

RURAL INDUSTRIALIZATION AND ADMINISTRATIVE DECENTRALIZATION

IN CHINA, 1958-1978

by

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Abstract

The failure of the highly centralized Soviet model of administration to provide a satisfactory solution to China's rural developmental needs led the Chinese leadership in 1956 to search for an administrative strategy which would offer both the central control and local initiative, unity and diversity in planning believed necessary for the realization of their ambitious developmental goals. This study examines the process of administrative development in China in the context of the rural industrialization strategy which has constituted a fundamental part of the Chinese developmental experience since 1958. It is an attempt to discern what, if any, pattern has been established with respect to administrative development, what has affected changes in the relative distribution of power between the economic actors in the system and finally, what is the nature of the administrative system guiding the rural industrial development program in the closing years of the 1970s.

The study compares administrative developments in China with the concept of linear decentralization explored by a number of Western writers concerned with problems of development in general and administrative development in particular. The evidence presented here suggests that the process of administrative decentralization in the developing state is likely to be far more complex than implied by the concept of a gradual progressive shift of power from the central to the local authorities, in relation to developmental projects of a locally relevant nature. Administrative decentralization in China has been characterized by the continual expansion and contraction in the number of centres of authority with respect to rural industrial development and by constant shifts in the responsibilities afforded to any particular level at a given period of time. It is also the case that a movement of power out of the centre has not necessarily resulted in a similar response at other levels of

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the administrative apparatus and, in fact, a reverse process may be occurring at particular levels outside of the centre.

In general, a functional division of responsibilities based primarily upon resource availability relating to rural industrial development has evolved between the territorial administrative units. This functional division of labor between the various actors in the economic system has shifted over time to accommodate not only changes in socio-economic variables but also changes in the goals and priorities established by the leadership. The Chinese case indicates that the strategy of rural industrial development chosen along with changes in leadership preferences with respect to the incentive system adopted, the technology employed, the nature of the enterprise and of the industrial system pursued, have been the most important variables in determining the distribution of authority in the system.

It is also a finding of this study that the terminological distinctions made between the deconcentration and the devolution of administrative authority have been extremely useful tools in enabling a more detailed breakdown of the administrative process in China. These distinctions offer the possibility of more specific cross-national comparisons of the administrative functions performed by different actors in countries which do not necessarily share similar formal administrative structures.

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Introduction:

The goal of rural industrialization has, since 1958, been one of the most significant developmental aspects in the modernization of the People's Republic of China (PRC). Since 1949, the PRC has provided the world with an on-going experiment in political, social and economic development, the objective of which has been to construct, within a relatively short span of time, a modern, industrialized communist state from a predominately peasant-based, economically backward agrarian society. Rural industrialization has been a major force in the campaign to modernize the Chinese Mainland. The program itself and the organizational framework through which it is implemented are of concern to other countries which share many of the developmental problems which confront the PRC. They are also of immediate interest to those who seek to understand better the developmental process in its specific as well as its general implications for the society and the polity as a whole.

Rural industrialization in the PRC must be seen in terms much broader than the narrow economic sense. To the Chinese leadership, the program of rural industrial development represents a complete rural strategy for modernization of which the economic repercussions constitute a major but not a total part. From its beginnings the program has been seen as an instrument through which the PRC can solve many of the problems which confront a predominately rural society which is attempting to modernize.

Briefly, by turning the peasants into part-time industrial workers, by encouraging the growth of a technical force in the countryside, and by providing the rural areas with the means to transform agricultural production into a modern mechanized process the program is aimed at the fulfillment of the ideological goals of reducing the gap between peasants and workers, between mental and manual labor, and between the city and the countryside. At

the same time, and in a more narrow economic sense, the policy of self-reliance in achieving local industrialization reduces the demand on the centre for scarce resources such as raw material and capital inputs, permits the supply of the necessary industrial products to service agriculture without placing too heavy a demand on an, as yet, inadequate transportation system, and encourages an efficiency in coordinating rural supply and demand which for a centrally planned economy, especially one as large and diverse in terms of its natural resources as the PRC, remains a serious administrative problem.

It can be seen then that the rural industrialization program is far broader in its implications than its obvious economic aspects would suggest. The choice of means used to achieve it will have major socio-economic ramifications as well. Indeed, it is this aspect of the program which has been the source of much of the controversy which has divided the party leadership since 1958. The present essay is an attempt to probe in some detail one aspect of the modernization process in the PRC which has been a dominant theme of the Chinese political scene for two decades. This is the interaction of the goal of rural industrialization and the administrative organization used to achieve it. What has been the relationship between the program advanced in order to realize the goal of rural industrial development and the distribution of power in the system administering it? How is decision-making authority distributed between Party, State and local enterprise? Is a division of labor with respect to rural industrialization evident between various administrative levels? Where does control for the program lie in the 1970s?

In this respect the essay will be much more exploratory than explanatory in its focus. After briefly surveying the historical progression of the rural industrialization program beginning in 1958, the paper will turn to developments which have come to light in more recent years and particularly

since early 1976. Although it is still too early to assess with any degree of accuracy the full impact of these recent policy changes on the distribution of power within the political system, there are definite indications that a new rural strategy is presently under way which will result in a reversal of many of the decentralizing tendencies which were observed during the euphoria of the Cultural Revolution.

Before examining these trends it may be fruitful to provide a discussion of some of the conceptual underpinnings offered by both Western and non-Western writings, including the organizational concepts used by the Chinese themselves, which deal with the questions of rural government and development. It is of interest to note to what extent the rural industrialization program in the PRC has lent its support to either of these conceptual frameworks.

Chapter One

The Relationship Between Local Government and Rural Development:

The developmental problems confronting the newly emerging nation-state of today are enormous. The demands upon the nation's political leaders to meet the needs of social, economic and political development at times appear almost insurmountable. Modernizing governments are called upon to plan, direct and implement developmental programs today which, during the early phases of development of the states of Western Europe and North America were for the most part left to private initiative. As a result, the modernization process has placed tremendous burdens upon the leadership of the developing states. Not surprisingly, the central governments of these states have found themselves inundated with demands and functional requirements which have been beyond their capacity to fulfill. All too often the net effect of this concentration of administrative power and authority at the centre of government has been a serious neglect of the developmental needs of those areas lying beyond the reaches of the political, social and economic centres of activity.

While recognizing the need for firm central control over the modernization process, the majority of administrators and students of development reject the long-term continuation of excessive central dominance of national programs and policies. Even where the hinterland is recognized as constituting an integral part of national development schemes, advocates of administrative decentralization charge that the concentration of administrative power and authority at the centre has had a negative impact on the development process over time. In addition to creating excessive demands on the central governments of developing states, overcentralization, it is argued, has been a major obstacle to developing the full potential of local initiative in accelerating national development. As a result, local conditions have been neglected in setting out

national objectives, undue delays have been created in meeting local needs, and inefficiency has been encouraged through the concentration of scarce administrative talent at the centre of the political arena (Cento Symposium, 1965, 35-38; Maddick, 1963, 35; Humes and Martin, 1961, 7).

The development of local representative institutions having some power and authority over the direction of change in areas of immediate concern to the local population has been proposed as a necessary ingredient for successful national development. Most important among the positive benefits to be achieved from some form of administrative decentralization are, according to Maddick, the effects of local participation in augmenting national efforts toward development:

To achieve social change and general economic growth requires a spreading of effort so that local communities and individuals can participate, to bring under ideal conditions, energy, enthusiasm, and most important of all, local initiative to the working out of local developmental activities.

(Maddick, 1963, 24).

Similarly, the authors of the report in The 1965 Cento Symposium On The Role of Local Government in National Development concluded that "the participation of the people is essential for national development and...can only be assured through institutional forms of local government [augmented by] informal group organizations and activities in community development." (1965, 77).

The process of administrative decentralization outlined in these studies is seen not only as a means of enhancing national developmental objectives but also as an indication that political development itself has occurred. There is here the perception of a positive linear development in moving from a concentration of administrative power at the centre toward a deconcentration of central authority to its agents operating in the field followed by an eventual

devolution of the authority and means to initiate and implement local development strategies to the local governments themselves (Maddick, 1963, 225; Leemans, 1970, 60-61; Cento Symposium, 1967, 77).¹ The process is viewed as a gradual one with the period of delegated authority to central field agencies dominating the early and middle stages of development (Maddick, 1963, 226).

Once the decision to decentralize administrative powers and functions has been made, questions regarding the timing, degree and form which the decentralization will take remain important issues to be decided by the central authorities. These decisions will be affected not only by the objective socio-economic, political, geographic or demographic characteristics of a given state but also by the objectives and/or policy preferences of the leaders themselves. Whether the concern is for democracy or freedom, or for socio-economic development or administrative efficiency, it is the priorities of these objectives which will have a major impact upon the pattern of local government adopted (Leemans, 1970, 17-24).

In the majority of developing states it is the utilitarian aspects of decentralization which appear to dominate policy-makers' concerns. It is these states in particular, where central planning is frequently the primary stimulus in the economy (whether by choice or necessity), which rely on the efficient economic performance of local levels in meeting economic goals. In these states where socio-economic criteria dominate, Leemans suggests that some combination of deconcentration and devolution of powers be adopted which will provide for the gradual inclusion of popular representative institutions in the policy-making process (Leemans, 1970, 60). The objective is to create an institutional arrangement which will encourage the mobilization of local talents and resources to meet the demands of modernization while continuing to provide the central government with the means to coordinate the

development process on a national scale.

The nature of the function to be performed and the size of the area to be serviced will also affect the extent to which administrative authority will be decentralized (Leemans, 1970, 46). If the function is primarily of a local character and one that community resources are able to support (such as minor construction projects, primary education and simple health care facilities), the locality would be the major locus of control. Tasks which require greater resources or which are geared to service several localities such as rural electrification projects demand a higher level of control and coordination of effort. It is also the case that the territorial basis of the function may change over time. As community resources are expanded through the availability of education, the acquisition of new skills and increased economic well-being, the locality may find itself in the position to take on larger and more complex projects. However, it should also be apparent that the process of modernization itself can create demands for resources which may not be available to the locality. Therefore, the demand for more refined equipment, for scientific research, for large water control projects for example, may require a larger territorial and resource base and higher administrative control.

From the preceding discussion several points can now be summarized which appear to be fairly consistent in Western concepts of local government and development. The first general proposition is that local participation is perceived as a necessary concomitant of rural development and thereby of national development schemes. Secondly, there is the implicit assumption of an evolutionary process of administrative development in moving from central control to field agents having variable degrees of delegated authority, to local government as the major focus of initiative in planning for local development. Thus Maddick proposes that with maturity "successful local authorities will

prove to be centres of initiative." (1963, 225).

A third point to be noted is that the areal division of powers will be subjected to pressures to change arising from the process of modernization itself. Most frequently cited is the trend toward larger units of local government as the need for greater resources and technical expertise expands beyond the limits of the locality. At the same time, however, the resources of the locality are also expected to increase rendering the local government more capable of administering to other needs of a local character. Some form of functionally determined basis for cooperation between units of local government may provide a viable alternative to larger units while at the same time guaranteeing greater possibilities for continued popular participation in the decision-making process. Therefore, in spite of the perception of a linear development from central to local control over certain programs of action, there is also the implied need for flexibility which will permit change in the administrative division of power as it is warranted.

Finally, it should be stressed that the demand for the eventual devolution of authority to the local government units does not constitute a demand for local autonomy. It is rather the participation of the local population in the formulation of developmental programs of a local character which is the goal of advocates of administrative decentralization. Central control continues to be regarded as a necessary component of national development, providing the broader perspective which is essential to coordinated development. The insistence on local autonomy in the absence of the necessary resources to promote local development will simply contribute to the continued weakness of the local authorities. The key to national development rests on the capacity of its leaders to create an administrative framework which rests on a symmetry or balance between the requirements of control and coordination and flexibility

and local initiative (Maddick, 1963, 227-230).

In the context of the rural development strategy of the PRC all of the considerations noted above have figured prominently in the on-going debate among the leadership over the dangers of overcentralization and the negative consequences of excessive local determination of the direction of economic development. While a command economy controlled by a highly centralized administrative structure may provide the institutional framework through which communications and plans are passed down to the lower levels, this type of administration is deemed to be both inefficient in terms of resource allocation and costly in terms of the need to police lower levels. On the other hand, it is the nature of a centrally planned economy that it relies on the fulfillment of the national plan in order to meet its overall developmental objectives. What the Chinese Communist Party (CCP) has attempted to do is to determine the proper distribution between central and local authority in economic decision-making (broadly defined as in the Introduction) such that the perceived advantages of both central control and local initiative are maximized. To achieve these ends the Chinese have attempted not only to simplify the bureaucratic apparatus of government but also to create additional institutions through which local participation may be enhanced.

In terms of constitutionally-provided powers, the administrative system of the PRC is a highly centralized one in which the organs of local government are identified as the local instruments of State authority whose decisions and actions are subject to control and supervision by higher levels of authority in the administrative apparatus. The local revolutionary committees which are the executive organs of the local people's congresses (the elected representative body) are responsible not only to the elected body at their own level but also to the organ of state administration at the next highest level which is

empowered to suspend or annul decisions taken by the former. Local revolutionary committees are also subject to the authority of the State Council which is the highest organ of state power in the system (P.R.; No. 11, 17 March 1978, 12).

Dominating the administrative apparatus at the centre is the CCP which constitutes the supreme policy-making authority in the state. Having itself a highly centralized nature and at each level providing the basis from which legitimate political power and authority emanate, the CCP reinforces the common perception of the totalitarian nature of the Chinese governmental system. The coincidence of membership in the leading organs of Party and State lend support to this contention. In fact, however, the leadership of the PRC, like the élites of many other developing countries has been persistent in its opposition to the bureaucratization of the administrative apparatus.

As guides to the determination of the distribution of power and authority within the Party and State bureaucracies, Chinese communist ideology has provided its leaders with two organizational principles which, theoretically, provide the basis through which both central control and local flexibility can be achieved. The first of these is the Marxist-Leninist principle of democratic-centralism. The concept defines a system of organization in which the minority is subordinate to the majority, the lower level to the higher level, the part to the whole. It is, as Johnson suggests, "...in theory at least, ... an effective chain of command...which rests on a fine balance between participation and obedience." (Johnson, 1965, 95). Applied to the state and party apparatus the concept implies a freedom of consultation and discussion of policies and actions by all levels of the party and state hierarchy while reinforcing the binding nature on all lower echelons of decisions taken at the top.

The second organizational principle which is of relevance to the concern for the maintenance of a responsive administrative apparatus is the Maoist concept of the 'mass line'. The concept calls for the direct participation of the leadership in the daily lives and work of the masses. Through this linking of leaders and led, the ideas of the masses are communicated to the leadership where they are then systematized and returned to the masses as concrete policies to be put into practice. In this way an effective two-way communication network is to be established between the administration and the people, the psychological gap between leaders and led narrowed, and the initiative of the masses in formulating policies realized (Seldon, 1969, 148-151).

In the now famous document On The Ten Major Relationships formulated in April 1956, Mao laid out the general policy guidelines which were further to clarify the two concepts of democratic-centralism and the 'mass line' in their application to Chinese reality. In the relationship between the state and the producing units, he argued:

It's not right to place everything in the hands of the central...provincial and municipal authorities without leaving the factories any power of their own, any room for independent action, any benefits...In principle, centralization and independence forming a true unity of opposites, there should be both centralization and independence...Every unit of production must enjoy independence as the correlative of centralization if it is to develop more vigorously.

(P.R., No. 1, 1 January 1977, 14).

This applied to the agricultural production units as well and was, as the following study will show, meant to provide the local communities with both the material means and freedom of action which, it was felt, were necessary for the promotion of the rural industrialization program. It did not constitute a signal for the complete overthrow of central control in achieving rural indus-

trial development.

Mao was concerned with the overall balance of power in the central-local relationship. In encouraging local initiative, he insisted that it be of a type which would reinforce not reduce national unity:

To build a powerful socialist country it is imperative to have strong and unified central leadership and unified planning and discipline throughout the country...At the same time it is essential to bring the initiative of the local authorities into full play and let each locality enjoy the particularity suited to its local conditions.

(ibid, 17).

This principle was to apply not only to relations between the central and local governments but to those between the lower levels as well. The ideal was a system in which central planning and local initiative and flexibility in plan implementation would be exercised simultaneously.

In practice the principles of democratic-centralism and the 'mass line' have been subjected to broad generalizations and have met with variable degrees of success in opposing the excessive bureaucratization of both the state and party organizations. Both structures have come under heavy attack at one time or another from external and internal critics for their lack of responsiveness to the needs and demands of the people. The flexibility with which both of the concepts can be interpreted has meant that, in their application, the policy preferences of the leadership have played a determining role in deciding whether democracy or centralism, leaders or led will dominate administrative relations.

In addition to the desire to counteract the negative effects of bureaucratism, Chinese attempts at administrative decentralization have been motivated by the recognition of the need for local participation in socio-economic

development. This applies not only to the role of the local authorities in promoting local development programs but also to the role of popular participation in these projects. To this end the leadership has experimented with both a deconcentration and a devolution of administrative power to lower levels of the administration as well as promoting the usage of the mass campaign in mobilizing popular support for higher level initiatives.

In contrast to the linear concept of decentralization expressed in the Western literature, Chinese attempts to decentralize decision-making authority have been highly elastic in nature. The contraction and expansion of administrative authority and responsibility at various levels of local government has occurred not only as a result of attempts by the leadership to resolve developmental problems of a managerial nature but also as a consequence of the shifts in the priorities which the various leaders have assigned to the different socio-economic goals as well as the political preferences of the leadership as how best to meet them.

The Chinese case is further complicated by the shifting of administrative authority between Party and State made possible by the introduction of the system of dual rule under which local government branches are held responsible to their corresponding functional branch at the next highest level of administration and also the the local party committee which exercises horizontal control over the local state administration. (Schurmann, 1968, 194). Introduced as an attempt to bring some measure of coordination to administrative activities on a territorial basis, dual rule has encouraged the Party to become involved in the functions of government itself. The central planners have, therefore, been reluctant to devolve decision-making powers to local governments fearing a subsequent loss of state control to the local party committee. Surprisingly, these state planners have been much more generous in the delegation

of decision-making authority to the basic level production units than have the local party committees.

Despite the rather tortuous path which administrative reform has followed in the PRC, there has been a greater consistency to administrative decentralization than might appear to be the case in the foregoing discussion. Since the introduction of the commune system in 1958 there have been few structural alterations made in the formal administrative apparatus. At the same time, an examination of the rural industrial strategy since 1958 indicates that the leadership has attempted, albeit not without a significant amount of manoeuvring, to bring a greater rationality to the administrative division of powers. The gradual development of the hsien as an important actor in the growth of the rural industrial sector provides the best example of the attempt to bring into closer alignment administrative responsibility and local initiative.

At the same time, the Chinese case illustrates the problems inherent in adapting administrative responsibilities to the areal requirements of the different technological demands of rural development. Throughout the following pages it will become apparent that the leadership has yet to resolve the continued tension between the administrative demands of agricultural development and rural industrialization as well as those contained within rural industrial development itself.

Finally, the study of China's rural industrial strategy which follows suggests that the choice of technologies adopted by the leadership acts as a greater barrier to popular entry into the decision-making process than do the institutional constraints of the formal administrative division of powers. At times the leadership has indicated an acute awareness of this fact and has attempted to bring about institutional changes which would facilitate greater popular participation in the determination of local development decisions.

At other times however, the leadership has tended to pay only lipservice to these issues. The conflict among China's elites over the question of local control and initiative has been closely related to this issue of technological choice. It is a further indication of the extent to which the personal choices of the leadership have played a vital role in the determination of the distribution of responsibility and authority within the system.

Chapter Two

The Rural Industrialization Program to 1972: Administrative Consequences

The Great Leap Forward, 1958-1961:

Rural industrialization as a program of action did not come into its own until 1958 at which time its theoretical and organizational basis was far from being firmly established. Prior to this, the adoption of the Stalinist strategy of economic development stressing rapid economic growth, particularly in the heavy industrial sector, capital-intensive technologies and a reliance on institutional transformation in order to increase productivity in agriculture and other sectors of the rural economy, had meant that rural industrial growth had suffered. Indicative of the relative neglect of rural industry and agriculture in the Soviet model was the small share of manufactured goods produced to service agriculture which, in 1957, amounted to only 16 percent of the total of provincial industrial investment projects (Riskin, 1971, 252). Of particular concern by 1957 was the low level of industrial activity below the level of the provinces which accounted for a mere 3 percent of the gross production value of all local industries (ibid, 253).

By 1956, the major structural reorganization of the Chinese countryside envisioned by the Soviet model (that is the formation of agricultural producer cooperatives) had been virtually completed. This had been achieved, however, in the absence of any appreciable gain in the agricultural surplus upon which the expansion of the modern industrial sector was so heavily dependent. In addition, the forced rural savings for central investment priorities secured through increased taxation and procurement quotas had acted as a disincentive to agricultural production and had threatened rural stability in encouraging peasant discontent with central policy. The model had also failed to increase

the food supply to the expanding urban sector and had instead encouraged rapid growth in the urban population through rural-urban migration (Hofheinz, 1962, 148). By 1957, the need to reverse these trends had become a major concern of the central policy-makers.

Improved agricultural performance required both increased fertilizer application and better methods of water control. The leadership was divided, moreover, in the choice of means to achieve these improvements. By emphasizing modern technology in the form of chemical fertilizer plants and mechanized irrigation techniques, the resources of the modern sector could be brought to bear upon the agricultural sector. This option would encourage continued central control over the allocation and distribution of the needed inputs as it was the central ministries or their branch agencies in the provinces which administered the modern industrial sector. A heavy reliance upon modern production techniques would also effectively limit the role of local initiative in planning new developmental projects. There was the additional factor as well of encouraging an uneven pattern of economic growth between regions as the modern sector alone was incapable of supplying the necessary machinery and equipment to all rural areas simultaneously.

In contrast, the second option which was to rely upon further social reorganization and large-scale production using traditional techniques demanded the active participation of the local population in the massive projects to transform the physical aspects of the countryside. The effectiveness of the program depended upon an intimate knowledge of the needs and resources available to the localities since, in the main, it rested upon a policy of rural self-reliance. The local areas themselves would provide, in accordance with this strategy, the greater share of the resources necessary to meet the demand for improvements in both water control and fertilizer application. There was,

therefore, the additional incentive that the Centre would not be required to divert its scarce resources away from the higher priority modern sector.

Given the general disillusionment with the impact upon rural economic growth of the highly centralized administrative structure of the Soviet model, the majority of the Party leaders were largely in favor of some form of administrative reform by 1957. Earlier, at the Eighth Party Congress of 1956, it had been decided that an expansion in the area and degree of competence of local government levels was both a desirable and a necessary condition of rural development (Gudoshnikov, 1957, 305). However, questions concerning the extent to which economic decision-making power should be decentralized, how much control local levels should have, and over what areas of the economy, remained unresolved.

Conservative opposition to the accelerated social reorganization in the countryside had increased following the economic dislocations created by the rapid agricultural collectivization drive of 1956 (Hofheinz, 1962, 149). A major concern of the State Planners was to avoid administrative confusion between the enlarged economic units and existing local government units following the amalgamation of several smaller agricultural cooperatives. A shortage of skilled administrators in conjunction with limited production technology added to the management difficulties encountered in the larger cooperatives. The solution proposed by the State Council was to keep the production units small allowing them a considerable degree of management autonomy while expanding the participation of local government authorities in the planning process itself (Hofheinz, 1962, 149). Decision-making authority over issues related to production management was to devolve to the producing units with the market providing the main guide to action. At the same time, a deconcentration of administrative responsibility to local governments would not interfere with

continued control on production

continued central supervision of the local authorities through their respective functional branches.

The series of widespread natural disasters which struck the Chinese mainland in early 1957 combined with Party opposition to a heavy reliance on material incentives to increase production performance to frustrate the successful implementation of the above administrative reforms. Over the protestations of the State Planners, Mao and his supporters fought to introduce administrative changes which would, they believed, enhance the powers of the local authorities to respond more effectively to the increasingly serious shortcomings of agricultural production.¹ Once more the argument for a major devolution of administrative responsibilities in conjunction with extensive social reorganization regained momentum.²

Arising out of the above debate was a strategy for rural development based upon the policy of 'walking on two legs' which has since been attributed to Mao Tse-tung. It called for the application of both modern and indigenous techniques to achieve the simultaneous development of industry and agriculture, of heavy and light industry, and of national and local industries (Sigurdson, 1973, 69). By simplifying the bureaucratic apparatus, by leaving control over the profits from local enterprises in local hands, and by calling local initiative and responsibility into play, the masses would, it was argued, be encouraged to foster growth in the rural industrial sector in order to meet their most immediate needs:

...successful labor-intensive techniques were expected quickly to produce a labor shortage and a demand for simple labor-saving machinery. At the same time.. the increased income accruing to the cooperative from its use of surplus labor could provide the capital for such simple forms of semi-mechanization. This, in turn would release labor for further construction but with greater mechanical help. Both the demand for the means of procuring new tools and machines would spiral;...

(Gray, 1970, 503).

Under strict Party leadership, centralization over policy priorities would be assured while democracy in plan implementation would be achieved through mass involvement in the decision-making process. The transferring down of administrative cadres (as a result of administrative simplification) was to bring the 'mass line' into action.

The form of administrative decentralization adopted by the Third Plenum of the CCP Central Committee in October 1957 was not as complete as that envisioned above. Rather than being transferred to the producing units themselves, decision-making authority became concentrated in the hands of the Party at the local levels of administration (Schurmann, 1969, 206-209). As a consequence, the provincial party apparatus gained a considerable degree of control over previously state-operated, centrally controlled enterprises, over commerce and the transportation system, and over the allocation of materials and personnel. The system of revenue-sharing was also broadened giving the provinces a significant increase in financial power and, thereby, control over investment decisions (ibid, 208). A similar pattern, albeit on a smaller scale, also occurred at the level of the commune (Ahn, 1975, 641-645; Riskin, 1971, 260).

The natural impulse to invest in industrial projects guaranteeing a higher rate of return, led not to the expansion of enterprises producing goods to service agriculture but to the creation of provincial industrial systems which began to compete with the modern sector for scarce resources. Here, as well as at the commune level, agriculture was subordinated to concerns for more profitable undertakings. In conformity with the policy of self-reliance, agriculture was squeezed to provide the necessary surplus for local investment priorities which, at the level of the commune in particular, were, more often than not, uneconomical and exceedingly primitive operations. In their haste to make the most of their national

make the most of their new-found economic powers, provincial and commune party committees contributed to serious disruptions in the rural economy. In the industrial sector, loss of central control led to declining product quality and output performance, to competition for scarce resources needed for the centrally controlled 'key industries', and to serious transportation bottlenecks. More important in terms of the over-all strategy was the decline in agricultural performance brought about in great part by the concentration of control over economic management decisions in the hands of the commune party committee.

In spite of the failure to realize an improvement in agricultural performance, the 'walking on two legs' approach to rural development was not an irrational approach to China's rural developmental problems of the 1950s. The shortage of trained administrators and lack of technical expertise, the inadequate transportation system which made the costs of transporting industrial goods to rural areas prohibitive, the scarcity of capital for investment in modern industrial expansion to service local needs all point to the basic rationality of a program which envisioned a temporary dual strategy of economic development for the Mainland. These same conditions, however, made the adoption of a highly decentralized system of administration especially difficult to implement and control. The leadership had met with little success in their first attempt to come to terms with the complexities of creating an administrative system which would offer the opportunity to realize both local initiative and central control.

The Great Leap experience indicated to the leadership the difficulties inherent in transferring downward a broad range of decision-making powers for which the requisite administrative talents at the local level were sadly lacking. At the same time, it became apparent that once power had devolved from

the centre to the regional authorities it became extremely difficult to control its subsequent application. As a result, what to the centre appeared to be a major devolution of administrative authority proved to be just the opposite where the individual producing unit was concerned. By 1961, the leadership was still confronted with the basic question of how to distribute authority within the administrative system such that the negative consequences for planning and control, and ultimately for the economy, experienced during the Leap would not recur.

Tightening of Administrative Control, 1961-1965:

The administrative consequences of the Great Leap strategy had been a substantial curbing of the power and authority of the state planners, a marked increase in the powers of the local party committees at the provincial and commune levels of administration, and the politicization of the entire economic system by placing authority for economic decisions firmly in the hands of the Party from top to bottom of the administrative system. The role of the CCP in economic planning decisions has remained a permanent feature of the Chinese economic system (Howe, 1973, 236). In the realm of economic management, however, the influence of the Party has continued to be a source of contention among the central leadership.

Between 1959 and 1962, decisions were taken by central party and state authorities which were to undo to a considerable extent many of the administrative changes associated with Mao's Great Leap strategy. By 1961, steps were taken to curb the excessive power of the provincial party committees by establishing six regional Central Committee Bureaus which, as agents of the centre, were delegated the authority to directly supervise many of the major economic activities of the provinces. These bureaus were given control over resources

allocation, the interprovincial transfer of material, and even over the use and distribution of local resources (Chang, 1975, 145). The State Planning Commission was enlarged in 1962 and central control over financial management and the banking system re-established (ibid, 144). At the lower levels of administration, supervision of much of local enterprise expansion, education and rural health care, reverted to the state and party authorities at the level of the hsien (Ahn, 1975, 641). Tax collection and banking and credit facilities were also returned to the hsien level of administration, and trade and procurement policies were henceforth to be regulated not by the communes but by the state-controlled supply and marketing agencies organized on a national basis (ibid, 642-643).

These administrative changes, the leadership argued, were necessary on both economic and political grounds. The economic dislocations caused by the excesses of poorly planned economic undertakings of the past few years had been worsened by the presence of serious natural disasters (primarily caused by flooding) in the 1960-1961 period. In addition, the withdrawal of Soviet technical and material assistance and the subsequent breakdown in relations between the two countries meant that the PRC would now be forced to rely on its own efforts and resources in its attempts to modernize in a hostile political environment. Given the major shortages of food at that time, China could ill afford to divert its scarce resources into technically backward and economically inefficient rural enterprises (Riskin, 1978a, 79).

In spite of these 'objective' rationalizations made by the leadership, Riskin notes that the excessive chopping-off of even economically efficient rural enterprises during this period suggests that the personal preferences of the leaders themselves were not without influence. (ibid, 83). Subsequent policy choices also indicate that the faction in control at the centre envision-

ed a very different strategy for China's rural industrialization than that which had enjoyed a brief period of implementation in the 1958-1961 period.

The majority of the hastily constructed commune and brigade-level enterprises were shut down in the immediate post-leap period, and further expansion was discouraged in the 1962 Revised Draft of the Regulations Concerning the Rural Communes (Ma Sen, 1977, 186; Ahn, 1975, 641). Some small-scale processing plants did continue to operate as long as they met the criteria of serving agriculture, of self-reliance and of not disturbing agricultural production through either the drafting of labor or other resources not authorized by the 'Regulations'. The production of farm machinery, mainly tractors, remained concentrated in the larger industrial centres under provincial and, in some cases, central control. (Ma Sen, 1977, 275). The hsien became an important centre for the rural tractor stations and was primarily concerned with the servicing and renting out of such equipment to the communes and brigades. Although efforts to establish centrally operated trusts controlling the production and maintenance of tractors were interrupted by the Cultural Revolution in 1966, they indicate the direction in which the leadership was headed during this period of 'restraint'.

At the same time that economic policy-making was being reconcentrated in the hands of the central authorities, the factory management was being given greater authority over decisions concerning the daily operations of the enterprise. (Eckstein, 1977, 90-94). The "Seventy Articles" passed by the Politburo in 1961 gave clear guidelines for the regulation of industry. All non-profit-making enterprises and all capital construction outside of the central plan were to cease operations. Consumer goods and small machinery products serving agriculture were to receive priority, production was to be encouraged through the use of material rewards, and rational management stressing exper-

tise versus mass participation and quality versus quantity was to prevail (Chang, 1975, 135-136).

In terms of planning authority two features of the shift in policy encouraged the expansion of the role of the hsien in the rural industrialization program. The first was a shift away from the emphasis on heavy machinery and steel production which encouraged higher level control in its demand for inputs and resources, to concern for the establishment of local chemical fertilizer and small-scale agricultural machinery plants using modern technologies. The second was a de-emphasis on the role of human organization in large-scale water control and irrigation activities, and an emphasis instead on the use of water pumps and electrical power stations (Perkins, 1973, 59). The hsien, while it did not yet have sufficient resources to produce these modern inputs on its own, became important as a coordinating body linking higher level production with lower level needs. Its resources did, however, lend themselves to serve as the focal point for the establishment of an agro-scientific network which these new industrial inputs were designed to complement. As the state planning unit for the communes, brigades and production teams, the hsien was also in the position to control the character and pace of further rural industrial growth at these levels.

The hsien was constrained in its role as initiator of rural industrial strategy by the planning and financial control which was retained by the provincial level. The demand for agricultural machinery and also for modern technologies tended to reinforce the provincial role in rural industrial development even though the hsien had assumed a more important role as a coordinating agency. There is some evidence to suggest that the central leadership between 1961 and 1965 envisioned an expansion of the provincial role in rural industry and that the 'small, modern and complete' rural plant was to be a temporary phenomenon. The concluding report of the 1965 National Conference

held by the State Economic Commission suggests that a more integrated industrial system was in the offing. The report called for the gradual reorganization of China's processing industries by:

...turning existing enterprises into specialized factories in conformity with the needs of production and then organizing wide cooperation on the basis of specialized production...

(SCMP 3458, 12 May 1962, 16-17).

These two features, specialization and cooperation, the report concluded, "were an objective law in developing mass production and a path all industrially advanced countries had to take." The machine-building industry was held up as a case in point of the uneconomical and unscientific practices presently characterizing China's industries.

There is little doubt that the pursuit of such vertically integrated industrial systems would have effectively limited the role of local initiative in rural industrial planning. The necessary coordination of production plans which would accompany the vertical integration of industrial production would have (as will be seen later) encouraged the centralization of planning decisions as well as management especially where product quality and standards of production were concerned. Implementation of the industrial systems approach was, however, effectively delayed by the intervention of the Maoist-led attack on the negative social and political consequences (as perceived by the opposition) of a rural strategy which emphasized sectoral growth in strategic areas and relied heavily upon material rewards and the role of scientific research in promoting rural development. Opposition grew as well against a development strategy which encouraged the role of expertise, fostered inequality in both the economic and social spheres and, according to later charges, paved the way for spontaneous capitalism to flourish in the countryside.³

In terms of administrative power-sharing arrangements, the period repre-

sented the establishment of a two-track system of control. Much of the authority for planning and control over financial and material allocations for industrial expansion which had devolved to the provincial levels of administration during the Great Leap period now reverted to the central state apparatus or was deconcentrated to its branch agencies in the regions and provinces while control of the day-to-day management of economic decisions devolved to the enterprises and basic-level production units.

At the same time, subprovincial levels of government began to assume an increasingly important role in economic development activities as the administrative authority which had become concentrated in the hands of the provincial party apparatus during the 1958-1961 period was deconcentrated to lower levels of administration. Within the state administrative system, the 1961-1965 reforms witnessed power flowing in many directions and into many hands at the same time with the result that a much more diffuse power-sharing arrangement had evolved by 1965.

The role of the Party in the daily affairs of the enterprise was effectively limited by the emphasis of the strategy on technical and managerial expertise and on material rewards. Industrial undertakings at the level of the commune and brigade were substantially curbed and were limited to relatively minor processing industries which were more in keeping with their resource capabilities. Also, we see the emergence of the hsien as an important locus for the coordination of an 'Agriculture First' strategy for rural development although the provinces retained their control over the financial and technological resources needed to initiate policy. The overall strategy relied less on local self-reliance which would have encouraged greater autonomy at the subprovincial level and more on a nation-wide self-reliance which emphasized the development of 'key' industries especially indigenous sources of energy and

'key' educational institutions designed to create a modern scientific community to lead the development process.

The Second Leap Forward, 1968-1972:

If the period of rural industrial development throughout the early years of the 1960s can be summarized as an attempt to revolutionize production technology, the Cultural Revolution is best characterized by its attempt to bring about a revolution in production relations. In its emphasis on mass participation, on Party leadership, on egalitarian idealism and normative appeals, the period reflects many of the aims and objectives of the Great Leap Forward. Yet, operating from a different (and more advanced) material base than that which existed in 1958, the Cultural Revolution constituted a new phase of experimentation in the development of a program designed to foster rural industrial growth.

In 1958, the Great Leap strategy had been aimed at the mobilization of indigenous methods of production (social reorganization of the rural handicraft industry and of agricultural laborers) to serve the demands of the rural population for consumer goods while the modern sector was to continue to provide agriculture with its heavy industrial inputs. From 1961-1965, the strategy had been to develop rural industry based on the use of modern technology, a sectoral strategy, and an 'Agriculture-First' policy. The Cultural Revolution period aimed at achieving all-round development utilizing both modern and indigenous techniques to create self-reliant industrial systems in the rural areas:

All-round development of the local economy was part of a broad model which aimed at promoting initiative for economic growth by giving the localities both responsibility and means for transforming their economic, health, educational, and cultural conditions self-reliantly.

(Riskin, 1978a, 86).

To achieve the objective of all-round development based on local initiative and self-reliance, the two-track system associated with the earlier strategy had to undergo a major transformation. This two-track system had, ironically, come under attack both for its encouragement of bureaucratic centralization and for fostering autarchy and localism among the producing units. The Cultural Revolution reforms were aimed at simplifying the higher levels of administration while reducing the autonomy of the enterprise by reconcentrating control in the hands of the Party. Mass initiative was, in theory, to be institutionalized in the newly created revolutionary committees (consisting of representatives of Party, Army and masses) which were, however, subordinated to the local party committee or to the party committee of the enterprise (Bettleheim, 1973, 35).⁴

One of the most significant, if only symbolic attempts to curb the bureaucracy at this time was the paring of central ministries and planning agencies whose numbers had been expanded during the 1960s, while expanding the scope and degree of administrative competence of the localities (under local party and revolutionary committee control) for overall development. As Sigurdson argued in 1973, the paring process may have been more a matter of form than content:

Authority and power are likely to be shared among more people than previously, but the changes in the central organization seem to be mainly a question of delegating less urgent matters to local governments while concentrating on those which are essential for promoting over-all economic development and rapid industrialization.

(Sigurdson, 1973, 70).

In terms of economic management, a considerable degree of local autonomy did devolve to the local party apparatus at the lower levels of administration. Much of the evidence to support this claim stems from attacks on the Cultural Revolution policies which began to appear in the media in 1972. Charges of

declining grain output, competition for raw materials, excessive emphasis on sideline production, and tendencies toward localism (producing only for one's own advancement) were levelled against local authorities, in particular the commune and brigade-level management committees (SCMP 4985, 15 Sept. 1971, 118-132; SCMP 5158, 6 June 1972, 94-96). These attacks, beginning as they did as early as 1971, suggest that lower level autonomy, especially at the commune and brigade levels, was more a consequence of a loss of control and discipline than of any preconceived plan for increasing the administrative competence of these levels.

As indicated in the introductory remarks to this section, the Cultural Revolution strategy for rural industrialization stressed local initiative, self-reliance, and the rapid development of small but complete local industrial systems. Given the emphasis on the development of an industrial base in the countryside, iron and steel production, electrical power and cement processing became important additions to the earlier expansion of local chemical fertilizer and small agricultural machinery plants. Now, however, under the renewed emphasis of the policy of rural self-reliance, the proximity of decision-makers and planners to the sources of raw material and labor and capital inputs became an important element in the overall strategy.

There developed within this framework a division of competence for rural industrial development which corresponded closely with the service to be performed and the control over the necessary financial or technological resources essential to the fulfillment of a given function. For example, the planning and implementation of large water conservation schemes involving intercounty cooperation, major farmland capital construction projects requiring substantial state assistance, and large-scale agricultural machinery production requiring advanced technological inputs fell under the jurisdiction of the provincial level,

while on a limited scale, the hsien, commune, and brigade assumed leadership of these projects (FBIS, 18 June 1971, D2; 11 Dec. 1970, C4; 4 March 1974, B13).

The focal point for the rural industrialization program and to a large extent for many of the social, political, and economic activities associated with the policy of rural self-reliance, became the hsien during this period. Hsien authorities established priorities and quotas for commune and brigade undertakings, organized and mobilized local water conservation and land reclamation projects, led local rectification campaigns, operated training programs for technicians in hsien, commune and brigade-run enterprises, and established workshops in the latter (FBIS, 7 Dec. 1970, C7; 28 May 1971, D1; 22 June 1971, C2; SCMP 4855, 2 March 1971, 132-133). The hsien revolutionary committee established priorities, the direction and speed of development for commune and brigade industries as well as setting down over-all plans and unified arrangements for local industrial development (SCMP 4985, 15 Sept. 1971, 118-132). Many of these activities remained, however, subject to provincial budgetary allocations and provincial plans for the construction of major hydro-electric projects upon which a number of county-led undertakings remained heavily dependent. In this respect, the autonomy of the hsien in economic decision-making can only be said to have increased relative to its position in 1965.

Beyond the scope of the state plan which tended to reinforce the control of the centre and the provinces over local industrial development was the rapid expansion of a large number of collectively-owned county, commune and brigade enterprises which did enjoy considerable autonomy in planning and management. In most cases, the planning authority for the industry depended on its level of ownership. The output of state-owned enterprises at all levels was, therefore, included in the state plan while that of collectively-owned

industries at and below the level of the hsien was not, with the exception of those producing components for a higher level plant or products for export (Sigurdson, 1977 37-38). Control over this unplanned sector devolved primarily to the county-level planners (Eckstein, 1977,95). However, the communes and brigades also enjoyed a large amount of freedom in operating these units.

The emphasis on local self-reliance in establishing rural industrial systems was clearly a major factor in promoting this autonomy in planning, particularly for the expansion of collectively-owned county, commune and brigade enterprises. Since local resources were to be exploited in expanding rural industry, no higher level approval was necessary so long as the state quota for agricultural and sideline products was fulfilled, competition for scarce resources with the centrally-operated industries was avoided, and state subsidization was not needed (Riskin, 1978a, 88-89).

In its practical application, the push to rapidly develop the material basis of the commune and brigade levels of ownership led not only to interference with agricultural production but also to violations of the conditions of their expansion noted above. Local party cadres, anxious to fulfill higher level directives to promote basic-level industrial growth, began to press production teams to overfulfill targets and quotas and to expand sideline production to support the expansion of commune and brigade industry. Team laborers began to flock to the rural towns seeking work in the expanding industrial sector (SCMP 5306, 13 Jan. 1973, 87-88). At the same time, in their efforts to reduce their dependence upon higher level inputs of agricultural machinery, communes and brigades began to expand their industrial concerns into areas reserved for the hsien, thereby creating conflict over the demands for similar resource inputs (SCMP 5158, 6 June 1972, 94-94).

The administrative reform of the 1968-1972 period differed in many areas

from the reforms of the Great leap era. In comparison, the 1968 reform was more sophisticated than its precursor. Rather than a wholesale devolution of power from the centre to the provincial and commune levels of administration such as occurred during the 1958-1961 period, the administrative changes made after 1968 reflected in part attempts to deal with the requirements of an economy which had become increasingly complex. The functional division of powers between administrative levels with respect to economic responsibilities which had begun to appear in the 1960s now was further elaborated upon. The competence of the hsien was expanded in connection with its new responsibilities for small scale rural industrial growth. Similarly, more power devolved to the communes and production brigades to determine to a considerable extent the growth of their collectively-owned enterprises. At the same time, the provinces were given greater scope in handling the larger industrial undertakings relating to rural industrialization.

It would be naive to conclude from the above that the administrative reforms taken in 1968 were simply the result of efforts to come to terms with the management requirements of an expanding economy. The Cultural Revolution was aimed at bringing about significant changes in all spheres of activity including the social, political and economic. It represented an attack against not only the excessive bureaucratism of the preceding years but also against an approach to development which fostered specialization and bureaucratic privilege, and encouraged productivity through material gain, all of which acted against the decentralization of administrative power. In terms of industrial development, the decentralizers of the Cultural Revolution era aimed at the creation of a 'horizontally integrated economic system' in which the workshop, without undermining production efficiency, would become the basis for the education and socialization of the masses through the forces of technical modernization (Chen, 1971, p. 40).

zation (Andors, 1974, 26-27).

Relying heavily upon local inputs of skills and resources and men and material, local industries were to develop in accordance with local needs, a condition of operation which required greater local participation in the economic decision-making process. Providing immediate supervision over the decision-making process as well as ideological guidance for the motivation of the decision-makers was the local party committee. And, as in 1958, this proximity of local party cadres to the decision-making process carried over into the operationalization of the decisions themselves once again contributing to a blurring of the functions between State and Party and between the Party and the management of the enterprise. As a result, party cadres became caught in the dilemma of loyalty to the locality and to the enterprise or to the ideological imperatives of the movement leaving them open to charges of localism from above and of commandism from below.

In addition, the devolution of administrative authority to the local levels led to a concentration of production management decision-making in the hands of the commune and brigade party committees. Production team and enterprise management were left with little latitude in decision-making, a situation which led to serious disruptions for the overall economy.

In their attempts to devolve administrative power for local undertakings to the relevant local authorities, the leadership in 1968 was faced with problems similar to those which confronted their counterparts in 1958. The difficulties of ensuring loyalty to the Party Centre from the local party cadres remained unresolved. Constraints on efficient administration also persisted in the lack of administrative talent among local party cadres, in part exacerbated by the political upheavals attending the Cultural Revolution itself. Added to these were the many problems inherent in achieving both a rational as well

as a more egalitarian distribution of resources working within a framework of a development policy which espoused rural self-reliance. By 1972, however, it was the failure of the reforms to achieve positive results in economic performance which led to the renewed debate among the leadership over the direction in which the country was moving and over the distribution within the system of the power to determine that direction. It was a debate which was ultimately to explode into another major political confrontation at the top of the power hierarchy.

Summary:

In their attempts to develop a comprehensive program for China's rural industrial development, the leadership of the PRC between 1958 and 1972, had adopted policies which were to have a widely varying impact upon the distribution of power and responsibility in the system. Each strategy affected changes in the sphere of competence between all actors in the economy, between levels of government, between State and Party, between government and enterprise, and finally between all of these and the masses. Yet, after more than fourteen years of experimentation, the leadership had still to resolve the contradictions which persisted between central planning and local initiative within a planned economy.

In simple terms of managing an economy as large and diverse as that of the PRC, the complexities are likely to be enormous. In the simultaneous pursuit of rural industrial expansion and increased agricultural production these problems are simply magnified. Added to these managerial problems were the political implications of a strategy which, in many instances, assumed an importance in the on-going debate equal to that of the economic consequences.

During this period, the rural industrial base had, in fact, expanded significantly. From scattered rural handicraft production in 1958, it had, by 1972 developed into a fairly comprehensive, although still, immature rural industrial system. The leadership also appears to have attempted to insure a division of competence between levels with respect to responsibility for developing the expansion of local industry. By 1972, the provincial and municipal levels, as the traditional centres of heavy industry, continued to be the major suppliers and planning authority of heavy agricultural equipment and electrical power to the countryside. The hsien for its part, provided the main focus for the small-scale rural industrial sector which included chemical fertilizer, cement, water pumps and light agricultural machinery, as well as the agricultural machinery repair network. Communes and brigades remained primarily occupied with agricultural sideline activities, small processing industries, and farm machinery repairs (although, in fact, these activities were increasingly slighted in the later years of the Cultural Revolution era).

Given conditions of plentiful resources or of stable slow growth this division of labor with respect to rural industrialization may have been operative. This will never be known, however, since the leadership adopted a goal of rapid development which encouraged each level to disregard the overall strategy in looking out for its own interests. The result was the imbalances which had become fully apparent by 1971.

Chapter Three

Rural Industrial Development in the 1970s: A New Strategy?

Between 1972 and 1975, China's rural industrial program was subjected to the attempts of the leadership to reassert the goals of order and stability in Chinese society. By late 1971, signs had begun to appear in the Chinese media that the mobilization phase associated with the Cultural Revolution was coming to a close and that a period of retrenchment and consolidation, similar to that experienced in the 1961-1965 period, had taken its place. In the economy questions of efficiency, quality control and unified planning, of rational systems of management and standards of production signaled that, for the time being at least, checks on rapid industrial expansion were being established.

The apparent comparability of the 1972-1975 phase of China's rural industrial strategy to that adopted in the early 1960s tended to mask many important changes which were occurring which were substantively different from the earlier period, changes which included greater, not less, State and Party interference in the management of the economy. The pattern which was evolving, however, was being strongly resisted by the opposition on the 'left', the so-called 'Gang of Four' associated with the aging Mao. Not until early 1976, with the death of Mao and the 'gang' effectively silenced, did the new strategy for the mobilization of the Chinese rural economy become fully apparent.

Periods of economic mobilization in the past have been associated with high levels of Party and State involvement, with an emphasis upon the transformation of the economy through a reliance on mass enthusiasm and mass campaigns reinforced by a high degree of moral suasion to realize rapid increases in production. Redness or ideological correctness and practical work experience have taken precedence over expertise, collective willpower over technological

change, and lower level initiative over bureaucratic control (Skinner and Winckler, 1969, 432-438). These are the characteristics which accompanied the Great Leap and the Cultural Revolution discussed in the preceding chapter.

In the present period of mobilization which has been evident since 1976, the Party leadership appears to have adopted a combination of techniques to achieve rapid economic growth which represents a significant departure from past mobilization phases. On the one hand, appeals for mass mobilization and collective willpower based upon ideological appeals have been institutionalized in the National Campaign To Learn From Tachai in Agriculture. Simultaneously, the leadership has resurrected the role of material incentives to a dominant position in the campaign to promote rapid economic growth. Similarly, expertise, scientific and technological advancement and technical skills have been given clear precedence over ideological purity or redness just as formal education has to a considerable extent replaced the highly valued experience of the workplace associated with past campaigns.

The effect of the above strategy on the distribution of authority and responsibility in the economic sphere has been substantial. In terms of rural industrial development, much of the previously dispersed authority was to become concentrated first at the level of the hsien and later, in the hands of the provincial party and state planning agencies. Below the level of the hsien the economic importance of commune industrial undertakings has been given precedence over that of the brigade although, since 1976, neither level enjoys the autonomy which it had experienced in the 1968-1972 period. Even the degree of competence of the production team has been seriously compromised by Central policies in spite of frequent exhortations to lower levels to respect team autonomy. Overall, the effect of measures adopted by the central authorities in recent years has been to place restrictions on local planning initiative

with respect to rural industry both through administrative changes and through greater higher level control over resource allocations, to restrict the management autonomy of the enterprise through the establishment of vertical managerial and industrial networks controlled by the provinces, and to bring the entire rural economic system more fully under the control of the unified plan and the Party.

The information upon which the above interpretations are based stems primarily from translations of Chinese press releases from 1970 to May 1978. As a result, the reader is at the mercy of both the filtering processes involving the translator and the selection process involved in my own studies. The scope of the articles chosen was however fairly broad being concerned with rural developments in general and with rural industrialization in particular. These were, therefore, primarily of a local character concerned with the administrative levels at and below the provinces. Unfortunately, the intermediate levels of government (the regions and districts) received little coverage in these materials making it difficult to assess their areas of competence with respect to rural industrial policy. Their absence may indicate that they have not been considered to have played a significant role in rural industrial development although this line of argument remains necessarily weak.¹

In examining the translated Chinese texts, the questions which have been asked are those outlined in the opening pages of the essay which are concerned with the locus of economic planning and management authority with respect to the rural industrial program. Therefore, questions such as which levels are responsible for what type of decisions, and what kind of activities the various administrative levels undertake have provided the major focus of the examination. In addition, directives passed down by the Centre, or central policies outlined in the official Party Press, the People's Daily, have been relied

upon to a considerable extent as indicators of the direction of change even though evidence of their application by lower levels is not readily available.

Judgements made with respect to the distribution of economic planning and management within the present system have been based upon the descriptive content of the articles as well as upon the frequency with which certain levels of administration receive mention in connection with rural industrialization. For example, during the 1969-1973 period, reports on county-level involvement in the rural industrialization program clearly reflected the importance of the hsien in the over-all strategy for rural mechanization. The importance of the hsien as revealed in these reports was supported by the observations of visiting experts to China during and immediately following this period.² Similarly, press coverage of the brigade's role in initiating rural economic undertakings was likewise substantiated by first-hand observations. Since 1975, however, the rise in provincial and commune levels of economic activity appears to have overshadowed the economic role of these other levels based upon the frequency and content of the reports dealing with activities undertaken at these levels.

In enterprise management, the deployment of work teams to lower level production units, increased frequency of telephone conferences between higher and lower levels, more emphasis on on-the-spot investigations, the establishment of special bodies to monitor compliance with standards of quality and output performance have all been interpreted as indications of greater central concern and higher level interference with management decisions.³ Attempts to establish universal accounting practices and financial management committees in conjunction with direct interference in the areas of credit and loans and income distribution procedures indicate a narrowing of the financial competence of the individual enterprises and production units.

Using the above criteria as the basis for an analysis of changes in the

distribution of economic decision-making authority at and below the provincial level since 1972, and particularly after 1975, the remainder of the chapter has been divided into the two areas of economic planning and production and financial management in connection with the rural industrialization program. Following this a summary of the changes in the distribution of authority and responsibility between administrative levels, especially as compared to the Cultural Revolution policies with respect to rural industries, will be given.

Centralization of Planning Authority After 1972:

The Chinese economy is predominately a planned economy and as such, the 'unified plan' has always, in theory at least, received top priority. Not even the most 'radical' elements within the Party (while encouraging greater administrative decentralization) have openly advocated going against the central plan. In spite of this basic consensus over the central role of the unified plan in the Chinese economy, we have already seen that a considerable lack of agreement at the Centre has existed over questions concerning which sectors the plan is to include, how specific the plan should be in handing down targets and assignments to the lower levels and primarily, over where the planning initiative should lie. Should preliminary plans be forwarded to the centre from the lower units or vice versa? How much flexibility should be allowed in the implementation of the plan?

Since 1959, the majority of the Party and State leaders have fully rejected the excessive centralization of planning associated with the Soviet model of the 1950s. Following this, however, there have been repeated attempts to determine the optimal distribution of planning authority within the economic system, one which would be both economically efficient and politically acceptable. The Constitution of the PRC places authority for the national economic

plan and the state budget in the hands of the State Council (P.R., No. 11, 17 March 1978, 11). Local People's Congresses, which are the local organs of state power are empowered by the 1978 constitution to:

...ensure the implementation of the state plan;
make plans for local economic and cultural development and for public utilities; examine and approve local economic plans, budgets and final accounts. (ibid, 12).

In practice, the struggles over the desired locus of planning have involved not only a struggle between higher and lower levels of the administration, but also between Party and State at the same levels of the administration.

Maintaining the separation of function between Party and State with respect to planning has proven to be an almost impossible task. As Barnett's study of the state administrative levels in the 1960s indicates, the overlapping membership between Party and State cadres is significant at all levels of the administration. It is virtually complete at and below the level of the hsien (Barnett, 1966, 430). He concluded from this that Party control over the decisions and functions at each level of government was assured, a condition which threatened to create conflict within the Party itself over its proper role in the modernization of the country.

The questions which Barnett raised in connection with the role of the Party in administrative tasks were concerned with the issues of specialization versus general skills or redness versus expertise, which have long been a source of debate within the Party. There is also another issue which is raised by the approximation of Party and State in connection with a decision to decentralize administrative competence. In linking its interests to a particular level of administration, and in actual fact, becoming a level of administration itself, the local party committee has tended to lose sight of the general picture. The check on localism which the Party provides by virtue of its overall

perspective is thereby weakened. This became evident during the Great Leap when the party committees of the provinces began to develop independent economic systems at odds with the overall plan and resurfaced under the decentralizing influence of the Cultural Revolution. During this period, the role of state planning was seriously downplayed. As a result of the narrow economic localism that characterized the period, growth in certain sectors of the economy was impressive while the overall economic picture was far from satisfactory.

In the five years between 1967 and 1972, China's grain production had increased by just over 4 percent while her population had grown at an estimated 2 percent per annum. On the whole, it is estimated that food production, including animal and vegetable sources probably only just matched population growth while industrial crops fared little better (Eckstein, 1977, 210 and 226; 211-212). At the same time, small-scale industrial growth in some areas at least had been impressive. The output of small-scale cement plants quadrupled reaching 50 percent of total national output.⁴ Small-scale production of tractors (15 horsepower garden units) increased eight-fold, machine tool production doubled while small-scale fertilizer plants began to produce more than 50 percent of China's nitrogenous and 75 percent of its phosphate fertilizers.

This upsurge in rural industrial growth was not achieved without negative consequences especially in the form of raw material shortages (coal and iron ore in particular), and transportation bottlenecks similar to those experienced during the Great Leap. Agricultural performance had failed to show any dramatic improvement while regional disparities in economic growth had begun to assume strategic importance in the future overall growth of the economy.

Opposition to anarchy in planning had, as Riskin suggests, become a

generally accepted position by 1972 (Riskin. 1978a, 98). In the rural industrial sector, in addition to the raw material shortages, wide discrepancies in product quality, neglect of machinery repairs, product duplication and waste, and localism (neglect of the unified plan) were widespread problems. Agricultural production suffered from an underinvestment of time, labor and capital, all as a direct consequence of the diverting of resources into the more lucrative industrial sector (FBIS, 18 June 1971, C8, D2; 10 June 1971, G2).

Other problems included the neglect of backward teams and brigades as county and commune planners naturally attempted to channel their investments into the more productive areas guaranteeing higher returns. Two factors tended to encourage this neglect. The first was the excessive emphasis on self-reliance which, given an unequal distribution of resources, fostered uneven growth between regions. In addition, basing local government income primarily on local industrial profits encouraged greater investments in those regions where a higher agricultural surplus could guarantee a market for industrial goods. It also tended to foster expansion of the sideline production of industrial crops at the expense of low-earning food crops frustrating the nationwide goal of local self-sufficiency in grain production (FBIS, 12 March 1973, D2). Such redistributive mechanisms as existed failed to offset the trend toward greater inequality between rural units.⁵

The first steps taken by the centre to rectify the rural economic situation were to re-establish the primacy of agricultural production in the national development strategy which involved reasserting the autonomy of the production team with regard to questions of labor allocation and production management (SCMP 5209, 24 August 1972, 54-56). Commune and brigade management committees were subjected to hsien-led investigation and rectification for

the illegal drafting of team labor to service their industrial concerns and for the encouragement of industrial crop and sideline production to the neglect of grain (SCMP 5196, 6 August 1972, 114-117). And, despite the increased polemics evident during the early 1970s with respect to advancing to a higher stage of socialist ownership, the 1975 Constitution reaffirmed the three levels of collective ownership with the production team as the basic unit of account (P.R., No.4, 24 January 1975, 14).⁶

With respect to independence in economic planning, team autonomy has, in practice, been circumscribed by its prior obligations to the State in terms of agricultural taxes and procurement quotas for agricultural and sideline production. There are indications, however, which suggest that, at least in the early 1970s, the team was able to influence a revision of the plans when they were judged to be excessive in their demands. Such was the case of a production team in Fukien Province which was successful in opposing county plans to expand the acreage of rice paddies (FBIS, 16 March 1973, C1). Bastid has also noted that during this same period the production team was free to reject advanced production experiences such as the Tachai model (Bastid, 1973, 178). In a more negative light, the teams have simply failed to fulfill the assignments handed down to them which have been deemed unacceptable although this form of opposition is soundly discouraged (SCMP 5158, 6 June 1972, 94-96).

Within the guidelines of the 'unified plan' the right of the team to determine its own seed selection, sowing times, land reclamation tasks and manpower allocation has been constantly reaffirmed in directives from the centre and violations of these rights by commune and brigade management committees have received harsh criticism. In spite of these repeated attacks on transgressions of team rights, the situation remains unresolved. In some cases it

appears to have worsened to the point of the misappropriation of team funds and materials (FBIS, 17 Feb. 1978, E16). The strategic role of the production team in the push to mechanize agricultural production has to be seen as the primary instigation of this continuing conflict of interest in the countryside.

China's rural industrialization strategy is heavily dependent upon agricultural output since it is agriculture which, in the initial stages, provides the capital, raw materials and labor inputs necessary to generate industrial growth. Its ownership of the major portion of the means of agricultural production makes the production team an important economic actor in the rural industrial sector even though it does not necessarily own or operate its own enterprises. Team income distribution plans which govern the allocation of funds for consumption and investment, its manpower allocation decisions, as well as the type of crops grown and the extent of team sideline activities are necessarily of immediate concern to hsien, commune and brigade enterprises which depend on these inputs from agriculture to sustain their growth. There is, therefore, a constant pressure upon these levels to interfere with team plans, an activity which has to date tended to have a negative impact on agricultural performance.

As the pressure for rapid mechanization increases, as it has in recent years, the contradictions inherent in the desirability of team autonomy and the dependence of rural industrial growth on agricultural output are likely to be exacerbated. This may encourage the adoption of even greater controlling mechanisms than those already exercised by the centre to prevent the undesirable violations of team autonomy. On the basis of present information, higher level interference in the planning processes of the production teams already appears

to have begun.

Since 1976, the centre has attempted to provide a degree of predictability in terms of the availability of team resources for the rural industrial program. Most of these 'reforms' have been concerned with questions of management and financial practices and will be treated in the following sections. A major change has, however, occurred with respect to the annual team plans which, until very recently, have in the fashion of all other production units been formulated at the beginning of the year in accordance with the targets and quotas established by the state plan, and further refined by the communes and brigades (Bastid, 1973, 169). As of April 1978, production teams have been required to publish their production plans one year in advance (FBIS, 13 April 1978, G1). The objective is to permit greater certainty in formulating plans for investment in rural enterprises since the amount to be shared between state, collective and individual are predetermined. Under the system of fixed production quotas in which tasks, time limits and work points are fixed, it is the production unit (and the individual peasant) which will bear the burden should the plans remain unfulfilled at the end of the year (FBIS, 15 March 1978, H8).

To ensure local cooperation with this new policy large numbers of higher level cadres have been sent down to 'assist in formulating' these advance plans. In this way, the leadership hopes to regain some control over the basic-level planning activities while retaining some measure of local flexibility by concentrating authority to its work teams operating in the field. It would appear from present trends that the production teams will be closely supervised by the higher level cadres (from the hsien level and above) to ensure that the goal of rapid agricultural mechanization will not be sacrificed to the immediate consumption gains of the peasantry.

The degree of competence enjoyed by the communes and brigades in promoting the rural industrial strategy has also suffered a setback as a result of the recent upsurge in the pace of rural industrialization. During the 1968-1972 period, this largely unplanned sector of the economy had experienced perhaps as much autonomy in planning as it had during its initial phase of expansion under the influence of the policies of the Great Leap. By 1972, signs of restraint had begun to appear which increasingly affected the ability of these two levels to initiate new projects. One of the earliest indications of a curbing of activities was the cutback in team labor which could be drafted by these industries to the 5 percent levels established in 1962 (SCMP 5196, 6 Aug. 1972, 114-117).

Given the labor-intensive nature of these enterprises, these cutbacks necessarily imposed severe restrictions on the expansion of existing undertakings. As a result, considerable violations of labor practices continued to frustrate the central authorities (SCMP 5456, 4 Sept. 1973, 30). An indication of the seriousness of the labor question appeared as late as November 1977 when directives issued from the centre demanded that commune and brigade enterprises interfering with agricultural production "should be resolutely chopped off." (FBIS, 9 Nov. 1977, H11).⁷

Commune and brigade authorities also were under attack during this period for their neglect of agricultural machinery repair services while pursuing the more lucrative interests which brought them into competition with hsien-level industries for resources (FBIS, 28 Feb. 1973, H7). Criticisms were also levied against the production of complete units rather than machinery parts which could be mass-produced and coordinated on an industry-wide basis. As a model for emulation (one of the most widely practiced means used to achieve uniformity throughout the system) the centre cited one region in which seventy-

seven plants had cooperated to produce a single tractor (SCMP 5982, 13 Nov. 1975, 76). This practice, the centre argued, permitted a reduction in the number of new factories being built, limited the demand for labor by taking advantage of mass production and satisfied the demand for uniform standards of production while reducing overall costs.

The actual impact of these attempts to reorient and restrain commune and brigade industrial practices remained frustrated throughout the 1972-1976 period by the increasing intensity of the power struggle between 'moderates' and 'radicals' being waged at the centre.⁸ This struggle, which in 1976 became an open conflict over the rights to succession, involved in its broadest implications the right to determine the direction which China's future development would take. In a more limited sense, the conflict revolved around the question of priorities with respect to the role of social organization as opposed to technological change in promoting socialist development.

The implications of the above conflict for the distribution of administrative power and responsibility within the system remain obscure.⁹ The Party (particularly the local party committee) stood to gain in administrative influence from a policy relying on the mobilization of the masses primarily through the use of ideological exhortation to expand the basis of collective ownership. In contrast, industrial development on the basis of technological change would encourage the introduction of systems and standards of production, foster the role of expertise and the use of material incentives to reward excellence in production performance and in general, would enhance the role of specialized state industrial branches in directing rural industrial development.

The strategy preferred by the 'radicals' was one of expanding the commune economy on the basis of rapid growth achieved through local initiative and the

local planning responsibility. It therefore envisioned a substantial devolution of planning authority to the locality while the local party committee, through ideological education, would shoulder the responsibility of guiding local economic development along the lines of national objectives. The local party committee was to act as a check on narrow economic localism.

This approach, the moderates charged, had led to anarchy in production planning and had encouraged the growth of capitalist tendencies among commune and brigade-run enterprises (FBIS, 6 April 1978, E11). To the moderate faction it was precisely because of the increased economic importance of the commune and brigade-run enterprises in the overall economy that it was deemed imperative that higher level control be exercised. The production inefficiencies, high costs and economic instabilities of these basic-level industries could no longer be tolerated in a system in which their economic role had advanced to the point of threatening overall economic stability. "This state of affairs" the leadership argued, "must be changed rapidly. The development of commune-run and brigade-run enterprises including their production, supply and marketing activities must be included in the local plans at and above the county level." (FBIS, 6 April 1978, E12; emphasis added).

With this decision, the authority which had devolved to the commune and brigade levels of industry (by virtue of their inclusion in the unplanned sector of the economy) ended. Of particular interest in relation to the above decision was the universality with which it was to be applied. Even those industries which were economically operated at the commune level were to be included under a higher level planning authority. In contrast to Maddick's proposal that local administrative maturity should bring added authority to the locality, the Chinese case since 1976 indicates the difficulties involved in decentralizing authority over economic development when the economic

importance of local industries begins to affect national economic concerns.

The decline in commune and brigade authority in setting out plans for the development of their own enterprises did not signal an increase in the importance of the county-level planning authority. At the Second National Conferences on Learning From Tachai in Agriculture and From Taching in Industry held in December 1976 and April 1977 respectively, the division of competence between hsien and provincial authority with respect to the rural industrialization program was outlined. In building Tachai-type counties, the hsien party committee was to act in the capacity of a key link according to the six criteria established by Chairman Hua Kuo-feng.⁹ This did not mean that the county would provide the main initiative in promoting rural industrial development. The primary role of the hsien was to act as a coordinating link for policies and plans established higher up in the administrative hierarchy, and to mobilize the energies of the masses to fulfill the ambitious plans of the leadership. The initiative in the movement was to come from the provincial and/or prefectural levels (P.R., No. 2, 7 Jan. 1977, 17).

As far as agricultural mechanization was concerned, the provinces were clearly to take the lead:

The situation will improve rapidly if the provincial party committee firmly keeps leadership of agricultural mechanization in its own hands, the secretaries take command of it and the whole party takes action to integrate agricultural mechanization with the movement to learn from Tachai in agriculture and develop agriculture and industry at the same time. (FBIS, 2 June 1977, E14).

To meet this demand planning and coordinating agencies have been set up at the provincial levels to oversee commune and brigade industrial operations (Riskin, 1978b, 686). In addition, higher party cadres at the level of the provinces, municipalities and central departments have been urged to become 'experts' in

understanding economic development as well as paying attention to ideological work and class struggle (P.R., No.2, 7 Jan. 1977, 17).

This emphasis on expertise may represent an attempt by the Party to avoid suffering a loss of influence vis à vis the state planners where planning decisions of a highly technical nature need to be taken. The concentration of effort on acquiring the requisite skills to make such decisions at and above the level of the province suggests that much of the planning and decision-making concerning industrial development will be supervised, if not actually undertaken, by party experts in the traditional centres of industrial activity. At the same time, organizational skills and ideological fervor remain important features of the county-led strategy to promote the physical transformation of the countryside through the use of mass campaigns.

The emphasis of the industrial strategy is clearly on expanding the basic industries in steel, mining, chemicals, fuel and power, industries to be undertaken by the ~~centre~~ and the provinces. Attention therefore is to be paid to the conservation of materials, energy, and capital in the mechanization of agricultural production, a strategy which demands a higher level of authority in planning the allocation of these still scarce resources.

In terms of the planning authority for rural industry, the present system represents a fairly substantial reconcentration of power in the hands of the provincial party apparatus. In comparison to the 1968-1972 period, the hsien has declined in importance as the planning level for much of the industrial expansion at and below the county. The hsien now appears to be much more important as a supervisor or coordinator of lower level industrial development activity acting in the capacity of a field administration for the provincial industrial planning apparatus, while the largest portion of rural industrial activity is now occurring in the communes. At the same time, both

the provinces and the hsien have deconcentrated at least some administrative authority to workteams sent down from higher levels to oversee the implementation of Party policies but also to provide the necessary first-hand observation of local reactions to plans formulated by higher levels. Although official Party pronouncements insist that local input into rural industrial planning is significant, the emphasis on technological improvements and economic efficiency and the priority given to developing the basic industries suggests that such input as there is from the locality must necessarily be limited.

It should be emphasized that the present industrial planning system does not represent a return to the highly centralized planning apparatus which dominated the early 1950s. Nor is there evidence of the centrally-operated trusts which, during the 1961-1965 period, began to operate as virtually independent industrial systems beyond the reaches of local governments. There continues to be a substantial devolution of authority from the centre to the provinces with respect to industrial planning, and formal Party statements indicate that regional economic development (referring to the self-reliant development of the six major territorial regions of the north, northeast, northwest, southwest, central-south, and east China) will continue to dominate the Chinese approach to planned economic development (P.R., No. 22, 27 May 1977, 17).

The Decline in Basic-level Production and Financial Management After 1972:

As is the case with respect to economic planning, the 1970s have witnessed a gradual decline in local authority and control over production and financial management in the producing units and rural enterprises. Two trends, in fact, appear to be underway simultaneously. The present period of economic mobilization has encouraged a movement toward higher level control over the management and accounting practices of rural industries by making them accountable, not to the demands of the local population or authorities, but to plan-

ners at higher levels of the state administration. This reflects the overall trend in industrial development to respond to functional rather than to territorial branches of the administrative apparatus.

A second trend, marked by the recent shift toward the adoption of profitability as a means of evaluating the performance of an enterprise, suggests that at least some of the production decisions have devolved to the enterprises themselves as they respond to the demands of the market for their goods. In general, the pattern appears to be one of establishing management principles and practices as well as accounting procedures and production standards at all higher levels while leaving to the factory management the responsibility to make the necessary decisions concerning how the criteria of profitability, given the limited availability of local talents and material resources, is to best be met.

Self-reliance in rural industrial development does not, as Perkins points out, mean that each local enterprise is to become completely self-sufficient in production but rather that the enterprise expects to receive inputs from within the planning system in which it operates (Perkins, 1977, 15). In practice, commune and brigade-run enterprises receive the majority of their inputs from within their own county while the county, in turn, receives inputs from the major urban factories controlled by provincial planners (SCMP 5906, 7 Oct. 1975, 213-214). This assistance comes to the factories in the form of advice from technical experts, transfers of technology and used equipment. Only in the most backward communes and brigades or in the case of natural disasters can the local units expect financial or material assistance from the State (SCMP 5982, 13 Nov. 1975, 73-77). To speak of enterprise autonomy therefore one must speak only in relative terms for the dependency of lower level units upon provincial or central inputs of advanced technologies necessarily limits the

degree of freedom with which the local authorities are able to execute their plans. As basic level plants are pushed to adopt more advanced production techniques requiring even greater inputs of modern technology and up-to-date equipment, the independence of rural enterprises is likely to be increasingly compromised. The choices made by policy-makers in terms of the promotion of modern techniques versus indigenous technological innovation will have a large impact on the management autonomy of local firms.¹⁰

The autonomy of local industrial undertakings is also affected by the extent to which the policies adopted by the Centre encourage the development of small but complete local industrial systems as opposed to greater specialization and production of components. The former reduces the demand for expanded transportation networks and for the vertical coordination of production. The disadvantage lies in the restricted market which the plant can serve which will ultimately limit growth. A policy favoring small complete plants also encourages a duplication of production and a subsequent waste of scarce raw materials since the smaller plants typically have less efficient production processes.¹¹ It might, however, be economically efficient in the short-run as it enables the employment of rural labor in the offseason and at wage rates below those of the larger urban enterprises. It also makes possible the use of inferior inputs in the form of raw materials and equipment and depends less on the standardization of product quality.

The choice of large-scale specialized production on the other hand, while taking advantage of economies of scale, requires extensive interplant coordination. It also increases the pressure for standardization of product size and quality, for more accurate planning and detailed output targets, and an efficient transportation and communication network which will ensure that the final

product will be assembled and delivered where and when it is needed. The administrative demands of this strategy are therefore much more complex than those required by the small and complete model. More importantly in terms of the present discussion, the administrative requirements of the latter pattern of industrialization necessarily involve a higher level of authority and responsibility both for planning and for economic management in order to coordinate the production efforts of multiple local firms.

The decisions of policy-makers over whether to adopt a rural industrialization program based upon small but complete units versus large-scale specialized production and indigenous labor-intensive techniques versus modern technology and greater capital requirements will be influenced both by the availability of the necessary resources for the adoption of either strategy and by the preferences of the leadership, on political, social or economic grounds, for one strategy over the other. In the 1950s, China had neither the necessary infrastructure nor sufficient capital to choose the modern, specialized system of industrial organization unless it was willing to limit rural industrial development for an extended period of time, rely heavily on foreign assistance to subsidize the modern industrial sector, and forego its political goals of reducing the gap between city and countryside, workers and peasants, and mental and manual labor. By the 1970s, however, many of these conditions had changed.

Improved transportation and communication systems, an expanded modern industrial and technological base, greater numbers of experienced administrators and skilled technicians had by the 1970s increased the possibility of developing modern industrial networks linking the rural areas to the city. This base was not so large nor so improved as to achieve the simultaneous development of vertically integrated modern industrial networks on a country-wide

basis. Some of the more industrially advanced plants and regions could be expected to benefit initially from the stimulus to production which the integrated systems would create while others would for some time be required to fall back on their own resources. As an alternative the leadership could opt for the development of independent local industrial systems relying on both modern and indigenous inputs which would be coordinated with developments in education, culture, health and welfare services on a territorial basis perhaps at the level of the hsien. This model would provide for slower growth in the initial stages and would still require some dependence upon outside technical assistance as well as a higher level redistributive process to offset the imbalances in the distribution of natural resources but would also induce local plants to produce to meet local needs and encourage mass initiative in advancing community development.

The strategy adopted by the leadership since 1976 appears to conform more closely to the pattern of vertically integrated specialized production processes than to the latter model discussed. The present rural industrial policy represents an attempt to fully exploit the resources of communes, brigades and production teams to feed the expansion of vertically controlled specialized industrial systems operated by the provinces. Agriculture and mainly sideline production will supply the inputs to achieve the rapid expansion of commune and brigade industries using indigenous techniques of production which will, in turn, generate the capital to provide the modern technical inputs to county and provincial industries. The process is best illustrated in the following account of Chairman Hua's statements to the Fifth National People's Congress:

In order to rapidly develop agriculture, it is essential to engage in socialist agriculture in a big way, carry out large scale farmland capital

construction, and use modern technology to mechanize agriculture. All this requires large amounts of capital equipment and technical forces. Where does the capital come from? Since agriculture's financial accumulation is very low, the problem should be solved by relying mainly on the efforts to develop rural sideline occupations and on the financial accumulation of the commune-run and brigade-run enterprises. (FBIS, 6 April 1978, E10).

In those areas in which commune industries are more advanced they will also serve large industries (FBIS, 27 Feb. 1978, E10). In other words, the advanced commune-run industries are, like the county-run factories, to be integrated into the provincially controlled vertical industrial systems which will supply agriculture with its needed machinery. The cycle is thereby completed without large-scale capital inputs into agricultural machinery production from the Centre.

The establishment of interdependent systems such as that presently pursued by the Chinese leadership will have certain obvious repercussions on the freedom of local enterprises and production units to control their own production and financial processes. In the first place, since agricultural mechanization is dependent upon locally generated capital, it becomes extremely important that commune and brigade-operated factories produce efficiently and operate profitably. At the same time care must be taken to insure that communes and brigades do not violate the rights or property of the production teams, compete with agriculture for resources or in any way disturb the agricultural cycle. Both of these objectives require increased higher level control and supervision since, as was argued earlier, the natural inclination of the commune and brigade enterprises in responding to higher level pressures to increase production will be to squeeze the production teams for labor, capital and industrial crop production.

The first signs that the commune and brigade-run factories were to play

a strategic economic role in the overall strategy to rapidly develop rural industry appeared at the National Conference on Learning From Tachai held in September 1975. Following three years of attacks against the excesses committed by commune and brigade industries, the clear emphasis attached to this level of industrialization by Vice-Chairman Hua Kuo-feng signaled the introduction of the new rural policy:

The expansion of commune and brigade-run enterprises strengthens the economy at the commune and brigade levels; it has effectively helped the poorer brigades and teams, accelerated farm production, supported national construction and speeded up the pace of mechanization of agriculture. It constitutes an important material guarantee for the further development of the people's commune system. (P.R., No.44, 31 Oct. 1975, 10).

The conference called for the rapid expansion of the entire farm machinery industry and for the development of 100 Tachai-type counties to be realized in each of the following five years. In concrete terms the strategy aimed at the mechanization of 70 percent of the major jobs in farming, forestry, animal husbandry, sideline occupations and fishing by the year 1980 (P.R., No.48, 28 Nov. 1975, 9). The movement, according to Hua, was comparable in importance and scope to that of all preceding experiences in the socialist transformation of agriculture. As in previous campaigns, firm centralized Party leadership was essential, he argued, for the victory of the movement.

Despite the ambitious goals expressed at the conference it soon became apparent that the leadership was not interested in the unplanned expansion of the multiple small-scale undertakings at the commune and brigade levels. Provincial level party committees were directed to strengthen their leadership over the movement (SCMP 5974, 12 Oct. 1975, 167). Priority was to be given to the planned production of parts and a division of labor established between province, county, and commune industrial production with the major concerns

concentrated at the top and minor manufacturing and repairs further down the administrative ladder. Paralleling this division of competence with respect to industrial undertakings the leadership envisioned the establishment of vertically integrated systems of production in which a division of labor would be worked out between levels producing specialized parts. "In this way" it was argued, "the potential of the existing factories is fully utilized and mass production ... made possible without more new factories. As a result, investment needs are small...standards high and costs kept low." (SCMP 5982, 13 Nov. 1975, 76). In Anhwei Province more than 100,000 provincial level cadres in the form of work teams were sent to the basic levels to oversee the implementation of the Party policy, a pattern which was repeated on a similar scale in numerous other provinces and regions throughout 1976 (FBIS, 4 Jan. 1977, G1-7; K3; L5; 13 Jan. 1977, M7).

In spite of the intensified campaign to increase the efficiency of existing enterprises, the impact on agricultural performance by the end of 1976 had been negligible. According to later reports serious disruptions to the economy had occurred in several provinces as a result of the negative impact on production by the "Gang of Four" (P.R., No.2, 7 Jan. 1977, 10-12). Whatever the extent of the damage done to the economy by the struggle for power at the Centre, the winning faction, under the leadership of Hua Kuo-feng clearly intended to make up for past shortcomings. At the Second National Tachai Conference held in December 1976, Ch'en Yung-kuei, vice-premier of the State Council, laid the groundwork for the leap into mechanized farming:

We must race against time, surmount all difficulties and resolutely push forward farm mechanization work ...rely on the masses... and the spirit of self-reliance, make full use of local resources and energetically expand small local industries and manufacture of farm machinery...(P.R., No.2, 7 Jan. 1977, 15).

At the level of the production team, the effects of the mobilization campaign spread to nearly every aspect of team competence. The team's authority to direct its own financial and management affairs has been circumscribed by the presence of provincial level work teams sent down to correct lags in planting, failures to meet the plans for fertilizer collection and industrial crop production, and most importantly, failure to implement the Party's policy with respect to work point distribution.

The practice of allocating work points on an egalitarian basis had, it appears, become a fairly widespread phenomenon among the production teams. Now a uniform system of workpoint allocation based upon quantity and quality of work performed was to be implemented and, in some cases, the old piece-rate system is to be re-introduced. Commune and brigade investigation teams have gone into individual households to demand a return of overpayments. Team accounts and warehouses have been examined for instances of hoarding (FBIS, 18 Jan. 1978, H2; 1 March 1978, H4). In Kwangtung, work teams of county-level banking cadres were sent down to the basic levels to work out distribution plans and to persuade advanced teams to supplement backward teams in fulfilling state quotas (FBIS, 23 Jan. 1978, H4).

Labor management 'systems' have been set up by communes and brigades (under higher level direction) to cover most farming tasks to which fixed production quotas based upon skill, quantity and quality of labor are to be applied. Individual responsibility, or what has been termed 'post' responsibility, has been assigned to team members for the fulfillment of specialized tasks (FBIS, 14 March 1978, J1). Failure to meet the criteria established by these systems results in lost work points. Overproduction will be rewarded.

In order to create additional stability and predictability in income distribution management production teams have been directed to set up

permanent financial management groups consisting of cadres, financial personnel and poor peasants whose responsibilities will include the checking of team accounting practices (FBIS, 22 March 1978, G5). The leadership has also insisted that basic-level accountants not be transferred from one unit to another and has attempted to reinforce this emphasis upon orderly and uniform practices by insuring the stability of the production teams' leaders as well (FBIS, 22 Feb. 1978, G1; 27 Jan. 1978, G5). In contrast to the mass-line emphasis of the 1968-1972 period, the present stress (at least in terms of financial and managerial responsibilities) is on the establishment of permanent posts of responsibility with the primary qualification being the possession or acquisition of specialized administrative skills.

In compliance with central directives to apply credit restraint, teams have been required to repay outstanding loans to the State. Where individual households are unable to meet these requirements, the team accumulation fund is to be used to provide the balance (FBIS, 22 Nov. 1977, L4). This is all a part of the national campaign to cut down on unproductive expenditures, to promote the usage of material incentives among the masses and to increase the financial resources of the State. Beyond this, however, it is apparent that if the rural enterprises are to be included in the state plans at and above the level of the hsien, and if the major portion of the resources supplied to these industries is to come from agriculture, it is incumbent upon the leadership to provide some degree of stability and predictability in the accounting practices and income distribution work of the production teams. This is also the main rationale for the recent interference by higher level cadres in the team's management of its production activities including crop selection and fertilizer collection. The rapid development of the commune economy based upon

the development of local enterprises rests on the capacity of the production teams to expand their output and cut down on waste. The presence of a higher level authority is intended to insure that both of these conditions are being met.

In the majority of the cases reported it has been the provincial and county level work teams which have been employed to oversee these changes in production team practices. Commune and brigade-led rectification has been limited, in all probability, due to the fact that they too have come under fire from higher levels especially in the area of financial mismanagement and in the misappropriation of team labor and funds. Under threat of higher level disciplinary actions communes and brigades have been warned not to engage in any unplanned construction, to cut back on the spending of social organizations, and to reduce the numbers of unproductive personnel to a minimum (FBIS, 22 Dec. 1977, E6). It is in the area of enterprise management, however, that communes and brigades have experienced the greatest degree of provincial and county Party interference.

Beginning in January 1977, provincial level work teams and public security organs began to appear in communes and brigades to check on the implementation of party policy, conduct rectification campaigns and restore order (FBIS, 19 Jan. 1988, H9). Following this, the attention of provincial leaders has shifted to questions of enterprise management, income distribution within communes and profit-making undertakings. Frequent regional and provincial level meetings were held to discuss these issues and work teams sent out to assist communes and brigades in setting up correct management practices in their enterprises involving the establishment of uniform procedures governing management and accounting practices, wage assessments on the basis of work points, and the strengthening of Party leadership over management (FBIS, 3 Nov. 1977, E6). In November 1977 it was reported

M2). In November 1977, it was announced that the revolutionary committees, or organs of mass representation in the factories, were to be abolished. Taking their place would be 'more functional systems' consisting of one and two-man directorships (FBIS, 15 Nov. 1977, E1). Special 'organs' are to be set up to 'take charge' of the work of management reform, to assist in the formulation of commune and brigade enterprise production plans and 'gradually bring these enterprises onto the track of the socialist economic plan' (FBIS, 22 March 1977, J1-2).

In conjunction with the rationalization of basic-level enterprise production, provincial telephone conferences urged the establishment of special organizations under Party auspices to ensure that all enterprises realized a profit (FBIS, 26 Oct. 1977, K4). Profitability, not service to the local community, was to be the yardstick by which the success of the enterprise in fulfilling the objectives of the Tachai and Taching campaigns was to be measured. In a final effort to reduce the accountability of the local industries to their owners, commune and brigade-run enterprises were directed to assume the responsibility for their own profits and losses; they are to become individual units of accounting (FBIS, 22 Nov. 1977, L3). These enterprises now will be responsible only to higher level planning authorities in meeting the goals and regulations established by them and to the market as a guide to production activities.

In January 1978, the People's Daily published an editorial on the reorganization of the farm machinery which effectively spelled the end to small-scale general production of farm machines. Citing proof of the increased productivity of large-scale specialized production, the editorial urged the universal adoption of "specialized and coordinated production techniques...including commune-run enterprises." (FBIS, 25 Jan. 1978, E12). Beyond the concern for increased

productivity was the problem of local designing and manufacturing which ignored uniform product standards. Parts were not interchangeable and machines were standing idle. The answer, according to the present leadership, is the adoption of specialized production of a small range of components by each enterprise (P.R., No.8, 24 Feb. 1978, 13-14). This atomization of production (if it does occur), will effectively destroy the basis for basic-level technological innovation which the small complete plant could provide. This point was argued by the opponents of specialization in 1966 and remains a valid criticism at this time (Andors, 1974, 28). It excludes the role of mass initiative in technological innovation and encourages the role of higher level scientific research which is underway at present. It almost certainly eliminates the possibility of local flexibility in plan implementation and will further the dependence of the local firm on inputs from above.

The introduction of uniform managerial and accounting practices, the standardization of product design and quality, and the emphasis on the production of parts rather than of entire units represent attempts to bring a greater measure of control, stability and predictability to the local economies and thenceforth to the national economy as a whole. The reforms signal an attempt to bring order to the functional division of labor with respect to industrialization between the various administrative levels such that the destructive and destabilizing competition for scarce resources which appeared during the early 1970s can be avoided. They are also indicative of the trend toward the future development of regionally integrated industrial systems linking basic-level production activities to the primary centres of modern industrial activity.

In administrative terms, these reforms have involved a reconcentration of decision-making authority in the hands of the provinces and their specialized commercial and industrial departments. At the same time, through admini-

strative deconcentration, provincial and hsien-level work teams have been delegated the authority to supervise the implementation of higher level initiatives; to educate the local population as to the objectives of programs and policies designed at higher levels of the administration as well as in the acquisition of important skills (accounting and managerial as well as technical), and finally, to act as a channel of communication between the basic-level units and their planning authorities. To what degree this is representative of the 'mass line' in action it is difficult to assess. However, the recent decision to do away with the production unit revolutionary committees would suggest that the provision for mass inputs into the decision-making process is not a high priority issue, at least for the present.

In addition to the administrative changes noted above, there is a third process underway involving the devolution of at least some authority to respond to the demands of the market to the production units themselves. Both this and the independent accountability of the local enterprises indicate a weakening of collective influence over decisions taken by the firms and production teams, although which decisions these are and how much additional responsibility they represent remain matters of speculation. One can only surmise, based largely on circumstantial evidence, that the move to establish one-man enterprise directorships held accountable to commune and brigade industrial branches organized at the provincial level must diminish the number of initiatives originating at the subprovincial level of administration.

From the perspective of the local authorities (hsien, commune and brigade) power has moved out of their hands in both an upward and a downward (or outward) direction simultaneously. In comparison to the 1968-1972 period, the authority to initiate industrial strategy at these levels is substantially reduced. Their primary function with regard to the managerial and financial

decisions relating to local enterprise performance, appears to be a supervisory one. In support of this conclusion is the establishment by the Party of 'special' organizations at the local administrative levels to oversee the implementation and fulfillment of the reform measures introduced by the provinces. This would appear to represent an attempt by the Party to avoid the excessive production unit autonomy associated with the earlier reforms of the 1961-1965 period as well as the narrow economic localism which characterized the 1968-1972 era when local Party influence over economic decision-making was at its height.

Summary

The strategy adopted by the leadership in the 1970s to achieve rapid rural industrialization has once again called for a shift in the planning and management responsibilities between the various economic actors in the PRC. Since 1972, and particularly since 1976, the party leadership has been engaged in an attempt to bring all levels of the Chinese economic system more firmly under a higher planning authority. Unlike the Cultural Revolution strategy which preceded it, the present approach to rural industrial development is not designed to be a comprehensive policy of rural development. It is not a policy geared to the establishment of independent local industrial systems. It is rather an attempt to establish the basis of comprehensive industrial networks relying on modern technology which will link the rural sector of industry to the modern industrial sector.

The objective of the present campaign is to achieve the rapid but controlled expansion of modern industry. It involves the rationalization of economic relationships from the top of the system down to the grassroots factories and production units. Material gain is the prime motivating force in the campaign

supported by a system of rules, regulations, standards of production, quality and quantity even to the levels of the production teams themselves. Linking each level of industrial activity and overseeing the implementation of these regulatory mechanisms are party-organized management and coordinating bodies, special organs linked to higher level organs under various functional departments.

The renewed emphasis on functional hierarchies linking industrial and communications departments at all levels, linking banking and commerce as well as credit facilities indicates that, in addition to increased economic efficiency, improvements in administrative efficiency are among the order of priorities of the present administrative reforms. A further sign that the present leadership continues to be occupied by attempts to close the age-old gap between the formal administrative apparatus and the grassroots society is the increase in the numbers of state cadres who have been permanently allocated to positions in the system below the level of the formal administrative structure.¹¹ In stressing the vertical loyalties of these field agents to their particular functional departments, the centre can hope to avoid the administrative confusion which has resulted from the dual responsibility system arising from the accountability of local cadres to both territorial and functional branches of administration. The emphasis on functional divisions of labor among administrative cadres may also assist in cutting down on administrative costs arising from a duplication of responsibilities and facilitate the return of a large number of administrative cadres to productive labor.

As indicated earlier, the divisions of competence with respect to the present mobilization campaign also appear to conform to functional principles of administration. Agricultural and Industrial Bureaus linking province, hsien, and commune have become the main channel of communication from top to bottom.

There also seems to be developing a division of functions with respect to industry and agriculture between the provincial and county levels of administration. The county is to provide the leadership of the Tachai campaign and to formulate its program for the achievement of the creation of Tachai-type counties as set out in the six criteria. The provinces and municipalities are to provide the direction for the rural mechanization campaign with the Taching oil fields as a model.

Having said this, however, there are also signs that the functional division of responsibilities is related to the size of the project to be undertaken as well as to its nature. In contrast to the emphasis on small-scale locally organized land improvement schemes which characterized the 1968-1972 period, the present trend is toward the creation of massive water conservation and farmland capital construction schemes employing millions of peasants in intercounty cooperative efforts. The locus of authority for these mass movements of men and materials is the province, a suggestion that even here the county may not be as important in initiating programs of this nature as it has been in the past. For similar reasons, the importance of the brigade in this respect is also seen to have declined.

A further major departure from the Cultural Revolution strategy for rural industrial development is seen in the declining role of mass organizations involved in the decision-making processes of the production units, the primary indication being the abolition of enterprise revolutionary committees. Taking their place as the main channels of mass influence in the system will be the revived mass organizations which came under such severe attack during the Cultural Revolution as bastions of conservatism (P.R., No.20, 19 May 1978, 10). The indication is, however, that these will serve more as channels of mobilization for central policies than of instruments of mass influence upon the

centre.

For the moment, the Party continues to play the leading role in the rural industrialization drive. It is, at least formally, considered to be the guiding force in the two mass campaigns gripping the country. Its continued predominance will depend, however, on how quickly party cadres are able to grasp the requisite skills and specialized knowledge necessary to lead a movement that depends upon expertise and scientific training. Present already are pressures from the Party hierarchy upon local cadres to acquire these skills. How this is to be accomplished without running into the problems of bureaucratic privilege and the bureaucratization of the Party which arose during the 1961-1965 period remains unanswered. If historical references are to provide the clues, the leadership may be sacrificing the long-run political stability of the country to the immediate economic gains of the present strategy.

Conclusion:

The case study provided by the preceding chapters illustrates vividly the complexities involved in the attempt to achieve an optimal balance between central and local administrative authority in the PRC. The evidence presented here suggests that the concept of a progressive linear decentralization of authority over locally relevant developmental issues may represent a far too simplistic approach to the development of administrative relations in the modernizing state. Administrative developments in China since 1958 indicate that administrative reform is more likely to be an almost continual process of realigning powers and responsibilities in response not only to changing objective circumstances but also to variations in leadership preferences which arise with the changing circumstances of political elites. The Chinese case also suggests that a concept of administrative development which fails to account for centres of influence outside of the formal administrative apparatus is likely to provide an insufficient guide to administrative reform in the majority of developing states today.

Each phase of the rural industrialization program outlined in the pages above has been marked by major readjustments in the distribution of authority between different levels of the administrative apparatus, between State and Party, and between both of these and enterprise management. Yet at no one time has the direction of the flow of power been the same for all of the actors in the system. The concept of a cyclical process of centralization followed by a phase of decentralization and then a re-centralization of administrative power implies a uniformity within each phase which the evidence clearly fails to support. In addition, in each of the periods discussed, there are indications that a more fruitful approach to the study of administrative decentralization must take into account the various aspects of authority which make up the entire

entire gamut of economic relationships. The present study has examined only two of these variables, administrative planning and enterprise management. It has touched only briefly questions of fiscal and monetary powers. In separating the two functions of planning and management it has become obvious that while a concentration of planning authority may be taking place, it may be accompanied by a marked deconcentration of production unit management. One could go a stage further and suggest that even these variables have been far too general in attempting to ascertain the flow of power and that a further breakdown will be necessary before a more accurate picture of administrative relations can be revealed.

Despite the difficulties encountered in making generalizations with respect to administrative developments in China it is possible to describe some of the processes underlying administrative reform during the past two decades. The materials examined indicate a development of a pattern of functional divisions of labor between territorial administrative units in connection with rural industrial developments. An examination of the role of the hsien in this regard offers an interesting example of leadership attempts to align administrative functions with resource availability.

The hsien has been a remarkably stable unit of administration for centuries. Although it has been adjusted in size from one period to another its geographical boundaries have remained unaltered since 1958. This may be due to the resistance to change of traditional reinforcing patterns of social, political, and economic interactions, or to the discovery that the hsien is an efficient unit of administration in terms of costs (Whitney, 1970, 167 and 170). It may also be due to shifts in the rural industrial strategy in the early 1960s which built upon the strength of these traditional patterns.

In the administrative reforms following the Great Leap Forward (1958-1961)

the hsien assumed a strategically important role in rural industrial development serving as a major coordinating link between the modern provincial industries and the communes and brigades and for the development of a modern agro-scientific network. It also began to serve as the industrial base for the development of agricultural support industries producing water pumps and chemical fertilizers. The importance of the hsien in the new rural strategy stemmed from the traditional position of the hsien capital as a centre of rural economic interaction. The rural industrialization strategy which began in the early 1960s shifted the emphasis away from a reliance upon the development of village industries toward the development of a rural industrial network based in the towns; it represented a balance between a strategy emphasizing the support of the modern industrial sector for rural mechanization and the Great Leap strategy emphasizing village-level industrial developments (Sigurdson, 1977, 15).

Between 1968 and 1972, the powers of the hsien were further expanded to accommodate the new emphasis in the rural industrial strategy on the development of self-reliant rural economic systems. The industrial base of the hsien which had been expanded in the early 1960s now was enlarged further to include the production of steel, cement, and small farm machines, development of the infrastructure necessary to assist commune and brigade industrial expansion. After 1976, the capacity of the hsien to initiate industrial activities declined as the emphasis in industrial development shifted to give priority to the development of vertically integrated industrial networks in which the role of the hsien would be reduced to that of a coordinating link, again between the provinces and the communes.

These developments in hsien-level administrative responsibilities illustrate the functional approach to administrative development which has been adopted by the Chinese leadership. They also provide evidence of the importance

of various factors in determining the level of authority for a given policy. The traditional socio-economic strength of the hsien provided it with the necessary resources to enable it to play an important rôle in a strategy emphasizing rural towns as the locus for rural industrial developments. At the same time, the discussion above reveals the impact of the choice of strategy adopted by the leadership on the distribution of planning authority within the system. In the 1950s the emphasis on modern industrial development led to a concentration of planning authority at the centre. The Great Leap strategy of developing both modern and small-scale village industries simultaneously encouraged a concentration of power at the provincial and commune levels of administration. In the 1970s, vertically integrated industrial production has led to a concentration of planning activities at the provincial level.

The impact of strategic choice on planning is paralleled by that of local leadership preferences with respect to the system of incentives and the technology adopted, the nature of the enterprise and of the industrial network on the distribution of authority both between actors at a given level of administration as well as between levels of the administration itself. In the 1968-1972 period, the emphasis on the development of small plants relying in large part on indigenous technological innovations to produce whole machines and integrated with local developments in education, health-care, culture, etc., encouraged the adoption of the 'mass-line' in both planning and management of local enterprise activities. The stress on non-material incentives, on redness rather than expertise led to a concentration of authority in the hands of the local party committee. Enterprise management was to devolve to the workers themselves guided by the enterprise party committee.

At present the adoption of material incentives has led to outside interference in the accounting practices of production teams, communes and brigades.

The stress is on specialized skills and on management expertise rather than on worker participation in management decisions. Technological modernization and product specialization have taken precedence over indigenous technological innovations and the production of whole machines, a move which has led to the concentration of authority for the establishment of rules and regulations governing production in the hands of technical experts in special provincial industrial departments. Expertise, not ideological purity, is the objective of recent changes in the educational system. It is this emphasis on the acquisition of specialized skills which threatens to swing decision-making power away from the Party into the hands of the better qualified state cadres. The recent push to ensure that party cadres acquire advanced economic skills would suggest that the Party has been put into the position where it must struggle to retain its hegemony over decisions concerning economic planning and management.

The foregoing discussion indicates that knowledge of leaders' priorities with respect to the broader objectives of administrative decentralization (i.e. socio-economic development, administrative efficiency, ideological conformity) will not provide sufficient information to assist administrators in determining the pattern of administrative relations to be adopted. The Chinese case illustrates the importance of the impact of leaders' choices of strategies, and leaders' preferences with respect to operational criteria upon the distribution of responsibilities and the pattern of administrative relations adopted. A similar conclusion regarding the impact of leaders' choices of policies was reached by Moshe Lewin in discussing Stalin's role in determining the nature of the Soviet economic system in the 1930s:

While the influence of individuals on historical phenomena should not be overstated, it cannot be ignored that in the pyramidal power structure the men or man at the top is more than an individual: he is an institution, a powerful one. Although he is part of a larger system that imposes re-

straints on him, his actions can have lasting influence on the history of the country, provided he is powerful enough.

(Lewin, 1974, 101).

The present study also suggests that administrative flexibility, that is the capacity to shift administrative responsibilities in order to accommodate changes in the choice of strategy adopted, may be a more important factor in securing economic development than is the pursuit of the more rigid symmetrical distribution of administrative authority suggested by Maddick (1963, 226). Although the impact of the modernization process on the distribution of administrative authority is discussed in the Western literature surveyed, flexibility is usually discussed in terms of altering the geographical boundaries of the territorial units. In China this has not occurred (at least since 1958); instead geographical stability has been a significant feature of administrative developments in the PRC. Since others have pointed to the problems involved in redefining territorial administrative units in countries where geographical loyalties remain strong, the Chinese case may offer a more workable solution to the problems of administrative flexibility in the newly developing state. (Whitney, 1970; Parish, 1976).

In conclusion, a final word should be offered in connection with the choice of administrative concepts employed in this study. Although the usefulness of the concept of the progressive linear decentralization of administrative functions has been brought into question by this analysis of China's administrative experience, the terminological distinctions made between the deconcentration and the devolution of administrative authority have proved to be extremely helpful in breaking down the monolithic discussions of decentralization which have been most often applied to the Chinese case. Even the distinctions made by Schurmann (1968) between decentralization one (1) and two

(2) remain far too general to provide a detailed account of the resulting distribution of administrative authority. Townsend (1974) too fails to discuss decentralization in China in all but the most general of terms. Bastid's study of economic decision-making (1973) is a possible exception in this regard although she neglects to make a sufficient distinction between deconcentrated and devolved authority.

Making the distinction between the deconcentration and devolution of administrative functions not only enables one to gain greater insight into the Chinese approach to administrative development but also increases the possibility of conducting cross-national comparisons between the PRC and other developing states which while sharing many of the developmental problems confronting the Chinese leadership may not share similar party-systems or state systems. Despite the neglect of the role of one-party systems in the administrative developments discussed in the literature surveyed, it has been possible to identify similarities of function between administrative field agents for example, and work teams of cadres sent down to the lower levels of administration. Terminological consistency can only add to the potential of identifying the common features of and functions performed by different groups of actors in other states' administrative systems.

Notes to the text:

Chapter One:

1. The terms devolution and deconcentration of administrative functions appear frequently in the literature dealing with local government. I have used the terms as defined by Maddick in his work Democracy, Decentralization, and Development (1963). Maddick defines decentralization as a combination of devolution and deconcentration of authority. Devolution refers to the legal conferring of powers to discharge specified or residual functions upon formally constituted local authorities. Deconcentration, on the other hand, involves a simple delegation of a central authority to field staff of a central department and would be considered more characteristic of the highly centralized Soviet model of development adopted by the Chinese in the 1950s and of the system of centrally organized and controlled coordinating bodies of the so-called Liuist period (1961-1965), although I would suggest, much less clear-cut in the latter case.

Chapter Two:

1. Considerable evidence was brought to light as a result of documents released during the Cultural Revolution that the Party leadership was divided on several major issues during this time. Although much of this 'evidence' has been dismissed as propaganda, several studies have shown that these charges made by the Red Guards may not be entirely without foundation. McFarquhar's study of the period indicates that there were indeed several issues of contention among the leading members of Party and State at the time. The fact the Mao was reported to have been forced to go over the heads of the opposition in the Central Committee on this issue is an indication of the degree of divisiveness at the Centre over the desired policy to be adopted. See R. McFarquhar. The Origins of The Cultural Revolution: Contradictions Among The People, 1956-1957. (N.Y.: Columbia University Press, 1974).
2. According to Schurmann there were two options to decentralization offered at this time. The form which this decentralization was to take was, he argues, determined by the perceived social and political consequences involved. Decentralization 1, or decentralization to the level of the production unit, would entail the adoption of material incentives and the ideologically undesirable consequence of reliance on the market for the allocation of resources. Decentralization 2, or decentralization to some level of local administration, would put decision-making under Party control and would rest on social mobilization primarily through normative appeals in order to achieve an increase in economic growth. Apparently the controversy arose over the desire to apply a combination of these two strategies or alternatively, the adoption of only the second. The dividing line seems to correspond closely to that which existed between advocates of the strategy favoring the adoption of material incentives to stimulate the economy and those opposed to such a move. In institutional terms, the struggle appears to have been waged between the

State Planners who stood to lose more authority if the second strategy was adopted and the Party which would gain in power. See Schurmann(1968) particularly pages 188-210 for details.

3. Red Guard publications from this period still provide the best detailed account of the problems associated with the Liuist strategy. For details the reader should consult SCMM 605, 11 Dec. 1969; 651, 22 April 1969, 1-10; 653, 5 May 1969, 21-31.
4. Stephen Andors and Charles Bettelheim were perhaps two of the most optimistic Western writers at the time over the positive impact of the role of these institutions in bringing the influence of the workers to bear on decisions concerning economic management. Others were not as readily convinced. Livio Maitan argues that with the exception of the lowest levels (and only then at the very early stages) the revolutionary committees remained in PLA or 'old cadres' hands and election to these committees eventually gave way to selection and Party approval. He concludes that no true instruments of mass representation were permitted to exist by the leadership. For further details of the two sides of the debate see Andors,S.(1974), Bettelheim(1974) and Maitan (1976), especially pp.246-266.

Chapter Three:

1. Sigurdson includes the region as an important level in the rural industrial strategy as an intermediate level between the province and the hsien. However, he fails to define what in his study constitutes a region. The number of regions given for China based upon a 1965 publication is placed at 192. Since this does not conform to the number of special districts which Barnett (1966, 115) places at 151 based on 1963 data, there is little reason to assume that Sigurdson's "regions" correspond to the special district level of administration. Since there is little reference to the regional role in the press translations used for this study, I have not included it in my analysis. Sigurdson admits that there are a limited number of enterprises at the regional level. (1977, 36). This may explain the lack of attention in the press.
2. For a coverage of the reports of visiting experts to China during this period the reader should consult Bastid (1973), Sigurdson (1977), and Perkins (1977) as noted in the accompanying bibliography.
3. These 'criteria' are adopted from Victor Falkenheim (1972).
4. This and the following information are adapted from Appendix B., Table B1, 165, and B2, 166-167, in Field, Robert (1975).
5. There is little specific information regarding the actual redistributive mechanism at the basic levels. Reports in the media indicate that, at least at and below the level of the hsien, the redistribution of resources occurred primarily through commune industrial profits reinvested in commune-wide projects or interest-free 'tied' loans for the purchase of equipment (SCMP 5445, 15 Aug.1973, 53). In addition, the hsien established a small portion of enterprise profits for local development.

established a fixed portion of commune and brigade accumulation funds which were to go toward assisting agricultural production and farmland capital construction projects (SCMM 794, 20 Sept. 1974, 25). Resources were also distributed through large-enterprise assistance to smaller units engaged in the same trade (SCMP 5960, 7 Oct. 1975, 213-214).

State assistance arrived in the form of tax relief, or through the reduction of state quotas to those units which had suffered from natural disasters. Above the provincial level, the degree of redistribution conducted by the centre is hotly debated. Lardy (1976, 340-354; 1975, 94-115), contends that a fairly substantial redistribution of resources from advanced to backward provinces is conducted by the Centre. Donniethorne (1976, 328-340; 1972, 14), on the other hand rejects Lardy's thesis. She argues rather that, at least since the Cultural Revolution, the centre has had neither the power nor the inclination to negotiate transfers between the provinces.

6. Although the 1978 Constitution does make provision for the advance to a higher stage of ownership, the main emphasis of the articles which have been examined in relation to the present study continues to be on the three level system of ownership with the production team as the basic unit of account. As Scott Hallford argues (1976, 1-11), given the basis for movement to a higher stage of ownership established by Mao and still cited by the leadership (that is that the commune's income must be 50 percent of the gross income of the commune, brigades and teams which comprise it before the transition can take place), it is likely to be a considerable length of time before the changeover will take place. This does not negate the fact that the present leadership sees the rapid expansion of the economic base of the commune as an important feature in speeding up the transition process. Its emphasis on the economy at the commune level as compared to that of the brigade may be an indication that the leadership envisages a leap directly from team to commune by-passing the brigade altogether.
7. Riskin (1978b) notes that it is the hsien industries which have been made to suffer the decline in labor allocations. This he interprets as an indication of the slowing down of industrial expansion at the level of the hsien. I would argue that it is the commune and brigade-run enterprises which have suffered from these labor restrictions by virtue of the fact that, as already noted, they are much more labor-intensive undertakings than those industries operating at the level of the hsien. Certainly it is the communes and brigades which have been subjected to the most severe criticisms in this regard, and it has been the hsien authorities who have been frequently employed in directing the rectification of the communes and brigades for their violations of these regulations.
8. The reader should consult Jurgen Domes (1977, 1-18), for a good summary of the issues surrounding the intra-elite conflict at this time.
9. The six criteria of a Tachai-type county are summarized as follows:
 - (i) The county Party committee should be a leading core especially in applying Party policy.
 - (ii) Poor and middle class peasants are to lead the class struggle.
 - (iii) County, commune and brigade level cadres must participate in labor.

labor.

- (iv) Farmland capital construction, mechanization of agriculture and scientific farming are to receive priority and must expand rapidly.
- (v) All brigades, communes and teams are to achieve levels of production achieved by the most advanced units in the county.
- (vi) Sideline production is to play a leading role in increasing the contributions to the state and in improving the livelihood of the masses (adapted from P.R., No.2, 7 Jan. 1977, 17).

10. Andors (1974); opposes this view of technological constraints on local-level decision-making. In a study which he conducted on the speed in the formation of enterprise revolutionary committees (which he interprets as an indication of the ease with which decentralization of enterprise management was obtained) during the Cultural Revolution (1967-1969), he concludes that technical, economic, and geographic factors were less significant as obstacles to decentralized decision-making than were local political power or the educational and training backgrounds of workers and cadres. While the scope of the present study does not permit a retesting of Andor's hypothesis, the trends in administrative re-adjustment observed recently (including the abolition of enterprise revolutionary committees) suggest that the present drive for technical modernization in industrial production is indeed closely aligned with the reconcentration of administrative authority. In addition, a substantial degree of doubt exists regarding the extent to which worker participation in management decision-making actually prevailed beyond the euphoria of the 1966-1968 period. For the time being, however, these issues remain open for further study.
11. The evidence of increased state activity at the lower levels of the society stems from a report from Hunan Province which cites a doubling in the number of state cadres in the communes and the presence of at least two state cadres in each brigade (FBIS, 14 April 1978, H6).

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