China’s Collectivisation Puzzle:
A New Resolution

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According to total factor productivity trends in Chinese agriculture, China achieved productivity gains both when collectivising (1954–58) and when decollectivising (1979–84) its agriculture. If the productivity gains from decollectivisation were due mainly to eliminating the incentive problems of collective farms, how the initial collectivisation could also have been associated with gains in productivity presents a major historical puzzle. We suggest as an answer the possibility that agricultural production in China was widely organised on a household basis until 1958, despite the collectivisation of property rights, and that the formation of the agricultural producers’ co-operatives reduced the inefficiencies in factor allocation that existed following China’s land reform.

INTRODUCTION

Collectivised agriculture was a hallmark of the socialist regimes that prevailed in the Soviet Union from the 1920s and in much of eastern Europe and Communist Asia from the 1950s to the 1980s. Among scholars of socialist agriculture, there is broad agreement that collectivisation depressed productivity by weakening the link between farmers’ individual efforts and the returns to themselves and their families. However, just which aspects of collectivisation are responsible for these outcomes – absence of individual property rights, ideologically constrained payment systems, inappropriate scale of production, excessive intervention from higher levels, depressed producer prices — remains a matter of some controversy.

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China has offered fertile ground for debates over the sources of poor socialist agricultural performance because its collectivisation process included several distinct stages with which apparently different performances were associated. According to the most widely accepted data, total factor productivity (TFP) in Chinese agriculture rose between the completion of land reform in 1952 and the formation of the people's communes in 1958, a period that includes the mass movement of farmers into co-operatives (1954–55) and collective farms (1956–57). These data then show agricultural TFP plunging during 1959–61 (the Great Leap Forward), and rising after 1962, but without recovering its late 1950s levels until after the decollectivisation process that began in the late 1970s. The trends in TFP reveal an interesting paradox: for it appears that China had achieved productivity gains both by collectivising and by decollectivising its agriculture. The most intriguing puzzle perhaps is what it is that enabled China to achieve a complete collectivisation of agriculture without encountering massive peasant protest, to be followed by a collapse in productivity after the formation of the people's communes.

Lin responds to the paradox posed by good agricultural performance during collectivisation but incomplete recovery after the Leap by arguing that 1958 marked a watershed not only with respect to the scale of collective farms but also with regard to farmers' rights to choose between collective and private farming in China, rights which, he asserts, were protected until that point but denied thereafter [Lin, 1990]. But this answer has itself been questioned on both theoretical and historical grounds. Historically, Kung argues that farmers' nominal right to withdraw from collective farms was already too tenuous to have influenced their behaviour after the consolidation of the collectivisation movement in 1956 [Kung, 1993]. If this is so, and we believe that it is, then an explanation of the paradox to which Lin pointed must be sought elsewhere. In this study, we suggest that such an explanation may be found by focusing on evidence that the organisation of production in many instances remained individual or household-based up to 1958, despite the collectivisation of property rights. We argue that this can be expected to have greatly reduced the incidence of those problems of collective incentives that arise when individuals combine their effort to produce a joint product in such a manner that individual effort contributions are costly to ascertain. We point out, in addition, that under the particular historical circumstances of mid-1950s China, the formation of the agricultural producers' co-operatives could actually have enhanced productivity by partly correcting inefficiencies in factor allocation which existed following China's land reform. By contrast with the pre-1958 regime, decentralisation to the household level was proscribed between 1962 and 1978. Thus, serious team incentive problems existed in the post-
GLF period, even though the most extreme problems associated with GLF gigantism and labour misallocation were alleviated.

The study is organised as follows. In section I, we provide a brief outline of the incentive problems likely to afflict collective farming, and relate those problems to the history of Chinese agriculture after 1949. In section II, we discuss the problem of factor proportions and farm scale in the agricultural sectors of developing countries, and we explain how changes associated with the collectivisation in China could have raised agricultural productivity, or offset otherwise declining productivity, by its impact on these dimensions. In section III, we lay out the historical evidence that agriculture was more decentralised during 1956–58 than at any other period following China’s collectivisation drive but before the post-Mao reforms, and we provide some details regarding the production relations of that period. A brief discussion of how the better-than-expected performance of collective agriculture in the mid to late 1950s might have been facilitated also by a policy environment less hostile to agriculture is provided in section IV. Section V concludes the study.

I. COLLECTIVE FARMING AND THE PROBLEM OF INCENTIVES IN TEAMS

The problems of incentives in collective teams have been much discussed by economists in recent years. In general, there appears to be a consensus that work incentives can become inadequate when the link between contributions and rewards is weakened, which may happen either because it is too costly to ascertain individuals’ contributions, or because some other factor leads to the adoption of incentive-dampening rules, even though effort is observable. In particular, owing to the technological characteristics of agricultural production, including its spatial and temporal dimensions, monitoring costs are arguably greater on collective farms than in household-based agricultures [Bradley and Clark, 1972; Wittfogel, 1971]. Accordingly, Lin, Nolan, and others have argued that the cost-effective (or welfare-maximising) level of monitoring in China’s collective farms was one that left individual effort quite imperfectly rewarded on the margin [Lin, 1988; Nolan, 1988]. A variant of the costly monitoring argument is that the poor work effort encountered on the collective farms was not entirely due to monitoring difficulties, but rather resulted because cadres or production team managers were not claimants to the residuals [cf. Alchian and Demsetz, 1972] so that they lacked the intrinsic incentives to discipline workers’ effort as owner-managers would [Nee and Su, 1990; Zhou, 1994]. In other words, the poor economic performance of collective farms was due not so much to the lack of ability to monitor effort, but rather to the lack of incentives to do so.5
Lin poses the riddle of how China managed to collectivise its agriculture, during the 1950s, without sustaining a serious decline in farm productivity due to collective incentive problems [Lin, 1990]. The gist of our proposed answer is that prior to 1958, most agricultural production in China may not have been collective, in the sense relevant to the incentive theories just discussed. Lin, and most others, have assumed that the collective incentive problem applies to the pre-1958 period because the collectivisation of agriculture is understood to have been completed in China by 1956 or at the latest early 1957. However, in the writings on this historical process, the term collectivisation refers to the removal of ownership rights over land and draft animals from the hands of individual farmers, and the assumption of control over inputs by leaders of hezuoshe or ‘co-operatives’. Whether collectivisation was completed in the sense that farmers or farm households ceased to work discrete plots of land is rarely explicitly addressed. There is a possibility, therefore, that collective farming, in the sense that concerns the incentive theories, was not yet the norm in China between late 1956 and mid-1958, despite the fact that ‘collectivisation’ in the sense of property rights had already been consolidated.

To gauge the applicability of the conjecture that production continued to be organised on a household basis despite collectivisation, we carried out archival research focusing mainly on the provincial newspapers of six major agricultural provinces during the period 1952–57. For wider geographical coverage, we also examined historical materials collected by the Union Research Institute on contemporary Chinese affairs, which include newspapers and radio broadcasts on issues pertaining to the organisation of agriculture in this period. We augmented our analysis of these documents by conducting an interview with Du Runsheng, who in the 1950s was chief secretary of the Department of Central Rural Works under then Minister Deng Zihui, an architect of China’s pre-Leap period agricultural policies. Du’s overall confirmation of our reading of the documentary evidence provides important support for our analysis, and his remarks are referred to below, where relevant. Finally, we searched the Western literature for relevant discussions, and found the most explicit investigation of the issue, that of Crook, to be consistent with our conjecture [Crook, 1973].

II. SCALE, FACTOR PROPORTIONS, AND PRODUCTIVITY

China’s land reform was motivated by the C.C.P.’s concern for the rising inequality in the countryside, which arguably was reflected in the growing concentration in ownership of land and other major farm implements and factor inputs. The pressing problem which most Chinese peasants were alleged to be facing at the time was one of overall scarcity of factor inputs,
land included, and their highly uneven distribution [Chen Hansheng, 1985; Xue Muqiao, 1985]. In the absence of viable alternatives, these authors argued, peasants were forced to turn to the market to either rent out their own labour, at low wages, or rent in land and other farm inputs, such as draft animals, at exorbitant rates. Underlying the influential writings of these prominent Chinese economists was the deep skepticism they had over the role that markets could potentially play in alleviating the twin problems of stagnant economic growth, on the one hand, and growing income inequalities, on the other hand – a view that was derived more fundamentally from their strong conviction that commercialisation had only served to immiserise the great majority of the Chinese peasantry (see also Huang [1985], for a similar argument).

China’s Land Reform was thus conceived to address this inequality and other major grievances of the poor peasants with respect to the levels of rents and taxes, usury, and so on [Shue, 1980]. The CCP faced two major interrelated constraints, however, in the process. First, given that an important objective of the reform was to enhance agricultural productivity, and because it viewed the upper and middle peasants as the more progressive force of the peasantry capable of producing a sizeable marketable surplus, these strata of the peasantry were spared from the redistributive process, leaving only those designated as the landlord class to be the principal target of this political and economic movement. Second, the Party’s strategy of targeting for expropriation solely the landlord class also served, not coincidentally, the political purpose of isolating only a small fraction of the rural population – a strategy which allowed the CCP to safely rely on the support, or at least a lack of overt opposition, from the great majority. However successful this strategy may have been, it left large sections of the rural households – those qualified as either upper or middle peasants – virtually unaffected. And while there should be few doubts that the reform had increased the equality of both land ownership and operated holdings, an inescapable conclusion must remain that it stopped substantially short of full equality; the scarce and uneven availability of farm resources still left many poor households unable to cultivate their newly acquired land independently.

While the efficiency costs of the failure to equalise factor proportions – in the sense of matching farm labour to land and other factor inputs across peasant households with differing land-labour endowments – could in theory be mitigated by market exchange, economists who have studied land transactions in the context of developing economies have noted that such markets often display both inefficient and disqualifying tendencies due to imperfections in credit markets and the collateral value of land [Eswaran and Kotwal, 1986; Braverman and Stiglitz, 1989; Binswanger, Deininger
and Feder, 1995]. For this reason, an agricultural reform that leads to more uniform operational holding sizes, and more equal distributions of other inputs, can in principle increase both equity and efficiency [Cline, 1977; Prosterman and Riedinger, 1987]. In the case of China, in order to prevent destitute farmers from having to sell their land, concerted administrative efforts were directed at providing technical and material support to those poor farmers who established mutual aid teams at the Party's behest in an environment that did not overtly prohibit land transactions (Deng Zihui, in Gao Huamin [1982: 75]; Pan Yun [1994]).

However, because rich and middle peasants were rather reluctant to share their resources with their poorer counterparts, the mutual-aid movement did not go far enough, from the Party's standpoint, in equalising factor access across farm families. Organisational efforts were accordingly made to speed up the formation of mutual aid arrangements. Still dissatisfied with the pace of these changes, and convinced that China's marketable farm surpluses were growing too slowly to support her ambitious industrialisation programme, Mao moved to speed up the co-operativisation movement, overriding the gradualism of Deng Zihui, who had just ordered the dissolution of some 200,000 elementary co-operatives. As soon as Mao's preference for a faster pace of collectivisation was made clear, cadres at various levels responded swiftly by establishing elementary agricultural co-operatives so as to avoid their own political indictments [Bo Yibo, 1991: 327]. Within as little as a year of their own establishment, these elementary co-operatives were then amalgamated into advanced co-operatives or collectives.

The key difference in property rights arrangements between the elementary and advanced co-operatives is this. In the former, although the co-operative now determined the cropping pattern and organised work in a centralised manner, ownership rights remained nominally private and peasant households who contributed their land and draft animals to the production process received dividends and rental payments. In the latter, such payments were no longer made. Under the elementary form, therefore, it was technically feasible for a land-and-resource-rich household to do little if any work, but still receive an income sufficient to feed an entire family. On the other hand, land-poor, labour-rich households were also able to earn a living by working in the fields. While perhaps a reasonable compromise, from a tactical standpoint, this institutional arrangement was bedeviled by peasants' incessant squabbling over the relative importance of land and labour in the overall production process, and hence their relative payments. A simple and once-and-for-all solution to the problem, and one that was in line with Mao's preference at the time, was simply to proceed with the abolition of private ownership, since, by so doing, payments would be made.
solely according to labour contributions, eliminating conflicts over the 'appropriate' factor shares.

One irony of China's 1950s agrarian changes which has often been overlooked is that in many villages, it was only at the point of forced formation of co-operatives that farm labour became more equally matched with land and other inputs — a change that would in principle have resulted in a net gain in farm productivity, following the reasoning of the aforementioned literature on land reform and factor allocation. For within the co-operatives, the previous dependence of land-labour matching on problematic contractual arrangements between land-short and labour-short households, was replaced by a unified control over these resources, which, as shown below, produced more homogeneous factor proportions across the farm plots of a given co-operative. Such gains, of course, would have accrued only if incentives were not severely impaired by the accompanying changes in property rights.

Another consideration that might offset the productivity-enhancing tendency of a movement towards more equal factor proportions is the presence of economies of scale in production. However, there is broad agreement that there are few economies of scale in the production of grain and most other crops under the conditions prevailing in developing countries (see, for example, Berry and Cline [1979]; Carter [1984]; Feder [1985]). Recent reviews of Chinese farm production studies suggest that this pattern holds in that country throughout the post-1949 period, as well [Wen, 1993; Puttermann and Chiacu, 1994]. Thus, the disappearance of larger farms associated with the land reform need not have negatively affected productivity, offsetting any favourable impact owing to a movement toward production under conditions of greater equality of factor proportions.

III. THE INSTITUTIONAL ARRANGEMENTS OF CHINA'S AGRICULTURAL COLLECTIVES: SOME IMPLICATIONS FOR ALLOCATIVE AND ORGANISATIONAL EFFICIENCY

Having advanced to a more 'socialist' stage, the collective faced two immediate organisational problems upon its formation. First, with well over 200 farm households to manage, the collective was clearly too large to effectively organise unmechanised agricultural production on a daily basis. While land, major farm implements, draft animals, and so on were now owned by the larger collective, the brigade, equivalent in size to an elementary co-operative, continued to use the above inputs and thus functioned as an independent unit responsible both for resource and work allocation and for accounting and income distribution. On the basis of such
contracted inputs, the brigade promised to deliver a certain quota of output subject to a budget constraint, in exchange for a lump sum of work points, which, when multiplied by a value based on ex post distributable earnings, determined the income of the brigade members. Historical sources suggest that this kind of institutional arrangement was rather widely adopted in China in 1956 and 1957.\textsuperscript{18}

A second problem which the collective faced was the need for a remuneration system to provide strong work incentives to individual peasants in co-operatives in which input (effort) was joint and output difficult to attribute to the individual worker. Given the rapid pace at which these co-operatives were established and the lack of organisational experience with respect to ‘fully socialist’ units, the Chinese, although anxious to avoid the mistakes made by Stalin, borrowed an institutional arrangement adopted in Soviet collective farms (Du Runsheng, Interview; also Perkins [1966: 58]).\textsuperscript{19} Under what the Chinese called the Work Norm Management System (WNMS), each agricultural task was priced according to a number of criteria, and a worker who performed it while fulfilling the associated time and quality requirements was paid accordingly.\textsuperscript{20}

As with piece rates in general, the WNMS suffered from the fact that a worker is inclined to speed up work when his earnings are directly linked to the quantity of the work completed [Nalbantian, 1987; Holmstrom and Milgrom, 1991]. He may skimp on work quality to the extent it is allowed by imperfect monitoring, for any improvements in this respect will benefit mainly the employer. The piece work compensation scheme can therefore only be beneficially employed when the costs of supervising and monitoring the quality of work are low relative to the overall production costs. But the temporal and spatial nature of peasant agriculture may make monitoring relatively costly [Bradley and Clark, 1972; Lin, 1988; Nolan, 1988]. There was no exception in the Chinese case, as peasants were found to be rushing off to finish work in order to gain more work points.\textsuperscript{21} Moreover, Mao himself dismissed the WNMS as a “trivially complicated philosophy” when he learned that the system tended to encourage individually selfish, maximising behavior at the expense of collective interests (Du Runsheng, Interview). Given the practical problems associated with using the WNMS, and, in addition, Mao’s own judgement that it was not an appropriate framework for organising socialist agricultural production, cadres at all levels began to seek ways to reduce the burden of hierarchical monitoring associated with the use of the work norm management system. It is from this vantage point that the introduction of the next system to be considered by us, the Field Responsibility System (FRS) or Tianjian Guanli, may be understood.\textsuperscript{22}

Under the FRS, day-to-day farm operations were decentralised to the semi-
autonomous work teams formed under the auspices of the brigade. Consisting of an average of five to ten households or ten to 15 workers, the team was assigned an independent tract of land for carrying out the brigade’s production plan in a way that was designed to reduce the burden of hierarchical monitoring. Within the team itself, the land was further subdivided among the peasant households who were made responsible for field management, the justification being that the majority of farm tasks involved in field management were tedious, and were therefore most appropriately undertaken by individual households – a practice known at that time as zubaopian hubaokuai. There was indeed the explicit recognition that only tasks ‘that are critical in timing and really require the complementing factors of draft animals and large farm implements’ – tasks that are confined mainly to the planting and harvesting seasons – should be undertaken on a joint basis. The proportion and hence significance of tasks of latter type in the overall agricultural production process, and thus the magnitude of the incentive problems potentially involved, was relatively small.

In order to ensure that each household would make maximum use of the land assigned to it, the amount allocated to a household was carefully based on the estimated quantity of labour it was capable of supplying, and the amount of work required for a given crop. The computational exercise began with the brigade calculating the amount of work needing to be done on each independent tract of land. Under the guidance of the work norms, according to which farm tasks were “priced” in terms of work points, the brigade then computed the number of work points that would be given for work done on each mu of land. At the same time, the physical capabilities and farming skills of individual workers were assessed, and each received a work point rating reflecting his or her assessed capacities. Finally, by dividing the team’s total stock of land by the amount of work points contracted to a team, the brigade arrived at a numeraire, which was to be used in conjunction with the sum of the work point ratings of a household in determining the amount of land that should be assigned to it. For example, if a team had 261 mu of land and could supply 311 work points worth of labour per day, then the numeraire would be 0.83 (261/311). The household having a rating of, say, 19 work points, would then be assigned $19 \times 0.83 = 15.77$ mu of land.

Since land was allocated primarily on the basis of labour capacity, marginal productivities of land and labour can be expected to have been relatively equal among member households, and the scheme may therefore have been reasonably allocatively efficient. In addition, in those instances where each peasant household was assigned a single, contiguous plot of land on which only one crop was grown, the scheme avoided the problem of scattering or land fragmentation which can result from an equal sharing
of land of varying qualities. In these respects the household-based Field Responsibility System was potentially more allocatively efficient than both the inequalitarian private farming system which preceded it, and the household responsibility system of the 1980s.

On the other hand, the FRS was arguably more efficient from an incentive standpoint than competing systems of collective land management, including those practised in the 1960s and 1970s. As most farm tasks were assigned to the peasant households to be done exclusively on the responsibility plots assigned to them, and as the land assignment rule automatically limited the amount of work a household was allowed to do, the scope for rate busting or scrambling for more work at the expense of other households' earnings and work quality was considerably restricted. Similarly, quality shirking was likely to be reduced as the quasi-private assignment of land helped bring marginal rewards to effort into alignment with marginal products, in the sense that final, measurable output could now be used as a check of the quality of the whole sequence of tasks undertaken by the individual or household.

It is doubtless that monitoring would have been an extremely formidable and unwieldy activity if every single farm task had to be assessed, as was the case under the work norm management system (WNMS). It was precisely this kind of monitoring burden, we suggest, that the FRS was intended to reduce. Where work points were awarded on the basis of the output of a full crop cycle, it was necessary to examine the final output only. Indeed, some critics of the field responsibility system argued that it was in fact a disguised form of the officially prohibited household responsibility system, since rewards were so directly tied to output (see Zhejiang Ribao, 29 Feb. 1957).

A remaining incentive question is whether peasant households would be sufficiently motivated to monitor those workers who came to work on their fields as a group in cases in which some group work continued to be done. Provided that the households holding the primary land assignments were made responsible for the quality of the work done — for example, by having their work point earnings reduced for shoddy work found on their responsibility plots irrespective of the cause — the incentives to monitor would have been strong, as was found to be the case for some collectives in Henan province (Henan Ribao, 15 Jan. 1957). The quasi-residual claimant status of the peasant household was reflected in the fact that the brigade or team would distribute vouchers to the households at the beginning of each crop cycle to allow them to pay each other for the reciprocal group work performed on their fields. As quasi-residual claimants, farm households were empowered to instruct the guest workers to do the work again if it was not done properly in the first place.
Should the kind of institutional arrangements just described prove insufficient, shirking on the common fields could be further detered by formal rules set up by the brigades, which threatened to reduce one’s work point earnings if the work performed was considered substandard by the host farmer and the cadres responsible for overall quality control. In point of fact, it may be argued that formal rules were likely redundant for enforcing co-operative behavior in team work. The reason is that the work group was essentially made up of farmers of the same team (in some cases, the same extended family) whose aim was to help one another to complete the urgent tasks of agricultural peak seasons. Provided that mutual help was made compulsory, that the nature of the interactions was repeated, and that only a few members were made to work together in close proximity in a spatially delimited area in the presence of an individual primarily responsible for the field in which a team was working, it was not easy for one to impose costs on the others without fearing that his reduced effort would be detected and punished [Kung, 1993]; (see also Henan Ribao, 15 Jan. 1957). This argument holds irrespective of whether work points were shared equally among the group members for a task performed on a joint basis, or were apportioned according to the particular task each one was assigned. Thus, while the direct supervision of field workers by farm managers was rendered difficult by the technological conditions of agricultural production, the mutual monitoring of effort on the individually assigned fields of farmers of the same team proved effective.

To sum up this section, although collectivisation was completed in one sense upon the effective removal of peasants’ private property rights in land and other major nonlabour inputs by 1956 or 1957, it remained incomplete in so far as individual households were allowed to work discrete plots of land, leaving their respective effort contributions easily identifiable. In addition, compared with the preceding systems of household farming, better matching of labour to nonlabour inputs may also have improved allocative efficiency. Thus, evidence of the widespread use of such practices goes a long way towards explaining why farm productivity did not suffer precipitously following the initial collectivisation of China’s farms, contrary to the theoretical expectations concerning the incentive properties of collective farming in general.

IV. THE POLICY ENVIRONMENT

We do not claim that micro-organisation is the sole explanation of the relatively good performance of Chinese agriculture in 1955–57. Other factors, most notably favorable weather in this period, certainly also played important roles. Government policies with respect to the quantities of
crops procured and the method of setting procurement targets were also more favorable in this period than in the immediate preceding and succeeding years. Here we briefly discuss the policy environment.

In an effort to boost peasants' production incentives, procurement quotas and the levels of actual procurement were reduced during 1955 to 1957. After rising from roughly 20 per cent in 1952 to over 35 per cent in 1954, the share of grain procured by the state fell back to 30.4 per cent in 1955 and averaged only 26.3 per cent in the following two years. Of equal importance, perhaps, was the attempt to regularise the method of setting the grain purchase quotas so as to reduce the 'ratchet' effect under which a large share of any yield improvement was lost to higher procurements. Taken together, these measures provided the collectives with stronger incentives to improve their organisational efficiency.

This relatively favorable policy environment was short-lived, however, as procurements rocketed to 45.4 per cent of the grain crop in 1959 [Sicular, 1989]. While comparatively favorable price and procurement policies returned during the early 1960s, those policies were again to prove transitory. Although the high procurement levels of the GLF-era were not to be repeated, the Cultural Revolution (circa. 1967–77) saw state procurement prices either frozen at 1966 levels (grain) or rising only modestly ('economic crops') for the next twelve years [Sicular, 1988: 456]. It also saw strict controls on free market crop sales. Worse still was the emphasis during that period on local self-sufficiency [Lardy, 1983], and the impact of the government's ideological preference for egalitarian remuneration practices and downplaying of material incentives [Putterman, 1987, 1993; Kung 1994].

While a more favorable policy environment almost certainly contributed to the better-than-average performance of collective agriculture in the 1955–57 period, it was evidently not sufficient in itself for achieving that result. The reason was that, as Lin has argued, government policies were also reformulated in favor of agriculture during the period of Readjustment when China was recovering from the famine and other consequences of the GLF (circa. 1961–66) [Lin, 1990]. But the same cannot be said to apply to the institutional arrangements governing agricultural production. Although responsibility for work organisation and income distribution was devolved from the gigantic commune, consisting of tens of thousands of households, to the production teams, typically having only 40–60 workers, each team nonetheless carried out production in a centralised manner. The field and household responsibility systems were revived in some localities in 1961 but prohibited in 1962, as the leadership viewed them as part of a tendency towards private farming that would adversely affect the development of collectivised agriculture. Team farming was thus institutionalised and
remained in place until the early 1980s, and only in the latter decade was collective agriculture proclaimed an institution unsuitable for farming in China [Bo Yibo, 1991; Lu Xueyi, 1986].

V. CONCLUSION

Owing to its multi-staged nature and pronounced temporal variation, the history of agricultural collectivisation and decollectivisation in China offers valuable evidence on the strengths and liabilities of differing forms of farm organisation. A seeming inconsistency in the record, however, is the contrast between the apparently good performance of at least the staples production dimension of Chinese agriculture in its initial collectivisation in the pre-Leap 1950s, and its less satisfactory performance under the multi-tier commune system that operated from 1962 until decollectivisation. In this study, we have explored the possibility that the relatively good performance of agriculture during the late 1950s in China can be explained by the combination of effective decentralisation of most production operations to the household level, and improved matching of labour to non-labour inputs across households.

Although collectivisation of agriculture was completed in China by late 1956 in the sense that individual property rights in land and draft animals were dissolved, we find evidence that collective farms addressed the problem of maintaining individual work incentives in large part by assigning primary responsibility for tasks on discrete plots of land to individual households, and doing this in such a way that task completion could be checked by comparing output levels across plots. Under what we term the Field Responsibility System, work incentives would have been weaker than under radical versions of the post-Mao household responsibility system (in particular, baogan daoahu) both because some tasks were still undertaken by teams, and more importantly because households were still remunerated with workpoints, the value of which depended upon the overall performance of the collective. Yet they would have been substantially stronger than incentives of the team-based production systems that prevailed from 1962 through 1978, assuming that the latter suffered from either the monitoring problems or payment system constraints cited by analysts.

To the extent that FRS dulled individual incentives relative to the independent production system that preceded it, this deficiency could have been at least partly offset by the improved pairing of labour with other resources that may have resulted from China's collectivisation. The widely reported phenomenon of higher productivity on small farms in developing countries, and those market failures that may prevent improvements in factor allocation through trade, combined with the pattern of constraints on trade
characterising mid-1950s China, suggest that the shift from a system in which land and draft animals were unequally owned and operated to one in which those factors were allocated more or less in proportion to households’ labour forces, could have raised farm productivity, absent incentive disadvantages of FRS or of collective ownership rights. If the official data and the interpretations of Wen and Lin are correct in suggesting that productivity not only held its own but also increased in the 1955-57 period, the addition of this factor allocation effect to the incentive-preserving properties of FRS, good weather, and favourable pricing and procurement policies, could provide the explanation [Wen, 1993; Lin, 1990].

In what proportion of the newly-formed collective farms production was organised in the manner described, however, remains an empirical question to which we do not pretend to have a full answer. Our archival analysis covers only six major agricultural provinces, and it offers no statistics on the proportion of units adopting FRS even in these. While there is evidence of FRS being adopted by collectives in other provinces as well, and while our conjecture is consistent with the recollections of a key actor in the collectivisation process and is not contradicted by extant western research, more conclusive evidence must still be obtained by further historical investigations.

Although we see the alternative hypothesis developed here as exploratory, there are nonetheless good reasons to believe that FRS, and perhaps even more decentralised systems, were adopted widely in the collectivised villages in the years preceding the Great Leap. To begin with, the agricultural production units in the mid to late 1950s were operating under a set of less restrictive organisational and policy constraints, making it possible for the more innovative peasants and cadres to circumvent the incentive problems inherent in team production by decentralising most farm tasks to the household level while maintaining the collective framework governing production planning, resource allocation, and income distribution. Once a few collectives in a county or prefecture were found successful in resolving the organisational problem posed by collective farming, free institutional borrowing could occur between independent villages. What is more, the collectivisation process in many villages may have involved little more than a strengthening of cadre powers and a declaration that they had become advanced co-operatives; seeing FRS praised by official media might have reassured cadres in these villages that household farming could in fact be maintained. The development of FRS may also have been a response to a common command, in some cases. Finally, maintenance of household-based production structures during the initial years of collectivisation would provide a sensible explanation of how China could have so rapidly converted to group farming, yet have held
negative productivity effects at bay for several years. In essence, group farming as such may quite widely have been put off between the onset of mass co-operativisation, in 1955, and the establishment of the communes, in late 1958.

While we have argued against some other explanations of Chinese agricultural performance in the late 1950s, we do not claim to have ruled out all possible alternatives. In our introduction, we mentioned why Lin’s explanation, which hinges on the putative existence of a right to farm privately until late 1958, strikes us as untenable. While Dong and Dow’s argument that such governments policies as low crop pricing and local grain self-sufficiency can explain the inferior results after as compared with before the Great Leap may itself be worthy of further research, our own preliminary assessment, given above, is that differences in policy regime between the 1955–58 period and the readjustment period of 1962–65, other than those pertaining to the constraints on the internal organisation of production by collective units, are too minor to explain the substantial difference in results [Dong and Dow, 1993a]. More troubling, we think, is the fact that the late 1950s was not itself entirely devoid of the disorder attendant to a major change in organisation and property rights. For this and other reasons, the output and input series themselves demand more detailed study, as does the role of weather in year-to-year output changes. Despite the existence of possible alternative explanations, however, we judge the evidence that FRS was widespread in the late 1950s, and its theoretical significance, to be sufficient to establish the hypothesis of this study as a leading contender for explaining the late 1950’s ‘anomaly’ and thus for rendering China’s post-war agricultural record finally susceptible to consistent interpretation in economic institutional terms.

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NOTES

1. These official series, studied by Tang, updated by Wen, and used in Lin, are taken as a starting point of our discussion [Tang, 1984; Wen, 1989; Lin, 1990]. While some challenges to the qualitative trends assumed here are cited briefly in note 55, below, these have been speculative in nature and have left Lin’s characterisation standing as the prevailing view.

2. A problem with the scale and management explanations of the GLF-period agricultural crisis, as argued by Lin, is that if these factors alone were to blame, then farm productivity should have returned to 1950s levels when the commune was decentralised, making small teams the basic crop production units, in 1962 [Lin, 1990]. The production teams of the 1962–78 period, which averaged about 30 households, were similar in size to the elementary producers’ co-operatives of 1954–55 and substantially smaller than the advanced producers’ co-operatives of 1955–56. Intrinsic problems of collective farming cannot be used to explain post-1962 performance, Lin argues, since they should have afflicted China’s collective farms in the years before 1958 as well, whereas the record of those years appears to be a relatively good one.
3. Kung's argument, based on recently available Chinese sources, most notably the recollection of major historical events in Communist China by Bo Yibo, are consistent with the idea featured in earlier work by, among others, Shue, Selden, and Walker, that compulsion had replaced persuasion as the main force behind the collectivisation process by 1955 or 1956 [Kung, 1993; Bo, 1991; Shue, 1980; Selden, 1982; Walker, 1966].

4. The theoretical issues in the debate initiated by Lin become irrelevant if the historical claim that the right of exit was already too tenuous to have affected behaviour after 1956 is correct.

5. While there are indeed reports that the proscription was ignored at some times and in some localities, the burden of our argument is that it led to a much lower incidence of family farming than did the more permissive environment of 1955–58.

6. Although there appears to be a consensus that monitoring was at least a potential problem for collective farms, not all scholars agree that a monitoring problem was the major cause for suboptimal performance in Chinese collective agriculture. Puttermann argues that China's collective farms fell short of the level of incentives they might have generated partly because ideology dictated a leveling of rewards [Puttermann, 1987]. Relatedly, Kung hypothesises that rewards were leveled because China's overall development strategy, including a grain-first and local self-sufficiency policy in agriculture, made it rational for collectives to attach greater priority to income sharing than to incentive considerations when choosing reward schemes [Kung, 1994]. Puttermann and Dong and Dow provide evidence that monitoring may have been a real but perhaps not an insurmountable problem for the collective farms [Puttermann, 1993, Ch. 7, Appendix; Dong and Dow, 1993b].

7. These provinces were: Hebei, Sichuan, Shandong, Henan, Guangdong, and Anhui. According to Walker, they were major grain producers during the period in question [Walker, 1984].

8. URI Archive Vol. 45, Socialist Agricultural Transformation. Union Research Institute was established in Hong Kong in 1952 with the aim of collecting research materials on Communist China. The Institute was closed down in 1975 when its principal benefactor — the Asia Foundation — left Hong Kong.

9. As Director of the Communist Party's Central Rural Policy Research Unit and the State Council's Research Center for Rural Development, Du was in turn an important architect of China's post-Mao rural reforms. Now in his early 80s and officially retired, Du remains active as a consultant to the Office of Rural Experimental Reforms under the auspices of the Ministry of Agriculture, and as Chairman of China's Land Economics Association.

10. Crook's discussion is quite consistent with the possibility that household contracting was widespread in the late 1950s, but it contains no estimate of the proportion of units adopting it, nor does it assess changes in incidence during the years beginning in 1956 and ending in 1965. The best known Western accounts of the collectivisation process, those by Nolan, Shue, Selden, and Walker, contain little information helpful to assessing the prevalence of household contracting in late-1950s China [Nolan, 1976; Shue, 1980; Selden, 1982; Walker, 1966]. We asked the first four of these authors (Walker is now deceased) whether our conjecture that most collectives used household contracting in this period was plausible to them or was contradicted by evidence they had studied. All indicated that they knew of no definitive evidence either for or against it.

11. The same may be said to apply also to other factor markets. For example, even the terms on which labour was exchanged for draft animal services — which were apparently in relatively scarce supply — were regarded by some Chinese economists as highly unequal, and thus the transactions involved were viewed as ones unfavorably forced upon the poor peasant households that suffered not only from inadequate land, but also from shortages of a wide array of critical farm implements and inputs [Chen, 1985; Xue, 1987].

12. These measures, plus the chilling impact of the recent land confiscation and executions of landlords, evidently served to reduce the incidence of land and other property transactions, although these nonetheless reappeared upon completion of the land reform.

13. Even in central, northern, and northeastern China, where land reform was first carried out, the proportion of farm households who belonged to mutual aid teams (MATs) of any sort was only 33 per cent in 1953. In the northwest and southwest, the proportion was a mere 10 per cent [Gao Huamin, 1989: 187]. One reason why the movement developed slowly was the
affluent farmers’ perceptions that so-called mutual-aid was actually a euphemism for the rich helping the poor. For instance, although it was the draft animals which were in short supply, their price relative to that of labour often turned out to be low in the MATs, due to cadres’ roles in ‘administering’ the prices [Lu Wenchang and Li Jianjun, 1988: 56–7]. There were other instances in which co-operation failed to occur. In particular, in peak seasons when a series of urgent tasks had to be performed one after another, peasant households rushed to work their individual fields instead of taking turns to help one another out, for fear that any delay in attending to their own field might jeopardise the harvest [Heilongjiang Nongye Hezuo Shi, 1990].

14. The elementary co-operatives were organisations set up to serve China’s industrialisation programme. As this kind of development strategy required the agricultural sector to provide surplus under terms that would allow the industrial sector to realise a sizeable re-investible profit, the market was replaced by the plan, or, specifically, the compulsory procurement system, as an institutional mechanism to keep farmgate prices low. Since the costs associated with enforcing quota compliance were likely greater in a situation in which farmers were independent profit-seeking entities directly in charge of production and marketing decisions, these rights were thus expediently removed in the elementary co-operatives, under which production and marketing plans were decided by the local cadres instead. Since property rights remained nominally private in the elementary co-operatives, farmers still received part of their incomes in the form of land and other dividends, and part from labouring in the common fields.

15. Deng Zihui was deeply concerned about the difficulties experienced by the majority of co-operatives, many of which were, in his view, established too hastily, and/or in violation of the principle of voluntarism, among other problems. After careful deliberations based on the report prepared by his assistant, Du Runsheng, more than 150,000 co-operatives in Zhejiang province, where problems were considered by Deng and Du as most serious, were dissolved and turned into mutual aid teams, a move that affected some 400,000 peasant households [Bo Yibo, 1991].

16. Given the rapid pace of the collectivisation movement, on the one hand, and peasants’ reluctance to form even mutual aid teams, let alone collectives, on the other hand, there is reason to suspect that some villages had done nothing more than make the announcement that they had become advanced co-operatives. This is indeed reported to have been the case by Du Runsheng (interview conducted by James Kung, Beijing, 18 May, 1994 [hereafter Du Runsheng, interview]). We discuss the consistency of such cases with our overall hypothesis later in this section.

17. As Bo has noted, however, this principle did not work in many villages, because land dividends were set so low that they were not even adequate to pay for the agricultural tax [Bo Yibo, 1991: 359, 371].

18. Our survey based on secondary sources shows that agricultural collectives in the following provinces had reportedly adopted this institutional arrangement soon after they were established: Fujian, Guangxi, Jilin, Sichuan, Yunan, Liaoning, Shaanxi, Jiangxi, Inner Mongolia, Xinjiang, Henan, Hebei, Shandong, Guangdong, and Anhui. See URI Archive Vol.45, Socialist Agricultural Transformation, op. cit. This system was also the subject of articles appearing in Renmin Ribao on 11 May 1955, 19 Aug. 1956, and 19 Oct.1956. Unfortunately, the sources do not provide data indicating what proportion of units in the respective provinces adopted the system.

19. While not all villages adopted this system, the majority were reported to have done so. In some instances, villages deviated from the standard practice with neighbouring households and relatives quickly banding together to form small teams in an attempt to avoid being involuntarily assigned into brigades and as such forced into team farming with people with whom they were unwilling to co-operate, and also to avoid the adoption of a rigid and complex system of management imposed from above, such as that discussed in the text. In yet other instances, presumably collectives whose cadres were not capable of handling complicated administrative duties, the system discussed here was also not used in a comprehensive manner, as preferred by the higher authorities. Instead, rewards were simply based on the completion of a series of farm tasks in each subphase of a crop cycle on a
particular plot of land. Known as *xiaoduan baogong*, each subphase lasted for five to 15 days, depending on both the crop type and the climate. A crop cycle could consist of as many as 20 such phases. Compared with the system discussed in the text, it was clearly far simpler in terms of both accounting and organisational procedures, and therefore placed less administrative burden on the cadres. A common practice adopted by collectives in backward areas, this system is alleged to have worked satisfactorily (Du Runsheng, Interview).

20. All agricultural tasks were priced on the basis of work intensity, skills required, the degree of unpleasantness involved, and their relative importance in the overall production process [Kung, 1993]. According to Shue, attempts of this sort had already begun in some elementary co-operatives, if only on a modest scale [Shue, 1980].

21. See, among others, *Jiangxi Ribao*, 4 Aug. 1956; 4 Sept. 1956; *Renmin Ribao*, 1 Aug. 1956; *Xin Hunanbao*, 20 Aug. 1956; *Xinhua Ribao*, 6 Aug. 1956. This problem was regarded as more serious than the frequent need to revise work norms caused by changes in the natural conditions of production, as the latter problem was to some extent ameliorated by the advanced co-operative encouraging the brigade to experiment with setting norms and revising them when necessary.

22. The institution described here was referred to somewhat differently from one place to another, but its essential features were broadly similar. It was alternatively known as ‘team subcontracting work, household subcontracting land’ or *zuboagong hubaodi* in some counties in Hebei province (*Hebei Ribao*, 5 July 1957); ‘land section responsibility system’ or *diduan zirenzhi* in Henan province (*Henan Ribao*, 15 Jan. 1957); ‘field responsibility system with work subcontracted to households’ or *tianjian guanli baogong daohu* in Anhui province (*Anhui Ribao*, 17 April 1957); and ‘land supervision responsibility system’ or *rudi jianguan zirenzhi* in Shandong province (*Daizhong Ribao*, 16 Aug. 1956). The process leading up to the adoption of the system is reflected in its description by some cadres as ‘an outcome of four years of trial-and-error and learning since the formation of the elementary co-operative’ (see, for example, *Henan Ribao*, 26 Jan. 1957; *Jiangxi Ribao*, 4 Sept. 1956; and *Shaanxi Ribao*, 30 Aug. 1956).

23. There were roughly 20 odd households or 40 or so individual workers in a brigade.

24. Du put the number at seven to 10 peasant households, an estimate that is consistent with the range suggested by our published sources (Du Runsheng, Interview).


29. A unit equivalent to .0667 hectares.

30. For example, a ‘full (i.e., healthy adult) male labourer’ may be assigned a work point rating of 13 for a full day’s work, and a ‘full female labourer’ six, and so on. A peasant household having the equivalence of one full male labourer and one full female labourer was thus entitled to earn 19 work points for a day’s work.

31. See, for example, *Henan Ribao*, 29 Jan. 1957, for an example of this allocation method. An alternative, simpler method adopted by some brigades was to assign the team’s holdings in parcels sized proportionately to the number of ‘full’ and ‘half labour powers’ in each household (*Sichuan Ribao*, 12 Feb. 1957). In other cases, a household reported its own work point ratings subject to public discussions held for the purpose of ascertaining that it did not claim more land that it could effectively farm (*Shaanxi Ribao*, 18 July 1956).

32. There were undoubtedly exceptions. In a village in Zhejiang province where *baochan daohu* was adopted, a 79 year-old male was allocated two *mu* of land to cultivate, when instead he should only have been given some ‘light tasks’ to do, according to some critics (*Zhejiang Ribao*, 20 Feb. 1957). Of course, the dispute in question may have been as much about fairness as about efficiency: perhaps the man’s relatives put in the claim and effectively farmed the land to increase their incomes!
33. This was precisely how production was organised in certain cotton-growing areas in Henan province, for example. The specific type of crop assigned to a household was determined by what that household had had previous experience growing. This scheme allowed a greater degree of specialisation than that under which each household grows different crops on different plots, as was common under the household responsibility system in 1980s China (see *Henan Ribao*, 15 Jan. 1957). Although the proportion of collectives adopting this method cannot be ascertained, our evidence suggests that cadres chose allocational rules with concern for the overall cropping plan, and that efforts were made to avoid simply distributing farm holdings to peasant households in an egalitarian fashion, as was the case in the early 1980s (see for example, *Anhui Ribao*, 17 April 1957). This would have prevented the emergence of situations in which a "representative" farm household farmed an average of 8.3 mu of land composed of 9.7 separate plots, as was found to be the case in a nationwide village survey conducted in 1984 after the completion of China’s Deng-era decollectivisation [*Research Center for Rural Development, 1986*].

34. See the previous note.

35. Output was measurable because the responsibility for crop yield had been assigned either to an individual worker or to a household on a delineated plot within the context of a small team. Collectives linked payment to plot yields by, first, establishing connections between the amount of work to be done and the final output, and, second, paying the individual worker or household the number of workpoints corresponding to her/its work quota, upon the latter meeting the quality requirements. In some collectives, evaluation of the quality of a household’s work was facilitated by the uniformity of endowments of, in particular, land among households. Moreover, it was typical for households in the same brigade to grow the same crops, an arrangement that further facilitated across-the-board comparisons. For sources, see, among others, *Hebei Ribao*, 18 July 1957; *Henan Ribao*, 15 Jan. 1957; 2 April 1957; (Nanjing) *Xinhua Ribao*, 8 Aug. 1956; *Jiangxi Ribao*, 4 Sept. 1956.

36. The following anecdotal comments are instructive: ‘Although one is inclined to think that members of the collective would only work hard on their own “responsibility fields”, but not those of the others, the actual behavior observed suggests otherwise. It seems that, once members were made to bear the responsibility to inspect the work of those others who come to work on “their” fields, their incentives have changed radically; now they do seem to care about whether the work was being done properly’ [Zhejiang Ribao, 26 Feb. 1957]. In short, the incentive to avoid being penalised by the collective was sufficient to predispose the peasant household to monitor.

37. See, for example, *Dazhong Ribao*, 16 Aug. 1956. In other collectives, the responsibility for inspecting farm work rested jointly with both the farm household and a specialised inspecting team, which would report to the brigade accountant to have the work points recorded (*Henan Ribao*, 2 April 1957). In still other instances, the inspection responsibility rested with the (presumably small) brigade leadership, which, after having ascertained the quality of the work inspected, instructed the team leader to issue temporary vouchers to the work group. The idea was to postpone the official recording of work points until all the tasks in a particular production phase had been completed by all the households in order to allow the comparative evaluation exercise to be carried out effectively (*Anhui Ribao*, 17 April 1957; see also *Hebei Ribao*, 15 July 1957).


39. As a cadre in Anhui province remarked, the responsible household head or his delegate could carry out his own work while monitoring that of the others at the same time” (*Anhui Ribao*, 11 April 1957, emphasis added).

40. Kung cites cases which involved the scraping of mud from the bottom of a pond, the pushing of a heavy cart of manure, transporting, threshing, and winnowing the harvested crop [Kung, 1993].

41. An example was plowing using animal draught power. In this work process, one person was required to hold the plow while the other person guided the ox, with a third person drilling the land to prepare for the placement of seed (*Hebei Ribao*, 19 July 1957).

42. One reason why monitoring in a team may be less costly than supposed by Lin and others is that the shared residual claim feature of team payment systems may generate low cost mutual
monitoring. Such monitoring is modelled explicitly by Dong and Dow, who also provide empirical evidence on monitoring in China’s collective era teams [Dong and Dow, 1993b; also Puterman, 1993, Ch.7, Appendix.]

43. By the same token, although property rights were private in an elementary (sic.) co-operative, work in such a co-operative was sometimes centrally organised, with peasants being made to labour in a common field. This could cause incentive problems to have been more acute in such co-operatives than in advanced co-operatives (collective farms) using FRS, thus illustrating the distinction between incentive schemes and property rights regimes.

44. The important role of weather was given special emphasis by Du Runsheng in his interview.

45. Annual procurement as a percentage of total output, by year from 1953 through 1959, were: 26.8 per cent, 35.4 per cent, 30.4 per cent, 24.5 per cent, 28.1 per cent, 31.2 per cent, and 45.4 per cent [see Sicular, 1989: 250].

46. Beginning in 1955, quotas were determined with reference to the “normal” yield of the land, or the amount the land should produce in an ordinary year. Once determined, the quota was to remain unchanged for three years. Moreover, peasants’ production incentives were invigorated as the government promised not to increase the sales obligation in the subsequent quota period by more than 40 per cent of the amount of any increases in production occurring under the current quota, with the right to dispose of the remaining 60 per cent being retained by the peasants or the co-operatives [Perkins, 1966: 51–2; Sicular, 1989: 251].

47. See also Sicular [1989: 260–63].

48. While household responsibility systems reappeared as early as 1978 in some localities, their adoption in most areas dates to 1981, 1982, or 1983.

49. A similar practice in fact existed even under baoguan daohu in many parts of China, where village-level agricultural service co-operatives undertook mechanised tasks such as plowing and seeding by drill.

50. FRS shared the second feature with early forms of household responsibility system such as baochan daohu, which enjoyed popularity between 1980 and 1982 before giving way to the more radical baoguan daohu system.

51. In particular, Zhejiang, Jiangxi, Guangxi, Gansu and Hunan (see Union Research Institute, Archive Vol. 45, Socialist Agricultural Transformation, op. cit.).

52. See references to interview with Du Runsheng, and note 10, above, and Crook [1973].

53. See again note 16.

54. The commentary article entitled ‘Both the Production Teams and Its Members Should Contract Work and Output’ [Renmin Ribao, 29 April 1956] may have been taken as sign of the center’s support for FRS.

55. As Puterman and Skillman and Liu point out, differing productivity trends also emerge under differing assumptions about factor weights [Puterman and Skillman, 1993; Liu, 1993].

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Mutual Insurance as an Elusive Concept in Traditional Rural Communities

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During the last two decades, economists have paid increasing attention to the role of informal risk-sharing arrangements as a privileged way through which traditional rural communities can achieve a significant degree of protection against income fluctuations and other hazards beyond their control. This article however argues that when they enter into such arrangements members of these communities are guided by a principle of balanced reciprocity (they expect a return from any contribution or payment they make) rather than by a true logic of mutual insurance. More precisely, they do not conceive of insurance as a game where there are winners and losers and where income is redistributed between lucky and unlucky individuals. None the less, traditional agrarian societies have proven able to develop a restricted range of sustainable forms of mutual insurance that avoid the aforementioned problem.

INTRODUCTION

In their in-depth studies of traditional agrarian societies, anthropologists have repeatedly emphasised the pivotal importance of considerations of economic and social security behind many behavioural patterns or institutions typical of these societies. One of the first authors to have explicitly pointed this out is Evans-Pritchard who saw a form of mutual insurance in the apparent generosity of their members: ‘it is scarcity and not