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China's Household Responsibility System in Contemporary China II: Its Features and Outcomes

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Abstract: This article contributes to the debate regarding the features and outcomes of the Household Responsibility System (HRS) in rural China. We argue that the features and success of the HRS can be traced to its origin—Xiaogang villagers' community institutional arrangement. Under the HRS, peasants re-obtain autonomy in production and residual claims in distribution. The collective land is mainly distributed and redistributed period to household on per capita. This provides equality of opportunity. The ownership of the HRS is split ownership rather than either full collective ownership or full individual ownership. The property rights of the HRS are divided between state, collective and peasant households. The HRS have resulted in spectacular agricultural growth and large-scale poverty reduction since it was institutionalized. It has facilitated rural industrialization and urbanization. It led to development of market and private enterprises. The economic democratization brought about by the HRS lays down the foundation for later political democratization of village-level election. The HRS demonstrates that there is positive relationship between democratization and development.

Keywords: The Household Responsibility System, autonomy, incentives, egalitarian distribution of land, split ownership, agricultural growth, poverty reduction and democratization

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Introduction

In the predecessor to this article (Meng 2024), we gave an introduction of the HRS and demonstrated the HRS was an political and social construction and a result of complex interaction between Chinese central government, multiple local governments and peasants. In this article, we provide an overview and assessment of the major features and outcomes of the HRS of the last half-century since it was institutionalized. We will investigate the features of the HRS from the following four aspects: its autonomy in production, incentive in distribution, split ownership between three parties, and equalitarian distribution of land. Then we will examine its results from economic perspective, social perspective, political stability and implication for democratization.

Features of the HRS

Autonomy under the HRS

Under the HRS, peasants obtained autonomy in their production process and were free to make crop selection decisions and sell crops on the market for profit after meeting basic grain procurement requirements set by the state (Oi 1999; Seiden 1998; Tilt 2018).

In an interview, one peasant said:

Things are better nowadays. I make my own decisions. I can fertilize at exactly the right moment. No one tells me what to do. No materials go to waste; no time is wasted; no one interferes. I know what to do to reap a good harvest. (Myrdal 1984, 46)²

Thus, the HRS made the connection between producers and the means of production. In contrast, under the commune system, the collective became a “universal capitalist” while peasants became “agricultural workers” (Meng, 2019). The goal of the collective was to have only common property, but the reality was universal poverty.

From the experiment of Xiaogang village, this kind of autonomy is what peasants wanted. Similarly, Chinese officials had watched, reflected and learned about the commune system. Wan Li spoke frequently about his respect for peasants’ creativity, wisdom and autonomy: “We put *control* not only on what peasants plant but also on the distribution of their income we apply a *top-down* management....Do we understand these issues? Do we really know the situation?” (Zhang 2007, 135; quoted in Zhao 2017, 63, italics added)

He compared the commune system with that under the Nationalist Party regime.

We take over peasants’ rights of agricultural planting and control of their production, what rights are the peasants left if we *control* everything? Some of us only give arbitrary orders and want to manage everything except peasants’

² Jan Myrdal, like many other supporters of Mao’s thought, became a staunch critic of Deng Xiaoping. Despite his book *Return to a Chinese Village* is a narrative of his disapproval of Deng’s China, he describes peasants’ sense of autonomy and consequential dignity. See also Unger 2002, 95-118.

lives and deaths, which led to so many people starving to death during the three year's drought. (Zhang 2007, 135; quoted in Zhao 2017, 63, italics added)³

Thus, the new autonomy was not only the result of peasants' demands but also that of Chinese high officials who learned from the failed experience of the commune system. For Wan, to guarantee peasants' individual autonomy and individual political participation was to realise Chinese rural democracy.

By the end of 1984, all production brigades and 98% of households in rural China had adopted the HRS and the people's commune system was abolished. The original motive for the reform was to improve incentives for agricultural production by granting farmers autonomy of operation and rights of residual claimants. An unexpected outcome was that rural households obtained autonomy in owning and allocating systems of production. Under the commune system, employment was confined to farming and, in many cases, solely to grain production; workplaces were restricted to production brigades in the home village and each brigade determined the hours of labour—all of which served to maintain patterns of resource misallocation. Under the HRS, once households had paid agricultural tax, met the state's procurement targets, and turned over the collective retention, they could decide which crops to plant and how to allocate their work time. Under the HRS, peasants gradually accumulated surplus funds, and much of the rural labour force began to flow from the countryside to the city. Agricultural work was seasonal and much less financially rewarding than working in the cities; there were new opportunities: men could work in the cities for part of the year, they could find better schools for their children, they could start a small business that was much more rewarding, less exhausting, and more secure than working the land. As Oi observes: "new, more lucrative job opportunities lured rural labour away from agriculture because of the autonomy obtained under the HRS." (Oi 1999, 616)

Incentive of the HRS: Residual Claim

The HRS's distribution method was originated in Xiaogang villagers' creation. In their secret agreement, peasants at Xiaogang village guaranteed whatever had to be given to the state would be given to the country, and whatever had to be provided to the collective would be given to the collective. (Wu 2016, 51-52). As it is saying: "Turn over to the due quota to the country, turn in the due quota to the collective, and the rest is the contractor's own." (Chen 2019, 462) Under this kind arrangement, 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 the HRS. therefore, the peasants' arrangement can be accepted. More importantly, the peasants can retain all remaining products and income. Thus this kind of distribution system could be accepted by all three parties (Chen 2019, 462).

We can see this clearly from Wan Li's rational in allowing Xiaogang's experiment under his jurisdiction of Anhui Province. On January 24, 1980 he and other cadres visited Xiaogang. Wan said:

The prefecture government allows you to contract with households for three years; I allow you five years. Only you can contribute more to *the state*, more

³ Cai (2010, 161): "Before the reform, peasants had no rights to retreat from the People's Commune (Lin 1990)."

to *the collective*, and *your lives* can improve. . . . it cannot be called the reversing of communism into capitalist restoration. (Wang, 1988, 58–59.cf. Meng, 2019, 307)

As the state and collective incomes were relatively fixed, if the more grains and other agricultural production was produced, the more farmers would receive. It is this kind residual control of their labor fruits that form the strongest incentive elements in the HRS. New Institutional economics stresses the incentive issue in economic performance. For example, North states: “*Incentives* are the underlying determinants of economic performance.” (North 1990, 135). This can be apply to the HRS. Under the HRS, peasants produce more and get more. So the right to the residual income from that land is the basic underlying forces of economic growth under the HRS.

In contrast, under the commune system in agriculture in place since 1953, land equitably distributed among farmer households was transferred to the collective, all inputs were provided by and all outputs were given to the collective. Agricultural adult workers were equally remunerated regardless of their actual contributions because of monitor issue (Lin, 1987, 1988, 1992) and discipline issue (Dong and Dow 1993;Putterman 1987, 1988a, 1988b, 1989, 1991, 1993). Their incentives for production were consequently suppressed, This resulted in long-term stagnation of agricultural productivity and widespread problems with food shortages. More than half of its population lived under the poverty line before Deng Xiaoping’s initiation of reforms in 1978 (Ravallion and Chen 2007). The HRS with its incentives has led to four decades agricultural economic growth, while the Commune System with its dis-incentives resulted in a quarter century’s economic stagnation and decline (Meng, 2018, chapter 2 and chapter 3).

As Oi observes: “Beginning in the late 1970s and culminating in the early 1980s, the initial phase of rural reforms worked remarkably well to solve the incentive problems that had plagued Maoist agriculture.” (Oi, 1999b, 617-618, italics added)

This incentive structure of the HRS was created by Chinese peasants themselves. As North observes: “Starting with the household responsibility system, the Chinese developed an *incentive* structure which managed to produce rapid economic development without any of the standard recipes of the West.” (North 2005, 159, italics added). This has important implications for developing countries in learning lesson from the developed countries. As North notes:

It should be emphasized that the institutions that have emerged om the Western World, such as property rights and judicial systems, do not have to be faithfully copied in developing countries. The key is the *incentive* structure that is created, not the slavish imitation of western institutions. (North 2005, 159, italics added)

This is correct. Furthermore, under the HRS whereby collectives would contract farm households to deliver a certain production quota from their allocated land, with the remaining output left for peasant households for their own consumption. With the improvement of productivity, they produce more but they cannot consume all of the grains. So they have the right to sell freely on the market. Their income increased. This promoted the introduction of market mechanism. So peasants are the real creators of market economy in China in 1980s.

Since 1 January 2006, the agricultural tax, which has existed in China's rural areas for more than 2,000 years, has been officially abolished. However, this dose not mean that the state’s

interest in food security has completely bid farewell to the historical stage. On the contrary, the state has the strongest interest in keeping food security. Meanwhile, the interests of the collective still exists.

Equal Distribution and Redistribution of Land

At the beginning of the HRS, the collective contracted land to their member households strictly on the basis of family size rather than family productive capability. Take Xiaogang village. According to Wu (2002 [1979])'s record, Xiaogang's land was distributed per capita: "the 517 *mu* of land within the brigade were divided into households based on head count." (quoted in Wu 2016, 63) This created the extreme egalitarian pattern of land distribution within villages in the postreform rural China.

Furthermore, when demographic changes occur, many villages readjust the initial contracts to maintain the equality. Land owned by the collective could be periodically repartitioned as household size and/or worker-dependent ratios changed to equalize the land-to-man ratios among peasant households (Zhou and Liu 1994; Kung, 1995, 2000; Liu et al., 1998; Benjamin and Brandt, 2002). In spite of the disparity in labor endowment and productivity among individual households, land-person ratio across households in a village is found to be surprisingly equal. Egalitarian land distribution to each household has promoted rural economic growth and helped to spread the benefits of agricultural growth. And thus it played a key role in reducing poverty in the early years of reform. (Ravallion and Chen 2007) Land equality. In contrast, land inequality has a negative effect on economic growth in other countries (Deininger and Squire 1998).

Equal distribution and redistribution of land has been criticised on many aspects. The first one is based on the argument of 'efficiency'. For example, Lin claimed that the egalitarian distribution of land per capita rather than labour force resulted in the outcome of the mismatch between land and labor and thus led to the loss of agricultural output (Lin 1989a, 1989b). In order to ensure both static and dynamic efficiency, these writes such as Lin proposed that the egalitarian pattern of land distribution should be broken through granting peasants the ownership of land or at least a permanent and exclusive right to use village land. However, the majority of peasants (around 80%) consistently supported this egalitarian distribution and redistribution of land despite its alleged efficiency drawbacks. (Rural Sample Survey Office 1988, 45-51; 1992a, 62; 1994, 40). Scholars such as Lin failed to understand the peasants' support for the present land allocation system because they held the orthodoxy of division between equality and efficiency in neoclassical economics. As Dong notes: "This is probably because they have overlooked the fact that the usual separability of equity and efficiency of neoclassical economics does not hold in an overpopulated economy where the marginal productivity of labor falls below the minimum subsistence income." (Dong 1996, 917). In order to compete for a commercial plot in the land rental market (Moene, 1992) or to find a job in the labor market (Dasgupta and Ray, 1986 and 1987), the distribution of land among peasants must necessarily be equal so as to meet their basic needs in life and to enhance their employability. "Otherwise the landless and near-landless will suffer from malnourishment" (Dong 1996, 917).

This periodic redistribution of land has also been criticised as "insecure" because it discourages plot-specific investments, underapplication of fertilisers, and reduces productivity (Wen, 1991, 1995; Jacoby et al. 2002, Lin 2000; Swarzwaldler 2000). However, there is little experimental

evidence to support this allegation (Li et al. 1998; Kung and Cai 2000; Sanders 2006; Stiglitz, 1994). The importance of tenure security has been exaggerated (see, e.g., Prosterman and Hanstad 1990; Prosterman, Hanstad and Ping, Li. 1996; 1998; Prosterman et al. 2009). In a survey of 13,099 peasant households in 29 provinces and regions conducted in 1988, only 1.6% of the heads of the households identified themselves as belonging to the group of households that they were reluctant to invest in land because the land contracts were too short and were adjusted too frequently (Rural Sample Survey Office 1992b, 405). In the same survey, the leaders of 155 villages were asked to identify and rank the top three factors that affected the sustained growth in cereal production: only 1.7% considered the lack of tenure security and resultant low investment on land to be the most important factor that contributed to the fluctuation in agricultural production (Rural Sample Survey Office 1992b, 423). The outcomes of the survey were consistent with the regression results obtained from the household data from four counties in China by Feder et al. (1992). This study finds that tenure security, or the lack of it, did not have any significant impact on farm investment in any of the four cases. As Dong writes:

Given the economic logic and on the basis of the findings from the nationwide survey and available econometric analysis, it seems safe to conclude that landownership is only of secondary importance in the peasants' decision on farm investment, whereas farm size, market accessibility and profitability of agricultural production are the main determining factors. (Dong 1996, 922)

It is assumed that the longer the tenure, the securer the ownership. North (1981) asserts that the individual private property is the most secure (see also Demetz 1967, Alchian and Demsetz, 1973; Feder and Feeny 1993; Johnson, 1972; Sokoloff and Engerman, 2000; Acemoglu et al., 2001, 2002). It seems that Chinese officials have accepted this assumption (see Chen 1996, 19-20). As Oi noted:

Betting that lengthening the land contracts would at least ameliorate the problems in agriculture, the state took a decisive step towards granting peasants more secure property rights, but stopped short of privatizing ownership. The state increased the length of land leases in 1993 to at least 30 years, and for some more marginal lands, termed the “four types of barren land” – barren hills, slopes, ditches and beaches – lease rights could be 50 years or more. (Oi 1999, 619)

When it was scrutinized in the context of the economic reality of rural China, does not hold. For example, from the 1981-1984, the Chinese agricultural economic growth rate was the highest in history but its contract period was generally 3-5 years. Despite the granted peasants “more secure” property rights from the length of land leases in 1984 to at least 30 years in 1993, the agricultural growth rate never and ever surpassed the growth rate in 1981-1984. Some scholars call for the extension of land tenure of current 30 years to 50 years (Hodgson and Huang 2013). Contrary to the expectation, peasants want to the short-period period of contract instead of long contract. Kung and Liu, for example, note that some “villagers prefer short-term contracts ...because off-farm employment remains unstable and farming therefore serves as the last resort should these more lucrative alternatives become suddenly unavailable.” (Kung and Liu 1997a; see also Kung 1995).

Redistribution of land is widely believed to be necessary to eliminate the mismatch between man and land in response to demographic change. If a household lost or gained a member, then

it would have a portion of its land adjusted accordingly, which is the general principle regulating land distribution (Oi1999). As Liu et al. (1998, 1795) observed: “the local collective retained control over the allocation of land, because it had the power to ensure that the equal land entitlements of every collective member were respected.” Also, peasants prefer periodical redistribution of land (Kung 1995, 2000). Kung observed that “In the absence of land rental markets, this institutional arrangement mitigates the mismatch between land and population across farm households resulting from demographic change over time.” (Kung 2002b, 398).

Villages customarily adjusted land every three years (*xiao tiaozheng*) among those families whose membership had changed and reallocated land (*da tiaozheng* or *daluan chongfen*) once every five years (see, e.g. Yang 1995, 48). “According to the results of a government-sponsored survey, 95% of Chinese villages readjusted land between the early 1980s and the mid-1990s, amounting to an average of 3.1 times (Office of Fixed Investigation Points of Rural China, 1997 1998) (Kung and Cai (2000, 304, ft 3). Such reallocations actually occurred on a partial basis and were “found to have a *benign* effect on future tenure security.” (Kung 2000, 702)

The possible negative consequences of land reallocation in terms of farmers’ willingness to invest in their contracted plots have been known by policymakers in China since 1984 (Kung and Bai 2011, by which time 99 per cent of households in China had switched to farming on an individualised basis. Central government fixed contractual land-use rights to 15 years, a sufficiently long period to encourage farmers to ensure the fertility of the soil of their contracted plots (Kueh, 1985). However, as a number of studies have found, the majority of villages simply ignored this policy and continued to reallocate land on a periodic basis primarily in response to demographic change (Kung, 1995; and Liu et al., 1998).

As Kung and Bai writes,

It is not that Chinese farmers are unaware of the potentially negative effects of land reallocation on plot-specific investments, but rather that, because each and every member of the village community is bestowed with an equal right to use the commonly owned arable resource and enjoy an income from that use, no rationally minded individual would be willing to give up that right without compensation. (Kung and Bai 2011, 1512)

Despite the central government’s plea to reduce land reallocations, since de-collectivisation virtually all villages have exercised their ‘community claim,’ to use Besley’s (1995) term, by reallocating land. 14 per cent of rural households reallocated land in 2003 and 2004, immediately following the announcement of a new rural policy (2002) strictly prohibiting villages from conducting large-scale reallocation.

As Kung and Bai (2011) notes,

In fact, policymakers in China are patently aware of the differences in tenure security inherent in the two reallocation modes. For instance, although they have explicitly banned village authorities from reallocating land on a large scale since 2002, they continue to sanction partial reallocations when land has been severely damaged by natural disasters, as long as the decision to reallocate land is approved by two-thirds of the village representatives (Article 27 of the Rural Land Contracting Law [The Ninth National Party Congress of the Communist Party, 2002]).

Villages tend to reallocate land on a partial basis (among those households affected by demographic change) once every three years and more completely once every five years (*sannian yi xiaotiao*, *wunian yi datiao*), the latter presumably when the mismatch between land and labour among farm households becomes so great that partial readjustments are no longer sufficient (Jiang and Chen, 1997).

Studies that examine the exogenous effect of land reallocations on specific farm investments and, accordingly, agricultural productivity, fail to consider the differences in rules and expectations between two types of land reallocation (Li et al., 1998; Jacoby et al., 2002). Partial reallocations affect only those households affected by demographic change (births, deaths, and marriages). In essence, this is equivalent to saying that only households affected by demographic change are involved in such reallocations. In other words, in villages in which only partial reallocations were the norm, villagers whose households had undergone no demographic change could be certain that their tenure was basically secure.

In the majority of village households in which large-scale land reallocations were practiced, it indicated that they were unable to retain any of the plots that they had previously farmed following a large-scale reallocation, regardless of whether they had experienced demographic change. This evidence suggests that tenure is relatively more secure in villages in which land is readjusted on a partial basis rather than in those with a history of large-scale reallocation.

Under the HRS, arable land ownership continuing to reside in the collectives (village authorities) and land distributions carried out in a highly egalitarian manner. This is equality of opportunity rather than equality of outcomes because household production—especially of farm goods—causes income inequality. Indeed, despite land distribution carried out in a highly egalitarian manager, income inequality did occur. (Khan et al. 1992; Khan and Risky 1998; Kung and Lee 2001, 41) The equality of land distribution does not guarantee equality of outcome; this rests with the household's work ethic and Chinese peasants appreciate this kind of inequality of outcome based on equal distribution of land resources. Inequality in both wealth and income in the postreform rural China was still remarkably low by international standards (McKinley 1993, Hussain, Lanjouw, and Stem, 1994). However, this does not mean that rising inequality is not a problem. In contrast, rising inequality within the rural sector greatly slowed poverty reduction (Ravallion, M., & Chen, S. 2007). When levels of inequality were so high, it is undoubtedly an important concern for Chinese government. It will affect social and political stability. The issue here is not whether the state intervention is needed in poverty reduction but what kind of intervention is needed. (Rozelle, et al. 1998)

Split Ownership in Rural Arable Land

The land ownership under the HRS is a much misunderstood one. Some claim that they are ambiguous. For example, Zhu Ling and Jiang Zhongyi ask the question “who owns the land?” under the HRS and conclude that: “*no one* in the community is a real owner of land.” They call this “*vagueness* in land ownership.” (Zhu & Jiang 1993, 447, Italics added) Peter Nolan agreed: he wrote: “The rural reforms of the late 1970s and early 1980s left property rights in land *unclear*.” (Nolan 1993, italics added). Asking the same question, Peter Ho got different answers: “the same plot of land” was, apparently “owned by as *many different persons and legal entities* as the question was put to....” (Ho 2005, 2, italics added; see also Ho, 2001, 2003, 2013, 2015) “Which is it? No one or everyone?” (Ireland and Meng 2017, 371) Qiao Shitong and Frank Upham suggest, asking ‘*who* owns China’s land’ is unhelpful and, in a sense,

misleading (Qiao and Upham 2015, italics added) The property rights of the HRS were criticized as “ill-defined” and “unclear” (see, e.g., Fewsmith 2008; North, 2005b; World Bank 1990).⁴

To resolve the puzzles concerning the property rights structure of the HRS, it is necessary to turn on the concepts of “full liberal ownership” and “split ownership” crafted by A. M. Honoré (1961). Honoré claims that in “mature legal systems” “certain important legal incidents are found, which are common to different systems.” (Honoré 1961, 109).

Honoré lists “11 leading incidents”. As he writes:

Ownership comprises the right to possess, the right to use, the right to manage, the right to the income of the thing, the right to the capital, the right to security, the rights or incidents of transmissibility and absence of term, the prohibition of harmful use, liability to execution, and the incident of residuality: this makes 11 leading incidents. (Honoré 1961, 114)

Honoré also claims that these are “common features” of different mature systems (Honoré 1961, 110). As he notes: “the standard incidents of ownership do not vary from system to system in the erratic, unpredictable way implied by some writers but, on the contrary, have a tendency to remain constant from place to place and age to age.” (Honoré 1961, 110).

When these 11 leading incidents are “united in a single person” (Honoré 1961, 113), we would conclude that it did not know the liberal concept of ownership, it is “the ‘liberal’ notion of ‘full’ ownership”. (Honoré 1961, 111). The typical liberal notion of full ownership can refer to Blackstone’s concept of ownership.

There is nothing which so generally strikes the imagination, and engages the affections of mankind, as the right of property; or that sole and despotic dominion which one man claims and exercises over the external things of the world, in total exclusion of the right of any other individual in the universe . (Blackstone 2016 (1766))⁵

The “full liberal ownership” above is called by Honoré as “the basic model – a single human being owning, in the full liberal sense, a single material thing.” (Honoré 1961, 147, italics added). The “owner” of full ownership can be “a single human being”. It can be “the collective” or “the state”. Honoré writes: “In the Soviet Union, for instance, important assets such as land, businesses, and collective farms are in general withdrawn from ‘personal ownership’ (viz. the liberal type of ownership) and subjected to ‘government’ or ‘collective’ ownership” (Honoré 1961, 147, italics added). He argues that this model is not the only “legally or socially important” way to organize ownership and that there is “a set of related institutions of great complexity.” (Honoré 1961, 113 & 147). Honoré also cautions against any assumption that “full” ownership is a “natural” or default condition. On the contrary, “historically speaking, the metaphor of

⁴ The property rights of structure of the HRS is an interesting intellectual battle field. However, this is not the case for Chinese peasants. The majority of peasants have not this kind of misunderstanding regarding the question ‘who is the owner’. As Kung notes,

Farmers are apparently aware of such a difference (of whether the land they farm is privately owned). According to a study conducted by China’s State Council, less than 3% of the 800 households being surveyed think of themselves as the de jure landowner; the majority see themselves as merely having use rights that have been contracted to them. (Kung 2000, 703; see also Kung & Liu, 1997, p. 38).

⁵ “Blackstone’s paean to private property comports with the mainstream Anglo-American exaltation of decentralized ownership of land.” (Ellickson 1993, 1317).

‘splitting’ may mislead, for in some cases full ownership has been built up from the fragments, not vice versa.” (Honoré 1961, 142) Thus, in the history of English land law, the “the standard incidents” were “so divided between lord and tenant that the position of neither presented a sufficient analogy with the paradigm case of owning a thing.” (Honoré 1961: 109) While such a foundational concept as “the alienable, heritable, and indefeasible fee simple” was a legal form which “evolved from the inalienable and untransmissible tenancy in fee, subject to onerous incidents of tenure” (Honoré 1961: 142).

When the standard incidents are shared across two or more persons, they become various types of split ownership. In Honoré’s terms, “split ownership” is depicted as cases “in which the standard incidents are divided between two or more persons.” (Honoré 1961, 108). Some of these ‘persons’ might be individuals, some collective or corporate bodies recognized by law, ‘juristic persons’ in Honoré’s terms. Compared with ‘the standard case of full ownership’ the various types of split ownership are complex. They include ‘cases where the standard incidents are so divided, as to raise a doubt which of two or more persons interested should be called owner’ (Honoré 1961, 124). They may give the impression that either everyone or no-one is the owner. As such, they will ‘present baffling problems to one who is compelled to fix on one interested person as the owner of the thing’ (1961: 111).

Honoré observes the two opposite movement between full ownership and split ownership.

Historically, there have been many reasons for separating the standard incidents into two or more parcels; indeed, historically speaking, the metaphor of ‘splitting’ may mislead, for in some cases full ownership has been built up from the fragments, not *vice versa*. Thus, the alienable, heritable, and indefeasible fee simple was evolved from the inalienable and intransmissible tenancy in fee, subject to onerous incidents of tenure. (Honoré 1961, 143)

The owners in the cases of split ownership can either be “natural human being” or “jurist person”. As Honoré writes:

But looked at from the point of view of their social function, the various cases of splitting fall into two main classes. Many of them are directed towards maintaining intact a physical thing or collection or,...In this class fall such examples of splitting as concurrent interests in property (joint tenancy, tenancy in common, co-ownership, the interest of spouses in a community estate, the interest of members of an unincorporated association in the property of the association);and the ownership of property by juristic persons (corporations sole, *Stiftungen*, the state, joint stock companies). (Honoré 1961, 143)

As there is not just one single person but two or more in the case of split ownership, this presents some problems to those who are trying to fix interests in “one” person. Honoré warns that the cases of split ownership are “the troubled waters” or “the puzzles” (Honoré 1961, 129). As he writes: “there are such cases of split ownership and that they present baffling problems to one who is compelled to fix on one interested person as the owner of the thing” (Honoré 1961, 112). Some of them present problems to a lawyer who has to work with a rule that everything must have one and only one independent ‘owner’. (Honoré 1961, 143)

The change in arable land ownership from the Commune System to the HRS in modern China has been observed by Hodgson:

For example, since the Communist revolution the land in China has been owned by the state. So the state alone retains *abusus* and *alienation* rights. But since the early 1980s there has been a major distribution of *usus* and *usus fructus* rights from collectives to peasant farmers, leading to huge increases in agricultural productivity and launching China's 30-year growth explosion. (Hodgson 2013, 224)

Under the commune system, the collective held the full bundle of rights. It is a type of the "collective" full ownership. As Kung observed: "From a property rights perspective, Chinese farmers on the collective farms were thus deprived of the bundle of rights; namely, control, income, and the rights to alienate the former rights that collectively make up private property rights." (Kung 2000, 703).

Under the HRS, property rights are in the hands of different legal persons. It is a case of split ownership. Under the HRS, peasants' property rights are conceived of being "incomplete". "While the dismantling of the collective farms may be regarded as radical in its own right, there is no denying that the reform was far from complete from a property rights standpoint. The ultimate "triad" of the three bundles of property rights, namely, the right to transfer use and income rights in land, had not been reassigned to the farmers upon decollectivization." (Kung 2001, 86)

Under the commune system, the collective held the full bundle of rights. As Kung observed: "From a property rights perspective, Chinese farmers on the collective farms were thus deprived of the bundle of rights; namely, control, income, and the rights to alienate the former rights that collectively make up private property rights." (Kung 2000, 703). Under the HRS, peasants' property rights are "incomplete". "While the dismantling of the collective farms may be regarded as radical in its own right, there is no denying that the reform was far from complete from a property rights standpoint. The ultimate "triad" of the three bundles of property rights, namely, the right to transfer use and income rights in land, had not been reassigned to the farmers upon decollectivization." (Kung 2001, 86; see also Kung 2002c, 52, 65). Kung and Cai assert that "an incomplete regime of private ownership can undermine economic efficiency despite it had "increased agricultural productivity and output during the initial reform period (circa 1979-1984)." (Kung and Cai 2000, 276)

The change in property rights from collective to household production has been blamed for the decreases in grain production after 1985 (see, e.g., Prosterman, Hanstad and Li 1996). They argue that it is "the incompleteness of property rights reform, that is, ownership remains collective and peasants", "do not have secure rights over the land they are working. This keeps peasant investment in and enthusiasm for agriculture low." (Oi 1999, 618)

These critics are unable to imagine any property rights that are not "Full liberal ownership" (see, e.g., Commons 1968 [1924] and Honoré 1961) or Blackstone's "sole and despotic dominium" (Blackstone 2016 [1766]). Thus, property is, by definition, private property (even if it is state-owned or collective-owned). Demsetz distinguished different types of property into three categories: "communal ownership, private ownership, and state ownership." (Demsetz 1967, 354). He favors the private ownership over the communal ownership and state ownership. Later, he applauds the victory of private ownership over the common ownership. As he writes:

“The transformation from socialism and communism to capitalist-style economies that has been underway in eastern Europe, Russia, and China during the last quarter-century has brought private ownership of resources to a previously unattained level of importance in the world.”(Demsetz 2002, S653) The binary property rights of private property versus public property (see e.g. Demsetz 2002) is highly simplified. (Ostrom 2010).

The HRS requires more finely tuned, multidimensional measures of property rights regimes. Split ownership is not ambiguous. The communal nature of land reallocation does not equal tenure insecurity. As Kung and Cai wrote: “Whether tenure is rendered insecure by periodic land reallocation is largely an empirical issue, depending on farmers’ perceptions.” (Kung and Cai 2000, 300) Peasants have the right to use, the right to manage and the right to residual income, agreed by all parties, the state, the collective and peasant households. The fruits of peasant’s households were divided into three parts: state procurement, the collective reserves, and the peasants’ residential claims.

Honoré’s theoretical framework is well applied to China’s HRS and split ownership under the HRS developed from the full collective ownership under the Commune System. (Meng 2016, 2019; Ireland and Meng 2017; Deakin and Meng 2021).

The HRS was described as “two-tier system” or “dual-track land system”⁶. As Dong notes:

The rural institutional reform has resulted in important changes in the land tenure system. Individual households in a village are now granted the right to use the farmland, whereas the village cooperative, as the village-based governing body, retains other rights associated with the ownership of the land. The land tenure system in the post reform era is known as a two-tier system with use rights vested in individual households and the ownership rights in the village cooperative. (Dong 1996, 915)

The rules of resource allocation, production and income were created by peasants at Xiaogang. These rules eventually evolved into the property rights of the HRS but who created the property rights of the HRS and for whom? The Chinese central government defined property rights based on the original rules created by Chinese peasants. The state, as the default party, has the interest in food security, social stability and rural development.

Before 2006, the distribution system of the HRS was to “turn over the due quota to the country, turn in the due quota to the collective, and the rest is the contractors’ own.” However, central government started to gradually reduce agricultural taxes [quotas], the contributions to the state and the collective, in 2003. A tax-free policy trial was conducted in Ji Lin and Hei Longjiang provinces. At the end of 2005, the Standing Committee of National Congress officially proposed to repeal all such taxes (Chen 2009, 125), leaving all the income to the peasants. If a household subleases its own land to another party, it will obtain rents. “The income of farmers increased by RMB125 billion nationwide, which indicates that average increment of income per farmer, whose population is around 900 million in China, is about RMB150.” (Chen 2009, 126)

Since 2006, the state abolished agricultural tax, and the portion of collective income also disappeared. This led an observation of the virtual or vacant collective ownership (Ho, 2006; Zhao and Develtere 2010; Wang et al. 2018). This is in essence of the issue of “how far private

⁶ See, e.g. Zhang and Donaldson 2010.

ownership should stretch and to what extent it should be modified in the public interest.” (Honoré 1961, 109) Nevertheless, both the collective’s interest and the state’s interest never and ever disappear.

Since 2013, the party and the government has also put forward a definition of “separation of three farmland rights,” namely, clarifying land ownership, stabilizing land contracting rights, and liberalizing land management rights (Wang and Zhang 2017; Gong et al., 2023). The effective “separation of three farmland rights” depends on a series of institutions. For example, there must be a clear and reliable system of rights confirming registration of land. By the end of 2018, more than 95 percent had been completed. In December 2018, the Standing Committee of the National People’s Congress approved the Amendment of the Rural Land Contract Law, which was enacted on January 1, 2019. It institutionalized the “separation of the three-powers”, the separation of ownership rights, contract rights and management rights for contracted land. This has contributed to the emergence of “new-style” farms such as large family farms, cooperative farms, and farms run by agribusiness companies (Zhang and Donaldson 2010).

Both of two rights separation and three rights separation take the state as the default party. On the one hand, the Chinese communist party and central government have always stressed the need to consolidate and improve the basic rural operating system—the two-tier operating system combining centralized collective operation and decentralized household operation (Chen 2019, 465). On the other hand, they also needed to consider how to improve the efficiency of farmland use, especially of unused or abandoned land in the wake of peasants migrating to urban areas. According to China’s Statistical Yearbook, China’s urbanization rate rose from 17.9% to 54.5% in 2014. China’s arable land transfer rate reached 30,4% in 2014 (Han, 2015; quoted in Wang and Zhang 2017).

The No. 1 document of 1984 put forward the concept of “land circulation (transfer)” to encourage the combination of such farmland, allocating them to those who could farm them upon expiry of land contracts. (Chen 2019, 10; Chen 2020, 465). The government also recognized and legitimated land rental markets in a revision of the Constitution in 1988, confirming the principle of transfer under a “valued use system” by adding that “the right to the use of land may be transferred according to law.” As Chinese peasants have contracts with the collective, the right to management is, in essence, a sublet. Since subletting was permitted, peasants could also make contracts relating to the land and rent their own land to others. Article 128 of the 2007 Property Law of the People’s Republic of China permits the subcontracting of land.

Under the HRS, the collective, as the owner of land, “should be able to look forward to remaining owner indefinitely” (Honoré 1961, 120). During the contract period, a peasant household’s land cannot be sold to pay debts. Thus, collectives and peasant households have security of tenure. However, the state has overall ownership of the land and, with spectacular agricultural economic growth since the initialization of the HRS, there has been consequential rural industrialization and urbanization. Some arable land has been expropriated for building roads, factories, and other infrastructure, leading to a reduction in farmland. Some peasants lost their land during this kind of expropriations and complained that they were not properly compensated. The revised Land Administration Law (1998), codified farmers’ land use contracts in 30-year terms and doubled all types of compensation for land acquisition.

Extending the period for which land is contracted encouraged peasants to increase investment, conserve the natural fertility of their land and practice intensive farming.

In the “Report of the 19th CPC National Congress” delivered by Xi Jinping on Oct. 18, 2017, it was made clear that the term would be extended for yet another thirty years upon the expiry of the second round of contracting. According to Xi,

We will consolidate and improve the basic rural operation system, advance reform of the rural land system, and improve the system for separating the ownership rights, contract rights, and management rights for contracted rural land. Rural land contracting practices will remain stable and unchanged on a long-term basis; the current round of contracts will be extended for another 30 years upon expiration.” (Xi 2017, 28)

The HRS provides social security for the majority of peasants. As Guhan observes: The example of China shows how access to land can provide the fundamental basis for social security in an agrarian economy’. (Guhan 1994, 40, 41) There are various views on the nature of the collective ownership of the HRS. Some think that it is the relics of the Commune System and it has reduced to the “virtual or vacant” collective ownership (Ho 2006; Zhao and Develtere 2010; Wang et al. 2015). Others give highly praise of it. For example, Chen writes,

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 that the original foundation system has found its most efficient form of realization. (Chen 2019, 463)

We think that split ownership of the HRS will exist for a long term. Privatization of arable land in rural areas is not the solution to solve the problems in China. As North notes: “transferring the formal political and economic rules of successful Western market economies to third-world and Eastern European economies is not a sufficient condition for good economic performance. Privatization is not a panacea for solving poor economic performance. (North 1994, 366) The HRS does not take privatization but it has obtained the advantage of private ownership (Zhang and Donaldson 2010).

Outcomes of the HRS

Improving Agricultural economic Productivity

The HRS promoted spectacular economic growth from 1979-1984. According to the State Statistical Bureau (1989), the gross value of agricultural output increased in real terms at an annual rate of 7.6%, whereas grain production rose by 4.9% (quoted in Kung and Cai 2000, 304 fn1). However, Carl Riskin pointed out the unreliability of Chinese statistics regarding economic growth (Riskin 1987). Despite this, Chinese statistics are still regarded as by and large reliable and useful for drawing conclusions about the economy (Chow 2006).

Some scholars claim that there is no solid evidence to support that claim that the HRS has increased agricultural productivity. For example, using his field work, Putterman (1988, 1989) claimed that grain yields increased during the 1970s in Dahe Township, Hebei Province but these trends were replaced by reversal and stagnation during the 1980s. Christ Bramall argued

that there was “no evidence that the ‘responsibility system’ contributed in decisive fashion to Sichuan’s rural growth (Bramall 1995; see also Bramall 2000, 2004, 2008). Likewise, Xu (2012) asserted that de-collectivization did not increase agricultural productivity. In contrast, much empirical research by leading agricultural economists show that the country’s total agricultural production grew rapidly, especially in the early years of the HRS reform (Mead 2003; Yao 1999) but what was the role of the HRS in this increase? Carolus (1992) claimed that no more than 20% of the increase in total crop value could be attributed to the HRS using the most plausible set of data. Using national aggregated time-series data for the 1952-1989 period, both Wen (1993) and Fan and Zhang (2002) found that the HRS contributed to economic growth. Fan (1991) found that 26.6% of the growth in production was attributable to institutional change and 15.7% to technological change. Huang and Rozelle (1996) found that 30% growth could be attributed to the HRS. Zhang and Carter (1997) used county-level data to find that approximately 35% of the growth in grain output during the 1980-1985 period could be attributed to the HRS. Lin (1987) attributed 60% of agricultural production increase to institutional change. McMillan, Whalley, and Zhu (1989) suggested 78%.

Lin (1992) appears to have the most convincing and valid approach, using direct regression that exploited the tremendous cross-provincial variation in the adoption of the HRS. According to his calculation, China’s agricultural sector grew at an annual rate of 7.7% between 1978-1984, which was substantially higher than the 2.9% annual growth rate experienced from 1952-1978. Lin found that institutional change from the Commune System to the HRS improved total factor productivity and the HRS accounted for about half of the output growth during 1978-1984 (Lin 1992). Using different methodology, Kalirajan et al. (1996) indicated that replacing the collective farming system with a household-based contract system did substantially improve the efficiency of Chinese farming. Sun and Chen (2020) confirmed Lin’s findings.

Reducing Poverty in Rural Areas

Xiaogang village in Fengyang county began contracting work to households in winter 1978. In one year, they sold 24,995 *jin* of grain to the state, seven times over the quota, and 24,933 *jin* of peanuts and sesame seeds to the state, while the oil purchase task was 300 *jin* (Wu 2003[1979], see also Wu 2016, 53). When Wan Li visited Xiaogang, his impression was that “This village known for begging will not go hungry again!”

The intention of the “Maoist” model of development was to pursue “common prosperity” and “equality”. The unintended consequence was universal poverty. In 1975, Yan Jinchang had grown ginger on two-thirds of the land around his house, with a third of the land left over for chili and leeks and he also raised two pigs. His family annual income was about 800-900 Yuan (Wu 2002[1979], quoted in Wu 2016, 13). Yan was condemned as one who was on the “capitalist road.” He responded, “only if we all starve together can we be equal!” (Wu 2002[1979], quoted in Wu 2016, 14). With the increase of agricultural growth, peasants’ income significantly improved between 1979-1984. According to Kung (2002c, 66, fn1), the crop output growth was 5.9 percent per annum in contrast to 2.5 percent per annum from 1954-1978; peasant income was 6.3 percent per annum compared with 2 percent.

By 2022, the number of people in China with incomes below US\$1.90 per day—the World Bank’s absolute poverty line—has fallen by 800 million. China has accounted for more than 70 percent of the global reduction in the number of people living in extreme poverty (Wang

and Zeng 2018; World Bank and the Development Research Centre of the State Council, the People's Republic of China 2022). China's poverty reduction is historically unprecedented in speed and scale. The starting point of this change was the HRS in which equitable distribution of land to ensure equal opportunities for all could be achieved (Zhu and Chen 2016; Li and Wei 2016). In the 1980s and 1990s, agriculture was "the real driving force in China's remarkable success against absolute poverty, rather than the secondary (manufacturing) or tertiary (services) sectors" (Montalvo and Ravallion 2010, 13).

Net income rose from less than 150 yuan in 1978 to close to 400 yuan in 1985 (China Statistical Yearbook 1998, 345). The number of poor people in rural China decreased from 250 million in 1978 to 125 million in 1985, with an annual decrease rate of 9 per cent (Liu et al., 2020). This coincided with the process of the establishment of the HRS from 1979-1984. With the rapid rise of township enterprises in rural areas in the 1990s, a large part of the rural labour force was attracted to non-agricultural sectors and other diversified sources of farming income, which became a new driving force in poverty reduction.

Promoting Rural Industrialization and Urbanization

Under the commune system from 1953-1978, peasants leaving the countryside and pursuing non-farm work were discouraged, even prohibited under the hukou system. As Zhang wrote: "The hukou or household registration system was implemented to keep heavily taxed farmers from leaving rural areas. Furthermore, farmers were prohibited from engaging in any non-farm activity." (Zhu 2012, 109). The establishment of HRS changed this situation.

The HRS resulted in huge efficiency gains in agriculture, which, in turn, made the reallocation of labour from agriculture to more productive industrial and service jobs possible and drove further gains in total productivity (Zhu 2012). It was the real driver of economic growth as the economy shifted from agriculture to industry to services. Because of the autonomy and incentive inherent in the HRS and the corresponding increasing agricultural productivity, some peasants could be released from agriculture and become workers employed in low-skilled, labour-intensive industries such as Township and Village Enterprises (TVE).

From 1978 to the mid-1990s, TVEs absorbed many rural workers no longer required on the farm. The number of township and village enterprises increased from 1,520,000 in 1978 to 18,880,000 in 1988 and then 23 million in 1996, most of them engaged in light industry (National Bureau of Statistics of China 1999). Throughout this period, TVEs generated more than 130 million jobs, and their contribution to rural employment increased from 9.2 percent to 27.6 percent (Gan 2003). For poor agricultural workers, jobs in TVEs were attractive because they did not require them to leave their villages and household plots. This allowed risk-averse farmers to complement farm incomes with wages from off-farm employment when their labour was not needed on the farm (Huang 1985).

By 1978, 81% of the population lived in rural areas. The agricultural sector contributed less than 30 percent of GDP but employed almost 70 percent of the labour force (National Bureau of Statistics of China 1999). While total employment increased from 402 million in 1978 to 775 million in 2015, the share of agricultural labour dropped from 69.6 percent to 18.3 percent (Cai 2017). In 2017, the number of permanent urban residents exceeded 800m for the first time and the contribution of agriculture to China's GDP fell below 8 percent, also for the first time. (Chen 2019). However, because of the HRS, migrant workers could return to the countryside if they were unable to work in the cities. "Chinese farmers are fortunate that they,

on the whole, have land to which to return-many of their counterparts in other similar nations do not.” (Zhang and Donaldson 2013, 270). The continuing communal ownership of land “offers a social safety net for those migrant workers losing jobs in the coastal export zones.” (Wen 2008, 96) For example, during the 2008 global financial crisis, 20 million peasants-turned-workers lost their jobs due to the crisis and had to return to their villages. In 2009, they gradually went back to cities to find jobs (Chen 2010 237). Indeed, “Land as a form of social safety net undoubtedly reduces already tenuous social rifts.” (Zhang and Donaldson 2013, 270)

Providing Economic Foundation of Democratization at the Village Level

The establishment of the HRS allowed villagers to participate in social and political democracy. Villagers could challenge and confront leaders when grievances developed using official policies and values. A peasants ask his cadres: “Central policy says that after farmers fulfil their contractual obligations, we can sell our grain freely on the market, why don’t you obey?” (Tang and Wang 1989, 4). As O’ Brien observed: “Decollectivization has freed him.” (O’ Brien 2001, 408)

Peasants knew each other and the reputation of candidates in administrative villages. “The familiarity in a small community provides a basis for choosing village leaders with congruent views and also creates incentives for their responsiveness to villagers.” (Manion 1996, 738) Thus their individual and collective interests were better respected. Village elections transformed into public policy in rural self-government (Wang 1998).

To the degree that democratization is occurring in China, the signs are most evident at the local level. Thus, the patterns of participation observed there may be a harbinger for eventual changes at higher levels as well as a foreshadowing of further changes at the local level. (Jennings 1997, 370; see also Choate 1997; O’Brien 1994, 2001; O’Brien and Li 2000; Manion 2000; Shi 1997,1999a, 1999b, 2000)

As early as January 1980, Wan Li argued: “Let the folks elect and team and brigade leaders by themselves.” (Wan 1996, 88). He believed that “Our work will be easier when democratic management and democratic selection of cadres can truly be implemented.” (Wan1995, 202; quoted in Zhao 2017, 64) The 1982 Constitution introduced “autonomous village committees” to manage villages as Decollectivization progressed. It also appeared in a 1983 Central Committee circular separating government administration and economic management (Party Central Committee and State Council, 1986-1987). Peng Zhen, then chairman of the National People’s Congress (NPC) supported direct elections in rural areas (Li and O’ Brien, 1996, 1999). In November 1987, a draft law establishing elected village committees as autonomous organizations of power in the countryside was passed by the National People’s Congress, effective June 1988, to reform village committees. The underlying idea was that villagers would be more responsive to leaders chosen from below rather than imposed from above. It defined village committees as mass organisations of self-government at the grassroots level, popularly elected and accountable to a village council comprised of all adult villagers. These committees of three to seven members were elected for three-year terms. Significantly, the law did not place committees under the leadership of township governments or local party organizations (National People’s Congress 1987). Village Committees were not part of the state apparatus; rather, they were “autonomous mass organisations” through which villagers managed their own affairs, met their own needs (art. 2) and controlled land and other resources.

They usually had “veto power to decide the general use of village resources—what might be called macro-economic control” (Oi 1996, 137. “As a breeding ground for citizenship rights, VCs have two decisive advantages over people’s congresses: they are more autonomous, and they control things people care about.” (O’Brien 2001, 416).

In studying village elections, Manion concludes:

The demand for rural grassroots democratization came in the late 1980s from the top not the bottom of the communist system. Chinese leaders hoped that popularly elected village committees would fill a vacuum in leadership created by agricultural decollectivization and restore stability and enhance compliance in rural areas. Officially, the village committees were an experiment. (Manion 1996, 745).

This is only partially true. Peasants had demanded the right to elect their leaders in the 1980s. Like the HRS, village elections emerged autonomously from a society concerned by the rapacity of local cadres. Establishing villagers’ committees, based on direct elections first emerged in Guanxi Province. Inspired by this experiment, the then vice chairman of the NPC, Peng Zhen, began to promote village elections all over the country (O’Brien & Li, 2000).

The quality of village elections improved from the early 1990s, and voter interest is rising. “Peasants have shown great enthusiasm for this grassroots political reform” (Wang 1997, 1437). “Local elections appear to be acquiring high salience in the political life of the countryside” (Jennings 1997, 366). According to an official in the Ministry of Civil Affairs, “most villagers did not pay attention to the first round of elections, but some became interested the second time, and by the third time many actively participated” (quoted in Shi, 1999a: 402).

The HRS returns the use, management and income rights to peasant households and empowers peasants in grassroots politics through economic independence. Only when peasants can make key economic decisions regarding land can they make decisions regarding other social affairs affecting their interests and rights. The HRS shows that economic democracy does bring about economic development and economic development leads to political democracy at the village level. Many quantitative studies have confirmed that higher levels of development generate a higher probability of stable democracy (Acemoglu et al. 2019; Boix, 2011; Boix, and Stokes 2003; Mohammadi et al. 2023). China is no exception. However, “Existing democratization theory can scarcely explain electoral reform in Chin.” (Shi 1999, 387). Neither the theory from empirical research on the link between development and democracy (see, e.g. Arat 1988; Inglehart and Welzel 2009; Lipset 1959; Burkhart and Lewis-Beck 1994; Przeworski and Limongi 1997) nor the theory of transition from authoritarian (see, e.g. O’Donnell et al. 1986; Huntington 1991) can explain the fact in China. Barrington Moore explicitly argues that peasants are major obstacles to a transition to democracy (Moore 1966). “Contrary to these claims, electoral reforms in China happened in rural areas among peasants.” (Shi 1999, 387) We need develop a much better theory of democracy and development based on the HRS.

Breaking through Ideological Cages

The HRS was hugely significant in rural reform. When peasants produced surpluses, they made production decisions according to market dynamics rather than state requirements. This was 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. This led people to

rethink the relationship between capitalism and market and the relationship between socialism and central planning. People realised that planning and the market are both means of developing productive forces rather than the ends of social development. During a talk with leading members of the Central Committee of the Communist Party of China in 1987, Deng said:

“Why do some people always insist that the market is capitalist and only planning is socialist? Actually, they are both means of developing productive forces. So long as they serve that purpose, we should make use of them. If they serve socialism, they are socialist; if they serve capitalism, they are capitalist. It is not correct to say that planning is only socialist, because there is a planning department in Japan and in the United States. At one time we copied the Soviet model of economic development and had a planned economy. Later we said that in a socialist economy planning was primary. We should not say that any longer. (Deng 1987)

From a theoretical point of view, this is a significant breakthrough in ideology. The government had become aware of the imperative to reduce administrative intervention in agriculture and rural areas as much as possible, and allow peasants to operate autonomously, that is, to allow them to allocate resources according to the needs of the market (Chen 2019, 464).

When peasants sold surplus grain on the market in return for currency, this was used to purchase corresponding production materials, such as tractors, machinery for small processing plants, or even sewing and hosiery machines (Chen 2019, 462). These production tools were privately owned, and this fundamentally changed people’s view of private property as the means of production. Though collective land ownership in rural areas did not change, the rights to use, manage and income returned to peasants.

Since 1950s, there has been a worldview of “the dichotomy of the institutional world of private property exchanges in a market setting and government-owned property organized by a public hierarchy.” (Ostrom 2010, 642, see also Ostrom and Hess 2007). The former was equated with capitalism and the latter with socialism. As Demsetz maintains: “For brevity’s sake, call these alternatives private and collective ownership or, simply, capitalism and socialism.” (Demsetz 2002, S658) In 1962 Mao asked: “Do we want socialism or capitalism? Do we want collectivisation or decollectivisation?” (Pang and Jin 2003; quoted in Xu 2013). Even in 1980, public ownership was regarded as socialism and household-based production was regarded as capitalism by the Chinese central government. This paper seeks to demonstrate that these are crude simplifications and that the HRS has proved that socialism and the collective can be enhanced by individual property rights.

The HRS property rights structure is not in direct opposition to collective ownership or the commune system but the dialectic ‘negation of negation’, a kind of ‘individual property’ in Marx’s terminology (Meng 2019). It does not change from full collective ownership to full individual private ownership but is a split ownership between three parties (Meng 2016). The collective keeps the rights to reallocate land; the peasants’ households have the rights to use, manage and to income; the state holds the alienation rights. The HRS is the co-existence of individual rights within the framework of collective land ownership.

Conclusion

The autonomy in production and incentive in income distribution brought by the HRS are prominent features of the HRS. They return dignity to peasant households and make peasants work hard to produce more. The equalitarian distribution and redistribution of land bring the benefits to the majority of peasants. It is peasants' perceptions that matter in the HRS, that shapes the political and social context. The development of market and private enterprises become possible with the establishment of the HRS.

The HRS is a kind of well-specified and enforced collective ownership rights which is neither fully assigned in the hands of collective nor in the hands of peasants' household. Moreover, the right of alienation is withdrawn in the hands of the state. It is not the liberal full ownership but a kind of split ownership in which standards incidents are divided between the state, the collective and peasants' households. The HRS demonstrates how the interests of the state, the peasants and the collective can combine and reconcile. It is beyond the framework of public ownership versus private ownership (Meng, 2016, 2019).

Whatever yardstick one uses in assessing the HRS, its outcomes are successful. From an economic perspective, the result is the increase of growth rates and productivity. From that of political stability, it increase the regime legitimacy. From the perspective of inequality and stratification, it actually shorten the inequality between city and countryside. It is a more efficient, equitable, and productive form of ownership than has ever been seen in the history of China.

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