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November 25, 1983

A Glance at People's China: Summer 1983

Mr. Peter Bird Martin, Director  
Institute of Current World Affairs  
4 West Wheelock St.  
Hanover, N.H. 03755

Dear Peter,

I spent about five weeks in China in August and September. It was my third trip to China and, like the other two, this one was a mixture of revelation and frustration, unfortunately too much of the latter this time around.

I went with two producers from National Public Radio, Larry Massett and Art Silverman, to work on a radio college course series on China and Japan. I was the consultant, and in China, the interpreter for most of the time.

The trip gave me an opportunity to see where economic reforms and de-Maoization had taken China. It also gave me the opportunity to take a fresh look at China now that it is not my main professional concern.\*

After a month of Japan's brutal efficiency, China seemed delightful, at least for the first few days. A visit to our hotel's coffee shop on the first night provided all the contrast. "Coffee Shop" is what the Yanjing Hotel calls this first floor watering hole, but "coffee shop" congers up the wrong image.

The shop branches off the main lobby through wide double doors, stretching for about 100 feet of linoleum floors, under bright fluorescent lights. The only atmosphere in the shop comes from a small gold fish pond off to the side near the entranceway. Unfortunately it is so far off to the side that it is easy not to see it at all. Its tranquilizing effects do not spread far into the room. Tall banks of windows, shielded by white gauze curtains, illuminate the shop during the day. Large round tables, surrounded by cheap folding metal chairs, stretch from one end to the other. At the far corner is the "service counter" where you go to place your orders for the fruit, drinks, or ice cream on the menu.

On the night we arrived, a woman who worked in the shop--it would be too dignified to call her a waitress--laughed and joked with customers as she pushed a case of beer across the floor with her foot. Evidently we were not in Japan.

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\*Steve's Ph.D. dissertation dealt with "Conflict and Decision-Making in China's Rural Administration, 1969-1976."

A look around the city confirmed my impressions of the first night. Wide spaces between the buildings and on the sides of roads have been taken over by trees, grass, shrubs, and--in late August--an abundance of overgrown weeds that obscures almost everything else. New construction has taken over the city. Everywhere new buildings are going up--tall colorless apartment buildings. Their only saving grace is that they do not try to make any discernible architectural statement. They could pass for an advertisement on the drabness of socialism, but housing is improving and that is more important than anything. The growth, the green, the construction, and the bicycles shuttling helter-skelter, some almost in slow motion, make the city look as though it badly needs a haircut and a manicure. But it is a friendly feeling, as though modernity had not yet robbed the city of its humanity. For the first time I thought I might enjoy living in Beijing.

The markets and department stores are stocked with an abundance of colorful clothing that people now wear on the streets. The color began to appear a few years ago, but now the clothing seems natural and relaxed. Women wear skirt and blouse combinations that, if not exactly stylish, are at least attractive. Beijing, which always seemed cold and bureaucratic, now has as much color as bourgeois Shanghai.

In department stores, shoppers crowd around the electronics counters, pointing to, testing, and discussing the radio and cassette players that line the shelves, blaring the tiny speakers for their last decibel. Imported Japanese models are on display, but most buy cheaper, more readily-available Chinese-made products. Televisions, cassette players, electric fans, and even washing machines are fairly common in Beijing. Refrigerators would be if the supply could keep up with demand. Just a few years ago, these would have been rare luxuries.



New housing goes up in Beijing.

The people too seem more relaxed. In 1980, only people who wanted to gripe about the system approached me on the street. In 1983 we became fair game for young men wanting to buy foreign exchange. In the evening, strolling next to a stream near the hotel, a group of four or five young men sitting outside asked us in Chinese to stay and sit with them for a few moments. We stayed for half an hour, chatting about Americans and Chinese. Our hosts included two off-duty police, a driver, and an engineering student. It was an unextraordinary encounter, but it would have happened less easily in the past. We stopped many people at random in department stores and in markets and asked them to speak into our microphones about their shopping. Only one person hesitated and in the end none refused. Many seemed to enjoy the attention, as people would anywhere.

I asked my Chinese friends if people really are more relaxed. They said yes. Now people have gotten used to the political and economic changes since Mao's death. They aren't worried so much about a sudden political reversal, and they have started to go about the serious business of making money and improving their lives--often referred to as "the four modernizations." The rhythms of life have taken on an ordinary character. Now the mundane dominates.

My best reminder from the past in Beijing was a Mr. Zhang Wenxiu from the foreign affairs department of Radio Beijing, our host in China. Mr. Zhang was a wiry man about fifty with a cowlick and a raspy voice. He insisted on discussing with me in endless detail all the possible refinements on our schedule--the order of our appointments, the travel time between them, the effect of adding five or ten minutes here or there, and the horrible consequences of being late, which we nonetheless were on occasion. With the strap of a small, Radio Beijing portfolio dangling from his right hand, he would raise his left hand to wave us in and out of our bus or to guide us through crowds, uttering a high pitched, "Let's go!" in English. Zhang was first and the last to remind us that our mission had "great significance" and that we were to promote "friendship between the Chinese and American people." Evidently the title of our project, "Understanding

Pedestrians line Nanjing Road--Shanghai's and China's most famous shopping district.



China and Japan," appealed to his imagination. But for the most part, Zhang seemed comically harmless. We did not, after all, have to worry about keeping to our appointments with him around, and in his favor, he was a man open to suggestion. He agreed to cancel about half of our schedule, which he had filled up with sightseeing. Apparently our hosts did not really expect that we came to China to work.

But we did come to China to work. We came to record sounds and voices that might give an American audience some understanding of what China had become in recent years. That proved difficult.

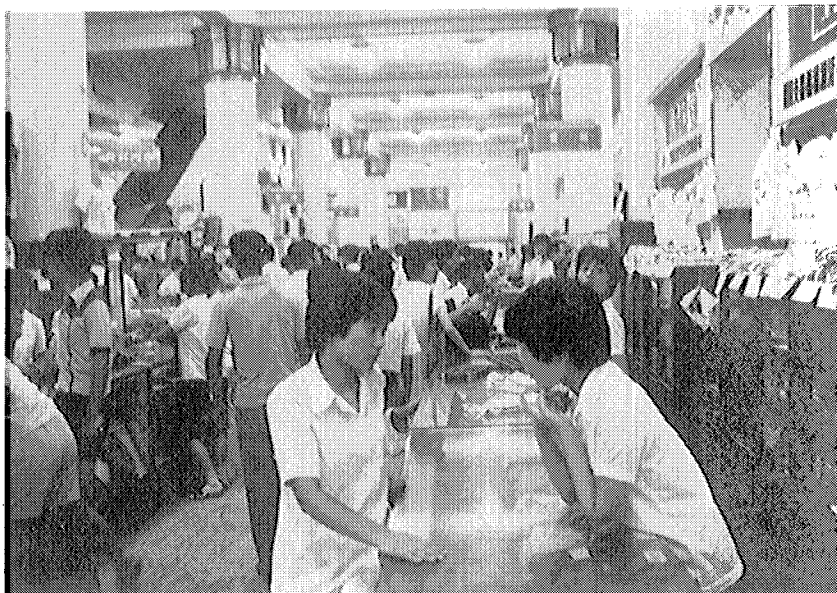
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China and the foreigners who write about it have said much in recent years about China's economic reforms. They have left an impression that China has completely revamped its industrial economy. Production of consumer goods is up, material incentives have been strengthened, factories can keep some of the profits they earn. Compared with the China under Mao, it seemed virtually like a second revolution, with new "capitalist" individual businesses springing up in the cities. Yet after several weeks of touring in China, the changes in industry seemed more impressive in theory than in practice.

We went to Shanghai to see how far the reforms had progressed, Shanghai being China's industrial behemoth, and a place where the reforms had supposedly taken deep root. We had heard something about the changes from a briefing in Beijing at the State Economic Commission. But as with most such briefings, it is difficult to penetrate from the abstract theoretical description of what has taken place to the mundane reality of operating a factory.

To illustrate the success of economic reform, Radio Shanghai arranged for us to visit the Peng Pu Machine Factory, whose main products are muscular yellow 120 and 320HP bulldozers. Two somnolent vice directors of the factory spent the morning with us to explain how economic reform had affected their factory. The interview took much longer than planned. They had prepared a presentation, and their inclination when we interrupted was to continue on their outline rather than answer directly. The style of presentation produced some amusing lapses and discontinuities, and more than once our host from Radio Shanghai jumped in to give us the "right" answer.

The Number One Department Store of Shanghai



Their message, which did not surprise us, was that economic reforms introduced after the Third Plenary Session of the Eleventh Central Committee of the Communist Party in late 1978 had produced profound changes in the factory's management. In the past they ran everything by administrative fiat; now they use economic management methods. In the past they followed orders; now they have an economic incentive. In the past they manufactured "products" for mandatory procurement by the state; now they manufacture "commodities" for sale to the market and have set up new departments for market research and product development. Worker discipline was bad; now it is good. The management of the plant was old and unqualified; now old men have been retired and younger men moved into authority.



High fashion in a Shanghai store window.

The Peng Pu Factory directors droned on and on, and after many hours of carefully listening to and recording what they had said, our conclusion was: big deal.

Prior to economic reform, the Peng Pu Factory sold 100% of its tractors and heavy stamping machines to the state, following specifications and quantity targets set by their superiors. Now they deliver a mere 95% to the state under mandatory quotas. This is how market liberalization has opened up trading practices at Peng Pu.

They used to deliver 100% of their profits to the state. Now they can automatically keep some 4 to 6%. The percentages may vary, but the principle is that if they make more money, they can keep more. They use the money more or less in equal thirds for bonuses, for factory welfare and recreation projects, and for reinvestment in the factory. None of this money is new. The factory always had access to money for these things. The difference is the method of granting it. Now it is tied to the factory's performance. This, more than anything, eliminates red tape. No longer do they have to apply to their superiors to build a new dormitory or buy a lathe--provided they have enough money from their profits. Two percent a year for reinvestment in the factory, after all, is not that much.

Now the factory has instituted a piece rate wage system for workers and a bonus system for managers. The factory has the power to fire workers. Of course it has never actually fired anyone. After several instances of docking workers

for absenteeism, they say, workers began to toe the line. Now labor productivity has gone up and worker discipline has improved. Unfortunately, however, if they measured it, they did not tell us about it.

Everywhere in China we were told that workers loved piece rates and that they had helped to boost productivity. Nowhere did we see good statistics to support this contention. A spokesman for the Shanghai Municipal Government, Mr. Zhan Anyou, told us that in Shanghai productivity had not gone up much, but attributed this lackluster performance to recent increases in the work force. Since 1978, some 400,000 "educated youths" had returned from their exile in the countryside and they had to be absorbed into the labor force.

Nonetheless, it would be surprising if China did manage to increase labor productivity dramatically by using piece rates. Elsewhere in the world, workers resist and oppose piece rates, and find ways to defeat the competitive pressures the rates encourage. Why should China be different? If there is a difference, it is probably that China has used fairly comfortable work norms as a basis for the rates. It probably is not hard for workers to meet their quota to get their normal wage and the rates by themselves did not bring much added pressures. Instead piece rates introduced an element of regularity and predictability into the factory. And since they were accompanied by pay increases, they were no doubt fairly easy to accept.

The piece rate system probably serves principally as a way of awarding bonuses. But even here, the effect is not that clear. The Chinese press has complained that the rates are often difficult to assign since the contribution of individual workers to the final output is not easy to assess. In many factories, apparently, workers receive more or less equal bonuses, thus diluting any incentive effect.

Nonetheless, there is reason to accept the basic assertion that worker discipline has improved. The question is by how much.

We asked at Peng Pu about the recent campaign to retire older cadres and promote the young. We received a long lecture on the merits of the program, but in the end only two managers, out of a total labor and management force of over 4,000, had "retired" under the program. Retirement is not really a proper description. They were asked to step aside from their positions as vice directors and department chiefs, but they continued to draw full salary and continued to report to work in the factory as "advisors," since they had a great deal of practical experience that the factory wanted to tap. Both men, in fact, were near or over the mandatory retirement age of 60 anyway. Before long they would have been retired.

The factory management tried hard to show us that the factory was a pretty nice place and that the reforms were largely responsible for it. On the former count, they succeeded. Peng Pu, by developing country standards, does take good care of its workers, as do most other state factories in China. It does not fire workers. Workers have free medical care, and decent cheap housing in a nearby dormitory complex. They have day care centers to watch their children and clubs where they can do everything from play basketball to sing in a choir after hours. The state heavily subsidizes their food. Workers earn enough so that many households now have televisions, fans, and small washing machines. The real question is not whether Peng Pu treats its workers well enough, but whether it makes sense for a poor country like China to treat them so royally. Somebody, after all, has to pay for it, and those somebodies are peasants.



But there is no reason to think that the good state of things at Peng Pu has much to do with economic reform. After expounding on the theoretical evils of the old system, the factory directors were hard pressed to find any examples to illustrate their points. Factional infighting caused extreme chaos on the production line, they contended. When we commented that it sounds as though it would be difficult to produce anything under those conditions, they excitedly agreed with us. But they could produce no production figures to illustrate the point. The only illustration they finally made was that in the past they overproduced stamping machinery, which they could not unload and had to let pile up in the factory. About this they did not care at the time, they said, because they were producing according to output targets supplied by the state. They did not object to the waste since they were doing their part and were not responsible. Now, they say, they would not sit idly by since unsold goods would affect their profits and, in the end, their bonuses. This may be true at Peng Pu, but we know from reports in the Chinese press that stockpiling unsold goods is still a terrible problem in many industries in China.



Coal miners in Shanxi: Do they love piece rates?

Our most amusing encounter came in a discussion of prices. Of the 5% of their output that they can sell on the market, they said, they can adjust the prices up or down by 10%. For example, one factory vice-director suggested, if we economize on production costs then we can lower our price. But why, I countered, would you not keep the same price to earn a higher profit, if profit is now your motive? This question produced an embarrassed silence. After some time the vice-director suggested that of course the factory wanted to earn more profit, but that it had to consider the interests of the whole society. My suggestion that the 3rd plenum reforms were supposed to encourage them to earn a higher profit produced an even longer silence.

Finally, our host from Radio Shanghai jumped up and excitedly provided the right answer, waving and pointing with his hand. "Of course the factory wants to earn a higher profit! But the question is how you do it. Do you earn a higher profit by raising your prices? No! The only way to earn more profit is to produce more and sell more."

That ended that. The market for the Peng Pu factory is an abstraction. The factory directors have no direct experience. They may run a tight factory, but not because they are responding to signals in the market place. It is because they follow orders sent down by their superiors.

A long interview with officials of the Shanghai Municipal Government--including leaders of the planning sections of three industrial bureaus--provided more perspective on the economic reforms.

Peng Pu's selling just 5% of its output on the market may be relatively low. Shanghai markets 5 to 10% of its textiles, about 10% of its watches and bicycles, and about 20% of its steel output outside of formal state channels. Some of the trades involve barter. The Light Industrial Bureau trades bicycles directly for steel, a raw material it needs to produce over the state-assigned quota. The steel factory in turn distributes the bicycles to its workers, who have a hard time buying name-brand bicycles in the stores.

The percentage of marketed goods depends, more than anything, on the level at which the state assigns the basic procurement quota. If the state sets a higher quota it is not easy for factories to produce more and market it themselves. Although they do not have the final word, these representatives from Shanghai's industrial bureaus did not expect the percentage of marketed goods to go up in coming years.

As Mr. Zhou Changquan of the Light Industrial Bureau explained, "Extra-plan production will fall because it depends on the demands of the market. Now throughout the nation, the production of consumer goods is increasing, light industry is expanding. The market is not as brisk as it was a few years ago. We work according to the conditions of the market, and from this point of view, the proportion produced under the state plan will increase."

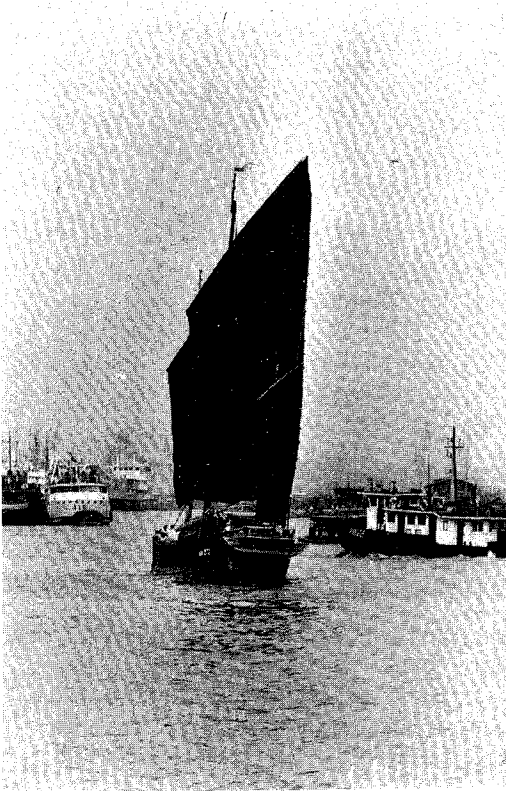
In other words, as the market becomes saturated with bicycles and wrist watches, factories will cut back on extra-plan production because they can't be sure of selling all they produce. The state, on the other hand, provides them with a safe, 100% guaranteed, market for the vast bulk of what they produce under assigned quota.

As everyone, everywhere in China told us, "the planned economy is prime and the market secondary." Based on what we learned in Shanghai, there is no reason to dispute this. China has always had extra-plan production and marketing, although it did not always advertise and promote it. The non-planned proportion has expanded in recent years, although it is hard to say by exactly how much. But this expansion has not altered the basic character of the economy--planned and centralized.

Nothing could illustrate this better than the new profits tax system that was explained to us in Shanghai. Profit retention has been a major part of China's economic liberalization. To give factories an incentive to increase their profits, they would be allowed to retain a proportion of their earnings. The more they earn, the more they can keep. Now China is trying to formalize the system into a profit tax.

The tax is still on the drawing board, but the officials in Shanghai explained how the system will work. All state-owned factories will pay a flat rate of 55% of their profit. After that, each factory will pay an "adjustment tax." The rate for the "adjustment tax" will come down the planning pipeline much as output quotas do. Beijing will divide a national rate among all its industrial ministries, with ministries earning more profit assessed at a higher rate. The





The old...

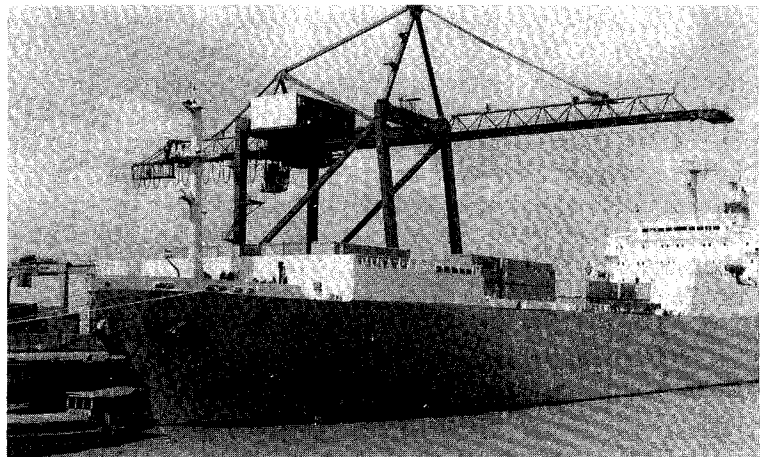
ministries will in turn divide up the rate and send it to their subordinates, and so on down the line, until each factory ends up with its own individually-tailored rate. Factories producing the same goods, but at different costs of production, even right next door to each other, can be assessed at different rates. Identical, geographically dispersed factories might pay a different rate.

Why such a complicated system? Why not just assess everyone at the same rate and reward the more efficient? The answer is that China cannot use a single rate system because profit in China has less to do with effective management and efficiency than it does with the accidents of the pricing system. Shanghai, with 1% of China's population, provides Beijing with some 15% of China's national revenues. Mr. Zhan, from the Municipal Government, admitted that this resulted in no small measure from the price system. Shanghai benefits from the cheap raw materials supplied by other provinces, and can sell its finished goods at a healthy mark up. China prices its energy well below world standards, and many coal mines cannot break even. This is a windfall for Shanghai.

In fact, the new tax system was explained to us not as a means to liberalize the economy by letting factories retain more profits. Precisely the opposite. The tax is to give Beijing better control over revenues by regularizing the system of profit retention and making it more predictable. Beijing needs to increase this control because levels of capital investment, and the rate of increase in heavy industry have continued to soar above planned targets. Beijing is worried it will run short of investment funds where it needs them most--transportation, energy, and communication. Prices encourage factories and local officials to invest where Beijing says it wants no investment, and it therefore has to devise complicated ways to prevent prices from affecting what producers do. The tax is one of them.

Of course it might just be easier to reform prices. This would give

...and the new compete for space in Shanghai harbor.



Beijing an even better handle on the economy. Yet drastic price reform would have serious shortrun consequences. A sensible increase in the price of raw materials would send an inflationary shock wave through the entire economy. It would have drastic effects not only on the balance sheets of state enterprises, but also in the collective sector, where it would undoubtedly plunge many businesses into the red. The social consequences of this would be equally dangerous and unpredictable. There would be winners and losers.

Yet China cannot change the basic structure of its economy without fundamental price reform. China cannot allow the free market a significant role in allocating capital or determining incentive bonuses because prices send all the wrong signals. For the same reasons, China cannot really reduce significantly the bureaucratic management of the economy. Its efforts to improve economic performance in industry have relied principally on stressing new planning targets and on increasing material incentives. But the new system is more complicated, not less. Undoubtedly the system works better now than the old one did. Undoubtedly its central planners are far wiser now than in the past. But for all it has done China has not shed the essentials of the central planning system.

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Shanxi Province was our site to explore the reforms in Chinese agriculture. This was a mistake. The first hint of our errors came within minutes of our arrival. Our usual procedure, established on arrival in Shanghai and Beijing, was to huddle with our hosts and discuss the plans they had made for us. We would make our suggestions and they would cancel appointments and try to add new ones according to our requests.

Not so in Shanxi. Our escort, from Beijing, who looked agitated after we arrived at the hotel, announced that our Shanxi hosts had already made the schedule according to our intentions. They would tell us in the afternoon. Be ready to leave the hotel at two o'clock.

Our worst fears came true. Our request for Shanxi had been to visit a more remote, mountainous village so that we might have something to compare with other wealthy, suburban villages we had visited. Our hosts, in their infinite wisdom, decided to save us all this bother. They scheduled a suburban commune, and invited a local agricultural bureaucrat to give us the whole picture for the province.

We were suspicious about the commune. It was one of the three or four listed in a tourist guide for Taiyuan that we had bought in Shanghai. Our hosts insisted that the commune was not a "near-suburban" vegetable-producer, but a "far-suburban" grain producer. Why, it would take nearly an hour to get there by bus. But on inquiry I found that the commune mainly used a kind of team contracting system that was rare in China. We had learned in Beijing that 94% of China's peasants were now using one or another form of household contracting. Peasants had been slowly and systematically disassembling the collective system that had held together for over 20 years. Not so in Liujiabao Commune outside of Taiyuan.

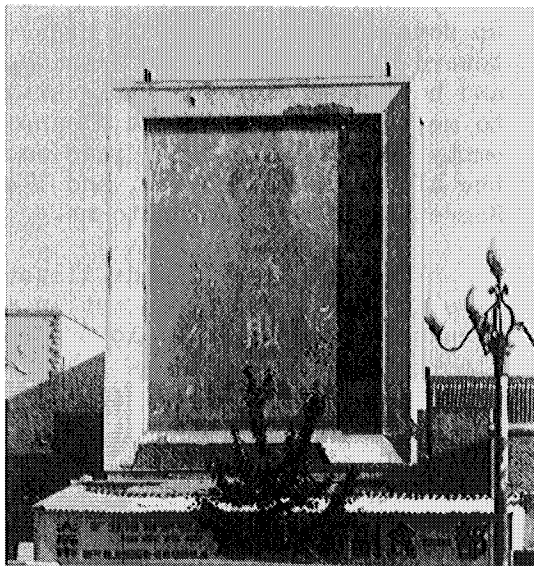
Our Taiyuan hosts sat with open mouths and wide eyes as I explained in my most supplicating Chinese that we needed to visit a place that was more repre-

sentative of China. We did want to see a mountainous commune for ourselves. Our radio programs would not be very good if they consisted solely of translated lectures. We did want to spend some time with a peasant family, following them through a daily routine, so we could introduce peasant life to an American audience. Please could you try for us.

Our hosts obviously were unprepared for any of this, and did not have the wit even to suggest the usual way out--yes we will do our best and report back to you. I had to suggest that to find some way of ending what had become an embarrassing encounter. I had the thankful support this time, though, of one of our escorts from Beijing. He agreed that after all we did need to visit someplace that had household contracting, even though, of course, team contracting was a better system, and undoubtedly the wave of the future.

Most of China has visible signs of the many changes in policy over the past few years. Not so Taiyuan. Colorful clothing does not enliven the streets--only drab greys and blues greet the eye. There are free markets where peasants sell salted soy beans and bean curd, tomatoes, eggplants, pumpkins, scallions and beans, where an herbalist slices and crushes seeds and leaves into a brew, squatting before red banners of thanks from former patients who she had cured.

Yet the city--even by comparison with other Chinese cities--is drab and colorless. A wide empty boulevard that could double as a runway shoots straight out from the railway station. There are plenty of new high-rise buildings going up beside it, with plastic, yellowy, lacy tops, absurd imitations of modernity clothed in visions of socialist grandeur. The buildings that have just opened already look worn and old.



Chairman Mao slowly fading in Taiyuan.

A turn from the main boulevard, though, takes us back into another era. The city looks little different here from a village made out of mud and bricks. We pass crusty wooden carts, benches, and stools. On the roadside the fine soil piles up from daily sweeping until over the years it grows higher than the road. Open gateways along the twisting lanes reveal little. The twists and turns of the hall block the view, except for an occasional straight line that shows a dirt courtyard, and sometimes an old woman inside stooped over. Some of the children gawk and say hello, but most ignore us. Unlike people in most Chinese cities I have visited, people do not seem friendly. They seem withdrawn and suspicious.

In an unusual lapse of courtesy for China our Taiyuan hosts never came back to answer our requests. They never gave us the courtesy of saying that they tried, but failed. They just proceeded to run us through their schedule.

They did, however, make one addition. They found us a village in the same commune that did have household contracting and arranged for an interview with one peasant family.

We arrived at the Liujiabao Brigade in the morning, but not too early. My suggestion that we try to get there at dawn to record the start of the day, which has a collection of distinct sounds, did not fire much enthusiasm. We ambled in at 9:30 and entered a meeting room behind an open stage, where tables had been set up for us. There were two rows of tables, separated by about five feet. One row for them and one for us. The room would have been perfect for end-of-the-war treaty negotiations. We did manage to get the tables shoved closer together and proceeded to listen to and record the briefing. In all fairness the briefing was not bad, although the commune was highly atypical. They had made their money by planting fruit orchards over a decade ago and selling their fruit to wholesalers in the city on contract.

The commune secretary Li Donghai was a garrulous fellow who became more jocular as the day went on. The tenor of the day began to drift down at lunch time, when we were invited to lunch by a "typical peasant." Secretary Li offered up some of the local Sahxi brew--a putrid, sweet, yellow liquor. His grunts toward us to join him in drink became louder and louder as the meal progressed, and he leaned over the table with arm outstretched in our direction. In Chinese, to me, he expressed great disappointment in Larry and Art because they would not empty their glasses more than once or twice. The protest that we had to work in the afternoon cut no ice, and I began to wish that I did not understand what Secretary Li was saying to me.

The luncheon attitude illustrated more than anything that our hosts never expected or wanted us to put in a full day's work. More important than recording sounds for preparing radio programs was getting us drunk and making us feel giddy--creating an illusion of friendship. Sitting on the edge of a Chinese brick bed after lunch, Secretary Li, patting me on the knee, explained with great pride how he had sat on the very same spot with William Hinton in 1976.

After multiple thanks to our typical peasant we headed back to the stage where we were forced to sit for tea and candy for an appropriate amount of time, when finally word came that we could get on the bus and go to the village to see the typical household contracting system. At last we were ready to do some work.

Not so fast though. A hundred yards down the road the bus jerked to a stop and Secretary Li began yanking us off. Into the schoolyard we went to see twenty minutes of canned cuteness, children dancing and singing for our benefit--all the while the good secretary sitting to the side, more than slightly inebriated, wearing large plastic sun glasses and chain smoking, puffing the smoke, half grunting it out, through the side of his mouth.

Finally we arrived at our village. But we were not alone. Hundreds of people had crammed into the center of the hamlet. We entered a courtyard not far from where the bus stopped, and our hundreds of admirers, with children running and screaming out front, flowed with us, cramming as many as possible into the dirt enclosure. A mule tethered near the entrance began to rear and kick in protest, and one unfortunate man caught a hoof in the stomach.

Our entourage then entered the house of our peasant for an intimate interview, all ten of us: three Americans, two escorts from Radio Beijing, two escorts



We were not alone.

commune secretary, sitting behind with sun glasses, chain smoking as ever, who would be around after we all left.

Still he carried out his end of the ritual with as much flourish as one could expect, as much as one could expect with hundreds of greasy noses pressing toward the window glass from outside, hoping to catch a glimpse of the proceedings inside. The wife of our peasant hopped nervously onto the brick bed on which we sat and closed the window shutters from inside, hoping to discourage the crowd. She failed.

The peasant, Li Fuquan, spoke in an accent so thick that even our hosts from Taiyuan could not understand all that he said. But we did understand that this peasant had made lots of money raising four dairy cows and selling milk to the state. He too had prepared something of a speech, and each question gave him an opportunity to ramble into a new section of it, which he delivered quickly without smiling. He looked petrified throughout. After twenty minutes of this, we began to get tugs on the arm that our time was up. Our hosts were becoming nervous about the crowd, and who could blame them for that? It mattered little at that point, since our interview was next to useless, although we did manage to get quite a lot of information on the price of cattle and milk.

If we learned anything in Taiyuan it was that many Party officials are embarrassed about the reforms in agriculture. No one told us this. But it is apparent that cadres who had spent twenty or more years putting together workable organizations for collective farming did not relish systematically taking them apart over the past few years. There is strong ideological and intellectual resistance to the idea that individual peasants, left on their own, might actually

from Taiyuan, one from the Taiyuan suburban government, the commune secretary and the brigade secretary. The brigade secretary Hao, whose protruding, somber, bony face looked something like the snout of a mule, made the introduction in surprisingly good Mandarin. Here is an example, he said, of the wisdom of our Party, of how things have gotten better since the third plenum. He delivered this speech with a forced smile to cover his embarrassment, leaning forward and shouting so I could hear over the din of the crowd outside, uncertain who he really should be saying all this for--me since I could understand him, Larry, who held the microphone, or maybe his

accomplish something more stunning than the 40 million-strong Communist Party. There can be no other explanation for why our hosts in Taiyuan did not want us to look too carefully into household contracting.

I also heard a new phrase in Taiyuan that I heard repeated several times later--social integration. Social integration, we were told is the path of future development. Social integration means that individual peasant operators will find that to develop household sidelines they will have to work with their neighbors, sign contracts for raw materials and sales of finished goods. Before they know it they will no longer be true individual operators, but will be working in small collectives. That is the natural, and of course inevitable, path to specialization, a more refined division of labor, and, in the end, socialism.

I heard a distressing lecture on the train about this from one of our escorts from Radio Beijing. Li Changqing, the chief of Radio Beijing's domestic economic news section, told me all about the forces of production, the relations of production, historical stages, and all the other Marxist gibberish that the Communist Party uses to justify whatever it happens to be doing. The lecture was nothing I had not heard before, but it was disappointing to listen to it again in a China that had supposedly turned toward pragmatism. For many people in China, the slogan "seek truth from the facts," which Deng Xiaoping has popularized, does not translate into pragmatism as we understand it. It seems to mean, in the most mundane sense, that one should pay a bit more attention to the facts and less to logical or ideological premises. But Party members still believe that they can know the course of history, plan for it, and guide it along the right path. And while they know that their Party has an abstract capacity to err, it doesn't seem to affect much the smug self-confidence that they are part of a superior organization that is privy to the TRUTH. And in any case, should they doubt their Party's access to the truth, they need not worry about whether it has a monopoly over political power.

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My revisit to Dahe Commune, in Hebei Province, where I had spent six months in 1980, gave me a much better sense for how far things had gone in agriculture. The visit had something of the feel of visiting my old home after it had been turned into a museum. It was not that Dahe had stood still for three years--far from it. And it was not that the friendships and feelings had withered away. But in the intervening years the commune had acquired new leaders, and now it was their duty to show me around, while my old friends mostly sat on the sidelines. The bureaucratic channels through which I visited the commune were now different, and I had to go through, once again, all the insane arguments with the hack sent with us from Radio Hebei, such as pleading to let us walk fifty yards through the village rather than ride the bus.

An interview in Beijing at the Ministry of Agriculture had prepared us for some of what we were to see. There, we were told that 94% of China's peasants had opted for one form or another of household contracting. In the past work was organized in large groups of 30 to 50 families, and peasants earned work points, the exact value of which was determined at the year-end settling of accounts. The work point system gave rural cadres a powerful tool for redistri-



buting income within the individual collectives, and also an easy lever for mobilizing labor for tasks that did not earn a direct profit--for example, large-scale irrigation projects. With a large collective accounting system, local leaders had access to money for agricultural machinery, local schools, or health clinics.

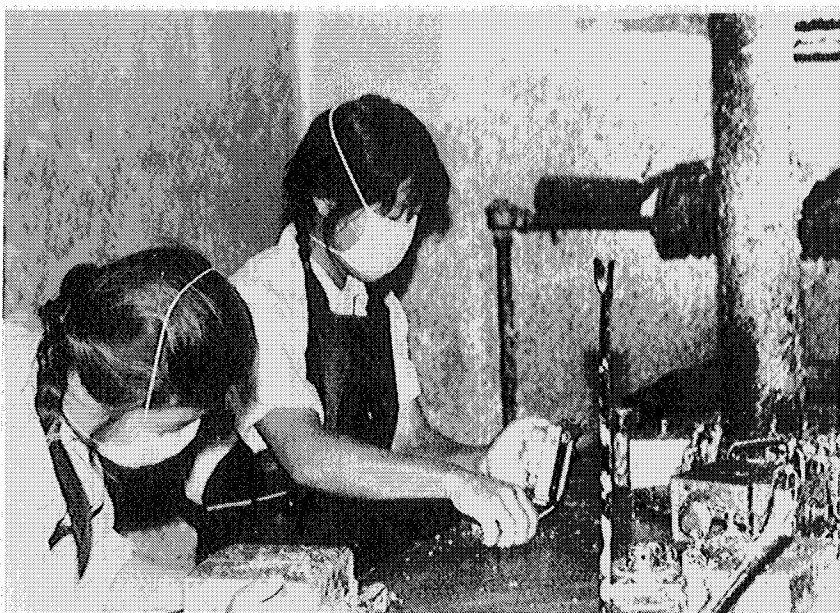
But China now says that the system diluted material incentives and discouraged peasants from working hard. Production teams and brigades used too much money for non-essential projects, driving down the peasants' income. The state assigned unrealistic production plans, especially for grain, forcing teams to plant crops ill-suited to their local growing conditions. Commune leaders ran too many projects that soaked up massive amounts of peasant labor, producing little in the way of economic results.

The household contracting responsibility system was designed to address these problems. Peasant households now sign a contract for a piece of land. They agree to cultivate the land in return for giving over a specified amount of grain, cotton, or other crop to the state at harvest time. All the rest they can keep for themselves, sell to the state, or sell on the open market. Peasants cannot plant whatever they please, and they cannot buy and sell land. Many production teams run their plows through the fields before planting, and many still organize unified irrigation. But aside from these aspects of production, all responsibility for cultivation rests with the household. The state also has revised planting plans, allowing more areas to specialize in economic crops--cotton, sugar cane, or food oils.

The result of all these changes, on a national scale, has been astonishing. Peasant incomes have shot up--at over 10% a year recently--and so have crop yields.

When I was in Dahe in 1980, the commune was just starting to try out the reform policies. They experimented with assigning parcels of land to individuals, and awarding work points according to how large a yield they achieved. Using that system, all the essentials of collective agriculture remained intact, yet material incentives were much stronger. Production team leaders told me at the time that peasants worked harder and faster, and had much more time left over afterwards for sideline activities. And Dahe, situated just outside the suburban district

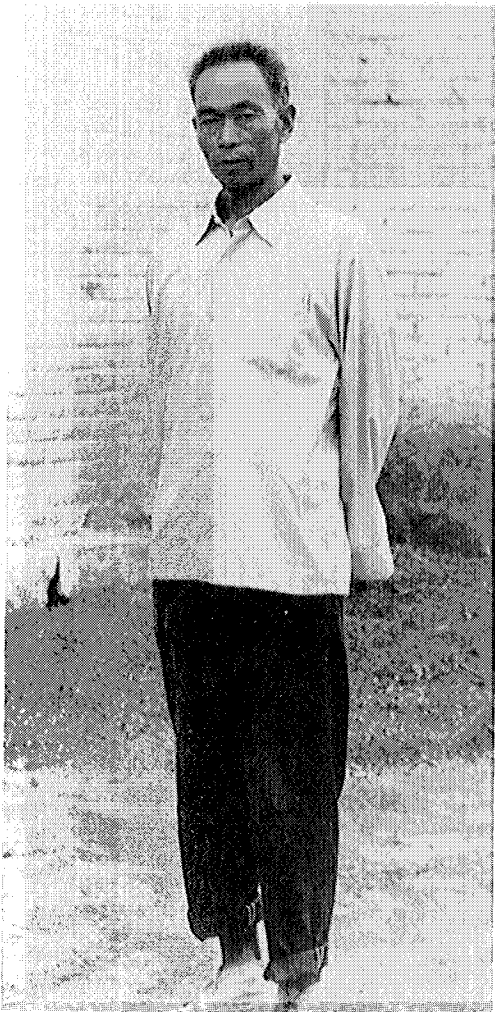
A new casting shop at Dahe.



of Shijiazhuang, had plenty of business opportunities connected with the urban industrial economy. Their extra time would not be wasted. It seemed like an ideal setup, or so it was explained to me, since the production teams continued to take principal responsibility for agriculture, allowing families to divide their labor by sending some members to work on sidelines, while leaving others behind to till the earth.

Now, all that is scratched.

In September, Wang Guochun, still head of the Dahe Production Brigade, sat on the very same chair that he sat on in 1980, telling me all the virtues of the system they had adopted earlier in 1983--a system that, in 1980, he assured me would never be right for his village. But just like villages all across China, Dahe has abandoned the work point system and has opted for household contracting. Wang and his wife--their children are married and out of the house--now work about an acre and a half themselves. Wang has also built a new house for himself on the outskirts of the village, and he tells me he has bought a television and an electric fan.



Statistics tell more of the story of what has happened in Dahe. In 1979, the commune's average collective distribution amounted to 126 yuan per capita. In 1982 it was 288, and they project that it will reach 350 yuan this year. I have some suspicions that changes in accounting practices have inflated the figures, but I have no doubt that the increases in income have been steady and dramatic. Nearly 11% of all households in the commune now own televisions; none did in 1979. Now households own draft animals, tractors, and even trucks.

Dahe has continued to succeed in the fields. Yields have gone up gradually. But farming does not account for their prosperity--it is industrial sidelines. The beauty of the household contracting system is not that it makes more wheat and corn sprout from the earth. Rather, it gets peasants out of the fields faster. Peasants now have an incentive to finish up their work on the farm--where they must produce food to feed themselves--and find something to do that earns cash.

A quick tour of Dahe Village shows that villagers have not lacked for imagination in recent years. A new casting shop, using the more sophisticated lost-wax method, produces engine blocks and other parts for small tractors. Commune members no longer burn cotton stalks for fuel, since they can buy

coal. Now they grind the stalks, make them into a pulp, and press them into a composition board used to make furniture. Commune members have, on their own initiative, sought out contracts with garment manufacturers in the city. They have formed their own sewing cooperative, put their machines together, and made quite a lot of money. The government tax office has given them a license, but otherwise they are completely independent of the local administrative system.

Wang Guochun, who showed us around these new shops, looked older than he did three years ago. At 47, he is beginning to grey around the temples, and he looks more distinguished. Wang has intense eyes, set close together. He is tall and thin. The high bone structure under his eyes look as though he had stuck small apples inside his cheeks and pushed them up. When he is serious, he can look almost sinister. I never felt close to Wang, never felt I broke through the powerful reserve of his personality. Yet Wang is obviously a man of immense capability. He graduated only from primary school, yet he speaks with force and deliberateness that reveals a cultivated intelligence. Wang has headed Dahe Production Brigade for nearly 20 years now. It was Wang who for so many years led the village through the extremes of the Cultural Revolution, carrying out the policies of collective agriculture that have now been discredited. And it is Wang now who is leading his village's effort to dismantle much of what he helped build.

The results of that most recent effort are only too obvious. And yet, I cannot help but wonder where Wang's personal sentiments lie. He is, first and foremost, undoubtedly, a loyal Communist Party member, and that prevents me from easily knowing his true feelings, and stops him from acting on them. His answers as to why collective agriculture had to be taken apart (although he would not say it was taken apart) are not bad. Now the village has all the good

things of the old system without the bad. Managing the village is much easier for cadres now. Because the village is wealthier it is easier to support all of the collective welfare institutions of the past. Unlike many villages, Dahe has not cut back on its health care system. It continues to support old people who cannot make ends meet, and it has not closed down its schools. The brigade that Wang runs still manages col-

A private sewing cooperative in Dahe.



lective factories. It has not auctioned them off to the villages, as has happened elsewhere (although they have unloaded some tractors and trucks). Life in the village is much better for everyone--Wang included.

And yet, it is hard to accept the arguments that he and the new secretary of Dahe Commune made to me that China's agriculture is still socialist. The lengths to which they went to establish this point tells me that they are trying hard to convince themselves, and I doubt they are succeeding. Comments in the Chinese press that many cadres still do not accept the reforms indicate that my friends in Dahe would not be unusual.

Of course the system is also not purely capitalist. But many developing countries exert a strong guiding hand over agriculture and we need not call it socialist. The system of assigning land to peasants for cultivation, but not for ownership, looks more than anything like a revival from the Tang Dynasty. Originally, the production teams signed contracts for two years in Dahe, but gradually these have been extended for five years. Any less and peasants would hesitate to invest in improving soil quality.

The most socialist aspect of the system is the integration of agricultural production into the economic plan. Peasants cannot grow whatever they please. And it is for this that China needs to maintain a strong administrative system. Press reports often mention that China is "dismantling" its commune system. The phrase is misleading. The new constitution has called for a formal separation of politics and government, on the one hand, and management of the commune's economy on the other hand. But the change is largely formal.

When I left Dahe Commune in 1980, one man, Shang Cunlu, held the two posts of commune Party secretary and commune chairman. Six months after I left, the commune vice secretary in charge of agricultural production, Zhang Yumin, was promoted to be commune chairman, while Shang continued as secretary. In the middle of a banquet I leaned over to Zhang and joked that he probably did just the same work as he did before he became chairman. He chuckled and admitted to the charge. The constitution calls for a formal separation of the commune's powers from a new township government. But even then, the communes will be run by state-paid cadres, and it will have its Party secretary and Party committee. The Communist Party has not put itself out of business in the countryside.

If anything is going out the window it is not the commune's administrative system, but its economic strength. And there is danger that the benefits of the collective system, as well as its liabilities, have been tossed out. It may well be that commune and brigade leaders were too liberal in the past about using peasant labor to build grandiose public construction projects. Yet it is undeniable that water control has improved greatly in many parts of China and that this has been instrumental in raising crop yields. There are reports that farm machinery in some parts of China now sits idle for want of an appropriate system for putting it into use. The new chairman of Dahe Commune told me that they had not figured out yet how to keep a system going for improving and maintaining the commune's irrigation system and continuing the commune's seed breeding and experimentation program. These do not earn a quick profit, yet they are crucial for the commune's prosperity. I have no doubt that Dahe will solve these problems. They are prosperous and blessed with capable leaders. But in other parts of China, where people are much poorer, and where decollectivization has gone much farther, these difficulties may persist.

It is also unclear how broadly the Chinese people have benefited from recent prosperity. Much of the statistical improvement in income may result from different accounting methods. In Dahe, before 1980, production teams accounted for grain distributed internally at the 1950s official procurement price. If, as I suspect, they now use the current procurement price for their calculations, the book value of their income would have gone up without any real increase. I can see with my eyes in Dahe that things have gotten better. But this is almost entirely due to the opportunities they have from being close to an urban market. The new policies cannot have done much alleviate regional inequality, or severe poverty, some of which is strikingly obvious from bus and train windows, even if the Chinese will not let you get out to poke into it. Significant rural growth is probably confined mainly to villages near industrial and commercial centers.

Perhaps it is unkind to point out shortcomings in a set of policies that has indisputably achieved so much. Some individual peasant entrepreneurs have made out like bandits and people in Chinese cities now joke about whether they should return to their villages so they can make money. Yet despite four years of reform, it is still too early to know for certain exactly what has happened and where things will end up. The process of change has gone at different speeds in different places in China, and there is still resistance to some of it.

Decollectivization has come a long way, and probably has farther to go before settling into a stable system. Seven or eight years ago virtually no one would have thought this to be possible. Perhaps in that spirit we should hope for even more impossible things from the Chinese government.

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The calm, lackadaisical quality to life in China, which seemed so refreshing when we arrived, had become a source of enormous frustration five weeks later. We recorded hours and hours of interviews in China. They should have been interesting. We talked about interesting topics, sometimes with people of great experience and accomplishment. Yet for most of the many hours we spent, we taped boring, lecture-style briefings that included fewer answers to our questions than they did the standard rundown of Party policy--packed with a dizzy array of inconsequential statistics--that our interviewees poured out, like a tape loop from a reading of People's Daily, as we sat down comfortably in their briefing room.

I left China disappointed, feeling that despite the many changes--decollectivization of agriculture, the rising standard of living, the brisker marketplace, the more liberal life styles--despite all these important improvements in the lives of China's people, some things have not changed. And it boils down to the terrible bureaucratic dominance over life, and behind that the monopoly over political power by the Communist Party, and its stifling effect on intellectual discourse.

In Shanghai, our hosts suggested we interview an individual entrepreneur, and we happily assented. It was an offer that our hosts later regretted. They introduced us to a radio and television repairman who had established his own business under license of the Shanghai Commercial Bureau.

Lu Xiaoxiong had steadfastly resisted doing much of anything that the state wanted him to do. In middle school in the early 1960s he developed an interest in radios, and with comic single-minded stubbornness, has ever since refused to do anything else. Before the Cultural Revolution, the city tried to send him to Xinjiang. He refused. After the Cultural Revolution, they tried again to send him to the countryside, and again he would not budge. They later sent him to do day labor for his neighborhood residence committee, but as the work did not involve his love--electronics--he gave that up quickly.

Meanwhile, he borrowed and bought all the books on electronics he could get his hands on, and slowly acquired a collection of oscilloscopes and other testing equipment that he packed into a small, dingy third-floor apartment, where his mother sleeps, that has since become his repair studio. You can hardly turn around in it now without tripping over his electronic gear, tools, spare parts, or a dozen radios and cassette players in various states of disassembly.

His mother, he says, used to object to all the mess, but since he has turned his hobby into a legitimate business and earns over 200 yuan a month (about three times what he could earn working for the state), his mother's complaints have died down. Later this year, he plans to marry.

Still, we wondered, wouldn't he rather work for the state if he could? Wouldn't it be more secure? Safer?

He considered the risks when the state first issued licenses for individual operators. "There was a lot of pressure on me," he said, "because most people have a bad opinion of individual operators. But in the end I decided it was unlikely I would find a job that I'd be happy in, so I decided to do this."

Even now, after all the reforms, Lu says, "The assignment of work in China is completely fortuitous. If you like one kind of work, they may send you to do something completely different. And if you dislike some particular kind of work, they may just send you to do that. It is a real mess. There is no way they could meet my requests."

So Lu has found himself a happy niche outside of the bureaucracy.

The bureaucrats who sat with us listening to this, however, were less happy. Afterwards, Li Changqing, Radio Beijing's domestic economic news section chief, came up to me and probed the subject.

"How are you going to use the interview material that we gathered today?" he asked.

"You'll have to speak to Larry," I answered. "He is responsible for producing the programs."

Li is a pleasant, mellow man in his late forties with a long Buster Keaton nose, who hardly ever has anything interesting to say. I had thought that his long work as a journalist would have given Li an interesting perspective on China's economy, but if it did, he never spoke of it. He did have a simple beguiling sort of honesty though. In one of our long train rides together we



talked about the role of journalists in society. I remarked that American journalists highly prize their freedom and independence from the government.

"Well I guess Chinese and Americans are very different," Li responded, as though he had just made a great discovery. "Here in China we journalists think our main job is to support the Communist Party and build socialism."

Li apparently expected that we would take a similar view of our role. After all, wasn't our main purpose for being in China to promote mutual understanding and "friendship" between the Chinese and American people?

So Li wanted us to put "into proper perspective" the interview we had just had with our stubbornly independent radio repairman and wouldn't I cooperate and tell Larry that the fellow we just talked with may not be able to see the whole picture, and that while it may not always succeed, the state does try, at least a little, to put people with proper qualifications and avid interest into jobs of their choice.

I would have dismissed Li's remarks, but I had similar visitations from three or four others of our hosts, some of whom had not even attended the interview. The television repairman was supposed to have said how wise and wonderful the Communist Party is to allow people like him, in times of economic difficulty, to set out on their own. Instead, he turned on the state and said it was incompetent and he was doing the only thing possible for him. It was another of those times that I regretted being the only one of our Party who spoke Chinese.

Guarding the way to  
Wu Zetian's tomb.



The next day, however, even an ignorance of Chinese would not have helped. On a river cruise of the Huangpu, I heard through a chain of two intermediaries, in English, that my hosts were upset because I was taking too many pictures of small boats on the river and not enough of the modern, gleaming ocean-going freighters. Why, wouldn't I give people the wrong idea and isn't Shanghai, after all, a dazzling, modern port? I was tempted to suggest that they sink all the little boats if they did not want me to photograph them, but I bit my tongue and made a public show of shooting away at Shanghai's new container port.

It would be easy to dismiss these incidents as a sign of China's sensitivity about foreign scrutiny. And that is part of the problem. But it is not all. Something deeper is involved. At heart is the Communist Party's basic disdain of truth, and the cheap imitation of it that comes out periodically in the form of a new Party policy.

When we arrived in Shijiazhuang on the way to revisit the commune where I had worked, the vice director of the Hebei Province Foreign Affairs Office, Mr. Sun Zhizhong, hosted a dinner for us. I have known Mr. Sun for several years now. He is, perhaps, the most discerning and intelligent of the Chinese bureaucrats who I have met, and I respect him.

In the middle of a pleasant dinner conversation, I asked Mr. Sun why it is that whenever we visit China we are told that whatever policy the Party has going for it at the moment is unquestionably correct, yet when we return, those policies have usually been scrapped. Mr. Sun took the question in stride.

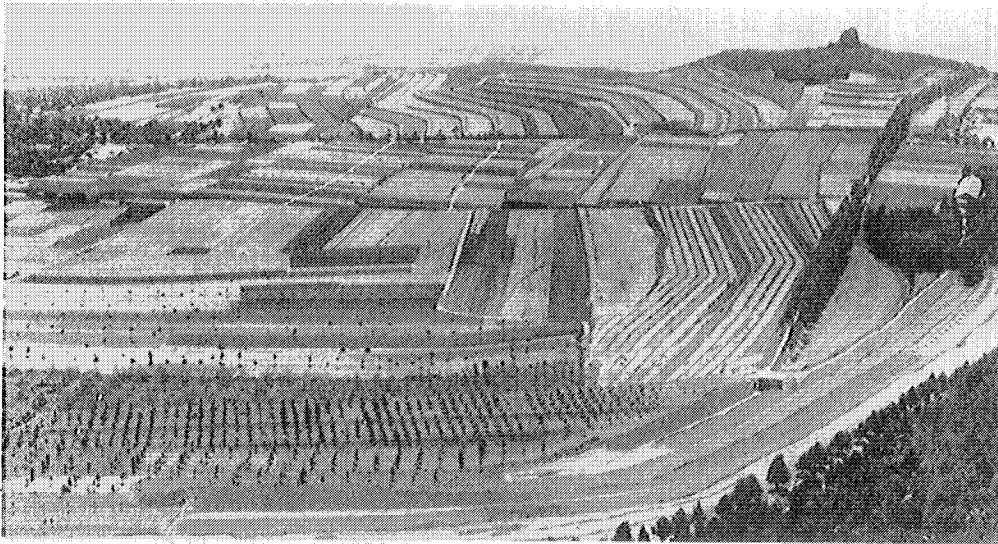
"Everything we have done since Liberation can be regarded as an experiment of one sort or another," he said. "There is a broad consensus that China should build socialism, but disagreement on how it should be done. When we put a policy into practice we have to have self confidence that it is the best one. Otherwise, we would never be able to get everyone working together on it. But after we have more experience with it, we can see its shortcomings and work on new policies."

The answer was not a bad one. But the more I thought about it, it seemed an odd justification for the Party's intellectual arrogance. People's careers--their lives--have been ruined for pointing out that this or that experiment would fail, even when they were right. People have been imprisoned for demanding the right to criticize the Party, even though the Party has occasionally asked for criticism. Sun's remarks were the closest thing I had heard to an open admission that the Party cares less about truth and good government than it cares about preserving its monopoly over political power and its control over what people think.

And it is this continued arrogance in the face of obvious failure that has created such cynicism among the Chinese people. The smugness and self-confidence has had a deadly effect on intellectual life in China. The arts are mediocre. Architecture is grandly boring. Imagination has nowhere to develop. It shows up everywhere from the doily-lace friezes that pass for decoration on new buildings in Taiyuan, to the petty comments suggesting I should not photograph a sampan in the Huangpu River. There is no respect for the realities of human experience, no admission that the imagination deserves a life of its own, only the bland repetition of formulas officially approved by the Party Central.

As though they sensed the blandness of what China produces today, our Chinese hosts were only too happy to fill our schedules with tours of the true greatness of China's past. In Sian we travelled for several hours by bus to the burial site of Wu Zetian, one of the great emperors of the Tang Dynasty, which many consider to be the greatest period of China's classical civilization. Wu had himself buried deep inside of a rocky, natural hill. As we climbed to the top, past rows of great carved stone animals and Confucian scholar-officials, we could see more and more of the surrounding countryside spreading out before us that we had driven past so quickly.

For miles we had not passed a tree with a trunk larger than my wrist. The parched earth here, in late August, was mostly left fallow. There was not enough water to support a summer crop, and the peasants had to make do with a single grain planting over the winter. The fields were all chopped up into tiny parcels, reflecting the new agricultural policies. Yet these policies had not made



Parched land stretches out from Wu Zetian's burial site.

people rich here. Their villages looked dingy and dirty--literally made from dirt. Here they could not afford to buy fuel to fire bricks.

I wondered what this countryside must have looked like over a thousand years ago, when Wu reigned as emperor. Of course there were far fewer people. There must have been more trees and more water. Only greater material wealth could have supported such a civilization.

I had occasion to recall this thought when I met a friend of mine later in Beijing. My friend is an intellectual whose family had suffered greatly during the Cultural Revolution. He has no particular love of the Communist Party and few illusions about the present. But now his family is reunited, and even if some of their dreams have been shattered permanently, they are happy to be together. He has a surprising lack of bitterness about his life, and continued faith, of sorts, that socialism is right for China.

As for the future, he says, "I want our modernization, and our economy to progress. The economy is the base of everything else. If the economy progresses, our entire politics, culture, and society will move forward with it."

My friend continues to talk in Marxist terms, and yet if you pick apart what he has said there is a simple message. China must become more wealthy before the backwardness of Chinese public life can be improved. Poverty does not spawn great civilizations, and despite recent advances, China is still very poor.

Looking at the other communist behemoth, I find it hard to accept my friend's theory that economic advances will pave the way for improvements in political and cultural life. I cannot imagine that China's Communist Party will voluntarily relinquish its stranglehold over Chinese life.

Yet my friend's optimism impressed me. His cheery outlook in the end was less a conclusion based on cold analysis than a statement of his own human spirit, which has refused to be crushed by what has happened. It is this kind of indomitable spirit that has impressed visitors to China for hundreds of years. It is in large measure responsible for the recent success of Chinese communities outside of China. And if there is hope for China, it is that this spirit will prevail over all attempts to restrain it.

Best,

A handwritten signature in dark ink, appearing to read "Steven B. Butler". The signature is fluid and cursive, with the first name "Steven" being more legible than the last name "Butler".

Steven B. Butler

Received in Hanover 12/22/83