

# Forty years of rural reform in China: retrospect and future prospects

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## Abstract

**Purpose** – Bottlenecked by rural underdevelopment, China's overall development is bound to be inadequate and unbalanced. Through a brief retrospect of the reform directed against the "egalitarianism (egalitarianism)" in China's rural areas, as well as the Chinese Government's conceptual transformation and systemic construction and improvement thereof, the purpose of this paper is to clarify the panoramic significance of rural reform; the necessity, priority, and long-term nature of the current rural development; and the important role of public policy in doing so. It also looks ahead to consider the prospects for future rural reform.

**Design/methodology/approach** – This paper first reviews the rural reforms that were carried out in 1978. Second, it introduces the government's conceptual change regarding rural reform and the establishment and improvement of the system that underlies it. Finally, the future of rural reform is envisaged.

**Findings** – The initial rural reforms brought extensive and profound changes to China's rural areas. The experience of rural reform has been referred to and escalated by other fields of study. Hence, rural reforms have become something of global significance. Moreover, since the government can undertake reforms well beyond the reach of farmers, its views must be modified in a timely manner, and only then may it reasonably construct and improve the system pertaining to the "three rural issues (agriculture, rural areas, and farmers)."

**Originality/value** – This paper reviews the rural reforms carried out in 1978. It introduces the government's change of concept with respect to rural reforms and the establishment and improvement of the system based on the "three rural issues," thus looking forward to the future of rural reforms. The findings of this paper are of significance to the formulation of future agricultural policies.

**Keywords** Government, Rural reform, Agricultural development, Future prospects

**Paper type** General review

This paper takes the "retrospect and prospect of rural reform" as its central theme and then proceeds from three aspects. First, we briefly review the history of China's rural reforms and mainly introduce the reforms to solve the two "egalitarianisms": from "people's communes large in size and collective in nature (with a higher degree of public ownership than that of the cooperatives)" to "production team-based three-level ownership (of rural production materials belonging to the people's communes, production teams, and production teams, which is the basic system of the rural people's communes)," and then to "Fixing of Farm Output Quotas for Each Rural Household (FFOQERH)" and "a rural household-based contract system (RHBCS)." Second, the broad and profound impact of the FFOQERH and RHBCS system, especially the RHBCS one, on the rural areas during the initial stage of rural reform is discussed, as well as the panoramic significance of rural reform in China's myriad reforms. Second, the important role of the Chinese Government in the rural reform is introduced. In the beginning, the government's conceptual transformation in relation to agriculture, rural areas, and farmers was introduced. Then, the establishment and improvement of certain basic systems based on the transformed concept were introduced. Third, two aspects of the future of rural reform are briefly looked into: solving rural internal problems and creating an external environment that is more conducive to rural development.



## 1. China's rural reform process and its significance

Deng Xiaoping once said that China's reforms began in rural areas. General Secretary Xi Jinping's speech in Xiaogang Village of Anhui Province in April 2016 stated that the rural reform started by adjusting the relationship between farmers and lands. Looking at the 39 years of reforms in China's rural areas, one may see that adjusting the relationship between farmers and land has not changed the ownership of rural lands, but rather seeks a more efficient form of realization of collective ownership of them. Although this initiative was first adopted by the farmers of their own accord, it was also directly related to, and in line with, the political atmosphere and ideological line of seeking truth from facts after the Third Plenary Session of the 11th CPC Central Committee (CCCPC), which allowed for the exploration of policies, and guided people to support reform and development.

### 1.1 Review of rural reform measures directed against "egalitarianism"

Before the rural reforms were carried out, rural land was operated jointly by collective organizations, who also took charge of the unified accounting and uniform distribution of the results of the operations. However, as stated in Professor Justin Yifu Lin's earlier paper, the difficulty in measuring and supervising labor in agriculture will lead to an egalitarian "big-pot" phenomenon when the uniform distribution of collective living materials is finally brought to a close, which considerably curbed the enthusiasm of farmers.

Before the reform, the biggest technical problem faced by the development of rural collective economic organizations and Chinese agriculture was the egalitarian "big-pot" phenomenon within the organization. Shortly after the people's commune movement began, Mao Zedong discovered this problem and proposed to make appropriate adjustments to the people's commune system. In particular, he explicitly proposed that the people's commune system be changed from the simple "people's communes large in size and collective in nature" to "production team-based three-level ownership." To this end, Mao once said that there are actually two egalitarian phenomena in the people's commune system. One is team-to-team egalitarianism within the production brigade (larger production unit covering production teams), and the other is the person-to-person egalitarianism within those teams. In order to solve this problem, the CCCPC issued the "working regulations of the people's communes" in 1962, that is, the "60-article regulations for agriculture." The core of the regulations is to clearly define the accounting system of the people's communes as "production team-based three-level ownership," where the "team" refers to a group of farmers, that is, the current villagers' groups and village committees. This means that the right of accounting fell into the hands of the land ownership units, and thus the size of the accounting units was significantly reduced. The reduction of accounting units solved the first egalitarian problem, but did not solve the second one, which has persisted until 1978 due to Mao's strong opposition to the "FFOQERH and RHBCS System," although he might have realized that that system could solve it.

In 1978, the farmers spontaneously implemented the "FFOQERH and RHBCS system" to solve the second egalitarian problem that Mao described as solving the problem of person-to-person egalitarianism within the production teams via household contract management of collective lands. But simply changing the operating system only solves this problem theoretically and structurally. In fact, if this problem really was to be solved, the distribution system, i.e., the system of unified accounting and uniform distribution of the peoples' communes at that time must also be reformed.

### 1.2 Impact of initial rural reform on rural areas

Talking about rural reform, many people will think of the FFOQERH and RHBCS system. "FFOQERH" denotes that by contracting production tasks to rural households, any excess quota may be commissioned, but the contracted basic quota is still handled by the team for

unified accounting and uniform distribution. The “RHBCS (household-based contract system)” approach, however, combines the operation and distribution systems. It was not until the implementation of “RHBCS” in Xiaogang village, that the rural reforms were really stimulated and embarked upon in a fast-track style. The distribution system of “RHBCS” is, simply put, to “turn over the due quota to the country, turn in the due quota to the collective, and the rest is the contractor’s own.” Under this system, the grain and agricultural products levied by the country, and the collective gains and other retentions made by the collectives will not be reduced due to “RHBCS,” while the farmers can retain all remaining products and income. This was, to some extent, a distribution method that could be accepted by all three parties, thus permitting that the reform could move forward smoothly.

In the context of this combination of the operation and distribution system reforms, profound and extensive changes have taken place in rural China, which have far exceeded people’s pre-reform understanding:

- (1) Planting structural changes. After the implementation of the “FFOQERH and RHBCS system,” because the state and collective incomes were relatively fixed, the more production was developed, the more farmers would receive – far exceeding the farmers’ own consumption. In this context, the first type of farmers will, on the basis of meeting the needs of the state and the collective, and their own consumer demands, observe the market and make production decisions according to market dynamics rather than state requirements, and the results were surprisingly good. This type of farmers’ creative reform is equivalent to the introduction of market mechanisms into agriculture and the allocation of their limited household contracted lands according to the needs of the market – a very profound change indeed.
- (2) The formation of individual economies and private enterprises. Unlike the first type of farmers, the second type did not simply adjust their planting structure, but instead sold surplus grain on the market in return for currency, which was further used to purchase corresponding production materials, such as tractors, cars, etc. for transport, processing machinery at home for small processing plants, or even sewing machines and hosiery machines for small projects. Such behavior enriches the economic structure of rural areas and increases employment opportunities for farmers. More importantly, on the basis of “RHBCS,” a piece of private and free assets belonging to the farmers is derived in rural areas. The farmers began to form China’s so-called initial individualist economy and private enterprises.
- (3) The emergence of a mixed economy. The “FFOQERH and RHBCS system” has not changed the collective land ownership in rural areas, but all the production tools and inputs that work on agriculture and on the arable land are privately owned by farmers. This formed the earliest mixed-ownership economy.
- (4) The emergence of urban–rural integration. The family business under the “FFOQERH and RHBCS system” pays great attention to the autonomy of the farmers. Under this framework, surplus funds that the rural labor force and farmers gradually accumulated began to flow, i.e., the production factors flowed. Furthermore, this flow even spanned urban and rural boundaries. In this sense, the mechanism of “FFOQERH and RHBCS system” broke down the wall between urban and rural areas.

### *1.3 The panoramic significance of rural reform*

The aforementioned four changes were not realized by the people before the reform, but they actually appeared, and subsequently convinced many people to start exploring, on the

one hand, the causes of these changes and, on the other hand, the replicability of these experiences within other fields. The panoramic significance of rural reform lies actually in the change the traditional practices of rural areas, agriculture, and farmers. The CCCPC continuously investigates, interprets, refines, enhances, regulates, and gradually forms the policies, which were gradually promoted to the entire economic sphere apart from rural areas. Consequently, rural reform has had a very significant effect on China's overall reform. In this sense, it has been of important panoramic significance.

In 2008, the CCCPC convened the Third Plenary Session of the 17th Central Committee and adopted the "decision on major issues pertaining to promoting rural reform and development." One paragraph of this decision highly praised the panoramic significance of rural reform, namely, "the great practice of rural reform and development has greatly mobilized the enthusiasm of hundreds of millions of farmers, greatly liberated and developed social productivity in rural areas, and greatly improved the material and cultural life of the majority of farmers." More importantly, the great practice of rural reform and development has made creative explorations for the establishment and improvement of the basic economic system and socialist market economic system at the primary stage of China's socialism, achieved a historic leap in the people's livelihood from inadequate food and clothing to overall moderate prosperity, made great contributions to the advancement of socialist modernization, laid a solid foundation for overcoming various difficulties and risks to maintain the overall stability of society, and accumulated valuable experience in successfully opening up the path and forming a theoretical system of socialism with Chinese characteristics." In the drafting process of the "decision," compilers from various fields conducted repeated consideration of the entire contents, if it were not for this passage, the experts involved in its drafting generally believed that such evaluation is appropriate and constitutes an affirmation of the most important contents for the achievements of China's rural reform. From 1978 to the present, the field of rural reform has become very broad, covering rich and varied content. However, all follow-up reforms have been based on this reform, returning agricultural operations and distribution to their own natural courses. Although the farmers' ideas were very simple in carrying out this reform, it has evolved into something producing extraordinary results.

The content of rural reform is very rich, but its essence lies in the fact that it has not changed the basic system of rural China, i.e., the rural land system, which is of paramount significance for China. It is precisely because of the collective ownership of rural land that rural areas of China have had collective economic organization, a basic operating system, and a system of self-governance for villagers. Changes in the basic system are likely to cause subversive results. The smart and competent nature of the Chinese farmer lies in his practice of breaking through the operating system and changing the mode of operation rather than subverting the collective ownership of land, so that the original foundation system has found its most efficient form of realization. This experience is very important for China's reforms. Moreover, the experience of rural reforms has been extended to all other fields, including the basic economic system in the primary stage of socialism, the socialist market economic system, the path of socialism with Chinese characteristics, and the theoretical system for socialism with Chinese characteristics, which have, in effect, originated from the land reform and the farmers' wisdom.

## **2. The role of government's effectiveness in deepening rural reform**

China's reforms have reaped numerous achievements that are inalienable from public policy's effective actions, which have also made important contributions to the continuous deepening of rural reforms. The aforementioned reform of the "FFOQERH and RHBCS system" is within the scope of farmers' abilities, but reforms in many areas are beyond the scope of the farmers' control and dominance, such as the reforms pertaining to the rural tax

and fee system, the circulation system of important agro-products, and the household registration system, etc. Such global reforms involving very complex interest relationships could hardly be pushed forward by grassroots farmer organizations alone. Without the government's effectiveness and a clear reform orientation on top of its concept change. Therefore, from the perspective of the success of rural reforms, China's reforms must be a process of mutual promotion and interaction between the grassroots level and the top-design level. The deeper the reforms are, the more complex the interests that need to be adjusted. How to correctly handle the appeals and overall situation of agriculture, rural areas, and farmers, as well as the relationship among other areas and fields constitutes a major test of government feasibility and competence. In this sense, the Chinese Government has been, by and large, successful in the process of leading rural reforms for more than three decades despite its occasional mistakes.

### *2.1 Changes in the government's concept of handling the "three rural issues"*

Looking back at the history of rural reform for more than three decades, the Communist Party and the government have thrice shifted their views on agriculture, rural areas, and farmers. The first conceptual shift took place at the Third Plenary Session of the Eleventh Central Committee. The CCCPC, in summarizing the government relations with farmers for decades and the profound historical lessons, put forward a very important guideline on the relationship of the party and government with the farmers, namely., the two principles of "securing the material interests of the farmers economically, and respecting the farmers' democratic rights politically." In simple terms, this basic guideline is to protect the economic interests and respect the democratic rights of farmers. It is precisely because of the emergence of the Communist Party's understanding of this basic guideline that "FFOQERH" was not suppressed, order was brought out of the chaos of the Cultural Revolution, the ideological line of seeking truth from facts was truly established, and the ideological foundation of reform and opening up was solidly laid. In this sense, the Third Plenary Session of the 11th Central Committee was very important historically. Since the reform of this session to date, the Communist Party has always adhered to these two principles when formulating rural policies; therefore, they are called a basic guideline, which is also embodied in the "Report of the 19th National Congress of the Communist Party of China" delivered by General Secretary Xi Jinping. In future policy-making related to agriculture, rural areas and farmers, this criterion shall still hold.

The second conceptual shift is from administrative intervention to market orientation. Due to the success of the initial rural reforms, some of the farmers' practices had substantially impressed the Party Central Committee and State Council, although at the time the mentioning of "market economy" was still a political taboo (the wording of "planned commodity economy" emerged only after 1984), but it can be seen that from the successful reforms in rural areas, at that time, the government had become aware of the imperative to reduce administrative intervention in agriculture and rural areas as much as possible, and allow farmers to operate autonomously, that is, to allow managers to allocate resources to organize production according to the needs of the market, so as to achieve effective leadership in the three rural issues. This policy of allowing farmers to have business autonomy and the direction toward market orientation has continued to date and has never been reversed or deviated from. At the Third Plenary Session of the 18th CCCPC, it was proposed that it would "let the market play a decisive role in allocating resources and better play the government role."

The third conceptual shift is to clarify the important position of the three rural issues in the grand picture, that is, to take unswervingly the solution of the three rural issues as the top priority of the work of the CPC, which was accentuated again in General Secretary Xi's "Report to the 19th CPC National Congress." Comparing the previous statement of

agriculture as the foundation for the entire national economy, this conceptual shift had an even more profound meaning. It showed that the Communist Party recognizes that agriculture and rural development are lagging behind in the entire modernization process and the urban-rural gap is the biggest gap in China. Therefore, we must place the three rural issues on the top agenda of the whole Party.

The transformation of these three concepts in the process of reform and opening up is a very important experience summarized from previous historical experiences and lessons, and the ongoing farmer-initiated reforms. It has formed some important guidelines for the party to guide work in agriculture, within rural areas and with respect to farmers.

## *2.2 The government's systemic construction and improvement of the "three rural issues"*

On the basis of the important guidelines for the work of agriculture, rural areas, and farmers, the party and the government are, on the one hand, endeavoring to reform and get rid of old ideas. On the other hand, they are putting forth efforts to build new systems. Of the many new systems, there are roughly three major aspects covered under some of the most important ones related to the "three rural issues."

The first aspect is the improvement of the basic rural operation system. Regarding household contracting, since the two-tier operating system combining centralized collective operation and decentralized household operation was clearly defined as the basic operating system in the rural areas and Chinese agriculture, the Communist Party and the government have always stressed the need to consolidate and improve the basic rural operating system – so does the "Report of the 19th CPC National Congress." The content of the basic rural operation system in China has been incessantly expanding and the term of contract is continuously being extended. In 1984, the No. 1 Document of the CCCPC clearly stated that the land contract term for arable lands should be no less than 15 years; in 1993, the No. 1 Document of the CCCPC clearly stipulated that the land contracting period shall be extended for thirty years upon expiry of the first round contracting; in the "Report of the 19th CPC National Congress," it was made clear that the term would be extended for yet another thirty years upon expiry of the second round of contracting. The extension of the contract period can enhance the farmers' confidence and sense of stability, but we also need to continuously consider how to improve the efficiency of farmland use, especially the issue of the operation of many idle lands in the wake of those farmers' migrating from the rural areas to urban ones. This elicits the concept of land circulation, which was originally put forward also in the CCCPC Document No. 1 of 1984. It purports to encourage the congregation of farmlands to abler hands upon expiry of land contracts, which is actually a land circulation (transfer). In addition to the extension of the contract term and the transfer of land, the No. 1 Document of 1984 also proposed that farmers be allowed to settle down in rural market towns for work or business with household certificate registered as those "taking care of their own grain rations" in contrast with agricultural and non-agricultural households. This is actually a starting point for urbanization. From these three perspectives, the No. 1 document is of great significance.

The party and the government have been consistently implementing the above-mentioned reform measures. In recent years, the central government has also put forward a clear definition of the "separation of three farmland rights," namely, clarifying land ownership, stabilizing land contracting rights, and liberalizing land management rights, which actually existed in many places long ago. For example, from the late 1980s, many farmers in Zhejiang and Jiangsu Province already knew this. The reason for regarding the "separation of three farmland rights" as a major institutional innovation in recent years is because the government or legislation has only really begun to make it clear of late. In past documents and laws, there have been frequent expressions of articles like "stabilizing land contractual management rights,"

“encouraging circulation (transfer) of contractual land use rights and contractual land management rights,” and “allowing mortgage guarantees,” etc. This policy evolution shows that previous documents and legislation do not realize that there are differences in these concepts. Under the existing system, land ownership remains unchanged, and the entities of land contracting rights are also limited to the farmer households within the same collective, only the management rights are subject to *laissez faire* and invigoration. As the contractor rights still belong to farmer households, even if the operation rights are transferred, the farmers will not hold misgivings. For effective “separation of three farmland rights,” making it a better system moving forward, we must first ensure the rights-confirming registration of land. By the first half of 2017, such rights for national rural land management rights had been completed (approximately 73 percent of it), and it is estimated that by the end of 2018, more than 95 percent will have been completed. On this basis, it is possible to implement the “separation” of the three farmland rights. Of course, the “separation of three farmland rights” will also involve many complicated legal issues, which need to be further explored, to gradually allow the system to be clarified and refined so that it can better guide the practice. The second aspect is to continuously strengthen the coordination of urban and rural development and establish the institutional mechanisms for urban and rural economic and social integration. Although the allusion of “allowing farmers to settle down in rural market towns for work or business with household certificate registered” as those “taking care of their own grain rations” in Document No. 1 of 1984 actually allows farmers to enter small towns and small cities from the countryside, it was not until the “2002 Report of the 16th CPC National Congress” that it was first propounded. At that time it really proposed to coordinate and balance urban and rural socio-economic development. “The Report of the 16th CPC National Congress” announced that China had built a moderately prosperous society in general. The next step was to move from a moderately prosperous society in general to one that was so in an all-around way. The central government clearly understands that an all-around moderately prosperous society will not be realized if the urban–rural gaps are not narrowed. Therefore, the agricultural issues cannot be resolved solely by relying on the self-development of rural areas. What is more important is to implement urban–rural balanced development via integrated institutional measures. Since 2000, the reduction or exemption of agricultural taxes were piloted, by 2006, agricultural taxes had all been abolished. On this basis, the government further implemented supportive and protective policies for farmers, such as subsidies for grain production, seeds, agricultural machinery, and production materials, to gradually form a development trend featuring urban–rural mutual support. Later on the concept of “two-wheeled drive and parallel development of urbanization and the construction of a new socialist countryside” was unequivocally proposed.

No matter whether it is the construction of a new countryside, or the revitalization of rural areas, or the revitalization of rural strategies, such policies will never exclude urbanization. Given its special national conditions, China has many rural populations. Within a short period of time, or for quite a long period of time, a large proportion of the population may still live in rural areas. Therefore, the moderate prosperity of the entire country would be like an air castle if rural areas continued to lag behind. From that point of view, just as General Secretary Xi often expressed, even if our urbanization population reaches 70 percent, the remaining 30 percent would be still as many as 400m people. If by 2030 the total population reaches 1.5bn, at least 450m people will reside in rural areas. When the People’s Republic of China was founded in 1949, the rural population was 484m. This is to say, after 81 years of development, the rural population in China has remained basically unchanged.

Given the huge rural population in China, the modernization of the overwhelming majority of population would be an arduous journey. Just as General Secretary Xi Jinping mentioned in his speech, there must be “sufficient historical patience.” In Xi’s myriad

speeches, the expression of “sufficient historical patience” probably only appeared twice. One was stated at the Urbanization Working Conference in December 2013 as “regarding the issue of population urbanization, we must have sufficient historical patience”; the other was stated in his visit of Xiaogang Village in April 2016: “scale operation is an important foundation for the development of modern agriculture, which can hardly be built upon the decentralized and extensive agricultural management models. However, we must also realize that changing these models takes a relatively long historical process that takes time and conditions, and cannot be rushed. Many problems must be examined in the grand picture of the historical process, and there must be sufficient historical patience.” He also mentioned three conditions: urbanization, agricultural science and technological progress, and the development of an agricultural socialization service system. In this context, rural areas must be well built in the process of urbanization, that is, new urbanization and new rural construction must be implemented in parallel and driven by the “two wheels.”

The third aspect is the prioritized development of agriculture and rural areas, the “Report of the 19th CPC National Congress” clearly stated that priority should be given to the development of rural areas to remedy these shortcomings as soon as possible. This statement, albeit not explicitly proposed before the 18th CPC National Congress, has been clearly put forward and repeatedly stressed thenceforward. Moreover, General Secretary Xi has repeatedly stated that in the process of the synchronization of the “four modernizations (of industry, agriculture, national defense and science and technology),” agricultural modernization remains a “short leg.” In the process of building a moderately prosperous society in all respects, rural development remains a “short board,” therefore we must speed up the remedying of the short-leg and short-board to truly achieve all-around moderate prosperity. Xi also expressed in a lot of popular terms that “the key of a well-off society lies in our fellow villagers.” Then he added: “The key lies in fellow villagers in poverty-stricken areas.” That is, we must make up for the shortfalls. In the “Report of the 19th CPC National Congress,” a priority was pinpointed to develop agriculture and rural areas. The actual situation in China is that the relative development is inadequate and imbalanced and, in fact, bottlenecked by the “three rural issues.”

To speed up the system construction in these three areas, we must first consolidate and improve the basic rural operation system to persistently uphold the enthusiasm of farmers. Second, we must promote urban and rural balanced development, so that the city’s wealth and productivity can drive the development of agriculture and rural areas more effectively, such that rural areas will not be left to waste. Third, to remedy the shortcomings of the “three rural issues” with the least delay in order to accelerate the building of an overall well-to-do society and modernization.

### 3. The prospect of rural reform

The implementation of the strategy of “Revitalizing rural areas and rejuvenating the countryside,” as stated in the “Report of the 19th CPC National Congress,” has given us good inspiration for future prospects for rural reform. This strategy is different from the “new rural construction,” which focuses on the existing conditions of rural areas and reforms them on a microscopic basis. It can be summarized in five sentences (i.e. ten English catchwords for 20 Chinese characters): “production development, affluent life, countryside civilization, village neatness, and democratic management.” While participating in the drafting of a document on the construction of a new socialist countryside, the author was very concerned about the unequivocal articulation of the connotation and denotation of the concepts, which would enable the policy implementers to follow the top-down instructions rather than acting upon their own interpretations. That is to say, without clear conceptualization, the actions of grassroots enforcers and the masses cannot be successfully guided. Although the above five sentences (things) and ten catchwords for the construction

of a new socialist countryside have been approved by the central leadership, in practice, the grassroots governments are prone to do just one thing, namely, “village neatness.” Since it is difficult for other things to achieve the desired effect, the goal of tidying the village can be, however, easily achieved. Facts have proved that this was the case with the initial new rural construction. For example, when I chatted with local farmers during an inspection tour in northern Shaanxi, I discovered that they understood new rural construction as “rich people build houses, poor people paint walls.” The rural revitalization strategy refers to the implementation of the five-in-one (i.e. economic, political, cultural, social, and ecological civilization) constructions in rural areas, which also expands the five sentences of the original new rural construction to match the five major national constructions. Bearing this model in mind, there will be a clearer direction as to how rural areas should develop and reform.

### *3.1 Properly solving rural internal problems*

The next step in rural reform is roughly twofold. The first aspect is to solve many internal problems in rural areas. At present, there are three most pressing issues to be resolved:

- (1) Accelerate the structural reform on the supply side of agriculture, change the current situation which is fraught with undersupply or oversupply, hulky agriculture with low efficiency and competitiveness.
- (2) Further protect the farmers’ legal property rights, that is, to comprehensively promote the reform of the property rights system in rural areas, including the right-confirming registration and certificate issuance of the land and the further reform of collective economic assets.
- (3) Speed up the advancement of innovation in agricultural science and technology and the innovation of agricultural management systems. Without these two innovations, the structural reform of the agricultural supply side will only become a quantitative increase or decrease, instead of the improvement of quality and competition.

### *3.2 Creating conditions and an environment that are conducive to the development of agriculture and rural areas*

The second aspect is that in order to ensure the better development of agriculture and rural areas, the state must create more favorable conditions and environment for their development. At this level, three aspects of reforms can be promoted:

- (1) Promote new urbanization. Urbanization is a long and difficult process. The current threshold and cost for the transformation of the agricultural population into full citizens are still too high. It remains very difficult for those qualified candidates to settle down in urban areas. For urban migrants, i.e., those who do not wish to settle in, the central government has proposed a residence permit system to achieve equalization of basic public services within the same urban area. There are many things that need to be solved meticulously in the process of urbanization. For example, the 13th Five-Year Plan has set a standard: by 2020, the urbanization rate of the resident population and registered population shall reach 60 and 45 percent, respectively. In 2016, the urbanization rate of the resident population and registered population was 57.4 and 41.2 percent, respectively. Given the difficulty in escalating the urbanization rate of the registered population, the goal (45 percent) is virtually unattainable by 2020. However, in October 2016, CCTV reported that 31 provinces, municipalities, and autonomous regions barring Tibet have all

announced the cancellation of their two types (with urban and rural discrimination) of household-registered accounts, which are being replaced in a two-in-one manner. That is to say, the evaluation index of the urbanization rate of registered population has gone with the wind. However, this system is likely to confuse urban and rural population and cause serious problems. For another example, the population of the urban population at the end of 2016 was less than 800m. According to the natural growth rate of the urban population of 5 percent, the number of urban residents naturally accrued each year would be 4m. In 2016, however, the number of rural residents entering the city only increased by 500,000. The natural increase of the urban population plus the rural population entering the city denotes the total increase in urban population. According to the National Bureau of Statistics (NBS), the annual increase in urban population is 20m, which outweighs by far our calculations. Professor Cai Fang justified this issue via an explanation that by changing the administrative system, one can derive the number given by the NBS. It is proposed that the village committee be changed into a neighborhood committee, the township be changed into a street, and the county be changed into a city or district. As mentioned in the above two examples, such changes in the administrative system or assessment indicators are not true urbanization; it takes a lot of authentic effort to promote new urbanization.

- (2) Accelerate the equalization of urban and rural areas in terms of infrastructure social undertakings, basic public services, and basic social security. General Secretary Xi referred to this process when he mentioned that there must be “sufficient historical patience” for population urbanization. Other countries have achieved this goal for ages, and China has to do so in a stepwise rather than a leapfrog manner. Once the above equalizations are basically realized in urban and rural areas, farmers will not be affected by non-equalization of rights and public services regardless of their choices to stay in cities or rural areas. This change is of paramount importance.
- (3) Support and encourage the development of new industries and new operation types in rural areas, and promote the integration of rural primary, secondary, and tertiary industries. The job opportunities provided by cities cannot satisfy the demands of the vast rural population, the full employment of whom would necessitate the creation of a “third employment space” for farmers. The “first employment space” refers to the contracted land, the “second employment space” refers to work and business in urban areas, and the “third employment space” denotes job opportunities within the countryside but not depending on arable land, such as e-commerce, online shopping, handicrafts, rural tourism, old-age care and health regimen, etc., which will invariably, to some extent, have no side effects on the scale of operations required for agricultural modernization. In the 1980s, with the sudden rise of township and village enterprises, farmers could leave their farmland and seek employment without leaving their native land. However, in 1996, the “Law of the People’s Republic of China on Township Enterprises” was issued, and township and village enterprises basically disappeared. In the late 1990s, there was a wave of migrant workers hunting for jobs in cities. In 2016, the total number of peasant workers was 282–170m of who were in urban areas. From an incremental point of view, the growth rate of migrant workers entering the city was 5–7 percent in 2011 and 2012, falling to just 0.4 and 0.3 percent in 2015 and 2016, respectively. The above examples of the growth rates of township enterprises and migrant workers show that times are constantly changing, and reforms must seize the moment. Furthermore, the national condition of the huge number of Chinese farmers must

be taken into serious consideration. The most difficult part of China's modernization process is the employment and income of the rural population. All rural reforms must be carried out around this issue, and efficiency must not be raised at the expense of the employment and income of farmers.

**Further reading**

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