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Rural China in Transition: Non-agricultural Development in Rural Jiangsu, 1978-1990 (Review)

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slow may be related to the factors Khalatbari has singled out.

Other chapters on the exchange rate unification and the Central Bank also give clues as to why the transition has so far not gone well in Iran. At present the program is in retreat, and political voices for reestablishing government control over prices are gaining ground.

One shortcoming of the book is lack of attention to the political economy of reform. The change in rhetoric from *etatism* to markets was rather sudden but did not occur in a vacuum. It is doubtful that it was simply the result of a realization that government had failed to deliver on its promise of economic growth. There was hardly any external debt that could have forced the government to submit to reforms prescribed by the IMF and World Bank. Nor is the concurrent collapse of communism sufficient to explain why the radical government that ruled Iran for most of the 1980s gave way to Rafsanjani's reform-oriented administration. A better understanding of the role of various interest groups associated with the system of controls and the place of the bazaar in the post-revolution economy of Iran may help explain why the reform program was launched in the first place, why it is in retreat now, and what are its chances for resuming its course in the future.

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Rural China in transition: Non-agricultural development in rural Jiangsu, 1978-1990.
By SAMUEL P. S. HO. *Studies on Contemporary China*. Oxford and New York: Oxford University Press, Clarendon Press, 1994. Pp. xvi, 352. \$65.00. ISBN 0-19-828823-9.

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The successes of Asian economic development have recently drawn great attention and admiration. Economists in many countries are studying the reasons behind these achievements. China is one of the newcomers to this Asian boom and one whose great size combined with rapid growth quickly began to fuel growth and structural change in the countries around it. A central feature of China's economic transition is its attempt to

develop nonagricultural production and employment in rural areas. China's leaders are counting on these policies to lessen the potentially immense problems of 800 million people in rural areas contemplating a better life in the cities. Samuel Ho's timely book analyzes this central policy encouraging people to "leave the land but not the countryside, enter the factory but not the city."

South Korea and Taiwan also experienced various forms of rural, nonagricultural development. These are widely believed to have contributed to growth with relatively equal income distribution. The scale of China's rural development challenge, however, is substantially different. Ho's study is a thorough analysis of China's policies and their effect on the countryside in one province, Jiangsu, where rural nonagricultural development has been successful. During the 1980s the rural nonagricultural sector in Jiangsu employed nearly eight million additional workers, and increased from 38 percent of total output to 82 percent (pp. 45-47). The process of moving massive amounts of resources from farming to other activities has been complex, with numerous consequences. Working with Chinese researchers and using detailed surveys and interviews, Ho does a fine job of revealing this impressive process to outsiders and analyzing the forces that have transformed Jiangsu.

The book is organized into nine chapters, including an introduction and conclusion. Chapter 2 explains China's policy with respect to rural development starting from Mao's approach through the late 1980s. While the incentives and environment have changed with reform, it is important to remember that rural industrial development was one of Mao's central goals. Chapter 3 then presents statistics showing that Jiangsu has experienced exceptional rural industrial growth and structural change. Chapters 4, 5, and 6 look in detail at the nature and growth of private and collectively owned enterprises, giving special attention to township and village enterprises because they have contributed the most to output in this sector. Chapter 7 reveals that, contrary to official policy, economic management, party activities, and government administration have not been

separated. Local government and party cadres continue to be intimately involved in economic management of enterprises and they have strong financial incentives to develop these enterprises along with other nonagricultural employment opportunities. Finally, Chapter 8 argues that rural incomes have risen substantially in Jiangsu with over half of these increases coming from the nonagricultural sector, but that income distribution probably became more unequal because of the varying degrees of success with rural enterprises.

The background of these changes, of course, is China's international trade and investment liberalization, and domestic market-oriented reform measures. Much has been written about market reform in China since the late 1970s and there is a tendency to understand recent rapid output growth as being due to market development. But looking at the process of rural change in China, we confront several puzzles. On the one hand, Ho argues that the success of rural industry seems to be tied to urban proximity and decent transportation, as well as to how much industry had been developed before the deregulation took place. He also explains that rural industry is market oriented in that it is not part of the state plan, either for guaranteed sales of output or for their supplies of raw materials and intermediate inputs (p. 276). These indicators of success are consistent with what would be expected in a market environment.

On the other hand, Ho characterizes the process of rural change as "deregulation" rather than as market reform. This deregulation is closely monitored by government officials, who periodically "tighten control" for one reason or another. He reveals the motivations rural governments have to be the entrepreneurs of rural industry, but describes the emergence of the private sector as one that has been constrained to small scale activities. In the enterprise surveys Ho found that new products and processes, as well as lateral contracts with other enterprises, were not very important (p. 319). The overall picture Ho presents, then, is that the locus of economic decision making has changed within the government structure but it is clearly govern-

ment activity that is dominant over private. This is a somewhat different characterization from that of a market system where individual entrepreneurs and private ownership are the forces behind development.

A related puzzle raised by what we learn from Ho's analysis concerns productivity. There is a tendency for analysts to think that growth in China must include higher productivity. After all, the reform measures are aimed at efficiency in many cases, and the high degree of inefficiency in the previous system is accepted generally by Chinese and foreign analysts alike. Ho mentions productivity in several places. His position seems to be that collective enterprises, and especially township and village enterprises, performed better with respect to productivity than state enterprises during the 1980s (see note 11, Ch. 9). However, throughout the book what Ho describes is an impressive movement of resources from agriculture to nonagriculture in rural Jiangsu. Ho himself describes the process this way:

This massive infusion of labour and capital into Jiangsu's rural non-agricultural sector goes a long way towards explaining the rapid growth of rural non-agricultural output. (p. 48)

Hence agriculture may have become more productive, but growth in the nonagricultural sector, it seems, has resulted primarily from expanded inputs rather than improved efficiency.

Understanding the process and extent of China's development is an important challenge. Ho's contribution to this endeavor is thorough and insightful. Economists generally interested in China's modern development will find this book useful. Those engaging in research on China will find the appendix on methodology, data, and on-site details particularly enlightening, as studies rarely share these aspects of doing research in China. Overall, despite the remaining, inevitable puzzles, Ho's study is a major contribution to understanding rural, nonagricultural growth as a key piece of China's multifaceted development process.

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