1. The state provided assistance for disaster relief in the form of cash, food and other materials, and also through a job-creation system known as *yigong daizhen*, namely, funding labour in public projects aimed to mitigate the damage created by natural disaster as well as to stimulate the local economy. Essentially, it helped people living in serious disaster areas work together to rebuild their community. *Yigong daizhen* first emerged in the state of Qi (in the period of Qi Jinggong BC 547–589) during the Spring and Autumn period for the purpose of repairing roads after flood damage.[7] Between the years 1593–1594 A.D. grave flooding occurred in Henan province severely affecting 18.7 million people. In response to this disaster, the government spent approximately 1.1 million *liang* (tael) of silver to assist 12.3 million victims. Subsequently, the Qing imperial court announced the following rules for disaster relief: after a disaster all persons

[6]A historical book about the Han Dynasty.

[7]See Yanzi Chunqiu, Volume 7.

who without anyone else could not be rely on, including widows, orphans, singles and elderly persons, should receive protection and financial aid from local officials. Any local officials who refused to offer help to these people would be punished by 60 strokes (Huangli 1995: 213).

2. The state also implemented measures for distributing grain to disaster victims or transferring victims to places where food was provided. To ameliorate the price fluctuations that often followed disasters, the government would frequently buy food at a high price and sell it on to victims at a lower price. Measures for calamity relief such as these are recorded in the texts of *Zhouli,*[8] *Mencius*[9] and *Hanshu.*[10]
3. Three other major forms of charity were sometimes undertaken to assist the survivors. The most immediate and common one was *shizhou*: offering free gruel to survivors. *Shizhou* started in the Period of Warring States (475–221 B.C.) and became popular in the Han dynasty. In the Ming dynasty, a special agency was established to manage this service. When *shizhou* was required, outdoor kitchens were set up on the streets to cook gruel for the victims. Another common form of charity was a form of adoption that allowed victims of calamity to be sheltered by state-sponsored welfare houses. A number of institutions were established for this purpose, for example *Juyangyuan*, *Anjiyuan* and *Futianyuan*. Finally, the government often provided money to redeem victims' children who were sold during a disaster. This measure was recorded during the Han, Wei and Song Dynasties. Moreover, In 1711 the Qing Dynasty emperor Kangxi issued an edict to create institutions to collect infants from the streets. In 1724, Emperor Qianlong provided relief and food to 4676 poor people. In 1783, Qianlong also issued an imperial edict that condemned behaviour such as abandoning babies and drowning of infants (Huangli 1995: 213).
4. Measures to control plant diseases and insect pests were frequently undertaken by the state; the earliest record of locust control, for example, appears in *the Book of Songs*. Since the Eastern Han Dynasty (25–220 B.C.), each regime has routinely appointed an official to handle insect control and to attempt to prevent the spread of epidemic diseases (Duoji 1996a: 17).
5. Refugee re-settlement following major disasters has been practised on many occasions by the state in order to ensure the return of peasants to previously abandoned cultivated land. The state adopted several policies in this area: first, the state allowed partial or full exemptions of land tax to encourage peasants to return home; second, the state granted vacant land with tax exemptions to exiled peasants; third, local authorities provided funds to repatriate peasants to their

[8]A relevant Confucian collection works before Qin and Han Dynasties on various kinds of etiquette system.

[9]A work recorded Mencius's thoughts and actions.

[10]A historical book about Han Dynasty.

original homes. These ideas first appear in the *Zhouli* and were subsequently put into practice by many dynasties.

6. The imperial state also implemented loan schemes which helped peasants recover economically after calamity. Beginning in the Tang Dynasty, it became common practice for local authorities to lend cash to peasants to help them buy farm cattle. Beginning in the Song Dynasty, officials frequently provided loans for peasants to purchase seeds for sowing a new crop (Meng and Wang 1986: 194)
7. The provision of disaster relief was also an opportunity for the state to promote traditional ethical values like thrift and prudence. Such values were not only relevant to the peasant population, but also to the administration of disaster relief, which was often plagued by corrupt activity. This concept is reflected in the popular ancient saying: "If the state is not thrifty, how can people live?"[11] (Duoji 1996a:14; Meng and Wang 1986: 189–196).

While the traditional relief management system in China played a significant role in improving rural welfare, the system of absolute monarchy with few mechanisms for securing bureaucratic discipline resulted in a high degree of corruption within the governmental system, which meant that the effectiveness of calamity relief was often undermined. Nevertheless, despite weaknesses in the bureaucratic system itself, it should always be remembered that the traditional welfare system was underpinned by a very strong ethical framework with roots in China's rich philosophical traditions. In the final section of this chapter, I will outline the key philosophical concepts that inform the traditional discourse on welfare in China.

Traditional Welfare Discourse

Two thousands years ago, in the era of the Spring and Autumn Period (770–476 B.C.) and the Period of Warring States (475–221 B.C.), *The book of Various Scholars and Hundreds of Schools* (*Zhuzi Baijia*) recorded some of the concepts that can now be taken to represent how the idea of "welfare" was conceived in that period. The most famous concepts include "*minben"* (prioritization of people's interests), "*renzheng"* (a policy of benevolence or benevolent government) and "*datong" (*great harmony, an ideal or perfect society). These ideas form a major ethical component within Confucianism.

The *Pangeng* Chapter of *Shangshu*[12] recorded the thoughts of early Qin: "Good virtue means good government; and good government means to support the

[11]See *Huangzheng jiyao*, A book about calamity policy summary written by Wang, Zhiyi in Qing Dynasty.

[12]The earliest historical book of China was composed in the period of Warring Sates, recording the history from primitive society to the middle of the Spring and Autumn; a history of about 1500 years.

people". *The Book of Rites* said that in order to support ordinary people, the first thing was to love children; the second was to support the elderly; the third was to help the poor; the fourth was to comfort inadequate families; the fifth was to care for the sick, and the sixth was to make rich people feel peaceful and safe. *The Book of Mengzi (Mencius)* also said that the starting point of benevolence was a heart full of sympathy. All of these explanations help to illuminate the concepts of *minben* and r*enzheng* (Wang 1998: 5).

The Book of Rites also said that the highest ideal of politics was that the spirit of public service should be a prevailing value of society: *dadao zhixing, tianxia weigong, xuanxian yuneng*.[13] *Dadao* indicated the highest principle of governing society. *Tianxia Weigong* suggested political power (including social wealth) belongs to all members of society. When the grand course is pursued, a public and common spirit will rule all under the sky. *Xuanxian yuneng* talked about governors of society being elected by the members of society, the standards of voting being moral and capable. This ideal advocated an equal distribution[14] of power and property across the country; voting and electing[15] persons who excelled in virtue and ability; maintaining a cordial and harmonious relationship among people; treating one's own relatives the same as others; making the elderly comfortable and supporting needy people such as widows, single men, the disabled and the elderly who had no children. *Mencius* also said, "Treat the elders of our own family with reverence as the elders of others similarly; treat the young of our family with kindness as well as the young of others similarly[16]". These are examples of the principle of *datong*, that is, great harmony (Wang 1998: 5). Under a "benevolent government" that practiced the ideal of *datong*, property was shared; politicians were appointed based on their integrity and ability; ordinary people helped each other and were not egocentric or selfish; and also had some degree of welfare protection. Thus, according to Confucian ideals, a benevolent government would bring harmony and peace to society. Moreover, Confucianism stresses that authority must use its power positively to help ordinary people. Confucius said, "One does not need to be afraid of scant wealth, but should be worried about the uneven distribution of wealth".[17] This explains what the government's "benevolence policy" stands for. According to Zhang, Dainian, the spirit of traditional Chinese welfare philosophy lives in the concept of *yiren weiben* (i.e. people's wellbeing is the priority) and *yihe weigui* (i.e. harmony and peace are the

[13]Chapter Li Yun.

[14]It was an ideal that did not distinguish between men and women. But in fact, it had a clear division of labour between men and women. Nanyoufen, Nüyougui meant that men had stable jobs and women had happy marriages. Men ploughed the land while women wove.

[15]The earliest election in China existed in the primitive society. The chiefs of tribes were voted for by the all members, which was a source of the Han Dynasty electoral system. Lianghan Chaju system (the Eastern and Western Han Dynasties electoral system) included election, recommendation and examination. The idea of election was the similar to that of Greece, but Greece had practical political system as guarantee.

[16]Mencuis, Tengwengong xia.

[17]*bu huan gua er haun bu jun.* See the Analects of Confucius, jishi, chapter 16. (Yang 1980: 172).

most valuable) (Zhang 1998). According to *the Book of Rites* "People are the heart of heaven and earth" (Ren zhe, Tiandi zhixin ye),[18] while Mencius also argued that "favourable climate and time is less important than geographical advantage, and geographical advantage is less important than the unity of people" (*tianshi buru dili, dili buru renhe*).[19] These ideas, centred on "benevolence" and "good governance" represent the core philosophical values that underpinned the discourse of welfare in traditional China.

Confucianism was the dominant philosophy in traditional Chinese society, especially after the Han Dynasty. However, there were other significant philosophical traditions and each different school promoted different concepts of welfare. One of the most influential was the concept of "universal love" promoted by the school of *Mozi* (Mohist). Mohism asserted that everyone living under heaven should love each other; that the powerful should not bully or humiliate the powerless; that the majority should not force its will on the minority; that the rich should not insult the poor; that the noble should not be arrogant towards the humble; that the clever should not cheat the ignorant. Additionally, the Mohists advocated that the capable should help others; that the rich should be encouraged to share with others; and that the skillful should teach others. If all these precepts were followed, then the hungry would have food and the poor would have clothes and social harmony in general would prevail. The basis to realizing the concept of universal love in practice is the requirement that individuals sacrifice their individual interests for the good of society.

In traditional China, rural society was built upon the family system which formed the political and ethical foundation of social interaction. "*Jiaguotonggou*" means the family and state in the same structure, and each small family forms a big state. At the state level, scholars and officials promoted ideals such as "great harmony" and "*zhengde, liyong, housheng*" (upright virtue, practical methods and improving living standards). The idea of great harmony, "*tianxia datong*", originated from the rural society that cherished the value that "neighbours live harmoniously together, look after each other and take care of each other in times of sickness" (Xiangtian Tongjing, churu xiangyou, shouwang xiangzhu, jibing xiangfuchi).[20] Traditional discourses on Chinese welfare derived from values inherent within state and family. In the state level, welfare centred on the benevolence and good governance of the emperor; while within the family, the welfare discourse in practice centred on the promotion of well-being amongst people of consanguinity (Qian 2002: 54).

The guiding principle of Daoism is *Daofaziran* that things take their own course; therefore, Daoists tended to oppose any form of governmental intervention in social life. One of the key expressions of this principle is the saying:Without the wisdom of management, the country would be blessed" (Laozi Chap. 3). Zhuangzi's

[18]Chapter Liyun.

[19]Mencius, Gongsunchou Xia, the Chap. 1.

[20]Mencuis, Tengwengong Shang.

philosophy stresses that *Diwang wuwei tianxia gong*[21] and its deep meanings are that human beings should not impose themselves on nature, nor should they destroy nature. The central objective of Daoism was to maintain a natural harmony and balance in all things (Zhang 1982). Qianmu said, the heaven and the earth is a nature. It has both properties of physical and deity. The thought of "oneness of man and nature", and the oneness of human culture with the highest truth of the universe and nature are an ultimate ideal of Chinese culture. All things of the human being represent the way of heaven. Whole life of human being means natural law (Qian 2011), It expresses an ecological ideal of the being at peace between human and the nature, and plays a role the protection of the environment, under these culture influence, Chinese nation sustain several years.

Conclusions

In summary, traditional Chinese welfare has several features: First, rural Chinese society consisted of community (village, neighbourhood and gentry) and a family system with a complicated and comprehensive function. Organized communities safeguarded the welfare of rural residents under an ethical framework. It is community (society) rather than market play a significant role for welfare function. Second, governmental intervention was a key part of the traditional Chinese welfare system. In modern welfare states governments intervene as a corrective to the inequalities created by capitalism. In traditional China, however, governmental intervention was deployed in order to minimize social risk. Third, the underlying philosophy of governmental intervention in traditional China was *renzheng*, a strategy for enacting a benevolent form of government. This philosophy advocates that the empire has a parental role and must provide welfare benefits to its *zimin* (people), and that people should accept this benevolence with humility and gratitude. This contrasts markedly with modern welfare ideology that considers welfare a social right of every citizen. The social right is a result of class struggle. Fourth, both the philosophical and social construction of rural welfare in China were rooted in a collective culture that affected its welfare practices. Traditional Chinese welfare thought valued collectivism over individual liberty. Fifth, unlike in the traditional West, where churches were distributed plentifully throughout the countryside, there were few religious institutions in rural China. Instead the gentry played a significant role in popularizing and promoting moral behaviour. The gentry were also involved in local government and social and economic affairs in rural areas. Their role was particularly significant in the operation of the traditional welfare system in China. Sixth, there is democratic factor in traditional Chinese rural welfare, which called grassroot democracy today. Its representation is village self-governing. Village regulations and agreements are an effective method of dealing with rural peasants'

[21]Zhuang Tzu, chapter tiandao.

affairs and solving villagers' difficulties. Seventh, traditional rural welfare in China is a complicated system engineering. It has a precautionary saving plan such as grain storage system vertically; and it makes up a complementarity in state, local authority, community and family on horizontally.

Chapter 5
Welfare Practice: The Period of 1840–1949

This chapter will discuss rural welfare in China between the Opium Wars and the creation of PRC (1840–1949). During this period of time, western nations were beginning to implement some features of a modern welfare system; for example quantifiable insurance plans were developed and enshrined in legislation. Meanwhile, China was beginning a complex transformation from a feudal society to a republican state. This period of time is important in the history of Chinese welfare because it sees a gradual shift from an idea of welfare centred on traditional values to the emergence of a modern conception of welfare. In the West, welfare institutions were created and set up through governmental legislation. As the Chinese feudal regime was eventually replaced by a republic government, so traditional discourses of welfare began to break down and Chinese intellectuals began to seriously examine Western welfare concepts in their search for more effective methods of improving rural development. Without a discussion of what happened during this period, it would be difficult to explain how modern welfare institutions emerged in China and how the PRC created its welfare system. This period of time is an important transition from the traditional welfare to the modern welfare system in China. There are few books or articles that directly discuss Chinese welfare in this era. The gap in the literature regarding this topic is perhaps due to the complicated nature of this period and the perception that it was merely a transitionary era. Utilizing the limited sources of data available, this chapter will attempt to outline how the discourse and practices of welfare were transformed during these years.

Social, Political and Economic Background

The official estimate of China's population in 1840 was 400 million. Prior to the twentieth century, 90% of Chinese populations were peasants who engaged in various forms of rural labour; and 80% of peasants had a very low standard of living. Government economic policies were primarily related to agriculture and

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concerned with farming. Agricultural production was relatively stable but natural calamities occurred quite frequently. As a consequence of natural disasters, it was common for peasants to lose their land and become homeless. When famine occurred, peasants ran away and moved to other provinces. One of the largest movements was a migration of a sizeable population from Shandong province to North-eastern China and from Fujian and Guangdong provinces to Taiwan and elsewhere overseas.

In this period, the rapid pace of global change began to have a major impact on China. The Industrial Revolution had begun in Britain during the middle of the eighteenth century and by 1850 there were more people working in industry than in agriculture in England. A new occupational structure based around industrial society had formed and a new form of urban family had emerged. The gradual emergence of the modern state led to the birth of new ideas related to notions of rights and citizenship (Crouch 1999: 21). The impact of these developments saw the beginnings of modern industry in Chinese cities. Most of the new industrial enterprises were either official or semi-official and many were funded through foreign investment. Between 1895 and 1913, 40 foreign and 116 Chinese industrial enterprises began operation. In 1894 there were 100,000 industrial workers in China, but by 1912 this number had increased to 661,000. This workforce consisted mainly of peasants who had moved to the cities from poor rural areas (Fairbank 1998).

Foreign Charitable Organizations

During this period some elements of modern welfare institutions began to emerge in China. One of the key factors in this development was the influx of western religious organizations into China. Foreign missionaries generally paid little regard to China's traditional culture; however they often made significant contributions towards developing modern educational and medical institutions and in providing food and shelter for refugees.

China has a long history of coexistence between various religions and philosophical traditions. Taoism had been practiced for several thousand years; Buddhism was introduced to China about 2000 years; Islam is introduced into China in Tang dynasty and so far it is about 1300 years. Italians introduced Catholicism to China during the Ming dynasty, but this religion was expelled soon after. In the nineteenth century Christianity began to make great inroads into China, bringing with it strong associations with ideas such as modern scientific innovation, colonialism and modern concepts of education and political power (Teng and Liang 2000). Since many missionaries had a sense of cultural superiority, "they could not tolerate Chinese culture" (Fairbank and Liu 1967), and "they did not want to enter the Chinese world; on the contrary, their whole purpose was to lead the Chinese to go into their world" (Fairbank 1998). On the other hand, according to Feng Youlan, China's tradition places more emphasis on philosophy than on religion. Indeed philosophy played a role comparable to the role of religion in other cultures.

Chinese philosophy emphasizes ethics and is more concerned with uplifting minds to an ideal state than improving knowledge and skills. From the perspective of this ethical tradition, Western Christianity was seen as a tool of foreign aggression. Western culture was seen as offensive because it ran counter to traditional Chinese cultural values and violated Chinese ethical codes, especially in terms of the relationship between genders. In addition, the fact that western churches and missionaries occupied vast lands created great resentment across most social groups in rural China. As a result, fierce conflict broke out between representatives of Chinese and Western cultures in China. Up until the Yihetuan (Boxer Uprising) movement in 1900, Chinese incidents of protest against foreign influence had occurred nearly one thousand times over a period of four decades (Su 2001; Liao and Li 2003).

In order to dispel negative attitudes towards Western Christianity in China, churches and missionary organizations began to place more emphasis on work related to the provision of social services. According to Mao Zedong's article "*Friendship or Aggression*", after the Wanxia Treaty was signed by the U.S. and China in 1844, churches and charitable organizations from the United State invested $US 41.9 million in China, over half of which went into funding medical care (14.7%) and education (38.2%). The remaining money was used to fund religious activities (47.1%) (Mao, Vol. 4, 1991: 1505).

Providing medical services was a good way for missionaries to show good will and make peace with the local population. One of the most significant outcomes of missionary activity in the second half of the nineteenth century was the building of modern western hospitals in China. After 1840, medical missions and missionaries entered Guangzhou province and a British doctor, recorded in Chinese documents as Bojia, built a hospital in Guangdong Province that treated 15,000 Chinese patients over three years. According to records his assistant mentioned that amongst all those patients, only three people wanted to study "truth" (Christianity), and nobody wanted to be baptized. After 1855, another American missionary, Dr. John Glasqow Kerr took over Bojia's job. By the end of nineteenth century, Kerr treated 740,000 outpatients, had 49,000 operations and trained 150 persons to be the first group of Chinese doctors that practiced western medicine. By this time there were 40 hospitals and clinics in China and most of them were in cities (Dong 1992). The missionary medical activities also had some influence on rural China. For instance, Catholics in Guangxi Province built hospitals, clinics, leprosarium and asylums and treated 38,000 peasants, on average, each year (Teng and Liang 2000). By 1922, missionary organizations had built 237 hospitals in 326 cities, had performed 144,477 operations and received 30 million outpatients. The number of beds in missionary and private hospitals exceeded the number of provincial and city hospitals that were managed by the government (Huangli 1995: 216).

Promoting modern education was another method missionaries utilized to show good will to the Chinese population. By 1875, Christians had built 350 schools in China, mainly primary schools, and received 6000 students. By 1899, the number of schools reached 1766 and the number of students increased to around 30,000. These schools provided free education for children from poor families, for orphans and beggars. Besides teaching religious knowledge, they also taught modern

science and technology. After 1880, some missionary organizations extended their educational activities into establishing a higher education system. By 1920, there were 16 universities funded by missionary with total student enrolments of over 1600 students (Wang 2001). Overall, missionary organizations helped to create 7046 primary, middle schools and colleges in China and 211,819 students had received education in these institutions by 1922 (Huangli 1995: 216).

Missionary efforts in agricultural assistance came much later than their activities in urban areas. Missionary organizations built two agricultural colleges (Jinling and Lingnan) in Jiangsu and Guangdong Provinces separately and used them as bases to spread knowledge of modern farming technology. For example, the missionary G. W. Groff, a graduate of the Pennsylvania University and expert in agriculture, took up a teaching position at Lingnan Agricultural College in 1907. He gave lessons on gardening and agronomy subjects to rural students in primary and middle schools. He also built a cattle demonstration field and an orange cultivation facility. Eventually, agronomy became one of the four subjects to be taught along with literature, science and social science in classrooms. Christians in Guangdong province established a Peasant Association Committee in 1893 which sent orange seeds to peasants living in surrounding areas. Agricultural courses in Jinling College were initially arranged by missionary Joseph Bailie. When the Huai River flooded in 1911, Bailie went to the disaster area to provide calamity relief. He believed that it was not enough to simply send cash or goods to flood victims. In his view, it was far more important to teach them how to reclaim wasteland in order to be able to provide for themselves again. Bailie mobilized local members of the gentry to set up the Righteous Peasants Association in Shanghai, which bought 4000 mu of waste lands around the Nanjing area in 1912 and hired refugees to farm the land using new modern methods. Jinling College received $US 700,000 disaster relief fund from the United States in 1923 for implementing a plan to prevent calamity. They used the money to improve methods for growing wheat and cotton. By 1924, at least 27 missionaries with agricultural expertize had worked in China on projects such as these, including the agricultural expert John H. Reisner, who, after gaining a Masters degree from Cornell University, taught agriculture at Jinling College from 1917 to 1928. Reisner played a major role in shifting the focus of missionary work to the plight of China's rural population. Another missionary, J. W. Decker, criticized churches for putting 80% of their financial efforts into cities that held only 20% of the population. As a result of the efforts of people like Reisner and Decker, more and more churches sent missionaries to work in the countryside on agricultural issues.

In 1926, the agriculture department of Jinling College had 224 students who were funded by 15 different religious organizations from 14 provinces. Between 1924 and 1925, this department held 145 lectures in the provinces of Jiangsu, Zhejiang, Anhui, Henan, Jiangxi and Shandong. 60,000 people, mostly peasants, attended the lectures. The following year Chinese students from the college travelled to 121 different places in the provinces of Hebei, Henan, Jiangsu, Anhui, Hubei, Jiangxi and Zhejiang, where they showed films, set up exhibitions, made speeches and performed operas to approximately 111,200 people, mainly peasants.

The purpose of these activities was to distribute modern agricultural information to peasants; for instance, demonstrating new methods in seed improvement, silk production, pest control and soil fertilization. Some of the topics covered were related to broader rural affairs; for example, explaining to the gentry, businessmen and landlords methods they could utilize to help educate peasants, solve population problems and generally improve rural society. Educational activities like this occurred very frequently between 1926 and 1927. In Pingding County, Hebei province alone, 30 educational events were organized with around 150,000 peasants in total attending. In all, faculty and students from Jinling College visited 10 provinces and provided education and assistance to hundreds of thousands of peasants. They disseminated contemporary knowledge in agricultural technology and facilitated improvements in agricultural production. Peasants who followed their instructions obtained better harvests than their neighbours who did not follow the instructions (Liu 2000). In addition to their educational activities, teachers and students from Jinling College conducted a survey of the rural economy based on 2866 peasant households from 17 locations in 7 different provinces, and compiled the data into a book: *Rural Family Economy Survey in China*. Moreover, staff from this college also investigated land utilization through a survey of 2560 peasant households in 16,786 farms that were located across 168 locations in 22 provinces, leading to the publication of another book: *Land Utilisation in China*. Overall, this college conducted hundreds of rural investigations and built up considerable expertise on issues of rural economic development in China (Xia 2002).

Foreign religious organizations gradually penetrated into a range of fields, including medicine, law, publishing, social work, and agricultural education. One of the most active and important missionary organizations was the Young Men's Christian Association (YMCA) that first appeared in China in 1885. The two principle founders in China, Fletcher S. Brockman and David W. Lyon, were generally well received by local people because of their respect for Chinese culture. They focused their work on youth, established student organizations, conducted cultural recreational activities, and worked on social communication, education, welfare services, prohibition of opium use and social relief. The partner organization of the YMCA, the Young Women's Christian Association (YWCA) was also a very active agency in China. It provided childcare centres and social services for women and, like many other missionary organizations, offered poverty relief for refugees and built shelters for orphans, the disabled and the elderly (Leung and Nann 1996: 21).

The Republican Era

In 1905, Sun Zhongshan (Sun Yatsen) founded an organization known as *Tongmenghui* (the Chinese Revolutionary League) with the objective to "drive off the enemy, recover China, create a republic and equalise land ownership" (Sun 1956: 692). Sun referred to his key political platform as the "three principles of the

people": Minzu, minquan and minsheng. The principle of minzu talks about "government of the people"; the principle of minquan is "the people's power" or "government by the people"): the principle of minsheng sometimes is translated as "the people's welfare/livelihood", "government for the people". They include national self-determination, democracy and guaranteeing people's economic livelihood. In Sun's view, the question of economic livelihood was related primarily to the question of land ownership. Sun's plan was to have the state purchase lands from private owners, become the sole owner of the land, and set the land price and levy taxes by renting the land. This policy would have two important results: first it would allow for a redistribution of land to hitherto landless peasants; and, second, it would provide a secure revenue base for the state.

During the Republican Era, agriculture still dominated the national economy. By 1933 the net value of the rural economy was 18.76 billion yuan, which was 65% of GDP. This value was produced by 250 million peasants who constituted 79% of national labour power (Fairbank 1996). The average value of output per person was 36–38 yuan in 1914–1918 and 38–39 yuan in 1931–1937. The population size was 430 million in 1921 and it increased to 500 million by the 1930s. There was 1.356 billion mu of cultivated land in 1921, and 1.471 billion mu by the 1930s. During the first three decades of the twentieth century, per capita cultivated land decreased from 3.15 to 2.94 mu. The land was divided into small pieces, resulting in irrigation difficulties and, despite the efforts of the agricultural missionaries, very little modern agricultural technology such as seed improvement, chemical fertiliser and pesticides had penetrated much of rural China.

One of the central problems was the great disparity in ownership of land. A land survey of 1.3 million peasant households in 16 provinces in 1934–1935 reported that while on average each household possessed 15.17 mu of land, in fact, 73% of peasant households had 15 mu or less and occupied only 28% of total lands; 5% of peasant households had 50 mu land or more and occupied 34% of total lands. Large landlords rarely ploughed lands themselves; instead, they lent lands to tenant farmers or hired labourers to plough the land. More and more landlords left rural areas to live in cities; by the 1930s about three quarters of landlords had left countryside and moved to the cities. Fifty percent of peasants were involved in some kind of land rental relationship; 30% of peasants were tenant farmers and over 20% were land owners who rented out small pieces of land to others. In 1935, 43.9% of peasant households were in debt.

During the 1940s the government increased the land tax and bought more lands from peasants (Fairbank and Liu 1998). Tax revenues were increased by raising the land tax, levying commercial associations and villages, increasing taxes on land transfers and mortgage deeds, or adding new type of taxes. Land tax and surtax were the major tax burdens on peasants. Households were taxed on the basis of the amount of land they owned or farmed. Thus, households earning a larger percentage of non-farming income paid less tax than households depending upon farm income alone (Myers 1970: 264–266). Raising taxes resulted in increased production, but peasants' incomes did not increase (Fairbank and Liu 1998). According to Chen Hanseng's investigation, in the early 1930s the number of

peasants with little or no land increased and Chinese agriculture was polarized as more peasants lost land that was seized by a powerful class of landlords (Myers 1970: 15).

In 1924 Sun Zhongshan declared that "the primary problem with the *minsheng* (livelihood) principle is the food problem" (Myers 1970). He believed that a large portion of income was taken from the peasants in rents, high interest charges, taxes and unfair terms of price exchange, so that peasants were left with little surplus to improve or expand farming, or for raising their own living standards. Landlords, merchants, small industrialists, usurers and officials made up a social class of the wealthy and powerful in rural China. They were well protected by the legal system and used their power to accumulate more land and exploit peasants in a variety of ways. Land ownership was polarized and most agricultural profits went to large landholders rather than to the peasants who did the actual work. Peasants received a smaller and smaller share of profits and therefore reinvested less into improving agricultural production. Agricultural technology and farming methods remained largely frozen in time and the peasantry progressively became poorer (Myers 1970: 14–15). Although events such as famine, war and banditry accounted for some loss of land, it was mainly the exploitive behaviour of landlords that was responsible for the poverty of peasants and loss of their land. Landlords were not all the same and many of them did not live physically close to their lands; often urban-based merchants, small industrialists, or officials also had sizable rural landholdings. In most areas village administration was "simply permeated by the omnipotent influence of the landlord" and the tax, police, judicial and educational systems were created to serve the interests of this class. Landlords squeezed taxes, rents and high interest charges from peasants, leaving them with little surplus as a cushion against adverse seasons or banditry (Myers 1970: 16).

In 1925, the government had a budget deficit of 1.6 billion yuan; by 1928 it had increased to 2.2 billion yuan. Under these circumstances, government fiscal income was used mainly to pay interest and serve the deficit, and financial reserves were rapidly exhausted. During this period, the industrial sector in China was still quite small, the import of foreign goods threatened the national economy that was already weak, and government corruption was wide spread. Large sums of money were spent by the nationalist government on a war to annihilate the CPC. In the state budget of 1929–1930, for instance military expenditure consumed 92% of total funds, while education accounted for only 1.5% (Huangli 1995: 215).

An important development in this era was the emergence of a modern legal system, especially the appearance of legislation that impacted upon aspects of social welfare. The first such legislation, the *Regulations for the Prevention of Infectious Diseases,* was issued by the national government in 1916, followed in 1929 by the *Factory Law* (amended 1942); the *Factory Supervision Law* in 1931; and the *Trade Union Law* of 1933 (amended 1943). These laws regulated the limitation of working hours, which could not exceed ten hours, and also regulated the minimum age of workers, rest time and so on. These regulations mainly targeted the urban population as the first group of modern legislations. However, they also affected peasants who lost lands and went to cities to work. Another piece of legislation that

was important to developments in social welfare was *the Civil Code* issued in 1929. Until 1911, China only had criminal law and constitutions but never had a civil code. The first Civil Code was issued in 1911 by the Qing dynasty and was known as the *Daqing Minlu Caoan* (The Draft Civil Law of the Qing Dynasty). However, the Qing dynasty was overthrown before this code was issued. When the GMD published their Civil Code it was the first time in China's history that the rights of ordinary people, and how they should be protected, were specified (Wu 2002). For instance, in relation to the protection of women and children, the Civil Code prohibited buying, selling, killing and maltreating women and children; it outlawed forced marriage, and declared that women should enjoy the same equal rights as other citizens. Although these laws and regulations were not fully implemented, there was now a new discourse on rights and responsibilities that at least in theory implied a new form of relationship between the state and its people (Huangli 1995: 215). Of more practical relevance to rural China, the *County Organization Act* issued in 1929, stipulated that any group consisting of a minimum of 100 families could constitute a "administrative village", and more than 100 families with a market town was to be called a *zhen*, namely, a town (Gamble 1963: 14). According to this act, the average number of households per village would range from 80 to 150. On the financial side, a series of laws on rural cooperatives were promulgated in the early 1930s, leading to the rapid development of a rural credit cooperative network that made funds for rural development more readily available (Niu 2003).

In the area of national health care, the state provided a very limited range of services for ordinary people. There were only three nationally funded hospitals, located in Chongqing, Guiyang and Lanzhou in 1944. Another 123 hospitals were funded at the provincial level as well as 38 public health agencies, which offered some medical services. At a more basic level, each county had a health centre that held 20–40 beds (Huangli 1995: 215). The state health system was clearly inadequate as it provided far less hospital beds than those operated by missionary organizations. It was partly as a result of this realization that the state began to move slowly towards establishing a national healthcare system during this period.

In 1933, the *Shenbao Year Book*[1] published data on the numbers of welfare institutions across the country. According to its statistics there were 188 poverty relief institutions, of which 49 were managed by the government, 66 were publicly managed and 73 were privately owned (Meng and Wang 1986: 289–290). In order to raise more funding for public welfare, public works and disaster relief, central and provincial governments began using lottery games. After 1918 lotteries of various types: *Shanhou* (disaster relief), *Jishi* (assistance) and *Cishan* (charity), were issued by provincial governments. In 1933 the central government issued a lottery to fund communications development, followed by the "Yellow River" lottery designed to raise funds for water control measures. Subsequently, when the Yellow River flooded, tens of thousands of peasants were drowned and several hundreds of thousands lost homes. To collect funds and provide relief for victims of

[1] *Shenbao,* Year book of the newspaper in Shanghai.

the flood, the government of Hebei Province in Tianjin issued the "Yellow River Relief Lottery". This lottery issued 200,000 tickets and the winning numbers were drawn in Zhongshan Park in Beijing. From the above description, it is quite clear that despite some developments in state provision of social welfare, efforts remained largely piecemeal, uncoordinated and very limited. As in the dynastic past, the Nationalist Government largely relied upon organizations at the local level of society, especially in rural China, to undertake the day-to-day tasks of welfare provision.

Self-managed Rural Organizations

Rural Credit Cooperatives: 1920s–1930s

The first rural credit cooperative was created in 1923 by the General Association of Huayang Yizhen Relief (the International Famine Relief Commission of China) in Xianghe County, Hebei Province. When five northern provinces experienced severe drought in 1920, Liang Shiyi and Wang Daxie unified 14 organizations to form the General Association for Disaster Relief of Northern China which operated in liaison with the United International Disaster Relief Association organized by six foreign embassies in China (including the United States and Belgium). In 1922, when northern China encountered natural disasters again, a relief fund of 2–3 million yuan was collected.[2] Since this fund would not have much impact if it was distributed across all the provinces affected, the General Association for Disaster Relief in Beijing called for a meeting of all the provincial branches. The meeting concluded that it was more important to prevent disasters than provide disaster relief, and the first relief effort was to help peasants to be self-reliant. Yu Shude, author of *The Theory of Credit Cooperatives*, was chosen to be the director. The meeting reached a decision to experiment with the German model in Xianghe County. As a result of the meeting, the first rural credit cooperative was born in Xianghe County in June, 1923. It was the first non-governmental organization that aimed to assist the rehabilitation of the agricultural economy in rural areas. It was a self-managed, well organized, and well-planned credit cooperative operating on the basic principal of local mutual assistance (Niu 2003).

Prior to Xianghe's experimentation, Xue Xianzhou created the National Saving Bank of Shanghai that was also based on cooperative principles, but at that stage the credit cooperative was not put into practice in rural areas. After the Xianghe experiment, many peasants witnessed the benefit of the rural credit cooperative and wanted to develop the concept more widely. Guanjiazuo Village of Tang County, Wu Village of Ding County and Lou Village of Laishui County in Hebei province

[2] *Yuan*: Chinese silver dollars. For the year of 1933, the exchange rate between Chinese and American currency averaged 3.84 Chinese yuan for one American dollar. Gamble, 1963: X.

all established rural credit cooperatives. The rural credit cooperative in Lou Village of Laishui County was located in the north-western outskirts of Beijing. A local peasant, Li Tinglan, organized this credit cooperative that reached a total of 160 peasant participants. A year later this organization grew into six subgroups. According to the 24-item regulations of this credit cooperative, once a year it evaluated the assets of every participating family and classified its members into five levels. Based on the evaluation, the cooperative granted loans for the following items: (1), seeds, foods, livestock feed and ploughs; (2), carts, livestock, farm implements, repairing and building homes; (3), repaying loans; (4), arranging marriages and funerals; (5), building channels and drainage ditches and other irrigation facilities; (6), helping business, cloth making and so on (Niu 2003).

By the end of 1932, ten years after the inception of the credit cooperative, the organization had accumulated a total fund of 80,000 yuan and had a very high utilization rate. The total amount of loans given in Hebei Province was more than 360,000 yuan. There were no disputes or lawsuits over the loans and only several hundred yuan was not repaid. The Shanghai Bank, Bank of China and Jincheng Bank loaned 80,000, 30,000 and 50,000 yuan, respectively, over a period of ten years, allowing urban capital to flow into rural areas. The cooperative system also helped peasants to build their own funds through the interest they earned loaning out their excess capital. This type of credit cooperative was supported by the national government, leading to a draft national plan for cooperatives and later the promulgation of rules and laws for the rural cooperative system in 1930s. Rural credit cooperatives spread over northern China and then extended to the region of Yangzi River. Xianghe rural credit cooperative, which had set an example for the regulation, operation and management of such organizations, remained in existence until 1937 when the Japanese invasion of northern China began (Niu 2003).

The Peasant Association

In 1890, Sun Zhongshan proposed to set up a Peasant Association in China. Six years later in the *Gongche Shangshu*,[3] Kang Youwei suggested that the government learn from France in establishing a Peasant Association. In the same year the industrialist, Zhang Qian, published his "*Opinion on Peasants Association*" (*Nonghui Yi*) and, in the following year, "*Advocating a Peasant Association*" (*Qingxing Nonghui Zou*). In these texts he explained in detail how to create the Peasant Association, how it could be funded, its organizational procedures, functions and effects. Like many of his generation, Zhang was interested in promoting the Peasant Association in order to further agricultural development through the dissemination of information and the expansion of a market-led economic system, and as a way for challenging the traditional feudal forms or rural economic relations

[3]A written statement that was submitted for the court exam.

(Yu 2003). Under the influence and pressure of capitalists like Zhang, the emperor Guangxu issued an edict in 1898 asking each province, *zhou*, and county to establish schools, peasant associations and peasant newspapers. In 1907 the Qing court's Bureau of Agriculture, Industry and Business drafted a set of *Concise Regulations of Peasant Association*, and by 1911, there were 19 general peasant associations with 276 branches.

In 1912, the new republican government published *Temporary Regulations on Peasant Associations* that required every county to establish the peasant Association. Most counties in China had established peasant associations by 1913. As described in the regulations, the main tasks of the peasant association were to spread agricultural knowledge, guide peasants to improve farming and assist them with disaster relief. Generally speaking, the peasant associations did not get involved in politics but concentrated instead on developing the rural economy. For instance, in Xiangjiang County, Hunan Province, only four kinds of people could join the local Peasant Association; people who had agricultural knowledge; had farming experience; owned cultivated land or forest, worked in agriculture or in agricultural sideline occupations. In practice the people who established and managed the peasant associations were mainly landlords and members of the rural gentry (Yu 2001: 150) rather than actual rural labourers.

After its establishment in 1921, the CPC began to infiltrate the peasant associations in order to recruit rural labourers (peasants) to the revolutionary cause. With growing CPC involvement, the peasant unions increasingly became a political alliance of poor peasants. In the years 1921–1927, the peasant associations were rapidly expanded and mobilized into a political force in order to launch a rural revolution under the leadership of the CPC. Mao Zedong, who was instrumental in promoting the CPC involvement in rural politics, said that the main targets of the peasant associations were local tyrants, lawless landlords, the patriarchal idea and hierarchy, corrupt officials in cities and degenerative social customs in countryside[4] (Mao 1991). The Central Committee of CPC announced that the peasant associations were not a professional organization but a political alliance. In response to this calling, the peasant associations initiated action to take over administrative and judiciary power, to build peasant armies and overthrow local clan and gentry power. Many peasant associations acted according to a popular slogan of the time: "All power belongs to the Peasant Associations" In Hunan Province, 56 counties established the peasant associations by 1926 with a total of over one million members. Of the membership, 8.15% were land-holding peasants, 13.82% were semi land-holding peasants, 39.31% were tenant farmers, 26.42% were hired farmhands, 7.44% were handicraftsman, 2.21% were small traders and 2.15% were primary schools teachers and others (Yu 2001: 152).

Throughout the 1930s there was a struggle between the CPC and GMD authorities over control of the peasant associations. The Nationalist government issued *Regulations for Peasant Associations* in 1930 in an attempt to wrest back

[4]Selected Works of Mao, Zedong, Vol. 1.

control and limit the political scope of these rural organizations. The main purposes of the regulations were to enhance moral standards, promote technical skills, increase productivity and improve living standards. Politically, it was intended to assist the government in realizing its land policy, as well as help to lessen the influence of the CPC and promote local self-governance. An intended higher purpose was to enhance national consciousness and self-defence capabilities.

By 1938, in the government-controlled areas, there were two provincial peasant associations, four metropolitan peasant associations, 715 county peasant associations, 3391 district peasant associations and 28,064 peasant associations in towns and villages. Altogether there were close to 35 million members. For example, in Hunan province there were 55 county peasant associations, 393 district peasant associations and 2533 town and village peasant associations. They included a total of 468,639 members that constituted 13.94% of members in the whole country (Han 2003). The GMD had, by this stage, completely re-organized peasant organizations according to the principles mentioned above. In fact, the peasant associations in the GMD controlled areas were largely organizations controlled by the upper classes of rural society and were mainly conceived of as a tool for competing with the CPC over the leadership of the peasants (Yu 2001: 204).

Movements of Rural Practice from Intellectual

Many Chinese intellectuals adopted Western ideas as part of the solution to solving China's social problems. Scholars like Liang Qichao and Hu, Shi put great effort into the study of western cultures and introducing what they perceived as relevant ideas to China. Other scholars were disturbed by the social turbulence that they saw as deriving from the adoption of Western methods and, therefore, began to look for indigenous solutions to the social and economic problems. The following is a discussion on the ways in which two major intellectual figures interpreted the impact of capitalism and social change on China's rural society and how they sought to find solutions within China's own traditions of rural society.

Liang Shuming (1893–1988)

Liang Shuming, China's pre-eminent philosopher of the modern period, pointed out several ways in which contemporary development was detrimental to rural China. The first was the political threat created by factors such as war, bandits, excessive taxes and corvee labour; the second was the economic threat to China posed by foreign invasions and the influx of foreign products; the third was the cultural threat embodied in the abandonment of traditional etiquette and custom. Liang believed that a vital new China would be born from the root of old China—that is, from the countryside. In his book *Eastern and Western Cultures and Philosophies*, Liang

compared the three philosophical/cultural systems of India, the West and China. He concluded that Indian philosophy held the highest value for its ultimate goals but had few practical implications, while Western philosophy was important but declining. From Liang's perspective, Western culture focused on animal-like human desires for food, shelter and sex; and that all aspects of Western culture—the faith in technology, science, democracy and the power of conquering nature—were built upon this basis. By contrast, Chinese philosophy and culture tended towards harmonizing the relationship between nature and humans and sought to establish and maintain a balance between human desires and the environment. This culture pursues self-perceived satisfactions and intrinsic happiness. In Liang's view, utilizing these principles, China must find a new way within its own traditions. He insisted on his idea of establishing human subsistence foundation in the countryside because 90% of the Chinese population lived in rural areas. He believed that urban life was under the influence of Western culture and China's cultural spirit could survive only in rural areas. In his view, the rebirth of China would have to come from the salvation of the countryside. China needed reform but this reform must start from its grass roots—the countryside (Xia 2003).

Liang considered Confucianism to be not merely a theory, but rather a way of life. Following the example of Confucius, Liang attempted to put into practice his theory of rural construction (*xiangcun jianshe)*. The core in his concept of rural construction was the mass education of China's peasantry. Liang believed that peasants were the mainstream of Chinese society and should be provided with elementary rather than advanced education. The purposes of education were to "awaken peasants" consciousness and promote their pursuit of social welfare. To facilitate this movement, in 1920 Liang quit his job in Peking University and went to Guangdong province to build a rural school in a *xiang*. In 1929, he went to Henan Province to build another self-managed village school. In 1931 he built the Institute of Rural Construction of Shandong Province in Zouping County. By doing so, he attempted to realize his ideal that "the countryside builds the country". His institution had three departments: rural construction for studying theory and policy, designing and planing; technical training for a batch of practical senior talents for civilians education and rural development; and experimental development for pilot sites. Liang supported the rural credit cooperative movement and agricultural development in general. His ideal seemed to be to establish a kind of rural socialism influenced by China's own ethical traditions on the relationship between humans and nature.

Yan Yangchu (James Y. C. Yan, 1890–1990)

Yan Yangchu was a western-educated scholar who graduated from Yale (B.A., 1918) and Princeton (M.A., 1920) universities in the United States. He returned to China in 1920 and conducted investigations in 19 provinces over a year. In 1922 he started a campaign to promote mass education in areas around Changsha, Yantai

and Jiaxing, located respectively in central, eastern and northern China. As a result of these activities Yan helped establish the Association of Promoting Mass Education in Beijing in 1923. Through this organization, he became interested in a rural mass education movement that was being carried out in twenty counties in the Baoding area of Hebei Province. After a visit to Baoding, Yan concluded that the rural culture was in fact the essence of Chinese culture and could be utilized to lay a foundation for the future. Thus, he moved his campaign for mass education from the city to the countryside. After two years of working in Jiangzhao, Qinghe and Zhaicheng villages within Baoding district, in 1926 he chose Ding County of Hebei Province as a place to practice and study (Han 2003).

Yan's view was that people were the basis of the country and the country would be stable only if its basis was firm. He emphasized that peasants should be the main targets for education and carried out rural mass education over three decades (1920s–1940s) in rural China, focusing on literacy, means of livelihood education, hygiene, citizen education, and elimination of illiteracy, poverty, weakness and selfishness. Yan brought his family, his American wife and 3 children, to live in Ding County of Hebei Province. Following his example, hundreds of highly educated intellectuals also left cities to live in rural areas with peasants. They provided education through the school, society and family and aimed to eliminate what they referred to as the four diseases of the old society: illiteracy, poverty, weakness and selfishness.

Yan had a plan to transform rural society in three steps: literary education, rural construction and county management. Mass education was an essential part of his work, but rural construction (*xiangcun jianshe*) was his ultimate goal (Song: 1990, Vol. 296). According to his analysis, rural construction involved four components: cultural development, economic development, health care and political construction. At the time of Yan's investigation, there were no hospitals or medical supplies in 220 villages in Ding County. Most villages had access only to traditional Chinese medicine, costing an average of 1.5 yuan per household annually. A village was able to provide only 50 yuan for medical expenditure per year. Believing that prevention was more important than treatment, Yan utilized exhibitions, lectures and films to educate peasants in aspects of public health, including how to improve water quality, install lids on wells, designate areas for drinking water and carry out sterilization procedures (Wu 2001).

Yan created a health centre in each district and trained health workers. He chose a male and a female graduate in each village from the school to be trained as nurses. Nurses vaccinated villagers, trained midwives and disseminated knowledge about maternity and child hygiene. Moreover, they went to peasants' homes to campaign for family planning. This rural health network was similar to the bare-foot doctor system that emerged in rural China during the 1970s. Yan was one of the co-founders of the Committee of the Sino-American Association for Rural Resuscitation in China at the end of the 1940s and carried out a plan to continuously improve the rural health system in Ding County. Yan experimented on ways to operate rural public health systems to best serve rural China. He also extended his practice to Hunan, Jiangxi and Sichuan provinces after the Second World War

(Yan 2003). Yan received $US 2.900 million funding from the United States and around 5 million Chinese people received education through his rural network. Yan considered the county not only as an administrative unit but also a unit of social life. He believed that successful experiences with the mass education and rural development in one county could be communicated to other counties, provinces and the whole country, so that China could be entirely reformed.

Liang and Yan shared a similar belief in the guiding philosophy of Confucianism. They had very similar motivations in striving to improve the well-being of the rural population in order to save China itself from moral and political disintegration. They adopted similar practices, including mass education and rural construction. The key difference between the two is that Liang's achievement lies in developing a theoretical formulation of the rural construction based on philosophical traditions, while Yan produced a much more practical system for implementing local rural construction. Where Liang was a great thinker and theorist, Yan set an example through his own practice.

The Rural Land Revolution of the Communist Party

Liang and Yan based their attempts to revive rural society on an intellectual and philosophical return to China's traditional rural roots. In contrast, the movement for rural regeneration led by Mao Zedong was founded on a revolutionary rejection of the past unfair system. The rural revolution under Mao's leadership set out to utterly transform the rural land system that had existed in China for thousands of years.

In the period 1924–1937, landlords constituted 3.11% of the rural population but possessed 41.47% of the land. The rich peasants constituted 6.38% of the rural population and owned 19.09% of the land; the middle peasants constituted 24.02% of the rural population and owned 25.87% of the land. Nonetheless, 61.4% of the rural population were poor peasants who held only 20.77% of lands (Gao 2002). In order to survive, peasants had to rent land from landlords and surrender most of their income as rent or land taxes. They had to endure cruel exploitation sustained and protected by the feudal land system.

Between 1927 and 1949 the CPC promoted what Mao termed a "New Democratic Revolution", which essentially was a peasant revolution. The origins of the peasant revolution lay in the problem of rural land. When the CPC was established in 1921, it did not initially recognize the importance of peasant concerns. According to Marxist orthodoxy, the urban working class was the most exploited class and the mainstay of the revolution. Mao realized that China was a special case because 80% of Chinese people were peasants and the urban working class was relatively small. During his early work for the CPC, Mao walked 450 km over a month to investigate rural situations in five counties in Hunan province. From this research and from his own rural background, he was able to gain a good understanding of the miseries of peasant life. In 1922 the CPC conference raised the peasant issue and this issue became more prominent in 1923. The CPC passed the

first resolution that proposed to protect peasant interests. Mao reported the findings of his investigation: 6% of landlords and rich farmers possessed 80% of the farmland, while 80% of poor peasants owned only 20% of the farmland[5] (Mao 1991). Mao believed that the land ownership system was unreasonable; therefore, he initiated a peasant movement in 1925.

In Hunan province, peasants led by the peasant unions conducted a series of political and economic activities. First, they set up a parity price for grains. Up until then the landlords had controlled a large amount of grain and monopolized the grain markets. They transferred grains to other places to create a grain shortage at the local market in order to push up the price. The peasant associations organized peasants to fight against landlords' transportation of grain and forced them to sell grain at a parity price. Second, they sought to reduce other financial burdens on peasants: the first Peasant Congress of Hunan Province passed the *Resolutions on Land Tax* and the *Resolution on Abolishing Usury* which sought to reduce the land tax from 50–80% to 5–30% of income. Third, the peasant associations re-measured the land, equalized rights for renting the land, and helped landless tenants get farmland. Taxes were estimated according to the amount and quality of land holdings and unfair taxes from the past were exempted. Fourth, the peasant associations confiscated lands that belonged to temples and ancestral halls and gave them to peasants. Fifth, they established various peasants' economic organizations, for instance a rural loan facility, a consumer's cooperative and public markets. Finally, peasants punished landlords and requested them to provide foods to peasants. This activity was called "the masses seizing and eating of food in the homes of landlords". On one occasion, thousands of peasants ate in a wealthy landlords' home for several days (Yu 2002: 166–167).

Based on his in-depth investigations, Mao wrote his famous "Report on the Peasant Movement in Hunan" in 1927. Between 1927 and 1937 the CPC initiated and led a land revolution. First, in the Jiangxi Soviet area of the Jinggangshan Mountains, the CPC issued a *Jinggangshan Land Law* in 1928, which initiated the land legislation in the era of the New Democratic Revolution. Later, the *Xingguo*[6] *Land Law* was issued in 1929. The two laws made it legitimate to confiscate landlords' lands. In 1930 the CPC established two principals for land dealing which granted peasants' private ownership of land and permission for trading lands. In 1931 the *Chinese Soviet Land Law* was issued with a CPC-run campaign to reduce rent and interest paid by peasants. In the 1940s the CPC published the instruction about the land use, aiming to abolish the system of feudal exploitation and achieve the goal that the land would be ploughed by its owners. This instruction granted peasants not only the right of usage but also the ownership of the land. The CPC issued the *Outline of China Land Law* in 1947, which proposed to abolish the feudal land system and expropriate the holdings of all landlords. The land was to be distributed equally across age and gender in each

[5]See footnote 4.

[6]The name of a county.

village so that all villagers would have an equal opportunity to possess the land and an equal basis of livelihood.

Under Mao's leadership, the CPC carried out a radical land revolution. Mao applied the theory of social classes to the land issue, aiming to completely eradicate the feudal land system and grant the land to millions of peasants. His radical approach achieved the goal that many people with high ideals had tried many times but failed to accomplish. In other words, he led the destruction of the root cause behind the land problem and the primary source of peasant misery. The revolution resulted in the radical redistribution of rural land to peasants, the first step in a revolutionary process that Mao believed would completely liberate China's peasants from economic oppression. In Marxist terms it was an orthodox economic solution to the broader problems of rural social welfare.

Conclusions

Developments in rural welfare during the republican period were diverse, disjointed and often contradictory. In the second half of the nineteenth century through the rapid spread of missionary activity, modern Western conceptions of welfare appeared in China. Missionary organizations established the first modern welfare institutions in China and in many areas contributed far more to local welfare and disaster relief than did China's government authorities. The founder of the Republic of China, Sun Zhongshan put forward "three principles of the people" and paid attention people's livelihood. The government of the Republic did promulgate legislation relating to several areas of social welfare, including the first Chinese documents to recognize and define the civil rights of citizens. These initiatives for the first time brought legislative management to the welfare system at a state-wide level. At the same time the agency of intellectuals looking for solutions to social problems, and several influential Chinese intellectuals took part in the rural construction and engaged in rural reform in the belief that grass roots rural movements, based on a return to traditional philosophical and ethical ideas could transform and renew China and its cultural integrity. The CPC under Mao led peasants to carry out a revolution that overthrew the landlord class and abolished the thousand-year long feudal land system. Through this revolution, not only was the land problem solved but the root cause of rural inequality and social misery was also destroyed.

Part III
Socialist Welfare System Under a Planned Economy (1949–1979)

Chapter 6
The Social Foundation of Welfare: Socialist Reformation and Construction

After 1949 the new CPC-led government began a large-scale reorganization of Chinese society in preparation for the transition to socialism. As part of the social reorganization they began to establish a welfare system designed to meet the basic needs of the population. Although the main focus of socialist construction was urban industrialization, but considering the size of the rural population, the CPC undertook the most significant social reforms in the countryside. In this chapter I state the creation of the socialist welfare system, the various stages of rural transformation toward socialism, during the Maoist period and discuss the impact of each stage on the development of social welfare.

Social Planning—Socialist Development in Rural Area

Stage One: Land Reform (1949–1952)

The CPC embarked on a national policy of land redistribution after 1949 when People's Republic of China established. This policy had already been implemented in some areas controlled by the CPC before 1949, but was extended to cover the whole country with the promulgation of the Agriculture Reform Law of June 1950 (Waller 1976: 144). Mao pointed out that 70% of peasants in the rural population were poor peasants in 1949 because of exploitation under the triple yoke of imperialism, feudalism and bureaucratic capitalism (Mao 1991, Vol. 4: 1316[1]). In 1933 Mao published his article, *How to Analyse Rural classes* (Mao 1991: 127–129). American scholar Craig Dietrich states the classification of classes in his book, *People's China*, "The criteria for classifying the rural population into landlords, rich peasants, middle peasants and poor peasants was an important feature of *Agrarian Law* in 1947. The agrarian population was classified into five categories.

[1]A speech in the meeting of Jin Sui Leaders.

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(1) landlords: these who possessed large land properties and who did no manual work themselves but lived on usury and the exploitation of others; (2) rich peasants: those who owned land but worked it themselves while also hiring farm hands, lending money, and renting part of the land to poor peasants; (3) middle peasants: those who owned land but worked it themselves without exploiting others; (4) poor peasants: those who owned little land or farm implements and who had to sell part of their land to make ends meet, or who had to rent land from others; and (5) hired hands: those who owned no land and had to live on labour or loans" (Dietrich 1994: 15). Based on this system of classification, in 1936, 60% of peasant households were classified as "poor and low middle peasants"—together they possessed only 18% of total lands. The so-called "middle peasants" constituted about one-third of households and owned one-third of lands. On the top of rural society, the "rich peasants" and landlords accounted for 10% of all households and held the title of nearly half of all farmlands. Clearly, there was a great economic gulf that separated the mass of have-nots from the small minority of haves (Dietrich 1994: 15). According to investigations conducted by Chen and Wakeman in northern China, landlords and rich peasants were 13% of the peasant population and possessed 40% of the land; poor peasants constituted 52% of the peasant population but only owned 27% of the land. In southern China the situation was worse: landlords made up 3% of the peasant population but possessed 47% of total lands, rich peasants were 6% and had 17% of lands; 71% of peasants were poor and occupied only 16% of lands (Chen 1945: 22; Wakeman 1975: 15). Although the numbers varied to some extent between different regions of China, the basic point was very clear: land distribution was extremely unequal in rural society.

From 1949 to 1952, the CPC launched a large-scale land reform programme in the countryside. The basic tenets of land reform were to "rely on poor peasants, rally middle peasants, wipe out the feudal system of exploitation step by step, and gradually promote agricultural production".[2] The state first expropriated lands from landlords and rich peasants and then allotted the lands to poor peasants in order to reach the goal of "land to the tiller". About 46.6 million hectares of land were distributed among 300 million landless poor peasants, each receiving an average of 0.15 ha (Aziz 1978: 10).[3] By December 1952 the agrarian revolution had been completed and some 700 million mu of lands had been redistributed to 300 million peasants. On average, in eastern and southern China, where the population was concentrated, each person received one mu of land; in central China, two to three mu; in northern China, three mu, in north-eastern China, seven mu. On the whole, the land reform favoured the poor peasants and the hired hands at the expense of the landlords and the rich peasants, while the middle peasants were affected least of all (Hsu 2000: 653).

[2]*The Law of the Land Reform of PRC*, in People's Daily, 30.06.1950.

[3]Equal to 2.25 mu.

Stage Two: Transition to Socialism (1952–1957)

Land reform was, of course, merely the first stage of a much grander plan to collectivize and socialize rural production. As early as 1951 the CPC Central Committee passed a *Resolution Regarding Mutual Aid and Cooperatives for Agricultural Production* (The Central Committee of the CPC 1982). Although not implemented immediately, by 1953, with the announcement of the beginning of the 'transition to socialism' and the launch of the First Five-Year Plan for socialist construction, the government decided that it was time to move towards the collectivization of agricultural production. The transition from a 'petty peasant economy' towards collectivized agricultural production went through four phases in 6 years: 1952–1957.

A. Mutual aid teams (*huzhuzu*)

Land reform amongst mutual aid teams did not result in any significant increase in production. Some peasants had relatively large plots of land but not enough animals or farm implements; others had more animals than they could use on their own plots of land. Moreover, land reform alone could not prevent the reoccurrence of land reconcentration or polarization. The government began to encourage peasants to pool lands together and share farming resources through what came to be known as "the cooperatives movement".[4] By grouping six, eight or ten households into mutual aid teams, peasants could pool, their labour, animals and farm implements, while retaining individual ownership of the land. By the end of 1952, 40% of China's rural households had organized themselves into 8 million 'permanent' and seasonal mutual aid teams.

B. Elementary co-operatives (*Chujishe*)

The second phase of collectivization, which entailed the establishment of elementary agricultural producers' co-operatives, said to be 'semi-socialist' in nature, was initiated in 1953.[5] While the mutual aid teams helped increase productivity, they could not cope with large-scale problems like natural disasters, nor undertake large projects, purchase agricultural machinery or develop more advanced

[4]At the beginning of the establishment of the PRC, the Chinese People's Political Consultative Conference laid down the Common Program, which stipulated that the people's government should lead peasants to organize different kinds of labour mutual help and production cooperatives according to a principle of voluntary and mutual benefits. The State Council called to enhance the leadership of cooperatives in 1951; and in December, 1951, the Central Committee of CPC issued "A decision about Mutual Cooperatives in Agricultural Production (Draft)". This document argued that in order to overcome peasant shortages of food and clothing, it was necessary to rapidly develop production. It was hoped this would lead, on one hand, to increased revenue for the state and, on the other hand, to an increase in peasants' purchasing power as well as the spread of mechanized production in rural areas. (Document Studies of Central Committee of CPC, 1992: 513).

[5]*The Decision on Development of Rural Production Cooperatives* was issued in 1953.

techniques. In producers' cooperatives, lands were to be pooled and farmed collectively. On average there were around 20 households in each chujishe. The reason the elementary cooperatives were still considered to be only "semi-socialist" was that they continued to recognize the system of individual property rights: when income was distributed, it was done on the basis of the landholdings of each household.[6] Membership in the cooperatives was voluntary, and it was possible for members to terminate their membership and withdraw their lands.

The elementary co-operatives kept the issues of land and labour separate and were organized according to shareholding principles. Thus, it was also called a "land cooperative". Peasants' land, tools and farm animals were private property before joining the cooperative. After lands were merged into the cooperative, animals and tools remained privately held but were shared in use. The cooperative either paid a rental fee or converted the resources into money. Members of the cooperative joined production and recorded work points according to an evaluation of the labour involved in each job. At the end of year, after paying agricultural tax and public accumulation funds, subtracting the costs of production and rental fees for animals and tools, income was calculated and distributed to each member of the cooperative. Income distribution was based on a formula which took account of members' land and labour contributions: 30–40% was based on land contribution, and 60–70% on labour contribution (the weighting varied between cooperatives). The ownership of land was still private but management of land was undertaken by the cooperative. The cooperative became responsible for managing crop planting, allocating labour and the use of farms implements, overseeing production and distributing income at the end of the year. In this sense, the elementary cooperative was not only an economic organization, but was also an administrative unit (Yu 2001: 242). By 1955 about one-third of peasant households had joined in 633,000 elementary producers' cooperatives (Aziz 1978: 12). As a result, the basic production unit of the countryside moved from mutual aid teams to elementary producers' cooperatives, even as the private ownership of land remained intact.

C. Advanced cooperatives (*gaojishe*)

The next phase in collectivization then involved a further transition from elementary to advanced cooperatives. In the advanced cooperative, farm implements except small tools, were to be owned collectively and land ownership was no longer to be a factor in income distribution. In addition, the advanced cooperative was to be an independent accounting unit and would distribute income based on the labour contributed by each member. The cooperative would now be responsible for managing all aspects of finance, machinery and tools, planting, production, and distribution. After deducting production costs, state taxes, contribution to the public accumulation fund and the public welfare fund, income was distributed to members

[6]About 60–70% of the total income was distributed on the basis of the work done by each member of the cooperative, but 30–40% of the income was distributed as dividends or rent for land or other means of production contributed by various members, which constituted the share capital of the cooperative.

of the cooperative. Widows, orphans and childless couples were guaranteed a basic income regardless of their actual labour contribution. A system of 'five guarantees' was established which included a basic provision of food, clothing, medical care, housing and burial expenses.[7] Advanced producers' cooperatives were much larger in size and were formed by combining 10–20 elementary-stage cooperatives.[8] In practice, a typical advanced producers' cooperatives covered a natural village. The scale of a natural village was between 1000 and 3000 people; the area of arable land was about 300–800 ha. They therefore had much larger capital to use in purchasing agricultural machinery, could undertake much larger irrigation and flood control projects, and could even finance small-scale rural industries (Aziz 1978: 12). County governments were directed to provide technical know-how for agricultural production and train personnel for the cooperatives. Assistance was also provided by the government in the planning and construction of local industries.[9] By late 1956, 118 million households belonged to 756,000 cooperatives accounting for 96.3% of all rural households. By the end of 1957 there were almost 800,000 advanced cooperatives encompassing over 97% of rural households; each cooperative with an average of 160 households or 600–700 persons (National Bureau of Statistics 1990: 32).

D. Toward People's Communes (PCs)

By 1956 the transition to socialism was basically complete and a largely socialist rural system had been formed. By the end of September 1958, 740,000 advanced cooperatives had been reconstituted into 26,000 communes (subsequently sub-divided into 74,000 smaller scale communes). Individual households were still permitted to have private plots of land, but the size was reduced from 10 to 5% of the total land area. In practice the 'private plots' were simply back yards or small gardens in which peasants raised pigs, poultry and grew vegetables for family consumption or for sale in village markets as a supplement to income (Aziz 1978: 16).

Stage Three: People's Communes (1958–1983)

In September 1958 the CPC issued the *Resolution on Building People's Communes in the Countryside* (The office of the State Agricultural Committee of the PRC 1981: 7). The CPC considered that advanced cooperative were still too small in size to undertake larger irrigation schemes, to maximize efficiency or for the effective

[7]The concept of the "five guarantees" will be further explained later in this chapter.

[8]In practice, the typical advanced cooperatives covered one natural village—with a population ranging from 1000 to 3000 and a cultivable area ranging from 300 to 800 ha.

[9]In October 1955, the Sixth Plenary of the Seventh Central Committee of the CPC adopted certain important "Decisions on Agricultural Cooperation" and asked different departments and banks to increase their financial assistance to cooperatives for mechanization, irrigation and capital works.

utilization of advanced agricultural technology. According to Mao's understanding of socialism, the ultimate goal was to create a rural production unit that could comprehensively organize and manage all economic, administrative, social and political aspects of rural life. This was achieved by merging the agricultural cooperatives with the lowest level of official state administration, the *xiang*, to form the People's Communes in 1958. The advanced cooperative was considered to be a production unit, but not a unit of administration. The Communes were considered to be a more advanced organizational form, in part because they combined production and administration. Within the Commune were smaller sub-divisions: the production brigade, which corresponded roughly to the scale of the advanced cooperative; and the production team, which was around the size of the elementary cooperatives. The heads of production teams and production brigades were elected by members.

The Transition to Socialism: Mistakes and Achievements

Major Mistakes

A. Economy

From 1958 to the first half of year of 1960, the Great Leap Forward (GLF) appeared in production, which main characteristics were to pursuit high index. The Great Leap Forward (GLF) was underpinned by a highly utopian logic that resulted in unrealistically high targets being set for production in industrial and agricultural output. The plans demanded that grain production in 1958 should be 80% higher than that of 1957, and another 50% higher in the following year. The Great Leap Forward guided by the logic of a highly idealized, which caused to set unrealistic goals for industrial and agricultural productions. In order to achieve these goals, the Great Leap Forward pursuited large-scale production and capital investment. The state invested 100.6 billion yuan for infrastructure construction within 3 years, which was double of that number in the first five-year plan. The rapid development speed is out of reach of the practical ability. The funds for basic construction and other inputs were rapidly expanded, which caused great problems at the lower levels before long China was in the midst of an economic catastrophe.

B. Welfare

The Great Leap Forward impacted rural welfare development. First, the famine occurred in late 1959 and 1960, which was the most devastating one in twentieth century China. State grain procurement in early 1959 revealed that the grain supply situation was unexpectedly bad and food was in serious shortage. By late 1960 famine had spread across the country and causing further economic damage. According to figures released in 1981, agricultural output in 1960 was only 75.5%

that of 1958. The output in 1961 went down another 2.4%. Bad weather and the withdrawal of Soviet technicians in the mid-1960 added to the difficulties.

Second, the disorganization and fabrication of production statistics that followed led directly to serious food shortfalls. The rural basic cadres made false reports of productive output and overloaded collecting grain, but the rural peasants had very few remaining.

Third, The People's Communes were extremely large organizations and attempted to provide a wide range of collectivized social functions: for instance, communal mess halls, kindergartens, bathhouses. The impact of moving so rapidly to this level of collectivization was to overload the economic capability of the communes while at the same time placing unnecessary restrictions on rural ways of life.

The fundamental cause of this mass starvation was natural disasters and the implementation of political policies which were ill thought out and unsuitable to the economic conditions of the time. According to the statistics of government, from 1959 to 1961 the total size of the Chinese population fell by 13.5 million (National Bureau of Statistics 1984: 81). Experts from academic circles estimated that the number of unusual deaths of people was 17.5 million (Jiang, Zhenghua) to 36 million (Yang, Jisheng). The number of 3.66 million was put forword by Sun Jingxian. He stated, during the period of 3 years natural disasters, the most rural population mobiling into cities when urban areas was in a massive downsizing population and residence cancellation, the numbers of households registrations was reduced.

Achievements

Eliminating the unequal land system

To realize socialism in rural China, the most fundamental prerequisite was to have a more equal distribution of land. Once this was achieved, the collectivization of economic and social life then formed the basis for the establishment of a relatively comprehensive system of social welfare. With the move to Peoples Communes, almost all land came under public ownership and most aspect of economic and social life came under collective management. Although the utopian production targets of the Great Leap Forward were in themselves disastrous, under more normal circumstances the commune system operated to equalize rural incomes and provide a range of social welfare benefits including education, healthcare, pensions and so on. Without the collectivization of land and rural management it would have been very unlikely that the state would have had the resources to establish a national rural welfare system.

Enhancing productivity

Under the collective, the innumerable tiny plots of land were formed into much larger collective farms allowing the pooling of labour and other resources in order

to produce more efficient economies of scale and thereby enhance productivity. Western observers generally agreed that China's economic growth in the 1950s was quite impressive. The American economist, Eckstein, estimated that China's GNP rose from 73.8 billion yuan in 1950 to 123.4 billion in 1959, an increase of 70% (Eckstein 1977). On average, the annual growth rate was 4–4.5%, a respectable but not spectacular performance, but in the early years at least, much of the increase was the direct result of increased productivity in agriculture. Hengshan County in Hunan Province, for example achieved significant increases in agricultural output from 1949 to 1953. Rice output rose 17.1% (Yu 2001: 227); food per capita rose from 209 kg in 1949 to 288 kg in 1952 and 306 kg in 1957; cotton production increased from 0.28 to 2.29 kg and to 5 kg during the same timeframe (Liu 2003). In many parts of rural China the collectivization of agriculture lead to very substantial increases in output and the improvement of living standards.

According to Aziz, the main advantages of the People's Communes were: first, their ability to mobilize employed and unemployed labour force for improving the land, building dikes and dams, digging irrigation channels, constructing roads and simply cultivating the land more intensively; secondly, their ability to transform scattered small-scale rural industries, based on local raw materials, into more coordinated and diversified agricultural industries; thirdly, their progress in improving the knowledge and skill of the rural population; fourthly, their ability to achieve a relatively equitable distribution of incomes; fifthly, their contribution to coordinated rural planning; and finally, their role in establishing effective connections with higher political and administrative levels and integrating local rural economies into national level targets, goals and policies. After the initial disasters of the Great Leap Forward years, the Commune, on the whole, became well integrated into the processes of planning at the county, provincial and national levels (1978: 51–61).

Although the People's Communes clearly had some negative impact on rural economic development and welfare, especially as a result of the Great Leap Forward, over the longer term its contributions to the development of rural China must also be acknowledged. As one scholar asks, if the People's Communes had not existed, could rural China have undergone such a rapid process of modernization (Zhang 1998). This powerful organization played a major role in consolidating the overthrow of the traditional rural system and ensuring that the basic livelihoods of the rural population were guaranteed. Today, many Chinese fondly recall collective welfare during the period of the Commune and compare the contemporary, post-commune, reform period very unfavourably with the collectivist past. Many Western scholars, who analysed the socialist rural welfare system in China during the Maoist period, also commented very positively on its achievements. In the following section I will provide a more detailed outline and analysis of the key features of the socialist welfare in rural China during this era.

Accumulating public funding and building basic public infrastructure and welfare facilities

The People's Commune was in charge of rural production, women's affairs, factories, militia, finance, grain, commerce and trade, civil affairs, health care and

education. Labour, including women, was mobilized by the commune leadership to dig irrigation canals, plant trees, reclaim land, and so on. There were 10–20 managers in each commune who planned and organized the various facets of activities mentioned above. To this day, the most significant agricultural infrastructure in many parts of rural China was constructed during the era of the People's Commune. After 1958, the communes built more than 80,000 reservoirs over several years, bringing benefits to peasants in surrounding areas through irrigation, water-farming and the provision of hydroelectricity. A famous example was the Hongqi Canal in Henan province, which was started in 1960 and finished in 1969. Several communes organized hundreds of thousands of farmers to work on this project over 10 years. They levelled 1250 hills, built 152 water transport bridges and 211 tunnels. The central canal was 70.6 km long, and the total length of the subsidiary irrigation canals was 4013.6 km. During winter, the communes engaged in land improvement and reclamation. The model Dazhai production brigade in Shanxi province, for example built terraces on the slopes of its hilly location, developed new farming methods, and transformed a relatively poor farming area into a relatively prosperous one (Aziz 1978: 61).[10]

Improving community organization level, enhancing farmer's capacity of applying technology and elevating their moral tone

The small-scale peasant farming by individual owners was organized into the people's communes with collective characteristics. The collective consciousness was cultivated by participating collective and organizational activities.

[10]Of course, once Dazhai had become a national model, many of its achievements were highly exaggerated for political purposes. Nevertheless, its initial achievements are still worthy of note in the context of rural infrastructure developed under the commune system.

Chapter 7
The Contents of Welfare

Creation of the Socialist Rural Welfare System

The most notable achievement of socialist development in the countryside lay in the creation of a relatively comprehensive welfare system. The PRC inherited three kinds of welfare institutions from the previous regime: first, institutions managed by the national government—based on the statistics from 1951, there were 163 relief houses, for example, in the south-western region that had been controlled by the Nationalist state; second, in the same area, there were over 600 houses of mercy that had been managed by local landlords or warlords in 21 cities; however these were in a chaotic condition; third, there were charities that had been managed by foreigners. In 1953, there were 451 registered foreign-run charities, of which 247 were managed by American organizations, the rest by organizations from Britain, France, Italy and Spain. There were 198 Protestant charities and 208 run by Catholics. Facing this inadequate and extremely piecemeal situation, the new regime began to plan a comprehensive reorganization of rural social welfare provision based on the collectivisation of rural economic and social life discussed above.

Social Assistance

The war, poverty and results of famine had created many social problems in rural China that had to be faced by the new government in 1949. Under these circumstances, the provision of basic social assistance was the first step to be undertaken in this period. It was the first time in Chinese history that the state assumed the responsibility of formulating comprehensive social policies for all of rural China.

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Refugee Policy

One of the most pressing tasks for social assistance provision in this era was the problem of how to deal with large numbers of refugees. The long period of war and upheaval had left many workers unemployed, had turned many peasants into refugees, and had seen a large increase in the numbers of paupers, criminals, beggars, thieves, prostitutes and drug addicts. Within three years, the new government was able to resettle most of these people through a range of interventionist policies (Leung and Nann 1996: 26). 426,000 vagrants and prostitutes were sent to correctional workhouses, where they were put through a regime of reformation and rehabilitation after which they were returned to society and provided with employment. According to incomplete statistics, in 1952 eight of the largest cities including Shanghai, Wuhan and Guangzhou, succeeded in sending 1.2 million rural refugees back to their home villages to join rural production. As part of this process, money and agricultural loans were allotted to assist in the relocations. It was further reported that by 1953 four million drug addicts had ceased using drugs, and 448,000 vagrants including thieves, hooligans, prostitutes and beggars had been successfully re-educated and returned to society (Meng and Wang 1986: 303).

After 1953 some rural residents who were eager to pursue the urban life, or did not like agricultural production, left the countryside and moved to cities to seek jobs. Other peasants fled to cities as a result of natural disasters. Labourers who moved in this way from rural areas into large cities were called "blind floaters" as their actions were now considered to be a threat to the planned economy that was just beginning to emerge. The influx of rural refugees did of course put added pressure on city facilities, since there were already more than five million unemployed urban workers in 1949, or 24% of the entire urban labour force. Additionally, there was an increase of 1 million new labourers each year simply based on population growth. Faced with these issues, the State adopted measures such as sending peasants back home, encouraging them to participate in rural production, or even offering them jobs in the countryside. At the same time, the State supported these strategies with an educational programme aimed at transforming the attitudes of such people.

The CPC-led government also established a system of *Anzhi Nongchang* and *Jiaoyangyuan* (Reformatory Farms and Correctional House) to host them. By the end of 1956 there were 90 Reformatory Farms that employed 26,000 people. Moreover, 700,000 people had been re-settled in new areas (Huangli 1995: 41–42). During the three years of famine following the GLF, a large number of peasants fled into the cities. By 1960 this "blind influx" reached its peak and at least six million rural residents were returned from cities to their home villages (Meng and Wang 1986: 303). In any case, the establishment of the household registration system made it quite difficult for these peasants to survive in the cities. The State carried out this new policy rather strictly and it meant that those who held a "rural" registration were not entitled to receive any welfare benefits, or even basic food rations, in the city they had fled to. The system bound peasants to the land and to their local rural collective. Initially, the household register system was seen as a

way of providing social assistance, but in fact it quickly became a measure of social control. Relying on this system, the state was able to control the number of people who were qualified to receive urban welfare benefits. The policy of collecting and sending back rural migrants to their home villages was only officially abolished in the summer of 2003. By then it was finally deemed unsuitable to the new social and economic environment. However, it had played a big role in the history of the rural–urban relations and the management of national welfare policy.

The Five Guarantees System (FGS)

In 1948, the CPC issued the *Announcement for Reduction of Rent and Interest* in liberated areas that included the specific objective of reducing the financial burden for those people who were short of labour, like widowers, widows, orphans and the elderly who had no children. The first constitution of the PRC was published in 1954 and stipulated: "When labourers reach old age, become sick, or lose their ability to work, they have the right to receive material assistance". The Ministry of Internal Affairs issued a directive in 1951 asking that local village organizations take special care of, and provide assistance to, the elderly and the weak during the period of spring famine. In 1953, the Ministry of Internal Affairs announced that aged people without families and orphans should be seen as priority households for state welfare assistance (Duoji 1996: 195). This regulation ruled in the areas where main foods were rice, wheat and millet to grant 10 liang per head per day; in the areas where main foods were corn and sorghum, per head received 12 liang daily.

In order to further consolidate rural welfare, the state formally established a basic safety net known as the Five Guarantees System (FGS), which came into being around the same time as the formation of the PCs. In 1956, the *Regulation on Developing Advanced Production Cooperatives*, stipulated that for those members whose labour power was weak, or who had completely lost the ability to work, including the aged, the frail, the disabled, orphans who lived alone and those without living support, the cooperative should care for them and provide a guarantee for their food, clothing, heating, education of the young and funeral expenses for the elderly. In 1960, the Second National People's Congress (NPC) formalized the FGS by enacting it as state legislation. Subsequently, the FGS was extended to include housing and medical care. The principle behind this system was to ensure that the standard of living of these needy people in the community would never be lower than that of the ordinary people (Meng and Wang 1986: 297).

The growth of the collective economy helped set a material foundation for the FGS. Several measures were taken to implement this policy. First, the "five guarantee households" (FGH) that had some working ability were given opportunities to join in light work that was within their capability, and were then credited with appropriate work-points, thus enabling them to receive a share of collective income like their fellow villagers. Second, if the FGH did not reach the standard of average working time, extra work time would be added to make their time equivalent to this average level. Third, the needs of the FGH were met in kind and cash. Prior to the

distribution of income, the production team would put a collective fund aside for FGH and public welfare. Fourth, the production team sent personnel to help those FGH who lacked the ability to take care of themselves on a day-to-day basis (Duoji 1996: 197).

As the collective economy grew, many cooperatives and production brigades built old people homes for the elderly and brought the FGH together in order to concentrate welfare support more effectively. The system, however, was damaged during the Cultural Revolution when management broke down and accurate figures on the number of FGHs were no longer available. In some places FGHs who were supported by the collective were even declared to be "feudal exploiters" due to their original class background in the pre-communist period. In 1978, there were 7175 old people homes in operation looking after only around 100,000 FGHs. Following some rehabilitation of the system over subsequent years, by 1983 the rural collective economy had almost three million people listed as FGH, and the number of old people homes had more than doubled (Meng and Wang 1986: 297).

Disaster Relief

The Ministry of Internal Affairs introduced a policy of disaster relief in the beginning of 1949 which called on the population to "save up for relief, support their own relief through production, to help each other through mass mutual aid, and to assist victims by offering them work". In 1950 the policy of disaster relief was extended with an additional clause that indicated state assistance in the worst cases. In 1953 this policy was revised again with the clause on "offering work to victims" being deleted (Duoji 1996a: 20). At that time the State provided assistance only to victims of serious disasters caused by war. The proposition for the use of relief funds was to link it closely with production, converting relief money into production funds. The policy of disaster relief during this time emphasized "saving" and "self-relief through production", because the country was very poor and the state had few additional resources to use in welfare. Nevertheless, the policy of relieving poverty through production was often "misinterpreted", resulting in many places spending too much money on relief-related construction which brought about a shortage of relief funds. The Ministry of Internal Affairs tried to correct this error in 1956. After the establishment of the agricultural cooperatives, the relief policy was formulated in line with the idea of collectivisation. It was "to rely on the masses, rely on collectivisation, provide self-relief through production, and only receive state assistance as a last resort" (Duoji 1996a: 20).

The new system of disaster relief had several characteristics: first, the central government had a universal policy that was carried out by different ministries; second, the local government provided coordination of local disaster relief; third, the People's Liberation Army (PLA) usually joined in the disaster relief work; fourth, rural people relied on their own abilities to provide self-relief through production and mutual assistance; fifth, people and organizations throughout the area or even the whole nation, including factories, mines, agencies and enterprises

were mobilized to support disaster areas, assist in the rescue of victims and with reconstruction. Moreover, relief funds were established and people throughout the nation were asked to donate cash, food and clothes for disaster relief (Duoji 1996a: 29; Meng and Wang 1986: 268).

The "Special Care" Policy

After the civil war was over, the state set up a policy of "Special Care" to provide assistance for disabled servicemen and for the family members of revolutionary martyrs and servicemen. One major aspect of this policy was to provide government assistance to help de-mobilized servicemen to settle back into civilian life. The "special care" policy was written into the state constitution in 1954 and also appeared in the Law of Military Service in 1955. From 1950 to 1966 the government provided support in the re-settlement of 8.28 million veterans. From 1953 to 1956 local governments organized disabled servicemen and family members of revolutionary martyrs and servicemen and veterans to join collective production and provided 147 million yuan in subsidies to help them develop production (Duoji 1996b: 15).

Initially, the government provided farm animals and farm implements to those who qualified for "special care" as a way to assist them to become established in productive agriculture. Between 1950 and 1956 the government provided nearly 1 billion yuan as assistance. The villages organized residents to help the families under "special care" if they lacked labourers, or had difficulties with ploughing. By 1956 all families under "special care" had joined the mutual cooperative teams. In the rural production cooperative, the "special care" for servicemen's families involved the provision of extra work-points which could then be redeemed in cash. The purpose was to guarantee that their living standards would not be lower than those of the ordinary villagers (Zhan 1993: 84).

Health Care Service

Before 1949, because China had suffered a long period of war and general social breakdown, health conditions were very poor and medical care extremely limited. Infectious, parasitic and endemic diseases were spread widely: cholera, smallpox, bilharzias, kala-azar, malaria, tuberculosis, venereal diseases and leprosy seriously threatened many people's lives. Endemic diseases existed in over 80% of the country and threatened over four hundred million people. The mortality rate was over 20%, and more than half of the deaths were due to infectious diseases. According to survey results in the 1920s and the 1930s, only 84% of newborn infants could survive a year; only 56.2% of males and 57% of females lived to 15 years of age. In all, nearly half of infants died before reaching the age of 15. The

average age of the Chinese population was about 35, one of the lowest averages in the world at that time (Gu 1984: 43).

The new CPC-led government held the first healthcare conference of the new administration in September 1949. The meeting established general policies and priorities for guiding healthcare work, placing particular emphasis on prevention, the development of the medical system, establishing a public health education network and ensuring that healthcare served the interests of production, economic construction and national defence. Particular areas of focus included rural areas, factories and mines. In 1952, these general concepts were developed into four specific public policies: (1) focussing healthcare provision on workers, peasants and soldiers; (2) prioritizing prevention; (3) utilizing both Chinese and Western forms of medicine; and (4) integrating health care with mass campaigns (Chen 2001: 270).

The Mass Movement

One of the first measures adopted by the new government was to initiate a campaign for "patriotic public health", including a special campaign against snail fever. When the PRC was created, there were 1 million bilharzias patients in the country, and 100 million people infected with snail fever. In Hunan and Hubei provinces, the CPC adopted a very simple and primitive solution to fight against it. During the winter slack season, peasants were mobilized to drain the water away from ponds and rivers, then kill the snails and the bilharzias eggs by drying them out. This work was also linked with the construction of water conservancy projects. According to one local witness, the campaign was very well organized: "Urban cadres and schoolteachers exhibited pictures from village to village to show how bilharzias developed and spread and provided scientific information to the peasants on how to avoid contracting the disease. The most effective way was to wipe out snails. Militia organizations dug out earth from lakes, sprayed lime in the rivers and buried snails. The work continued until officials from higher up were satisfied that the results had reached the required standard. After that I left the village to join the army, but I know that this disease never reappeared in our village over the next thirty years" (Zhang 2000).

Bilharzias were eliminated in many places and the number of sufferers still needing care declined sharply. Yujiang County in Jiangxi Province was a well-known place for bilharzias but the disease was wiped out by 1958. As part of the campaign, medical teams came to villages to give peasants injections, the first time in China's history that peasants received modern medical services at their doorstep (Gao 1999: 82). Bilharzias had been spread over 300 counties, but by 1958 it had been completely eliminated in 141 counties, and nearly wiped out in 122 counties. Nevertheless, authorities remained vigilant to keep it under control. For example, in 1973 when a snail was found in Baita River, the county government immediately called a meeting and mobilized more than 30,000 people to search the riverbank over 39 km until they were assured that no more snails were present. The central government formed a leadership team for bilharzias prevention

in 1955, subsequently disbanded in 1986 when the threat was seen as largely defeated. The disease was controlled most effectively during the Great Leap Forward period, and the decade of the Cultural Revolution (1966–1976) (Gao 1999: 72). Certainly in the case of bilharzias, the policy of mass campaigns was an effective way to mobilize manpower for disease prevention in the face of a vast population and shortage of modern resources and medical equipment.

The Healthcare System in Rural China

The rural healthcare system included three components: (1) a medical care system which operated at the three levels of rural administration; (2) a cooperative medical care infrastructure; and (3) large numbers of barefoot doctor teams at the grassroots level. The rural healthcare system (serving peasants) was one of the three pillars of the national health system; the other two pillars were a free medical care system for government officials (cadres), and a labour medical insurance system for urban workers.

The rural medical care at three levels

In the 1950s, the government established a rural medical care system at three levels—county, *xiang* and village. Before 1949 rural areas were very short of medical services and supplies. There were only 505,000 trained doctors in the entire country, 2000 hospitals, and 80,000 beds (0.15 bed per thousand people), but most of these facilities were located in cities. The rural population, constituting 85% of the entire population, only had access to 20,133 beds, few medical facilities and insufficient supplies of medicine (Chen 2001: 269). The state budget for health care was 559 million yuan, but only represented 1.52% of the total governmental expenditure between 1950 and 1951; it rose to 21.5 billion yuan between 1981 and 1985, which was equivalent to 5.3% of the state budget. The cost of health infrastructure development was 5.262 billion yuan in 1953–1957; this figure increased to 14.167 billion yuan in 1998 (Chen 2001: 271). In 1998 there were 6300 hospitals at county level, 50,000 hospitals at the *xiang* and *zhen* level, and 730,000 clinics and stations in villages, with more than 100 kinds of medicines in each village clinic. Moreover, there were 1.04 million doctors and nurses at the county and township levels and 1.32 million in villages, with an average of 1.81 medical professionals per village. This medical care system was developed over three decades after 1949. According to a survey carried out in the late 1990s, 64.4% of peasants were able to reach a rural health service within 1 km, 17.5% within 1–2 km, 7.4% within 2–3 km, and 11% over 3 km (Chen 2001: 272).

Cooperative medical care system

This originated in the CPC's Shaanxi-Gansu-Ningxia Base Area in the 1940s. In 1944 exogenous febrile disease was transmitted in this area. The CPC-led government responded to public request by establishing medical cooperatives funded

through investment from the agricultural cooperatives and share capital from organizations and individuals. These agencies were operated by local people but with some technical assistance from the government. By 1946 there were 43 medical cooperatives in this area. Around 1950 several provinces in the northeast of China proposed to apply the cooperative concept and raise funds to create a health agency for addressing the shortages of medicine. Among the 1290 rural health stations in 1952, 85 were medical cooperatives and 255 were set up by the locals who raised the money themselves. These two types accounted for 17.41% of all rural health stations in the northern-east China. Those cooperatives differed from later cooperative medical care, but they were the pioneers in the rural health care (Cai 1998: 342).

Along with the development of rural cooperatives, health clinics created by the rural production cooperatives, emerged in the countryside of Shanxi, Henan and Hebei provinces. In earlier 1955 Mishan Township in Gaoping County, Shanxi Province, combined the "cooperatives and medical services". The new organizations covered the expenses of health care for the members of the cooperative and used public welfare funds to establish cooperative medical services. Wangdian Tuanjie cooperative, in Zhengyang County of Henan Province, created a cooperative medical service in 1956, using a similar approach to Mishan Township. Meanwhile, communes in Hubei, Shandong, and Guizhou provinces also established cooperative medical services (Wang 2001: 278). These were early models of China's cooperative healthcare system in the rural areas. The cooperative medical service developed rapidly during the period of the PC. 90% of the rural villages set up this system and by the 1970s over 85% of the rural population was covered under the system (Wang 2001: 268–311). In 1978, the concept of rural cooperative health care was written into the Constitution of the PRC. The following year the Ministries of Health, Agriculture and Finance jointly issued *Regulations on Rural Health Cooperatives (draft).*

The cooperatives, peasants and doctors worked together to collect money to build health clinics. A typical model for financing such projects involved each peasant paying 0.2 yuan yearly (0.4, 0.6 or 0.8 yuan in some places) as a health fee which qualified them to receive free healthcare services including disease prevention and health protection; moreover, patients could visit doctors and receive free treatment. The health clinic put prevention first and delivered medicine to patients' doors; residential areas were divided and doctors took divisional responsibility. The health clinic was funded by peasants' annual payments, by contributions from the welfare fund of the cooperative; and some medical income (mainly from the sale of medicine). Doctors' incomes were mainly based on work-points issued by the collective and often an additional cash wage. The Ministry of Health (MH) which developed and promoted this system summarised its basic characteristics as: early prevention, early treatment, saving energy and money, convenience and reliability for patients (Chen 2001: 278).

"*Barefoot doctors*"

The majority of doctors, nurses and other healthcare workers in rural China were peasants who, either had been born of families with practitioners of traditional Chinese medicine, or had received a relatively good modern education. These people were trained as "barefoot doctors". Barefoot doctors had to be locals and they were not paid by the state government but by the local community or collective. In order to reduce the cost and make sure that doctors had good personal relations with locals, they had to work like other villagers in the field when there were no patients to be treated. If villagers did not wear shoes at work then neither should the doctor; hence the term "barefoot doctor" appeared. The idea was that only by knowing the financial hardship (without regular salary) and physical hard work (working in the field) of the villagers would the doctor understand their health problems and needs (Gao 1999: 80). The barefoot doctors remained part of the production team and worked part time on health care. During the busy farming seasons, only one doctor was on duty for medical work and others joined the agricultural production. The payment of the barefoot doctors was in work-points and cash. By 1970, there were close to 4.8 million barefoot doctors in production teams and brigades all over the country (Ministry of Health 1983).

In general, rural health care achieved astonishing successes. 24 serious epidemic diseases were either eliminated or controlled. The mortality rate, 25–33% in the 1930s, was reduced to 14% in the 1950s, 12% in the 1960s, and 7% after the 1970s. Infant mortality rate declined from 20% in the 1930s to 3% in the 1980s (1.36% in city) (Yang 1948: 11). The rate among children was high, about two died of every six or seven born. The average peasant lifespan was less than 35 years old (male 34.85, female 34.63) in 1931, but increased to over 70 (Male 68.7, female, 73.0) in 1997; (the average lifespan of urban population was 3–4 years longer than peasants). The life expectancy of peasants doubled from 1949 (Chen 2001: 275). Increased health facilitated the economic development for a very simple reason: it promoted the productive capabilities of the population.

One of the most significant characteristics of China's rural health system during this period was that its achievements were not the result of high state expenditure or financial investment. The World Health Organisation pointed out that the expenditure on health care in China was 3.5% of GDP in 1990, which was only 44% of the average level of worldwide expenditure. Medical costs per person were only $US11 per year, which was below the level of cost in other developing countries such as India. This figure was mainly for the urban population. The cost to rural peasants was much lower. I will discuss it in the following paragraphs. Another major characteristic of this system was its emphasis on "the mass line" and "people's campaigns". The "mass line" was a guiding principle developed by the CPC during the Yan'an period and explicitly written into the Party constitution at the CPC's Seventh Party Congress. It was based on the concept that people should participate in managing themselves under the leadership of the party. The Party was to provide overall guidance, but should at the same time listen to the "masses" and adapt policies according to the needs and views of the masses. The concept implied

that the Party should serve and trust the people as well as lead them (Deng 1956). The mass line was also a way of putting policy into practice. Since China had few resources but many people, the state had to rely on local people to participate in mass campaigns to achieve results, for example in the fight against snail fever or operation of medical cooperatives. The implementation of "mass line" strategies was instrumental in the successes achieved in healthcare during this period.

Literacy Campaign and Elementary and Secondary Education

Literacy Campaign:

When the CPC came to power about four-fifths of the population were illiterate. In this situation the elimination of illiteracy and the expansion of education became one of the principle goals pursued by the new regime (Perkins and Yusuf 1984: 170). The CPC's educational campaigns initially faced many difficulties because of the shortage of teachers, textbooks, classrooms and other infrastructure. The basic objective of the literacy campaign was to ensure peasants could recognise at least 1500 Chinese characters and urban workers 2000 characters. In the countryside, traditional clan halls and other suitable places were converted into schools, and during the winter of 1949–1950 a concerted effort was made to enrol peasants in winter literacy schools. By 1955–1956 winter schools had been replaced by collective-run vocational schools that opened all-year round. Although some new teachers were trained to staff these facilities, teaching was primarily provided by 1.4 million primary school teachers. To resolve the shortage of reading materials, model textbooks were prepared and distributed to all school. The campaign to wipe out illiteracy was carried out with great vigour. By 1957, 22 million adults, an unknown fraction of whom were peasants, had achieved literacy through spare-time study. With the start of the GLF, the literacy drive picked up enormously as cadres were pressured to meet increasingly high targets. A year later, adult illiteracy for the country as a whole had supposedly been cut to just 30–40%. The Cultural Revolution once again stoked sentiments for informal education and spare-time study for the illiterates. By 1979, 127 million peasants had been taught to read and write in the thirty years since 1949. By then around 70% of young adults in the rural sector were literate (Perkins and Yusuf 1984: 171). To have increased the literacy rate from around 20% in 1949 to almost 70% in 30 years (adult literacy rate was 82% in 1997) was a considerable feat. The World Bank considered it to be something few countries in a comparable income class could be rival (Chen et al. 2001: 156).

Primary and Secondary Education:

Only a quarter of the children in the primary school age group, about 24 million in all, attended primary schools in 1949. Less than one million enrolled in secondary schools. In 1952, the new government created a national education standard which

required six years of primary school followed by three years in junior middle and senior middle school respectively. By 1958, 86 million children, accounting for 67% of school age children, were studying in some 770,000 primary schools. The difference between rural and urban enrolment ratio was quite small for primary education. Encouraged by the government, the communes established more than 800,000 spare-time middle and primary schools. Agricultural vocational middle schools, called *Nong Zhong*, were built because they served a useful purpose. From 1950, the state set up a policy that the children of workers and peasants were given the priority for education, requiring that each school first focus on this group. When children from poor families could not continue their study, village heads and schoolteachers went to their homes to persuade them to continue. By 1976 it was announced that 95% of all children in the appropriate age group were attending rural primary schools. When students failed to pass entrance exams for university they returned to the village to participate in rural development. But rural and urban enrollment rates were quite different at the secondary level because such schools were few in number and located in large towns (communes) or cities. Tuition fees in rural primary schools ranged from 5 to 7 yuan for each term, 0.30 yuan for textbooks, and meals added another 2–3 yuan. The total of around 10 yuan for education fees was 20–30% of an average peasant family income. The cost of junior-level schooling was about 10–12 yuan, while annual tuition in upper middle schools averaged 14 yuan. If a family had more children, tuition would be a heavy burden. As a result many rural students could not finish their education and a large proportion of those who dropped out were girls (Perkins and Yusuf 1984: 167–189).

The Implementation of rural welfare

In the first three decades of the PRC the Chinese peasants were bound to the land, although state funding for rural welfare remained low during these 30 years. Nevertheless, a relatively comprehensive and effective welfare network was established which brought about huge changes in peasants' well-being. How was this possible? In the following section I will discuss the methods through which rural welfare was implemented under difficult economic conditions.

To complement the various administrative organizations of the state, the new government decided to establish a Ministry of Internal Affairs (later known as the Ministry of Civil Affairs [MCA]) to be in charge of welfare administration. Its main task was to provide social security in rural areas, including special care, calamity relief, social assistance, etc. Several ministries of the state also co-managed the various programmes but the MCA had the primary responsibility. Like most ministries under the CPC rule, the MCA established a network of subsidiary bureaus, branches and offices throughout the nation and spreading down through the three lower levels of the hierarchical bureaucratic system—province, county and town/township. Policy was determined within the central Ministry then implemented through the lower levels of administration. However, it must be remembered that the scope of state-sponsored welfare was relatively narrow—caring for the families of revolutionary martyrs, servicemen etc., as described above—and that

many aspects of day-to-day welfare provision were left to the grassroots collective (cooperative, commune etc.) to organize.

As discussed previously, from August, 1957 onwards the basic administrative organization in rural China was the PC. According to the collectivist ethos that underpinned the rationale behind it, the commune practised the socialist principle of communal property and relatively egalitarian distribution of goods. The People's Commune integrated political, economic, social and cultural elements into a comprehensive system for the management of rural society. While it was expected to be relatively independent economically, the commune was also expected to carry out a range of political functions that bound its population into a highly organized network of politically reliable grassroots organizations. Political control ensured that few rural people ever dared criticise the state, even during the period of the great famine between 1959 and 1961, when hundreds of thousands of peasants died of starvation. This organization controlled individual economic actions and inhibited peasants' aspirations for getting rich, for self-initiative and creativity (Wu 1997).

As mentioned previously, the CPC used political campaigns to mobilize the population to participate in the rural welfare system. China did not have a well-established welfare legislation system, or many resources for the state to supply from above, therefore political movements were carried out to make up for the shortfall in state welfare provision. These movements included eliminating snail fever, increasing literacy, and learning from Lei Feng—a youth movement based on the heroic, self-sacrificing deeds of a PLA soldier (Lei Feng) used to mobilize young people to help those in need. In each case, the movements relied on mass participation to achieve their effect. Reflecting the principles of the "mass line", the CPC worked very hard to maintain close links to the ordinary people and used its network of grassroots organizations to help set up a rural welfare system based primarily on self-help and mutual aid.

The political foundation of rural welfare was the socialist collective economy, which was based on peasants' accepting the logic and principles of the new political system. Large-scale political movements not only absorbed peasants into the system of the state, but also raised their enthusiasm to participate in rural public life, which enabled them to learn how to handle the management of rural affairs. At least in the early years of the PRC, the majority of peasants demonstrated great good will and faith in the unified political leadership of the CPC. Because of this they were willing to accept the values, policies and targets set by the new regime. Moreover, building peasants' loyalty to the political system was important because it made them feel less like they were being "taken over". Peasant support for the CPC and its policies was a huge political resource for the state as it sought to tighten administration and promote rural production. It was also the basis of rural social and political stability, especially in the early and middle years of the People's Communes (Wu 1997).

Chapter 8
The Dual Welfare Structure

Urban and Rural Dual Welfare Structure

Differences Between Urban and Rural Welfare

One of the important fault lines within China's welfare system during this period was the disparity between urban and rural systems. According to Titmus, welfare systems can be classified into two basic types: institutional (universal) or residual (Titmuss 1958). The urban welfare system was institutionalized and supported urban residents from the "cradle to grave". On the other hand, the rural system was residual and peasants received very little cash assistance. In the countryside levels of welfare remained low for many years and the scope of welfare extremely limited, indeed only a very small percentage of the rural population qualified to receive any form of direct state welfare at all. At its heart, China's welfare system during this period was based on a dual social-economic structure. In this dual welfare system, urban and rural peasant residents received markedly different treatments. Moreover, due to the control of the household registration system, rural peasants could neither migrate into the cities nor receive urban welfare benefits (Lu 1997; Li 2002). This situation was justified by the economic situation in China at the time; with a huge population and limited resources, the state prioritized support for the urban industrial workers at the expense of the rural population.

When the transition to socialism began in the countryside, a different socialist welfare system was also set up in city. In 1951 the state began to establish a social security system, the first initiative of which involved creating a labour insurance scheme. This insurance covered people who worked in urban places of production, including state-owned and collective-owned enterprises. It covered more than 23 million workers and their family members, comprising 94% of the total urban workforce. It covered illness, childbirth, occupational injury and disability, accident, old age, and death. With the increased pace in socialist construction, especially once the First Five-Year Plan began in 1953, the state and collective sectors

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of the economy expanded rapidly and the scope of urban welfare was expanded to include many aspects of everyday life. Under the planned economy, the workplace became the key site for the distribution of welfare covering three main areas: (1) facilities, such as dining halls, nurseries, bathhouses, barbers, and tailors; (2) welfare allowances for particular purposes like hardship, work-related transportation, housing, heating, and electricity; and (3) culture and entertainment, through the provision of clubs, cultural palaces, libraries, sports fields, cinemas, and so on. Under central planning, any newly constructed enterprise or institution also received state funding for the non-production-related facilities mentioned above. In addition to state funding, extra contributions of 5–20% were deducted from employees' wages and remitted to the Social Insurance fund which was managed at the enterprise level by the enterprise trade union. The Trade Union Law, passed in 1950, stipulated how these funds were to be utilized (Zhan 1993: 77–88).

The key differences between the rural and urban welfare systems can be seen in Tables 8.1 and 8.2. Through providing figures on urban and rural populations as well as investment in various sectors of the economy, the first two tables show the extent to which urban China was economically favoured during this period.

Commenting on these statistics, the World Bank pointed out the following: The result of these investment priorities was that fixed assets per industrial worker rose from 3000 yuan per worker for 5.26 million industrial workers in 1952 to nearly 9000 yuan per worker for 50.05 million industrial workers in the later 1970s. In contrast, a rural work force of 294 million in the late 1970s had only 310 yuan of fixed assets per person (excluding land). It is hardly surprising, therefore, that industrial value added per worker rose from 1650 yuan in 1952 (in 1978 prices) to 2809 yuan in 1978, while agricultural value added per farm worker for the same

Table 8.1 Population in urban and rural areas unit: million persons

Year	Total	Urban	%	Rural	%
1950	550.80	61.69	11.2	489.11	88.8
1960	660.25	130.73	19.8	529.52	80.2
1970	825.00	102.30	12.4	722.70	87.6
1982	1003.94	144.68	14.4	859.26	85.6

Source World Bank statistics 1984

Table 8.2 Share of agriculture in capital construction investment (%)

Year	Agriculture	Heavy industry	Light industry	Others
1952	13.3	34.3	9.1	43.3
1957	8.6	51.6	5.9	33.9
1962	21.3	55.0	4.0	19.7
1965	14.6	50.8	4.2	30.4
1975	9.8	51.8	8.9	29.5
1979	11.6	50.3	6.1	32.0
1981	6.8	40.3	10.0	42.9

Source World Bank statistics 1984

period rose by less than 10% to only 364 yuan in 1978 (in 1978 prices). The urban–rural ratio in fixed assets per worker of nearly 30:1 does exaggerate the real difference since land and all capital improvements of land are excluded, but there is little question that industrial workers had far more capital to work with than did their rural counterparts (World Bank 1984: 16). Table 8.2 shows the extent to which state welfare policies favoured industrial workers and urban citizens. As can be seen, the state invested far more money in urban welfare than in rural welfare.

The Policy Foundations of the Dual Welfare System

From the beginnings of socialist construction in China in the early 1950s, the CPC-led government applied a different set of economic and welfare policies in urban and in rural China. This resulted in the emergence of a dual socio-economic structure which strictly segregated urban and rural life and greatly favoured the former. The three key mechanisms for enforcing this system were the *hujizhi*, or *hukou* (household registration system), the *tonggou tongxiao zhengce* (the policy of state monopoly for trading grain, cotton and oil), and the *shangpinliang gongyingzhi* (the system of commercial food provision).

The *hujizhi*, initially established in 1951 (the Regulations of Urban Household Management was issued by the Ministry of Public Security), took the household as the basic unit for the registration of permanent residence. There were two types of household registration: urban and rural. Urban citizens had urban *hukou* (household registration), while rural residences had rural *hukou*. The household registration system controlled very strictly the mobility of the population and made it very difficult for peasants to move into the cities which started from 1957 and *the Regulation of Household Registration* was published in 1958 (Pan 1996). The *hujizhi* made it extremely difficult for peasants to leave the countryside. China relied on government procurements instead of direct taxation to secure sufficient supplies of grain to fuel industrialisation. In so doing, it created for itself the difficult task of extracting a sufficient amount of grain from agriculture at minimum cost (Sun 2004: 95; Pan 1996). *Shangpinliang gongyingzhi* was closely interrelated with the household registration system and was created in 1954. Its purpose was to ensure that urban citizens were supplied with the basic necessities of life and operated according to a rationing system administered through the household register. Only those with urban *hukou* had the right to receive rations. The government purchased the surplus grains from peasants by a fixed (low) price supply the industrial section which called the *tonggou tongxiao* system. The system for rationed food provision only applied to urban China and restricted provision to those with an urban *hukou*. In combination, these three policies bound the peasants to the land and greatly restricted their possibilities for mobility. At the same time, these policies were operated in a manner that greatly favoured urban residents economically and in the provision of state-supported welfare.

The CPC-led government made no secret of the fact that the goal of the dual social-economic structure was to aid the rapid construction of a modern industrial economy (Lu 1997). Nowhere in the world has the development of industry escaped passing through a period of "primitive accumulation" of capital. Due to a lack of a material base for industrialisation, after 1949 the state had to find a way to accumulate wealth for investment into industry, and the primary source for accumulation had to be agriculture. At the same time, the state were determined to contain urban consumption by keeping wages low and providing the basic necessities of life through a state-run supply system. In urban China the household registration system was the vehicle through which the state channelled basic necessities. The state was able to guarantee the benefits of urban citizens by providing food and a basic system of welfare. But in the countryside peasants were not provided with this state-funded institutional welfare. They were expected to provide for themselves through farming, family support, and a basic level of welfare organized through the collective. In this sense, the social policy of the PRC was to protect industry and workers appropriately rather than to privilege urban citizens.

According to economists, agriculture can play various roles within the economy. But in the initial period of industrialisation, the primary functions of agriculture are to support the living standards of urban workers, and second, to provide capital for industrial accumulation (Zhang 1984). Prior to the industrial revolution in any country, food production was an important element of industry, commerce, and trade. In order to promote the rapid development of China's modern economy, the government employed a strong political approach: the dual economic-social structure. This was part of the path followed by the government to achieve a "planned transition to socialism". Such a strategy required a political engine for the progress of society. In this transition, the role of the state was to plan and administer all aspects of the economy, politics, and social structure. The government achieved this goal by creating an administrative system of rules and orders that would be sent from the top to the bottom (Yu 2002).

Why did this kind of dual social-economic system occur in China instead of in the West? First, in many Western countries, what Marx called the "primitive accumulation" of capital occurred differently than in China. As Pomeranz points out in his book *The Great Divergence*, it was achieved "through the exploitation of non-Europeans and access to overseas resources generally". Pomeranz suggests that this accumulation was "primitive" in the sense of being the first step of a large-scale capital accumulation. He also emphasizes that the great transformations of the nineteenth century could only be created in relation to Europe's privileged access to overseas resources (2000: 3–4). To point to the murky history of economic development in the West, however, is not to suggest that China's own history of economic exploitation should be overlooked. On the contrary, because of the historical differences, it was impossible that China could pursue the same method of primitive accumulation as the West did.

Results of the Dual Social-economic Structure—a Modern Industrial Foundation

As Dutton points out, the *hukou* (household registration) system was premised upon the logic of the socialist planned economy (Dutton 1992). However, the dual social-economic structure created through the *hukou* system played an important role in transforming China from an agricultural country to a modern industrial one. Meisner has pointed out that China had evolved from the most backward agricultural country into a position of the sixth largest industrial country in the world by the middle 1970s. In a quarter of a century, the gross industrial production of China increased more than 30 times; the average rate of growth was 11.2% per year; and the gross output value of heavy industry increased 90 times. The growth was huge in the period of the First Five-Year Plan (1953–1957), when industry on average grew 18% annually. Meisner concluded that the era of planned socialist development in China (1953–1978) created a solid foundation for the development of the contemporary economy and enabled China to transform from a completely agricultural country to a country that relied mainly on industry (Meisner 1998). In support of this point, Gordon White states that performance achieved over the first three decades should not be underestimated. China retained high rates of industrial growth and established a relatively comprehensive industrial and technical base while avoiding dependence on other countries. The annual rate of growth of gross value of industrial output averaged 10.7% between 1953 and 1982. The GNP proportion of industry is more than doubled (from 25.1% in 1959 to 59.6% in 1977) (1988b: 160).

Meanwhile, Sutcliffe[1] suggested three criteria of whether a country is "industrialized": a minimum of 25% of GDP in the industrial sector, a minimum of 60% of the industrial sector in manufacturing, and a minimum of 10% of the total population working in industry. China scores high on the first two criteria, having 46% of GDP in industry by 1982, and about 77% of this in manufacturing, but only 5.8% of the total population was employed in industry as of 1982. Hence, White described China as a "semi-industrialized" country. This conclusion did not deny the industrial achievement of this period. However, one explanation is needed to justify the low percentage of the population working in industry. The household registration system controlled peasants' identity, so that while many people of rural origin worked in industry in both urban and rural areas, they continued to be classified as "peasants".

During the period of "primitive accumulation", the Chinese peasants made great contributions to Chinese industrialisation. The statistics indicate that from 1952 to 1990 peasants produced 1159.4 billion yuan for founding industrialisation, of which 152.78 billion was contributed through agricultural tax, while another 870.7

[1]See White, Gordon's Welfare Orientalism and Occidentalism in the Analysis of East Asian Experience, 1998.P8.

billion was accumulated through the "price scissors",[2] and 135.92 billion came from the release of agricultural bank savings. Meanwhile, from 1952 to 1990, the state budget for the industrial construction utilized about 1000 billion yuan produced by agriculture, on average, 25 billion per year (Wang 2000). Another statistic shown in Zhang Yinghong (2002) attests that during the period 1952–1986, the state took RMB 686.812 billion from agriculture through price scissors, which was 18.5% of the value of agricultural production in those years. The figures clearly show the extent to which resources were transferred from agriculture to industry and from rural to urban China.

The agricultural experts in the Central Committee's own Policy Research Office have estimated that during the period 1979–1994 the state transferred 1500 billion yuan from agriculture to industry through the "price scissor" mechanism, while collecting 175.5 billion as agricultural taxes, and surplus net income of 1298.6 billion. An average of 81.1 billion was transferred from agriculture to industries annually.

Analysis and Reflection on Rural Welfare

While the dual welfare structure clearly favoured urban residents, it would be mistaken to suggest that there was no welfare in rural areas. While building industrialization, the state also established a basic welfare system in rural China and provided minimum welfare guarantees to peasants. The urban welfare system established after 1949 was largely copied from the Soviet Union, but the rural welfare system was created by the CPC based on the economic and social conditions of rural China. The rural welfare system guaranteed a basic level of well-being for peasants.

The basic guarantee in the countryside was through the allocation of land to the peasants. Peasants possessed their own houses and family members supported the elderly. The state set up a "five-guarantee" system to provide services to the elderly who had no families and other vulnerable groups, and prioritized social relief and assistance as the main tasks of rural welfare. The rural collective was responsible for the healthcare system including cooperative medical care and barefoot doctors. There was a compulsory 9 years of free public education, in practice also funded by the collective. Together these schemes resulted in the emergence of a network of rural welfare which provided a basic degree of security and a relatively stable living standard for most peasants. For the great majority of the rural population, this situation was a dramatic improvement from the past. Generally speaking, in the first three decades of the PRC, peasants did not feel that they were being oppressed or

[2]In the exchange of agricultural and industrial products, the state maintained a policy that industrial goods were sold at prices higher than their value, while agricultural products were sold at prices lower than their value. It was an inherently unfair exchange system which further cemented the urban/rural divide.

exploited. It is fairly clear that peasants had a basic level of welfare and family happiness during that period. Moreover, due to the collective system of agriculture, peasants really did participate in the discussion of public affairs within the production team, including voting for team leaders. In some ways they enjoyed political and social rights and they had a more meaningful level of collective life than they do today.

Gordon White has argued that "broad sections of the rural population did gain substantially in welfare terms between the 1950s and 1970s" (1982: 183). This is evident from Mobo Gao's book *Gao Village*, when he states the following: If we single out the area in which *Gao Village* benefited most in Mao's time, it was health. The child mortality rate has been reduced impressively since the 1960s. It was during the Mao period that *Gao Village* had access to modern medical services on their doorstep (1999: 72).

The Central Committee of CPC's decision on the reform of the economic system published in 1984 states "Common prosperity cannot and never will mean absolute egalitarianism or that all members of society become better off simultaneously at the same speed … Such thinking would lead to common poverty". This principle also suits the first three decades in China after the establishment of the PRC. If there had not been a dual social-economic structure and no primitive accumulation of capital, then there would be no modern industrial foundation and wealth. The result would more likely have been common poverty. For a country as large as China it is hard to imagine that a modern industrial stage can be achieved overnight or in only one step. In terms of China's natural geographical divisions and under conditions of limited resources, it is rational to limit internal migration to some extent, even though all the people are citizens of a national community. Industrial development is a step-by-step process: the first task is to develop urban areas and then enlarge and extend the process to rural regions. During the process of development, some mistakes were made in the eagerness to catch up with the West. "The Great Leap Forward", for instance, aimed to eliminate "the three big differences" (between countryside and city, industry and agriculture, physical labour and mental work) but was a dramatic failure because of the rash egalitarian approach. But over the longer term, the main trend of industrial development has been to develop by stages. China created a dual urban and rural social-economic model primarily because it fulfilled the need for a "primitive accumulation" of capital on the basis of guaranteeing all citizens' basic well-being without robbing or looting resources and wealth from other countries. This economic programme was realized through the implementation of a socialist planned economy. China's welfare system then is an example for developing countries and it shows that, even when a country is very poor, it still has the capability to guarantee people's well-being during the process of modern industrialisation. In brief, China's rural welfare coincides with the level of the rural economic development.

The existence of large disparities between urban and rural China under the dual socio-economic system practised by the CPC-led government has given rise to

Table 8.3 Expenditure of social welfare

	1991	1992	1993	1994	1995	1996	1997	1998
National social welfare								
State expenditure	1736	2090	2681	3294	4043	4715	5300	5645
Average per capita expenditure (yuan)	150	178	226	275	334	385	429	452
Urban social welfare								
Urban expenditure	1692	2051	2639	3246	3980	4633	5215	55,48
Employee's welfare	1095	1310	1670	1958	2361	2725	3043	3360
Pension insurance	554	695	914	1219	1542	1818	2068	2074
Urban social relief	43	46	55	66	77	90	104	114
Average per capita expenditure (yuan)	554	634	791	946	1131	1289	1410	1462
Rural social welfare								
Rural expenditure	44	40	42	49	64	82	85	97
Rural social relief	27	19	17	21	27	34	32	46
Social welfare fund	17	21	25	28	37	48	53	51
Average per capita expenditure (yuan)	5.1	4.7	4.9	5.7	7.4	9.5	9.8	11.2

Unit: 100 million yuan

Source Based on Yang (2003), the Statistics of Yearbook of China, and Statistics of Rural China Yearbook (1992–1999)

much discussion in relation to social justice and human rights. However, while it was clearly an unfair system, there is nevertheless a rational explanation for its implementation. Without detailed investigation and analysis, any judgments about the questions of morality and rationale cannot be accurate. My view is that under the special historical conditions faced by China during that period the dual welfare system was a rational solution: it was one of the few choices available during a difficult period. The problem is, when planned economy turned to market-oriented economy, the gap of welfare expenditure between rural and urban areas was getting larger. Table 8.3 illustrates the growth of gap.

The table indicates that when average national welfare expenditure per person was 150 yuan in 1991, the average was 554 yuan for urban citizens and 5.1 yuan for rural peasants; when average welfare expenditure per person was 452 yuan, it was 1462 yuan for urban citizens and 11.2 yuan for rural peasants in 1998. According to other statistics, over the past several decades, peasants that comprised 80% of the population received only 11% of the social welfare expenditure of the nation, while urban citizens that comprised only 20% of the population received 89% of national welfare spending. By the early 1990s money spent on urban welfare was 29 times more than on rural welfare (Zhu and Ge 1993).

Implications for Welfare Today

The rural welfare system described above has several important implications for the welfare today. First, it was the first time in Chinese history that a reasonably comprehensive welfare system was established for the rural population. Through establishing a socialist collective system in the countryside, welfare was provided at the local level in many forms, including the five-guarantee system, medical care, calamity and poverty relief, hardship assistance, free education, culture and entertainment, and various other forms of mutual help. Generally speaking, the standard of provision was relatively low but the coverage of the welfare system was fairly broad.

Second, this welfare system was established at the primary stage of the PRC. In order to suit the case of economic backwardness of China, the government offered a basic guarantee and with very limited budgets. The principle of welfare system was government leading and collective mutual helping. The public and welfare infrastructure is based on "mass movement" and followed "mass line". It was a common responsibility of the state, collective, and family.

Third, this welfare system did not place a heavy burden on the state budget. As described above, it was operated largely by the socialist collectives, including the work teams, brigades, and People's Communes. Many aspects of the welfare system were organized through campaign-style mobilization and the use of "mass line" strategies as a way to overcome the problem of lack of finance. Using such strategies it became a relatively effective system for providing at least a basic guarantee for peasant livelihoods.

Fourth, this system had a dual social and economic feature that divided Chinese society into two quite separate groupings. Rural peasants and urban citizens belonged to totally different welfare systems, with the latter group substantially favoured in the economic distribution of social benefits. The dual social system was based on the premise that the rural population had access to land and were guaranteed a basic level of welfare for helping promote industrial accumulation, and a gradual process of urban development that would subsequently help rural areas to raise standards of living at a later stage. The dual welfare system was realized through the implementation of policies such as the household registration system and the state monopolization of purchasing and distributing food supplies.

Finally, this welfare system was based on the planned economy and the People's Commune system. The People's Commune as a political and economic unit played a major role in the management of peasant production, consumption, welfare, and everyday life. Also, as the basic unit of state administration in rural China, one of its crucial functions was to collect agricultural tax and state grain supplies from the peasants. Despite the many inequalities and mistaken policies pursued during the Maoist period, as Meisner (1996) points out, without the foundation provided by the three decades of planned socialist industrialisation, largely funded out of surplus extracted from the agricultural economy, China could never have enjoyed the remarkable achievements of reform in the Deng era.

Part IV
Welfare Under Market Economy: Destruction and Innovation, (1979–1998)

Chapter 9
Social Relief

The socialist rural welfare system brought about a huge change to peasants' well-being. However, agriculture grew slowly and was still in a backward condition. The production and welfare system of the rural socialist economy was called "Big Pot Meal," implying that the well-being the policy could provide to the rural people was very low standard. This system had hurt peasants' productivity and positive attitude. The government was eager to see a fast-growing and productive rural economy to enhance peasants' living standard. This resulted in a rural economic reform known as the "socialist market economy". This reform spread over rural China at the end of 1970s. As the economy staggered, the rural society was also going through a reconstruction. Rural welfare was re-built. This chapter will examine when and how rural welfare was disbanded and what became the new practices under the conditions of a rural market economy.

Social and Economic Background

Market Economy, Toward Individual Production

The economic reform to implement the market economy began in 1978. This reform released peasants from collective production to private production. Each peasant was allocated a certain amount of land for farming. Moreover, each household, as a work unit of production, was assigned a fixed quota of farm output; contracts were signed, setting out the production amount and period of land usage. This system meant to encourage peasants' enthusiasm for production. During the 80s–90s, the agricultural economy went through a huge change. As the economy grew, the state adjusted the agricultural policy several times in order to increase peasants' income. First, in 1979, the state increased its procurement prices for farm produce by 20%. At the same time, agricultural taxes were reduced. Second, the

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government promoted domestic sideline production. In 1984 the State Council wished to revive the rural markets and allowed the sale of grain outside the peasants' own counties and provinces. A year later, the State abolished its monopoly over grain purchase and began to buy grains based on contracts. Starting in 1984, peasants were allowed to move into cities and towns for work and business without changing their rural status, provided that they were responsible for arranging their own food, financial support, and housing (Solinger 1991). By and large, the rural economy and people were unleashed from state control and became dependent on the market; productivity increased and incentives were greatly improved. In short, the government focused on developing rural industries to raise income and reap the surplus. In the last decade and a half, rural enterprises grew at a very rapid rate. By 1993, they produced two-thirds of that rural output, one-third of the total national output and one-quarter of the export earnings. In addition, they created 123.5 million jobs (Wong and MacPherson 1995: 4). From 1978 to 2002 farmers' average annual net income grew from 134 yuan to 2476 yuan. After taking account of inflation, the income increased 4.3 times, or an average annual increase of 7.2% (Li and Zhu 2003: 14).

Along with the economic development also came the institutional and social change. In 1982 the constitution announced the abolishment of the PCs. Beginning in 1983, the administrative functions of communes were transferred to township (or Xiang). Production brigades and production teams were also disbanded. The basic collective disappeared. The former collective welfare system lost its role in providing cultural and welfare services to local residents.

Disbandment of Rural Collective Welfare

Institutional changes to rural welfare had a significant impact on the social policy. As the PCs went into history, an immediate problem was the funding sources of the rural welfare. Previously, collective allotment for health and other welfare projects came from the welfare fund of the PCs; money was deducted from collective income before it was distributed to households. When the collective economy collapsed, this welfare resource also disappeared. Meanwhile, valuable human resource such as professionals, including teachers and doctors, participated in the market economy by operating their own business, or, responding to the government's call to get rich, changed their careers to more lucrative occupations. When collective production was abolished, many poor households that previously relied on the collective now lost support. The healthcare cooperative system in many provinces was disbanded and only 5% of it survived in 1985 (Wang 2001: 279). Peasants had problems when they were ill or seriously sick. Many of them sank into poverty due to lack of labourers in households, sickness, or the burden of exorbitant medical expenses. When young people went into cities, the elderly were left alone in villages, resulting in a growing rate of the aged in the rural area.

New Practice of Rural Welfare

The old rural welfare system was deserted and rural welfare was in chaos. Governmental departments responsible for social welfare considered putting forward a new system that would be suitable under a socialist market economy. New welfare ideology and social security schemes from advanced capitalist societies were introduced into China. Beginning from 1987, the MCA tried to build a social security net with different levels that were appropriate for various areas in the countryside: (1) in poor areas welfare work focused on calamity relief and social assistance, the scope of work being to enable the destitute "to positively dive into production" instead of "passively receive support"; (2) in economic developing areas the MCA developed welfare industry, promoting a mutual aid saving fund for disaster and poverty relief; (3) rural welfare in developed areas focused on community-based pension insurance and calamity cooperative insurance.

Economically Underdeveloped Areas: Poverty Alleviation Programs and Support Poor Families to Develop Production

According to the National Statistics Bureau of China, 250 million people lived in poverty in 1978; 85.2% of them lived in the countryside, which was 31% of the rural population. According to the Chinese government, the poverty line was 200 yuan in 1986, 500 yuan in 1990, and 530 yuan in 1995, with 65 million people living under this standard. Facing a huge population, the task of poverty alleviation was carried out by two main focuses: the national anti-poverty program, and poverty relief work under the MCA (Selden 1997).

The National Anti-Poverty Programs

Based on the degree of poverty, the government classified poverty areas into three levels: state, provincial, and county. The State Council established special funds for supporting poverty counties at the state level; provincial government allotted funds or loans to poverty counties at provincial level; and the county-level poverty was dealt with by local self-support. 70% of the poverty population was located in western and central China, such as Lao (old areas where revolutions took place), Shao (minority areas), Bian (borders) and Qiong (poverty).

In 1980, the state set up development funds through the Ministry of Finance to provide direct financial aids to poor areas. A special fund was set up for the Three Western[1] Rural Construction in 1983 for developing agriculture and irrigation in western areas. In 1984, the government prioritized its policy to support the regions

[1]Hexi, Dingxi and Xihai, three western areas.

by implementing new measures such as tax deduction or exemption. The Ministry of Finance allotted 1.2 billions yuan for improving farm irrigation construction in the areas (Wang 1998).

From 1985 to 1997 the State promoted a policy of "*Yigong Daizheng"* (YD) for poverty relief. The policy meant to offer relief through public works; for example, storing food and commercial products such as clothing and chemical fertilizer and providing them to people in poverty areas, and supporting their road construction or providing drinking-water facilities. The road construction aimed to facilitate local communication, and the water processing facilities were built to improve quality of life for villagers who used to carry water more than a kilometre, or more than 100 m in a vertical distance. Between 1985 and 1991 these programs accomplished the construction of 131,000 km of roads, 7,900 bridges and 2,400 km of inland river channels. Water supply conditions were improved for 20 million people and 13 million animals (Selden 1997). The State took industrial products that valued 200 million yuan each year to sponsor these works (Wang 1998).

The government, which used to offer interest-free money to the poor, established a poverty alleviation fund to make available low-interest loans in 1986. In the 7th Five Year Plan (1986) the State put the development of Lao, Shao, Bian, and Qiong areas into the plan of national economic-social development. The total fund for poverty alleviation loans was 3 billion yuan.

The State issued *8-7*[2] *Poverty Relief "Storm Fortifications" Plan* in 1994, urging different departments of government, including economic, cultural, social, health, production, and social and political organizations to participate in poverty alleviation (Wang 1998). The most noticeable effort was poverty relief by means of science and technology in Dabie Mountain. This action was led by the Science Committee of China and spread farm technology to poor villages to improve crop growth. Other programs included "*Wenbao Gongcheng*" (The Program of Adequate Food and Clothing), "*Xinghuo Jihua*" (The Sparking Plan), which spread and promoted new technology, such as new breed of crops, hybrid rice and hybrid corn, mulching, chemical fertilizer, pest control methods and to practice comprehensive farming, animal husbandry, forestry, and special local products. They incorporated poverty relief with economic development and pushed poor areas to participate in the commercial and market economy. The goal of the "8-7 Plan" was to uplift 80 million households in 592 poverty counties out of poverty within 7 years, by the year 2000. The "8-7 Plan" intended to raise 1 billion yuan as YD fund provision and another 1 billion yuan as loans for poverty alleviation every year until 1996. It actually raised 1.5 billion yuan for the YD fund, and 3 billion yuan as loans for poverty alleviation (Lu 1997; Zhu and Jiang 1995). The State offered 5.5 billion yuan to 1200 counties over 8 years in the 1980s. By the end of 1988, the Agricultural Bank of China issued 2.7 billion yuan low-interest loans to 1200 counties (Chen et al. 1990: 221), while the State provided 10 billion yuan for the poverty alleviation fund (Yang 2003).

[2]The so-called '8-7 Plan' relieved 8 million poor people, and ended within 7 years.

The national anti-poverty campaign was a nationwide and intensive action covering a wide range of aspects and a large population. It indicated that the State took responsibility for the poverty situation in rural China, and played an important role in poverty alleviation. Under the planned economy, the State mobilized various resources to fight against poverty. The anti-poverty campaign reached an unprecedented degree and scope in China. Nevertheless, the government's anti-poverty campaign also had many problems. First, under the influence of market economy, there appeared to be a conflict between a drive for economic growth and an effort for poverty relief. To loan 4.25 billion each year, banks had to consider the ability of repayment, and thus drifted off the course of poverty relief. Very poor counties lacked economic collateral resources for getting a loan. Furthermore, the poverty alleviation policy encouraged investment in projects of grain, agricultural side-production, fish breeding, and poultry raising, but the banks hesitated in the face of adverse circumstances in poor counties and favoured industries and businesses because they could yield higher returns. Overall, they preferred fewer loans to risking losses. Second, there was a lack of cooperation in different governmental departments. For instance, a multi-joint poverty relief project required various departments to contribute funds, but departments did not coordinate with each other very well, resulting in low efficiency to carry out the project. Third, the loan procedure did not fit local situations very well. For instance, the central loan required 20–30 % of local funds as a supplement. Poor areas could not find enough money to meet this requirement. Fourth, some projects for poverty alleviation projects did not meet local needs. For instance, in YD work a *Xiang* considered road construction very important, but was asked to carry out projects in other areas. Once the *Xiang* built the road as they wished, it would be ordered to repay the loan. Fifth, poor counties were short of money, therefore they misused poverty relief loans for other purposes; for instance, salaries or fees for purchasing farm produce and sideline products of peasants.

MCA Poor Household Relief

While the State was concerned about large poor areas, the MCA paid attention to individual poor households and mainly provided seasonal and temporary relief.

The MCA published *An Investigation into Poverty Relief Work in Taiping Commune* in 1979. This document offered poverty relief through the following steps: (1) identifying each poor household; (2) offering work to help them develop household sideline production; (3) collecting economic support for these poor households; (4) organizing cadre and masses into guaranteeing teams to undertake assistance for poor households, setting up the poor projects to stop the phenomenon of people discriminating against the poor (Duoji 1996a: 221). This was a step in the period of transition from PCs to an all-round contract system.

A consistent policy for household poverty relief was to provide relief funding. The MCA had a fixed relief fee for each poor person; this avoided divesting or misusing the fund. The MCA allotted over 800 million yuan of relief funds to rural

poor households in 1994, which helped 3 million peasants. The MCA was also concerned about how to use the loan money. In order to make sure the money was well spent, the MCA provided information, technology, and management for poor peasants to help them develop economy and production. It offered help not only for farm production, but also for woods, animal husbandry, fishing, industry, commerce, and construction. Capable households guided poor ones to eradicate poverty. Science and technology played a significant role in the MCA's relief effort.

The recycling fund was a new reform of rural calamity and poverty relief. A new method of poverty relief occurred initially in Heilongjiang Province in 1980, which was to "borrow and then return". Meanwhile, another returning fund of calamity relief emerged in Hebei province, Jiangsu Province, and Jilin Province. The MCA confirmed this measure and encouraged poor households to help themselves by engaging in production. This way linked calamity relief and poverty relief together. When disaster occurred, the fund was used to release calamity relief; when there was no calamity, the fund was used for poverty relief. The fund was either low interest or interest free. This was an ongoing loaning–repaying cycle to relieve household poverty. Also the recycling fund could attract money from other government departments and donations from organizations. The recycling fund for poverty relief had main components as following, calamity relief and international and domestic donation. Annual compensated part could not surpass 30% of the total calamity relief fund. By 1996 there was a 2.3 billion yuan poverty relief recycling fund in the country. If half of it was loaned, it would be 1.15 billion yuan, which was 60% of the allotted calamity fund of the central government (1.9 billion yuan) of 1995. The total amount of fund loaned to poor households was about 404 million yuan in 1994, supporting 4.36 million households; 2.37 million households, or 54%, were able to eradicate poverty by the end of the year (Duoji 1996a: 226, 249).

The MCA promoted economic entities that provided poverty relief. Under the market-oriented economy, poverty relief was combined with industry and commercial services. The poverty relief entity united poor peasants to set up economic organizations. An example was Dongyi Xiang, in Lucheng County, of Shanxi province. Peasants worked together to build a chemistry factory there in 1983. The Xiang government set up a poverty relief centre and organized 200 peasants to do labouring work and transport stones. The average income of peasant was 150–200 yuan over 3 months; the centre accumulated 1800 yuan in the same time. The centre's total income was 510,000 yuan in 1984. The average income of poor peasants who joined this project was 800 yuan. Some of them earned 1500 yuan. The centre had a total net income of 80,000 yuan that was eight times the governmental relief funds per year. The MCA issued *the Management Methods for Economic Organizations of Poverty Relief* in 1989 to enhance and regulate such types of economic entities.

The MCA issued the *Temporary Methods of Calamity and Poverty Relief Entity* in 1989, which defined an economic organization for calamity alleviation and poverty relief and which offered services like settlement of disabled people and services for veterans. There were several purposes to the policy. First, to promote self-help by means of engaging in production activities. Second, its body was made

up of poor households and victims of disasters that comprised 70% of this economic organization. Third, this organization provided calamity and poverty relief funding according to the ratio of contributions. Fourth, it received financial support from the MCA. In some cases, the MCA provided financial support for some economic organizations. In others, some enterprises set down a ratio of victims of calamity and poor households, and these enterprises also enjoyed a privilege that meant tax discount or exemption. In 1994, there were 25,000 poverty relief organizations that had 6.3 billion fixed assets, 3.9 billion currency capital, and 730,000 workers in which 89% were victims of disasters, poor or disabled persons, veterans, and their families. Value of production was 16.72 billion yuan each year, generating 1.73 billion of interest. There were 2,860 poverty relief centres in the whole country (Duoji 1996a: 226, 252, 254).

The poverty population in rural areas was 2.5 hundred million persons in 1978; this was reduced to 58 million in 1996. The rate of poverty occurrence declined from 31% in 1978 to 7% in 1996. During these 18 years, nearly 200 million persons in absolute poverty came out of poverty (Policy Studies Office of MCA 1997: 61). According to the World Bank's poverty line and statistics, the poverty population was 4.9 hundred million persons in 1981, but reduced to 88 million by 2004 (Finance Times, 08, 06, 2004).

Developing Areas: Mutual Aid Saving Funds for Disaster and Poverty Relief

Mutual Aid Saving Funds (MASF)

In the winter of 1982, the Natural Calamity MASFs (*huzhu chujinhui*), later known as the MASF for Disaster and Poverty Relief (*jiuzai fupin chujinhui*), was established in three counties: Poyang, Linchuan, and Fengcheng of Jiangxi Province, a large extensive calamities area. In June 1988 there were 19,600 MASFs established in this province. 96% of Villagers' Committees had MASF, 77% peasants households joined it. The total sum of the fund was 1.18 hundred million yuan, and each fund had over 6,000 yuan. Each county received 2.1 hundred million yuan from 1984 to 1987, which supported 2.35 million households. 80.79 million yuan was used for disaster and victim relief; 62.58 million yuan was used for poverty relief in 804,000 households; 12.65 million yuan was invested in establishing and supporting 2,200 economical entities that offered and arranged jobs for 57,000 peasants, including 38,000 poor peasants; over 8 million yuan was loaned out for medical expenses for 160,000 persons. Over a period of a year, at least 80 million yuan was turned-over (Chen 1990: 217). This type of MASF was rather popular in the country. In Yunan Province the fund was extended to include food supply for mutual aid as well. By the end of 1998 there were 136,000 MASFs totalling over 4 billion yuan (Deng 2000: 279).

The MASF was a grass root organization of village, self-management and mutual cooperative. Initially, it collected a little money from each household to help members survive disasters; later, the state, Xiang and village collectives joined hands to support this fund. The fund came from three sources: the state disaster relief fund, the village fund, and individual peasant's contribution. Members selected an administrative committee to manage the fund. Persons who contributed to the fund could receive a reward; those who borrowed funds for disaster relief and assistance had to return it. The main purposes of the fund were to provide disaster relief, recovery from poverty, and development of production for those who were poor and had no ability or chance of getting rich. It was not an organization for profit; therefore its fund had a low interest or no interest rate for people.

As the economic environment changed, the MASF gradually became a non-governmental financial organization. Some of them began to invest in projects of high risk and encountered management problems. The State started to rectify the situation in 1998. Under the market economy, operation of the fund was subject to economic rules and regulations. The MASF was a private under government-assisted organization with a non-profit mission. Under the strict law of market economy, the financial department considered it was not a well-regulated business unit. For pure market economy, the government stopped its support and the fund lost its function. However, the MASF was a special product of rural farmers, and this financial organization indeed helped individual peasants to deal with risks and played a certain role in rural welfare and poverty assistance.

Developed Areas: Calamity Cooperative Insurance and Pension Insurance

The MCA applied advanced Western measures to deal with calamity relief under market economy in wealthy and developed rural areas. One of the effective measures was insurance.

Calamity Cooperative Insurance

In 1987 the MCA launched pilot projects of calamity cooperative insurance in Anhui, Zhejiang, Jiangsu, and Heilongjiang provinces. The projects were then extended to 80 counties in 1988, and 102 in 1989. Meanwhile, administrative insurance agencies emerged at province, region, and county levels (Chen 1990: 219; Deng 2000: 283). The main agency provided crop insurance that also covered housing, farm animals, and labour accidents. Insurance funds came mainly from the state, about 500,000 yuan for each site, and from collective and individual contributions. County was the basic unit for disaster relief and provided larger funds than villages (the MASF at the village level). This model suited semi-developed

regions, but in poor areas it was still the state that played a main role in calamity relief. The state assumed the full responsibility for disaster relief over 30 years; such responsibility was later transferred to social insurance.

The calamity cooperative insurance had several positive functions. First, it covered extensive areas, and increased the standard of assistance. In Dangdu County, Anhui Province, the State relief fund covered up to 5% of calamity victims over seven years, beginning in 1979. In 1987 the calamity cooperative insurance became effective and covered 36.6% of calamity victims. In 1988, 159 *Xiang* in eight counties received calamity compensation, which provided a greater amount of money to each household for relief than the State's relief fund, and equivalent to the standard of state relief in 1998. Second, it was effective. Local saving funds could be delivered quickly to recipients, usually within two weeks, sometimes in only a couple of days. Third, it followed the principle of profits first, insurance after, which united rights and interests together. Fourth, it enhanced sources of relief fund. For example, peasants' contribution to insurance in Chang Sha County was four times more than that of the state's relief fund in 1991. Fifth, it resulted in accumulation of money and thus strengthened the capability of local residents to deal with calamity (Deng 2000: 284). The cost for relieving disasters was 87 million yuan in 1991.

Calamity relief cooperative insurance came to stagnation in 1990 because the People's Bank of China (PBC) demanded that "the practice areas of rural calamity relief cooperative insurance should stay in 102 counties at its present level, and not to be expanded arbitrarily." Thus, the MCA adjusted its organizational structure in 1995 and did not arrange special duties and personnel for this work. The main reason for policy makers to terminate the calamity relief cooperative insurance lay in the huge amount of excessive compensation. The insurance claim settlement ratio in 12 counties of Hunan Province was 137%. If every county in this province was compensated at this rate, it would require 200 million yuan each year. The price compensation was the fundamental problem. In these areas, the state calamity relief system co-existed with the cooperative insurance together. Peasants who did not join the cooperative insurance could still receive assistance from the state calamity relief project; therefore, peasants lacked motivation to take part in the insurance.

There was a theoretical debate about the nature of calamity relief cooperative insurance. The main question was about whether the rural pension plan was a social or commercial insurance. The calamity relief cooperative insurance was carried out by the MCA as a social insurance; however, the PBC considered it as a commercial insurance. The state did not draw any conclusion about its nature. The calamity relief cooperative insurance was administered by the MCA, but its budget was handled by the government through management and supervision of the PBC. The PBC had a judiciary right to restrict expansion of calamity relief cooperative insurance, which eventually led to the termination of the calamity relief cooperative insurance (Zheng 2000: 284). In short, a number of questions can be raised regarding the government policy. Should all insurance be commercial? If it was not, could government deal with the problem of huge insurance claim requirements? During a time of transition, how were they to bring a new system to society gradually? The same questions may be asked in the examination of another insurance plan.

Rural Social Cooperative Pension Insurance

Based on the 1990 census, the elderly (age 60) comprised 8.2% of the rural population and this rate increased 3% per year. The family, the traditional welfare structure, changed. Its size became smaller and supporting functions decreased with the practice of the family plan (one child policy). Rural youth labourers were emigrating to urban areas. The average size of the household in the countryside was 4–5 persons (Leung and Nann 1996: 122). Thus, areas that were already economically developed started to explore new ways to support the elderly. Shanghai city started the RSPI from the beginning of the 1980's, which was to use the collective economy to provide pensions to the elderly. In 1986, 77% of the Shanghai rural elderly population had a pension, ranging from 40 to 45 yuan per person per month (Chen 1990: 223). The MCA made a decision at the Shazhou[3] Conference in Jiangsu Province in October 1978, requesting economically developed areas to start community-based social pension plans in rural areas. There were two levels in this community-based practice.

First, the village served as a basic social unit. It had good economic resources for a pension plan and did not have to rely on the State or Xiang government for support. Second, the Xiang serving as the organizational unit had enterprises and a well-established collective economy. This allowed implementation of the social pension plan in villages one after another so long as the conditions were right. It had an advantage to expand the RSPI easily. The negative point was that it was difficult to have the same assessment criteria for the RSPI plan across different places while each plan covered only a small area. When the economy was in crisis the RSPI vanished too. The Xiang as a community unit was larger than the village and had the flexibility to adjust RSPI on a relatively larger scale. Therefore, it could be easily integrated into or upgraded to a national pension plan to reach the target of the state policy (Zhan et al. 1993: 343–345). The most common social pension plans followed the model of an urban insurance system that was based on state- or collective-owned enterprises. Thus, village or Xiang formed a unit to collect funds from collective enterprises; individuals did not need to pay. This kind of plan was more like enterprise retirement and had little to do with the social insurance. Since the administration was at the village or Xiang level that had a different environment from one place to another, the management was seriously disorganized (Yang 2003: 127).

Therefore, based on a longitudinal investigation practice, the MCA issued *Basic Plan of Rural Social Pension* in 1992, which set up the principle and foundation for the RSPI. Based on the model, the RSPI asked for the responsibilities of individuals, collective, and government. Once an individual pension account was set up, individuals would make a primary contribution as savings and the collective would make a contribution as subsidy. The village or Xiang would decide the rate or amount of assistance based on the economic conditions. The State could not finance the entire rural elderly population, but made policies and offered tax privileges to

[3]Nowadays Zhang Jia Gang City.

support the pension plans. This plan was cohered to the individual regardless of whether a person worked in farming, business, or factories. Peasants would not lose their pension because of work mobility. This pension plan neither forced peasants to join in, nor allowed peasants to take advantage of, or take for granted, the plan. Depending on local situations, authorities used various methods to urge or motivate individuals to sign up to the plan. The pension had no restriction in terms of participants' age, the amount or time period of coverage. It was suitable to rural circumstances of unbalanced economic development and unstable income (Policy Studies Office of MCA 1997: 87–89; Huangli 1995: 46). In 1991 the State Council selected some counties with good conditions as experimental areas to develop the RSPI system. Muping County, Shangdong province, was the first county to be chosen to fully implement this. Every Xiang and village in this county joined the pension scheme and nearly 200,000 peasants were covered under the plan that had a total fund of 10 million yuan (Yang 2003:128). Based on this experience, over 700 counties issued official documents for implementing the RSPI (Policy Studies Office of MCA 1997: 74).

The Design of RSPI usually observed the following rules: (1), it applied to all rural population and non-urban residents who were not covered by the system of commodity food under state provision; (2), the RSPI was not discriminative based on gender and occupations; 3), it applied to people between the ages of 20–60 years. The individual and collective contributions were put together into an individual pension account. The plan had 10 different programs that suited various areas and individual choices. Individuals could upgrade or downgrade their plans to adjust to changes of income level. Pension premiums could be paid in advance, repaid or suspended for a short term (in time of disaster or hardship). Policyholders could receive pensions from the age of 60 until death, depending on their contribution and coverage plan. The pension guaranteed a 10-year coverage. If a policyholder died within the 10-year period, the remaining pension would go to a designated beneficiary. If a policyholder died at the time of payment, the designated beneficiary could inherit the principal and interest. The pension was transferable when a policyholder changed job from an agricultural to a non-agricultural occupation (Wang 1998: 73–74).

In 1995 the MCA issued regulations on the administration and development of RSPI. After a period of experience and trial in pocket areas, there came the time in 1995 to promote the RSP nationwide. In 1996, 1,980 counties implemented a RSPI, 80 million peasants joined, and a fund of 12 billion yuan was established. A total of 400,000 peasants received a pension, resulting in an expenditure of 200 million yuan. The fund in Shandong, Jiangsu, Shanghai, Zhejiang, Hunan, Fujian, Jiangxi, Hubeim Anhui, Sichuan, Shanxi, and Liaoning provinces totaled over 100 million yuan (of Policy Studies Office of MCA 1997: 75, 86).

By the end of 1998, 2,123 counties, 65% of Xiang had implemented the RSPI for the elderly; 80.25 million rural residents had registered for the pension plans (Zhang 2001: 252). The RSPI accumulated 18 billion yuan in 1998, and 598,000 peasants received pension coverage totaling 2.5 million yuan in 1998, an average of 42 yuan per person per month. In some areas, such as Yantai and Shanghai, the

RSPI had played a major role in supporting the elderly. 1.87 million peasants signed up for the RSPI, accounting for 40% of the total peasant population and 87% of the elderly peasants in these areas; the fund was 40 million yuan. About 60,000 aged Yantai peasants received the pension. Yantai municipality granted more than 4 million yuan pension with 70 yuan per capita. The rate of RSPI coverage in Shanghai was 90% in 1999; and 330,000 peasants received pensions of 50–60 yuan per capita per month. In Fuzhou municipality, each participant received a pension of 32 yuan per month. The RSPI was a source of fixed income for the participating rural elderly peasants (Yang 2003: 128).

The RSPI was suspended in 1998. The State transferred the power for handing RSPI from the MCA to the MLSS, despite the fact that the MLSS had no personnel arrangement at township and village levels, and hence had no administrative staff to carry out this work. MLSS's main task was to manage the urban welfare system and had paid little attention to rural pension plans in the past. A major problem that the government faced was whether the government should have the ability to bear the burden of peasants' welfare in rural areas. The government carried the financial burden of providing a package of full welfare coverage for urban citizens. In this system, urban residents enjoyed health care, pension insurance, housing benefits, occupational injury insurance and traffic benefits, to name just a few. Since the late 1990s, the pension insurance of urban enterprises operated with "empty accounts"; it had an annual deficit of 30 billion yuan and relied on the subsidy of the government (Ge 2003). Urban residents only contributed to a small fraction of the population. Adding the vast peasant population to the welfare system could substantially increase the financial burden of the government. Therefore, when the government leaders saw the RSPI, they decided to restrict its expansion in 1997. The preexisting urban welfare system was a product of the old time state-owned economy and relied solely on the government to provide coverage for all living areas. This urban welfare system was being changed and the responsibility for welfare was shared amongst individuals, enterprises, and the government. It became a multi-welfare system with governmental, social, and commercial elements. The RSPI was designed according to this model, which did not require any payment from the government, but was supported by favourable governmental policies and regulations. Designing and implementing the RSPI in such a way helped develop the economy smoothly and improved farmers' well-being efficiently. The suspension of the system suggested that the central government and ministries had different opinions and understanding about the RSPI.

Chapter 10
The Social Security System in Rural China

In the mid-1980s, the MCA began experimenting with a social security system in rural China. This system included a home (old people home), a factory (welfare factory[1]), and a fund (social security fund), as well as special treatment for servicemen and the FGS. The system emerged in 14,500 Xiang in 1992.

Re-New the "FGS" System

Implemented Xiang Plan as a Whole

After the household-based production contract was implemented and the collective was disbanded, the FGHs lost their supports in many places. From 1985, the MCA collected money from villages and used it to support the FGHs in villages. Later the Xiang pooled funds together to support the FGHs and decided their living should depend on relative's support. This approach became popular for supporting the FGHs. In 1994, 31,000 Xiang that comprised 65% of the total number of Xiang used this approach to support the FGHs (Policy Studies Office of MCA 1997: 72). The local government used other approaches to support the FGHs.

The first and primary one was the collective support. *Jinglaoyuan,* meaning a home that respects and loves the aged people (functions as nursing or care homes in the West), and *Fuliyuan,* called welfare home (except takes care old people, also disabled children and orphan) were popular as examples of the collective support. Such homes were usually built in a Xiang or a town, funded by social donation, governmental fund, and collective collection to host people from the FGHs. When there was a financial problem, the rural *Jinglaoyuan* would develop the economy;

[1]Welfare factory was a kind of work unit designed to arrange workers especially for a certain proportion of disabled persons so that they could be self-dependent and re-join society. The state offered them a favourable policy, for instance, free or abatement of tax.

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for instance, letting capable old people plant vegetables or feed fowls. In 1994, 26,419 *Jinglaoyuan* developed the so-called "yard economy" and yielded an annual net income of 2.6 hundred million yuan. The *Jinglaoyuan* also accepted old people who could afford their own fees. In 1994 residents in the *Jinglaoyuan* paid 15 million yuan for their own living costs.

Second, the collective provided cash and materials, as well as caring services, while the FGHs chose to live in their own homes. By 1994 there were 2.48 million FGHs living in their own places, and receiving 13.6 billion yuan of assistance, of which 86% of the fund was from the collective, with an average of 594 yuan per person.

Third, the FGHs signed a contract with family relatives as volunteers and received supports through an agreement. The family relatives provided food, clothing, assistance to daily living, health care and funeral services for the FGHs; they also had rights to use land and farm tools of the FGHs and accept inheritance.

Fourth, apartments were built for the FGHs in areas where the collective economy was strong so that they could live together while receiving financial assistance individually and being able to look after themselves.

Fifth, voluntary support was made available. Such support allowed the FGHs to live in their own homes or to move into the FGHs home voluntarily. The collective either offered some money and materials or provided some other types of support. The volunteer supporters would look after the FGHs.

Sixth, contracted support was also provided. The village, as a unit of care, organized care-giving groups or stations to provide caring services to the FGHs (Leung and Nann 1996: 124; Zheng 2000: 268). Table 10.1 represents information about the FGHs. Table 10.2 is increasing number of *Jinglaoyuan* in rural area.

The cost of supporting the FGHs rose from 285 million yuan in 1982–1704 million yuan in 1997—a difference of nearly 5 times. The average living expenses per year of the FGH was 235 yuan in 1985; 281 yuan in 1987; 359 yuan in 1989; 444 yuan in 1993 and 720 yuan in 1997 (Zheng 2000: 268). The cost for the FGHs to live in *Jinglaoyuan* was 1070 yuan per capita in 1994, above the average level of the FGHs (Duoji 1996a: 200). The average living cost for the FGHs that lived at the expense of the collective offerings was 882 yuan in 1994, approximately 95.7% of the average income of the rural people in l995 (Duoji 1996a: 213). Therefore, the living standard of the elderly in FGHs did not get lower than the average living standard of the rural people.

The development of the *Jinglaoyuan* was not balanced. For instance, every Xiang had a *Jinglaoyuan* in 11 provinces and municipalities including Beijing, Tianjin, Hebei, Liaoning, Heilongjiang, Shanghai, Jiangsu, Anhui, Shandong, and Ningxia. However, there was not even one in the 34 counties of Sichuan province with large populations (Yu 1995: 30). The FGHs were the main feature and a traditional component of rural welfare.

Table 10.1 1985–1992 the five-guarantee household supporting

	1985	1990	1992	1994
Five-guarantee household (household frequency)	3,008,407	2,837,461	2,318,384	2,860,000
Five guarantee (person frequency)	2,501,073	2,282,881	1,782,865	3,080,000
Collective supporting guarantee (household frequency)	2,237,533	2,064,004	1,893,757	2,820,000
in all guarantee (%)	74.4	72.7	81.3	
Guarantee living in ageing care institution (household frequency)	261,669	331,343	350,570	580,000
in all guarantee (%)	8.7	11.7	15.1	18.8
Guarantee living in own home (household frequency) in all guarantee (%)	1,975,864 65.7	1,678,919 61.1	1,543,187 66.6	1,920,000 (62%) scattered-lived is supported by community; supported by other institutions is 320,000 (13.39%)

Source The department of planned finance of the MCA, statistics yearbook of civil affairs of China, 1994, Beijing, p. 303. (collective supported here means pooled funds in a Xiang)

Table 10.2 The increasing amount of ageing care institution in Chinese rural area

Year	1980	1989	1994
Amount of ageing care institution	8266	37,400	40,409 31,353 (owning by town) 8987 (owning by community) 69 (private)

Source Deng, D. et al. (2000). Research on several important social security problems in China. p.267; Duoji, C. (1997). Social Relief. p 212

Welfare Enterprises

The welfare enterprises (or welfare factories) were a kind of special enterprise that aimed at offering working opportunities to people who were physically or mentally handicapped but still had certain functioning ability and were willing to work. They were managed and supervised by the MCA. In addition to offering employment opportunities, welfare enterprises also helped arrange convalescence, training and living for the handicapped. As an economic production unit, welfare enterprises had a unique operation and accounting system, and assumed sole responsibility for their own gains or losses. This kind of entity that combined welfare and economic organization was primarily developed by the MCA at different levels, such as Xiang

or town, village and factories, mines or enterprises. Welfare enterprises initially emerged at the beginning of the establishment of the PRC. Some self-reliance groups emerged for people to help each other and earn their own living during a time of hardship. There were 280,000 self-reliance groups in 1958. By 1959 the MCA decided to centralize this kind of group into special work places for the handicapped and named them "welfare factory". There were 1371 welfare factories in 1963 but after the Cultural Revolution only 776 of them existed (Leung and Nann 1996: 137). Welfare factories encouraged disabled people to join society and to be independent.

During the 1980s welfare enterprises developed rapidly. The state passed regulations for welfare enterprises in 1980. According to the regulations, when disabled workers were over 35% of the total number of workers in a welfare factory, its income tax or profit tax would be free; disabled workers over 50% could release value added tax. There were 1602 welfare enterprises in the country in 1982 and 64,000 disabled workers out of 180,000 employees. After 1985 more welfare enterprises emerged in Xiang in rural areas. There were 60,178 welfare enterprises and 909,000 disabled workers out of 2.18 million employees (Table 10.3). 12% of the welfare enterprises were under the direct leadership of the MCA. 15% of disabled workers in welfare enterprises were blind, 36% were deaf and dumb, 40% mutilated persons, and others were persons with mental illness. Welfare enterprises were usually small, with an average of 36 workers (welfare enterprises managed directly by MCA had 52 workers on average), and on average 15 of them were disabled persons (Leung and Nann 1996: 137).

In the time of the market-oriented economy, welfare enterprises found it hard to survive. 30% of welfare enterprises had deficits in 1993. There were several reasons, including lack of competitiveness because of bad management, and insufficient governmental support for materials, energy, finance and transportation, and lack of updated equipment, to name just a few. The welfare enterprises faced a life-threatening competition with the market economy. Under the conditions of planned economy, its welfare character could be stressed. However, in the market economy its productive nature was put centre stage, but it did not possess priority. Thus, its welfare function was taken over by the society.

Table 10.3 Rural welfare enterprises development

	1963	1976	1982	1985
Welfare enterprises	1371	776	1602	60,178
Disabled employees			64,000	909,000
All employees				2.18 (million)

Resources China civil affairs statistics year book, 1963–1986

Special and Preferential Treatment

Special and preferential treatment was given to family members of revolutionary martyrs, servicemen who served the nation and died of an illness or were missed in action; handicapped and retired servicemen; and servicemen discharged due to illness. Such treatment included providing comfort and compensation to veterans and their family members; for example, job offers, and financial, technological, and material support. The government provided sanatorium (ganxiusuo) and invalides (guangrongyuan) for those who needed living helps.

Special and preferential treatment has a long history in China. Beginning from the Second Civil War (1927–1937) until the Anti-Japanese War and the War of Liberation, a soldier's family and a revolutionary martyr's family received help for their farm work. Usually the village as a unit provided labour or farm animals regularly or temporally. According to the MCA, there were 10 million mu lands of those people receiving help in 1950, and 50 million mu lands in 1953. Another form of help was to offer the credit of working days. Since the collective economy required "pay according to work time," people who deserved special and preferential treatment would be offered credits in the form of working days. The MCA issued a policy that became popular in 1956. The total number of working days granted reached 400 million days each year. The working days granted could be paid in cash or in kind. The last option to provide help was to directly offer monetary support.

After the economic reform in the rural area, the special and preferential treatment was to carry out "ideological education,[2] support to develop production, mass give special treatment,[3] and government preferential policy and compensation" (Duoji 1996b: 20). The MCA believed that the special and preferential treatment bounded the state, society, and people together. The mass preferential treatment was a huge material foundation and powerful support, which guaranteed special treatment for the recipients while enhancing their sense of responsibility to the country (Duoji 1996b: 21). The state set a budget to provide funds. Society funds were provided by the places where servicemen grew up or worked before joining the army; the mass section was those households in home towns or villages of servicemen that contributed special treatment fees. According to the Military Service Law that was established in 1984, each township must set a fund for special treatment. Different places had different living standards that were close to the average labour income. This standard was used to determine the amount of annual special treatment.

[2]Ideological education was an important method of the CPC, and it was a key element in special and preferential treatment policy. Ideological education consisted of two parts. One was to improve people's perception of special and preferential treatment. The mass line was a tool for implementing special treatment, organized and promoted mass and organizations from various sections to support and offer special treatments. The second was to educate recipients of special treatment to value the honours, and still consider the interests of the state, and understand well the relationship between rights and duties.

[3]Many preferential treatments were contributed by people, and relied on mass line.

In some places, a special treatment fund was established to grant the special treatment payment for retired and demobilized servicemen.

In 1980, the state offered 1.3 hundred million yuan as regular subsidies to 1.4 million family members of martyrs and retired veterans. The state adjusted the subsidy standard eight times during the time of the Eighth "Five Year Plan" By 1996 central and local governments provided 2800 million yuan to 490,000 family members of martyrs, 880,000 wounded servicemen, 120,000 retired soldiers of the Red Army, and 2.42 million yuan for the pensions of retired or discharged veterans. Mass special treatment was a way that the collective and the individual contributed money to the serviceman's family, which totalled 1670 million yuan in 1995. There were 1235 sanatorium, 118 healthcare clinics, 1253 invalides, 7642 memorial halls or cemeteries of revolutionary martyrs in 1993 (Leung and Nann 1996: 140–141; Duoji 1996: 24).

Like other rural welfare policies, the policy of special treatment was carried along with the mass line and lack of state financing. It linked the interests of servicemen with the mass and brought society together. Its problems were that burdens were not evenly distributed. The more people joined the army service, the more payment was offered for special treatment in that area. There was imbalance between different rural areas. Rich places were able to provide more payment than poor places. Also servicemen from urban areas were not given the special treatment, although they were promised a job following their military discharge. As a result of this rural–urban difference in welfare treatment, most servicemen were recruited from the countryside since recruiting soldiers from cities was difficult.

Analysis and Assessment of the Rural Welfare Reform in the Period of Market Economy

During the transition from the state planned economy to market economy, rural welfare went through massive and substantial changes. It was an era of exploration and development and brought about the second huge change in rural welfare. The first wave of large-scale activities in the rural welfare system came in the 1950s and 60s under a socialist planned economy; the second wave came in the late 1970s under the market economy.

The rural welfare exploration in this period had several characteristics. First, the new exploration of the rural welfare system introduced Western welfare ideas and methods into rural welfare practice. There was an increasing interest in learning the welfare ideology and management measures from the West. For instance, social insurance and pension systems stemming from Western financial management were brought into the rural welfare system. Also, individual responsibility and organizations such as NGO, NPO were introduced to the market economy. Second, this is an era that embraced rapid social changes and developments, resulting in the establishment of a number of regulations including the notice about carrying out the

RSPI (1995); the opinion of promoting the construction of a rural social security system (1996); disaster contribution management methods (2000), etc. Legislation brought regularity into these political actions. The establishment of rules and regulations demonstrated that rural welfare was moving towards a legislation-based institution. Third, rural welfare was based on a residual welfare model. Coverage of social welfare was still limited. The model of a rural welfare system was not institutional; rather it was residual. It was primarily to provide calamity relief, special treatment, five guarantees, social pension insurance, and cooperative insurance in some places. The beneficiaries were people most in need,[4] instead of the glorious people[5] and "the richest" people.[6] Fourth, the degree of socialization was low. The rural welfare mainly included district security, enterprise welfare, and community-based insurance. The responsibility of the state and society for social welfare was taken over by enterprises, community, or individual contributions. Rich places established their own welfare plans and poor areas had nothing to offer. Only 10% of peasants joined RSPI. Fifth, the management of rural welfare was not unified. The labour department managed rural enterprises welfare; the health department managed rural health care; the insurance company had a hand in the rural pension insurance and calamity relief. The multilayered managements resulted in inconsistent welfare policies that came from various sources. This phenomenon was a result of the market economy that pursued financial interest as the primary goal. For example, commercial insurance companies rejected some welfare initiatives of the government for their own interests. Sixth, the main ideology was to be self-reliant. On the one hand, this ideology awakened peasants' consciousness of self-reliance; on the other hand, it left peasants in some areas helpless. In some rich and developed areas, a preexisting rural welfare system was abolished. Peasants found that they could not rely on the state or collective; thus organizing among themselves pensions or mutual aid. In brief, this era was full of chaos because of the coexistence of different kinds of rural welfare.

Welfare in modern China over the past 50 years has gone through two main stages. Fifty years ago, the land reform was carried out as a revolution. Following the establishment of the PRC, a series of governmental policies were put forward in the early 1950s which dramatically affected public education, collective welfare, public health care and other areas in Chinese society. These policies were distinctively socialist. In its recent history, therefore, China has practiced two quite distinct social systems—based respectively on the socialist planned economy and the market economy. The relatively smooth transition from one to the other is quite unique in modern human history. As Amartya Sen's talk in August 2002 Sen argues that in the achievements of establishing a market economy and in combining two systems, the market economy and the non-market economy (medical care, education, and social security), China might be an expert; especially since China has experiences of social

[4]People who lived in poverty.

[5]Martyr and servicemen and their relatives.

[6]RSPI applied in economic developed areas, and people lived in wealth.

security, public education and land reform in the time before economic reform; as well as the development of a market economy after economic reform.[7]

Faced with this new market economic situation, the state did not find ways for rural welfare. As a result, the MCA, as a government delegate, conducted a series of rural welfare practices and tried to set up a rural welfare system covering many aspects. But some of the most important practices were stopped or stagnated. For instance, calamity relief cooperative insurance, the MASI, and RSPI had given way to economic interests; and others such as welfare enterprises in a market economy were no longer considered as a priority. Such stagnation or discontinuation of welfare practice occurred mostly in 1997 and 1998.

During this period we see many contradictions or conflicts between new and old systems, market-oriented ideology and old socialist heritage, market economy and planned economy, business interest and assistance for the poor. Facing the market economy, old welfare organizations or entities had a hard time to adjust themselves. Moreover, these welfare items were subject to market-economic regulations; they were considered not suitable for the market economic principle and would be cleaned out. At this time, the government had a critical role in determining the fate of these welfare entities. Unfortunately, the government was ambiguous about it or simply against state welfare development. Thus, these welfare entities were doomed to cease functioning. In fact, the real reason for this transfer of responsibility lies in a shift in thinking about the role of the state. Chinese authorities believed that the government should not take responsibility for developing rural pension plans because it should not be burdened by the welfare system in a market-oriented situation. Instead, commercial insurance would suit the rural situation better. The fundamental concern underlying this thinking was that the rural welfare system would cost the state too much and therefore hinder the development of economy. The state lost its way in the new situation.

Although there was little discussion about how to improve rural welfare, some critics from the Chinese academia already argued that, during the current phase of development, the state should no longer provide comprehensive welfare. These critics suggested that plans for universal welfare that covered both the urban and rural population were utopian and would undermine the state's finance system. According to their view, any such plans would seriously destroy China's ability to compete in the international marketplace; and they also saw them as being counter to the general world trend towards the expansion of civil society and the contraction of government (Chen 2002: 16–17). Others have argued that comprehensive welfare systems appeared in advanced Western countries only when their GDP index reached a certain level and that China's GDP index is still too low to support such a move. Views such as these have a particular ideological background in China. Liberal theory has become very popular in contemporary China. With the economic development and openness, the liberal ideas of theorists like Hayek have come to dominate many academic disciplines as well as administrative circles. Many people

[7]See Caijing Magazine (Finance), Yao Fazhan, Yeyao Shehui Gongping, 08, 20, 2002, p.36–39. Sen was interviewed by Anna Kaye and Ye Weiqiang for Caijing Magazine, in Beijing, August.

have particularly seen liberal theory as a sign of social progress and liberation of thought. Such theories oppose the state playing any more than a minor role, and instead favouring the function of the free market as the best solution to most problems. This so-called "revolutionary posture" has found much praise in China as increasing numbers of intellectuals refuse to acknowledge any successes of the three decades before the reform period. They now believe that the market economy is the only key element both to push the economy forward and to improve people's general welfare. The influence of neo-liberals has begun to affect the practices of government administration. As a result of the influence of neo-liberal economists, the Chinese government decided not to take any action to save a rural welfare system which was in dramatic decline; on the contrary, it withdrew from a recently pioneered rural pension scheme, shifting the burden for peasant welfare to the market through commercial insurance.

One must admit that the government did not totally give up its role in welfare development; instead it continued to support and help poverty relief in rural China in market-oriented economy. For instance, the government organized a series of anti-poverty campaigns, and allied its branches and people from all walks of life to join in the campaigns; the MCA tried out a rural welfare system. Nevertheless, it was obvious that the government played a decreasing role. The environment of rural welfare was changed from a planned economy to adequate market economy, and the responsibility for welfare was shifted from the government to individuals.

Conclusions

First, it is a very complicated time for rural welfare. The rural economy went into a market economy period and collective welfare declined. New rural welfare plans that suit market economy were being explored in rural China.

Second, it brought a situation of multi-welfare plans and practices to coexist. The state, commercial, NGO joined together but did their own business, following their own principles and methods.

Third, welfare ideology was confused in the minds of various circles, including politicians, scholars and researchers, which influenced policy makers. Different welfare ideologies were in collision. New liberalism, individualism and privatization criticized collectivism, state duty and planned economy with strong power. The main trend was that the state should decline its role in welfare responsibility for rural people. This idea led to the above situation: welfare in chaos.

Fourth, it is a time full of contradictories in the innovation of welfare system. Contradictories happened between the old system with new practices in social welfare area; and also conflict between social welfare and commercials insurances. However, the new innovated welfare system was in exploration and related government administration tried to work it out.

Chapter 11
Pension Schemes (After 1998)

The development of the rural welfare has seemed circular throughout the times. After the system was first disbanded, the family support for welfare was put in place. Later, the collective welfare system was re-established, and then discontinued, and again it came back with renewed energy. Rural social pension insurance (RSPI) was forced to stop in 1998, but in fact, it was never actually disbanded. In the summer of 2003, I went to Beijing, Zhejiang, and Shanghai for an RSPI investigation, and was surprised to find out that RSPI was stepping onto a new stage as industrialization and urbanization spread.

New Round Practice: Rural Pension Scheme

Despite the unsolved ideological issue, the government has faced rural problems in real terms. *San Nong* (agriculture, countryside, and farmers) issue is grave and has become a hot topic among researchers. But rural welfare has not been mentioned as an urgent task in the central government and among scholars. Nevertheless, this issue is being dealt daily in local practice. This section will try to analyse the state of affairs of rural welfare in a new environment.

Establishing a general welfare system to cover all citizens of China, including urban and rural citizens, has become the wishes of rural citizens. It will be more difficult to carry out welfare work in rural areas; there has never been a systematic plan of rural welfare in the country. The rural welfare system would be slightly different from that of the city. The difference between urban and rural areas is that farmers still posses productive materials such as own land and household sideline production. Here I would like to concentrate on the rural pension plan and rural cooperative insurance, as these are serious and important issues.

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Rural Social Pension Insurance (RSPI)

The ageing problem is serious in China for several reasons. First, the number of elderly people in the rural areas is huge; second, the ageing of the population is growing rapidly; third, the ageing problem occurs at time when China is still developing and not considered to be rich. When the developed countries entered the aged stage, their average GNP was comparatively high. For instance, when the ageing population was 10% in Japan, the average GNP of Japan was over US$ 10,000 (Zheng 1996: 114). But the current average GNP in China is much lower.

In today's China, 60 million peasants are over 65 years old. RSPI is part of the social welfare system to offer help to rural labourers as they get older. I have been involved in the RSPI scheme for a long time. In 1992, I went to Zhaoyuan County in Shangdong Province and Zuoyun County in Shanxi Province to do surveys about rural pension schemes. I also went to Beijing, Zhejiang province, and Shanghai to investigate rural pension schemes in the summer of 2003. The following discussion presents several models that I recently studied.

A. Beijing Scheme

Beijing has a rural population of 3.4 million that account for 26% of its total population. There are four types of ageing support originating from the family, the collective (village), the government, and the pension insurance. The former three are the current situation for the elderly, but the last one, pension insurance is for the elderly in the future. 420,000 rural people are over 60 years old, 58% of them receive support from the family, 10% from the collective, 1.8% from the government, and only 2.4% of elderly currently receive a pension. 30% of the elderly are living on their own. As the family support declines and the collective welfare is increasingly threatened by the market economy, the RSPI has a big role to play in rural welfare. The net income of rural farmers in Beijing is 5880 yuan per person in 2002.

Beijing started the RSPI practice in 1991 and the Beijing municipality issued a policy about the RSPI in 1995 that set a model of fund accumulation. According to the MCA regulation in 1992, the monthly payment of the RSPI had ten levels: 2, 4, 6, 8, 10, 12, 14, 16, 18, or 20 yuan, respectively. Applicants or policyholders of the RSPI will have to pay premium accordingly. The administrative agency of the RSPI sets up individual accounts for each of these. All the people between the ages of 18 and 60 are eligible to join it. The RSPI covers farmers, peasant workers in township enterprises, township cadres hired on contracts, teachers hired on contracts, rural doctors, veterans, and other people living in rural areas.

Once applicants have joined the RSPI, the collective or enterprises which the applicants are affiliated to are obligated to pay the premium at a certain rate based on their financial ability. Those parts of the collectives' aid are recorded in the applicants' personal accounts. It means that after an applicant joins the RSPI, he or she will have the rights to receive collective subsidy. The collective aid is appealing to individual applicants, and motivates many people to join RSPI more effectively than commercial insurance or family support. When policyholders become eligible

to receive pension, they can receive a lifelong pension on a monthly basis. If policyholders die before receiving 10 or less years of the pension, their beneficiaries can inherit the remaining pension. Policyholders can transfer their pension when they change the location of their primary residence. According to the requirement of MLSS, policyholders receive compounded interest for premium that is higher than the rate of banks. The accumulated fund in individual accounts is exempted from tax. When the peasant workers of township enterprises join the RSPI, the part of collective aid section can be drawn before tax payment (7–10%).

By 2002, a total of 191 townships in Beijing had set up the RSPI scheme. By the same year, 320,000 people had joined the RSPI, accounting for 23% of the labour force; 3.1% of policyholders have received the 50 yuan pension monthly. Each year, 20,000 people were enrolled and 60 million yuan was paid. The accumulated fund was 500 million yuan (Bureau of Labour and Social Insurance of Beijing 2003).

Beijing Scheme

The RSPI is a social insurance, but it is not obligatory since it is not enforced. Meanwhile, the government does not provide financial support to the RSPI. The government may have legitimate reasons for doing so, but should pass legislation to implement the RSPI because it is a social insurance. The government has regulations for the FGHs support; even the family supporting for the elderly was written into the constitution. The RSPI in Beijing is a plan that was laid by the government, and joined in by peasants voluntarily. Enterprises and individuals were not compelled to participate, thus the scheme resulted in a low participation rate. Further, the RSPI standards were low. Each person received a pension of 600 yuan per year, which is lower than the minimum guarantee level. Moreover, only rural enterprises could benefit from the government's policy. For instance, enterprises may draw pension fund before tax payment. But individual farmers do not receive any benefits from the government. This affected the farmers' enthusiasm for participating in the RSPI. Apart from a few local districts offering little funds in some places, in most areas farmers who were not workers of rural enterprises had their RSPI that is nothing different from private saving. Finally, the urban social pension insurance (USPI) and RSPI are not transferable. Although sometimes, the RSPI can be transferred to a city as an individual moves, the USPI cannot be carried over to the countryside. For migrant workers working in the city, transferring their pension savings to countryside when going back home is impossible, causing the insurance to break down. Social pension insurance cannot keep up with the pace of urban and rural development that facilitates the mobility of urban and rural labour, and the management of labour force. Thus, Beijing city decided to combine the RSPI and USPI.

BCA (Bureau of Civil Affairs) in Beijing suggested that the RSPI be integrated with the USPI regardless of its unique characteristics. This proposal was put forward because several problems with the RSPI scheme were not solved in Beijing.

First, the policy for the RSPI enrollment of workers in township enterprises issued by Beijing municipality in 1995 is no longer suitable considering the current situation. There are 134,000 township enterprises in Beijing, and after the reforms, 90% of them are under private ownership. The RSPI in Beijing only applied to former township enterprises that had collective ownership, but had no mandatory provision with regard to privately owned enterprises. The private enterprises are not covered in the urban welfare system that has mandatory rule for workers' pension. Owners of private enterprises have no interest to pay pension to their workers. Only 20,000 rural enterprises, or 16% of the total, joined in the RSPI. Thus, the RSPI should have the same rules as the USPI—a mandatory provision requiring private ownership enterprises to pay a certain amount of pension to their employees. Second, under the current situation, household registration is no longer relevant to the social pension insurance. When peasants joined the RSPI and then moved to city to work, the USPI was obliged to cover them, even though they are still registered as rural residents. From this point of view, workers of rural enterprises should participate in a social pension insurance, which is the same as the USPI. Third, the requisition of land due to urbanization posts a problem for the RSPI. The policy in Beijing is that after the requisition of land, the former landowners who still live in the original residences at the time of the requisition of land will maintain RSPI but those who move into a town or a city will join the USPI.

As more and more rural people become eligible for the USPI, a united social pension insurance will eventually come into being. Nevertheless, because the majority of the rural population still holds a rural identity and is affiliated with the land guarantee, and the workers of enterprises who are eligible for a social pension insurance account for a small portion of the rural population, the RSPI has a reason to continue to exist for the time being.

B. Zhejiang Scheme

Shanghai and Zhejiang, as pioneers of China's economic development, are also forerunners in experimenting with the rural welfare system. The experiences and problems faced with are valuable and can be compared with those noted in Beijing. I did my survey in Zhejiang province in June, 2003. Zhejiang is a developed area in China. The overall GDP of Zhejiang Province has 7670 hundred million yuan in 2002, and GDP net increase was 3032 hundred million yuan compared to 2001 with an average increase rate of 10.8% per year. The average income of urban citizens rose from 7359 yuan per person to 12,100 yuan per person, and the net income of per rural resident increased from 3684 to 4940 yuan from 2001 to 2002. The province experienced fast urbanization. The level of urbanization increased from 35.6% in 1997 to 51.2% in 2002. As a result, the requisition of land was considered a key issue in Zhejiang Province. There was a total of 184,800 mu of land

requisition in 1999 and 383,800 mu in 2000 with a 64.39% increase; 434,100 mu in 2001, with 42.89% of increase from 2000, and 622,000 mu in 2001, with an increase of 43.28%. Since 1999, 1.5 million mu of land had been requisitioned and the figure increased by 300,000 mu per year. According to this rate, 1.08 million peasants will lose their land every year.

How do peasants maintain their well-being after losing their land? In the following sections, I will discuss how land as a security is replaced by the welfare system. Issues to be addressed also include how much the land value is and what kind of welfare system peasants actually need.

To provide basic living conditions for farmers who have lost their land, Zhejiang province set up a security system in 2002 aiming specifically to help farmers whose land has been requisitioned. The system deals with pension, employment, medical care, minimum guarantee level, and job training programs. It provides subsidy payments in a lump sum to individuals under the working age (below 16 years old). For instance, it offered 13,000 yuan to people of working age (male, 16–60 years old, female 16–55 years old) in Huzhou city. The main goal of this security system is to promote the employment of these individuals. The subsidy payment does not exceed 2 years. For those who have not found a job after 2 years and remain to live in poverty, as urban minimum guarantee line described, urban minimum guarantee would be provided. Individuals who are employed will be covered by the USPI; individuals who have lost their jobs will receive urban unemployed insurance; and people who are beyond the working age (over 60 years old for male and over 50 or 55 years old for female) will receive regular pension through the USPI until death. The pension standard is the same as the people group of the same age who are working in city in the same period.

The security fund for farmers who have lost their land contains three sections includes: (1) a payment from the government not lower than 30% of the total payment; (2) a payment from the collective not lower than 40% of the total payment; and (3) a payment from the farmers' land transfer fee. When farmers from the few guaranteed households lost their land, which had been their basic mean of living, the security fund to ensure their basic living conditions is drawn from the land transfer fee. Individual savings can be considered a fourth source for the security fund. Individual payments, for example, in Huzhou city, were 23,000 yuan for those who participated in the basic living guarantee system and RM 3000, 5000, or 8000 yuan, respectively, for those who participated in the assistance subsidy system.

Policyholders' pension standards are determined by the amount of payment, the level of local economic development, and the acceptable capability of the fund. In principle, the pension level should be slightly higher than the local level of minimum living guarantee for an urban citizen, or higher than the local level of unemployed urban workers' subsidy. In Zhejiang province, this living standard was about 250 yuan monthly, which defines the minimal guarantee line for farmers who have lost land.

To promote job training, a special training fee will be drawn from the land requisition funds. This money will be used for vocational training to upgrade individuals' skills and competitiveness. Farmers are encouraged to seek or create jobs on their own. If employers recruit more farmers, they will receive higher payments from requisition of land.

Zhejiang Scheme

Funds for the RSPI come from land requisition compensations. The standard of land management in Zhejiang province decides the level of compensation. Compensation fee for cultivated land is 8–10 times more than the average output value of the land for past 3 years before its requisition; the figure of agricultural land is 4–7 times more than the average output value of the land for past 3 years, and compensation for uncultivated land is 50% of that of the cultivated land. The compensation fee for settling rural population's land requisitions varies from 4–6 times to 15 times of the land output value, 15 times being the maximum. The first two compensation fees cannot surpass 30 times average output value of land. Local government has to decide compensation for young crops based on local conditions, which usually ranges from 500 yuan per mu to more than 3000 yuan per mu. Compensation for accessory materials was based on their actual value. Bureau of Land Resource in Zhejiang province did a survey of the compensation fee in 21 counties in 2002. It reported that the average compensation fee for cultivated land was 8.476 times the output value of land, no single case was lower than that of standard required. The lowest settling compensation fee was 4 times the output value of land, and the highest was 12.5 times. The average compensation for settling was 8.7585 times. The actual payment that farmers received for land and settling, ranged from 9800 yuan per mu, at the lowest level in Tongqin Township of Wuyi County to 45,150 yuan per mu, at highest level in Haimen of Jiaojiang District. The difference between the two is 4.61 times. The average compensation of counties was 25,340 yuan per mu. The average payment of comprehensive compensation for land requisition, young crops and accessory materials was 28,644 yuan per mu, ranging from 7260 yuan per mu (Wuyi county), to 83,593 yuan per mu (Xiaoshan County) (Bureau of Land Resource of Zhejiang Province 2003).

Land requisition resulted in a loss of employment for many villagers. For instance, 252 mu of land was requisitioned between 1999 and 2001 in Niutian village, Jiubao township of Jianggan district. As for 850 labourers of the village, 100 continued to be engaged in farm work; 160 are working in 13 village factories; 80 employed in township enterprises; and 200 had become self-employed working as tailors, vegetable sellers, or in the construction and trade business; 300 people did not find any jobs, and received 70 yuan subsidy monthly. They accounted for 35.3% of the total labourers of the village. This was simple because the requisitioned land no longer required as many labourers as it did before.

A Case in Zhejiang: Jiaxing City

Jiaxing City is an example within Zhejiang Province. Average income per head of Jiaxing was 5500 yuan in 2001. The GDP was 18,223 yuan per head in Jiaxing in 2001, which was 3673 yuan higher than the average level of Zhejiang province. The city's level of urbanization was only 41%; 7% lower than the average level of Zhejiang province. Jiaxing was urged to turn rural areas into urban areas, rural production into industry, and rural labourers into urban citizens. In the face of land requisition, differences between urban citizens and rural farmers increased between 1978 and 2001 in three aspects: income, spending, and saving. All of which grew at a faster rate in urban than rural areas. The growth pace of urban expenditure was faster than that of the countryside. Urban income was 1.92 times that of the rural citizens in 1998 and 2.04 times in 2001.

The eligible age for pensions payment is 0–60 years old. Individual contribution accounted for the most part, this accounts for over 60% of the total contribution. The collective aid was supplementary and limited to 10–30% of the total payment. In some prosperous areas, the collective aid might be increased accordingly. Government provided policy and promoted farmers to join the pension scheme. Both county and township administrations budgeted 5–10% of total sectors of pension for the pension expenditure. The payment was flexible, pension including annual payment, semi-annual, seasonal, or lump-sum payment. Jiaxing had its own pension plan that combined urban and rural social insurance pensions.

Jiaxing city urged veterans and later, workers with disabilities in welfare enterprises and rural cadres, to join in the rural pension plans. Jiaxing city conducted a campaign to promote farmers to join the RSPI. Wealthy households, farmers that produced special products (*Zhuanyehu*), were especially encouraged to join since they had the financial ability to pay insurance and served as good examples both in developing production and welfare in rural areas. Welfare enterprises should pay pension for disabled workers in their work places based on Jiaxing's rule. Jiaxing's experience lies in its way to approach potential participants, the dissemination of information about knowledge and profits of the RSPI, and the initial success of specialized production households spreading the RSPI. For example, a head of a household that specialized in planting grape would pay 3126 yuan yearly when participating at the age of 43, and in return would receive 600 yuan per month after reaching the age of 60. A 26-year-old peasant would pay 2500 yuan yearly and receive 630 yuan monthly after reaching to age of 60.

The following shows several cases studies that I collected from the suburbs of Jiaxing city:

Fuyuan village: There were 1080 households, 3446 living individuals, and 2 *mu* (here you italicize mu but not above. Be consistent) cultivated land per head in this village. Main agricultural produce included mulberry silk, rice, and vegetable oil. Traditional rural production accounted for 60–70%. The average income was 4900

yuan (including peasant workers' income in the city or township enterprises). 20% labourers had joined the RSIP, and 70% had joined the cooperative medical insurance. Each person paid 25 yuan per year towards the cooperative medical insurance for seeing doctors and hospitalization expenses.

Huoju Village: There were 600 households and 1980 individuals. Like in Fuyuan village, villagers were engaged in traditional rural productions and raising pigs. The income was similar to that of Fuyuan village. The RSPI started in 1996 and had attracted 20% of the residents. As the economy changed rapidly, the level of pension was outdated and the payment was only over 10 yuan monthly. On average, each person possessed 3 *mu* of land and the cultivated land was foreseen to totally disappear over the next 3 years due to government land requisition. All villagers would receive the RSIP and compensation eventually. The residents worried mostly about future employment and thus, the proportion of residents joining the RSPI scheme had not changed dramatically since.

Problems

First, general insurance payment was low except for households that were engaged in the production of specialized goods. Some peasants receive pension of several yuan only per month, which is deemed not very useful. Second, commercial insurance competed with social insurance. Seven business insurances provided strong competition to the social insurance scheme due to a shortage of social insurance staff. Social insurance attracted mainly cadres, special households, people with disabilities, and veterans. Jiaxing also has a strong requirement about the state obligated policy for supporting the RSPI which will authorize the RSPI position and scheme. When local practices are supported by the state, the RSPI will be greatly promoted.

In a meeting of township in Jiaxing, I first heard of the concept of "national treatment" from a peasant. In the USIP, work places pay 20% contribution for urban citizens when they pay their 7% of their income. Peasants noted that they had paid agricultural tax but did not receive 20% assistance. They inquired where their "national treatment" was and that if they paid 20% would they also receive 7% aid. In Zhejiang province, I found out that peasants had already raised the issue of treating peasants as national citizens and demanding for their citizen's rights. Primarily, they were calling for the integration of urban and rural welfare.

Zhejiang has realized that it is necessary to unite urban and rural security system. At first, the Minimum Guarantee Line should be integrated. The Minimum Guarantee Line for urban citizens was 398 yuan per month. Obviously, this measure would suit many rural people but since they were not required to pay pensions saving, the result would be an increased government budget. To face this challenge, a national and practical pension plan is needed. The following is pensions plan from Shanghai; perhaps some conclusions can be drawn from it.

C. Shanghai Scheme

Shanghai is a city that initiated the RSPI in 1987. By 1993, Shanghai had set up a rural social security plan. The departments of Civil Affairs, Financial, Labour, and Agriculture together carried out this plan. After several years of practices, by 1996, a government-regulated social security plan was put into effect. Approximately a rural population of 1.24 million joined in the RSPI; 89% of the eligible rural population in Shanghai.

Shanghai's RSPI has its special characteristics which are as follows.

Administration

Because the government transferred the RSPI work from the MCA to the MLSS, the RSPI was stopped. While the RSPI ceased to exist in other places, in Shanghai, the RSPI developed smoothly. Seen as an important matter for ordinary people, it was put as a priority in the agenda of the People's Congress. The People's Congress reports monitored and described the implementation of the RSPI regularly. A management structure consisting of the Shanghai management centre and management agencies at different levels in Shanghai city, district, county, and Xiang administered the RPSI. Each level had its separate administrative staff. In Shanghai, the RSIP, the cooperative medical care, and other rural social insurance were combined. The welfare activities included poverty relief and management of the labour force. This work related to the MCA, the MLSS, and the Ministry of Health (MH).

Design of the Scheme

Shanghai set up its own RSPI scheme, which was different from the MCA plan implemented in other provinces. Shanghai scheme puts forward the idea that individual contribution for the pension is 5% of one's income, differing from the MCA's standards of ten levels, such as 2, 4, 6, 8, and 10. Local government aid (from the county government) will make a payment equal to 2% of the individual's average income. Collective aid comes from the contributions of the enterprises, which is 15% of the gross payout of the workers. This administration is at the county level, which means county pools in as a whole Xiang is a participating and basic administrative unit, and its duty is to collect contributions from individual and township enterprises. Individual contribution is put into an individual personal pensions account; township enterprises contributions are handled at county level. County administration will pool the collective aid as a whole and balance within all Xiang and *Zhen*. Finally, the government offers 40% of the individual's personal contribution.

This formula can be explained as follows:
When average labour's income is 600 yuan, then:
Individual contributes: 30 yuan (5% of 600)
Collective aid: 12 yuan (2% of 600)
Government payment is 12 yuan (40% of 30)
Individual receives pension as: 30 + 12 + 12 = 54 (yuan)

Shanghai's pension has such characteristics which are as follows:

1. Security level was moderated, and it integrated social security, family support for the ageing and land security. Every elderly citizen received on average 75 yuan per month; not enough but helped partially towards a living costs. This does not weaken the function of family support.
2. The RSPI set up individual accounts; the individual's contribution was equivalent to 5% of personal average income in a Xiang. Enterprises contributed 15% of gross salaries. The economic situation from both individuals and work places coincided with payment standards.
3. The RSPI was in local (Xiang) possession, county's administration and monitor. The RSPI covered all employees of rural economic organizations based on Xiang or *Zhen* as a unit.
4. It is a well-arranged plan combining parts of the old system with the new, smoothly transforming the system into a completely new scheme. In the old system, the elderly received 2000–300 yuan per month; a higher pension than those under the RSPI but this originated from individual contributions. Individuals under the new scheme continued to contribute a part alongside with collective and government contributions.

Shanghai's plan was based on a scientific approach. The minimum poverty line in Shanghai was 20% of average salary; and the minimum income line was 40% of average income. The minimum support for the elderly was above 30% of average income. The pension line being lower than minimum wage line is the appropriate plan. Under the urban pensions scheme in Shanghai, pension and minimum wage's positions were conversed; the minimum income was 535 yuan, while pension payment was 800–1000 yuan. This resulted in many workers looking to retire early, consequently causing high spending of the urban pension fund. The new plan also solved the problems that Zhejiang farmers had been faced with. When minimum poverty line was higher than pension payment, more farmers wanted to receive the minimum guarantee rather than the pension.

Overall, the most important action carried out in Shanghai was the establishment of a framework for the SRPI. The establishment of the RSPI in Shanghai was based on economic development and government policies.

Shanghai Scheme

The RSPI covers the entire rural area of Shanghai. 145 Xiang or *Zhen* in 10 counties and districts of the suburbs of Shanghai have set up rural social pension insurance, and 1.24 million rural individuals have joined this scheme, accounting for 92% of the rural population by the end of 2002. It had a fund of 5.6 billion yuan and received a contribution of 1.04 billion yuan in 2002, which was 31.65% increase from the corresponding period the year before. The Shanghai RSPI insisted

on having more savings than spending on the scheme. Shanghai spends 3.5–4 hundred million yuan per year, but collected 1 billion yuan per year. Administrative organizations were distributed over the city, district, or county, Xiang at three levels; commissioned agents were present in large village and enterprises. A total of 380,000 rural residents received pension that totalled 1.63 billion yuan. The average monthly payment of rural pension was 75 yuan per person.

The trend of the RSPI development was slowed down by the growth of urbanization. Agricultural land was diminishing and the peasant population was decreasing. Shanghai was experiencing urbanization, thus welcomed an integrated urban and rural welfare system.

Analysis of the RSPI Plan in Three Cities

Beijing's and Zhejiang's experiences shared some common factors. First, they urged the government to take more responsibility for legislation and redistribution. Second, they favoured social insurance over commercial insurance. They were unable to solve the complex problem of pension standard being too low. Shanghai's experience presents a reasonable approach to deal with this problem.

A. Scheme Itself

1. Zhejiang and Beijing followed the MCA model that had several different levels of individual pension. In Shanghai, individual contributed 5% of income instead of a fixed amount of money to pension annually. First, 5% payment was not difficult for people to pay. Second, 5% payment plan allows pension to be levelled with increasing living standards over time. If a fixed figure of payment was used, the individual pension would be low while the economy and cost of living grew. For instance, if an individual pays only 2 yuan, the pension would be worth next to nothing. To adjust pension standards annually would cause other problems. Shanghai's approach avoided annual adjustment while keeping the pension payments to a reasonable amount.
2. The ratio of individual to collective contribution was fair. In Shanghai collective contributed 2% of gross salaries of labour, which came from the township enterprises. On the one hand, all farmers, not only workers in enterprises, received a contribution for their pension; on the other hand, the portion of 2% was not too high so enterprises could guarantee payment of collective.

B. Management

1. First, Shanghai city passed legislation for the RSPI. Individual and collective are legally bound to pay pension. Legislation endowed the RSPI an absolute position and enhanced the position of social insurance in a setting of fierce competition from commercial insurance establishments.

Table 11.1 Comparison of the RSIP in three cities in 2002

Place	Average Farmers' income (yuan)	Pension received per month (yuan)	People who received pension	Pension coverage of all rural labour (%)
Beijing	5880	50	–	23
Zhejiang	5000	42	50,000	40
Shanghai	6207	75	400,000	95
Jiangsu	4155	64	120,000	29

2. Second, the government takes the responsibility for making legislation and contributions to support the rural welfare system. In Beijing and Zhejiang, funds mainly came from the individual contribution; the collective contribution was supplementary, and the government was not involved. Situation in Shanghai was different. The city had a budget for contribution, thus encouraging peasants to join in the RSPI. If they ignored the RSPI, they would not receive the assistance from the collective (2%) or the government (40%). Thus, conflicts between commercial and social insurance were eliminated. In the face of the market economy and commercial insurance, Beijing and Zhejing used traditional ways to set up the rural welfare system, for example, by persuading cadres or wealth persons to join in the RSPI, prioritizing the interest of veterans and people with disabilities in the RSPI. Shanghai approached this problem from a different perspective. It clarified authoritative position for social insurance and provided benefits for it (Table 11.1).

Can Shanghai's model be used in other places? The answer should be "yes". Beijing's experience suggests that government should have a policy that in rich areas peasants' participation in pension insurance should be mandatory; in areas with good conditions, peasants can participate voluntarily under the government's guidance; in poor areas, poor peasants may not join in the in the insurance at current time. The RSPI should be mandatory for all township enterprises. The gross income of township enterprises in Beijing was 10.2 billion yuan in 2002, and the average per head income in the enterprise was 9800 yuan. Taking 4500 yuan out for living cost, the remaining income is enough to pay the RSPI. This policy is also feasible for peasants with high income. In high-income household, average personal income was 10,000 yuan, which is enough to pay the RSPI after removing 7000 yuan for living expenses.

An Integrated Urban and Rural Welfare System is Expected

The rural pension plan was not funded by the government budget, instead, it was built upon the funds contributed by peasants themselves and the rural collective. The role of the government is to take responsibility for administration, policy making, and legislation. The rural pension plan did not disappear in Shanghai, Beijing, Shandong, Zhejiang, Guangdong, Fujian, and other provinces following the economic reforms but continued to grow with more varieties since 1990s. Different provinces had different experiences and shared these experiences with each other in order to improve the plan. I interviewed officials at the Beijing Bureau of Civil Affairs (BCA). Many of them have been transferred to the Beijing Bureau of Labour and Social Security (BLSI) and began to deal with the issue of rural pension. Despite bureaucratic reorganization, they have not abandoned the rural pension scheme. Rather, since the BCA is responsible for rural welfare and the BLSI for urban welfare, they have used their connections with the two bureaus to explore ways to link the rural pension scheme with the urban pension. It is clear that some officials have begun to make actual moves towards the establishment of a welfare system that transcends the old rural–urban divide. This fact is a direct expression of the possible move towards an integrated welfare system.

Any welfare system depends on a good tax revenue system for tax collection. This is another area in which China must improve its system. According to a survey of 40,000 urban families conducted by the State Bureau of Statistics in 2000, 20% of high-income families held 42.5% of the nation's wealth. The combined capital of the 50 richest families was equal to the total income of 50 million peasants in China; the combined capital of the estimated 3 million millionaires in China is equal to 2 years' income of China's 900 million peasants. Despite these figures, personal income tax in China accounted only for 6.6% of the total income (99.599 billions yuan) in 2001, and only 0.5% of the GDP (Wang 2001). This rate is much lower than that in developed countries. Without a good tax system, it is very difficult to establish an effective redistributive welfare system.

Currently in China a lot of money is collected from non-government sources to support rural welfare, but much of it is wasted due to an administrative chaos. When you turn on the television in China or read a newspaper, you can find many supporting plans for rural education proposed by several organizations. For example, there are proposals to donate resources for the provision of facilities for rural schools; to help rural students who have passed the university entrance examination to actually attend a university; to support individual rural students to remain in school. These kinds of proposals have become very popular in China and gained considerable public interest. The question is, whether education should be the government's responsibility or left as a private charitable action. What role should the government play? When he visited China in 2002, Amartya Sen argued that although a market economy is better than a government-controlled economy to create wealth over industry and agriculture, the state must provide social insurance,

health care, and public education by means of public service. A comprehensive, universal education system funded by the state through tax revenue is much more effective than the one funded through collecting money from private donations.

Integrating Rural and Urban Community

As more farmers become urban citizens through urbanization and join in the rural pension social insurance for welfare benefits, the process for integrating urban and rural communities arises.

The Ministry of Public Security issued *Practical Plan of Household Registration Management System in Small Town* in 1997, the plan announced that household registration would be scrapped in selected developed towns: in eastern China 20 towns per provinces, 15 towns in per province in central China, and 10 towns in per province in western China. This policy would be extended to a wider range after 2 years of experimentation. All workers in industrial or service productions in towns, administrative and special technological workers hired by enterprises in towns, people who bought houses in towns, and peasants who lived in towns when their land had been requisitioned, including all their relatives, will receive urban household registration according to law. The state issued *Opinion of Urgent Household Registration Management System in Small Town* in 2001, which provides regulations for peasants who have legal living places, stable careers, or certain incomes to be registered as urban households. They may either keep their ownership of the land or transfer it to receive compensation. A new trend of thinking is to remove all preconditions, such as quota and minimum residence time, and to base status change on the willingness and practical population conditions. New regulation prohibited the collection of extra fee from new comers, nullified some local rules, such as local registration, enabling peasants to have rights equal to other urban citizens.

Commercial food system that supported dual urban–rural social construction for about four decades was abolished in 2001. Labour market combined urban and rural labour powers. The National Development and Planning Committee proposed a specific plan regarding population, employment and social security in the Tenth Five Years in 200. It hopes to eliminate differential status of employees and promote labour mobility between urban and rural areas and between different regions. For instance, employment advertisements no longer require job applicants to hold Beijing Household registration. Beijing is going to wave household registration requirement for those who live temporarily in the city from July 2005.

All of these developments indicate a trend towards the integration of cities and countryside and a unified urban–rural citizenship. Nevertheless, this is not to say that the development of rural welfare will be smooth. Medical care, education, and pension plan still have a long way to go in most parts of China.

Conclusions

First, welfare entered a government re-responsible time. Welfare in rural China declined or ceased when countryside entered economic reform. It should enhance the state responsibility for welfare of rural people when market economic was installed into rural economy. New plans in several provinces open up a new path when rural welfare dropped, which push government to take responsibility for rural welfare.

Second, after many years of exploration or experience, some welfare items, such as the old pensions plan in economically developed areas, had formed officially reasonable approaches.

Third, this plan includes the contributions from the state, the local government, the collective, and the individual. The construction of welfare legislation system is in progressing.

Fourth, the pension insurance is expanding to cover more rural people and rural welfare system is going towards the institutional logic. So we can say it lays the path to merge the urban welfare system together with the rural.

Part V
The Political, Social and Economic Factors of Welfare

Chapter 12
Social Administration and Public Governing of Rural Welfare: Rural Community Construction (After 2000)

Rural community construction in today's China is gathering speed. It is a path to set up rural social services and public administration, and improve the well-being of rural citizens and living infrastructures of the countryside. It is necessary to examine the interaction of social capital, collective action, and civil engagements and their impacts on government policies in the ongoing process of community construction.

Rural Community Construction

After the start of agricultural economic reform about 30 years ago, while the rural economy and the standard of living have improved, rapid social changes have also brought new problems and needs to China's rural communities.

First, since the People/s Communes that existed for a quarter century had dissolved and collective welfare disbanded as a sector of rural welfare, public, and social services in rural communities are in serious shortage. Over the years, millions of young rural labourers have flown into the cities and more developed areas, leaving behind more vulnerable groups such as children, women, and the elderly, creating the concerns of primary education, public safety, and social welfare. Many rural areas also lack the resources for badly needed knowledge and technology training to improve productivity.

Second, the countryside needs a new community management mechanism to manage public affairs and social service and to tackle a host of new problems. The rapid urbanization process has expanded many cities into surrounding rural areas. The traditional rural production and employment structures and the villagers' lives have been significantly altered. In these overlapping urban–rural zones, many new problems, such as land expropriation, collective asset treatment, and contract management of resources have emerged, urgently requiring new administrative organizations and measures.

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Third, the countryside needs public resources and infrastructure for cultural and sporting activities which are basic to the well-being of rural citizens. There are not enough organizational systems, staff, and finance to manage public environmental sanitation; and the facilities for cultural and sporting activities are in severe shortage. Along with the growth of the comprehensive strength of the nation, the government has gradually increased investment of public finance and social capitals into the countryside for improving rural infrastructure and promoting public good.

Fourth, the level of social development and income and consumption between urban and rural residents is uneven and the gap has been increasing. There are 20.27 times more urban residents who have medical insurance than their rural counterparts (Zhan 2008: 19). The cultural undertaking expense of the countryside is 26.5% of that of total national expenditure in 2004, but the rural population is almost two-thirds of the whole nation (Gao 2008: 19). As we can see, China's rural community construction is lagging behind its urban counterpart and is desperately needed.

In 2003, the third plenary session of the sixteenth central committee of the CPC adopted a resolution on the improvement of the socialist market economic system, which called for social development of the rural community. In 2006, the idea of "rural community construction" was for the first time explicitly mentioned in the sixth plenary session of the sixteenth central committee of the CPC. The country was asked to build the countryside into a well-managed, well-serviced, civilized, and harmonious community. The MCA started to build a rural community platform, pooling all community talents and resources, enhancing the function of community, to gradually create a management and service system at the grass roots level that suits the market economy.

Rural community construction pilots first started in Jiangxi province in 2001. Since the economic reform, under the household contract responsibility system, and along with the great development of economy, the living standards of farmers had been significantly increased. However, public affairs within the rural community were in disorder: the living environment was poor, with muddy roads and piles of litter in the streets, disputes among neighbours not timely mediated, old people, women, and children not supported when young people became "migrant workers" heading to the cities. The farmers had no entertainment, culture, or sports due to the lack of public facilities.

At almost the same time that Jiangxi province started their rural community construction something happened in Feng Huang Ling, a tiny, isolated poor mountain village in Yang Lin Qiao Township, in Hubei province. The villagers organized themselves, collected money, and elected a leader to build a road to the outside in order to sell their agricultural products. After 3 years of hard work, by 2001 the road was ready and the average income of villagers increased to 3000 yuan. Soon 30 more rural community organizations were set up in that area in 2003.

In March of 2007 the MCA held an on-the-spot meeting at Jiaonan county of Shandong province. The practices of Jiangxi province and Yang Lin Qiao Township were introduced. Meanwhile, the community construction experiences of

Jiaonan county, Jiangsu province, and Zhejiang province were recommended to the rest of the country. The MCA chose 251 counties across the nation as community construction pilots, which signalled the official commencement of China's rural community construction.

Rural community construction is to build a platform in each community[1] to handle all issues that relate to farmers' living and production, as well as the public affairs of the village. They include social security, poverty relief, production and employment, village environment sanitation, entertainment, and health care. Jiangxi province and Jiaonan county of Shandong province were two of the pioneers in rural community construction. The experience of Jiangxi province is to organize a community committee to lead and to build five stations (details given later) in each village. The community construction experience in Jiaonan county of Shandong province is to invest in rural community infrastructure construction in order to improve productivity and living conditions by building productive facilities, medical facilities, cultural facilities, and neighbourhood centres. The neighbourhood centre both administrates and serves. It is a platform that combines multiple functions, including villager autonomy, convenient services, culture and training, sport and recreation, farm production, and community life in general.

The contents of community construction vary among different regions, especially between socially and economically well-developed areas and economically poor areas. In 2007, the MCA summarized the overall purposes and principles of rural community construction as follows (Zhan 2008):

First, to build the rural community as an effective and orderly administrative system which would effectively connect the government and the community, facilitate benign interaction between government administration and the villagers' self-rule, all inside the framework of the law.

Second, to build the rural community as a comprehensive service system which includes infrastructure construction and the basic public and social services provided by various departments and government levels, and self-help and mutual assistance provided by the villagers.

Third, to build each rural community into a civilized and harmonious cell relating them to society as a whole.

Rural community construction carries out the principle of self-management, self-education, self-service, and self-enhancement. It should also encourage non-governmental organizations, volunteer work and economic cooperative associations in order to promote community services and to boost the economic prosperity of rural community. During 2007–2008, I visited and investigated about rural community construction in seven provinces and municipalities (Shangdong, Chongqing, Jiangxi, Jiangsu, Sichuan, Hunan, and Tianjin), to examine the pilot programs and to understand different types of it.

[1]The region or domain of the rural community will be discussed in the following section, models of rural community buildings.

Models of Rural Community Construction

Usually, there is a specific coordination and management committee for community affairs in a village which takes charge of community construction. However, community construction is very different in terms of contents, organizations and operation from region to region. I have observed and studied many different models of community construction in rural China (Pan 2008: 110–133) and here is a simple classification of them.

Model One: Villagers Committee (VC) Takes the Lead with Support from the Local Government in Jiaonan

In Jiaonan county of Shandong province, the VCs take charge of rural community development with the financial support of local government. Under the leadership of the VCs, through collective action, the villagers in many villages have built redesigned villages, with linking roads, running water, electricity, and communication channels (telephone, cable television, etc.) as well as improved drainage, lavatories, and pigsties. Up to 30% of farmers have joined various specialized rural production cooperatives and associations in this county. Many villages have improved their cultural and entertainment facilities. Each township has built a cultural centre and 85% of villages in this county now have a lecture hall. Many villages also set up farmers' markets and about 1000 rural labourers are employed by these agricultural supermarkets and shops. In Jiaonan county, many villages (first group was 51 pilot villages) have established service centres or neighbourhood centres, where VCs manage public services and collective affairs. So far, 17 service halls have been established by local government at township sites to provide services to rural residents; 414 village clinics have been set up, and 95.3% villagers have participated in the rural cooperative healthcare system. There are 98 police stations and 375 police outposts throughout the county as the community safety network, and 10–15 villagers from each village are recruited to help with the public safety.

The VC plays its leading role as part of an orchestrated effort by various social elements: the county government, the township government, and the villagers. The VCs get financial and organizational support from Jiaonan county government. The local authority has an annual budget for village level administration, and dispatches 150 county officials to the villages as community construction trainers. In order to strengthen the power of grass roots, local government publicly recruited 100 college graduates to rural communities to assist the members of VCs.

The county government also invested heavily to support village community development, providing 2.7 million yuan to build agricultural supplies and commodity chains, to set up or reform 351 health service stations, with an average area of over 60 m; to build cultural centres (including libraries and lecture halls and

information centres) and to improve village infrastructures; total expenditure 500 million yuan.

This model of community construction usually occurs in those areas where the economy is well developed and VCs are well established. Usually, the local government makes a comprehensive plan for county and township administrations to support the VC's work. Various government functional departments such as transportation, energy, finance, and civil affairs also provide support according to the VCs' efforts in rural community construction.

Model Two: Volunteers Play Active Roles in Rural Community Construction in Jiangxi

The Jiangxi province pays attention to the management of non-governmental organizations because volunteer organizations are responsible for community construction in Jiangxi province.

Jiangxi province is located in the middle region of China and a large part of it is mountainous. The natural villages which are the centre of villagers' community life tend to be small and scattered. Usually,an administrative village has 5–10 natural villages in Jiangxi province. So a natural village is a unit to build community. 80% of the population is in the countryside and the agricultural economy is not very well developed. The average standard of living is in the bottom 5 of the nation. There is no collective economy in most villages. They lack the financial resources for community construction. Many counties are heavily in debt. For instance, *Mingshan xiang* in Changdu county, xiang level indebted over yuan 2 million, and 8 VCs total debts together are 2 million. Jiangxi province simplifies township government administration and villager committee organization, to reduce villager committees from 19,423 to 16,745. Thus, the members of a villager committee cannot manage the huge affairs of an extensive mountain range. Therefore, rural community construction in Jiangxi province is based at the level of natural village and managed mainly by volunteers. Each natural village has a volunteer organization. The local authority cannot provide adequate financial support to all the VCs and many VCs are often short-staffed. Due to the financial constraint, most VCs cannot fully take on the tasks of village administration, let alone rural community construction. Here is where volunteers have stepped in and played a very active role in rural community construction.

The village volunteer association is the main organization of volunteers. Each association is based on a natural village and consists of the "Five Olds"; namely retired officials, retired teachers, PLA veterans, old farmers, and retired industrial workers. (Five Olds are different in different villages, some senior exemplaries, for instance, bosses in successful private enterprises, and productive farmers). The president of each association is democratically elected by the villagers. The association members have extensive experience and social capital, and are widely

respected and highly influential in the villages, which is crucial to mobilize the villagers. According to statistics of Duchang, Yongfeng, Fuliang, Shanggao, and Hukou counties, over 90% of villagers participated in community development under the leadership and exemplary actions of the "Five Olds" associations.

Under the leadership of the "Five Olds" volunteer association, each village has built "five stations", they are: *Mutual aid stations* to mobilize all sectors of the community to donate money and materials to support and help the elderly, the disabled, and the poor. *Clean environmental monitoring stations* raise awareness about clean environmental and good personal hygiene, and to organize villagers to improve their living conditions and to make clean, green, and beautiful villages. *Civil dispute mediation stations* ban verbal and physical assault, theft, and other misconduct, resolve conflicts, reduce the crime rate, and build a harmonious and stable neighbourhood community. *Culture and sports stations* turn old village ancestral halls, abandoned schools, warehouses and other underused places into village community centres for night schooling, reading, and cultural and sports activities, such as teams for dragon dance, waist drum dance, as well as peasant orchestras. *Public welfare services stations* mobilize the villagers to build village roads, bridges, water conservation projects, biogas utilities, broadcasting and cable television facilities, set up old folk's homes and kindergartens, as well as manage public reservoirs, ponds, trees, and other collective resources.

In Jiangxi province, the resources for rural community construction come from various parts of the society. First, villagers volunteer labour and cash. For example, people in 20 pilot villages of Duchang county donated 89,000 yuan and contributed 6200 person/days labour. Second, some government agencies granted special funds for poverty areas; for example, funds from the Department of Civil Affairs for welfare, and funds from the Department of Transport for construction highways and so on. Third, some funds also come from other provinces, cities, and counties which have a special mutual-help relationship with a certain rural area of Jiangxi. Fourth, some workers employed in the outside world also contribute to help their native villages. Fifth, some money and materials are donated by individuals or government departments. To summarize: volunteers, villagers, local government, and society as a whole all contribute, with the backup and preferential policies of central government.

Meanwhile, the province also promotes "mutual-help" pairing between an urban and a rural community. Duchang county has established 90 such pairings among 180 urban and rural communities. The parties seek cooperation and exchange in various way: to share experiences in community development. Urban communities have well developed community construction experience and share with rural communities; to exchange field trips among urban and rural residents to learn from each other; to interact in cultural and educational fronts; fourth, to facilitate movement of labour; for instance, surplus rural labour force can be migrated into urban counterpart communities; the urban community helps to relieve poverty in the counterpart rural community; to facilitate the flow and exchange of goods between the communities. For example, a rural community can transport fresh produce directly into its urban counterpart. An urban community can directly

provide resources such as funds, manpower, technology, and ideas to help its rural counterpart improve the quality and speed up rural community development.

Model Three: Village and Enterprise Jointed in Qingdao

In some better developed areas, the collective village enterprises and the village have become one entity, and the enterprises take the responsibility to build the new rural community. A good example is the village of North Gao, located in the outskirt of Qingdao city in Shandong province. Over 90% of labourers of North Gao Village are workers of Zhenhua Company which is a collectively owned village enterprise. The president of the VC is also the Chairman of the Board of Directors of the company. So the villagers and the workers, and the village and the company are indivisible.

As the village collective economy grew, in addition to expanding reproduction the village/company heavily invested in rural community construction and villagers' welfare. In recent years, North Gao village has invested 36 million yuan for community development, and they have done the following:

Infrastructure construction: Since 1999 the North Gao Village collective totally invested 36 million yuan for designing and building an ecologically sound and modernized village which includes 77 villas, 18 apartment buildings, and all 176 farmers of this community have moved in. The living space per capita is 50 m^2. The village collective pays 60,000 yuan housing subsidies per household. Every housing unit is equipped with cable TV, telephone, propane gas and running water. All village roads are of higher grade with hard surface, illumination, and drainage system. There are also two public parks in the village.

Setting up a Neighbourhood Centre: The village has invested 1.7 million yuan to build a 720 m^2 neighbourhood centre, an integrated service platform to provide full services to the villagers and for villagers' self-education, exercises, and entertainment.

Providing medical and healthcare services: The collective has invested 600,000 yuan to set up a health service station of 247 m^2. It employs six full-time staff and has facilities for medical treatment, observation, physical rehabilitation, emergency care, laboratory, with ECG and type-B ultrasonic diagnosis equipment. This service station provides a full range of medical services including house calls, consultation and examination for 1356 villagers in 4 neighbouring villages.

Improving villagers' well-being: The village has spent 16 million yuan to build an old folk's home of 28,400 m^2 with 680 beds, and pays an annual pension to all villagers aged over 60. The village also built and runs a nursery of 220 m^2 with five teachers and 68 preschoolers from five villages in the area. A school with a laboratory, computer room, and art classroom was also built with 2.1 million yuan, which employs 16 teachers and 182 students enrolled from the same nearby villages. The village has a policy to award 2500 or 5000 yuan to any North Gao student who is admitted to a college or university, respectively.

And much more: North Gao Village has also built a sports ground, a culture yard of 700 m^2, and a supermarket, among other facilities. The collective also provides free agricultural technological advice and services to the villagers.

Model Four: Rural Community Centre Built in a Central Village in Zhucheng

Community construction in Zhucheng City is not at the administrative village level, nor at the nature village level, but at the so-called "central village" level. The city of Zhucheng designated several neighbouring villages as a rural community and chose a centrally located village as the "community centre". Each community is designed to cover a radius of 2–3 km, including 3–5 administrative villages and about 1000–2000 households.

The principles for designating villages into rural communities are geographical proximity, the appropriate scale, the ease to serve and the development potential of the central village. For example, when a natural village did not have enough students to justify a school, the students had to travel to a distant town for schooling. Now, a school can be built in the central village within easy reach of all neighbouring villages. The same is true for health care and other social facilities.

Zhucheng city has built infrastructures for roads, water, heating, and propane gas supply for each central village, and set up community public service centres, each consisting of an "one stop shopping" public service hall and seven stations for health care, environmental sanitation, education and recreation, family planning, social security, public safety, and volunteerism. The community service centre also provides services for production preparation, increasing production and products marketing; promotes the works of NGO/NPO, voluntary organizations for old people, women, and youth, and family planning, and economic cooperatives. Almost all public and social services can be centralized in a community centre. By June of 2008, Zhucheng city had established 208 rural community centres and they covered all rural areas of Zhucheng.

The community service centre of Zhucheng city is not a government administrative agency but a special service platform. It provides governmental services to rural citizens but does not interfere with villager's self-management. Its design is more rational and scientific compared with the automatic community services. The local government's relationship with community centres is to guide, to assist, to serve, and to supervise, but not to lead. Setting up community service centres in central villages optimizes the spatial distribution of rural community services; the radius of community service is chosen in such a way that it is not too large to lose efficiency or too small so as to waste resources. It promotes the specialization of social services well developed in European countries, called social care service in Nordic countries and personal social service in the UK, but the scope of services in

rural China is larger than in European countries. Although this kind of rural community service only appears in some better developed areas of China so far, it is on its way to be institutional.

Model Five: "People's War" in Dehong and Shangcai

During my travel in the countryside I found yet another model of rural community development. It is a traditional Chinese way under the socialist system to tackle a special problem by mobilizing a huge amount of people in a short period of time. It is called "people's war". The campaigns for controlling drug abuse in rural Yunnan province and for controlling AIDS pandemics in Henan province are two good examples of this model.

Dehong autonomous prefecture is an ethnic minority area located in the remote area of Yunnan province bordering with Burma, and is not economically and socially well developed. According to numbers published in 2005, there were 25,285 drug users in Dehong, this being 2.41% of the population, and was 37.1% of total drug users in Yunnan province. One in every 41 people in Dehong was a drug user, and 87.3% of drug users were from the countryside. Widespread drug use caused serious social problems such as poverty, AIDS, and crime.

In 2004 Dehong was designated as an emphasis region for an anti-drug and AIDS control campaign by the central government, and the prefectural government initiated a "people's war" soon after that. They sent 1683 government officials from different levels to form three-member work teams for each of 370 villages and rural communities. The first phase was a 3-year campaign. 33 prefectural level leaders and 110 municipal officials were personally accountable for the task. The work teams guided the anti-drug effort by holding villager committee meetings, showing educational films, creating TV and radio programs, setting up street-side post boards, and sending letters and text messages to migrant workers to educate people about the dangers of drug use.

The prefecture and the work teams worked hard to stop drug trafficking from outside, inside, and on the border. They also formed four-level systemic organizations from the prefecture government down to villager's household to drive drugs and drug users out. Under the leadership of the VC and the work team, each village added narcotics control measurements into their village regulations, with every household's signature. 3617 village protection teams and patrol parties were organized to watch closely for drug trafficking and drug use.

Another task was to rescue the drug users. If a drug user was found, the family members, relatives, neighbours, and grass roots organizations would all intervene to help him (her) off the addiction. Dehong county also applied the methods of "one helps one" or "three assist one" to rehabilitate the drug users, meaning one member

of CPC to help one drug user or three neighbour households to collectively assist a drug user to rehabilitate and to become an independent constructive member of the society. This "people's war" has generated great results; the number of drug addicts was stabilized and by 2008 not a single new drug user was found in the whole prefecture.

Dehong was one of the few places (about 5% nationwide) still having the cooperative healthcare system after the household contract system began. The cooperative healthcare system played an important role in this campaign, and the community construction has strengthened the villager cooperative healthcare system in turn.

The work teams also assisted the VCs to grow through response support units and financial aid. Each village has set up a village assembly centre which includes an entertainment hall, a playground, a supermarket, a police station, and a library. The work teams left their work methods, system, and regulations in rural Dehong which further strengthened rural community construction.

It is sobering to realize that the rural community development in Yunnan province cannot depend on local efforts only. The education situation in Dehong is much worse than the national average. For example, Ruili city, the largest city of Dehong, only has one high school. 80% of middle school graduates do not qualify for high school. The local economy is not developed, industrial productions are few. Ethnic minority students do not master the Chinese language well enough to find work in the big cities. These are the root causes of widespread drug abuse. Fundamentally, to solve this problem, rural Dehong needs support from across the nation. The state budget should support education and social and economic development in ethnic minority areas.

Nine counties in Henan province are high incidence areas of AIDS. Shangcai county is the most serious among them. There were 5882 AIDS patients and 6157 HIV-infected individuals in Shangcai county, which was one-sixth of the provincial total. Among its AIDS patients, 96% are rural people who sold their blood to illegal blood collection stations to get a quick buck, but were infected with AIDS in the process.

Henan province has established 200 clinics, each with a budget of 50,000 yuan. On top of that, Shangcai county added local funds to establish 50 standardized village clinics for any village with over 20 AIDS or HIV patients. Patients get free treatment in village clinics. The village clinic has 129 kinds of therapeutic medicines and their prices must be lower than or equal to standard purchase prices. 80–90% of AIDS patients receive treatments within their own village; serious patients are transferred to the county hospital. Each patient has a personal account credited monthly with 300 yuan. Anti-infection medicines not included in the 129 standard medicines are the patients' own responsibility. For about 18–20% of the patients, the cost of treatment exceeds the 300 yuan limit, and then the extra portion is paid by the fund of overall planning for serious sickness, a type of group healthcare insurance. Most clinics have three staffs each, the one in Wenlou village, the most serious village in Shangcai, has nine. Doctors and nurses are openly recruited from universities and rural hospitals. There are 242 supervisors and

inspectors who are responsible to supervise and monitor patients' daily medicine intake. They meet monthly in village clinics. There are 21,106 members from 4747 AIDS households who joined the rural cooperative medical system.

Three systems have been set up to tackle the AIDS problem in Shangcai. The first is the disaster prevention system; the second is the diagnosis and treatment system; and the third is the relief and aid system. Besides medical assistance, Shangcai county also provides educational assistance, living assistance, and production assistance to AIDS patients and their families. The AIDS orphans are helped through adoption, fostering by relatives, simulated households that each raise four children together to get institutional care. The work teams have helped 52 villages to develop production. They have brought in investment of more than 20 million yuan to build 570 plastic greenhouses for growing edible mushrooms. With the work teams' help, these villages are now organizing "mushroom cooperatives" to take unified planning and action to build plastic greenhouses, plant seeds, manage production, and market the products.

For Shangcai county, AIDS is both a disaster and a blessing. Because of AIDS, rural Shangcai has attracted attention and assistance from the central and provincial government and from overseas. These supports have helped form an institutional welfare structure.

Overall, the "people's war" is a good measure to mobilize in a very short time massive resources from various parts of society to tackle a tough problem. So I consider it is a special model of rural community construction.

Conclusions

Exploring and establishing new social governing models are progressing in rural China. After people's commune disbanded, individual farmer lost former collective organization and welfare. Different social governing appeared in rural community, which is called community construction. Community construction rebuilt rural people's political actions, economic production, and welfare living. Across the different models of China's rural community construction, the common players are VCs, voluntary organizations, enterprises, and local and central government. Depending on the economic condition, social capital, social networks, and collective actions are put into good use in different forms and models in China's rural community development. China's rural community development enhances grass root democratic consciousness and the ability of rural residents' self-governance. Rural community development teaches farmers new skills to thrive in a market economy, and extends government's social services once limited to urban communities to the rural community, thus improving the overall quality of life for rural residents.

First, the VC plays a crucial role in rural community construction. In rural China, a xiang or township is the lowest level of government administration while the village, the basic unit of rural community, is self-governed by villagers through democratically elected VCs. The VC is an autonomous organization for village self-management.

Second, volunteers play a crucial role in rural community construction. Voluntary organization is the mainstay, where the VC does not function well due to various reasons. In some less-developed areas, where the local government cannot adequately fund rural community construction, volunteers among the villagers have risen to the occasion, effectively to gather and apply social capital to mobilize the villagers through volunteering and exemplary actions. They used the methods such as twinning actions to tie an urban and a rural community to help speeding up rural community construction, especially in the areas of limited resources and less-developed economy. Volunteers in Jiangxi province are to some extent playing a similar role as the rural gentry in ancient China. Thus, some scholars called this a revival of rural gentry (Cai 2008). I consider this is part of Chinese culture.

Third, in the few places where the village collective enterprise is very successful, it provides a solid economic basis for village community construction. The experience of enterprises invested to rural community construction in Jiaonan county in Qingdao, and village enterprise and VC were merged into one. Another type of local enterprises participated rural community construction and played a leading role of it. The enterprise designed and built a new modern community for villagers. The new community is complete with housing, manufacturing base, commercial outlets, care home, and schools.

Fourth, "people's war" is a still effective method to tackle specific tough problems in the rural community. China is a socialist country. In some particular places, such as the ethnic minority area in Yunnan province, and the AIDS rampant area in Henan province, people's war is still used to tackle tough problems. It can mobilize massive social resources in a short time and centralize the management to conduct a campaign.

In recent years, new social organization is very active in rural areas. Most of them are managed by youth, and they are professional social workers of higher education. They devote themselves into a development called "building homeland and family". In these community constructions, they offer professional and skilled services to the Children, women, and old people who are left behind at home. Nowadays, their services are expanding to all villagers. They are a new and powerful engine for community cohesion.

Chapter 13
Re-collectivised Process in Welfare and Economy

Since the People's Communes were discarded, farmers have been liberated from the collective, and private households hold the responsibility for production and sustaining life. In fact, during the development of the market economy, entire private ownership or de-concentration never emerged in rural China in the ways people had anticipated. In other words, rural residents never completely escaped from the collective or cooperatives, including the areas of production and circulation. Contrarily, collective economy was rapidly developing in some rural areas, a process called by some scholars as re-collectivism (Xiang 2002: 6) or new collectivism (Wang 1996: 197). Afterwards, rural welfare's collectivism slowly returns with different contents and forms.

Economic Re-collectivism

After ending the era of the People's Communes and households as productive units, farmers had a strong need for cooperative service, cooperative development, accumulation, and security. According to a case survey done in 274 villages in 29 provinces, among 7448 rural households, 84.2% of all participants revealed they increasingly faced difficulties as individual households in dealing with the new system of household-based production responsibility (Zhao 1994: 73). Another survey that covered 100 villages of 100 counties in 25 provinces in 1995 shows that 74% of villagers believed it was necessary to build and accomplish rural collective economic organization (Han 2003). Therefore, individual farmers managed to redevelop a collective economy; meanwhile, the government and society offered assistance and support. Thus, after a short period of chaos and the painful change since the 1980s, some local collective economies swiftly emerged in the countryside, which was described as the revival of rural collective economy, or "re-collectivization" (Xiang 2002: 169).

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Table 13.1 Situation of rural basic level organizations and collective economy (1994)

	Rural basic regional or social unit	Collective economic organization	Collective economy organization V regional unit (%)
Xiang or township	44,768 (1999)	36,953	82.54
Village	733,841	670,000	91.30
Village team	5,342,620	1,510,000	97.6

Source According to statistics from cooperative economy management station of the Department of Agriculture and data of Zhang (2001: 31) and Han (2003)

After the reforms and openness of the 1980s, rural collective economy re-emerged in the countryside and developed rapidly.[1] Two types of collective economies appeared after the rural reforms. One is the rural community collective economy, meaning that new regional cooperative economic organizations would replace the vacuum left by the former production brigade. Table 13.1 illustrates the growth of this type of rural collective economy.

The regional rural collective economic organizations numbered 2.18 million in 1994 at village and village team levels. 670,000 were based on the unit of the former production brigade (related former 3.7 million production teams), and 1.51 million were based on the former production teams (Han 2003). In 1994 a collective economy existed in a rural unit; 82.54% of the Xiang, 91.30% of the villages, and 97.60% of the village teams had collective economies. From this point of view, rural regional collective economy has recovered very much.

The second type of collective economy is various cooperative collective economies, including the agricultural professional cooperative economy. In order to fulfil the requirements of the commercial market economy, a larger number of rural special cooperative economic organizations emerged in the countryside, and the degree of rural economic specialization and socialization was rapidly developed. By the end of 1994, there were 1.484 million kinds of organizations involving production, marketing, technological service, finance, and funds areas. 26,000 supply and marketing cooperatives and credit cooperatives emerged. Most of these were transformed into joint-stock economies.

In 1994, besides collective land, the collective economy sector accounted for a total of 9363 hundred million yuan in fixed assets. This was an increase of 8.1-fold of the entire amount of fixed assets at the three levels (People's Commune, production brigade, and production team) of the Peoples' Commune period (Xiang 2002: 169). In 1998 both Xiang and village collective economies reached 1045.6 billion yuan. In 1999, regional collective economic organization at the village level (excluding the Xiang or township) had a collective capital (excluding land and mines and natural resources) of around 702 billion yuan, and each village possessed

[1]Collective economy is an abbreviation of socialist labour mass collective economic ownership.

an average of more than 950,000 yuan (Zhang 2001: 32). The collective economy along the eastern coastline developed rapidly. Xishan, not the richest area located in southern Jiangsu Province, totalled an industrial output of 64 billion yuan, a 60-fold increase from the 1980s. Among the 33 townships in Xishan city, 5–6 townships' industrial output totalled more than 2.5 billion yuan; 15–16 totalled 1–2.5 billion yuan; and 11–12 with a total below 1 billion yuan. There are 85 villages in this city and industrial output in each one surpassed 1 hundred million yuan, with the highest output being 8 hundred million yuan. In Beijing, rural collective economy was based on the main pillars of collective development and farmers' incomes. By the end of 2000 collective total capital was 91.13 billion yuan, which had increased by 94.3% from 1995. Of this, Xiang level accounted for 43.68 billion yuan, 112.3% of that in 1995; and village level output totalled 47.45 billion yuan, a growth of 80.1% from 1995 (Zhang 2004). Comparatively, in central and western China collective economic development was slow. But this did not mean that the collective economy had not progressed. In fact, I went to Inner Mongolia, Gansu, Ningxia Provinces in 1998, and to Guizhou Province in 2000 to conduct fieldwork. In Zunyi area of Guizhou Province, rural collective accumulation was 40.7145 million yuan in 1978 with an average of 8800 yuan per production brigade; collective farm machinery valued at 67.14 million yuan, with the average brigade worth 146,000 yuan. At the beginning of the 1980s collective economy in this area was almost zero. After 1984 rural collectives began to grow. By 1994 collective fixed assets at village level totalled 92.8848 million yuan, with each village averaging 125,700 yuan; village collectives had accumulated 43.4702 million yuan, with each village averaging 58,800 yuan (Xiang 2002: 170). Compared with the eastern part of China, collective economy in central and western China obviously lagged behind.

Collective Characteristics of Welfare

Re-collectivism is not only emerged in economic production, but also in welfare distribution. If economic production could operate in private way, but welfare redistribution is a matter linked with collectivism.

Collective Economy Is the Economic Foundation of Rural Welfare

Collective economy embodies the above principles. Collective economy at least plays the role of maintaining community prosperity in several aspects. First, collective economy promotes regional economy and creates more wealth for the community; second, collective economy brings about more benefits and employment opportunities for regional farmers and can improve their lives and income

standards. Third, it enhances accumulation of collective capital and resources for public and villagers' welfare in the community and provides powerful support for infrastructure and public services.

For instance, in Huizhou city area of Guangdong Province, the entire fixed assets of village collective economy equalled 2.943 billion yuan in 2001, and the general income of collective economy totalled 5.36 hundred million yuan. Individual village incomes from collective economy ranged from over 1 million yuan in 3.16% of the 1043 villages; over 100,000 yuan in 30% of villages; from 50,000 to 100,000 yuan in 47.7%; and below 30,000 yuan in 17.4% of the villages. Dongfeng village had collective fixed assets totalling 1.1 million yuan in 2001. In 2001 the village spent 4.1 million yuan completing roads and water conservation projects, improving school facilities, solving difficulties of poor households, paying tax for farmers, and supporting tuition and other costs for 9 years of education for village children (Xiao 2002).

Rural collective economy provides welfare through various channels. It works not only in former welfare areas (for instance, it provided welfare for five guarantees, education, and medical care), but also in broader areas, especially for certain new welfare systems. For example, Shanghai's rural pension scheme was supported by its rural collective economy; Beijing also made the same policy for its rural pension plan. Therefore, collective economy enabled rural welfare to come into practice and become a reality. Many wealthy areas have more enhanced and extensive welfare services than does collective economy in undeveloped areas. But prosperity and good economy do not necessarily correlate with good welfare and services.

Collective Economy Is a Social Foundation of Rural Welfare: Establish a Redistribute System of Collective Welfare

Before rural reform, rural communities took the most responsibilities for farmers, including production and livelihood, especially in the realm of welfare, through medical care, mutual assistance, public facilities and actions for culture, recreation, sport and education, and so on. The reforms emphasized individual household's efforts but eliminated the protection villages provided. In the process of distribution and tax collection, the state faces the individual farmer directly; the village does not play the role of an intermediary or a regulator. Many villages did not simply become residential locations for farmers or units of tax levies and land distribution, but communities promoting farmers' well-being. In the late 1990s many former collective enterprises went through a systematic reform, clarifying private or joint ownership, and positively affecting productivity. After the ownership reform, some people held ownership, while others had no relationship with enterprises even though as farmers they had contributed towards the farmers' collective economy. After the reform, these enterprises were not to be responsible for community welfare.

Economic development caused a re-collectivism, which was never anticipated. Naturally, re-collectivism is a precondition for welfare. Following these results is the key to enhancing welfare. But it was just a hypothesis and a precondition. Some places operated welfare plans even though they were more prosperous than before. Different areas opted for different methods to deal with the issues of welfare in rural China, as the following shows.

First, farmers' welfare was established on the basis of development of collective economy, cooperative economy, jointly invested economy, and even private economy. Economic wealth provided the basis for welfare development. As mentioned above, community economy played a larger role in developing regional property, enhancing income, and recruiting more people for work, which increased overall benefits and welfare in the whole community. My investigation in some developed areas of China, such as Shanghai and Beijing, shows that they have passed legislation for rural enterprises. The laws stated that no matter what type of ownership rural enterprise bore, they were committed to providing rural pensions and other welfare items for the whole community of people. Zhejiang Province also made special regulations for these rural enterprises to provide pensions to disabled workers. In these areas, local governments issued regulations to the enterprises and defined their commitment to community welfare.

Second, collective economy and welfare still exist in some areas, following almost the identical model and principles of the PCs. What differs from before is the more prosperous foundations. In many Xiang and townships, collective economy remained strong and continued to bear the characteristics of collective welfare. Several special examples of collective economy quickly developed. The Ministry of Agriculture listed the village collective enterprise of Nanjiecun village at position No. 2 among the 100 largest rural enterprises, with the output of over 1.6 billion yuan in 1997 (Xiang 2002: 171–174). The nature of enterprises in these areas was regional or community collective economy, based on the former PCs. For instance, Nanjiecun village put forward a proposal to "build small communist community in Nanjiecun village" in 1992. The VC had a strong will to develop community economy and welfare to realize common wealth. Individual villagers of Nanjiecun village were willing to return land to the collective and joined collective enterprises. The village reunited all the lands of individual households and operated a re-collective management in 1990. Nanjiecun village was a special case in China, but it represented some old ideals that still survived in people's minds. Villagers in Nanjiecun enjoyed a large degree and range of welfare. Welfare services were numerous; the village provided free drinking water, electricity, gas, flour, and oil; all together 14 different items. The village also provided free housing, education, health care, insurance, pension, and amusement facilities to all the villagers. Village income was basically equal among the villagers, and all welfare budgets were drawn from collective resources. Nanjiecun is a very typical case for rural economy and welfare and represents a type of rural welfare in China. Even though the rural organization now looked like a PC, their functions were completely different from before. Their main focus was on developing production and improving farmers' welfare. Under this condition, this type of model was appropriate for providing for

rural well-being. But it has the trend of absolute equilibration and mandate; also people have not enough individualism and freedom.

The above welfare models are based on collective welfare. Another type is both economic development and welfare protection are outside collective economy and follow market rule. Two kinds of farmers' welfare exist under this situation. One is the old living style in undeveloped rural areas, with welfare completely family supported; the other is welfare in well-developed and open rural areas; where farmers are pushed by commercial insurance, part of their welfare is from commercial insurance as an addition to family support. This kind of welfare is based on wealth and a developed environment. Poor and weak rural citizens cannot pay money for their personal insurance; in addition they have no such consciousness in poor areas, so welfare depends on the collective.

Collectivism, Socialism, and Welfare Principle

During the twentieth century, the collective was still something close to farmers' production and life. Collective economy occupied a long-lasting place in Chinese history. In contemporary China, three main powers for promoting the rural cooperative movement stand out: rural cooperative pushed by the GMD, rural construction practiced by rural constructionists, such as Liang Shuming and Yan Yangchu, and the rural cooperative movement promoted by the CPC (Xiang 2002: 100). This was the fourth tide for re-collectivism in the countryside. When they won production liberties, they still wanted to be united for better production and social rights. The difference between old collectivism and "new collectivism" is that collectivism before the rural reform stressed collective interests, the individual obeyed the collective, and the collective obeyed the state. The latter admitted private ownership was based on individual interests, embraced cooperative consciousness, concerned individuals' benefits and public welfare, targeted common wealth, and considered both public and private interests. "New collectivism" in production areas was a kind of social consciousness and represented a cooperative attitude and team spirit. In welfare areas, collectivism represented a guaranteed consciousness, a feeling of social belonging, and democratic rights.

On viewing current democratic and re-collectivism forms in rural China, we found these changes are significant and fundamental. For most writers, however, the welfare state is not a complete solution to society's ills but only a step along the way (Barr 1997: 62). For democratic socialism, the welfare state is a significant staging post in the transition from laissez-faire capitalism to socialism; social policy plays a very special role in this transition (George and Wilding 1994: 74). Democratic socialists believed that the welfare state would reduce both horizontal and vertical inequalities (George and Wilding 1994: 83). Giddens states that European countries have developed strong systems of solidarity and protection. Bauer says the fundamental issue (of the welfare state) is not economic; it is moral (Bauer 1983). Socialist aims vary widely, but three—equality, freedom, and

fraternity—are central. Equality is one of the main functions of the welfare state. The crucial element of justice is equality, which to socialists is an active concept. In 1998, Giddens put forward the "third way" again as almost the same model of "social democracy", which shows the ideal of democratic socialism. Barr considers it as one of the collective views (Barr 1998: 54). Barr points out, in this collective view, socialist equality bears on Miller's concept of need, and the assumption made to distribute according to need is done so to satisfy the claims of equality. Barr also states that the socialist concept of freedom is broad and embraces the free exercise of individual choice (which is possible only if there is no poverty and no substantial inequality of wealth and power), and extends from legal and political relations to economic security. Thus, individuals should have some power in relation to their conditions of work, including stability of employment, and should not be subject to the arbitrary power of others. In sharp contrast with the libertarian view, the socialists regard government action as an essential and active component of freedom. The second major value of socialism is fraternity. "Fraternity" to a socialist means cooperation and altruism rather than competition and self-interest. Altruism (e.g. Titmuss 1970) is a recurring theme.

The Constitution of the PRC states that a socialist system is the fundamental system of China. The basis of the socialist economic system is socialist public ownership of means of production, namely the ownership by the whole people and collective ownership by the working people's collective. Deng Xiaoping pointed out in 1985 that socialism has two key features: one is that the main ownership is public ownership; the other being avoiding polarization. These expressions point out the utility of collective economy, which brings welfare to the people and aims purposely to wipe out polarization.

Conclusion

This section presented rural welfare under a re-collective development, which is a new trend of rural welfare in China. In light of these exclusive constructions and systems, rural welfare in China has its specific characteristics. In today's China most individual farmers cannot face the market economic tides and so are required to organize into groups. China has the tradition and practice of collectives, which is a special heritage. Re-collectivism enables farmers to establish a stronger position in the competitive market economy. Re-collectivism has the same role as the Farmers' Union in its welfare function. Individual farmers require collective protection, so re-collectivism emerges. Collective welfare system is a collective organized to face against risk. Re-collectivism, both in economic production and welfare areas, has arisen in rural China. Welfare re-collectivism is a feature of socialism.

Chapter 14
Welfare's Political Contexts: Rural Grassroot Democracy

Welfare as a measure of redistribution is always related to politics. All welfare systems have absolute links with political ideologies and regimes. Rural China is no exception. Following concerns relating to farmers and economic development, more rural welfare plans are being implemented in the countryside. The system is in its embryonic stage. Opinions and standpoints come from economic positions, and economic and political interests are represented by the political system. The farmers need a democratic participation after economic development.

After two decades of rural economic development, peasants are becoming farmers, workers or other businessmen. Meanwhile, the state ceased to accumulate capital from the countryside. Agricultural production became an industry just like commerce, service and other such realms of business and began to operate equally, based on the rules of the market. Agricultural production shrank from 31.8 to 18.7% of GDP from 1981 to 1997, and it remained at 14.5% until recent years. Agriculture has renewed its former track of development. This renewal has not only necessitated new economic operative measures and organization, but also rural residents also require more political and social rights in the transformation of the economic situation.

Towards Villagers' Self-government

The villagers' self-government, which is promoted by the government, is a system of mechanical management installed in administrative vacuum areas, namely the countryside, after the disappearance of the People's Communes. Village self-government was initiated in the middle of the 1980s. After carrying out the fixing of farm output quotas for individual households and the disbanding of the People's Communes and production brigades, the administration of social affairs in the countryside was in a vacuum. The Constitution of 1982 established the legal setting for village self-government. After the disappearance of the People's

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Commune in 1983, the central Committee of CPC and the State Council published "*the Notice about Separation of Government Affairs and Society, and Establishing Xiang Government*" in October. Villagers' committees (VCs) appeared and took over the responsibility of managing village affairs, reflecting a kind of village self-government in nature. Village self-government development involves three stages.

1980–1987 is a new stage of appearance of village self-government. The household responsibility system motivated farmers' production activity and autonomy and fundamentally changed the means of production and distribution. Meanwhile, the People Communes, as administrative units that used to be the organs for the accumulation of industry and collection of taxes from peasants, ended their roles with some degree of peasant dissatisfaction. Consequently, there was no mechanism that handled rural affairs at the grassroots level, which resulted in chaos and lawlessness in rural areas.

As a result, farmers in some places initially established a new organization: the VC. In February 1980, the first VCs elected by farmers emerged in Guozuocun, Pingnanxiang, and Yizhoushi, in Guangxi province. Following the emergence of the VCs, the '*San Lao Hui*'[1] and Villagers' Representative Assemblies emerged. These took over the duties of dealing with important village issues, their roles being those of consultants and advisors. The Committees, as a method of villagers' self-government, resolved key issues and problems in the countryside, including social security, the disorganized use of land, villagers' struggles, water conservation, and forest protection.

The Central Committee of the CPC noted and conformed to this new creation of the VC. In June 1981, "*Resolution on Certain Questions in the History of Our Party Since the Foundation of the PRC*" clearly noted the "carrying out direct democratization in political power and social living at the grassroots level of countryside". In 1982, a new constitution included the new VCs within its articles, setting out clearly the characteristics and tasks of the Committees, and established the legal position of the VCs as "the autonomous mass organizations" at the grassroots level. Afterwards, the Committees became very popular in the rural areas of China. Setting up VCs marked a new method for organizing rural farmers, developing basic democracy and reorganizing the management system at the rural level.

Development period is the years between 1988 and 1998. After the establishment of VC, rural farmers had a means of self-management, self-education and self-service. In 1987, the NPC approved the *Organizational Law on the Villagers' Committees,* which provided the lawful guarantee for village self-government. In 1992, the MCA held a conference in Zhangqiu, Shangdong province, which covered the experiences, conclusions and regulations on the establishment of village governance and democratic management. The central committee of the CPC held a working meeting on the theme of Construction of Rural Organizations at the

[1]San Lao means "three olds": Assembly of old members of CPC, old cadres and old members of PC.

Grassroots Level in 1994, which pointed out various affairs, including the completion of village elections, adoption of villagers' opinions, open village affairs, and formulation of the regulations of villagers' conventions and pledges. The MCA summarized villagers' self-management as "four kinds of democratic forms": democratic elections, democratic decision-making, democratic management and the democratic supervision based on the experiences of village self-government in rural areas. The Fifteenth Congress of the CPC put villagers' self-government into a work report in October 1997. The Organizational Law on VC was the landmark development in this period. The Third Plenary Session of the Fifteen Central Committee of PCPC put forward the targets of constructing a new socialist countryside by 2010, particularly, in rural areas characteristic of mainly public ownership and multi-ownerships' economic joint development; strengthening construction of socialist democratic policies of the democratic countryside; further expansion of rural basic democracy; and the protection of the farmer's democratic rights. This congress and its official publication of the *Organizational Law of Villagers Committee* pushed basic democracy further forward.

After 1998, it is a period of popularization. Had 15 years of practice, in November 1998, the first session of the Standing Committee of the Ninth National Peoples' Congress agreed on the re-edited version of the Organizational Law of VC. The VCs are listed alongside the household contract responsibility system and township enterprises as the three major achievements over the two decades of rural reform.

Because, village autonomy received positive confirmation by the state and was promoted by the government, another question emerged—whether it genuinely benefited rural farmers or acted as a tool for the government to cut short farmers' benefits. Furthermore, if it was a self-management unit, did it function to improve farmers' welfares or not? The essence of villagers' self-government, according to the government, consists of four concepts: the system of democratic election, democratic decision-making, democratic management and democratic supervision. But how did these work to benefit the villagers' welfare?

Democratic election is the first part of village autonomy. It means that villagers directly vote 'officials' into, or dismiss them from, the VC. A Committee typically consists of 3–7 people, including a director, vice director and other members. The tenure of officer is three years. Some places decide numbers of members of VC according to population; below 1000 people, 3–5 members; and above, 5–7 members; some places decide the numbers of members of VC based on the numbers of households; villages with fewer than 100 households vote in three members, 200–300 households have five members, and above 350 households, seven members. Less than 100 households is a small village; a middle village has 100–350 households; and a big one has over 350 households (Research Group 1993: 71). The elections of the VC are a competitive affair, in local language "*Haixuan*". *Haixuan* is a proverb from Northeastern China and literally means sea and vote. Sea in local language means "big". In big elections, all voters have the right to nominate candidates; the candidates debate publicly and answer voters' questions. These debates decide the formal candidates for the democratic elections. The MCA's data

demonstrate that the rate of villagers participating in the vote for VCs was over 90 % in China. The election campaigns in many places were not regulated. When a Committee official could not perform the allotted tasks well, villagers had the right to dismiss him or her. After the dismissal of an officer, a by-election was conducted. The direct election implicated the welfare of villagers.

It is important for villagers to possess voting rights and thus be able to decide on how to improve their own welfare. Village self-government presented more options for villagers to decide on their own affairs, including welfare affairs within the villages. I witnessed "*Haixuan*" in Yutian Village and Qianjin Village, in Jilin province, in January 1998. There were two strong nominees for the position of director of the VC in Qianjin Village. One was the previous director, Li, who was a member of the CPC and had a very good relationship with the villagers and had won public praise. The other candidate, Sun, was a manager of a brick factory and also the owner of a coalmine that hired 100 villager-workers. He was not a member of the CPC. His industry contributed annual benefits of 80,000 yuan to the village and an additional 400,000 yuan over 5 years. The money he contributed was utilized as public funds for improving the welfare in the village. The two candidates were both 36-years old. The legitimate electorate was 980 of the total 1400 villagers. Sun won 624 votes in the pre-election, and won 756 votes, while Li only won 106 votes in the final election on 15 January 1998. Sun confessed that Li was a very kind person and farmers admired him. Sun expressed that he would like to learn from Li to care for people. However, as the villagers wanted a director who was not only kind, but also capable of economic development, Sun defeated Li. Sun stated, "I am rich now; moreover, I want to lead all villagers toward a common prosperity". Local elections inspired farmers' enthusiasm and vigour because the elections closely related to the farmers' interests and life. Although the government promotes local elections, the process is more importantly recognized as an action of village self-management.

Because villagers select the members of the VC, they have direct control of deciding the fate of the members of the Committee, whether they will be voted in or dismissed. Therefore, the members of the VCs have to adjust from their roles as delegates of the government, become the representatives of the villages, and change their emphasis on administration from above, at the township level, for example, to the local level in order to reflect the interests of the villagers. The positions of heads of villages were transferred from government-sent representatives to those individuals who had the intelligence and courage to speak for the villagers. In the past, Xiang, or township authorities, appointed cadres of the village; thus, village organization was seen as a unit of the government administration to some degree. Most of their tasks were ordered by higher level administrations; for instance, state planned food production, oversight of family planning, and water conservation projects. Rural elections made it possible for villagers to reject or refuse the individuals the government chose from above; they selected the people they favoured.

"Self-government has nothing to do with the rights of people to govern their own affairs. The argument focuses on a different purpose: elections represent a mechanism to produce leaders who can seize control of collapsed villages. The goal is to

reverse the crisis in authority that has eroded the state's rural presence. Before the crisis, the Communist Party's one unprecedented administrative achievement was a unified system of communication, coercion and extraction that reached from the state centre all the way down into the villages. Now, with this vertical chain of command severed at its lower end, proponents espouse elections as the instrument for finding dynamic cadres who can once again wield authority and develop the economy (Kelliher 1997: 70)". VCs take a dual function: one is the social administration role through which it conducts the tasks of collecting taxes and grain, and family planning; as Kelliher stated, one purpose of elections is to establish an organ of management to seize control of collapsed villages; on the other hand, also very important and unavoidable, it directly links villagers' rights and welfare, similar to the example described above. A case in Shanxi province, further depicts the current problems with the enforcement of village autonomy. A villager brought the regulations of the VC Organizations with him to the township office and inquired: "Why did it not happen in our village, we have not voted our own villager committee yet (Wang 2004)". Farmers' concerns and anxieties about elections demonstrate their commitment to their own affairs, interests and well-being. Autonomy is a way to improve their welfare; better welfare is the main and long-term aim for self-government. Through self-government, farmers have the opportunity to choose the right individuals amongst themselves to lead them in the pursuit of welfare.

The transformation of the function of the Committee can be viewed through the villagers' degree of concern over the local elections. As the above discussion shows, rural residents have a genuine interest in direct elections. My personal experiences, during an investigation carried out in Jilin province, in 1998, may provide more explanation. I went to the countryside to witness the real scene before a local election day. At 6 a.m. the township officials woke me up to rush to the village. At 9 a.m. the temperature was only minus 40 °C; most villagers had already arrived at the election assembly. When I asked several villagers discretely about the village elections, trying to avoid others from hearing our conversation, the villagers spoke frankly, asserting, "we do not need to talk secretly". Then I asked them, "Do you really care for this election", villagers replied by asking, "Why would we come here so early if we didn't?" They began talking as with one voice, "This issue relates to everybody, we do care". "We elected them, they must serve us", one of them said, "although he argues with me, I can tolerate it because I elected him". I heard some discussion about farmers who did not care about the election because the VC could not call off taxes and family planning or increase the price of grain (Pan 2004b).

Actually, according to economist Cai Fang, agricultural tax that the state levied was 66% of the gross agricultural production value in 1988. After 1994, this tax was lower than 3% of the gross agricultural production value (Cai 1999). It was finally cancelled in 2006. Thus, even though the Committee assumed the function of the government at village level, it did not impair the villagers as before, during the PCs era, since the countryside had finished its tasks for initial capital accumulation. Indeed, even if we view the elections themselves, current elections are

limited to the village; the range of their influence is limited to within the village's affairs. But this election had already greatly reflected the voices of villagers; for instance, in the termination of the agriculture tax. But it is not enough; the channels for representing the thoughts of rural citizens still need to be enhanced. However, the government does indeed promote this voting practice. The MCA is an administration responsible for the planning and operation of rural elections.

To a degree, it can be said that villagers would care for their own welfare more than for democracy, which caused a deformation of democracy. It is true that some farmers were indifferent to direct elections in many parts of the country. In fact, in these areas farmers were paid cash to encourage involvement in the elections. The *People's Daily* reported that in Laoyaotou Village, Shanxi province, a candidate for the VC promised to give 1800 yuan to each villager after his successful election. Is this bribery? The practice did change and develop as the election campaign progressed. In the candidate's initial speech, he said that, he would offer 100 yuan to villagers who were over 60-years old. This, as such, seems like a good welfare proposal. But later, following the strong desire of the villagers, the amount of money raised. It extended its coverage from the elderly to every villager and in the end reached 1800–2000 yuan per person. In another case, in December 2003, at the Shanggang village elections in Hebei province,[2] a candidate offered 6 million to the villagers for the position of the VC Director. He had paid out around 3.6 yuan million before the official elections. The phenomena illustrated an interesting relationship between the candidates and the villagers: the villagers demanded such high prices for their director. In such a situation, the election had already totally lost its meaning as it shows villagers truly cared more about personal benefits instead of who would take charge in the village. This is the reason candidates 'earned' their positions through bribery in the name of democratic elections.

Many writings on Chinese democracy only reference democratic elections. Democracy only via elections will never achieve the democratic aim. Democratic elections are a way to produce leaders but cannot guarantee administrative justice. As Western scholars point out, democracy is not an either/or phenomenon, but rather a continuum (Diamond and Myers 2000: 257). Therefore, the MCA concluded, based on the local experiences, there are four elements to self-government, including democratic elections, decision-making, management and monitoring. In terms of these four processes, democratic elements reflected villagers' interests more than authority's will, though to some degree concerning both of them. Autonomy limits the power of leaders of the VCs. If supposed self-government only meant democratic elections, it would have been a mere prejudiced conclusion. Another argument is that self-government is a better means for getting villagers to do what the state wants (Kelliher 1997: 70). This point stated that popularly elected government is the one form of local authority that can make villagers obey policies they do not agree with. Is it true? The relationship between self-government and

[2]In report of China Central Television, 29 Jan. 2004.

villagers' welfare can be made clearer through the analysis of the other three steps of local democracy.

The Connotation of Democracy at the Grassroots

Democratic decision-making is the second component of self-government. Democratic elections produce the VCs. Some heads of Committees may misuse their rights. The abuses could include the Committee members not working for the villagers' interests or blatantly pursuing their own benefits. Democratic decision-making is a way to ensure this kind of abuse of power will not take place. Democratic decision-making means the villagers are involved in the entire decision-making process on key issues relating to their interests. The villagers' assembly and villagers' representative assembly are two important organizational units. They put forward problems in the villagers' assembly or villagers' representative assembly. The opinion of the majority will be adopted. Key issues include selling of village land, village loans, village tax deductions, subsidy distribution, village collective income arrangements, collective fund collection and expenditures on schools, village roads and other public facilities, village economic operations, and even village residents' back yard distribution.

How did these decisions come about? To what degree did they represent villagers' interests? The Organic Law on the VC was passed at the 23rd Session of the NPC on 24 November 1987. It states that *the villagers' assembly* is the supreme decision-making the body of village self-government, and that all the major village affairs are to be decided by the villagers' assembly. The members of the villagers' assembly are all villagers who enjoy civil rights in the village. Villagers above the age of 18 years are legally allowed to attend the villagers' assembly. The villagers' assembly regularly holds meetings; or, if suggested by one-fifth of the villagers, additional meetings will be arranged. The VC reports their work to the villagers' assembly; decisions are made by simple majority vote. A villagers' assembly is an organization that involves the most people and the biggest range in local areas. This type of organization decides that it can represent villagers' interests, wishes and needs to the largest degree, and in the most direct way.

Villagers' Representative Assembly is another organization that stands for villagers. This organization applies in the bigger sized villages. Villagers' assemblies can be traced back to the era of socialist reform (1949–1956). At that time, democratic political power was established in basic rural areas, including Xiang organs and agricultural production cooperatives. Second is the system of People's Communes (1957–1982). In that period, rural basic power came via Xiang power and in PCs. Third is, after 1982, the disbanding of peoples' commune and the re-building of Xiang power. But in a practical process the villagers' assembly meets specific difficulties. First, the village size is usually big and with a large number of villagers. The common village size is 1000–3000 people; some of them are 8000–9000, and particularly large ones reach over 10,000. When so many people join a

meeting, the meeting becomes a mere formality; second, dwellings of villagers are dispersed. Some of them live several, even ten, miles away, and when meetings are held often, it is difficult to come together; third, farm production has a seasonal nature. During a busy season, it is hard to hold a villagers assembly; fourth, after the household production contract responsibility system, agriculture has individual production characteristics, and farmer actions are scattered. Having no uniform timetable, it is hard to choose a time good for all members; fifth, separated household production promotes division of labour, and so many villagers work and do business away from the village. Later, a new system solved this problem, that being the villagers' representative assembly, which appeared first in Zhaoyuan, Shandong province (Research Group 1994: 4).

For instance, Zhaoyuan city possesses 16 Xiang and townships, 729 villages, 155,000 households, totalling 568,000 residents. Shipengcun village in Songjiazhen township, Zhaoyuan city, had 200 households that were divided into 19 villager groups in 1988. Each group voted for a representative; the villagers' representative assembly was altogether composed of 19 delegates. A villagers' representative assembly regularly holds meetings, decides on village issues, and solves various contradictions and problems. The members of the villagers' assembly are elected by a vote, with one representative being chosen per 10–15 households. For instance, in Dashi city of Sichuan province, there were 3899 villager representatives in 1991. The average age of the representatives was 44.2 years, and 35.7% (1393 individuals) were CPC members. Among them, 850, or 21.8%, were village leaders. Females constituted 21.2%, with 825 individuals. Ordinary villagers accounted for 1793 individuals, or 49.6% (Research Group 1994: 9). The emergence of the system of the villagers' representative assemblies has a profound systematic and social background in rural China. Three systems have directly influenced the appearance of the system of the villagers' representative assemblies, in terms of constructing its foundation. The first system is the representative assembly of the commune members of the production bridge in the period of the PCs. Many farmers had the experience of attending the representative assembly at that time. The second influence is the deputy to the people's congress. Voters directly elected the deputies of Xiang. The third influence is due to the system of villagers' self-management; this system requires realization of basic democracy. The influence of these three systems resulted in the villagers' representative assembly.

I present several examples of villagers' assemblies and villagers' representative assemblies to analyse how they worked towards villagers' welfare. The following occurred in Ruixue village, Jianwei County, in Sichuan province. Village leaders received information that nutria breeding could bring large benefits for villagers, and they proposed to collect money to invest in this project. When the suggestion was put forward in discussion at the villagers' assembly, villagers considered conducting a field survey first. Following the village assembly's decision, the VC sent people to conduct a study. The conclusion of the survey was that the project did not suit this particular village. Certain other villages did not carry out this study before starting the project and, consequently, lost benefits. In Tingyang village, Zhao County, in Hebei province, leaders of VC had trouble with villagers over the

issue of allocating land and courtyards. The land issue had not been settled for 17 years. Faced with this tough matter, villagers' representatives went to farmers' households one by one to ask their opinion, finally creating a united response. The VC decided who would receive the land or yard and who would not, according to the results of the survey carried out. Finally, the names of villagers who received land for residence and cultivation were published. A total of 73 households received land. Neither complaints nor troubles emerged in the village, since the criteria was collected from the opinions of the masses and conducted by the village assembly. The VC in Zhao county have solved 179 problems about residence land and cultivation since 1992 (Research Group 1994: 41). Villagers' representative assemblies became popular after 1988.

It is certain that self-government can better enforce the state's tasks of grain procurement, taxes and birth control. Villagers' assemblies and villagers' representative assemblies reduced the VCs' burden. In 1992, after the establishment of the villagers assembly and the villagers representative assembly one year later, Zhao County faced the task of collecting 109 million kg of summer grain around Shandong province. At the time of grain levies, village leaders wanted every household to participate in the collection. Since the villagers' representative assembly had been established, they made the decision to mitigate or annul the grain levy of hardship households, but others had to hand this in on time and in the correct amounts. This decision enabled all villagers to finish their task of 6550 kg grain levy in one day (Research Group 1994: 43). Kelliher said self-government does not alter the state's demands; it only allows them to decide how to meet those demands (Kelliher 1997: 73). Indeed, self-government helps the state to manage the countryside.

Village self-management mainly serves rural villagers by improving their welfare. In the current rural economic situation; the state economic policy needs to meet farmers' requirements. Also, village self-government reduces the load of villagers and balances their interests. Self-government presents a position that stands for the villagers and their interests. How unquestionable is a decision-making process based on the majority opinion? What would happen if the majority could not present substantial facts or long-term views? To answer this requires the study of the next step of self-government.

Democratic management is the next step. It means that all villagers discuss and formulate *the regulations of villagers' self-government* and *village convention and villager pledge* in terms of specific local conditions, which should also agree with state laws and policies. The regulations clearly stipulate the rights and duties of villagers, relationship, obligation and work methods among organizations at different levels; and requirements for economic administration, social security, and family planning, in order to enhance the capability for villagers to manage themselves, educate themselves, and serve themselves to apply their rights of self-government.

The regulation of villagers' self-management is a comprehensive guide for villagers and cadres alike, which is called a 'small constitution' by villagers. It is not only a rule to obey, but also a textbook to educate and self-educate farmers in

order to enhance their quality. *The village convention and village pledge* usually decides on some specific issues, such as public order, forestry preservation, protection against fire and other basic behavioural standards for villagers.

The head of the Hubei BCA calls self-government a mechanism for "transforming Party policies and demands from higher levels into the masses' own desires" (Kelliher 1997: 73). Self-government is a channel to link the state and villagers, transforming the policies of higher levels into the masses' own desires, if they met with the same wishes and purposes for farmers' welfare. The problem is whether or not the motivation is to get villagers to enforce unpopular policies upon themselves, and what the masses' reaction to these policies is. This idea seems to belittle the peasants. My discussion above has presented farmers' attitudes. As for whether it was the government's initial idea, I have also provided reasons for self-government. During a period of economic development and social transition, maintaining the stability of society is important. Furthermore, the state requires a legislating complement when China finishes its initial reform. In a country as large as China, many of these kinds of past examples show that social instability reduces social and economic potential and sustainable development; for example, the warlords' wars and the Cultural Revolution in some areas. China is moving into an era of legislation, and the masses require discipline for the process to be promoted (Pan 1998; Xu 2000). Democracy cannot do without a legal system. Farmers need individual education or discipline to enable their self-consciousness to be awakened and their social actions customized, transforming them from peasants of a traditional country to citizens of a modern state.

In Chinese history, many records describe poor peasants as Qunmang (ignorant masses, even riff-raff). Also, in modern writing, scholars have posited that one of the reasons for the poverty of farmers is the strong selfishness and antisocial consciousness of the peasantry (Pan 2004a). To solve the problem, on the one hand it is necessary to enhance their income; on the other, educating peasants is a huge job. The peasants' consciousness caused the backward situation of rural China, which has four elements: ignorance, squalor, weakness and selfishness. Today, self-government is part of the government's plans for villagers' self-education or democratic schooling. From this point of view, self-management is not a new phenomenon; historically, the gentry's management has been a tradition. In contemporary China, more democratic elements are integrated into self-management. Under the new term, villagers had more options and could make decisions on their own.

Thus, self-management links self-education and self-services. The same phenomenon could be found in the development of Western nations. Beveridge published his report in 1942 and recommended that the government should find ways to fight the five "Giant Evils" of want, disease, ignorance, squalor and idleness. This led to the establishment of the Welfare State. The welfare plan was a measure to avoid the five evils. China has a long agricultural history with most of the population being peasants, and it is typical that these characteristics were accommodated. Beveridge pointed out that it was necessary "to use the power of the State, so far as may be necessary without any limit whatsoever, in order to avoid the five

giant evils" (1944: 254). Thus, discussion shows welfare could never be separate from democracy.

Democratic supervision is the last step. It is the condition that all public affairs in the village become public and open, meaning the evaluation and criticism of the VC and their routine according to the reports. The core of democratic supervision involves openness of village affairs, transparency and the reporting of all village issues considered as serious to the public. Villages organized the Financial Transactions Group with 3–5 villagers under the principle of democratic supervision. The group came from the non-members of the VC. Its jobs included regular assessments of the implementation of village affairs, collection of villagers' opinions and requirements, support for the VC to improve its work, evaluation of financial income and expenditure, and reporting the assessment results to all villagers. Many villages used public boards and wired broadcastings to publish these issues to villagers. For instance, the numbers and names of the relief benefits recipients would be published on these boards. The group members could not distribute these benefits to themselves or relatives. If a village received state relief assistance, the villagers' assembly would discuss the reasons for the allocation and the consecutive results would be published. According to a report of the Research Group in the MCA in 1994, Jintang village, in Jiahe County of Hunan province, held an open bid meeting for the building of a circular road around the village. The village published the entire expenditure for the construction. All welfare affairs in the village should be made public in the same manner. This system ensured impartiality and justice. After one-fifth of the villagers nominated the dismissal of the members of the VC, the village would carry out the dismissal.

There are 25,712 Xiang (including 1517 national minority Xiang), 19,216 townships, and 832,987 VCs in China. In 2002, there were 3 million Township Cadres and 3.58 million VC members. Over 80% of the VCs had established villagers' assemblies and villagers' representative assemblies. These systems ensured the carrying out of the transparent management of village affairs.

Relationships Between Self-government and Rural Welfare

Village self-government transferred the idea of welfare to be bestowed from a higher level to a right that the individual strived for. In ancient China, it was believed that welfare originated from the emperors' offerings; during the PC era, welfare was more of an arrangement by which peasants received welfare items as objects rather than as subjects. Under these welfare systems, peasants had no input on their choices and efforts. Self-management emerged in rural areas, indicating its close relationship with farmers' economic interests and welfare benefits. When the welfare offered from higher levels and collective protections ceased to exist, the situation called for new means to balance farmers' requirements, which consequently necessitated some basic democracy. In contemporary society, welfare is a right that farmers search for. Villagers realized that welfare could be in their own

hands. For example, in documents of the MCA in 1994, Yaomiao village, Xinjie Xiang, Suizhou city, in Hubei province, wished to build a school in 1991 but hesitated as it would increase the farmers' burden. This issue was presented at the villagers' representative assembly. Representatives assessed the issue and believed it would enhance individual powers and promote economic development. One hundred and three students from Yaomiao School entered universities this year; 74 of them were from Yaomiao village itself. Economy in Yaomiao village developed well, so farmers could bear the expenditure of building the school. They realized that good education was the source of Yaomiao village's development. Consequently, a plan was passed for constructing a school.

Through self-government, villagers not only have the right but, more specifically, they have the rights of choice and decision-making power on the items and quantity of welfare. Village self-government carries out welfare plans that meet the requirements of, and are more suitable for, the villagers. Democracy requires an active public sector. Villagers present their opinions about welfare projects that they prefer to work with; indeed there were items that do not improve their wellbeing but, on the contrary, worsen it. In many cases, the items related to welfare would be put to villagers' representative assemblies for discussion, including collective land usage and interests, collective enterprises development, land transformation, rural pension, and poverty relief, to name but a few. In 2010, I did my investigations in Guangxi and Guizhou provinces. Villagers' representative assemblies discussed which projects should be put first, school, road or village hall? According to the result of discussion to make decision, and then government budgeted resources support, and villagers took construction work. Since the farmers themselves made efforts, they cherished these constructions very much.

Basic democracy may reduce the degree of waste and misuse of welfare resources. VCs of rural communities are taking charge of the management of collective economy in order to reach the comprehensive aims of cooperation with multi-economic organizations, including state- and community-owned. VCs are not only for the villagers, but their roles are also as agencies of government. In recent year community economy in some areas has considerable power, but by no means can these collective resources serve farmers well in these areas. Some leaders of villages misuse collective funds; furthermore, in some townships the collection of funds can easily be used for their own purposes. For instance, some of them audaciously direct collective funds for office buildings, hotels, cars and other official amenities. Collective finance is in chaos in parts of rural China. Thus, a good system to manage collective economy and rural welfare is required. Village self-government in rural areas is the appropriate way to proceed. Production and the usage of welfare resources can be directed efficiently and transparently since the public is included in the supervision process and the financial data is publicized.

Rural self-government provides the systematic guarantee for rural welfare. In this frame, the system of democratic election is the basis; the system of decision-making the key element; the system of democratic management the foundation; and the system of democratic supervision the guarantee. So, the system of village self-government is a democracy at the grassroots level and guarantees

welfare distribution under democratic management, keeping the process just and fair.

Self-government is a schooling in democracy and also benefits farmers' welfare. In today's China, democracy cannot be separated from the legislative system, which enables farmers to be organized according to the established rules. Farmers learn how to receive and apply rights by democratic process.

Self-government is facing the following situations: the rural residents should have the same citizenship position that urban residents have had. It means that rural people possess more social right and makes welfare integration between rural and urban areas. It needs that the state brings farmers into a higher range of social, civil and political life.

Some Explorations About Political Democracy

It is true that rural China is developing some degree of democracy to which closely involved rural residents are joining. It is not only in China that we can see the close relationship between democracy and welfare; as noted before, Western developed nations show considerable connection.

Democracy in the West

T.H. Marshall characterized the process of modernization over the past 300 years as one of the general expansion of citizenship. It is a history of the expansion of the rights of the citizen and a growth in the numbers of those entitled to citizen status (Pierson 1991: 23). Also, we can say that it is a history of the process of contemporary democracy (Table 14.1).

In Western countries, the welfare state holds a social rights appearance, which is a later step in the development of democracy. The welfare state followed the path of social democracy described by many scholars' records on the process of growth of the welfare state. Leonard said documentation of the historical origins and growth of the working-class is essential to understanding the part played by the class struggle in the development of social policy, and to the tactical and strategic appreciation of the extent to which the apparatus of the welfare state itself can today be considered as an arena of class struggle. Contradictions exist in the material world and are reflected in the world of ideas; the welfare state can be envisaged both as functional to the needs of capitalist development and as the result of the political struggle of the organized working-class. George and Wilding stated that the welfare state is the outcome of a long process of working-class struggle against the entrenched opposition from the capitalist class and its allies. This process began during the early days of industrialization with the formation of trade unions and working-class political parties, and it has continued to the present day in different

Table 14.1 Citizenship development in the West

	Civil rights	Political rights	Social rights
Characteristic period	Eighteenth century	Ninteenth century	Twentieth century
Defining principle	Individual freedom	Political freedom	Social welfare
Typical measures	Habeas corpus, freedom of speech, thought and faith; freedom to enter into legal contracts	Right to vote, parliamentary reform, payment for MPs	Free education, pensions, healthcare (the welfare state)
	→ Cumulative →		

Source Marshall (1963: 70–74)

forms. It is evident that progress can be achieved through peaceful parliamentary means, provided a favourable balance of political power exists in the country (George and Wilding 1994: 74–75). The phrase "the welfare state" entered our vocabulary during and immediately after the Second World War. The rash of social legislation enacted in Britain in the 1940s appeared to mark the dawn of a new era, variously interpreted as "post-industrial society", the "mixed economy", "welfare society" or even "democratic welfare capitalism" (Gough 1979).

"The accommodation of capitalism, social democracy and the welfare state represented the 'exhausted compromise' of the passing phase of 'organized capitalism' (Pierson 1991: 68)". The democracy that appeared in Western countries sought state management from laissez-faire, a path to democracy through class motivation, trade unions and then the parliamentary process. Democracy and welfare are products of state administration in the capitalist society. In general, welfare emerged along with modern democratic countries and national states. Democratic rights are just as those in Marshall's statement on the theory of citizenship, including the rights of the social, political and civil affairs. These rights are expressed through the parliament and implemented through the welfare state.

Basic Democratic Forms in China

The development of democracy in China is different from the West. China's case is complicated. On the one hand, China has a long feudal tradition and autocratic bureaucracy; on the other, in China basic democracy has deep foundations that can be found in three historical heritages. There are several indications about the latter. First is the tradition of village discussion. The village was a group's place of residence, and the villagers' conversations were recorded in historical documents over several thousand years. This automatic discussion created power and influence and controlled the village's issues. Even without formal written legislation, the village discussion tradition expanded its great social weight. Second is the form of

village gentry. It was a historical custom that the village gentry managed rural China. In a rural country, various important figures always influenced village management, which dealt with a variety of matters. Without their agreement, important issues could not be addressed. The CPC's land reforms slashed the control of the feudal patriarchal clan, but the elite **played the roles** in other ways. They emerged in contemporary rural democratic self-government, as the villagers' representative assembly attracts a range of villagers. Third is the organizational system. In the evolutionary period, organizations such as the peasants' union or the peasants' association played a key role in rural reform, and today the system of the People's Delegate Congress directly manipulates democracy. Members of the assembly and the representative assembly of the PC prepared the basic knowledge and structure for today's villagers' representative assembly (Research Group 1994: 119).

Meanwhile, the state's position is different from the West and displays itself in different ways. The Chinese state has always managed or controlled individual affairs from ancient to contemporary China. On the one hand, China's philosophy is "beneficence policy" and *Fumuguan* (officials who parent-like). In a traditional agricultural society, state intervention has a long history which is from top to bottom. Peasants never thought of their own rights. In today's China, the state performs **this** through a series of political structures while reforming or transforming China. The former People Commune and nowadays Villagers' Committees enable the control of rural China.

When the CPC assumed power, the Chinese government pronounced that China would be a socialist country with aims to achieve common wealth and equality. It also was a country of an alliance between workers and peasants. While the West longed for the state's role through the welfare state to reach the goal of equality, China's rural democracy is a management way of transmitting state power to people.

Rural democracy is based on the socialist principles, and it never changed the nature of the state. It is almost impossible that individual and scattered small farmers could face the strong competition of the market without a collective security. China's basic organizations: VC is a way to link and organize farmers together against risk. The problem is that they only emerged in well-developed areas, and limited to within the range of the village. Farmers' representatives be assured of more seats in NPC, and farmers' associations or organizations be allowed, and so on. Local collective organizations or welfare systems require the support of the state, or at least favourable policy. Farmers' rights should be improved, bringing farmers to an equal position with their urban counterparts.

In the whole country, farmers have the right to share rational distribution and welfare status with other citizens. Farmers lack a political channel to speak and effectively realize their social rights. The farmers' political position is weakening. Farmers are still the biggest group in China, but their delegate numbers to the NPC were diminishing, while simultaneously more and more commercial elites entered the NPC. Beginning with the fourth NPC, the percentage of farmer's delegates started to decrease. The farmers' representatives constituted 22% in the fourth

Congress, 20.75% in the fifth Congress, 11.7% in the sixth Congress, 9.4% in the eighth Congress; and 8% in the ninth Congress in 1998 (People's Daily 15, 09, 1999). Rural peoples' delegates represented one-fourth of that of urban citizens. The NPC is lacking the voice of the farmers. Meanwhile, the farmers of China are different from Western farmers in that Chinese farmers do not have political organizations. Peasants' social and economic organizations were disbanded along with the system of People's Communes. Therefore, their expectations for their own well-being could not be expressed properly, and their rights could not be protected. The polarization is getting wider, and it is the farmers who lose out. Under the market economy, economic strengths decide political power. Farmers could not receive the same welfare benefits as urban citizens, so they should demand more, based on their interests and rights.

Thus, self-government never meant canceling leadership or authority, or intensifying individualism or eliminating management of the state. Without their management, rural China would become an imbroglio of shifting sands and could not guarantee individual farmer's rural welfare. Township and the VCs make up a special social structure in China. They represent the farmers and develop their self-government and management roles. Here is an example of management in Beijing. The money for land requisition was not given directly to the farmers because it had been shown that many farmers misused the money received. Instead, the Bureau of Labor and Social Security in Beijing handled the payments. Some farmers had built unnecessarily spacious houses, while others spent all the money received from their land on eating and amusement. After having spent all their money, they faced the threat of poverty. Therefore, the government helped them to manage their money. This involved passing a law requiring the township and the VCs to manage, carry out and supervise the farmers' money. They first paid pension funds to the farmers, and the farmers might receive cash payments on a monthly basis. As such, this was absolutely not a freedom. So, as social policy, when the state does not budget for farmers' welfare, it also can interfere with the welfare of farmers by the management and regulation of the state and its different administrative levels. The state should protect people's well-being. Democracy is a means, but the core is people.

The function of authority in China reflected the traditional culture: official, parent-like, but much more it represents the state's role in a socialist country. The documents of CPC call it as the people's democracy. In the 2011, president Hu Jintao says that "People's democracy is the life of socialism and China is committed to the development of socialist democracy", "To develop socialist democracy is a goal we have always been committed to" (Hu 2011). In 2014, president Xi Jinping gives a speech at the ceremony of the 65th anniversary of the Chinese People's Political Consultative Conference on 21st September, and he calls for a "broad and effective people's democracy". It needs a long term and hard work to realize a welfare system established on political democracy.

Conclusions

In China, regional economy connected with local self-government consists of a combination of social, economic, political and welfare dimensions. A welfare state in the West is a political project of nation-building (Esping-Andersen 1996: 2). In the expression of social democracy, welfare state's aim is peoples' well-being that is based on fairness and equality. It would be realized through the civil rights of citizen. The political explanation of the welfare state is a path to socialism. In China it is obvious that possesses the similar functions but with different characteristics.

First, welfare developed along with political movements, especially with democratic development. Village self-management is a democratic functional method to manage and promote farmers' affairs, especially their welfare. Village autonomy includes democratic elections, decision-making, management and supervision. Grassroots democracy trains rural citizens for participation in a legislative society.

Second, the meaning of democracy in China should be people's democracy. The purposes of economic and social development are for people and are people oriented. It determines the direction of resources and wealth's redistribution, especially each citizen share the public welfare affairs.

Third, grassroot democracy reflected people's political and social rights. The people's democracy offers four stages to realize it, and it includes right of joining, deciding, managing, and monitoring public affairs. Grassroots democracy determines social purposes and meanwhile, expresses the means for reaching it in process.

Fourth, China is a socialist country, and people's democracy is written into the constitution. Therefore, it is clearly and undoubtedly that the relationship between socialist principle and people democracy is consistent. No matter how people talk about so, China is a country with socialist ideology and tradition, and political campaigns in rural China are supporting this.

Fifth, although democratic self-management is a good measure to use in order to avoid misuse of collective funds and corruption, there are many problems in practices. For instance, the proportion of the number of the people's delegates from grassroots is getting less; and collective welfare resources are abused or corrupted. It is a long process for building a completed people democracy.

Chapter 15
Conclusion: The Factors of Welfare Model of China

The rural welfare system has new development in recent ten years. In terms of medical care services, new rural cooperative medical care system was set up in 2006. Serious illness insurance for urban and rural residents was issued in 2012. With pension insurance respect, new rural social pension insurance was published in 2007. The issued regulations of social relief system include Rural Minimal Living Security (RMLS) in 2007, Nature Disaster Relief System in 2004 (revised in 2011), Revision for Five Guarantee System in 2006, Rural Poverty Household Relief in 2003, Medical Assistance in 2003, Education Assistance in 2004, Housing Assistance in 2004 and Judicial Relief System in 2003. The coverage of social insurances is growing. Population who joined urban and rural residents basic pension grows two times during these 10 years, who are in basic medical insurance enhances 4.5 times; and who are in rural pension increases 5 times.

Without any doubt, China has a long way to go in building a modern rural welfare system. According to China Human Development Report (2016), the U.N. agency said that the Human Development Index of China is in sustained growth, which has approached or briefly exceeded the average standard of the world. However, inequality of social rights exists between urban and rural areas, different regions and groups. The reason of this statement is that the state does not set up an effective tax policy system. It is very obvious that China still has not completed for building its comprehensive rural social security system. The government does not budget enough social expenditure for welfare system. The rural welfare development also is not balanced across the whole country. While in the east coastal region, many local welfare items, including social insurance, social services and other community services, have been installed in community construction. The less-developed western area is lagging behind. Furthermore, many items of rural welfare are not merged with the urban welfare system, for instance, the old age insurance is not transferable between city and countryside.

Of course, this alone cannot be taken as the conclusion of this study. When I first entered the field of rural welfare study of China, I was led by the idea of establishing a rural welfare system under market-oriented reform, and of reviewing the

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development history of rural welfare in China. Since then, I have found many interesting phenomena which formed my opinion. First, if it is so important to build a welfare system after the rural economic reform, what was the welfare system like before the economic reform? One of the findings of this study is that the economy development and living standards were lower comparatively, but there was a welfare system, a rather strong institution in that time. Closer examination reflects that the welfare system did not cost much expenditure to support. Further exploring, China had a social welfare network with family and community which achieve support from the state before the modern welfare system. How has the history permeated and impacted the current welfare system? What is their significance? First, this study reveals a general structure of rural welfare in China, where specific elements and characteristics are different from the Western nations and the rest of Asian cluster. Rural China has a special welfare model in the world. Second, through deep analysis of Chinese case, this study presents a comprehensive framework of the rural welfare system and the special welfare functions of each component. For example, the state's functions on rural welfare in China can be viewed as political, economic, cultural and organizational. From these inter-penetration, interaction and internal relations in rural Chinese welfare system, this book considers their special welfare-related significance. Before the introduction of these special attributes, I will provide the general analysis of the whole rural welfare system in China.

The Rural Welfare in China: A Chinese Model?

The welfare state was initially emerged in advanced western countries. Studies on these countries are very rich, and there are many studies focusing on western countries welfare states, and these studies have produced many well-established theory or models. As mentioned in the introduction, Richard M. Titmuss is the founder and the great philosopher of social welfare and social policy theory, who built the famous social policy framework and explained the welfare states arrangement all over the world. He divides welfare categories into three basic areas: public welfare, fiscal and taxation welfare, and occupational welfare. His well-known dichotomy of residual type and institution (universal) type lays a solid foundation for later studies on welfare state. The three-division method also refers to Titmuss. The general situation describes the characteristics of liberalism, conservatism and social democratic welfare system, as well as their emphasis on social assistance, social insurance and public welfare. Esping-Andersen continues the three regimes of welfare state explanation, which are liberal, corporatist, (or conservatism) and social democratic models. Ginsburg, in *Divisions of Welfare,* clearly describes welfare states in capitalist societies. Other studies examine Confucianism or orientalism welfare models, by selecting Chinese welfare model as an Asian group from a culture perspective. As the Korean researcher, Kwon, points out, "In order to advance our knowledge we need to construct a model for non-European

welfare state (Kwon 1999: 142)". He defined a Korean model but it is still in the capitalist category.

This study defines a Chinese welfare type. Chinese case is unique in many ways. China differs from the Western welfare states because of its traditional and Confucian cultural background. Confucianism, Taoism and Buddhism constitute the essence of the traditional Chinese culture, which is different from the welfare states under the western civilization that are impacted by Christianity. Chinese welfare system is also distinguished by its modern socialist principle from its neighbours—East Asian welfare clusters. The Chinese rural welfare model in the first three decades of experience was somewhat a mixture of Eastern traditional culture with socialist characteristics. Such socialist characteristics may appear to some extent in Scandinavian countries that have built their social democratic systems on the industrialized economy. In that case, the Scandinavian institution is based on a different cultural and economical background, where their citizens possess comprehensive social services, full unemployment benefits and universal citizenship. However, China is quite different from those social democratic nations, with it was in a different stage of economic development and its constitution about socialist public ownership.

This book claims that rural welfare of China as a model fits in Western welfare state theory for several reasons. First, all of the elements that work for Western welfare states and suit the welfare state theory and empirical development can be found in Chinese rural welfare framework. The common view about welfare politics is that the emergence of a modern welfare state is "the product of a struggle between the political powers of social democracy and economic powers of capital (Pierson 1991: 31)". Marshall stated, at the end of the nineteenth century, the mass of the working people did not wield effective political power (1950: 37). Tawney saw the development of welfare state as "natural consequence of the simultaneous development of industrialization and of political democracy (1932: 125)"; and some researchers view the welfare state as the outcome of a long process of working-class struggle against entrenched opposition from the capitalist class and its allies (George and Wilding 1994: 74). The social solidarity that pools risks together (Baldwin 1999) is the class basis of the welfare state in the western welfare theory, and the collectivism of rural China indicates exactly this kind of solidarity, and it is a product of peasants revolution (struggle) in 1949. It is also the product of industrialization after the rural economic reform in 1978. Even the grassroots democracy that emerged in rural China coincides with the modern welfare state. The welfare political economics could explain emerging and consisting of Chinese welfare system.

Second, when a state is called a welfare system, it means that state intervenes heavily in national well-being. The characteristics of welfare state in advanced countries are classes solidarity, collective pool and a state intervention on top of a well-developed capitalist economy. In those countries, some scholars argue that the welfare states emerged within capitalism desire to overcome its shortcomings, to reach "the creation of the welfare state and ultimately of socialism" (George and Wilding 1994: 75). Traditional socialism is largely concerned with the evils of

traditional capitalism and with the necessity of its overthrow. In those countries, nevertheless, the traditional capitalism has been reformed and modified almost out of existence, and it is with a quite different form of society that socialists must now concern themselves with (Crosland 1956). Chinese socialist principle suits the core ideas of welfare state well and it has a strong centralized state and collective cultural roots. The rural welfare system in China is actually run by the state and the state policies impact all aspects of rural life including the rural welfare system directly. The state power comes from the nature of a socialist country. Collectivism and socialism in rural welfare of China emerge even before the economy is well developed or still in the process of developing. Collectivism actually is a key item of rural welfare in China. It closely links individual farmers together as a group to share risks, to gather organizing production and cooperation as a way of self-relief. They consider this kind of common development as a measure to promote collective welfare. This paper concludes that welfare is not only measured by state budget, but also by other measures, such as the way the state and community organize, interact and ultimately, with the well-being of the people.

Indeed, a modern welfare system in rural China has not yet completely been established. The previous studies show that the rural welfare network of China is not completed, or substantially developed in scope, contents and legislation as those advanced welfare states in developed countries. The Chinese welfare system is still in processing, and has not been finally completed. This welfare system is on a stage of integrating and uniting fragments and expanding the welfare items and population coverage. However, compared with modern welfare state model, I still view it as a complete institution of welfare system in a long term. China established its welfare system and improved the people's well-being in its own ways. This book discovers that there is a welfare system in rural China, in terms of the above framework. The welfare characteristics and elements actually compose welfare net in rural China and play functional roles.

The Special Characteristics of Chinese Rural Welfare

Traditional Culture Impact

Comparing with urban area, more traditional elements remain in rural China. Chinese traditional thoughts, culture, social construction and political regime have had gradually influenced the formation of rural welfare system over the years. Rural welfare system inherited legacies from traditional welfare ideology and its systemic construction. They still permeate into today's welfare system in rural China.

The Chinese ancient philosophical thoughts and historical welfare heritage include concepts such as *Datong*,[1] *Minben*,[2] *Renzheng*[3] and *tianrenheyi*[4] in both ideology and practice of welfare. Instead of the religion as in many Western countries, a special class, *Xiangshan*,[5] as communicators and maintainers of traditional Chinese philosophy existed in rural community in old time. They spread welfare ideas and subsequently influenced rural substantial living. Even though *Xiangshan* no longer exist, but the traditional thoughts and traditional cultures are still firmly rooted in Chinese rural society and people's behaviours. They are both old and new at the same time. When the green and sustainable development as a branch of modern welfare ideology and harmony as an index of welfare thoughts have been accepted in rural China, some traditional elements still exist in rural China today. For instance, family and community mutual supports now show new special significance. Some western scholars said that the "soft power" of China is merely ideology but never became an institution. This paper shows that the ideas and thoughts had also been embedded in the institutions. Unlike the cities, rural residents have closer ties with extended families and local communities, and thus maintain more traditional values and proprieties which affects the way welfare works.

The Role of State

State power has been centralized by overwhelming authority in the political and social life of Chinese people. In ancient China, the state's involvement in rural welfare was mainly in the form of grain storage facilities, flood control systems and poverty assistance. After the establishment of the PRC, the state restructured the countryside through the land reform, the cooperative movement and organizing scattered individual farmers into the People's Commune. Welfare policy is not only a process of the state intervention, but also a state plan. For instance, the dual social-economic structure was designed after the establishment of the PRC. During the 30 years period of market-oriented economy, under the impact of globalization and new-liberal ideology, the role of the state is reduced. More than two decades after the rural economic reform, the state had started to pay much more attention to improving the well-being of the countryside, along with rural people's increasing demand for "citizenship". People is wiling that the state takes more responsibility for people's welfare. The establishing state tax system for welfare redistribution is a demand of people.

[1]Great harmony, an ideal or perfect society.

[2]Prioritization of people's interests.

[3]A policy of benevolence or benevolent government.

[4]Harmonious between Heaven and people, which means peaceful and sustaining world.

[5]The country gentry.

Based on Collectivism

A strong organization or network in community is the foundation of rural welfare. These organizations follow a trackable tradition through different periods. Community welfare operation is based on each village. Family and community organizations' responsibilities come from the ancient welfare philosophy: "neighbours should live harmoniously together, look after each other, and take care of each other in time of sicknesses".[6] Historically, these ideas has been represented and practised through the village, the *baojia* system and other rural organizations, such as *Chushe* or *Qingmiaohui*[7] to reach the individuals, and they are still embedded in the contemporary rural area. In the People's Commune era, the production brigades and teams organized farmers into production and administrative units, took responsibility for the rural five-guarantees households and others who were helpless. Today, the rural community system consists of the village committee, the villagers' representative assembly and the villager groups.

The collective spirit and attitudes is part of the core culture of China, which is coincident with the welfare principle. Collective welfare is an example of this paradigm, manifested in practical experience. A collectivist spirit penetrates the communities (towns, production brigades and production teams, especially in nowadays' villages), organizations (the old *baojia* system and today's village committees) and families that connect people into groups. Instead of admitting each rural resident individually, the whole family is organized as a group to be a basic social and economic unit. In certain sense, production itself is part of welfare, for instance, self-relief through production and giving people work in place of relief subsidies. The recent booming of re-collectivism such as various farmers' association in great part shows the revival of traditional collectivism culture. Welfare improvement happening now is also going with a state encouraged re-collectivism that includes economic cooperatives and social organizations. The "New collectivism" differs from the one from the People's Commune era in several ways. The New collectivism acknowledges individualized production and private ownership. On the contrary, the old one not only did not allow such things but also rigorously controlled many aspects of farmers' life including migration, production and marketing. The New collectivism, also called re-collectivisation, takes place under a market-oriented economy and follows market rules. It commits the functions of welfare, which absorbs individual farmers into organizations, making production, marketing and redistributing income collectively. This kind of collectivism follows both collective culture heritage and socialist tradition. It raises incomes of the farmers, helps them to better weather the risks from the market economy and accumulates fund for the common good of the villagers.

[6]See Chap. 4.

[7]See Chap. 3.

Socialist Characteristics

China insists on its consistent stand of following the socialist road with Chinese characteristics. Over the years, the state power has applied planned economic measures to macro-control the countryside, to reconstruct the country. After the market-oriented economic reform, the government starts to call "to build a socialist harmonious society" and "a new socialist countryside" (The central Committee of the CPC and State Council). The socialist political structure of China establishes people's main body position. People are the master of the country and economic development is for people. Chinese constitution expresses that China is a socialist country under the people's democratic dictatorship, led by the working class and based on the alliance of workers and peasants. The CPC proposes the following six "adhere to" of principles in the 15th Plenary Session of the 5th Central Committee, where the first one is to adhere to people's main body position. It means that people's well-being in socialist country is not based on welfare redistribution, but by people's main position in the country. The socialist country persists in public and collective ownership, social justice and common prosperity. Mr. Deng Xiaoping said that the nature of socialism is common wealth. The principle of socialism is to eliminate exploitation and polarization between the rich and the poor, and to reach the ultimate goal of common prosperity, commonalities of equality in the countryside, which is always the core to the socialist rural welfare. The CPC puts forward "the five ideas of development" in the 18th Plenary Session of the 5th Central Committee, where the first idea is "sharing-development". If high Gini coefficient, big income differences and huge groups gap appeared in China, they are diverged from the socialist principle and are not allowed.

The Core of Grassroots Democracy: People's Democracy

Moreover, grassroots democracy has been emerged in rural China and is affecting rural citizens. In western welfare state, the democracy arrives along with the establishment of the welfare state and the election emerges with social insurance. However, in rural China, local grassroots democracy is known as democratic self-government, including democratic elections, decision-making, management and supervision that emerged in the countryside along with welfare improvement of farmers. It plays a role on welfare options, decision and self-management, which directly involves their benefits, for instance, the decisions to select subsidy recipients, to build public facilities and to improve well-being of the community village which is not only a place to live but also a production unit to work within, and the status of local economy greatly affects the way of living and welfare of all villagers. The combination of living and production triggers the birth of grass-root democracy in rural area. Despite it is only limited with village issues, democracy has already raised the awareness of farmers about citizenship and social rights.

Socialist welfare system not only embodies that people is the state's start point and purpose of development, but also emphasizes the process of people's participating and executing management of public power. It is the meanings and contents of people's democracy in a socialist country. It is written into constitution, but does not need bargaining from different parties and groups. Thus, the development of the state must be in agreement with that of the majority people, and the interest of the state must be in agreement with that of the majority people. The visions of "people-based" and "the Mass Line" are mentioned again in the 18th Plenary Session of the 3rd Central Committee of CPC. It needs that the state stands on people's position, truly relies on the people and reflects the opinions and interests of people.

Organizational Network

In implementing the welfare, China has a series of network. In the planned economic era, the organizational system is composed of productive organizations (from production brigades and teams to today's productive cooperatives). Now they are changed into self-management organizations (today's villagers' committee and villager group), and other organized net of community. These organizations form a grid system which is used by the state and local community as a welfare framework and network to deliver welfare support. The power of state is still very strong and highly effective through the channel of villagers' committees. This system embodies the function of state and organization. For example, when calamities occur in China, the state can quickly deliver its special policy and support directly to the villages by this power and organizational system.

This paper gives the framework of China's rural welfare. The framework of rural welfare mainly is composed of five kinds of elements and is different from both the western welfare system and other Asian neighbour countries in many aspects. I distinguish it from other models in political, social, economic, systematic and cultural dimensions. Collectivism in countryside is the economic foundation of rural welfare which brings out the redistribution of resources. Organization and network operate and deliver welfare services. Political spirit of welfare is solidarity and social justice, and it is consistent with socialism. Even though China has not completed a comprehensive welfare system, the key elements of the current system represent the core and fundamental of welfare characteristic, and also China has clearly put forward its principles and path for the future. By presenting the functions of this welfare system which has positive output such as guaranteeing and improving quality of living of farmers and of the large population, this model enriches the current welfare regimes of the world.

Practical Significance

China initiates its development from economic reform first, and then the reform expands to social development and social construction. The state begins concerning people's livelihood and re-exploring social welfare systems. From CPC's documents that recently issued and the practice of rural welfare, we can see what China need is not social assistance and relief network, and it is trying to build a welfare system. In October 2000, the Fifth Plenary Session of the 15th Congress of CPC Central Committee proposed "as human society entered the 21st century, we started a new phase of development for building a well-off society in an all-round way and speeding up socialist modernization". In 2003, the scientific development ideology "people-oriented, comprehensive and sustainable development" is proposed. In 2004, the concept of "building a socialist harmonious society" is clearly put forward. The Sixth Plenary of the 16th Central Committee of CPC issued "Decision to a number of major issues for build a harmonious socialist society" in 2006. The report pointed out the major problems of China, and related with the people's welfare as follows: unbalanced development between city and countryside, regions, and economic and social; pressures in human resources and environment; employment, social protection, income distribution, education, housing, safety production and public order; imperfect democratic and legal system. In 2007, "speeding up social construction that focused on the people's living standards" is clearly proposed, and the key issue of building a socialist harmonious society is that "all the people have rights to have education, a living wage, employment, medical care, and housing". Meanwhile, the Ministry of Civil Affairs put forward a target that building a moderate universal welfare system in 2013.

A moderate universal welfare system means that it would cover the whole population, and keep people with basic and decent life. What kind of welfare system it would be? This welfare system will involve the several elements that I mentioned above. Its socialist principle and people democracy remain the social fairness and justness. They enhance common wealth of society, instead of polarization or exploitation. These are the core spirit and thoughts of Chinese welfare system. The Report at the 16th Party Congress Claimed the standard of building a well-off society in an all-round way: "The proportion of urban population will go up considerably. The trend of widening differences between industry and agriculture, between urban and rural areas and between regions will be reversed step by step." "We will have a fairly sound social security system. There will be a higher rate of employment. People will have more family property and lead a more prosperous life". The welfare idea of China is a part of Chinese dream, as Xi Jinping says people yearning for a better life are the goal for us to strive for. The state needs to shift its policies more towards the countryside, to create more working opportunities to raise the income of rural residents, to improve facility constructions of rural area and to set up and complete social services and social insurance systems for the countryside.

China still is a developing country with huge population, how does this welfare system could come, survive or sustain? Since the western welfare states are having difficulties to sustain for some reasons including financial trouble, and are debating about whether the welfare state is a utopian. However, from the experience of rural China welfare, especially former 30 years rural welfare development, the Chinese government does not budget a lot for rural welfare. The cost of Chinese rural welfare system is shared by many of its components, which mean based on a community of collective production and collective organization. Collective organizations and community network not only benefit its members and construct common goods, but also provide welfare reproduction and make welfare more sustainable. Family role is an important part of this system, in spite of its needs policy support today. Thus, the state does not pay for it alone. This enables the government to reduce expenditure, to control the welfare expenditure to suit actual economic development level. Confucius idea of filial piety and Chinese culture that views practice thrift is a virtue. Chinese experience also includes mass line. It is reasonable to believe this welfare system should be able to avoid, and even solve many problems that other welfare systems are facing today if it continues to develop. It does not mean that state's function could be reduced for building welfare system in China, and government does not need to take the responsibility for people's well-being. As China Human Development Report issued by the UN, China should complete a tax system.

The purposes of the development in China are improving and promoting people's life, so it is exactly consistent with the path of peaceful rise of China. As long as China sticks to the current principle, the creativity, the culture values, the organization net work, with the well-being of people as the ultimate goal, along with the development of rural economy and society, without doubt, a modern, more complete rural welfare system is definitely achievable in the future.

Limitation of the Study and the Development of Rural Welfare in China

The countryside of China is in radical change. Along with the growth of ageing population, the polarization of rural and urban areas, low income of rural citizens and the social inclusive problems of migrant workers, more social issues have appeared. These bring about the requirements for further construction of rural welfare system and also for my further studies. The changeable and uncertain elements cause difficulties but also cause new opportunities for studies. The innovations and developments for rural welfare system are continuing to come to the fore. One limitation of this study is that it cannot follow the speed of such development. This book is a very general and multi-faced one, so it cannot go in detail in each area of rural welfare system. It cannot meet the requirements for those people who want to understand specific elements of welfare items in rural China. If one wants to know more of the welfare issues of China, more studies need to be done.

Welfare state is a term from the west that China needs an in-depth research. The state mentioned building a well-off society and improving people's livelihood, but few to discuss welfare state. There are academic and practical confusions on welfare state. Many disturbances and resistances come from ideology. The modern welfare state is a subject to continue study from multi-dimensions in China. Traditional Chinese welfare thoughts and culture, socialist principle and modern factors of welfare state from the advanced western countries would constitute core nature of Chinese rural welfare system.

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