

Development of the National Management and Basic Operations for Agriculture

In this chapter, we look back on and assess the evolution and development of the national management and basic operations for agriculture in China over the three decades of reform and opening up. We also give an outlook for and make suggestions for measures to deepen reforms in these areas.

1 Development and Reforms

1. Dissolution of people's communes

Prior to economic reforms, a highly centralized management model applied in both the economic system as a whole and agriculture in particular. Rural people's communes were the primary organs responsible for implementing planned management on agricultural production activities per state macro orders; they were an important vehicle of the planned economy.

In December 1978, the Third Plenary Session of the 11th CPC Central Committee passed the “Resolution on Several Issues of Accelerating Agricultural Development (Draft).” The document called for organizations at all levels of communes to seriously adhere to the system of distribution per accumulation of labor points. When calculating labor compensations, officials could record work points per quotas, or they could contract the work to work groups and calculate compensations per output, and reward for any surpluses (i.e. “linking output quotas to individual work groups”), provided that calculations and compensations were performed all together inside the production team. Beginning in 1979, China's rural contract responsibility system evolved through the following iterations: “linking output quotas to groups” (work groups), “linking production to labor” (laborers), “linking production to households” (rural households, also called “contracting

production to households”), and finally to “contracting production to households” (also known as the “all-around contracting system” or “big contracting system”).

The “contracting production to households” and “all-around contracting” systems both transferred a certain amount of production activities of a production team to a rural household unit. Both the household and the production team signed contracts to establish quotas, and households received income on the basis of assessments of their completion of their contractual tasks. Agricultural production changed from its previous model of concentrated, unified control by the production team into operations controlled by rural households. Although this was just a change to the production and operations model, this move objectively laid a micro foundation for the establishment and development of a market economy in rural China. From this point onward, rural households became the basic operations unit of the countryside, giving them an independent market status. As such, this was the beginning of the introduction of a market economy in China and changes to the national management for agriculture; this was a grand reform.

Once rural population had autonomy in production and operations, attained independent market status, were able to let the market guide their decisions, and could engage in production and operations with the objective of maximizing personal profits, the people’s commune system, based in the planned economy and “unity of government and communes,” began to seem unsuited to the demands of contemporary development. One manifestation of this unsuitability was that the hands and feet of organizations subordinate to communes were fettered by administrative relationships, causing them to lack the proactivity and flexibility to react to market changes, and depriving them of the ability to play their role as major entities on markets. Furthermore, the lack of separation between the government and communes weakened the administrative abilities of grassroots political bodies, and was disadvantageous to the prompt resolution and handling of problems and to the effective provision of services for rural socioeconomic development and household operations of rural population. As such, thorough reforms to the people’s commune system were necessary. By the end of 1984, over 99% of people’s communes in China had completed the work of separating government from communes, and had established in the place of the communes 91,171 townships (and towns) and 926,439 village committees.¹ From this point onward, the possession of the means of production, hitherto subject to the three-tiered administrative subordination relationship of people’s communes, or the “three-tiered ownership with production teams as the foundation” relationship, no longer existed. Former communes, production brigades, and production teams—the three tiers of the system—all established independent collective economic organizations, and the rural people’s commune system, which had persisted for 26 years, was completely dissolved.

¹National Bureau of Statistics of China. (1985). *China Statistical Yearbook (1985)*. Beijing: China Statistics Press.

2. Innovations in the basic agricultural operations system—establishment of the two-tier operation system

After the dissolution of people's communes, rural households all contracted collective land under the household contracting or all-around contracting systems, and proceeded to engage in all manner of production and operation activities centered on the household unit. To this end, the No. 1 Central government document of 1984 issued by the CPC Central Committee called for: "To improve the system that integrates unified and disparate operations, in general regional cooperative economic organizations should be established, founded in public ownership of land. These organizations can be called agricultural collectives, economic associations, or any other name chosen by the masses. They can be established at the scale of the village (or brigade or united brigade), or may be established with production teams as their central unit. They may be established separate from village committees, or they may be established as a single unit serving two different functions." As production teams were the primary unit for calculations during the era of the people's commune system, most community collective economic organizations were established with former production teams (now village organizations) as their core unit. As household operations and the market economy developed, the effects of scale operations on the market competitiveness and organizational functions of these economic organizations became more apparent daily. As a result, some group-level organizations gradually merged into village-level organizations. After the establishment of community collective economic organizations, they became the fundamental operations system for agriculture in modern China: a dual-level operations system that integrates rural household operations and community collective economic organization operations.

3. Development of the national management for agriculture

In the era of the people's commune system, the state implemented highly concentrated planned management over agricultural production, and implemented the state monopoly system for circulation of agricultural products. After the dissolution of people's communes, and once rural households had become independent operators with full market status, planned management of agricultural production and the monopoly system for purchase of agricultural products and by-products were no longer suitable, and as such there was a need to establish a new national management system. China's national management for agriculture developed in tandem with deepening of reforms to the economic system and development of the market economy. The system's development can be roughly broken down into the following stages:

(1) Planned economy as mainstay, market adjustments as supplements

In December 1978, the Third Plenary Session of the 11th CPC Central Committee passed the "Resolution on Several Issues of Accelerating Agricultural Development (Draft)," which clearly proposed encouraging and supporting the development of

sideline industries for rural household operations and the opening of rural markets. With the rural market economy gradually growing, The No. 1 Central government document of 1982 issued by the CPC Central Committee made this proposition: “The agricultural economy is an important component of the national economy, and we should use the planned economy as the mainstay and market adjustments as supplements [in this area]. We must persist in the monopoly system for grains, cotton, edible oils, and other products. In the two-class monopoly purchasing system for agricultural products and by-products, we should establish reasonable base numbers for purchases, to be established every few years. For those products for which it is not convenient to establish base numbers, we should establish reasonable proportions for amounts to be purchased and to be left. For products falling out of base numbers, some should still be purchased by the state, and some should be purchased per proportions, and some should be handled entirely by communes and brigades or rural population themselves. We allow for purchase prices for products outside of base numbers to float within a certain range per supply and demand on the market.”

(2) Planned commodity economy

In October 1984, the Third Plenary Session of the 12th CPC Central Committee passed the “CPC Central Resolution on Economic System Reforms,” which proposed breaking through the traditional concept of setting the planned economy in opposition to the commodity economy, and declared that a socialist economy is a planned commodity economy. The No. 1 Central government document of that year noted that the monopoly system for agricultural products had begun to influence the development of rural commodity production and increases to the efficiency of the rural economy. The document called for: “Beginning this year, excluding individual product varieties, the state shall no longer issue monopolistic purchase orders to rural population for agricultural products; per different situations, we shall implement contract purchasing and market purchasing.” “After abolishment of the monopoly system, agricultural products shall no longer be subject to restrictions of division of labor in operations; we shall implement direct circulation with multiple channels. Operation, processing, and consumption units of agricultural products may all directly sign contracts with farmers. Farmers may actively negotiate and sign contracts with relevant units either through cooperative organizations or by establishing producers’ associations. No unit may issue any directives regarding production planning to farmers.”

(3) Markets playing fundamental role in resource allocations

After the 1990s, new characteristics emerged in the development of national management for agriculture: a gradual shoring up and improvement of the market economy and a focus on allowing the market to play a fundamental role in resource allocations. The 14th CPC National Congress noted: “The socialist market economic system that we must build must allow the market to play a fundamental role in resource allocations, with macro controls by the socialist state, to cause economic

activities to abide the demands of value laws, and to become suited to changes in supply and demand. We must use price leveraging and functions of competition mechanisms to move resource allocations into areas of relatively good efficiency, and also apply pressure and motivation to enterprises to bring about survival of the fittest. We must use the advantages of flexibility to respond to the various signals the market sends to the economy and drive prompt coordination between production and demand. In the area of macro controls, the document proposed employing economic policy, economic rules, planning directives, and necessary administrative management to guide healthy development of the market.”

(4) Building a service-oriented government

After the 16th CPC National Congress, “accelerating reforms to the administrative management system and building a service-oriented government” became the focus of improvements to national management for agriculture. The “Opinions on Deepening Reform of the Administrative System” proposed that the deepening of reforms to the administrative management system must be based around a core of changes to the functions of government. The opinions further called for: improving economic adjustments, more use of economic means and legal means, and supplementing those means with necessary administrative measures to adjust economic activities; making macro-control more scientific, foresighted and effective; and promoting good, fast development of the national economy. The opinions called for firmly grasping the changing of functions and sorting out of responsibility relationships; further optimizing the government organization structure and setting norms for the establishment of organs; exploring the implementation of a super ministry system that organically integrates functions; and improving the administrative operations system—all per the principles of streamlined administration and the demand for mutual checks and mutual coordination between policymaking authorities, execution authorities, and oversight authorities.²

Since the outset of reforms to the economic system, great strides have been made in the development of China’s administrative management system. The most prominent has been that the government functions of economic management are gradually transforming into a role of creating a good environment for serving economic entities. There have been great reductions in microeconomic interferences by the government, as well as in the amount of administrative approvals required. The macro controls system framework centered in indirect management has basically formed, and the market system has fundamentally been established. The government now places more emphasis on its functions of nurturing, regulating, and setting norms for the market, and on public administration and the provision of public services.

²The Opinions were adopted at the Second Plenary Session of the 17th CPC Central Committee on February 27, 2008.

4. Development of basic operations for agriculture

After the 1990s, as the rural economy developed and all manner of reforms deepened, the shortcomings of the rural land contracting and operations system established at the beginning of the reform era started becoming apparent. These shortcomings have appeared in the following ways. The first is the frequency of changes to contracted land. Although in the early period of reforms the state mandated that land contracts be of a term of 15 years or longer, the data indicate that from 1978 to 1997, the average plot of land contracted by rural households was adjusted 3.01 times, and at least 60% of rural households, in at least 60% of villages, experienced adjustments to their land.³ This led, to differing degrees, to reduced investments by rural households into the land and a drive to extract increased production from the land; in some cases households abandoned land or let it return to wasteland. The second is a constant reduction in the size of land operated by rural households, owing to frequent adjustments to contracted land and lack of effective mechanisms for transferring land. By 1992, the average area of land contracted to rural households fell to 0.47 ha, broken into an average of 3.2 parcels of average area 0.15 ha.⁴ For the above reasons and because the 15-year terms on land contracts established at the beginning of the reform period were about to expire, in 1993 the central government issued "Several Policy Measures on Agriculture at Present and Development of the Rural Economy," which called for: extending all land contract terms by 30 years, without changes, upon the expiration of said contracts, in order to stabilize land contracting relationships, encourage increased investments by rural households, and increase the land's production efficiency. The document further called for "no addition of land for additional people and no reduction of land for reductions of people" during the terms of land contracts, to avoid frequent changes to contracted land and prevent the ceaseless subdivision of land parcels.

After 1998, the land contracting and operation system entered the track of legal system construction. The "People's Republic of China Land Management Law," revised in August of that year, stipulated: "the term of land contracted for operation is 30 years... The rights of rural population to operate contracted land are protected by law." The "People's Republic of China Rural Land Contracting Law," implemented in March 2003, further stipulated: "Parties contracting out land must uphold the rights of land contractors to operate contracted land; they may not illegally change or cancel land contracts, nor interfere in the lawful, ordinary production operation activities of the contractors on that land. Land contractors have the rights to use, profit from, and transfer their contracted land, and the right to organize production activities of their own volition and to dispose of products as they please.

³Chi, Fulin, Wang, Jingxin, Tang, Tao. (1999, January 5). "To Grant the Rural Population a Long-term and Secure Land Use Right." *People's Daily*, p. 9.

⁴Research Group on Rural Cooperative Economy of Ministry of Agriculture. (1993). "Study of China's Rural Land Contracting and Operations System and Cooperative Organization Operations." *Issues in Agricultural Economy*, 11, 45-53.

Contractors whose land is lawfully requisitioned or occupied have the right to receive corresponding compensation per the law.” The “People’s Republic of China Property Law,” passed in March 2007, makes further stipulations: “Contractors of land have the lawful right to occupy, use, and profit from any farmland, forest, or grassland they have contracted for operation; land contractors have the right to transfer operation rights to their contracted land by means of sub-contracting, mutual exchange, or transfer, per the rural land contracting law.” The issuance of the above laws solidified the land contracting and operation system within the law, and provided legal norms and protections.

2 Assessment

1. Analysis of the national management and the development of basic operations for agriculture

A major reason for the successes of China’s national management and basic operations for agriculture lies in increases to the efficiency of agricultural economic organizations and its advantages of increasing profits and decreasing costs for rural population, which in turn have greatly increased their incentives to produce. Similarly, reforms to the economic system targeting market economy objectives have caused great increases to the effect markets play in resource allocations, have greatly reduced administrative costs for governments, and have increased the efficiency of national management. Increases to the efficiency of principal bodies in rural markets and decreases to the costs of the government’s management have led to rapid development of the rural economy and society.

First, the core method to stabilizing the household contract responsibility system⁵ lay in reasonable arrangements and feasible protections of rural population’s rights to the land, giving them long-term, protected rights to use the land. Since the beginning of reforms, the series of policies the state enacted to stabilize the household contract responsibility system have been indispensable and highly effective in the stabilization of the household contract responsibility system, causing rural households to have more secure expectations for future development, laying the foundations for stable, sustainable development of agriculture.

Second, another condition for household operations is the control of other essential means of production by individuals. Since the beginning of reforms, small and medium farm equipment, beasts of burden, and other means of production suitable to household use have been transferred to ownership by households. The rapid growth of ownership of farm equipment by rural households has greatly augmented the development of household operations.

⁵The full name is the “system of linking responsibility of farming households with agricultural production through land contracting,” but it is commonly known in English as the “household contract responsibility system,” which is the term I use from here on—translator’s note.

Third, stability of rural land contracting rights does not at all imply that the subdivision into tiny plots or excessively small scales of operations can be allowed to continue over the long term. Since the beginning of reforms, the state has continuously encouraged rural population to transfer contracted land operation rights per the law, voluntarily, and with compensations. This has led to appropriate scales of operation for the land, and has in fact been written into the “Rural Land Contracting Law,” which codifies concrete measures for land transfers.

Fourth, to stabilize the household contract responsibility system and spur long-term healthy development thereof, we must promptly, effectively resolve all problems that emerge in production operations for rural households, and also increase their ability to withstand market risks; as such, socialized services are a necessity. Of course, services provided by community collective economic organizations are more concerned with traditional agricultural production. At the beginning of reforms, rural households had extremely weak economic strength. As they still lacked methods and means to adapt to markets, those services played an important role. At the same time, policies and measures driving development of various rural self-help groups that the state vigorously advocated for helped make up for deficiencies in the ability of community collective economic organizations to provide services, and helped rural population adapt to the market.

Fifth, the operations scales of most rural population in China are relatively small, putting them in a disadvantageous position for market competition. As a result, the state encourages the development of rural population economic self-help organizations, particularly with policies and measures for the promotion of specialized cooperatives. By increasing the degree of organization of rural population and concentrating their power, these policies augment the status of the rural people on the market.

2. Assessment of the development of the basic operations for agriculture

(1) Collective operations

The two-tier operation system of agriculture in China is a product of reforms to the people’s commune system. Ownership of the land by rural community collectives and the certain degree of collective accumulations (including means of production, irrigation works, housing, collective enterprises, and so on) retained by collective economic organizations following the household contract responsibility system’s launch have both determined the necessity of retaining collective operations. Particularly during the early period of implementation of the household contract responsibility system, planning directives from the state as well as “guidance” that came later continue to play a decisive role in agricultural production; this institutional arrangement is even more obviously necessary. As a result, at the outset of the reform period, the state’s design of the function of community collective economic organizations fit perfectly with the real situation of the “three rural issues” at the time; we should thus affirm the results that this produced.

Although there are still some problems with operations of community collective economic organizations in some areas, for at least a relatively long period of time to

come, unified collective operations will remain imperative. For example, so long as the land, some means of production, public infrastructure, and other items are owned by rural collectives, community organizations will still need to manage and operate such. In the area of agricultural capital construction, it is not feasible to construct irrigation and drainage ditches, build roads between fields, improve low-to-mid-yield agricultural fields, or reclaim mountain, forest, or grassland for single households; for these projects, organizations capable of directly facing and communicating with all local residents must play a role. So we still need to resolve problems that emerge in the reforms and development of rural collective economic organizations with reform and innovative methods to respond to changing situations.

As community collective economic organizations are beset with functional shortcomings difficult for them to overcome by themselves, it is imperative to develop rural self-help organizations. The gradual rise and development of rural specialized associations, rural specialized cooperatives, and other rural self-help organizations since the beginning of reforms have effectively supplemented and improved collective operations. Therefore, effectively spurring augmented development of economic organizations needed for household operations by cooperatives and other self-help organizations should be a major component of improvements to household operations for a period of time to come.

(2) Household operations

Most discussion of rural household operations at present is centered on how the egalitarian distribution of land at the outset of reforms created excessively small scales of operations and low levels of operational efficiency, neither of which conforms to the trends of specialization and modernization in agriculture.

Fairness and efficiency are squarely at odds with one another; it is thus difficult for them to coexist. As such, the practice of no addition of land for additional people and no reduction of land for reductions of people” is a means of preventing further subdivision of contracted land, stabilizing the profit expectations of rural population, and seeking efficiency on a foundation of fairness. Given that rural population have long-term, protected rights to operate contracted land, it is particularly necessary to support lawful, voluntary, compensated transfers of land. This is an important means for resolving excessively small scales of operations for rural households and increasing their operational efficiency. At present, some local governments have implemented shareholding cooperative systems for land ownership; these are a beneficial attempt to bring about scale operations of the land without harming the people’s rights to the land. Of course, in order to thoroughly resolve the problem of excessively small scales of operation for China’s rural households, we must enact comprehensive measures in several areas, including building and solidifying the rural social security system. Only by eliminating worries about the future for rural population can we effectively promote land transfers and accelerate the process of appropriately sized operations.

So with the two-tier operation system serving as the basic operations system for agriculture in China, only through constant improvements and innovations as the economy develops and society progresses can we maintain long-term vitality and effectively shoulder the burden of economic development and social progress for China's rural areas.

3. Assessment of development of the national management for agriculture

Since 1978, under the comprehensive goal of establishing a socialist market economy, gradual methods divided by steps have been taken in the development of the national management for agriculture. On the whole, the past 30-plus years of development have yielded marked results, and achievements made are laudable. First, the gradual method has helped relatively well to avoid major fluctuations in the economy and dramatic shocks to society, and has created conditions for stable implementation of all measures. Second, reforms to the national management for agriculture have to a great degree resolved many conflicts caused by economic system reforms, set right many relationships in economic organizations, provided relatively good development opportunities for market entities, and provided a relatively relaxed environment for development. Finally, changes to the government's economic management functions and the enshrinement in law and institutionalization of agricultural policy have established norms for and simplified the government's administrative behaviors, increased administrative efficiency, allowed market mechanisms to play a guiding role, and consequently increased the efficiency of resource allocations.

Although the national management for agriculture in China has developed considerably, from the perspective of developing the socialist market economy and comprehensively building a *xiaokang* society, there are still many shortcomings that need to be improved in the work to come.

First, market entities are not mature. Although China's market economy is gradually improving and rural households have been market entities for the past 30-plus years, there has not been a real improvement to rural households' inability to adapt to the market. The low degree of organization among rural households, the slow speed of development of market intermediary organizations and other market entities, and the unsoundness of the socialized service system have all inhibited the pace of rural population access to the market in the extreme, thereby weakening the guiding effect of market mechanisms on agricultural production.

Second, the market system is imperfect. The agricultural products market has already developed considerably, but development of the factor market is lagging, particularly the sluggish development of rural capital markets and land markets. Problems of capital shortcomings for development of rural households and rural self-help organizations have long remained unresolved, and mechanisms for transfers of rural land have not been truly established.

Third, the macro control system is imperfect. Since the outset of reforms, there have been many problems with the macro controls on agricultural product markets. In some areas we have been unable to effectively deliver accurate market

information to rural population in a timely fashion, leading to some relatively large fluctuations in agricultural product markets, creating obvious negative consequences for agricultural production and the people's lives.

Fourth, we still need to deepen changes to functions and reforms to institutions. Although it has already been made clear that the government should not interfere in any economic activities that the market can adjust by itself, in reality some government departments still interfere relatively often in microeconomic operations through administrative means. At the same time, the design of government organs is unreasonable, with departmental separation, overlapping functions, unclear responsibilities, disjointed authorities, and low efficiency handling of affairs; none of these problems has been effectively resolved.

Institutional arrangements are important drivers and the source of socioeconomic development. As such, we must not only place emphasis on resource allocations, but must place even more emphasis on appropriate institutional arrangements, in order to maximally benefit from resources already allocated. We must not only establish correct policies, but must even more establish institutional frameworks for executing those policies, enabling them to be fully implemented. The national management for agriculture is an important component of the rural economic system; effective operations on the part of the national management are necessary to fully implement policies and measures for the development of the rural economic system. At present, China's national management for agriculture, particularly the administrative management system, is still beset by many shortcomings; this is an important reason why many rural reform measures implemented since the outset of economic system reforms have not met expected targets. Consequently, deepening reforms to the administrative management system should be established as the core issue to resolve in furthering the development and improvement of the national management for agriculture.

3 Outlook

1. Improving the two-tier operation system

- (1) Renewing understanding and positioning of the functions of community collective economic organizations

Since the outset of economic system reforms, the scope of operations of farmers in China has gradually exceeded traditional planting and production of grains, cotton, oil stuffs, and other products. Their space of operations has likewise gradually exceeded the limitations of the community, township, county, and so on. As a result, the shortcomings of community collective economic organizations in the provision of services have also become increasingly apparent. The thinking for resolving these problems should set out from the reality of China's countryside and be based in the inherent conditions of community collective economic organizations. We should

renew understanding and positioning of the functions of said organizations, and make them compatible with the “three rural issues” in China at present.

At present, rural specialized cooperatives, agricultural production and operation organizations, and other socialized service organizations have come to increasingly take on functions of providing services for rural household operations. As such organizations have emerged, the functions of providing services for production and operations have grown increasingly separated from community collective economic organizations and shifted onto rural specialized cooperatives and other socialized service organizations; this is becoming a trend. As such, the operations activities of community collective economic organizations will tend increasingly toward the areas in which rural specialized cooperatives and other socialized service organizations do not excel, such as management of collective land and other means of production and public property, development of collective enterprise operations and community social enterprises, operations of public charities, and so on. Furthermore, they will lead to reorganization and innovation in functions under the conditions of the market economy.

(2) Promoting effective linkage between production and markets

The primary significance of the household contract responsibility system—an innovation in the agricultural operation system—lies in the resolution of the old economy’s problem of low efficiency of economic organization and production. Resultantly, as the market economy continues to develop and as production becomes ever more reliant upon the market, there is a need to actively nourish and develop forms of economic organization that can effectively link production with markets, and to improve and innovate in the two-tier operation system under conditions of the market economy. So we should actively nourish and develop rural specialized cooperatives, market intermediary organizations, industrialized agricultural operation organizations, household farms, agricultural companies, and all other manner of new agricultural economic organizations, in order to increase the degree of organization of market entry by rural population and solidify and develop methods of household operations under the conditions of the market economy.

2. Exploring effective forms for the rural collective economy

In order to improve the two-tier basic operation system for agriculture, we must not only make systemic innovations, but must also actively explore effective models for the collective economy. To this end, the rural community collective property rights system reforms centered on implementation of shareholding collective systems enthusiastically promoted in some places have been a meaningful endeavor. Practical experience demonstrates that this method has: broken through the constraints of traditional forms of collective economy, given rural population clear, complete rights to collective assets, and strengthened the cohesiveness of the collective economy; innovated in operations mechanisms for the collective economy, effectively increasing the level of management of collective assets, and bolstered the economic strength of collective economies; to the greatest institutional extent

possible protected the rights of rural collective economic organizations and their members, increasing the incomes of rural population; built and perfected reasonable circulation mechanisms for land contracted by rural households, driving adjustments to the rural structure and prompting suitably sized scales of operations; and played an active role in mitigating conflicts of interest between community members, driving construction of rural democratic institutions, and protecting the social stability of the countryside.⁶

In addition, rural community collective economic organizations have long lacked the needed status of “legal persons,” without which it is difficult for them to legally engage in economic activities as market entities; this is also a prominent problem constraining their effective development. How to reasonably establish their status as legal persons, allow them to act as market entities that have lawful rights to participate in operation activities, and effectively manage the collective assets belonging to collective members—this is a question that must be urgently answered.

3. Further development of the national management for agriculture

At present, China’s market mechanisms are unsound, and the market’s role in allocating resources has, to differing extents, been restricted. So in order to shore up China’s national management for agriculture, cause it to better serve market entities, and create a better development environment for it, we must take steps in the following areas:

First, shoring up and improving the market economy. Only when market mechanisms are sound can market signals accurately reflect supply and demand. Only when market entities can flexibly respond to market signals can they adjust or standardize their market behavior per the signals. Only when market signals are promptly, accurately understood can governments promptly, accurately, effectively exert macro controls over markets, avoid or reduce economic fluctuations, and bring about stable, fast, coordinated, healthy development of the rural economy and society.

Second, shoring up and improving relevant economic and legal institutions. By building a corresponding institutional framework, we can create rules and laws for macro controls to abide, making them clear and effective. Shoring up and improving economic institutions and legal institutions includes nourishing and developing all manner of new market entities; improving the market system and the socialized service system; providing necessary support and protection for fundamental industries and infrastructure that touches on the national economy and people’s livelihoods; establishing norms and exerting controls over economic activities that harm market order or the security of people’s lives; protecting the environment; and bringing about sustainable development of agriculture.

⁶Research Group of Ministry of Agriculture. (2006). “Promoting Reforms to the Property Rights System of the Rural Collective Economic Organization.” *China Development Observation*, 12, 29–36.

Third, shoring up and improving the national management methods. We must comprehensively make use of administrative, economic, legal, educational, and all other kinds of measures; in particular, we should place emphasis on allowing economic and legal measures to play a role in regulation and control. We should also allow fiscal, financial, taxation, pricing, foreign trade, agricultural support and protection, and other measures to play a controlling and driving role in agricultural production and operations.

Fourth, we should accelerate changes to government functions and reforms to administrative organs. We should change the status quo of national management of agriculture that includes separation of lines and blocks,⁷ separation of industries, and dislocation between trade, industry, and agriculture. We should bring about coordinated, concentrated management of agriculture, forestry, waters, farming machines, TVEs, grains, land, and so on, make breakthroughs in the disjointed management methods that affect agriculture pre-production, in-production, and post-production, and establish an efficient national management system for agriculture that concentrates production and sales, domestic and foreign trade in one integrated body. We should promote effective integration of production and markets in order to adapt to the demands of the market economy and the development of modern agriculture.

⁷Again, “lines” refer to vertical controls exerted downward through ministries and departments, and “blocks” refer to horizontal controls within a given region—translator’s note.

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