

# Review of China's Household Contract Responsibility System with Remuneration Linked to Output

Xia Lei

School of Economics  
Sichuan University  
Chengdu, China

Yan Zhang

Urban Vocational College of Sichuan  
Chengdu, China

Shanshan Li

Jining Medical University  
Jining, China

**Abstract**—Household contract responsibility system with remuneration linked to output is the flag of China's reform and opening-up. The practice of it was initiated by peasants spontaneously to cope with the extreme poverty and back-ward productivity. Although it had made great achievements, the first one was failed for theorists' silence and central government's negation. The second one succeeded and led China's reform and opening-up. The theorists also analyzed the validity by Marxism and the field investigation also supported the conclusion. The success of household contract responsibility system with remuneration linked to output indicates that it should treat the new things in the matter-of-fact way, but not keep the old rule to immerse ourselves in the past achievements. With the background that China's economic growth reaches a new normal and begins to slow down, reviewing it helps to free our mind to pay attention to find way of soft landing for economy.

**Keywords**—household contract responsibility system with remuneration linked to output; fixed farm output quotas for each household; reform and opening-up

## I. INTRODUCTION

If it has to describe the starting of China's reform and opening-up by one thing, nothing can be suitable but household contract responsibility system with remuneration linked to output (HCRSRLO). When Du Runsheng and China's Rural Development Research Group won the first Economic Theory Innovation Award in 2008, the theory of HCRSRLO came back in public again. On the background that China's economic growth reaches a new normal and begins to slow down, reviewing HCRSRLO also brings us many inspirations.

## II. THE PRACTICE OF HCRSRLO

### A. Abortive "Fixed Farm Output Quotas for Each Household (FFOQEH)"

In fact, Chinese peasants' interests in individual responsibility system was not started from 1978 but much earlier. In 1960, a 70-year-old farmer from Su County, Anhui Province proposed to cultivate virgin land with his son who lost his capacity to work. The old man suggested that, if there was surplus, he would hand it to government, if the grains were not enough, he would not ask for help. On condition that the old man and his son could make no contribution to the community but consumed the grains, the Party committee agreed it. So, the old man with his son cultivated virgin wasteland covered 16 mu (a traditional unit of area, and 1 mu = 0.6667 hectares) and the harvest at the same year reached 3300 jin (a traditional unit of weight, and 1 jin = 0.5 kilogram) (Yang Xun, 1980). According to the agreement, he finally handed the grains totaled in 1800 jin which was 1.32 times of per unit yield of grain in China (1175.02 kilogram/hectare) as well as income valued 60 yuan which was 82.19% of per capital consumption level of rural residents (73 yuan) to the community (National Bureau of Statistics of the People's Republic of China, 2016; Yang Xun, 1980). Considering that he was a 70-year-old man who also had to take care of a son without labor capability when he made those achievements, it could be called a miracle that it shocked the provincial Party committee of Anhui. And he also proposed the provincial Party committee to authorize the community members to cultivate land individually and allocate the income uniformly to advance the community members' responsibility. And the provincial Party community also paid much attention to it and even asked for more suggestions from mass. And the mass also agreed with the old peasant very much and even queried the government why they didn't believe in peasants or adopt peasants' measures (Yang Xun, 1980). After the suggestion collection,

the provincial Party committee of Anhui promoted “fixed farm output quotas with confirmed individual responsibility” in spring, 1961; at the same time, Henan Province also took similar measure called “borrowing land” (Yang Xun, 1980). Those measures helped many farmers in Anhui and Henan go through the Great Chinese Famine. And finally, it also spread to the central government and won the approval from Vice Prime Deng Zihui who was in charge of rural work.

However, the “FFOQEH” at that time was failed finally. With the perspective of local governments, because of various problems during the implementation of FFOQEH, after the Great Chinese Famine, it was cancelled as the “spontaneous tendency of peasant towards capitalism” and “tendency of individual farming”. At the end of 1962, Anhui Province abolished the “fixed-output-quota farmland” and 85.4% of the communities implementing it was forced to implement “big pot” system (Yang Xun, 1980). With the perspective of central government, Mao Zedong didn’t take Deng Zihui’s advice and negated “FFOQEH”, thus it finally could not be the general operational mode for rural development.

### *B. The Development of HCRSRLO*

According to the analysis above, HCRSRLO was not firstly appeared in 1978, but the event that 18 peasants of Xiaogang Village signed the non-obliging consent was the very thing had to be remembered for the whole China. Because the HCRSRLO which was different from it in 1960s, not only led China’s rural land system reform, but also pioneered China’s economic reform.

Since 1978, from the poorest village to the whole Anhui, and then to the whole China, distributing the farmland to each household with confirmed responsibility was overwhelming that it spread the whole China soon. From the perspective of practice, it was the last way. For ten years of chaos, the agriculture in China was at the edge of breakdown, and the peasants were very poor. On condition of it, peasants recalled the harvest 20 years ago, they knew that once they could take responsibility for their own land, life could be much better. Once a hero appeared to break the routine, the tendency of “FFOQEH” could not stop to flood everywhere. Taking the Shannan Block, Feixi County which implemented “FFOQEH” firstly as example, 77.3% of the production teams carried out the “FFOQEH”, and it made great achievement in drought 1979. Comparing with the last year, the total grain output increased 43.9%, the total income increased 28.4%, the grain handed to the state increased 72.3%, the collective accumulate increased 23.7%, and the per capita income of the collective members increased 42.1% (Yang Xun, 1980). Taking the Chuxian Prefecture, Anhui Province as the other ample, although Chuxian Prefecture suffered sever flood in 1980, the agriculture made great achievements. The total grain output increased 13.6% than the last year in which it reached the top level in history. Many famous areas titled “county depending on supports in three aspects”, “community enjoying five guarantees” and “village living on begging” cancelled those titles by “FFOQEH” in one year. They needed no national relief grain and even outperformed the state purchase quotas year by

year (China’s Rural Development Research Group, Yang Xun, 1981).

## III. DISCUSSION OF SUCCESSFUL “HCRSRLO” FROM THEORISTS

### *A. Theoretical Analysis on HCRSRLO*

Although there was spontaneous practice about “FFOQEH” in 1960s, there was no support from theorists. According to the cnki.net, only one paper mentioned “FFOQEH” (Meng Xianwu, Yang Lin, Jin Yukun, Cao Guoshun, 1960); maybe some scholars analyzed it and made positive review about it, but it could not resist the conservatives who completely negated that campaign.

Although the implementation of HCRSRLO had made great achievement all over the country, there was many arguments from theorists. In order to avoid the phenomena of “FFOQEH” in 1960s, it would analyze the HCRSRLO in theory. And fortunately, theorists responded to it actively and finally established the theoretical system of HCRSRLO to provide theoretical guarantee for it.

In general, theorists had proved the validity of HCRSRLO by Marxism and field investigation also supported it.

From the perspective of theoretical analysis, the queries about HCRSRLO were as follows: Did HCRSRLO belong to Marxism? Did HCRSRLO belong to public-owned economy? Was Collective production mode better than individual production mode naturally? The establishers of the theory of HCRSRLO analyzed them in detail and made clear answer.

For the query that HCRSRLO belongs to Marxism or Revisionism, Guo Congyi had discussed it from the perspective of the rule of economic development. Because there was on HCRSRLO at Marx’s time and he didn’t define it, the later generations had to find answer by analyzing Marx’s classics by the principle of Marxism. “Only conforming the objective economic rule, conforming the principle of Marxism” was the truth confirmed by Marx’s classics (Guo Congyi, 1982). Looking into the rural development in China, since the first “FFOQEH”, it had been through 20 years. During those years, it could find that, at any area in any time, if it promoted the “FFOQEH”, the agriculture developed well; if it denied the “FFOQEH”, the agriculture developed slowly. The hard facts told us that confirmed responsibility for each household fit the objective law of China’s economic development at that time.

For the query that whether HCRSRLO belonged to public-owned economy or not, the establisher of the theory of HCRSRLO also gave the answer from several aspects. Firstly, production responsibility system was just a detailed measure for the operation of collective economy. No matter what kind of the operating mode it adopted, the means of production belonged to collective and were planned, operated, managed, accounted, and allocated by production team uniformly. Marxism thought that, whether the production relation was public or private depended on the occupation of the means of production. For HCRSRLO, the

means of production were all belonged to collective, so it was not private ownership but public ownership; in addition, it was just one kind of operating mode under the collective ownership (Wang Guichen, 1981). Adopting the “FFOQEH” or HCRSRLO was not decided by will but decided by the objective conditions. For the instrument of production in China was simple at that time, manpower and animal power were the main power for agricultural production, most of the work needed not to finish by cooperation but could be done by single man. In addition, the small-scaled agriculture caused by low productivity made confirmed responsibility for individuals by work on one’s own was more effective than cooperation which was hard to confirm the responsibility for each one. Moreover, on condition of low level of management and disperse distribution of inhabitation of labor force, it had to choose the operating mode of “FFOQEH” (Wang Guichen, Wei Daonan, 1981).

The last query whether collective production mode was better than individual production mode naturally? Collective production mode was better than individual production mode naturally was just the misunderstanding about the principle of Marxism. Firstly, although collective economy would replace individual economy in future, it was not born as the flag of advanced productivity. On contrary, the first jump of the productivity based on the transition from public natural economy in primitive society to private economy in slave society. Although China had developed for thousands of years, natural economy in rural society could be seen anywhere, thus the development of productivity required the backward natural economy could stride to advanced commodity economy (China’s Rural Development Research Group, Wang Xiaoqiang, Zhou Qiren, 1981). In addition, the advantage and disadvantage of small-scaled production and large-scaled production were not decided by the absolute scale, but it could be judged by input-output analysis. In the past 20 years with “big-pot” system, apparent large-scaled production could not cover the fact of extremely low input-output ratio. On contrary, once it confirmed responsibility for each household, the agricultural input-output ratio advanced greatly. From the perspective of the relationship between productivity and production relations, the main reason was that the production relations did not accord with the productivity but trammelled the development of productivity. In Marx’s opinion, collective ownership of the means of production was based on highly developed productivity. However, the problem of country in China at that time was not the public ownership of the means of production, but the equalitarianism of the mode of allocation. In the time of 1960s and 1970s, the productivity in China was undeveloped, and the equalitarianism damaged Chinese peasants’ enthusiasm about work and damaged the development of productivity (Guo Congyi, 1982).

#### *B. Field Investigation about HCRSRLO*

Besides the theoretical analysis, theorists also carried out many field investigations to support the theory of HCRSRLO. The real data collected by field investigation supported the theory.

The field investigation from Chuxian Prefecture, Anhui Province indicated that, the agricultural output value and the peasants’ living standard changed dramatically when it implemented FFOQEH. From 1978 to 1981, 96% of the production team volunteered for FFOQEH. And on condition of continued flood, it also realized the increase of grain and oil output (China’s Rural Development Research Group, Yang Xun, 1981). In 1980, the state purchase of grain in that area achieved more than 700 millions jin which was twice more of the plan; and the commodity rate of grain was 21.8%, the state purchase of oil material was 3.33 times of the plan (China’s Rural Development Research Group, Yang Xun, 1981). In addition, besides the poor areas, the comparatively rich areas also made great achievements when they carried out FFOQEH. Qijian Team located at south Fengyang County, Chuxian Prefecture was flagship unit which realized yield increase in successive years by severe management while yield decrease occurs in the other units. With the urge of members, that community also implemented FFOQEH; as a result, the yield increase kept, the peasants’ enthusiasm increased, and the leaders’ mental stress reduced (China’s Rural Development Research Group, Yang Xun, 1981).

The HCRSRLO promoted the development of agricultural productivity greatly at the beginning of the reform and opening-up. However, it could not be the master key which could solve any problem. And the theorists also significantly predicted the problems caused by HCRSRLO, such as surplus labor force in agriculture, diseconomies of scale caused by small-scaled production, decrease of marginal return of land in mid and long term, ecological problems, and so on (China’s Rural Development Research Group, Chen Yian, Sun Fangming, Deng Yingtao, Wang Xiaoqiang, Bai Nanfeng, Bai Nansheng, Zhang Musheng, Zhou Qiren, 1983). Although those problems occurred one by one, it would not change the fact that the HCRSRLO promoted the development of rural productivity at the beginning of reform and opening-up.

#### IV. CONCLUSION

The development of HCRSRLO is the process of China’s reform in miniature. At first, it tries various ways and makes various mistakes. Then, the severe situation forces it to find way survive in practice. Once the practice accords with the real situation and helps to improve it, it spreads all over the country very soon. Moreover, the theorists support is very important to keep it long and alive. Finally, the political approval is the key to continue it. Therefore, the success of any reform must be hard and it needs spontaneous practice, theorists’ analysis, and political leaders’ promotion. It should treat the new things in the matter-of-fact way and analyze that whether it fits the objective rule, but not keep the old rule to immerse ourselves in the past achievements. On condition of that China’s economic growth has reached a new normal, it is significant to review the HCRSRLO. As in 1978, China has stood at crossing again now. With the diminishing of demographic dividend as well as the rise of cost, sluggish economy tends to be more and more significant. Finding new economic growth point is put on to

the agenda. Like the HCRSRLO at the beginning of reform and opening-up, it should try ways in practice and theory, and the government also should free mind to try various methods including economic and political system reform to stimulate the economic growth.

#### REFERENCES

- [1] China's Rural Development Research Group, Chen Yian, Sun Fangming, Deng Yingtao, Wang Xiaoqiang, Bai Nanfeng, Bai Nansheng, Zhang Musheng, Zhou Qiren. The Problems and Tendency of Rural Development – The Investigation about Rural Economy with the Implementation of “Double Contracts for Each Household” in Chuxian Prefecture [J]. State-Owned Farm Economic Research Material, 1983 (12), pp.1-3.
- [2] China's Rural Development Research Group, Wang Xiaoqiang, Zhou Qiren. The Economic Principle Performed by Fixed Farm Output Quotas for Each Household and the Special Road for the Development of Rural Commodity Economy in China [J]. Agricultural Economy Collection, 1982 (12), pp.31-36.
- [3] China's Rural Development Research Group, Yang Xun. How to Treat with Fixed Farm Output Quotas for Each Household – Rural Investigation in Chuxian Prefecture, Anhui Province [J]. Agricultural Economy Collection, 1981 (12), pp.8-11.
- [4] Guo Congyi. Three Points of the Theoretical Discussion of Agricultural Production [J]. Agricultural Economy Collection, 1982(04), pp.17-20.
- [5] Meng Xianwu, Yanglin, Jin Yukun, Cao Guoshun. The Live Pigs Increase Double to Realize One Man with One Pig [J]. Heilongjiang Animal Science and Veterinary Medicine, 1960(1), pp.13-15.
- [6] NBSPRC. Annual Data. <http://data.stats.gov.cn/workspace/index?a=q&type=global&dbcode=hgnd&m=hgnd&dimension=zb&code=A0D0S01&region=000000&time=1960,1960> [OL].
- [7] Wang Guichen, Wei Daonan. Analysis on Fixed Farm Output Quotas for Each Household [J]. Economic Research Journal, 1981(01), pp.64-76.
- [8] Yang Xun. Fixed Farm Output Quotas for Each Household is An Important Issue about Theory and Policy [J], Agricultural Economy Collection, 1980 (05), pp.34-39, 61.