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Introduction of the Household Responsibility System in Contemporary China

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This article contributes to the debate regarding the origin of the Household Responsibility System (HRS) in rural China. We argue that the HRS is a social and political construction which is not merely a response to underlying economic forces. Its evolution shows the significant role of politics in shaping economic performance through defining and enforcing economic rules. The establishment of HRS is neither top-down nor bottom-up. In contrast, it is an interaction between peasants, local officials, and central authorities. This article investigates the political process of the institutionalization of the HRS from its inception—the experiment of Xiaogang village in 1978—which solved the competing interests of the state, local authorities and peasants. The origin of the development of HRS property rights can be traced to a group of Chinese peasants who sought to improve their lives and manage the rules and regulations to which they were bound. The local authorities and later central government were convinced to support this radical change from the Commune System because of its positive economic and social effects, promoting spectacular economic growth and a massive reduction in rural poverty. This research, modelling China's politics in the evolution of the HRS is an attempt to contribute to the new political economy (institutional economics applied to politics) that has been largely focused on the United States. A better understanding of the reform process in China and its varied consequences may be useful for the analysis and critique of reform efforts in developing countries that are in earlier or similar stages of rural transformation.

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Introduction of the Household Responsibility System in Contemporary China

Gaofeng Meng¹

Abstract: This article contributes to the debate regarding the origin of the Household Responsibility System (HRS) in rural China. We argue that the HRS is a social and political construction which is not merely a response to underlying economic forces. Its evolution shows the significant role of politics in shaping economic performance through defining and enforcing economic rules. The establishment of HRS is neither top-down nor bottom-up. In contrast, it is an interaction between peasants, local officials, and central authorities. This article investigates the political process of the institutionalization of the HRS from its inception—the experiment of Xiaogang village in 1978—which solved the competing interests of the state, local authorities and peasants. The origin of the development of HRS property rights can be traced to a group of Chinese peasants who sought to improve their lives and manage the rules and regulations to which they were bound. The local authorities and later central government were convinced to support this radical change from the Commune System because of its positive economic and social effects, promoting spectacular economic growth and a massive reduction in rural poverty. This research, modelling China’s politics in the evolution of the HRS is an attempt to contribute to the new political economy (institutional economics applied to politics) that has been largely focused on the United States. A better understanding of the reform process in China and its varied consequences may be useful for the analysis and critique of reform efforts in developing countries that are in earlier or similar stages of rural transformation.

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The Household Responsibility System (HRS) is the current arable land system in rural China. Its emergence is often taken as being a response to underlying economic forces. Justin, Yifu Lin, for example, writes: “the shift in the institution of Chinese agriculture was not carried out by any individual’s will but evolved spontaneously in response to underlying economic forces.” (Lin 1988, S201; see also Lin 1987, 410-411; Lin 1989, 454-455; Lin 1992, 37)

This depiction of the process of the HRS is problematic because the complex process of the HRS is reduced to purely economic forces. Lin’s attention focused the economic dimension of the HRS and ignored the political and social. The shift was by no means purely ‘spontaneous’ and not “politically neutral” (Xu 2013). As Perkins observes: “in China, politics have more often driven economics than the reverse.” (Perkins 1988, 642) As an economic system, we argue, the HRS is a political construction. As Shukai Zhao also notes: “Family contracting management itself belongs to institutional innovation of the economic area, but the process of the innovation was clearly a political process.” (Zhao 2017, 47)

The emergence of the HRS is considered as a purely “bottom-up” process: Daniel Kelliher, for example, claims that it is a process “local people innovated; the state implemented” (Kelliher 1992; 27). His view is linked to another theme surrounding the relationship between “state” and “society” (see, e.g. Migdal 1988), especially in the context of developing countries, that of the relationship between “state” and “peasants” (see, e.g., Bunker 1987; Friedman et al., 1995; Potter 1983; Selden 1988). He was taking the model of the state vis-à-vis the peasants to explain the process of institutional change from the Commune System to the HRS. Kelliher intimates that the purpose of his study of China concentrated “on peasants contending against the state” (Kelliher 1992, 243, also ix, 5 and 244; see Pei 1994; Zhou 1996, 243-244)

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Some other writers have exaggerated Deng Xiaoping's role in economic reform.² For example, John Naisbitt argues that: "in the beginning there was Deng, who personally directed the first three waves of reform...He created a market economy in food...by freeing prices...and...by...favour[ing]...essentially, family farms." (Naisbitt 1994, 244). Likewise, Rodrik writes: "The Chinese leadership devised highly effective institutional shortcuts. The Household Responsibility System, ... among many other innovations, enabled the Chinese government to stimulate incentives for production and investment without a wholesale restructuring of the existing legal, social, and political regime." (Rodrik 2002, 8). We disagree with this kind of explanation because it exaggerates the role of leaders such as Deng in rural reform.

However, because Kelliher deliberately ignored politicians such as Deng's role in the reforms, he could not reliably interpret the process of rural reform. As Oi argues:

The successful economic reform process in China began with the formulation of policies at national levels of government by a fairly small political elite led by Deng Xiaoping...Without the green light from above, or at least from key elements within the central leadership, it is unlikely reform would have occurred. (Oi, 1999, 8)

The relationship between the state and peasants cannot be reduced to a mere conflict and struggle between them. Peasants tend to be depicted as the victims of an oppressive and exploited state (see, e.g., Scot 1979, 1985; 1998; 2012). However, the interests of peasants, the collective and the state were harmonized under the HRS.

The HRS also presents puzzles to mainstream social scientists. Douglass. C. North, observes the spectacular economic growth since the institutionalization of the HRS:

'After a disastrous era of promoting collective organization, in which approximately 30 million people died of starvation, China gradually fumbled its way out of the economic disaster it had created by instituting the Household Responsibility System which provided peasants with incentives to produce more. This system in turn led to the TVEs (town-village enterprises) and sequential development built on their cultural background.' (North 2005b)

For North, well-developed, and well-designed property rights promoted economic growth. "But China still does not have well-specified property rights, town-village enterprises hardly resembles the standard form of economics, and it remains to this day a communist dictatorship." (North 2005b) We argue that his theory of property rights and democracy is too narrow. Common property rights can be well-developed (Ostrom 1987). The property rights of the HRS are not ambitious and insecure as some scholars claim. Although there is still one-party rule in China, the egalitarian distribution of land constitutes the largest democracy in the world and consequential village-level elections are real political and social democracy.

Thus, it is necessary to investigate the process of the emergence of the HRS. In this article, we seek to explain the origins of the HRS. Borrowing the framework of micro-meso-macro architecture crafted by Dopfer et al. (2004), we analyse the HRS as the result of interaction

² Note regarding Chinese names: the practice of family name before the given name is adopted here. So, Deng is a family name and Xiaoping is a given name. His work will be found in the reference list under "Deng." Some exceptions occur in the case of authors such as Justin Yifu Lin with Chinese names who have written articles for Western publications.

between peasants, officials at multiple local government levels and central leaders and suggest how successful lessons from the communal institutional arrangement at small-scale can be translated into governmental institutional arrangements at national level as posed by David Harvey (2012). Finally, we confirm that power can be used as values (Bates et al. 2013) and that there is a positive relationship between democratization and economic growth (see, e.g., Lipset 1959)

The rest of the article is as follows:

- Anhui's Political Environment Created by Wan Li for Reform
 - Wan Li's Assignment to Anhui.
 - Wan Li's Investigation of Rural Issues.
 - Six Guidelines of the Anhui Provincial Party Committee.
 - "Lend Land" to Peasants.
- The HRS as Community Institutional Arrangement
 - A Collective Action of Xiaogang Villagers
 - The Survival of Xiaogang's Experiment
- The HRS as Governmental Institutional Arrangement
 - Wan Li's Promotion of the HRS
 - Deng Xiaoping's Support of the HRS
 - Documents No. 75
 - Wan's promotion of the HRS at a National Level in 1981
 - Document No. 1 in 1982
 - Document No. 1 in 1983
 - Document No. 1 in 1984
- Conclusion.

Anhui's Political Environment Created by Wan Li for Reform

It was Deng Xiaoping who suggested that Wan Li should be assigned Anhui province in July 1977 to create a political environment for rural reform. The HRS had originated in a peasants' experiment at Xiaogang village in Fengyang county, in winter 1978. As a communal institutional arrangement, villagers succeeded in Anhui because of the protection of multiple government leaders. After the victory of Deng Xiaoping in the political struggle against Hua Guofeng, Wan was promoted to a position in charge of rural policy. The model of Xiaogang village evolved into a national level governmental institutional arrangement by the end of 1983.

Wan Li's Assignment to Anhui

After Mao Zedong's death in September 1976, many of his followers and associates were arrested and those provincial and ministerial cadres who had been prosecuted by the previous government were liberated and resumed their leadership posts (Dittmer 1978; Gardner 1982;

Liu 1978; Onate 1978; Tso 1979). Deng Xiaoping appointed Wan Li to lead Anhui, an area of desperate poverty and one of the rare provinces where radicals had supported the “Gang of Four”. (Chang 1979, 33) In June 1977, Wan was reassigned as First Secretary of the Anhui Provincial Committee of the Chinese Communist Party (CCP) (Wu 2016, 28).

Wan Li was a trusted confidant of Deng Xiaoping. They had established a trust and support relations during through the long-term work. When Deng presided over the work at the Central Government, he appointed Wan as Minister of Railways in January 1975, where he battled with the extreme leftists who had brought disastrous disruption to the tracks (Editorial Board 1989, 662; Zhao 2017, 70). He had proved himself to be effective and efficient in government in several sectors and his systems had been used as models for other industries. A Central Document “Decision on Strengthening Railway Work” (zhongfa No. 9) gave additional authority to Wan Li and was also used as a model for extending rectification to other sectors. It was applied in succession to steel, petroleum and military industries during the first half of the year (Wang 1989; Li and Wang 1990). In April 1976, Deng was again removed him from power on accusations of organising popular demonstrations after the then Premier Zhou Enlai’s death in the so-called “wind of anti-rightists tendency”. Wan was also unfairly dismissed from his post too as part of “reactionary go-getters” (Wu 2016, 28). He knew his political fate was closely related to that of Deng. As he had said to his supporters, “I would be fine if Deng Xiaoping was had not been purged; however, if Deng Xiaoping was knocked down, it would be useless for you to protect me.” (Zhang 2007, 86)

We shall see that it was Wan who instituted the HRS in which communal land was divided up among individual farmers. Deng later praised Wan and credited him for his pioneering work in the Anhui rural reforms. As he said: “Since China’s reform originated in the countryside and rural reforms started in Anhui province, comrade Wan Li made a great contribution.” (Zhang and Ding 2006, 218; quoted in Zhao 2017,47)

In observing China’s economic reforms, Perkins observed that “It is unlikely that China’s leaders had a worked out blueprint in mind when they set out to reform the economic system.” (Perkins 1988, 601) However, it is should be stressed that leaders such as Deng and Wan were aware of the necessity of reform in rural areas. Since Mao’s death, Chinese leaders needed to base their legitimacy largely on their actual performance: whether they could improve people’s livelihood, particularly in the rural population. China’s experience seemingly confirms the insight of the new institutionalism “*power, if properly organised, is a productive resource.*” (Bates et al. 2013, 499, italics added)

Wan Li’s Investigation of Rural Issues

Wan Li had worked for many years managing industrial enterprises, urban construction and railway transportation in cities since the founding of the new China in 1949. He travelled throughout the countryside to investigate peasants’ lives. What he saw was universal poverty, with most peasants struggling for food and clothes. He exclaimed: “I cannot believe that after 30 years of socialism, ordinary people are still this impoverished!” (quoted in Wu 2016, 29).

In Fengyang county, when Wan had an informal round-table meeting with local cadres to discuss how to solve the problem of peasants migrating away from home to cities become beggars (Mathews 1980). One of local cadres said: “Some peasants here have a habit of going to beg for food.” Wan could not help interrupting him: “ Begging is not a matter of ‘habit’.

How can you speak like that! I don't believe anyone would still go begging if there were grains and something to eat!" (Wu 2016, 30).

When he visited the Honggang Brigade of Jinqiao Commune in Dingyuan county that was considered a model of "Learning from Dazhai" [a policy that had been endorsed by Mao and his followers, that promoted the acceleration of mechanization in rural areas] he found that the misery of peasants came from policy errors. (Wu 2016, 30). The crops grew well but were over-fertilised. Private plots and side production were forbidden. The leader of a work team said: *"If you are here to spread capitalism, we are here with the dictatorship of the proletariat's knife. Our right hands hold the knife of proletariat dictatorship, and our left hands hold the whip of proletariat dictatorship to slash down all things capitalist, and to chase you up the road towards socialism!"* (Wu 2016, 30, italics added). Wan Li found that "Learning from Dazhai" had become synonymous with "class struggle. Setting a new rural policy agenda would be essential to increase agricultural production and protect peasants' interests.

Six Guidelines of the Anhui Provincial Party Committee

Working with other comrades, Wan Li organised the Agriculture Committee and others to investigate the rural situation and produced "Six Guidelines of the Anhui Provincial Party Committee". It was approved and passed (Wu 2016, 31-33).

- the core of rural work is production.
- respect for the autonomous power of production teams.
- farmers must be allowed to establish proper family side-line businesses.
- products could be sold at the market.
- production teams should implement the responsibility system.
- farm work that could be done by individuals could be contracted to the individual (Wu 2016, 31).

A provincial-wide rural work conference was held in November 1977. Wan emphasized the importance of agriculture: "Anhui is an agricultural province, so if agriculture does not become better, then this poses a major problem." [quoted in Wu 2016, 32) He also emphasized the role of policy in arousing the enthusiasm of peasants:

Promoting rural mechanization is completely correct, but the most important production force is people. At its roots, agriculture depends on the two hands of a farmer and the mentality that supports those hands. Mobilizing the people's enthusiasm depends on policy. If the policy is right, then farmers will be eager, and if the policy is not right, then farmers will not be eager. (Wu 2016, 32)

He also stressed the needs of peasants: "This meeting is for thinking what the farmers are thinking and worrying about what the farmers are worrying about, ultimately to study how to create policies that will advance agriculture." (Wu 2016, 32) The document was well received by peasants in Anhui.

In autumn 1977, there were two meetings on agriculture, organised by the central government. One was attended by those in charge of agriculture in each province and its central issue was

how to increase the pace of big-scale production, emphasizing “Learning from Dazhai”. The other was a lower-level meeting comprised of middle-rank officials from some provinces who understood the actual, grim situation. They reported that lying and exaggeration were common, and peasants were living in poverty. In this meeting, Anhui’s Six Guidelines were discussed.

This drew the attention of officials and the *People’s Daily* sent reporter Yao Liwen to write a new report: “The Birth of a Provincial Party Committee Documents,” which appeared on the front page on February 3, 1978 (Yao 1978). The editorial said: “The Anhui Provincial Party Committee delved deep into reality, paid attention to their investigations, and followed the mass line, conscientiously implementing the Party’s policy. They are a good role model for recovering *and carrying forward the healthy traditions of the party*” (Wu 2016, 32, italics added).

The Six Guidelines violated the then vice-premier Chen Yonggui’s vested interests because Chen’s political future was closely linked to the Dazhai model (Meisner and Blecher 1981; Shan 2018). By early 1978, according to statistics, 723 counties had been constructed around the Dazhai model, representing nearly one third of the country. (Wu 2016, 33) After seeing the “Six Guidelines” of Anhui, he said: “What implementation of policies? Every line is rejecting and criticizing the Dazhai experience!” He maintained that Anhui’s “Six Guidelines” were opposed to the “Learning from Dazhai in Agriculture” campaign and must be refuted (Wu 2016, 34).

Chen organized a series of articles in Shanxi province criticizing the “Six Guidelines” (Wu 2016, 34-35). One article was entitled “How Xiyang Mobilized Socialist Enthusiasm in Farmers,” and described the basic lessons of Dazhai. The article criticized the “Six Guidelines” for “taking pleasure in giving favours and making frivolous talk” because it did not conform to the policy of “grasping the key link to govern the country.” (Wu, 2016, 35). It first appeared in *Shanxi Daily* and was then issued by Xinhua News Agency. *People’s Daily* reprinted it on April 21, 1978.

Hua Guofeng also viewed the “Six Guidelines” as intolerable. In the winter of 1977, he continued to promote “Learning from Dazhai” and it was “the big fierce battle of the proletariat against the bourgeoisie”. (Wu 2016, 35) The meeting also stressed that “realization of transitioning the basic accounting unit from the production team to the brigade” is a further step towards exerting the superiority of the people’s communes (Wu, 2016, 35).

In March 1978, the Central Party Committee decided to hold a Dazhai counties forum, with the head of each province committee attending. Wan sent Zhao Shou, third-in-charge, as his representative. Before Zhao departed, Wan said to him:

When you go there, only listen and pay attention. Do not say anything. Farmers in Anhui cannot embrace the Dazhai model. We cannot emulate it and cannot afford to. Of course, we cannot openly reject it either. Just don’t speak, don’t say a word, and there will be no need to convey any messages once you return either. We cannot just take cues from the leadership. We must be responsible for the people in our province. We should do all within our power and continue to resolutely implement the “Six Guidelines.”; (Wu 2016, 36)

Later, there was direct conflict between Chen and Wan. When some villagers in Anhui Province adopted the household responsibility system, Wan gave his full support. Wan was accused of

“going on the capitalist road” and “undermining socialism.” When Chen Yonggui criticized him in November 1978, he told him bluntly:

You say you are speaking from the Dazhai experience; I say Dazhai is an ultra-leftist model. . . You go your way and I’ll go mine. . . Don’t impose your views on me and I won’t impose mine on you. As for who is right and who is wrong, let’s see which way works best” (Vogel 2011: 438).

Wan and Chen’s conflict was inevitable. For Wan, the Dazhai model did not bring about the common prosperity that it had promised. Wan was seeking an alternative.

“Lend Land” to Peasants

In 1978, there was an unusually severe drought in Anhui. In the summer and autumn of 1978, all the rivulets of the Yangtze and Huai Rivers dried up and there was fear of very poor harvests. This provided Wan with the opportunity for reform. The Anhui Provincial Party Committee under his leadership decided to “lend land” to peasants to deal with the drought. All the land that the collective could not cultivate would be lent to commune members to grow wheat and vegetables. The government did not collect grain taxes and did not assign central government procurement missions. Undoubtedly, this gave peasants an incentive to work hard to have more food. The purpose was to strengthen the enthusiasm of peasants to help themselves and find relief from the drought (Wu 2016, 42).

For example, there was the “fixed farm output quotas for each household” method in Shan’nan district of Feixi County of Chuxian Prefecture. On the night of September 1, 1978, When Party Committee Secretary of Shan’na district Tang Maolin asked how to implement the “borrowing land to grow wheat” policy at the Huanghua Production Brigade from the Shishu Commune, one person replied, “Just do what we did in 1961.” (quoted in Wu 2016, 42). Though Tang felt risk about the “ways of 1961”, he decided that they would experiment with it. Each labourer was contracted for a specific amount of food to be produced. Tang promoted the “borrowing land” method of Huanghua Production Brigade. Peasants worked day and night, travelled miles to dig wells to fetch water even though when the land was dry, oxen could not pull the plough. Consequently, the autumn harvesting plan for the entire district was overfilled (Wu 2016, 43). As North writes, “incentives determine economic performance.” (North 1990, 135). Although Wan had been forbidden to allow the Shan’nan Commune to pilot the experiment, having visited the area, he approved, and the results were astonishing. 77.3% of the production brigades used the new method and, in 1979, the total grain output in the whole region reached 10, 050, 000kg, doubling production. 4,900,000 kg were sold to the state, twice the amount of grains that were sold in the whole of 1978 (Wu 2016, 51).

However, the Shan’nan model was not replicated in the rest of the province and this led to low grain production and the prospect of famine. At the provincial party committee meeting, Wan said:

The most important work for this winter and next spring is to carry out the autumn sowing properly and we cannot let the vast farmland be abandoned, which will make people’s life even worse next year. Our work should be

foreseeable. Better lend some land to peasants for individual cultivation than have the land abandoned. In the special period of the serious drought, we must break the routine and adopt special policies so as to conquer the disaster (Bo 2007, 156).

Zhao (2017, 51) noted that the door to allow contracting the land to individual households was referred to as “lending land to live through the famine” or “sowing wheat through lending the land”. It was seen as the “capitalist” approach which was political taboo. “Lending land to commune members is equivalent to denying the superiority of collective economy. The enthusiasm motivated by this method is not socialist enthusiasm!” (quoted in Zhao 2017, 51)

Wan responded:

What I referred to is the land that cannot be cultivated by the collective. If the collective has the ability to cultivate, the issue of “lending land” will not exist. In principle, no matter it is the collective or individual household.....as long as we have all the cultivated land cultivated....at least it would be better than abandoning the land. The grain, no matter produced by the collective or by individual peasants, can fill the stomach and help people live through the disaster anyway. (Bo 2007, 157)

At a national level, there was soul searching about the dogma of the left and its results for the masses and the nation. Wu Xiang noted: “The debate on the criterion for truth was in essence a universal enlightenment campaign that brushed aside the dogma of the “left” and the cult shrouded in layers of fog. It is as if everyone awakened from a dream and had escaped from confusion into elation.” (Wu 2016, 105).

After the Third Plenary Session of the 11th Central Committee, the party’s theories began to be linked to real situations in rural areas. One by one, miscarriages of justice were recognised; 500,000 people who were wrongly classified as rightist intellectuals were rehabilitated; millions of landlords and wealthy peasants lost their positions. The political environment was more liberal. (Wu 2016, 105)

In January 1979, after hearing the report from Wang Yuzhao on Chuxian prefecture’s method of contracting land to small village groups, Wan said:

Some people criticise our implementation of the rural economic policy as “using petty cleverness and giving up morality and principle.” They accuse us of encouraging “individual farming in a disguised form,” “restoring capitalism” and “opposing Dazhai.” Currently, the top priority is to solve the problem of people’s food and clothing. I believe that we will quickly change the situation as long as we do things practically and adopt correct policies. (Wan 1995, 115-116)

On November 25, 1979, Wan reported to the Provincial People’s Congress. He had carefully chosen the words “fixing quotas to the field, contracting responsibility to the household” instead of “contracting production to the household” and emphasized, “The reality has proved that to contract responsibility to households is only a kind of responsibility system under the leadership of the production brigade. It has nothing to do with changing the ownership, different from dividing the land and labouring individually” (Wan 1996, 122).

In January 1980, a Provincial Party Committee Enlarged Meeting was held to explain Contracting production to households.

It was at this meeting that Wan explicitly said in public for the first time:

“Contracting production to households is not laboring individually. It is another form of the responsibility system. Our comrades still hold varying perspectives on whether the method of “contracted production to households” is a form of the responsibility system. Some comrades admit that this method has noticeably lifted the long-term backwardness and low production of agriculture but worry about its contradiction with the policy of central government.... It shares the same spirit as the agricultural document of the central government.” (quoted in Wu, 2026, 55)

Wan had taken the crisis caused by the severe drought into an opportunity to carry out rural reforms (Fewsmith, 23). As Shukai Zhao writes,

It is fair to say that the rural reform initiated in Anhui in 1978 was related to the crisis and had two aspects. The political environment in China had changed: with the end of the Great Cultural Revolution, the long adhering policy route had been strongly questioned; the other aspect was the internal natural disaster that occurred in Anhui, that is, the serious drought all over the province that directly triggered the abrupt policy breakthrough at the grassroots level. (Zhao 2017, 50)

When a natural disaster occurs, people will automatically reform existing governing system to adapt to the new environment. In studying institutional change, Elinor Ostrom and Xavier Basurto write,

Rapid change in the biophysical characteristics of a resource can lead resource users to mobilize enough incentives to organize and self-consciously, reform their governance rule system to new conditions.... Competitive processes can also lead some users to self-consciously favour some institutional arrangements over others. Similarly, conflict over the interpretation of rules is also a process that frequently leads to self-conscious change. If there are regularized procedures for hearing conflict and reaching solutions that are accepted by actors as legitimate, rules may be added, taken away, or modified as a result of such procedures. (Ostrom and Basurto 2011, 326)

In addition to the opportunity provided by the political environment and natural disasters, the more important factor is the vision of political leaders such as Wan Li. As Zhao notes: “In the same political climate and facing the same disaster, some would choose to reform, and some would not. In choosing reform or not, the determining factor is the leader’s vision and responsibility.” (Zhao 2017, 73). Zhaohao’s events was a test of Wan’s courage in facing political pressure. There was a Zhanghao’s letter supported by Wang Renzhong, the then vice premier of the State Council and head of the agriculture committee, and it appeared in the *People’s Daily* which fiercely attacked Anhui’s policy of contracting production with groups in production team. It commented, “we cannot condemn the production team as the basis for dividing land and contracting production to the group. Places where dividing land and contracting production to the group have already occurred have correctly implemented the Party’s policies, and resolutely rectified their mistakes.” After seeing this article, Wan Li

immediately called every prefecture and county under the authority of the Provincial Party Committee and insisted that they continued with any responsibility system they were using. Resisting the pressure from Wang Renzhong, there was a political and humanitarian response from Wan Li. (Wu, 2016, 45; Zhao 2017, 56).

The HRS as Community Institutional Arrangement

In this section, We explore the HRS being a community institutional arrangement and its survival in Xiaogang village.

The Collective Action of Xiaogang villagers

Xiaogang village was the poorest production team in the Liyuan Commune of Fengyang County. In December 1978, deputy production brigade leader Yan Hongchang and accountant Yan Lihua met the 18 heads of households to discuss how to improve production (Chang 2021). They decided to secretly divide the collective land to each household as such action was forbidden by the officials because it was at variance with the socialist principle of collective farming (Editorial Board of China Agriculture Yearbook 1980, 58).

They produced a written agreement, signed by fingerprints and personal seals. They agreed to ensure that they would fulfil their state obligations and the collective reserves with a reciprocal arrangement between the team leaders and team members. In case anyone was arrested and put into prison, the rest of them would provide food for the cadres and collectively raise their children. The document became a historic relic and is in the National Museum of Chinese History. Its authenticity has been confirmed (Ling 1997, 8-10; Zhang 2002). It is worthwhile to quote its content here.

We divided the (collective) land to each household. Each head of household signs and seals. If it success, each household ensures to fulfil its whole year's state procurement and does not ask money and grains from the state. If it fails, we, cadres are willing to be put into prison and even to be killed. Please the rest of you guarantee to raise our children until they are 18 years old (GB54563, our translation).

In 1978, Fengyang County promoted contracting production to groups. Initially, 195 people, 20 households, were in the production team and split into four task groups. Proving to be unsuccessful; they were split into eight groups, but to little effect. At this stage, they began to secretly contract production to households (Wu, 1978). The 517 mu³ of land in Xiaogang village were divided into households per capita; 10 cattle were divided into one for every two households; the state grain procurement and other tasks were also divided into each household based on the number of people (ibid). In their study of institutional change, Ostrom and Basurto write: "In evolving human-based rule systems, rule configurations within an action situation, including trial-and-error efforts, especially in collective-action situation can change as a result

³ 亩; 1 mu = 0.0667 hectare. One mu of land is approximately equal to the space between the goal line and the 15-yard line on a football field.

of many self-conscious self-governed rule system.” (Ostrom and Basurto 2011, 325). This is applied to Xiaogang’s experiment.

The Survival of Xiaogang’s Experiment

Though the people in Xiaogang village kept their secret, someone reported to Zhang Minglou, the first party secretary of Liyuan commune (Zhang 2002, 569). Zhang felt that these peasants were too “greedy” in that they were not satisfied with the policy of contracting output in groups. He worried about poor results and pressured the peasants by withdrawing seeds, fertilisers and other production resources. To avoid trouble for himself, he also reported to Chen Tingyuan, the first secretary of Fengyang county.

Chen was familiar with the reality of the countryside and sympathised with the peasants. He told Zhang to let them continue quietly. His rationale was that even if Xiaogang’s practice was capitalistic, it did not matter. He believed that “Even though this kind of practice in Xiaogang village could count as restoration of capitalism, it could not influence the whole situation because there were more than three thousand production teams in his judicial domain.” (Zhang 2002, 569) However, he later reversed his decision when Xiaogang’s example was imitated by other production teams and thus disrupted the implementation of contracting to small groups in nearby areas (Sun and Xiong 1990, 305; Lu 1986, 69; Wang 1987, 399-402) Nevertheless, it was Chen who passed Wu Tingmei’s report to Wan Li at a provincial meeting to draw Wan’s attention to Xiaogang. Xiaogang’s practice became the origin of the later HRS at national level. He also reported to his supervisor, Wang Yuzhao, first secretary of Chuxian prefecture.

Wang Yuzhao was a reformist. Even before Wan Li arrived in Anhui in the spring of 1977, he had organized 394 cadres to inspect 401 communes and brigades to re-evaluate rural policy of “Learning from Dazhai” (Wang 1987, 9; see also Wang 2009) Wan Li drew heavily on the rural investigation conducted by Wang and draw up a set of provincial regulations to guide agriculture in Anhui. Wang allowed peasants at Xiaogang village to experiment for three years and it was a success. Under Wang’s influence, Chuxian become the cradle of rural reform. “Better groups than teams, better household than groups; production contracted to the group is unstable; production contracted to the household is unstoppable.” (quoted in Wu, 2016, 66). The two counties which enacted successful rural reforms, praised by Deng Xiaoping in May 1980—Feixi County and Fengyan County were both located in his judicial domain. After Deng Xiaoping publicly expressed his advocacy of the HRS, Wang Yuzhao took a risk in challenging Wang Jingfu, his direct supervisor. Wang Yuzhao was rewarded with promotion by Wan to the State Council’s Research Centre for Rural Development.

With the blessing of leaders from different levels of local government, “Contracting outputs to household” (ban gan dao hu) in the Xiaogang village not only survived but also achieved productive results. Wu Tingmei, an official at the Fengyang County Party Committee Office at that time, recorded the result of this contract with households in an investigative report in December 1979. In just one year, they had come out of long-term poverty. They produced 132,370 *jin*⁴ of grain, equivalent to the sum total produced between 1966 and 1970 and total oil plant production was 35,200 *jin*, equal to the amount of all peanuts and sesame seeds in the last

⁴ 斤; 1 jin to kg = 0.5 kg.

20 years and they sold about seven times their grain quota. In the past 23 years, everyone had survived on the state's subsidies and now they were producing huge surpluses.

Xiaogang's system was quickly disseminated as peasants saw the merits of the new system through the performance of Xiaogang. As Ostrom and Basurto wrote: "Imitation of rules used by others can lead to rule evolution over time, especially if the farmers from multiple irrigation systems in a region regularly interact in a local market or other regular meeting place." (Ostrom and Basurt 2011, 325. A year later these new teams brought in yields far larger than those of other teams in Chuxian Prefecture. Grain production increased by 25%. (Chen 1981, 100; quoted in Lin 1987, 410 footnote 1)

In January 1980, Wan and other cadres visited peasants at Xiaogang where they saw an unexpected storage of thousands of Jin of food. His response was: "Well! This village known for begging will not go hungry again!" (Wu 2016, 55) Yan Hongchang complained, "Some people say that Xiaogang's 'contracted production to household' system is 'pulling the wheels of history in reverse', and 'digging a corner of the socialist wall'." (Wu, 2016) Wan replied: "Whoever say this, I will ask him if he has a better solution to make farmers wealthy. If so, then, we will follow his way. If there is no better solution, then whoever says you are 'pulling the wheels in reverse', 'digging a corner of the wall', and not allowing you to work, you can allow me to handle." (quoted in Wu 2016, 56) Wan told officials: "The prefecture government allows you to contract outputs with households for three years, I allow you to do it for five years." (Zhang 2002, 559-579) When he was asked whether other places could learn from it, he said, "everyone is permitted to do what is good for the state and the peasants." (Zhang 2002, 559-579).

Thus, Wan Li's encouragement accelerated institutional change from the commune system to the HRS in Anhui province, enabling this small-scale community institutional arrangement to move to the provincial level. The role of multiple level local governments and their leadership cannot be underestimated in the process of economic reform and institutional change (Chung 1993).

What was the national political environment in 1978 and what was the role of Deng Xiaoping? At the end of 1978, Deng Xiaoping spoke on "Seeking Truth from Facts". It was followed by the Communiqué of the Third Plenary Session of the 11th CCCPC, which laid out a tentative programme of reform to go beyond the planned economy. How to reform and what to reform was still unclear, and, as Perkins (1988) argues, it is unlikely that there was any blueprint for reforms from the beginning.

Deng told his colleagues that:

the quality of leadership given by the Party committee in an economic unit should be judged mainly by the unit's adoption of advanced methods of management, by the progress of its technical innovation, and by the margins of increase of its productivity of labour, its profits, the personal income of its workers and the collective benefits it provides. The quality of leadership by Party committee in all fields should be judged by similar criteria. (Deng 1978)

Thus, the criterion for Party leadership and membership was economic efficiency. Deng also decreed that "practice is the sole criterion of truth." This left little room for the old ideological guidance, but some prohibitions remained.

The Fourth Plenary Session of the 11th Central Committee of the CPC was held in September 1979. It modified and then officially passed the “Decision of the CPC Central Committee on Accelerating the Development of Agriculture”. Wan continued voicing his concern on the two “unpermitted” at small group discussion that forbade the division of collective land to families and did not allow contract production to individual peasants.

According to later sources, a central leader was entrusted by the Central Committee to honour Wan’s suggestion, but after considering the opposition parties’ viewpoint, it was decided that: “dividing land for individual work is not permitted, do not implement the household responsibility system except in the case of specified side-line production with unique needs and individual households in remote mountainous areas”. Wan was not satisfied with this and in Anhui, the household responsibility system was already widespread.

If we can take the rule of Xiaogang practice as micro-level, and then the response of the leaders at different levels of local governments in Anhui Province to the institutional innovation at Xiaogang village level can be seen as a rule at meso-level (Meng 2018, 160; Meng 2019). The commune is the highest collective organization, and at the same time, the lowest level of state organization with county, prefecture and provincial governments above.

The HRS as Governmental Institutional Arrangement

In this section, we investigate how the HRS being as the communal institutional arrangement scaled up into the governmental institutional arrangement. We argue that political power can be used a value.

Wan’s Promotion of the HRS

The political success of Deng Xiaoping had played a pivotal role in the success of rural reform. At the Fifth Plenum, held in 1980, supporters of Hua Guofeng’s “Two Whatever’s”⁵, the so-called “Little Gang of Four”, were removed from the Standing Committee of the Politburo, while Deng’s supporters such as Hu Yaobang, Zhao Ziyang and Wan Li were added to it. Hu was made general secretary of the Central Committee.⁶ Wan Li, Zhao Ziyang and Hu Yaobang formed a collective group that was pro-reform. (Wu 2016, 70). At a meeting of the National People’s Congress Standing Committee in April 1980, Zhao Ziyang and Wan Li were named as vice premiers of the State Council: “the person who had pushed agricultural reform more resolutely than any other leader in China was thus put in charge of agricultural policy.” (Fewsmith 1994, 41) On the role of visionaries in the issue of successful institutional change, North writes:

It is necessary that those who makes the political decisions have vision, yet it is not self-evident that the polity tends to “instil” such people in the decision-making role. (North 2005a, 167)

⁵ The term “Two Whatever’s” refers to the statement that “We will resolutely uphold whatever policy decisions Chairman Mao made, and unswervingly follow whatever instructions Chairman Mao gave.” This statement was contained in a joint editorial, entitled “Study the Documents Well and Grasp the Key Link”, Printed on February 7, 1977 in *People’s Daily*, the *Journal of Red Flag* and the *People Liberation Army Daily*.

⁶ “Communique of the Fifth Plenary Session of the Eleventh Central Committee of the Communist Party of the China”, *Xinhua*, February 29, 1980.

As Andrew Watson recorded: “One is reminded of the popular saying of 1980: *Yao chi fan, zhao Ziyang. Yao chi mi, zhao Wan Li. Yao jiefang, zhao Hu Yaobang.* (If you want to eat, seek (Zhao) Ziyang. If you want to eat rice, seek Wan Li. If you want Liberation, seek Hu Yaobang.)” (Watson 1983, 730 endnote 133)

Wan and Hu travelled to several provinces in the northwest and northeast to persuade people of the benefits of change and explain the situation.

However, there was fierce resistance to the HRS. The Rural Work Communication sponsored by the State Council published articles such as “Dividing land and laboring individually must be corrected.” They criticised the concept of dividing land and labour, which would lead to privatisation.

In Anhui, the Provincial Party Committee under the new leadership held meetings in the cities of Bengbu, Wuhu and Chaohu from April 1980. At these meetings, the person representing the Provincial Party Committee said: “although the household responsibility system has increased production, it is not a direction, and cadres above the county level should keep a sober mind and not commit the error of opportunism.” (Wu 2016, 72)

There were many attacks on the HRS for its change of direction. For example: “The key part of the household responsibility system is ‘division’, not ‘responsibility’. It is no different from dividing land and labouring individually, which not only means returning to capitalism, but to a feudal system, to thousands of years back.” (Wu 2016, 72) Others believed that once the new system became the norm, “There would be no collective management, basic construction cannot be done, scientific farming would not be given a chance, and socialism in the countryside would be destroyed”. Still others believed that HRS “was wonderful when looking at production outputs, but hateful when looking at the direction of the nation” and that “farmers only appreciate immediate results so pleading for the household responsibility system was the farmers’ selfish and backward ideal. They would give up socialism as the nation’s compass.” (Wu 2016, 72)

Deng Xiaoping’s Support of the HRS

At this critical moment, Deng Xiaoping, the then supreme authority, made a decision. In March 1980, Wan Li met Deng Xiaoping and Wan reported the situation in Anhui (Wu 2016, 58).

On May 31, 1980, Deng spoke “On Questions of Rural Policy” and approved of the peasants’ creativity in Anhui’s Feixi and Fengyang counties. He said:

Since rural policies have been relaxed, some places that are suitable for household contracting have implemented it. In Feixi County in Anhui the great majority of production teams have contracted production to households, the results have been very good and the changes very fast. The vast majority of production teams in Fengyang County, where the “flower drums of Fengyang” are sung, have engaged in contracting to small groups (*da baogun*); they have transformed (*fanshen*) themselves and changed their circumstances in a year. (Deng 1984, 275)

He emphasised: “generally speaking, the main obstacle in dealing with current problems in the countryside is an insufficient amount of ideological freedom.” (Deng 1984, 275; quoted in Wu 2016, 73). *People’s Daily* reported Deng’s attitude to the HRS, quoting him proclaiming that

“we should let every family and every household think up its own methods of doing things, and let them find more ways to raise production and increase income.”⁷

This was the greatest support ever received for the household responsibility contract system and leaders of the Prefectural Party Committee in Anhui’s Chuxian, felt far more confident. Wang Yuzhao, secretary of the prefecture party committee, openly defended the HRS. In this area of formerly passionate support for Mao, tensions were running high and many ideological differences could not be resolved. Finally, an official in the Provincial Party Committee concluded the meeting with a repetition of Deng’s speech (Wu 2016, 73). Zhao Ziyang echoed Deng’s remark, reflecting his open attitude to new possibilities, saying that “we should feel free to adopt all those structures, systems, policies, and measures which can promote the development of production, and not bind ourselves as silkworms do within cocoons” (quoted in Shambaugh 1984, 122).

According to Wan Li:

It is all thanks to comrade Xiaoping’s support.... He expressed his agreement and allowed us to carry out experiments. After the results [were] delivered, he publicly expressed his support. ... rural reform in China could have never succeeded without Deng Xiaoping’s support. In the struggle at the end of spring and the beginning of summer in 1980, the fire of household responsibility that burned in Anhui could still have been put down without Deng Xiaoping’s remarks. (quoted in Zhao 2017, 70)

In mid-June 1980, a leader in the central government wrote “A Letter Regarding the Current Reform in the Countryside,” and send it to Wan and copied it to Hu. The memo summarized the experiences of Mengjiaping of Mizhi County in Northern Shanxi, i.e., using the system of fixed output quotas on the basis of individual labour, and advised the State Agricultural Commission to organize cadres in local countries to investigate and research more about the HRS and to act on the content of Deng Xiaoping’s speech (Wu 2016, 73). Even with Deng and Chen’s endorsement, it was still not an easy task for Wan to make radical institutional change.

Document No. 75

In September 1980, just after the change in central leadership appointments, the first secretary from the Party committee of each province, city, and autonomous region convened for a panel discussion on the topic of the household responsibility system. Wan knew very well from his own experience as first secretary of Provincial Party Committee, that, without the support of the Provincial Party Committee, nothing in practice could be accomplished.

During the meeting, Yang Yichen, secretary of Heilongjiang Provincial Party Committee, and Chi Biqing, secretary of Heilongjiang Provincial Party Committee, argued about the “open road vs. log bridge”. In this debate, in addition to the different interests, ideology was key, with the issue of whether the HRS was socialist or capitalist. Some believed, “the key part of the household responsibility system is ‘individual’, and not ‘responsibility’”. Others believed, “if the new system became the norm, then ‘people’s goals will be scattered, each pursuing his journey onward. There would be no collective management, basic construction could not be

⁷ *People’s Daily (Renmin Ribao)*, 1981, May 20, 4.

done, scientific farming would not be given a chance, and socialism in the countryside will be destroyed.” (quoted in Wu 2016, 75-76)

Du Runsheng, vice director of the State Agricultural Commission, wisely chose a compromise that would bring the two sides together. Du quoted solid evidence from field research and presented an objective analysis. In the end, there was a general consensus that the HRS was necessary, at least for solving the problem of food and clothes with expediency. It could be used in poverty-stricken areas, and there was no danger of restoring capitalism.

The meeting successfully passed the “Some Problems in Further Strengthening and Improving the Agricultural Production Responsibility System,” which became 1980’s “Document No. 75”. It allowed “various forms of business transactions, various labour organizations, and a variety of payment methods to exist at the same time.” It took a flexible approach: ‘not rigidly adhering to a pattern, not rigidly abiding by uniformity.’ (quoted in Wu, 2016, 75)

It claimed that the HRS “will not leave the track of socialism,” but was unable to confirm that it was “the responsibility system of the socialist collective economy”; it did not reject the system and highlighted its importance in rescuing poor areas, while also stating that it “must be implemented under the directives of production teams,” and it would be a “socialist commercialism and the collective economy would be absolute winners.”

In mid-November 1980, the *People’s Daily* reported on the spirit of Document No. 75 in the form of a policy and theory-based essay, “The Open Road and Log Bridge.” (Wu 1980) This refers to the idea of the Open Road being wide and free and the log bridge being narrow and dangerous. Clearly, the former is socialism and collectivism and the latter is dangerous capitalism. It reported the compromise between the two Provincial Party Committee secretaries and the necessity of development and reasons why the HRS came into existence. Some welcomed it and others opposed it.

The most persuasive argument was undoubtedly the productive results from the adoption of the HRS. The statistics showed that by the end of 1980, the production output neither rose nor fell, however, implementation of fixing outputs quotas for each group resulted in an increase of 10-20% in production; the HRS raised production from 30 to 50%. The motto “better groups than teams, better households than groups” was proven true in Anhui in 1979, and a year later, it was proved true again for the entire country. (Wu, 2016, 76)

Wan’s promotion of the HRS at a National Level in 1981

All types of household responsibility contract systems quickly evolved and improved. But Fengyang’s HRS was the most popular. As people from Fengyang county said, “Give enough to the state, keep enough for the group, and the rest is for ourselves.” (quoted in Wu, 2016, 76).

However, it also received severe criticism. In the eyes of the opposition, people’s communes were the temples of a socialist country, and the HRS was a makeshift stratagem for curing poverty that would become obsolete. They declared: “Fixed farm output quotas will be fast in the first year, slow in the next, and dead in the third; raise production in the first year, level out in the second, and give nothing in the third.” (quoted in Wu, 2016, 77) Some peasants were much more positive about the HRS, more inclined to believe “rather groups than teams, rather households than teams, no stability without the household responsibility contract system.” (quoted in Wu, 2016, 77)

However, governments leaders, especially the first secretary of Provincial Party committee, played a crucial role in promoting or depressing the spread of the HRS. For example, Yang Yichen, the then First Secretary of Heilongjiang Provincial Party Committee, believed that socialism was “large in size and collective in nature”. Heilongjiang was rich in cultivated land resources, and at a relatively high stage of agricultural mechanisation. Though he believed that the commune system had many disadvantages, he thought that further mechanization was the answer. He organized delegations to learn about the reform experience in other provinces. Thus, Heilongjiang Province was a year behind others in practicing the household responsibility contract system.

Wan Li was aware that there were leadership problems and asked Lin Hujia to be the Minister of Agriculture because he had a wealth of experience in rural affairs and as a leader of three municipalities: Beijing, Tianjin and Shanghai (Wu 2016, 81). In 1981, Wan criticised some officials of the leading Party Group at the Ministry. He said,

After the Central Working Conference, the whole Party has been exerting extra efforts to eliminate the position of the ‘left If we don’t eliminate ‘leftist’ thinking, then the agricultural industry cannot be saved.... Not long ago, someone from the Ministry said that central decision-making is now ‘anti-Dazhai’, and it means ‘dividing land for individual labour’ and implementing ‘capitalism’.... some cadres in the Ministry of Agriculture simply cannot be convinced, not even by the boundless facts that come from practical experience. (Wan, 1996, 113; quoted in Wu, 2016, 82)

When some officials opposed him, Wan responded,

‘self-sovereignty, the responsibility system, the principle of material interests’—all three we can say are combined values of the Party and they’re useful towards agriculture, towards all types of economic activity, but the specific methods must begin with reality.....The Ministry of Agriculture is under the State Council, not free to do whatever it wants....In the past, the whole nation was Learning from Dazhai, but now things have changed...and people aren’t suffering so much hardship, but some leaders still haven’t transitioned well from Learning from Dazhai. (Wan, 1996, 113; quoted in Wu, 2016, 82)

He continued:

They’re not thinking about the last 30 years, during which the task of staving off hunger in the rural population could not be accomplished. Now that there’s a light of hope in solving this, we’ve hit an ideological block. They don’t even care for hungry stomachs. (Wan, 1996, 113; quoted in Wu, 2016, 82)

Between spring and summer of 1981, under Wan’s orders, Du Runsheng, the vice-director of the State Agricultural Commission organized a survey of 15 provinces on the status of the HRS. The result was that most people were aware of the advantages and their ideologies were more unified but there were many who saw it as the loss of collectivism and thus the adoption of capitalistic ideas.

During their investigation, the officials were convinced by the practicality of the HRS. For example, Shangqiu in Henan Province and Heze in Shandong Province were two vast, poverty-stricken areas with large populations. In 1980, they had a relatively good yield. They concluded: “People worked with enthusiasm, weather conditions helped a little, and policy

changes brought a rich harvest of grains.” (quoted in Wu, 2016, 84). On the HRS, peasants said: “With the household responsibility system, we went to the market as many times as we did before; there was enough excitement for all, enough work to be done, and no loss in food grain.” (quoted in Wu 2016, 83-84)

Zhao Xiu, the then vice minister of the Ministry of Agriculture, stated: “The process of establishing and improving the production responsibility system involves constantly overcoming the influence of ‘leftist’ ideology, disposing of metaphysics, and instead, seeking truth from facts. Systems of production responsibility of different forms have to undergo the test of practice.” (quoted in Wu 2016, 86).

There were 1.61 million HRS production teams nationwide, 32% of the total number of production teams, by the end of 1981. Guizhou had the highest proportion at 80%; Gansu had 66%; Anhui, 55%; Henan, 53%; and Inner Mongolia, 50%. (Wu, 2016, 86).

Five successive No. 1 Documents of the central government were related to rural reform from 1982 to 1986. Hu Yaobang, the then General Secretary of CCP, said that it would be ideal if each year’s No. 1 Document could be approved by the members of the Secretariat and that rural work conferences must be held at the end of every year.

Document No. 1 in 1982

At the Rural Work Conference in the winter of 1981 in Beijing, a consensus was reached during the discussion based on reports: the HRS had to be given a proper socialist “permanent resident registered card.” (quoted in Wu 2016, 87). The minutes of the meeting was sent out as “Document No. 1” in 1982. It announced that the various types of responsibility system implemented thus far were all production responsibility systems for the socialist collective economy. It included contracting seasonal jobs and paying remuneration based on quotas, contracting jobs along specialized lines, the production-related labourer contract system, the household responsibility system, work contracted to households, and work contracted to groups (quoted in Wu 2016, 87).

1982 was the year of full-scale advancement for all the responsibility systems. After the Document No. 1 was issued, work contracted to households (as well as the all-round responsibility system) received approval from the central government and rapidly expanded from poverty-stricken areas to other regions. In Jiangsu Province, there was a considerable progress. The development of production teams in implementing the responsibility contract system had reached 80% and those contracted to labour and households had the highest growth rates (Wu 2016, 87). In Guangdong province, the household responsibility contract system extended rapidly, 70% in 1982 to 95% in early 1983 (Wu, 2016, 89). The well-off areas such as Foshan Prefecture of Guangdong Province also began to use the HRS in 1982. Total agricultural output growth was 16.75% more than the previous year. (Wu, 2016, 90). Per capita income of all commune members in the area rose. Towards the end of 1983, 80% of its production teams had adopted the HRS (Wu, 2016 90). In 1983, the national proportion of contracting to households (the Xiaogang type of the HRS) accounted for more than 95% of all production systems (Wu, 2016, 90-91).⁸ Wu Xiang commented: “1982 was the year when the

⁸ Through competition, different institutional forms will be engaged in a process of selection by which the most efficient institution eventually prevails over others (see e.g. Alchian 1950, Hawley 1968, Hannan and Freeman 1977). Xiaogang village’s form of the HRS is an example of this process. In 1993, the No. 1 Document of the CCCPC clearly stipulated that the land contracting period shall be extended for thirty years upon expiry of the first round contracting; in the “Report of the 19th CPC National Congress,” it was made clear that the term would be extended for yet another thirty years upon expiry of the second round of contracting.

responsibility contracted system marched across the nation. In June, the HRS covered 67% of rural areas, and at the end of the year, grew to 95%.

Document No. 1 in 1983

One of the most important lines in Document No. 1 of 1983 was, “The current responsibility systems in rural areas, including contracting work for a fixed rate salary, professional co-production contract payment, the co-production policy based on working hours, allocation of production responsibility on the basis of family, group, and so on, are all production responsibility systems under the socialist collective economy. (Wu 2016, 106)

There were no arguments nor debates when the draft of the second No. 1 Document was being finalized at the Central Rural Policy Research Office. The HRS was given the highest praise: It “is the great creation of Chinese farmers under the leadership of the Party, and it is the newest development in our country’s practice of Marx’s theory of cooperatives.” (quoted in Wu, 2016, 108)

During the Party Central Committee’s approval process of the second No. 1 Document, “the atmosphere of the meeting was relaxed and lively” (Wu 2016, 108-109). Bo Yibo, member of the Politburo and vice premier said:

“I have repeatedly thought about the relationship of household responsibility system and corporatization. It was not that I never had any doubts, and at the very beginning, I accepted it only as a makeshift solution for solving urgent problems. But I feel more and more that with the development of its practice, the power of the HRS had always been underestimated. I realized that I was also subconsciously bound by old convention.” (quoted in Wu, 2016, 109)

“I believe that ‘the two-tier scheme that combines centralized management and decentralized management on the basis of The HRS is not only the great invention of farmers’ practices in our country but is also the new development of Marx’s theory of cooperatives. In reality, it has addressed a fundamental problem that international communism has not been able to solve for a long time.’” (quoted in Wu 2016, 109)

Document No. 1 in 1984

In 1984, the all-round responsibility contract system was being actively promoted There were no time limits on contracts. Each place had its own policies, some were 3 years, some were 5, but since peasants were afraid of policy changes, they always wished for longer contracting periods. Some said: “The kindness of the Communist Party is like the sun, shining brightly wherever it goes; the policy of the Communist Party is like the moon, different on the first of the month than on the fifteenth.” (quoted in Wu, 2016, 113-114)

To dissolve peasant’s anxieties, the third No. 1 Document announced, “Extend the period of contracted land, encourage farmers to increase investment, cultivate soil fertility, and implement intensive farming. Land contract period shall be 15 years and above.” (quoted in Wu 2016, 114)⁹ As Chen comments: “The extension of the contract period can enhance the farmers’ confidence and sense of stability, but we also need to continuously consider how to

⁹ In 1993, the No. 1 Document of the CCCPC clearly stipulated that the land contracting period shall be extended for thirty years upon expiry of the first round contracting; in the “Report of the 19th CPC National Congress,” it was made clear that the term would be extended for yet another thirty years upon expiry of the second round of contracting (Chen 2019, 465).

improve the efficiency of farmland use, especially the issue of the operation of many idle lands in the wake of those farmers' migrating from the rural areas to urban ones." So the concept of land circulation was originally put forward in the CCCPC Document No. 1 of 1984. This is to encourage the congregation of farmlands to abler hands upon expiry of land contracts, which is actually a land circulation (transfer).

the No. 1 document is of great significance is not confined to the extension of the contract term and the transfer of land. It proposed that farmers be allowed to settle down in rural market towns for work or business with household certificate registered as those "taking care of their own grain rations" in contrast with agricultural and non-agricultural households. This is actually a starting point for urbanization (Chen 2019, 465).

Conclusion

China's reforms began in rural areas. Xiaogang Village of Anhui Province is the model of China's current rural land system—the HRS. The HRS can be divided into stages: being communal institutional arrangement and governmental institutional arrangement. The political atmosphere and ideological line of seeking truth from facts after the Third Plenary Session of the 11th CPC Central Committee (CCCPC) was created by Deng Xiaoping, which allowed for the exploration of policies. There is democratic element in its institutionalization from peasants' choice to government choice.

The HRS is not purely response to underlying economic force. More important it is a social and political construction. Politicians such as Wan Li had played an important role. It is neither bottom-up nor top down. In contrast, it is an complex interaction between central authorise, multiple local officials and peasants. It is the result of collective learning and collective action.

The relationship between state and peasants is not purely conflict and struggle. It can be positive and constructive. This initiative was first adopted by the farmers of their own accord. The HRS is a case in which state's interests, peasants' interests and collective interests reconcile. The HRS remains the collective ownership of rural lands, but return the important rights such as right to use, right to manage and right to income to peasant's household. It is beyond the framework of public ownership versus private ownership (Meng, 2016, 2019). It is an more efficient, equitable, and productive form of ownership that those in Chinese history. It is peasants' creation and wisdom.

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