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The Impact of Reform on Structural Change in the Chinese Economy

- The Case of Hubei Province -

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Preface

This paper has been written by the economists Gu Shengzu and Li Zhen, a couple from our sister university, Wuhan University, China. It was intended to be a part of a project linked with the ongoing work coordinated by D.S.G. Goodman, Sydney, on the political economy of regionalism in China. However, lack of time and funding prevented us from completing the original plan which would have included fieldwork in Hubei. We hope that we will be able to continue with that work in the future.

The paper on structural change under economic reforms gives a fairly comprehensive overview of the massive changes as well as the obstacles to further change in Hubei province. Hubei province is one of the more dynamic interior provinces of China. Currently, Chinese economic policies put a lot of emphasis on those interior regions which have so far been lagging behind the coastal areas if not in terms of relative growth but of institutional change.

Gu Shengzu is one of the leading economists of this middle Chinese region and an expert in migration and population issues, a fact which is well reflected in the paper. Aside from the important aspect that a wealth of data is presented I feel that it is very valuable to read a first-hand opinion about China's economic development from the viewpoint of two analysts who just work in the region and who participate in policy discussion as well as in policy making (Gu is a member of the National Consultative Conference). Therefore we decided to print the paper although it reflects work in progress only. For instance, the opinion offered on migration and its outcomes for social and economic development differs positively from many voices in China today who even wish to return to the compulsory system of registration and state control of mobility of the Maoist days.

Finally, Hubei and its capital, Wuhan city, are of considerable economic importance for our Duisburg region and its economic relations with China. I hope that many readers will enjoy the opportunity to get a well-informed survey of a province with which our region maintains good relations for a long time now.

Duisburg, November 1995

Prof. Dr. Carsten Herrmann-Pillath

Contents

This working paper is for information and discussion only!

Its English has not been edited!

0. Introduction

China's reform has the four features of: 1) gradualism and experimentation, 2) partial reform, 3) decentralization, and 4) marketization instead of privatization (World Bank, 1992). The purpose of the current paper is to examine the impact of the various reform programs on the structural changes since 1978. In order to better understand the scope of this concern, an organizing framework will be introduced to discuss the linkages between the reforms and structural changes. Next, the processes of the agricultural reform, urban reform and administrative reform will be presented to show their outcomes and problems. In addition, the four types of structural changes, rural industrialization, rural-to-urban migration, urbanization and de-agriculturalization, and ownership diversification, will be examined. The analysis both of the macro (national) and the provincial level (Hubei as a case) will be made.

The organizing framework that guides this research is given in figure 1. Reform in this paper refers to agricultural reform, the starting point of the whole reforms, the urban enterprise reform, and the administrative reform. The social-economic structures consist of several dimensions including:

- (1) rural industrialization which reflects the process of the rural labor and capital transferred to rural enterprises or township and village enterprises in the countryside.
- (2) ownership diversification which becomes evident with the rapid growth of non-state economic units such as privately-owned firms, foreign joint ventures, community-owned enterprises and mixed firms.
- (3) migration and population mobility which reflects the development of the labor market.
- (4) urbanization and de-agriculturalization which demonstrates the processes of population migrating from rural areas to urban places and labor as well as capital moving from agriculture to nonagricultural sectors.

Four key aspects of this framework need to be highlighted.

First, the agricultural reform brought two innovations -- the Household Contract Responsibility System (HCRS) and the new marketing and procurement system of the agricultural products. The HCRS greatly improved the peasant's autonomy and incentives. Agriculture as well as grain production registered an unprecedented growth between 1979 and 1984. Agricultural growth generated surplus savings and surplus labor to provide an opportunity for nonagricultural activities. The initial agricultural reform created pressures for decentralization of enterprise creation authority in rural areas. Due to the restriction of population mobility between rural and urban places, peasants launched the rural industrialization, spawning the massive expansion of township and village enterprises (TVE). The

creation of nonstate firms such as TVEs in turn created pressure of competition on the state-owned enterprises (SOEs).

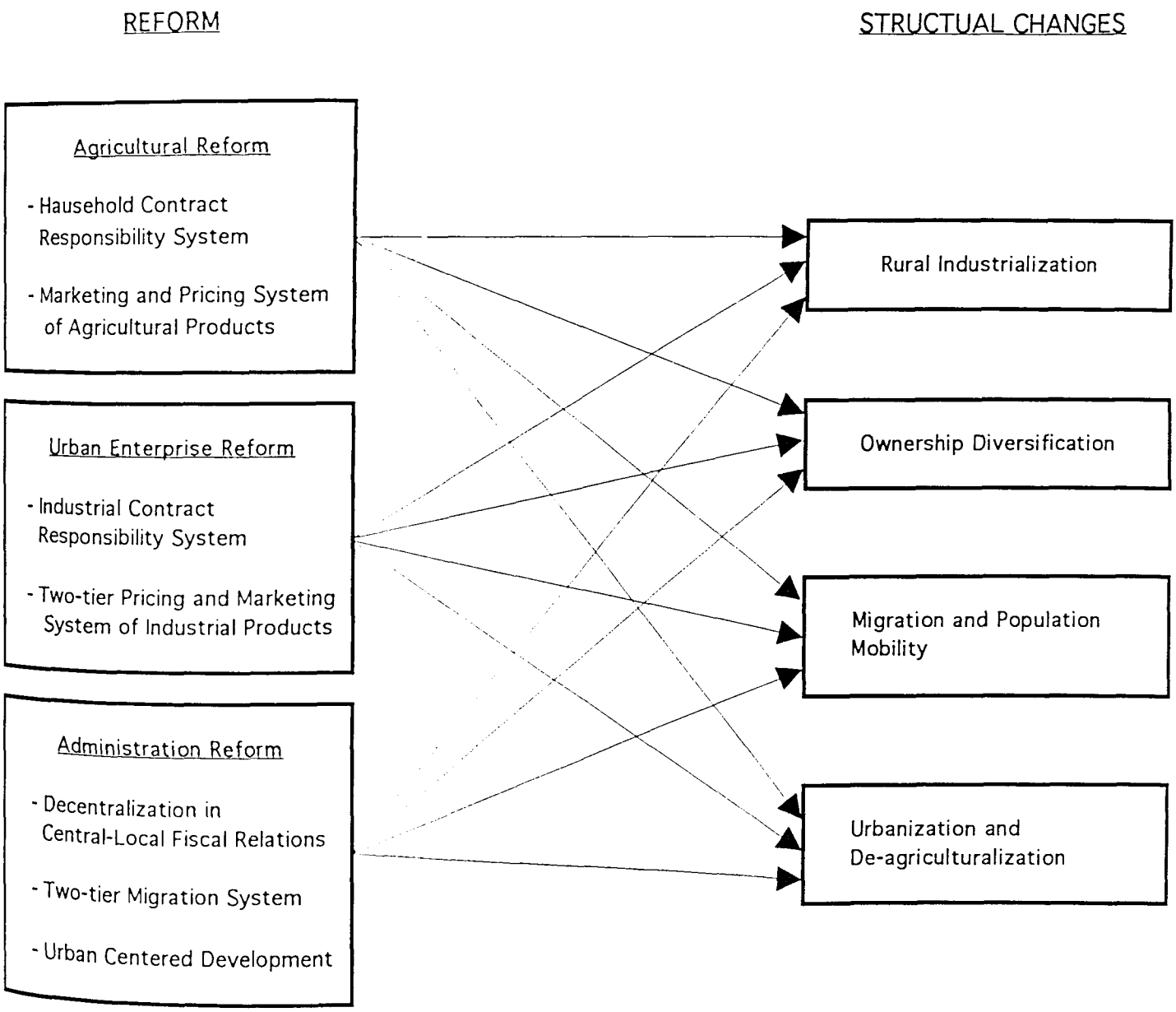
Second, the two innovations of the urban reform included: (1) the two-tier marketing and pricing system and (2) the industrial Contract Responsibility System (ICRS). Under the command economy, the outputs of the enterprises were distributed by compulsory procurement through the planned channel and the inputs were allocated by administrative arrangement. In the reform scheme, the output of the enterprises was divided into quota output and above-plan outputs. Under the ICRS, the enterprises could sell their above-quota output at markets at market-determined prices. The market prices were much higher than plan prices. This reform not only brought about incentives for enterprises, but also resulted in the possibilities for non-state enterprise development. Market allocation provided a channel for inputs as well as outputs of the township and village enterprise and privately owned firms. The economic reform created a diversified ownership and changed the labor allocation system. The reformers, hence, had to relax control of the rural-to-urban population mobility. Therefore, there is a direct and positive impact from the two-tier marketing and pricing system on the diversification of ownership.

Third, one of the distinctive features of China's reform is decentralization of decision-making power to enterprises, individuals and local governments. In decentralization, provincial and local governments, with independent responsibility for regulating the labor market and the administrative hierarchy, pursued their own interests by starting with economic activities. Two reform programs which effected the structural changes are the reform of the rural-to-urban migration system and the reform of the administrative system of urban-centered development. There are direct impacts from the administrative reforms on migration, urbanization and de-agriculturalization (process of the labor force being transferred from agricultural sectors to non-agricultural activities).

Fourth, the reforms which involved a high degree of decentralization provided the people with the opportunity to pursue their own economic interests. The formation of interest groups is a very important indicator of the structural changes. The structural changes can also be examined by taking into account the regional disparity and development which are influenced by decentralization.

Rural industrialization was heavily influenced by the agricultural reform, the urban enterprise reform and the administrative reform. The process of rural workers being transferred from agricultural activities to the rural industrial sector was the most important source of China's development. Striking consequences of rural industrialization were urbanization and population mobility.

Figure 1:
A Framework for the Analysis of Reforms and Structural Changes



Ownership diversification was the greatest achievement of the Chinese reforms. The non-state economy played a growing role in China's society. This process gave the Chinese reform its distinctive feature: Marketization instead of privatization.

The reason for selecting Hubei as a case study in this paper is that Hubei is very typical in terms of economic conditions, social customs, pace of reform, infrastructural problems and population structure. Here, we provide a brief information about Hubei for the better understanding the background of our case.

Hubei province, which is situated in China's midland and on the middle reaches of the Yangzi River, has a population of 55.9 million[3] and a territory of 185900 square kilometers. As the Beijing-Guangzhou railway crosses that region, Wuhan city, the provincial capital of Hubei, is well known as a "thoroughfare to nine provinces" and has long been an important commercial center. With favorable transport conditions and abundant resources, especially iron ore and agricultural products, metallurgical, machinery, chemicals, textiles, and foodstuffs industries are the pillars of the regional economy. North-west of Wuhan the Second Automotive Plant is located, headquarters of the Dongfen Automotive Enterprise Group, the largest group in China. More importantly, one of the largest hydroelectric dams in China, the Gezhouba is situated in south-west Hubei and another largest hydroelectric dam on earth Three Gorges Dam, a 185-meter-high dam with a generating capacity of some 18,000 megawatts, is being built in Hubei's territory (Huus, 1994).

I. Reform Experience and Outcomes

1. *Agricultural Reform: the Entry Point of Transition*

1) Steps of Rural Reform

Agriculture was the entry point of the reforms in Hubei province. The three principal components of the rural reforms were the household contract responsibility system, the gradual freeing up of the markets for agricultural products and the change from commune system to the township and village administration system under which the household-based farming system was accompanied by township and village enterprises that account independently. In the commune system, the agricultural production was organized by the production team and only 5 percent of the cultivated land had been allocated to the households for vegetable growing on private plots (Cheng, 1982). The household contract responsibility system (HCRS) in Hubei province started in 1979 and was only completed in 1984 due to some resistance from local cadres. The HCRS involved a full-scale transfer of production responsibility from the team of the commune to the household. The household, which was responsible for supplying inputs, agreed to pay its share of the taxes and mandatory grain-sale quota to the team, plus an additional amount to cover its share of the collective accumulation, services, and welfare funds. Any surplus above the total was retained by the household. Under this system, the households could dispose the above-quota outputs after fulfilling their obligations so that peasants became residual claimants. Therefore,the incentives to work were improved by shifting from the commune system to the household-based production system. Peasants felt satisfied and contributed more effort to production in the HCRS.

Free markets had existed before 1978 but were tightly controlled. The procurement system of agricultural products was a mechanism of transferring surplus from the agricultural sector to the state. Most of the transfer came from the "underpricing" of agricultural products and the "overpricing" of industrial products. Over the thirty years of the pre-reform period, in China more than 600 billion yuan were transferred out of agriculture (Kwok, 1990). This system was the main source of the severe disincentives for peasants.

The market for secondary crops and household products was freed up in 1979 (Perkins, 1994). However, the state retained a quasi monopoly of the trade in major crops such as grain. At the beginning of 1985, according to the policy of the central government, Hubei was proposed as a site for an experiment with the

reform of the state monopoly procurement system, the trade of agricultural products was carried out in market except those crops and oils that should be purchased partially according to the contract. Since 1979, the procurement prices of eighteen agricultural products were raised step by step in Hubei. In 1979, the general purchasing prices in the province increased by 23.6%, the average income of peasants increased 18 yuan. Between 1979 and 1986, the increase of the procurement prices of agricultural products was 79.6%; during the same period, the retail price index of industrial products in the countryside increased by 10.8%[4]. This measure boosted peasants' income, and also narrowed the gap of living standard between rural and urban areas, and arose peasants' enthusiasm. At the beginning of 1993, the procurement and marketing price of crops was set free.

The administrative system reform at the grassroots level was made necessary by the HCRS. In 1984, the work of separating governmental functions from commune and the establishment of county government was carried out. By the end of the same year, 306 county governments had been established, 803 towns and 32483 villagers' committees were also established. The People's Commune system was abolished. The enterprises originally owned by the communes or teams became collective ones of towns or townships that account independently (Qian, 1991).

2) Rural Reform and the Expansion of the Market System in Hubei

With rural reform, the market economy in Hubei's countryside has been greatly developing.

1. Labour market. According to statistics, the total labour force of Hubei by the end of 1993 was 18.23 million, of which more than 4 million moved out of traditional agriculture, took the lead in entering the labour force market. Their movement showed the four features followed: first, a large number of them turned to non-agricultural sectors. Compared with 1978, in 1993, the number of labour forces that shifted to rural industry increased by 744000, to rural construction, 0.6 million, to transportation and postal service, 0.27 million, to business and food services, 0.34 million; second, more labour forces started to shift to cultural, scientific, financial and other service sectors. According to statistics, the number of rural labour force engaged in real estate and consultancy services has reached 41000, in culture and education, sanitation and propaganda, 260000, in science and technology service, 12000, finance and insurance, 16000, in management of rural economy, 57000; third, large flux of rural labor force both in and outside the counties and the province has taken shape. In recent years, working outside their hometowns has become a fashion among the rural youth. Besides, opportunities in SEZs, as Shenzhen, Hainan and others greatly encouraged this outflow. According

to statistics, in 1990, the number of contracted workers and casual workers who migrated from the origins was 380000, in 1992, it increased to 430000, by 1993, it has reached 740000.

2. Commodity market. The main reason behind the formation and rapid development of the rural commodity market was the continuous commercialization of farm products in recent years. In 1993, the average rate of commercialization (the percentage in the output value of agricultural commodities are bought and sold on markets) of major farm products as grain, cotton and oil was 62%, that of timber, bamboo and other forest products 42%, that of major livestock products 75%, that of aquatic products 70%. By the year 1993, the number of rural free markets in Hubei is over 3400, two times that of 1980. There are more than 17000 large-sized wholesalers and trade companies of farm and sideline products. Each year, they sell farm and sideline products of Hubei, worth 20 billion yuan, to 30 provinces, municipalities and autonomous regions, among which 10% goes abroad.

3. Capital market. In order to explore new sources of funding and to collect socially idle money, the shareholding system in rural enterprises of Hubei has turned from experiment to maturity. By the end of 1993, the shareholding enterprises on township and village level had reached 11,436, among which 2,753 were on the township level, about 12.7% of total township enterprises have absorbed 2.65 billion yuan of shares (equal to the total amount of loans the township enterprises acquired from banks in the same year), of which township and village collective shares have taken up 1.45 billion yuan, and internal employee-held 0.53 billion, social individual-held 0.32 billion.

4. Technology market. Hubei now has 81 agricultural technology transfer centers with a staff of 2400, and 1,652 township agricultural technology stations, with a staff of more than 870. Some farmers, government organs and township enterprises and companies have even built up direct contacts with the agricultural technology departments of colleges and scientific research institutes, in the form of technology contracts and technological shares, that efficiently turned a large number of mature science and technology into productivity.

Rural reform has provided readjustment for rural industries. With regard to the cultivation of farming sector, the fields inappropriate for grain cultivation have been gradually switched to other kinds of products. By 1993, the total grain cultivated area was 4,428,000 hectares, 16% lower than that of 1984. However, due to increased output per unit area, total grain output was still rising. In 1993, industrial crops cultivated area was 2689 hectares, 57 per cent higher than that of 1984. The agricultural structure has been changed substantially during the reform period. The cultivation activity share in agricultural output has fallen from 74%

1984 to 59% in 1993 and the shares of forestry, animal husbandry and fishery have risen from 26% to 41% in the same period. With respect to the whole rural economy, the second and tertiary sectors have grown far ahead of the primary sector. In 1993, the gross output value of non-agricultural sectors of Hubei reached 66.1 billion, seven times that of 1984, thus the proportion of the output of non-agricultural sectors to total output of rural economy rose from 0.5: 1 in 1984 to 1.3:1 . From 1978 to 1993, the total output value of agriculture increased by 107.9%, with an annual growth rate of 5% based on comparable prices.

3) Further Reform and Development in Rural Society

The main problem of agriculture in China as a whole is the stagnation in grain production. Some of scholars claim that the main reason for stagnation of grain production was the failure of government to implement a market-oriented price reform for grain (Dorn and Wang, 1990). Our opinion is that the root of the grain problem in China lies with land property rights and small scale farm production. In a long run, the increase of the farmer's income can not only rely on price adjustment.

An associated problem is the huge surplus labour in the rural areas. The surplus labour in rural China has been estimated ranging from 150 million to 200 million (Gu, 1994). How to deal with the problem is a critical issue in the future. Further reform and development seem to be necessary in three areas: reform of land property rights which allows the migrant workers to transfer their land to other peasants; development of intermediate organizations for agricultural production which generates the linkage between peasants and markets; and institutional reform of rural urbanization which builds a new generation of peasant cities.

2. *Urban Enterprise Reform: an Unsatisfactory Policy*

1) Steps of Urban Reform

The way of the Chinese urban economy to go towards the market economy can be divided into three stages. The cellular command economy in which the internal economic transactions were guided by administrative commands, the bargaining economy in which decentralization was taken place with various contract systems, and the socialist market economy in which many double-tracked system such as two-track pricing mechanism were introduced (Herrmann-Pillath, 1994).

In contrast to other socialist countries which opted for radical privatization, the reform regime of urban China was focused on marketization instead of privatization.

Reform of urban economy has proceeded in three stages. In the first stage (1978-83), urban enterprises and local government were given more autonomy and were allowed to keep a part of their profits. A system of taxation replaced the handing over of profits to the central government.

In the second stage (1984-90), four main arenas of reform in urban sectors were introduced in 1984-- the planning system, management, prices and wage policy (Solinger, 1993). In planning, central commands were to give way to "guidance"-type directives and to market forces. In order to increase the role of market forces in allocation and distribution, gradually the new program allowed the state-owned enterprises to market a portion of their output on their own. In management,, contract responsibility systems (CRS) of various kinds were introduced in 1987, and by 1990 these systems were in operation in about 93 percent of state-owned enterprises. Under the CRS, representatives of SOEs negotiated a multiyear contract that gives the enterprises greater control of their own output, sales, and wage and employment decisions, and required the enterprise to fulfill the minimum level of output or profits set forth in the term. Once the enterprise had fulfilled the contracted level of output or profits, the enterprise could retain a larger of percentage of realized profits if it exceeded the target. In the pricing system reform, distorted prices, set according to political objectives and largely unchanged since the 1950s, were to be readjusted with the proviso that real income should not be changed. In 1984, the Chinese government carried out the first major price reform program. The central government decentralized the control of several hundred prices, which had been set by the state plan, to provincial and local governments, and it retained control over fewer than thirty different key prices. State-owned enterprises were given the power to set their own prices as long as they had sold the portion of output allocated via the state plan at state-determined prices, but the plan allowed them to sell the remainder of the enterprise's output at market price up to 20 percent higher or lower than state prices (Koo, 1993). Finally, wages were to be linked to an individual's actual work output. Once the state-owned enterprises had fulfilled a specific number of plan targets, they could use the retained profits to pay additional bonuses to their employees.

In the third stage (1990-95), the main tasks were to transform the management mechanism of state-owned enterprises and to encourage these firms to enter the market. The main tasks of this stage were designed to convert state-owned enterprises into modern companies. A number of experimental reforms have been implemented to push the SOEs into the market, including the formation of joint stock and limited liability companies, leasing out enterprises, leasing out

mortgaged enterprises, and selling off state enterprises to private entrepreneurs.

2) Urban Reforms in Hubei

The urban reform in Hubei can be summarized as follows.

Enterprise's decision-making powers were enhanced by the Contract Management System and the Manager Responsibility System. In 1979, 153 state-owned enterprises were chosen for the experiment of the system of retaining a portion of their profits. During the 1980s and 1990s, various contracted management system were undertaken. Leasing system are mainly applied to small-sized state-owned enterprises, while various kinds of contract system with responsibility related to distribution, such as connecting the total sum of salary with profits, contracts with increased turnover profits, contracts with a base of turned-over profits, contracts for reduction of losses, retaining of a portion of extra profits, and overall contracts of input and output, and contracts by group enterprises, etc. So far, more than 90% of the enterprises in Hubei have been contracted out.

The internal enterprise work organization and reward systems have been reshaped according to the internal contract responsibility system. At the top is the manager's contract with the state; the second level is the contract between the manager and divisions and bureaus; the third level is the division of contracted work by division directors or heads into several work teams; finally at the bottom is the assignment of work or duties to individual workers by team leaders or foremen. The general job assignment was replaced by a contract system; the salary system of linking the income of the employees with the profits and performances was adopted. The measure of bidding for the position of managers was tried out. In Hubei, more than 80% of the enterprises have carried out reforms with regard to the personnel management, employment and distribution system. After the structural readjustment, non-productive activities have been reduced by an average of 19.3%, and managing personnel by 18.3%. By the end of 1993, 938,000 workers have been newly employed, all under the contract system.

Enterprise groups were set up as an alternative to bankruptcy as well as a genuine attempt to allow transfer of property rights in the early stage of reforms. There have been more than 100 enterprise groups in Hubei, quite a number of which have grown into large-scale transregional and transdepartmental enterprise groups. In recent years, the bankruptcy law has been implemented. 64 enterprises in departments of textile, building material, chemical and light industry have applied for bankruptcy and 18 were approved according to the law. Since the relevant employees were properly resettled through government channels and self-

employment, the bankrupt enterprises met no big troubles.

The property rights transfer of the SOEs was introduced. In order to resolve the problems of the soft budget constraints, two reforms were undertaken in the 1990s. One is transition from Contracted Management System to the shareholding system. Another one is to sell small SOEs. By the end of 1993, there had been 95 industrial enterprises adopting the form of joint-stock company, with capital of 151.1 billion yuan, of which 92.8 % were state shares, 5.6% legal person shares, 0.5 per cent individual shares, and 0.5 per cent foreign shares. In 1993, they contributed of 3.573 billion yuan of total industrial output and 0.699 billion yuan of profit and tax, respectively 46,200 yuan and 9,037 yuan per employee, and 24.5 per cent and 92.6% more than those of the overall industrial production of Hubei. Shares of Changyin Company and Houwang Company have been approved to be traded on the stock market. Some cities and districts have also conducted experiments of joint-stock companies among the medium and small-sized enterprises, and the collective-owned and township enterprises. Meanwhile, experiments of one factory-two systems, state owned, but with collective management, and others have been gradually extended and are quite successful. Since the later half of 1993, Hubei has sold or transferred 31 medium or small-sized enterprises. Besides, some districts have established exchange centers of regional property rights to promote the commercialization of fixed assets. By so doing, in 1993, Wuhan city was able to rejuvenate 0.19 billion yuan of fixed assets (accounted for about 1 percent of the total fixed assets) and to make effective exploitation of 40,000 m^2 of areas and 300,000 m^2 of workshops.

The experiment of management by foreign investors was undertaken in order to reform the property rights. In 1991, the Wuhan Second Printing and Dying Mill, a large state-owned enterprise, signed over 51 percent of its property rights to a Hong Kong company. After three months of Hong Kong management, the enterprise, renamed the Wuhan Rongze Printing and Dying Co. Ltd., increased its monthly production volume by 40 percent.

Making full use of foreign capital and advanced technology is Hubei's key policy in developing her economy. Since the promulgation of law on Sino-foreign Joint Ventures, the number of foreign-funded enterprises has reached 3,959, among which 3,161 are joint ventures, 149 are co-operative enterprises, and 649 are foreign-funded. Foreign investors from 30 countries and regions include those of USA, Germany, Japan, France, Taiwan and Hongkong. The related industries include machinery, electronics, textile industry and so on. 1993 saw great achievements in the exploitation of foreign capital. 2,188 enterprises with foreign investment have been approved in this year, more than the total number of the past 14 years.

In recent years, **ten development zones** have been established from east to west along the Yangzi River and the Han River, already with an investment of 1.8 billion and a building area of 82 km^2. A number of enterprises with foreign investments has been set up in these zones.

While making use of the preferential policy and absorbing foreign direct investment, Hubei has also established enterprises abroad in order to make use of external funds. By the end of 1993 overseas enterprises of Hubei were more than 20.

The reforms have brought about the reorganization of enterprises. The reforms also triggered off economic development. In 1993, the GNP of Hubei was 129.841 billion, 275.7% more than that of 1978 in comparable prices, with an average increase rate of 9.2% annually (5.5% from 1953 to 1978). The gross national output value per capital is 2,344 yuan, at a growth rate of 7.8% annually excluding the factor of inflation. The GNP of Hubei steadily takes the ninth place among all other provinces, and its output of grain, oil, cotton finished steel material, automobiles and others ranks among the top.

There are four types of outcomes of these urban reforms:

- **Ownership diversification**. Instead of the apporach to transformation which favours privatization of state-owned firms, the Chinese reform had encouraged the rapid development of the non-state sector of the economy.
- **Autonomy**. Decentralization devolved the power of the decision-making to local governments and entrepreneurs (we will discuss this later on).
- **Incentives**. The various contract systems brought about incentives for managers, workers and local authorities.
- **Competition**. The growing market forces pushed the SOEs into an competitive environment (Jefferson, 1995).
- **Conflicts.** The reform not only generates the positive consequences but also results in some conflicts among the different interest groups.

3) Reform and Enterprise Performance

In the transition from the command economic system to the market-oriented system, state-owned enterprises are experiencing a serious losses, outflow of assets from state sector and huge bad debts. Table 1 shows the situation of the loss-making enterprises in the state-owned industrial sectors. Between 1985 and 1993, the SOE's total losses as percentage of pretax profits rose from 2 percent to 18 percent and the proportion of the loss-making enterprises increased from about 10 percent to 40 percent. If we change our method and calculate the degree of loss based on output value, then the number of loss-making enterprises may be as

little as 20 percent (Zhu, 1995). This is because most of the loss-making enterprises are small and medium enterprises (we will examine this situation based on Hubei data). In Hubei, the proportion of the loss-making enterprises has risen from 15 percent in 1978 to 31 percent in 1993. The proportion of the loss-making enterprises was slightly lower than national level.

Table 1: Loss-Making SOES in China 1985-1994

	1985	1986	1989	1993	1994
Total Loss (bil.yuan)	3.2	5.4	18.0	45.2	-
% as pre-tax profits	2.4%	4.0%	10.2%	18.0%	-
% Loss-making enterprise	-	13%	16%	37%	40%

Source: 1. Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2. Zhu Rongji, China 's Economic Situation and its Development Trend in 1995, Chung Kang Ching Chi, No.42,1995.

Table 2: Loss Making Enterprises by Industries in Hubei, 1992

	% of number loss-makers	loss per loss-maker (yuan)	ratio of losses to pre-tax profits
Light industries	30 %	805	15%
Agriculture-based	31%	778	14%
Nonagricultural-based	24%	923	26
Heavy industries	18%	1418	6%
Extraction industries	22%	69000	*
Raw materials	18%	18194	27%
Processing industries	18%	5619	4%
Large scale industries enterprises	13%	18894	5%
Medium-size enterprises	20%	2554	11%
Small-scale enterprises	25%	420	28%

Source: Statistical Yearbook of Hubei 1993, Beijing: Statistical Publishing House.
Note*: 70 million yuan were provided as subsidies in extraction industries.

Table 2 lists the percentages of different kinds of enterprises that are loss-making in Hubei province. In terms of proportion of the loss-making enterprises,

agricultural-based light industries are actually more likely to operate at a loss. There is a clear relationship between the proportion and enterprise size. However, in terms of the degree of loss-making which was measured by ratio of losses to pretax profits, extraction industry and raw material industry are more likely to be loss-making.

The detailed information about the loss-making enterprises in the different industries can be seen from table 3.

Another problem is the erosion of state assets. It is said that state assets are being lost at a rate of about 100 million yuan per day in China.The erosion of state assets began in earnest in 1985. For example, state firms would appropriate state assets to set up collectives, either to create jobs for redundant personnel or the offspring of their employees, or to serve as a private treasury. In the seven-year period from 1985-92, the state lost assets worth approximately 500 billion yuan, of which 220 billion-worth were appropriated by state-owned industrial enterprises.

Table 3: Rank of the Loss Making Industries in Hubei, 1992

Rank by percentage of loss-making enterprises
1.oil and natural gas(100%)
2.textiles(46%)
3.furniture(42%)
4.coal products(39%)
5.beverage(39%)
6.coal products(39%)
7.education and sport suppliers(36%)
8.feed industry(34%)
9.black metal (33%)
10.logging and bamboo(33%)
Rank by the ratio of loss to pretax profits
1.oil and natural gas(0.1 billion yuan subsidies)
2.coal products(75 million yuan subsidies)
3.leather products(5 million subsidies)
4.rubber products(84%)
5.wood and bamboo products(67%)
6.feed industry(67%)
7.metal products(67%)
8.textiles(34%)
9.black metal-mining (33%)
10.electronic communication equipment(25%)

Source: Statistical Yearbook of Hubei 1993, Beijing: Statistical Publishing House.

4) Roots of SOE's problems

What are the roots of the problems of the SOEs? There are four types of explanations:

- 1) **Rent-seeking theory**. This theory assumes that the rent-seeking behavior of public entrepreneurs, administrators and non-state managers resulted in corruption which led to the erosion of state assets and loss-making (Byrd, 1991).
- 2) **Agency and collusion theory.** The explanation of this theory is that the two-tier collusion problem in the reforming SOEs, local organs-enterprise collusion and manager-worker collusion, resulted in the bad performance (Lee, 1991).
- 3) **Unequal competition theory**. This theory advocates that the SOEs performed unsatisfactorily because the SOEs have worse conditions in competition than other enterprises (Wu, 1995).
- 4) **Soft budget constraint theory**. The explanation of this theory is that the nonstate firms can be successful because of the hard budget constrain whereas the SOEs are unsuccessful due to the soft budget constraint (Yusuf, 1994).

Our opinion is that the deepening of reform of SOEs should be: 1) the SOEs should compete with the nonstate enterprises on an equal footing; 2) the soft budget constraint should be replaced by the hard budget constraint through the enterprise bankruptcy; 3) the reform of property rights makes it possible to deal with two-tier collusion. Next, we will discuss the unequal conditions the SOEs are facing and the issue of enterprise bankruptcy.

5) Conditions of unequal competition of the SOEs

In the competition on the market state-owned enterprises face many conditions which nonstate enterprises do not have to face.

The first problem is bad debts and unsold product inventories. The following illustration reveals that the bad debts and unsold inventory were very serious in 1994 and 1995. The estimated debts which are unable to repay to banks are within range between 17 percent to 40 percent.

According to the survey in Hubei, of 2453 state-owned enterprises, as of the end of 1994, 771 enterprises, 31.4 percent, broke the bankruptcy warning line of a 100 percent asset liability rate and the asset liability rate of some enterprises was even as high as 200 percent (FBIS-CHI, 28 April, 1995).

Table 4: Bad Debts and Unsold Inventory in China, 1994 and 1995

Bad Debts in 1994	
Of 2.4 trillion yuan special bank credit inventory	
Conservative estimation:400 bil.or 16.7% is idle	
Higher estimation :1 trillion or 40 % unable to repay	
Unsold product inventory in the early 1995	
100 billion yuan in the SOEs	
Overdue Debts among enterprises in the early 1995	
600 billion yuan according to the recent statistics	

Sources:1. FBIS-CHI-95-027, 9 February,1995.
2. FBIS-CHI-95-009, 13 January, 1995.

Table 5: Redundant Workers and Employment in China, 1990 and 1995 (millions)

	1990	1995
Total employed labor forces		
Total laborers	570	640
Urban	150	170
Rural	420	470
Surplus Labor		
Urban Unemployed	4	6
Urban Disguise Unemployed	20	30
Loss-making firms	-	17
Rural Underemployed	140	150
Labor Market		
Urban	-	10
Labor Migrants from Rural Areas	-	70

Sources:1. Gu, Shengzu and Jian, Xinhua, 1994, Population Mobility and Urbanization in Contemporary China, Wuhan, Wuhan University Press.
2. World Bank, 1992, China: reform and the Role of the Plan in the 1990s, A World Bank Country Study, The World Bank, Washington, D.C.

The second major defect is redundant laborers in the SOEs. Table 5 indicates that about 30 million laborers were surplus workers in state-owned sectors and 17 million were in the loss-making enterprises.

It is very difficult to resettle these redundant labor forces. For example, 1994, Wuhan Iron and Steel Co. Ltd was approved by the State Council to be one of 22 shareholding enterprises to issue shares overseas. Originally, it had 123,000 employees, 27,900 of them or 22.7 percent of the total were workers engaged in steel production, 49,900 of them or 40.6 percent were in supply of energy, transportation and administration, and the rest or 59.4 % of employees not engaged in steel production at all. In transformation, the enterprise was divided

into two parts: one was a limited liability corporation, with one-third of the original employees; the rest two-thirds of employees were separated or organized into some other legal entities or institutions. In spite of the separation, the Iron and Steel Co.Ltd still had to provide subsidies to guarantee the same welfare treatment for all employees, in share companies or not, retirees or on job. The relationship between the two parts will be a knotty problem in the long run (Ishihara, 1995).

The third defect comes from carrying out all kinds of tasks which better should be handled by the government and society. The illustration of table 6 indicates that the SOEs have heavy burdens of the social tasks which are not borne by the private-owned firms. The total funds insurance and welfare as percentage of total wages increased from 14 percent (7.8 billion yuan) in 1978 to 34 percent (167 billion yuan) in 1993.

Table 6: Comprehensive Social Responsibility of Urban Enterprises in China

Enterprise-based insurance
pension;health insurance;unemployment insurance
Enterprise welfare
heavily subsidized housing and housing maintainance;job creation for employee's children
Enterprise Subsidized Facilities
hospital;kindergarten;school;police station; transportation;dining facility
Enterprise subsidies
subsidies for heating;subsidies for price; funeral expenses

6) Enterprise Bankruptcy and Further Reform

How to deepen the enterprise reforms? One strategy is to let the loss-making enterprises go bankrupt. Table 7 shows a very striking comparison between urban and rural enterprises. By the economic laws of the market, if the firm makes serious losses and its debts grow over the assets, it should go bankrupt. The Chinese government had a target of declaring 2000 SOEs bankrupt in 1992 (World Bank, 1992). But this decision was very hard to implement due to resettlement of the redundant laborers and unemployed (Li, D., 1994). On the other hand, it was not difficult to go bankrupt for rural enterprises since the peasant workers have a piece of land as income security. It implies that any deepening of enterprise reforms presupposes the support from social security system.

Table 7: Bankruptcy Cases in China,1988-1994

	1989	1990	1991	1992	1993
Urban	98	32	117	428	680
Rural(estimated)					
Township	18000	18000	6000	-	-
Village	36000	6000	-	-	-

Source: Xiao, Tong, 1994, "A Pertinent Economist Points Out: An Upsurge of Bankruptcy Law Enforcements Is Imminent", Zhongghua Disan Chanye Bao, in Chinese, 24 Nov.1994.

Another strategy is to encourage redundant laborers to move from SOEs to non-state sectors. For the redundant workers in the state-owned enterprises, there are two reform options: one is to dismiss those who are to be laid off overnight. Another one is to use a gradualistic approach which allows surplus workers to have two choices: If they are willing to leave the factory for higher incomes in the nonstate firms, some incentives should be used to encourage them to do so. If surplus personnel are willing to choose the low paid but secure and easy job, then they can remain in the state-owned enterprises (Tian, 1994). In this approach, employment in the SOEs serves as a kind of social security function. The reasons for this approach are threefold: First, if the SOEs declare bankruptcy on a large scale, a huge number of unemployed workers will lose the security in their livelihoods, and this will threaten social stability as well as create unrest. Second, the psychological adjustment ability of Chinese to bear the overnight reform is not as great as that of Eastern Europeans due to cultural tradition and social mix factors. Third, the income security of the jobless workers in the SOEs is not as high as that of the jobless in the western countries due to the high employment with low pay and absence of the savings. Third,some of the redundant workers have worked in the SOEs for several decades and have made a great contribution to the country's construction, and they do not have skills to engage in trade or business.

In order to encourage the labor mobility from the SOEs to the nonstate-owned enterprises, the establishment of transferable social security funds is urgently required.

3. *Household Registration System Reform and the Two-tier Migration System*

1) Household Registration System and Entitled Population

The Household Registration System is a very unique mechanism of administration with respect to population mobility and welfare supply. This system tightly controls the rural-to-urban population migration and restricts the state welfare claims to the nonagricultural population. This distinction was created with the 1953-55 household registration system and the unified procurement and marketing of grain of that time. The 1958 migration law further rigidified the system.

The Household Registration System, which was strictly implemented in the early 1960s, had by no means only the function of controlling population mobility. There were other functions as follows

- 1) Creating a hierarchy of urban and rural places (Cheng, 1994). Under this system, interrelation between rural and urban places had been blocked. A good example for the hierarchy is marriage between rural and urban residents. It was very difficult for rural residents to get married with urban inhabitants.
- 2) Allocating consumer goods such as grains. The grain rationing system was based on the urban household registration system. Those in heavy manual occupation might be allowed up 25 kg of rice, wheat, flour or other foodgrains. Secondary work qualifies for much lower rations, teachers and officers getting around 15 kg monthly, and children less according to age (Kirkby, 1988).
- 3) Restricting welfare to a small part of population. The total population was divided into two levels of status: entitled population (non-agricultural population) and unentitled population (agricultural population). The non-agricultural population could get the following benefits: better access to urban schools; state jobs with lifetime job security, fixed salaries, health insurance, disability benefits, and old-age pensions; and highly subsidized housing, food, and cloth rations. Table 8 shows the benefits for the entitled or nonagricultural population.
- 4) Employment assignment (Taubmann, 1993). The urban jobs were assigned by the government authority such as Labor Bureau based on the urban household registration.
- 5) Maintaining social order. The Bureau of Public Security could use the registration system to control criminal activities in urban places.

Table 8: Benefits for the Entitled Population (Nonagricultural Population) in China

Benefits for the entitled population
EMPLOYMENT SYSTEM
-life time guaranteed job security with fixed salaries
RATIONING SYSTEM WITH LOW PRICE
-Rationing food grain with low price
-Rationing cloth with low price
-Rationing non-staple necessities such as oil and sugar
WELFARE SYSTEM
-Highly subsidized housing
-Free medical care
-old-age pension
-better access to urban schools
SUBSIDY SYSTEM
-Various subsidies for daily life

Several reforms of the system of urban entitlements have been introduced since 1978.

The food and cloth rationing system with the fixed price was replaced by the price subsidy system. From 1986 to 1993, Chinese government provided 261.8 billion yuan of the price subsidies, averaged 32.7 billion yuan per year, for the entitled population with the pricing reform.

The life time guaranteed employment system had been transformed into the "contract worker system". From 1983 to 1993, 31.23 million newly employed workers worked under the label of "contractual workers".

The housing system and medical care system were in the reform which encouraged the beneficiaries to share the costs.

The migrant peasants could be registered as "nonagricultural population" without urban benefits (we will discuss this reform later).

Based on this system, the Chinese population can be classified into four types: agricultural population, non-agricultural population, urban population and rural population. The nonagricultural population is legally entitled to urban style benefits. So nonagricultural population and agricultural population could be called as the entitled population and unentitled population. The entitled population or nonagricultural population need not live in cities. Many teachers, doctors, and administrators do not. A significant proportion of urban residents, especially on the outskirts of cities, engage in agricultural activities and are not entitled to urban benefits. The following table shows four types of benefits can be enjoyed by the

nonagricultural population in the prereform period.

Table 9 illustrates the distinctions of four types of populations and the trends of them from the 1960s to the 1990s. Because the entitled expenditures were so expensive, entitlement was tightly controlled. The proportion of the population benefited by this system had continued at the same level (72% in urban places and 4% in rural areas) throughout the 1960s and 1970s. From 1978 to 1991, the nonagricultural population has increased by about 100 million population due to the registration system reform which allowed the migrated peasants were registered as the nonagricultural population without the urban benefits. Therefore, a dual system of nonagricultural population registration existed.

Table 9: Changes of Four Types of Population in China, by Selected Years

	Urban Population			Rural Population		
	entitled	unentitled	total	entitled	unentitled	total
population in million						
1961	106.0	41.8	147.8	18.2	492.7	510.8
1978	124.4	48.1	172.5	27.9	762.2	790.1
1991	222.9	396.0	618.9	21.3	504.9	526.2
composition						
1961	72%	28%	100%	4%	96%	100%
1978	72%	28%	100%	4%	96%	100%
1991	36%	64%	100%	4%	96%	100%

Source: 1. Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2. Statistical Yearbook of Hubei(Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.
3. China Population Statistics Yearbook 1992, Beijing: Statistical Publishing House.

2) Reform of the Two-tier Migration System

With the reform of China's economic system, migration and population mobility has become more active day by day. The upsurge of township enterprises attracted more and more peasants to engage in industrial and commercial activities in market towns. They wanted to settle down in market towns since they already had their economic activities there. At that time although permanent migration had continued to be strictly controlled, village-to-city temporary migration had become possible. As exchange trade centers, cities naturally attracted peasants, who brought their surplus products for sale; as centers of extensive new construction without sufficient numbers of construction workers,

cities attracted rural construction teams, who supplement the urban construction labor forces; and facing a lack of adequate daily services, cities attracted peasants who were engaged in self-employed informal activities such as household repairs personal services, and domestic help (Goldstein, 1991).

Faced with the plenty of surplus labor and the labor market situation in the urban areas, the policy makers implemented a relaxation of the household registration system. 1) temporary acceptance of rural migrants into cities and 2) the encouragement of peasants to set up trading and services enterprises in towns. Like the reforms of the marketing and pricing system which allocated the output and input in both plan and market channels, the Chinese government also adopted a two tier migration system for labor market and population mobility. A reform of the migration policy was introduced in 1984. The State Council issued a circular in 1984 permitting peasants and their families engaging in industrial and commercial activities to move into market towns if they could bring with them the funds for investment and business, provide grain and living places for themselves and had skills and capacity of management, or if they had worked in town enterprises for a long time. The public security departments would grant permission and give them household registration cards as a "household providing grain rations for itself." These people were enumerated as non-agricultural population (CASS, 1993).

However, peasant non-agricultural population was different from the original non-agricultural population in the following aspects: (1) They should supply own food grain and have secured accommodation in the towns. The registration was classified as "household with self-supplied grain" (zili kouliang hukou). (2) They have to transfer their land to somebody who could cultivates it. (3) They were ineligible for heavily subsidized housing and job security guaranteed by the state.

There were three important reasons for this reform. (1) Agricultural reforms such as the Household Contract Responsibility System caused a grain surplus. (2) the reform of the marketing system of agricultural products undermined the grain rationing system, and migrant peasants could purchase the grain from the free markets. (3) Urban development and construction needed the labor force from countryside and rural surplus workers met this demand. Table 10 demonstrates the reform of the tow-tier migration system.

Immediately after the migration policy reform, 1.29 million peasant migrants were recorded in Hubei in 1985. Amazed by the unexpected numbers of peasant migrants, the provincial labor bureau decided by 1986 to lower substantially the number of peasant migrants and to stabilize the migration inflow at 100 000 a year for future years. By 1988, the number of peasant migrants had dropped to 105 000 ,which was only slightly higher than the official limit (Guldin, 1992). Since the introduction of migration policy reform, there were two phases of the rural-

urban migration: the middle and late 1980s was the period of village-to-town movement while the early 1990s was the period of village-city migration stream.

Table 10: The Two-Tier System of Rural-to-Urban Migration

	Temporary Migration	Permanent
Channels	labor market	administrative channel
Grounds	1.self-employment 2.contract work 3.domestic services 4.sales in free markets 5.construction work	1.enrollment in high educational institutes 2.separation from spouse and children 3.those who lost land due to urban construction
Registration Status	temporary (zanzhu hukou)	permanent (feinongye hukou)
Privileges	not entitled for urban benefits	entitled for reduced benefits
Volume	70 million	more than 20 million

4. *The City-Centered Regionalization: A Vanishing Rural-Urban Boundary*

David S.G.Goodman had pointed out that decentralization and regionalization have been constant goals in the pursuit of economic modernization since 1978. There were two fundamental reforms regarding administration and regional development during the 1980s (Goodman, 1989). One of them was city-centered regionalization.

1) Steps of Reform

This reform was designed to have cities and towns play the leading roles in the regional development with the decentralization of powers from the central government to the local authorities. There were two types of decentralization in the Chinese reforms. One was to pass the economic management out of the hands

of the governments and into the hands of the enterprises. It was called the separation of economic management from state administration. Another one was to decentralize the powers from the central government to local authorities. However, who would play the leading role among local governments, city (town) or rural county? The reformists proposed that the cities and towns would play a leading role in the regional development. A reform program of the urban centered development was launched in the middle of the 1980s. This reform can be summarized as follows:

- 1) Lowering the qualifying standards for officially designated towns. Many commune headquarters were reclassified into towns.
- 2) Expansion of the boundary of the designated towns beyond the their built-up area so that they could provide leadership to the smaller undesignated towns within their jurisdiction, thus giving administrative recognition to the centrality of the designated town and designating its hinterland. Many townships moved to the jurisdiction of towns.
- 3) Extension of the form of territorial organization of the major cities to most rural counties, by designating them as cities and by extending their municipal jurisdiction to cover the surrounding counties, so that they could provide planning guidance and coordination to their administratively subordinating counties or townships. Many cities such as Wuhan moved to "semi-provincial level" as a development center in the region. A lot of counties moved to the jurisdiction of cities. Some counties had been changed into cities with reclassification.

2) Relaxation of the Criteria for Township Status

The preconditions for the urban-rural reclassifications were to relax the criteria for non-agricultural population and urban population. It was impossible to transform a rural place into an urban one if the government would have to provide the entitled benefits for the converted population like under the old system. As we discussed before, the central government choose the relaxation of the household registration system.

In the light of the relaxed criteria for non-agricultural population, the criteria for designating towns had been changed. The State Council's promulgation of a new set of criteria for designating towns was introduced in 1984, after the population definition changed.

The criteria set by the state in 1984 for designating towns are as follows (Guldin, 1992):

- Towns are to be designated in all places where county seats are located.
- Towns may be designated in the following two instances: township with

population of less than 20,000 but whose seats of government have non-agricultural population exceeding 2,000 may be designated as a town; and townships with population of over 20,000 and whose seats of government have non-agricultural population exceeding 10 percent of the total township population, may also be designated as a town.

- The following places may be also established as town when necessary though their non-agricultural population is below 2,000: minority nationality habitations, frontier and remote places with sparse populations, mountain regions, small industrial and mining centers, small ports, scenic tourist spots, and frontier trading ports.

3) Relaxation of the Criteria for City Status

The criteria by which a particular urban locale was designated as a city were constantly adjusted according to changes in economic development, industrial structure, and population structure. By 1983 the Ministry of Civil Affairs began to use more liberal criteria in its internal deliberation. These new regulations were finally formalized in 1986 in the "Notice on the Report of the Adjustment of the Criteria of Establishing City Government and the Conditions for City Governing County". Compared with the previous regulations, more emphasis was given to the employment structure and economic development of an urban center rather than to population size.

The criteria set by the state in 1986 for establishing cities are as follows (Kwok, 1990):

- A town with a non-agricultural population of over 60,000 and which has an annual GNP of over 200 million yuan may be established as a city. Cities may be established when necessary in places where the above criteria have not been met, such as important towns in minority nationality and frontier regions, places where factories and mines are located, science and technology research bases, renowned scenic spots, famous historical sites, communication hubs, and frontier trading ports.
- Counties with a population of under 500,000 whose seats of government are towns with a minimal non-agricultural populations of over 100,000, and whose agricultural population comprises less than 40% of the total of permanent residents, can be recognized as cities if their annual GNP is over 300 million yuan.
- Counties which meet the following criteria can also be established as cities: their population surpasses 500,000, their town seats of government have non-agricultural populations of over 120,000, and their annual GNP of over 400 million yuan.
- Towns with non-agricultural populations of under 100,000 and annual GNP of

under 300 million yuan may be established as cities when necessary if they are seats of people's governments of autonomous prefectures or of administrative offices of prefectures and leagues.

- Medium-sized cities (cities divided into administrative districts) may have jurisdiction over counties if their non-agricultural population exceeds 250,000 and they have annual GNP of over 1 billion yuan.

4) The Outcomes of Urban-Biased Development

Fortyfour cities were newly designated in 1983, six in 1984, twenty nine in 1985, twenty nine in 1986, twenty eight in 1987, and fifty three in 1988 brought the total at the end of that year to 434. Some were simply upgraded from town status but others were an amalgamation of towns and surrounding counties and thus included a high proportion of agricultural population. The new criteria also led to the designation of 377 county seats as towns, and some 3430 townships -- previously classified as rural -- were given town status and their population was added to the urban total. Another 1300 towns were established during 1985, 953 during 1986, 150 during 1987 and 1988 (Linge, 1990). Table 11 shows the urban-rural reclassifications in Hubei and China as a whole. From 1978 to 1993, there were more than 12,000 townships transformed into towns and 379 counties changed into cities in China. Moreover, about 700 rural counties moved to the jurisdiction of cities by 1986 (Gu, 1994). These reclassifications and administrative changes brought about a substantial increase of the urban population.

Although it was the central government that officially changed the administrative division of urban areas or authorized the establishment of cities and towns, there had been some local forces playing a role (Wu, 1994). Once an urban area has been promoted to a higher administrative level or a rural place has been reclassified to an urban area, the government has more autonomy, more bargaining power in dealing with the above governments, and more benefits. For example, administrators of the governments in the urban places have higher salaries and social benefits than the counterparts in the rural areas. The government can get more funds for urban construction. The reclassification led to further promotion in terms of economic development. Cities were the entities on which policy makers most clearly focused. Administratively, they have a degree of fiscal autonomy unavailable to rural places and hence are more important as growth poles around which regional development might prosper.

Table 11 shows the reclassifications between 1978 and 1993.

The status change refers that townships and counties were reclassified as towns and cities, whereas administrative change means that counties within rural

districts were converted into city jurisdiction.

Table 11: Changes of Rural-urban Classification and Administration in Hubei and China, 1978-1993

	Hubei	China
Status Change		
1.From township to town	207	12372
2.From county to city	25	379
Administration Change Number of counties moved to the jurisdiction of cities	28	694*

Sources: 1.Gu, Shengzu and Jian, Xinhua, 1994, Population Mobility and Urbanization in Contemporary China, Wuhan, Wuhan University Press.
2. Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
3. Statistical Yearbook of Hubei (Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.
Note *: figure in 1986.

II. Structural Changes and Interest Groups under Reforms

A most striking impact of the reform is structural change. The structural changes refer not only dynamics of economic changes but also social changes. It includes rural industrialization, migration, urbanization, ownership diversification, interest groups and regional development.

As the reform programs have been unfolding, four distinctive features in terms of the structural changes have emerged:

- 1) The pace of urbanization overtook that of industrialization and de-agriculturalization due to rapid changes of urban reclassification and administration (see table 11).
- 2) Industrialization and de-agriculturalization lagged behind the national level (see table 12).
- 3) Agriculture played a relatively important role in provincial development compared with the national situation (see table 13).
- 4) Migration was in the middle in terms of the balance between out-migrants and inmigrants.
- 5) Ownership diversification and marketization were relatively slow.
- 6) Constellations of interest groups and regional disparity were very typical.

Table 12: Structural Comparison between Hubei, Guangdong and China (percentage)

	Hubei	Guangdong	China
Urbanization rate(1993)	31%	40%	28%
Percentage of non-agricultural laborers (1993)	42	53	44
Output share of secondary sector(1992)	44	46	48
Output share of Tertiary sector(1992)	25	34	28
TVE's share of industrial output(1993)	31	32	44%

Sources:1.Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2. Statistical Yearbook of Hubei(Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.

Table 13: Sources of Growth of GDP, 1978 and 1993

	Hubei	China
Growth of GDP	276%	279%
Agriculture	69%	57%
Industry	123%	126%
Construction	12%	20%
Transportation & Communication	13%	17%
Commerce	19%	15%
Others	40%	44%
Growth of GDP	100%	100%
Agriculture	25%	20%
Industry	45%	45%
Construction	4%	7%
Transportation & Communication	5%	6%
Commerce	7%	5%
Others	14%	17%

Sources: 1. Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2. Statistical Yearbook of Hubei (Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.

We will discuss the structural changes and interest groups in both Hubei and China in the next sections.

1. *Rural Industrialization: A Peasant Innovation in a Dual Society*

1) Rural Industrialization in China as a Whole

The agricultural reform such as the HCRS brought about the surplus labor and savings. There was a barrier to transfer the surplus resources from the rural sector to the urban non-agricultural activities. Therefore, the peasant's innovation after the HCRS was to launch rural industrialization in which the surplus resources were used to develop the non-agricultural sectors in countryside.

After 1978, rural enterprises experienced an unprecedented phase of rapid development. The total number of rural enterprises increased to over 24 millions in 1993, more than a sixteen-fold increase over 1978. In 1984 the share of rural

enterprises in the gross value of output was already 13 percent of national output value and about one third of rural output value. But these shares rose to 32 percent and nearly 66 percent by 1992 (Zhang, 1994).

What are reasons why TVE developed so successfully? Five elements are very important for the success.

(1) TVEs took advantages from the labor-intensive production compared with disadvantage due to capital and resource-intensive technologies of SOEs. (2) TVE's start-ups were in manufacturing which had high average rate of profit due to price distortion. (3) The management and operation of TVE were very flexible. The managers of TVEs had high degree of autonomy with respects to employment, wages, production, distribution and so on. (4) the dual-track pricing system of SOEs made inputs and outputs available for purchase and sales on the markets. 5) Production costs of TVEs were so low not only due to cheap labor but also due to low tax, local raw materials, low wages and low welfare expenditures.

2) Contributions and Problems of Rural Industrialization

The rural industrialization made a great contribution to rural development.

- Accelerating the provincial as well as national industrialization. The TVE's share of industrial output was 31 percent in Hubei versus 44 percent in China in 1993.
- Revitalization of small towns and county seats in rural areas and promotion of rural urbanization.
- Diversifying the rural economy and adjusting the economic structure.
- Increasing the peasant's income and the revenue of local government.
- Alleviating the rural unemployment and promoting the utilization of local resources.

However, the rural industrialization also had some problems which exerted impacts on rural development (Gu, 1994).

The most serious problem is that the growth of rural enterprises caused the cultivated land to decrease sharply. Manufacturing enterprises spread all over the countryside and their factories took up large tracts of land, far in excess of what industry needs. An addition, peasants working in rural enterprises did their best to fence in large courtyards to built new houses in the villages where their families had lived for generations.

The second serious problem is that the rural industrialization brought about severe pollution. The scattered industries pollute rivers, wells, the atmosphere, and

the fields. One-third of all polluted fields in the country were harmed by rural industries. It was very hard to tackle the problems of small rural industries since they were scattered.

The third problem is that the rural enterprises utilized valuable resources inefficiently. Due to their scattered location, bad infrastructure and obsolete equipments, and semi-skilled workers, the rural small-scale enterprises were unable to reach economies of scale compared with the large scale production.

The fourth problem is that enterprise operating autonomy is being weakened and lost due to the local government interference. A few township governments treat township enterprises as money trees. Government administration intervened even more closely with business management. Enterprise decision-making is bound to become governmentalized. This phenomenon has become one of the major obstacles against the upgrading of rural collective enterprises.

3) Rural Industrialization in Hubei

Rural industrialization in Hubei province was strongly influenced by the government policies. Table 14 demonstrates the four stages of the TVE development in Hubei Province. In the first stage, the Household Contract Responsibility System was undertaken and some communities have started to develop rural enterprises with the surplus resources. There were 826000 laborers to transfer from agricultural activities to rural enterprises. The increased rate of output value was very high at the starting period. In the second stage, the central government has allowed the peasants to move to cities and towns and to set up own business there. The TVEs were encouraged in order to meet the demand which the state-owned enterprises have not met. 1.6 million surplus labor forces have moved to the TVEs. After 1989, the Chinese government has implemented the economic adjustment and counter inflation, many rural enterprise workers had to move back to agricultural sector due to the bankruptcies. In 1992, with Deng Xiaoping's speech on his Trip to the South, China had another rapid growth period. The overheated growth brought about another boom of rural enterprises.

The rural industrialization in Hubei lags behind the national development. Table 15 demonstrates that 22 percent of labor force produced 57 percent of outputs in nonagricultural sectors in Hubei compared with 25 percent of labor force generated 74 percent of output in China as a whole. In Hubei, 61 percent of the labor force in township and village enterprise in industry produced only 31 percent of industrial outputs whereas 69 percent of labor force generated 44 percent of industrial output in China in 1993.

Table 14: Four-Stage Rural Industrialization in Hubei

Stage	Government policies	Development of TVE
1978-84	Household contract responsibility system was carried out	1) Labor transfer 826,000 transfers 2) Output increase 3 fold increase
1984-88	Official permit for farmers to resettle in urban places; TVE were encouraged	1) Labor transfer 1621,000 transfers 2) Output increase less than 3 fold
1988-91	Economic adjustment was undertaken	1) Labor transfer 193000 decrease 2) Enterprise change 49000 bankrupt
1991-93	Economy was overheated	1) Labor transfer 1320,000 transfers 2) Enterprise change 334000 increase

Table 15: The Nonagricultural Sector of Rural Areas of Hubei and China, 1978 and 1993

	Nonagricultural sector (%)
Rural China	
Output value share	
1978	25
1993	74
Labor share	
1978	7
1993	25
Rural Hubei	
Output value share	
1978	27
1993	57
Labor share	
1978	8
1993	22

Sources: 1. Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2. Statistical Yearbook of Hubei (Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.

With respect to ownership structure, employed laborers in the township and village owned enterprises accounted for 50 percent of total laborers in rural enterprises whereas private owned and joint owned enterprise accounted for 50 percent (national level was 51 percent). In terms of performance, the ratio of after-tax profits to original value of fixed assets, a measure of capital productivity, in the TVEs of Hubei is 15.9 percent compared to 21.2 percent at the national level. Labor productivity in the TVEs of Hubei was 19365 yuan per laborer versus 25549 yuan in China in 1992.

The share of industrial output within the TVEs was 75 percent in Hubei in comparison with 85 percent in China as a whole in 1993.

Table 16 reveals development of the TVEs in Hubei province from 1978 to 1993.

Table 16: Basic Indicators of Rural Enterprises in Hubei, 1978 and 1993

	1978	1993	1993 as % of 1978
Number of enterprises	111,500	1,377,600	1236
Number of workers (1000)	1,627	5,198	319
Of which			
township-run	707	1241	176
village-run	920	1225	133
private &joint	-	2732	-
Output value (billion)	1.92	101.98	5320
Of which			
agriculture	0.26	3.96	1506
industry	1.21	60.58	4999
construction	0.11	13.31	12438
transportation	0.11	7.61	7182
commercial & others	0.23	16.52	7214
Total assets (billion)	1.71	20.93	1221

Source: Statistical Yearbook of Hubei (Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.

2. *Rural-to-Urban Migration and Urbanization: A Key Indicator of Structural Changes*

Michael P. Todaro (1980) pointed out that rural-urban migration is a function of (1) the various labor-market opportunities available to unskilled or semiskilled rural laborers; (2) differences in real income between rural and urban work; (3) other factors. The reforms of the marketing system and administration provided a plenty of opportunities to rural laborers. We will examine the rural-urban migration and urbanization in the reforming society in the following section.

1) History of Rural-to-Urban Migration

Three phases of rural-urban migration can be identified: the 1950s were a period of urban growth and high rates of the upward rural-urban migration; the 1960s and the early 1970s saw a downward urban-rural migration and slowing down of the urbanization process; and the reform period has been one of relatively high rural-urban migration and high urban growth. The rural-urban migration can be further classified into two periods:

1. 1949-57. The period of 1949-57 was one of rapid rural- urban migration due to the early industrialization. The net in-migrants were about one million in Hubei compared with more than 30 million in China as a whole. The urbanization rate had risen from 10.58 percent in 1952 to 13.42 percent in 1957 contrasted to the national increase from 10.64 percent in 1949 to 15.3 percent in 1957.

2. 1958-60. In this period, the Great Leap Forward resulted in unprecedented industrialization and led to an explosive urban inflow. Net increase in urban population was 0.85 million in Hubei in comparison with more than 30 million net in-migrants in China as a whole. The urbanization rate of Hubei increased from 13.42 percent in 1957 to 16.94 percent in 1960. Rural-urban migration peaked in 1959 with an estimated net inflow of about 800,000 in Hubei compared with national figure of 15 million.

The period of rural-urban migration during the 1960s and the early 1970s also had two phases based on the different economic and political situation.

3. 1961-65. Because of the shortage of agricultural products such as grain and because unemployment pressure in urban areas resulted from the huge inflow of peasants, the Chinese government launched the "economic adjustment" since 1961. This adjustment forced the inmigrants who moved to urban places during the Great Leap Forward to move back to rural villages. The decrease of the urban

population in Hubei province was 1.1 million in comparison with more than 20 million urban residents who returned to home villages in China as a whole. This was the first downward migration in the China's migration history.

4. 1966-77. This period was the Cultural Revolution which was accompanied by the shangshan xiaxiang ("up to the mountains and down to the villages) and xiafang (sending down). This was the second downward urban-rural migration although the net in-migration was 0.81 million in the whole period. Due to the fact that some factories recruited employees from the countryside, there was a two-way movement between the urban and rural sectors and a huge exchange of urban and rural laborers. An estimation puts the gross urban out-migration at between 30 and 50 million in China. Professor Zhao has suggested that 15 million urban youth were resettled. Added to this were another 20 million resettled through the xiafang campaigns and 15 million more through other means (Zhao, 1989). In this period, the urbanization rate had risen from 13.08 percent in 1965 to 15.01 percent in 1977.

The period of rural-urban migration and urbanization in the reform era since 1978 can be divided into two phases.

5. 1978-83. Two events in this period had very important impacts on rural-urban migration. One was the movement of returned people who were sent to countryside during the Cultural Revolution. Another one was the early rural industrialization in which the peasants started to build the factories and shops in small towns. Rural-urban migration in Hubei province caused urban growth of 1.4 million population in contrasted to more than 46 million in China. From 1978 to 1982, about 38 million urban jobs were created for the returned migrants in China. The urbanization rate increased from 15.01 percent in 1977 to 17.75 percent in 1983.

6. 1984-95. This period was the fast phase of rural-urban migration and urbanization in Hubei province. There were three driving forces of migration: 1) the government officially allowed the peasants to move to towns and cities setting up their own business; 2) the peasants found that they could make more profits in large cities than they did in rural enterprises; 3) urban development needed more workers for construction and industrial sectors. Migration in Hubei province brought about an urban population increase of more than 7 million in comparison with more than 83 million in China as a whole. The urbanization rate had reached 30.60 percent in Hubei in 1993, three percentages higher than national level (28.14 percent for China as a whole).

We can see from the history of rural-urban migration that agricultural conditions was very important determinants of migration and urbanization. In the

1950s, the recovery of the farm economy, land reform, and the state compulsory grain procurement policy brought about an initial rural labor surplus and an expansion in food grain surplus. The agricultural development provided relatively abundant food and labor surplus for industrialization. Therefore, the industrialization was accompanied by the high urbanization and rural-urban migration in this period.

Table 17: Net Volume of Inmigrants* in Urban Areas by Period

Years	Hubei	China
1949-57	more than 1 million net in-migrants	about 30 million net inmigrants
1958-60	0.85 million net inmigrants	25 million net inmigrants
1961-65	1.1 million net loss	26 million returned to rural villages
1966-77	0.81 million net inmigrants	1.5 million net inmigrants
1978-83	1.4 million net inmigrants	46 million net inmigrants
1984-93	7.13 million net inmigrants	83 million net inmigrants

Source: 1.Gu, Shengzu and Jian, Xinhua, 1994, Population Mobility and Urbanization in Contemporary China, Wuhan, Wuhan University Press.
2. Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
3. State Statistical Bureau, 1990, Historical Statistical Data (1949-1989), Beijing, Statistical Publishing House.
Note*: This is estimation based on formula,Net inmigrants=total growth-natural growth(number of birth-number fo death).

However, industrialization in China followed a heavy industry-dominated strategy, which emphasized steel industry development. This kind of strategy had a low potential for labor absorption. The Chinese government faced huge shortages of agricultural products such as grain due to the explosive outflow of peasants and disaster of farming in the early 1960s. Under these conditions, the decision-makers had to use the Household Registration System to control population mobility and allocate the grain to small part of population on the one hand, to employ the sending down (xiafang) policy in order to restrict the growth of urban population on the other hand.

2) Reasons for Movement and Occupational Differentials of Migrants

According to recent survey of the migration in rural areas, the flow within a county accounted for 31 percent; the flow within a province accounted for 33 percent; and the transregional flow accounted for 36 percent (Chen, J. 1995). The total estimation of rural-to-urban migrants was about 70 million (Gu, 1994).

Table 18: Reasons for Migration[5] in China, 1990 (percentage)

	Work Related	Training	marriage	Family	Others	Total
Sex						
Male	49	26	3	14	8	100
Female	26	16	25	26	7	100
Age						
15-	-	2	-	78	20	100
15-24	33	39	12	12	4	100
25-44	59	2	20	10	9	100
45+	40	-	8	34	18	100
Residence						
City	37	35	5	18	5	100
Town	52	7	8	28	5	100
Village	32	2	34	14	18	100
Education						
None/Primary	32	-	22	32	14	100
Middle School	55	1	16	20	8	100
High School	45	20	10	19	6	100
Higher Edu.	22	69	1	3	5	100
Type of Mig.						
Permanent	24	35	16	20	5	100
Temporary	63	-	8	18	11	100
Registration						
Agriculture	49	-	21	18	12	100
Non-agricult.	29	43	4	20	4	100

Source: Gu, Shengzu and Jian, Xinhua, 1994, Population Mobility and Urbanization in Contemporary China, Wuhan, Wuhan University Press.

What motivates migrants to move, and how does one type of motives differs from another type of movement? Motives for migration are a very important indicator of the type of movement. We will examine the reasons for movement and occupational differentials of migrants based on the 1990 population census. In our studies, economic reasons are measured as work related reasons. Temporary migrants, male workers, people aged 25 to 44, residents in market towns, the group with middle school education, and population with an agricultural registration were more likely to move for economic reasons. Social reasons are divided into marriage matters and family related matters. Female population,

young age group, village residents were more likely to migrate for social reasons. The third reason for moving is training. By the Chinese regulation, rural people can move to cities and can be registered as nonagricultural population when they pass university or college examinations and are enrolled by higher educational institutions. This is very important way for rural youths to obtain entitled population status. In addition, people can migrate for informal training programs without registration changing. Table 18 tells us that a male has higher probability to get higher education than a female does.

Table 19 provides a good look at the relationship between rural-to-urban migration and regional development. In coastal regions, economic motives clearly predominated over other ones, whereas social reasons for moving were major driving forces of migration in remote areas.

Table 19: Reasons for Rural-to-Urban Migration in China (percentage)

	Work Related	Training	marriage	Family	Others	Total
Distance						
Intraregion	42	18	7	24	9	100
Interregion	56	8	5	26	5	100
Receiving Areas						
Coastal	53	16	6	19	6	100
Inland	41	17	7	26	9	100
Remote	30	4	6	45	15	100
Sending Areas						
Coastal	61	7	4	25	3	100
Inland	54	8	5	26	7	100
Remote	31	11	8	39	11	100
Residence						
City	48	17	5	22	8	100
Suburb	31	9	18	28	14	100
Town	46	14	4	28	8	100
Total	46	15	6	25	8	100

Source: Gu, Shengzu and Jian, Xinhua, 1994, Population Mobility and Urbanization in Contemporary China, Wuhan, Wuhan University Press.

The occupational distribution shows that fewer of the temporary migrants than of the permanent migrants were technical personnel and office workers, and many more were production, commercial and service workers. The data reflect the two-tier migration system which distinguishes migration with changing registration for permanent movement and migration without changing registration for temporary movement. Temporary movement responses much more quickly to labor market needs than the more controlled permanent migration.

Table 20 presents the fact that cities contain higher proportion of production, commercial and service workers whereas suburbs have more peasants engaging in suburban farming due to the higher income in suburban areas. Table 22 further reveals that the informal sectors and hard work industries contain high proportion of rural-to-urban migrants.That means that peasantry migrants fill the urban job vacancy which urban residents are unwilling to engage.

Table 20: Occupation of Rural-to-Urban Migrants by Selected Characteristics in China

	Distance			Type		
	Intra-region		Cross-	Permanent		Temporary
Technical Personnel	5%		3%	11%		2%
Cadres	1		1	2		1
Office Workers	3		5	9		1
Commercial Workers	11		12	6		13
Service Workers	13		12	9		14
Production Workers	53		61	42		61
Peasants	14		6	21		8
Total	100	100	100	100	100	100

Source: Gu, Shengzu and Jian, Xinhua, 1994, Population Mobility and Urbanization in Contemporary China, Wuhan, Wuhan University Press.

3) Regional Variations of Migration

In order to examine the relationship between migration and regional development, six subregions can be distinguished: 1) the core area with highly industrialized cities and provinces, including Beijing, Tianjin, Shanghai and Liaoning. 2) open areas with newly industrialized provinces, including Guangdong and Fujian. 3) other coastal areas, including Hebei, Shandong, Jiangsu, Zhejiang. 4) Western area, including Sichuan and Guangxi. 5) central areas, including Hubei. 6) other interior areas. By taking into account interprovincial migration, the most striking differences in rural-to-urban migration can be seen from table 23. The highly industrialized and newly industrialized areas absorbed the vast majority of net inmigrants whereas other coastal provinces and other interior area have lost population substantially. Two south-western provinces accounted for 52 percent of the net out-migrants.

Table 21: Occupation of Rural-to-Urban Migrants by Selected Characteristics in China

	Type of Destination			Residence		
	Coastal	Inland	remote	City	Suburb	Town
Technical Personnel	4%	5%	6%	4%	3%	6%
Cadres	1	2	1	1	1	1
Office Workers	4	3	3	3	2	6
Commercial Workers	9	14	11	13	7	9
Service Workers	12	13	11	15	8	10
Production Workers	59	50	60	61	35	55
Peasants	11	13	8	3	44	13
Total	100	100	100	100	100	100

Source: Gu, Shengzu and Jian, Xinhua, 1994, Population Mobility and Urbanization in Contemporary China, Wuhan, Wuhan University Press.

Table 22: Rural-to-Urban Migrants by Sectors in China

Categories	Percent
Construction, Production & Transportation	60%
Construction workers	11%
Porters	8%
Mining Workers	8%
Carpenters	7%
Heavy Labors	5%
Others	21%
Service	30
Pedlars	5%
Sellers	4%
Cook	3%
Others	18%
Farming	10%
Total	100%

Source: Gu, Shengzu and Jian, Xinhua, 1994, Population Mobility and Urbanization in Contemporary China, Wuhan, Wuhan University Press.

Table 23: Interprovincial Rural-to-Urban Migration by Region

	In-Mig. (1000)	Out-Mig. (1000)	Net-Mig. (1000)	Ratio of In-Mig./ Urban Pop. 1/1000	Ratio of Out-Mig./ Rural Pop. 1/1000
Beijing Tianjin Shanghai Liaoning	1043	110	933	19.7	3.8
Guangdong Fujian	907	182	725	12.3	2.9
Other Coast	782	1379	-615	5.3	7.0
Sichuan Guangxi	158	1077	-919	2.9	8.7
Hubei	224	114	11	5.1	3.0
Other Interior	1718	1952	-234	7.7	5.0
Total	4832	4832	-	-	-

Source: Gu, Shengzu and Jian, Xinhua, 1994, Population Mobility and Urbanization in Contemporary China, Wuhan, Wuhan University Press.

Turning to intraprovincial rural-to-urban migration, two ratios, the ratio of migrants and urban population and the ratio of migrants and rural population, are used to measure the relative magnitudes of the migration stream within a province and the stream of from other provinces. The later reflects the labor market linkage among regions. The highest ratio of the stream from other provinces can be seen in the open areas and highest ratio of the migration stream within own province is in the south western provinces.

Migration structure, the composition of the number of migrants from other provinces and the number of migrants within province are very important indicators to show the linkages among regions. The vast majority of rural-to-urban migrants (67 percent) in the core area comes from other regions whereas only 9 percent of those in the south-western provinces come from other regions. Slightly less than one third of rural-to-urban migrants in the open areas are from other provinces.

Table 24: Intraprovincial Rural-to-Urban Migration by Region

	N.of.Migrants (1000)	Ratio of Migrants to Urban Pop. 1/1000	Ratio of to Rural Pop. 1/1000
Beijing Tianjin Shanghai Liaoning	506	9.6	17.2
Guangdong Fujian	2050	27.9	32.7
Other Coast	2254	15.2	11.4
Sichuan Guangxi	1600	29.3	13.0
Hubei	587	13.4	15.4
Other Interior	4595	20.6	11.8
Total	11592	19.4	13.8

Source: Gu, Shengzu and Jian, Xinhua, 1994, Population Mobility and Urbanization in Contemporary China, Wuhan, Wuhan University Press.

4) Migration and Urbanization

The urbanization is an essential results of the rural-to-urban migration.

There were at least four driving forces of the urbanization in Hubei province in the 1980s.

- Rural industrialization had transformed many township seats into towns.
- Rural-urban migration due to many floating peasants brought about the rapid growth of the urban population.
- Urban-centered administration resulted in the conversion of the administration of the counties.
- Returned migration from countryside due to the downward movement of youths and cadres during the Cultural Revolution had increased the urban population.

Table 25: Shares of Rural-to-Urban Migration from Other Provinces By Region

	N. of Mig Intra Province (1000)	N. of Mig From other province (1000)	Share of Inter-Migration (%)
Beijing Tianjin Shanghai Liaoning	506	1043	67
Guangdong Fujian	2050	907	31
Other Coast	2254	782	26
Sichuan Guangxi	1600	158	9
Hubei	587	224	28
Other Interior	4595	1718	27
Total	11592	4832	71

Sources:Gu, Shengzu and Jian,Xinhua,1994,Population Mobility and Urbanization in Contemporary China,Wuhan, Wuhan University Press.

Table 26 also indicates that the urban population in China has increased substantially. There are two definitions of urban population. One is the administrative definition which defines the population by the administrative boundary. For instance, if ten counties are under the jurisdiction of city administration, the county population will be defined as urban population. Another one is a definition following social and economic criteria. By the first definition, the urban population would account for more than 50 percent of the total population while the urban percentage would be about 30 percent by the second definition. H.X.Wu has estimated that urbanization level in 1990 was 22 percent (Wu, 1994). His equation for estimation is:

UP^{*}=UNAP/90%.

Here UNAP is urban nonagricultural population.

90% means that about 10 percent of urban population engages in agricultural activities providing products such as vegetables to urbanites and enjoying the urban facilities. In our opinion, the assumption of 90 percent of agricultural

population is too low according to the real situation in China. Our estimation of urbanization level in 1993 is 32 percent.

Table 26: Urbanization and Nonagricultural Population by Selected Years (Percentage)

	Hubei		China		
	UR	NPR	UR	NLR	NPR
1949	-	11.12	10.64	-	17.40
1952	10.58	11.49	12.46	16.50	15.40
1957	13.42	13.78	15.39	22.98	16.40
1960	16.94	17.80	19.75	34.30	20.70
1965	13.07	13.98	17.98	18.39	16.70
1977	15.01	14.27	17.55	25.49	15.50
1983	17.75	16.79	21.62	32.93	17.90
1993	30.60	23.79	28.14	43.60	22.00

Source: 1. Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2. Statistical Yearbook of Hubei (Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.
3. China Population Statistics Yearbook 1992, Beijing: Statistical Publishing House.

Notes: UR=urbanization rate; NPR=nonagricultural population rate; NLR=nonagricultural laborer rate.

5) Migration and Development

The issue of rural-to-urban migration is quite controversial in China today. Some officials and scholars fear that the rural-to-urban migration has threatened social stability and advocate that the large cities should have tight control measures to restrict population mobility towards urban areas. The grounds for the restrictions are: 1) the huge outflow of the rural population causes the food grain shortage and the price of grain to soar; 2) the tremendous inflow of peasants makes the cities crowded, congested, and polluted; 3) population mobility has become the main source of urban crimes; 4) the rural-to-urban migration has deteriorated the human resources of agricultural sector; 5) the large inflow exaggerates the problem of unemployment in urban areas. But other officials and scholars have opposite opinions. They believe that the rural-to-urban migration has made many contributions to both rural and urban development.

Positive contributions or negative impacts, which are more important? Our opinion is that the positive contribution of the migration is much larger than the social costs. The decision-makers should examine both the benefits and costs of

migration (Gu, 994).

We will analyze the positive contributions of migration in the next section.

The most important contribution of migration is to fill job vacancies. In spite of the millions of unemployment in urban areas, there is huge demand for construction and services in the urban places. China's urban residents have grown accustomed to comparatively high-status jobs. In general, they are unwilling to accept heavy jobs with long hours and low pay. Peasants from villages have shown more flexibility regarding their working conditions and the types of work they will do. In the long run, the migration is favorable for an easing of urban employment problems and population aging problems in the future. China's nonagricultural population has experienced a steep drop in fertility from 5-6 births during the 1950s to one birth per woman in the 1980s and 1990s. This fertility transition will have a great impact on the employment. There is a demand for young working age population. The rural-to-urban migration can meet this demand. The migration also can alleviate the population aging in urban places.

In addition, rural-to-urban migration accelerates the urban development by providing cheap labor for destination and increasing the purchasing powers for markets.

Migration has make the great contributions to the rural development in several ways. It tackles rural unemployment, speeds up capital accumulation via remittances, upgrades human resources, and transfers urban norms, values and civilization. Here we show some cases (FBIS,8 March, 1995) to demonstrate the positive contributions of migration.

- Case 1: In Hubei, there were more than 160,000 rural laborers employed in state-owned enterprises as contract workers. They made a great contribution to these enterprises.
- Case 2: In Shanghai, the largest city, there were more three million temporary migrants. Of those, one million of migrants engaged in construction activities.
- Case 3: In Shenzhen, a Special Economic Zone, in 1992 there were 2 million of inmigrant population versus only 800,000 native population. Without migration, it is very hard imagine the economic development in Shenzhen taking place.
- Case 4: In Sichuan, a sending area, in 1993, the outmigrants sent 10 billion of remittances or one-sixth of total income of the farmers in this province. The remittances are very important resources for development in this sending areas.
- Case 5: In Fuyang of Anhui, a sending area, 700 enterprises are run by returned migrants. These enterprises were very successful since they upgraded their skills during their migration.

The rural-to-urban migration has brought about the higher pressure on the infrastructure such as housing, hygiene facilities and transportation. It is reported that the rate of criminality among the floating population has serious risen in the recent years. If the challenges are not recognized, urban migrants are likely to threaten to social stability (Wong, 1994)

6) Policy Suggestions about Migration

Where are best places to absorb the huge floating population? There are three policy options: 1) emphasis on more than 50,000 market towns. This thought had a great influence on policy-making in the 1980s. 2) top priority on medium-sized cities. 3) orientation towards large cities. Our augment is that 50,000 market towns do not have enough potential to absorb the surplus rural labor forces. The empirical findings in Table 27 indicate that only 5 percent of migrants were absorbed by market towns whereas more than 40 percent of migrants were drawn by county seats and small/medium-sized cities. There are more than 2000 county seat towns in rural China. These are a great potential for rural urbanization. Because county governments are located in county seat towns, there is a good infrastructure, a large size of population, and a higher proportion of nonagricultural output and better human resources (Gu, 1994). For Hubei province, the government should put a top priority on development of 100 county seat towns instead of the promotion of a few thousands of market towns.

Table 27: Seasonal or Long-term Migration* of Rural Labor Force (percentage)

Migrants	Total	Long-term	Seasonal
Organized migration	36.2	29.3	37.5
Voluntary/spontaneous m.	63.8	70.7	62.5
Total	100.0	100.0	100.0
Destination of migration			
other villages within county	20.8	14.2	22.5
other villages within prov.	24.1	14.7	26.6
other villages outside prov.	3.9	6.2	3.3
market towns(jizhen)	5.3	5.8	5.1
towns/county seats	12.1	15.3	11.2
small/medium-sized cities	29.4	28.7	29.7
large cities	3.8	12.1	1.6
abroad	0.6	3.0	--
Total	100.0	100.0	100.0
Absolute numbers	26,993	5,596	21,397

Source: Gu,Shengzu,1991,Studies on De-agriculturalization and Urbanization, Zhejiang People's Press.
Note *: data from survey in 11 provinces.

Which sectors have a great potential for absorption of surplus laborers? As table 28 indicates, the employment elasticity of GNP has been highest in the tertiary sector and lowest in the primary sector which has sizeable underemployment. The tertiary sector has considerable room for employment in the future.

Table 28: Employment Elasticity of GNP by Sector in China and Hubei, 1978 and 1993 (percentage)

	Primary	Secondary	Tertiary
CHINA			
Employment growth	1.2	4.4	6.5
GNP growth	5.2	11.4	9.8
Elasticity	0.23	0.38	0.66
Hubei			
Employment growth	-0.06	4.7	7.8
GNP growth	5.0	11.8	11.1
Elasticity	-0.01	0.40	0.70

Source: Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.

3. *Ownership diversification: An Important Outcome of the Double-Track Marketing System*

Ownership diversification refers to the transitional process of converting the state ownership-dominated economy into a system with coexistence of the state sector and nonstate economies. The strategy of China's reform is to encourage rapid development of the nonstate sector of the economy. Table 29 shows the shares of state and nonstate sectors by employment, investment, industrial output and value of retail sales. In 1993, the state owned industrial sector in China produced 43 percent of industrial output whereas that sector in Guangdong featured only 28 percent. State-owned commercial enterprises in China were responsible for 40 percent of total retail sales whereas 37 percent and 38 percent for Guangdong and Hubei respectively. In terms of labor and investment, state-owned sectors still have more than 60 percentage shares whereas in Guangdong they have less than a 60 percentage share.

Table 30 presents the ownership diversification of rural enterprises. Recently, nonpublic enterprises developed rapidly in the countryside.

Table 29: Urban Ownership Composition in Hubei, Guangdong and China, 1993

	state units	collective	private & others	total
Urban labor force				
Hubei	77%	21%	8%	100%
Guangdong	55	20	25	100
China	68	25	7	100
Investment				
Hubei	72	8	20	100
Guangdong	54	19	27	100
China	61	18	21	100
Industrial output				
Hubei	57	31	12	100
Guangdong	28	33	39	100
China	43	38	19	100
Value of retail sales				
Hubei	38	23	39	100
Guangdong	37	19	44	100
China	40	26	34	100
Laborers in township and village enterprises*				
Hubei	-	29%	4%	33%
Guangdong	-	37	6	43
China	-	28	5	33

Source: 1. Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2. Statistical Yearbook of Hubei (Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.

Note: It refers the proportion of the total rural laborers engaged in the TVEs.

Table 30: Ownership Composition of Township and Village Enterprises in Hubei, Guangdong and China, 1992

	township	village	joint	private	total
Output value					
Hubei	35%	29%	5%	31%	100%
Guangdong	43%	26%	7%	24%	100%
China	37%	30%	6%	27%	100%
Laborers					
Hubei	25%	26%	5%	44%	100%
Guangdong	23%	30%	7%	40%	100%
China	25%	24%	7%	44%	100%

Source: Agricultural Yearbook of China 1993, Zhongguo Nongye Tongji Ningjian 1993, Beijing: Agricultural Press.

Table 31 tells us that the nonstate sectors made 60 percent of contributions to the total growth in industry in China whereas only 44 percent of contributions in Hubei.

Table 31: Sources of Growth of GDP of Industrial Sector, 1978 and 1993

	Hubei	China
Total Growth	431%	412%
State Sector	239%	165%
Nonstate Sector	192%	265%
Share in Growth		
Total Growth	100%	100%
State Sector	56%	40%
Nonstate Sector	44%	60%

Source: 1. Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2. Statistical Yearbook of Hubei (Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.

4. *Interest Groups In the Transition: A Social Perspective on the Period of Reforms*

C. Findlay had pointed out that the first round reforms involved a high degree of decentralization which provided people with the opportunity to pursue their own economic interests (Findlay, 1992). Findlay did some analysis about the local governments, urban residents, peasants and administrators.

Based on our above analysis,we think that most important interest groups in the reforming society are:

- central government versus local governments;
- urban population versus rural inhabitants;
- migrants versus nonmigrants;
- Public versus private entrepreneurs.

We will examine these groups in the following sections.

1) Relations between the Central Government and the Local Governments

The central-provincial relations are very important for economic development. The relations can be distinguished into four types: fiscal relations, investment

allocation, pricing policies which act against raw material producing provinces, planning policies which give different degrees of autonomy in policy and decision making, and fiscal compensation in the form of state investment and subsidization.

With respect to central-provincial fiscal relations since 1949, local government could neither levy nor spend revenue simply as they chose. They had to collect all fiscal revenue in their area and then to hand over a predetermined proportion to the central government. The division of state budget income between center and provinces was not based on any firm set of rules, but rather upon ad hoc arrangements which had formed into a pattern over number years. Under this system, provincial government had no direct interest in whether they ran a surplus or deficit. Balancing fiscal income and expenditure was a matter for the center alone.

In 1976 the central government had run a deficit of 2.6 billion yuan, one of the largest since 1949. In 1982,a decentralized fiscal reform was introduced. Provinces were allowed to establish their own balance between income and expenditure, and to keep an agreed percentage of any excess.

As a special case, the two provinces of Guangdong and Fujian have been granted even greater autonomy than other provinces in an effort to attract foreign capital to their Special Economic Zones.

Since 1988, central-provincial fiscal had been regulated by contracts, usually of 3-4 year's duration, struck between the central government and provincial governments. Under the contract system, after the provinces have satisfied their contractual tax obligations to the center, they were permitted to retain and spend, about 75 percent (on average) of the incremental revenue. This reform resulted in a huge decline in the proportion of central government tax revenue because it got only a small part of any above-budget revenues. The share of the central government expenditure has fallen from 49 percent during 1981-85 to 37 percent in 1993. In order to cope with shortfalls in revenue, a tax revenue sharing system between the center and local governments was put into effect in 1994. With respect to the central-provincial fiscal relations, Hubei province contributed 36 percent of its revenue to the center in 1956. Since the reform of the 1980s, the proportion of contribution to the center was declining substantially.

Moreover, provincial officials were granted new authority to adjust the tax rate imposed at their level of jurisdiction, and to build up "extrabudgetary funds", i.e. monies that local authorities could gather which did not enter into their budgets. These funds are drawn from industrial, agricultural, and commercial surtaxes, the profits of collective enterprises; and fees for administering free markets, among

other sources. Extrabudgetary revenue as percentage of budgetary revenue has risen from 31 percent in 1978 to 98 percent in 1993. Of total extrabudgetary revenue, the local government's income accounted for 56 percent in 1993.

Table 32: Revenue-sharing Arrangement Between the Central Government and Individual Provinces(percentage)

	1956	1978	1982	1983	1984	1985
Hubei	35.5	4.4	30.1	30.0	24.7	13.3
Beijing	-	59.6	64.5	50.8	40.4	37.0
Shanghai	-	84.6	87.7	85.7	81.1	76.9
Guangdong	59.6	31.3	20.2	16.8	3.0	3.7
Jiangsu	63.4	53.5	63.0	56.0	47.3	42.5
Sichuan	62.5	4.3	10.0	9.1	-3.2	-8.9
Xinjiang	-5.2	-	-	-68.7	-69.0	-70.4

Source: Goodman, David S.G., ed., 1989, China's Regional Development, Routledge

In addition, relaxation of the control on bank loans and the granting of new autonomy to the provincial branches of the Chinese People's Bank to issue loans for capital construction had also freed local decision makers from the hold of the centrally planned economy.

Table 33: Provincial Allocation of State Investment, 1981-1993, (percentages)

	(1) 1981-85	(2) 1986-90	(3) 1993	% change (2)/(1)	%change (3)/(2)
Coastal	48.74%	51.86%	54.49%	6.4	
Beijing	4.6	4.8	4.4	6.0	
Shanghai	6.4	6.7	5.4	4.6	
Guangdong	7.3	8.0	11.5	15.9	
Shandong	5.5	6.5	6.2	18.3	
Central	29.4	25.5	24.3	-13.6	
Hubei	4.0	3.3	3.4	-17.2	
Western	17.3	15.9	15.1	-13.6	
Nonregion specific	4.5	6.4	6.1	40.4	

Source: 1.Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2. World Bank, 1992, China: reform and the Role of the Plan in the 1990s, A World Bank Country Study, The World Bank, Washington, D.C.

Another policy which influenced provincial development is provincial allocation of state investment. Since 1979 the Chinese government proposed the strategy that emphasized external trade and technology import for the coastal regions, the state investment allocation was increased for the expansion of special economic zones and open coastal cities in these regions. Under the sixth plan, the 12 coastal provinces received almost half (48.7%) of total state investment, while the 9 central provinces received about 30 percent and the 9 western provinces about 17 percent. In the Seventh Plan period, the share allocated to the coast increased by over three percentage points to about 52 percent. This reallocation came at the expense of the central region (whose share declined by four percentage points) and the west (decline of 1.4 percentage points).

There are several advantages of fiscal decentralization.

- First, local governments have their own interests and initiatives to serve local enterprises within their jurisdiction. For instance, with the decentralization of decision making to local level, the mushrooming of township and village enterprises has become a main source of economic growth.
- Second, the decentralization brought about more competition among provinces and municipalities to attract mobile capital and labor. This competition would compel these governments to improve services and reduce costs. For example, Hubei government made great efforts to upgrade infrastructure and to provide various privileges both to attract foreign investors to its jurisdictions and to keep existing enterprises from moving away.
- The greatest advantage of the decentralization approach had been to create interest groups in favor of further reforms, and to foster a climate for reform initiatives and "spontaneous" reform at the local level.

The negative consequences of the decentralization included:

- The competition among provinces led to inappropriate local investment and abuse of powers in reducing taxes and providing privileges to foreign investors. For example, over 100 car assembling plants each with a capacity of less than 5000 vehicles per annum were built under the regime of provincial competition.
- Since the income of the central government has been reduced, its control over investment has been greatly weakened. This led to investment in the energy and transportation sectors has worsened because the central government could not finance large infrastructure projects. Therefore, some recentralization approach was used in some areas.
- There were three types of regionalism in the decentralization process: 1) resistance to the higher authorities if the policies affect the local interests negatively; 2) interference to the enterprises in the jurisdiction; 3) protecting local interests in dealing with relations to neighbors. That kind of regionalism is an obstacle against fighting fake goods because the local governments protect

the fake goods-making enterprises with higher tax.

A very important control mechanism of the up-to-down hierarchy in the decentralization of the decision making process is the appointment of government officials and managers. By the regulations, the appointment of provincial governors should be subject to the endorsement of the central authorities. The managers of enterprises in the jurisdiction will be appointed by the supervisory bodies of the governments. The local governments and enterprise managers should not only consider local or enterprise interests but also obey the above authority's policies.

The biggest event regarding the relations between Hubei government and central government in the 1990s is Three Gorges Dam Project which has 95.4 billion (our estimation is higher than this) financial scheme and will generate capacity of some 18000 megawatts. This largest hydroelectric dams will substantially increase the central government investment in Hubei province (Huus, 1994).

2) Rural Residents and Urban Inhabitants

The basic social groups in Hubei are town inhabitants and peasants. According to the 1990 census, there were 15,515,200 town inhabitants and 38,455,300 peasants. From 1978 to 1993, the net income per capital in rural Hubei rose from 110 yuan to 738 yuan, namely an increase of 6.08 times. During the same period, the net income per capital of urban inhabitants rose from 324.96 to 2453.49, namely 6.55 times of increase. In 1993, the consumption expenditure of urban inhabitants was 2,097 while the living expenditure of rural inhabitants was 722.09 per capital.

About three fold gap can be found among the urban inhabitants. Of the urban inhabitants there are seven minor groups in 1993: 1) households with lowest income whose consumption expenditure per capital was 1242 yuan; 2) households with lower income whose consumption expenditure per capital was 1541; 3) households with low income whose consumption expenditure per capital was 1784; 4) households with middle level income whose consumption expenditure per capital was 2089; 5) households with high income whose consumption expenditure per capital was 2356; 6) households with higher income whose consumption expenditure per capital was 2682; 7) households with the highest income whose consumption expenditure per capital was 3497.

The highest degree of benefits enjoyed from the reform goes to the workers in the private-owned and mixed ownership sectors. The second group are the workers in

the state units. The five basic groups can be distinguished according to the employment status; workers and staff members of state units, those of urban collective units, urban individual laborers, mixed economic unit laborers and rural workers. According to statistics of 1993, workers and staff of the five groups were respectively 5,630,400, 1,515,800, 425,200, 190,500 and 17,468,200. Among those state unit workers and staff, there were 19% belonged to central units, and the rest belonged to the localities. Regarding the average salary of workers and staff, those workers and staff of the first group moved from 592 yuan in 1978 to 3,204 yuan in 1993, namely an increase of 4.4 times, those of the second group, from 532 yuan to 2287, namely an increase of 3.3 times, and those of the fourth group, 3344 in 1993.

From 1978 to 1993, the average housing area per capital rose from 3.80 m^2 to 10.54 m^2 for urban residents whereas from 11.80m^2 to 25.80 m^2 for rural inhabitants.

As we mentioned before, under the old economic system, urban residents were entitled to enjoy the benefits: 1) life time guaranteed job security with fixed salaries; 2) a rationing system of consumer goods with low prices; 3) highly subsidized housing and free medical care; 4) old age pension and better urban infrastructures; 5) subsidies for daily life. The urban reform tried to relate the income with efficiency and diminish the nonwage benefits (increasing rent for housing and launching co-payment for medical care). This reform resulted in increasing inequality in income distribution. Given relaxation of price control, inflation threatens the living standard of the urban residents, especially for production workers in the loss-making enterprises. The complaints from the urban population in Hubei province refer to: 1) soaring prices; 2) corruption and official speculation; 3) unfair income distribution; 4) unemployment problems; 5) public security and social order.

With agricultural reform, the rural population enjoyed the benefits brought about by the reform of the pricing and marketing system of agricultural products. The average income of the peasants has risen at a rate of 256 percent from 1978 to 1984. In the meantime the savings of rural households increased from 204 million yuan to 1545 million yuan. Therefore, this stage was characterized by optimism and enthusiasm for the reform. After 1984, given the agricultural stagnation, the optimism for agriculture, as a result, was replaced by pessimism. In the second stage, the local government levied various fees on peasants in order to offset the increasing expenditures. The dissatisfaction of peasants in the 1990s included: 1) heavy fee burdens levied by the local governments; 2) soaring prices of industrial products as agricultural production means; 3) fake industrial goods. However, with reform, peasants have freedom to decide what crop to plant, what activities to engage, and where to move.

3) Migrants and Nonmigrants

The rural-urban migrant group who amounts to 70 million in China (slightly less than the population of Germany) is a controversial group. This group reflects the relations between rural villages and urban places. This section will examine migrants based on our empirical studies. According to our estimation, China has 70 million temporary migrants from rural villages to urban places. In defining migration, the Chinese regulations regarding population mobility were taken into account; that is, the status of an individual's registration was a key to determining migration type. "Nonmigrants" are defined as persons born and registered at the current place of residence (at the place of interview). "Inmigrants" are persons born elsewhere but registered somewhere other than their place of residence. "Commuters" are also registered elsewhere but did not consider the place of interview their place of residence. "Temporary migrants" are defined by the people moving from place to place without registration change while "permanent migrants" refer to the persons migrated with registration change. The following analysis will be based on our sampling survey on migration in Hubei province (Goldstein and Gu, 1991).

The different migrant groups can be seen from the data on occupation in table 34. Among males in towns, in-migrants are disproportionately cadres, while temporary migrants are heavily concentrated in service work; commuters largely identify themselves as peasants and are probably in the towns to sell their produce and handicrafts. Among women, in-migrants tend to resemble nonmigrants, but temporary migrants are concentrated in the farming and service categories. Many of these women have come to towns without changing registration to join their husbands, who do have town registration. The women still consider themselves peasants and may in fact spend some of their time in agricultural pursuits in rural areas. Female commuters, like their male counterparts, are heavily concentrated in the peasants category.

A most striking difference between permanent and temporary movements is the educational pattern. Table 35 indicates that more than 90 percent of the temporary migrants have middle school or lower educational attainment in contrast to only 42 percent for the permanent movers. This pattern reflects the policy of restricting the permanent migration between rural villages and urban place and easing control of the temporary mobility of the peasants. The conclusion can be confirmed by the findings of registration categories. 90 percent of the temporary migrants originated with agricultural registration in contrast to one of four for permanent migrants. In accordance with the registration difference, a relatively smaller proportion of the temporary migrants originated in cities in comparison with the permanent movers. Given the fact that many young people go to universities or colleges by the permanent movement, a higher percentage of

the temporary movers than of permanent migrants were married. Because many women in rural villages married out with permanent movement and the government policy dose not restrict population mobility within rural regions, more of the temporary migrants than the permanent movers engaged in agricultural activities. More of the permanent migrants than the temporary movers were administrators due to the lack of constraints on the permanent movement within urban regions. A sharp distinction can be found in the employment sector categories. The vast majority of the temporary migrants were employed in nonstate sectors, especially in the private sector in comparison with the permanent migrants.

Table 34: Four types of Migrants to Towns in Hubei (percentage)

Occupation	Nonmigrant	In-migrant	Temporary Commuter	
Male				
Factory Worker	31.5	25.4	18.4	11.9
Peasant	31.5	8.5	12.7	44.2
Technician	7.5	7.4	11.2	5.0
Cadre	5.8	23.1	5.6	2.2
Sales	6.7	10.5	7.0	10.8
Service	7.6	5.9	30.9	14.2
Other	9.4	19.1	14.1	11.7
Total Percentage	100	100	100	100
Total	262	316	103	224
Female				
Factory Worker	30.3	27.9	18.3	10.6
Peasant	31.2	22.5	26.7	53.3
Technician	2.3	5.5	2.3	3.7
Cadre	7.6	7.2	--	0.9
Sales	7.6	11.5	5.2	11.4
Service	2.8	8.1	36.0	12.4
Other	18.3	17.4	11.5	8.2
Total Percentage	100	100	100	100
Total	169	305	100	156

Source: Wuhan University, 1988, Hubei Survey of Migration, Fertility and Economic Change

Motives for migration are a meaningful instrument of measuring migrant's interests. In our research design, categories were classified into two dimensions: the economic and social motives. The economic motives were grouped into: high income, conformable conditions and better welfare. The social motives were classified into: stability,safety and chance to be promoted. Economic motives are very important driving forces of migration.

Table 35: Selected Characteristics of Permanent and Temporary Migration in Hubei Province, 1990 (percentage)

	Permanent (%)	Temporary (%)
Education		
High School or Higher	58	8
Middle School or Lower	42	92
Registration		
Agriculture	25	90
Non-agriculture	75	10
Origin		
From City	26	6
From Town	30	16
From Village	44	78
Marital status		
Married	43	55
Not in Marriage	57	45
Sectors		
Agriculture	34	11
Industry	27	40
Construction	2	12
Commercial & Food Process	8	22
Education	8	2
Administration	16	3
Others	5	10
Ownership		
State-owned	19	6
Collective	55	20
Private & Other	26	74
Distance		
Intraprovince	71	66
Crossprovince	29	34
Total	100	100

Source: Wuhan University, 1988, Hubei Survey of Migration, Fertility and Economic Change

Occupational differentials in migration were particularly pronounced. The mobile peasants were more likely to be associated with high income and conformable condition seeking. More of the temporary migrants than the permanent movers were motivated by the economic reasons.

For the policy makers it is very important to know why some people do not move and are unwilling to move in the future. One could expect that the nonmigrants were motivated by the balance between the pull forces and push forces. The pull forces includes the different constraints such as family, property,

information, health and special skills.

Table 36: Motives for Mobility of Permanent In-migrants by Occupation in Hubei Province (percentage)

	Worker	Peasant	Trade Laborer
High Income	24%	33%	22%
Conformable Conditions	25	28	10
Better Welfare	21	24	26
Stability	14	8	33
Safety	7	6	-
Chance to be Promoted	8	1	9
Total	100	100	100

Source: Wuhan University,1988,Hubei Survey of Migration, Fertility and Economic Change

Table 37: Motives for Mobility of Temporary In-migrants by Occupation in Hubei Province (percentage)

	Worker	Peasant	Trade Laborer
High Income	32%	37%	33%
Conformable Conditions	26	32	14
Better Welfare	18	15	18
Stability	18	16	27
Safety	-	-	5
Chance to be Promoted	5	-	3
Total	100	100	100

Source: Wuhan University,1988,Hubei Survey of Migration,Fertility and Economic Change

In our survey, motives for immobility were distinguished into: life satisfaction, family related reasons, education constraints, no information, property related, too old, no special skills, not healthy. Two types of questions were included: actual reasons for immobility and potential opinions forward to the future.

The percentage was the highest for family related reasons of immobility. This reflects the Chinese traditions about family life. Women and villagers had more concerns regarding their families. Lack of special skills was an important obstacle against mobility in the rural villages.

Table 38: Reasons for Immobility of Nonmigrants in Hubei Province (percentage)

	Sex		Residence		
	Male	Female	City	Town	Village
Satisfied with Current Situation .	23	19	27	29	17
Family Related	36	40	38	33	40
Education Constraints	15	13	10	6	19
No Information	12	11	16	9	12
Property Related	21	13	7	15	21
Too Old	10	9	12	8	9
No Special Skills	20	16	10	13	23
Not Healthy	5	7	3	10	5

Source: Wuhan University, 1988, Hubei Survey of Migration, Fertility and Economic Change

Table 39: Reasons for Immobility of Respondents in Hubei Province (percentage)

	Sex		Residence		
	Male	Female	City	Town	Village
Satisfied with Current Situation .	26	21	32	25	10
Family Related	28	38	30	29	38
Education Constraints	8	9	4	5	13
No Information	15	13	12	14	14
Property Related	17	15	8	12	23
Too Old	17	19	15	20	18
No Special Skills	15	13	8	9	21
Not Healthy	7	8	4	9	8

Source: Wuhan University, 1988, Hubei Survey of Migration, Fertility and Economic Change

When the respondents were asked about potential opinions, gender and residence differences in the family related motives are more noticeable. City dweller's opinions were very different from the villages. The percentage of life satisfaction motives ranged from 10 percent for villagers to more than 30 percent for city residents.

The migration decision making reflects the autonomy of migration. One could

expect the autonomy of the temporary and permanent migrants differ substantially. Table 40 represents that male population were more likely to have autonomy than female. Considering the types of migration, the temporary movers were more likely to have autonomy than the permanent movers. There was a clear relationship between autonomy of migration and age of migrants.

Table 40: Reported Decision Making of Migration in Hubei Province (percentage)

	Myself	Spouse	Child	Parent	Relative &Friend	Working Units	Total
Sex							
Male	67	2	1	10	9	11	100
Female	53	19	1	9	13	5	100
Status							
Temporary	73	8	1	5	9	4	100
Permanent	46	15	1	14	12	12	100
Age							
15-24	63	2	-	17	13	5	100
25-34	64	13	-	6	11	6	100
35-44	55	16	-	4	15	10	100
45+	49	15	5	11	7	13	100
Total	59	11	1	9	11	9	100

Source: Wuhan University,1988,Hubei Survey of Migration, Fertility and Economic Change

4) Public Entrepreneurs and Private Entrepreneurs

"Public entrepreneurs" refers to the managers in state-owned enterprises or collective-owned enterprises while "private entrepreneurs" refers to the managers in private-run firms. The number of the entrepreneurs can be measured indirectly by the number of enterprises. In 1993, Hubei has 5545 state-owned enterprises, 16374 collective-owned enterprises (including 8816 township and village enterprises). Of these enterprises, 195 are large-scale enterprises and 585 medium-size enterprises. With the decentralization of the decision-making power to the enterprises, the managers have a great autonomy regarding employee's wages, employment, marketing, production and profit allocation. They face less risks and more social responsibilities compared with private entrepreneurs. Due to the terms (three or four years) of the contract responsibility system, public entrepreneurs always have short-term behaviors, not considering the long run development of the enterprises as contrasted with the private entrepreneurs. The public entrepreneurs who had already enjoyed benefits brought by the urban reform had positive attitudes towards the reform. However, they had some complaints about the market situation under the reform. Entrepreneurs in

different industries have expressed slightly different opinions on the current problems affecting their production and operations.

Industrial enterprises list the problems in the following order: overdue debts among enterprises (52 percent), difficulties in raising capital (44 percent), increased interest on bank loans (31 percent), sharp competition among domestic enterprises (30 percent), increased wages as a share of production costs (29 percent), weak demand for products in the domestic market (28 percent), and price rises for upstream products (28 percent). Enterprises in the building industry list the problems in this order: overdue debts among enterprises (72 percent), sharp competition with in the same trade (58 percent), difficulties in raising capital (48 percent), increased wages as a share of production costs (41 percent), weak demand (25 percent), and surplus staff (20 percent). Tertiary industry had this order: sharp competition within the same trade (61 percent), difficulties in raising capital (40 percent), heavy burden of historic debts (30 percent), rise in prices of upstream products (30 percent), increased wages as a share of production costs (30 percent), weak demand in the domestic market (27 percent), increased loan interests (27 percent), and surplus staff (25 percent) (SSB, 1994).

The private economy existed before 1949. Before Land Reform in the early 1950s, the ownership system of land in Hubei was dominated by landlords. The landlords, who were 3.5% of total agricultural population, occupied 35% of cultivated land in Hubei while poor peasants and farm laborers were 55% of total agricultural population had only had less than 20% of cultivated land to their own. In 1955, there were altogether 110,599 private retailers, 107,402 pedlars, covering 96.78%, petty proprietors 1,719, covering 1.55%. In 1955, a large number of pedlars and few retailers were turned to private-state joint firms. In 1978 there were only 7,000 individual laborers remaining in towns.

The private economy has played an important role in narrowing the gaps left by the publicly-owned sectors, stimulating market activities and competition, and creating employment in the reform period. By the end of 1992, there had been 597,000 individual laboring households in private sector, with 965,000 laborers and registered capital 1.72 billion, among them 595,000 were individual industrial and commercial households with 934,000 people and 1.42 billion of registered capital, and 2,172 private enterprises with 31,000 people and 0.3 billion of registered capital. Those people covered 1.77% of the province's population and 3.8% of the province's total labor force. In 1994, the economic output and volume of business were altogether 10.73 billion, of which the turnover of social commodities was 6.67 billion, being 14.5 of Hubei's total turnover, and the tax was 0.87 billion, 8.7% of Hubei's commercial and industrial taxes. There were 176,000 town individual commercial and industrial households, covering 30%, 419,000 households in the country, covering 70%.

Individual industrial and commercial households are mainly engaged in transportation and services. The proportion of households engaged in commerce, industry, and catering trade is respectively 54%, 12.2%, and 11.6%, whereas private enterprises are mainly working on production. There are private industrial enterprises 974, being 53.8% of the total number, while the commercial enterprises cover 31% and the construction enterprises cover 4.4% of the total number. In recent years, the field of individual and private enterprises has become more and more wild, there appeared a few enterprises focusing on technical development, information transmission, technical training and other new type.

Most of Hubei's individual industrial and commercial households run their business with small capitals. In 1994, the average capital and output per household were 2,383 and 16,000 yuan separately, lower than the national level of 3,918 and 21,000 respectively. Private enterprises are mostly small ones with meager capital and simple and crude equipment, the capital per enterprise was 137,000 yuan, employers of each was 12.3, also lower than the national level of 162,000 and 14.5 people. Hubei has 75% of private enterprises whose capital is less than 100,000 yuan in 1994, among the private enterprises of all China there were 1,801 whose capital was above one million RMB and 712 who have above a hundred employees, but of these enterprises only 9 and 6 respectively are in Hubei, covering 0.5 and 0.8% of state's total number.

The features of private entrepreneurs in Hubei in the 1990s can be identified as follows:

- An increasing number of private entrepreneurs is entering a partnership with state, collective or foreign enterprises.
- In terms of sectors and origins of entrepreneurs, high-technology and service private enterprises are developing fast, and many technicians and cadres left the state sector in order to set up private-run business.
- Many famous private entrepreneurs hold positions in the professional or political organizations such as People's Congress and Chinese People's Political Consultative Conference. Private entrepreneurs exerted a mounting influence on the social and political life.
- Some of private entrepreneurs register their firms as "collective" enterprises which are namely run by schools, handicapped people and educated youth due to facts that ideology favors public ownership.
- Private entrepreneurs prefer to combination which called one family with two systems (entrepreneur's spouse still works in the public-owned firms for high security and welfare such as highly subsidized housing) and do not prefer their offspring to follow in parent's footsteps given the fact of high income with low security of private economy and ideological bias.

5. *Regional Disparities in Hubei Development: An Inevitable Outcome of Economic Restructuring*

Many scholars pay close attentions to regional disparities at China as a whole. Very few people do research on regional disparities on the provincial level. Regional disparity in Hubei province will be examined in the following section. The disparity refers not only differences of the development level but also of the growth rate (Song, 1995).

In terms of economic geography, Hubei province can be divided into four parts, namely, the Eastern Area, the Central-southern Area, the North-Western Area, and the South-western Area (Ji, 1989).

The Eastern Area covers three districts, Huanggang, Xiaogan, and Xianning, three provincially governed cities, Wuhan, Huangshi and Ezhou. This area had a 28% of Hubei's territory, a 43% of the provincial population, a 50% of Hubei's fixed assets investment in 1993, a 52% of total value of retail sales, a 56% of the purchase value of the export commodities, a 56% of the fiscal income, a 49% of the provincial gross industrial output, and a 37% of the gross agricultural output. Based on Wuhan and Huangshi, the two economic centers, with the Jingguang Railway (from Beijing to Guangzhou) connecting north and south, and the Yangzi River going from west to east, this area is well developed. The industry in this area has a sound foundation and complete branches, of which some industrial sectors like the metallurgical industry have great importance in China as a whole. The regional agricultural output comes the first in the four areas. Wuhan is the provincial center of administration, economy, culture, and science, as well as the hub of communication. This multi-function supersized city has a great influence on the economic development of this area. The economic characteristics of the area are as the following: 1. The rich mineral wealth provides advantageous conditions for Wuhan, Huangshi and Ezhou to develop into three heavy industrial cities with iron and steel industry and metallurgical industry as the main industry. 2. Since the area is densely populated, there is a rich endowment with workers, but little arable land per capital. More than a half of the towns and cities in the province with a population over 10,000 are concentrated in this area. 3. there is a variety of natural conditions. With rich water resources, farming is more advanced than in other areas, producing grain, cotton, and oil crops. Its agricultural output comes the first in the province. 4. Communication is very convenient with mass networks of waterways and highways.

The Central-southern area includes Shashi and Jingman, two cities directly

under the jurisdiction of the provincial government,also Jingzhou District. This area takes up a 18 percent of the provincial territory, a 23 per cent of the provincial population,a 16 per cent of the fixed assets investment, a 24 percent of the total value of retail sales, a 14 percent of the purchase value of export commodities, a 12 percent of financial income, a 21 percent of the gross value of industrial output, and a 29 percent of the gross value of agricultural output. Judging from the overall economic development level, this area comes right after the Eastern Area. It is advanced in agricultural comprehensive development, light textile industry, waterland transshipment and highway transportation. Firstly, this area lies in the center of the Yangzi and Han River Basin, thus is the well known "Land of Fish and Rice". The climate is mild and moist, with plenty of precipitation and long time of sunshine which are beneficial for the growth of crops. The area is also advantageous in river navigation, agriculture and irrigation. It is called as "the biggest barn" in Hubei, and its cotton output covers more than one half the total output of the province. There are nearly a hundred rivers whose drainage areas are over 1 million sq.km. each, and more than a hundred lakes whose water territories are over 1000 sq.m. each. The water areas suitable for agriculture covers a 30% of the total amount of the whole province. Secondly, the regional industry includes power, petroleum, mineral and other branches, with the light textile as the leading industry. The textile output accounts for 30% of the area's gross industrial output, and 23% of the provincial textile output.

The North-western Area includes Xiangfan, Suizhou, Laohekou, Shiyan, Yunyang Special District and Shennongjia Forest Zone. The area takes a mean level in economic development. There is a lower population density and more cultivated land per capital, compared with other areas. It covers a 27% of the provincial territory, a 18% of the population, a 12% of the fixed assets investment, a 14% of the financial income, a 23% of the provincial gross industrial output in Hubei province. Firstly, the natural conditions in the eastern part and the western part of the area are distinctively different. Since there are many mountains and hills, this second largest grain and cotton base in Hubei is mainly devoted to dryland farming, and it also has a forest land of 1.33 hectare, mainly distributed in Shennongjia Forest zone and Yunyang District. Shennongjia is the largest natural timber base in the province, with a 70% of land covered by forests, mainly timber forests, which share a 35% of Hubei's commercial forests. The fruits produced here cover a 27% of the province's total output. Secondly, its industrial structure is built and developed upon the automobile manufacturing. The Second Auto Manufacturing Factory in Shiyan is the biggest auto manufacturing corporation in China presently.

The South-western Area includes Yichang, Yichang District, and Enshi Autonomous Region. This area shares a 24% of Hubei's territory, and a 14% of population. In 1993, it covers a 17% the provincial fixed assets investment, a 10%

of the total value of retail sales, a 5% of the purchase value of export commodities, a 9% of the gross industrial output, a 11% of the gross agricultural output. The area has the second largest territory in the four areas, however, the population and the population density are the smallest, stock raising, minerals water, and electricity resources, this area has a great potential in development and a bright prospect.

Wuhan, Huangshi and Ezhou are three central cities in the Eastern Area. Their average residential consumption level per annum is respectively 2915, 2107 yuan, and 2078 yuan, equal to 1.4 times, 1.02 times, and 1.15 times the provincial average of 2073. The average consumption levels of the urban residents in Huanggang, Xiaogan, and Xianning are 1694, 1779, and 1414, much lower than the provincial average level. The consumption levels of Shashi and Jingmen, the two economic centers in the Central Southern Area, and the consumption level in Jingzhou District are respectively 2377, 2249, and 2301, all higher than the provincial average level. The residential consumption levels of Shiyan and Xianfan in the North-western Area, are 2761 and 2118, higher than the Yunyang District and Shennongjia Forest Zone are only 1748 and 1476, much lower than the provincial average. In the South-western Area, the residential consumption level of Yichang is 2400, higher than the provincial level, yet that of Enshi Autonomous Region is 1414, the lowest in the province.

Table 41 summarizes the regional disparities in Hubei. Wuhan, the largest city, with 14 percent of workers produced 26 percent of industrial outputs, generated 31 percent of retail sales, made 24 percent of GNP, and attracted 33 percent of inmigrants whereas the south-west region with 15 percent of laborers produced only 8 percent of industrial outputs, 10 percent of retail sales, 10 percent of GNP and 13 percent of in-migrants.

Table 42 presents annual growth rates of GNP, investment, government revenue and retail sales by region in the reform period. As industrial and commercial center, Wuhan, provincial Capital, had the highest growth rates of investment and retail sales. In contrast, growth rate of government revenue was relatively low in Wuhan since GNP growth rate was lower than provincial level. The highest growth rate of GNP was found in the north west area where the large automobile industry is located.

Regional differences in economic structure can be seen from table 43. East Hubei is highly industrialized area due to the largest city Wuhan. Because the automobile industry located in the north western region, labor productivity was the highest in this area. The south western region had the highest proportion of the central government run enterprises in terms of labor forces since the Gezhouba, one of the largest hydroelectric dams in China, is situated in the south-west Hubei.

Table 41: Regional Disparities in Hubei province, 1993, (percentage)

	East	Of which Wuhan	Central South	North West	South West	Total
Shares						
labor forces	47%	14%	19%	19%	15%	100%
industrial output	48%	26%	21%	23%	8%	100%
retail sales	52%	31%	24%	14%	10%	100%
GNP	48%	24%	21%	21%	10%	100%
in-migrants	49%	33%	20%	18%	13%	100%

Sources:Statistical Yearbook of Hubei(Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.

Table 42: Annual Growth Rates in Hubei Province by Region in the Reform Era (percentage)

	East	Of which Wuhan	Central South	North West	South West	Total
GNP						
1978-93	14.95	15.05	24.03	25.56	14.43	17.57
Investment						
1984-93	20.87	23.41	17.53	16.36	17.78	19.39
Government Revenue						
1985-93	9.37	7.40	12.69	13.00	15.19	10.85
Retail Sales						
1980-93	16.63	17.80	14.46	13.85	13.62	14.39

Sources:Statistical Yearbook of Hubei (Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.

Table 43: Structural Differences by Region in Hubei Province,1993 (percentage)

East	Of which Wuhan	Central South	North West	South West	Total
de-agriculturalization rate					
51.26	74.92	27.70	40.23	32.34	41.82
rural industrialization rate					
12.70	17.90	9.53	8.17	3.31	9.58
average enterprise size					
202	309	178	166	130	181
industrial labor productivity in 1000 yuan					
42	46	40	63	38	44
% of central government enterprise laborers					
15%	21%	18%	22%	24%	18%

Sources: tatistical Yearbook of Hubei(Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.

Notes: de-agriculturalization rate=Non-agricultural laborers/total labor forces

rural industrialization rate= rural industrial laborers/total rural laborers

III. Appendix: Overview of Hubei Province

1) BRIEF HISTORY OF HUBEI PROVINCE

Since 1848, with the incentives given by the input of foreign goods and capital, new elements and new contents were injected in Hubei's social economy.

First, there emerged a modern industry run in three different ways, i.e. government-owned enterprises, private business supervised by the government and the private-owned firms. Plants of weaving spinning, flax making and papermaking were established. Secondly, modern commerce came into being. The building of Jing-han Railway and its opening to traffic in 1906 stimulated the growth of the trades in Hubei area, especially at Hankou. In 1919, the amount of foreign trade came up to be the second largest in the whole country. Thirdly, farming and weaving became separated in countryside families.

By the year 1949, the basic situation of provincial economy had been: grain yields, 5,780 million kg, 1,335 kg. per hectare; cotton, 573,600 quintal, 135 kg per hectare; oil crops, 1,337,500 quintal, 450 kg per hectare. Before 1949, the most part of Hubei's industry was located in Wuhan with incomplete branches. Besides weaving and food industry, there were few metallurgical industries, engineering industry, chemical industry, industry of building materials, papermaking, coal industry and electric industry. As for transportation, there were only three separate railways with a total length of 342 km, the total length of highway which could be used in all whether was 1343 km, and the traffic of ports in Hubei was less than 3,000,000 tons.

By 1949, the general output of industry and agriculture of Hubei province had amounted to 2,146 million yuan (counted in Chinese RMB according to the constant prices of 1975, as in the following), with total agriculture output of 1,673 million yuan, occupying 78%, and total industrial output of 473 million yuan, occupying 22%.

As for agriculture , the area under cultivation in the province occupied 3,728,667 hectare, the 22.94 million agricultural population, 36.64% of which were agricultural labor force, made up 88.8% of the total population. The agricultural products were mainly grain crops, cotton, tee, and oil plants, etc.

As for industry, in 1949, there were 4004 industrial enterprises in Hubei, among which 3997 enterprises were privately owned, sharing a percentage of 99.83. The output value of the private enterprises accounted for a 87 per cent of the

provincial total value of industrial output. Besides that, there were 127,000 industrial handicraft households with more than 220000 craftsmen. There were 72000 factory workers, which represented a 2.8 per cent of the provincial population. A half of Hubei's industry was located in Wuhan. At the end of 1948, there were 2146 factories in Wuhan, holding nearly 50000 workers. Yet only 153 factories had power equipment and more than 30 workers. Over a 90 per cent of the factories were poorly mechanized.

As for communication and transportation: in 1949, the length of railways in use in the province was 342 km; the total length of highway was 3012 km, and the number of various vehicles was 1189; the inland navigation mileage was 5092 km; and total length of the postal routs in the area amounted to 20051 km.

As for trade and commerce, From 1938 to 1949, Wuhan had been the fourth largest city in China's import and export trades. In 1949, the provincial total volume of retail sales of commodity added up to 730 million yuan, among which the total volume of retail sales of consumer goods was 706 million, and the retail sales of farming capital goods were only 24 million.

With respect to education, In 1994, there were 10 colleges in the province with 4490 registered students, 7 middle technical schools and 8 pedagogical schools, having 5000 registered students, over 8500 primary schools, having nearly 700000 students. There were 47 hospitals, 61 clinics, 2294 hospital beds, and nearly 20000 doctors, each shared by 2000 people averagely.

The living conditions in 1949: the provincial per capital availability of grain was 224 kg, and cotton cloth 0.679 m.

2) HUBEI'S PLACE OF THE PRC

The population of Hubei province in 1993 stood at the ninth largest in China, and the provincial national income at the tenth position. In 1949, the grain output in Hubei stood as the eighth largest in China, while in 1978, the grain output came up to the fifth place, and in 1993, the grain output stood at the ninth place in the country, the output of oil crops stands at the sixth place, cotton the fourth. The provincial gross industrial output was at the eighth place in 1952, at the ninth in 1978, and the tenth in 1993. The provincial total value of retail sales in 1949 stood at the fourteenth in the country, at the seventh in 1978, and the ninth in 1993. The total exports and imports stand at the thirteenth place in 1993.The number of registered college students is at the fourth place in the country. Table 1 provides the information about development indictors in China (Lippit, 1987) and Hubei.

Table A 1: Main Indicators of Economic Development: Hubei and China

		1952	1978	1993	Average annual growth rate(%) 1952-78	1978-93
CHINA						
Gross Output of Industry	Bil.yuan	34.9	423.7	5269.2	10.0	18.3
Gross Output of Agriculture	Bil .yuan	46.1	139.7	1099.6	4.3	14.7
Savings	Bil.yuan	.86	21.06	1520.3	13.1	33.0
Expenditure of Peasants	Pc. yuan	62	132	774	2.9	12.5
Expenditure of Urbanites	Pc. yuan	149	383	1148	3.7	7.6
Export	Bil.yuan	2.7	16.7	528.5	7.3	25.9
Major Industrial Products						
Coal	Mil.tons	66.5	617.8	1150	9.0	4.2
Crude oil	Mil.tons	0.4	104.1	145.2	23.9	2.2
Electricity	Bil.kwh	7.3	256.6	839.5	14.7	8.2
Crude Steel	Mil.tons	1.4	31.8	89.6	12.8	7.1
Televisions	Thou.	-	517	30329	-	31.2
Major Agricultural Products						
Grain	Mil.tons	164	305	456	2.4	2.7
Cotton	Mil.tons	1.3	2.2	3.7	2.0	3.5
Oil crops	Mil.tons	3.7	5.2	18.0	1.3	8.6
HUBEI						
Gross Output of Industry	Bil.yuan	1	16.7	199.2	11.4	18.0
Gross Output of Agriculture	Bil.yuan	1.7	8.4	50.1	6.3	12.6
Savings	Bil.yuan	0.03	0.7	47.3	12.9	32.4
Expenditure of Peasants	Pc. yuan	64	111	767	2.1	13.8
Expenditure of Urbanites	Pc. yuan	134	350	2073	3.8	12.5
Major Industrial Products						
Coal	Mil.tons	0.4	6.4	9.8	11.2	2.9
Crude oil	Mil.tons		1.1	0.8		-2.2
Electricity	Bil.kwh	0.2	9.2	40.2	15.8	10.3
Crude Steel	Mil.tons	0.04	3.08	7.2	18.1	5.8
Televisions	Thou.		9.5	204		22.7
Major Agricultural Products						
Grain	Mil.tons	7.5	14	23	3.2	1.9
Cotton	Mil.tons	0.12	0.37	0.43	16.1	1.0
Oil crops	Mil.tons	0.22	0.24	1.12	0.2	10.9

Source: 1.Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2.Statistical Yearbook of Hubei(Special Issue) 1994, Hubei Tongj Ningjian Tekan, Beijing: Statistical Publishing House.
3.State Statistical Bureau,1990,Historical Statistical Data(1949 1989),Beijing,Statistical Publishing House.

Table A 2: Hubei's Place (As Percentage of National Total or Level) in China

	1952	1978	1993
Gross Output of Industry	2.9	3.9	3.9
Gross Output of Agriculture	3.7	6.0	4.5
Savings	3.5	3.3	3.1
Expenditure of Peasants	103	84	99
Expenditure of Urbanites	89	91	180
Major Industrial Products			
Coal	0.6	1.0	0.8
Crude oil		1.0	0.5
Electricity	2.7	3.6	4.8
Crude Steel	2.9	9.7	8.0
Televisions		1.8	0.6
Major Agricultural Products			
Grain	4.5	5.7	5.1
Cotton	9.2	16.8	11.6
Oil crops	5.9	4.6	6.2

Source: 1.Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.
2.Statistical Yearbook of Hubei(Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.
3.State Statistical Bureau,1990,Historical Statistical Data(1949-1989),Beijing,Statistical Publishing House.

3) ECONOMIC GEOGRAPHY

Hubei is in central China, at the middle reaches of Yangzi River, north of Dongting Lake. She shares borders with Anhui, Jiangxi, Hunan, Sichuan, Shanxi and Henan. Hubei is 740 km long from the east to the west and 470 km long from the north to the south. The total area of the province is 18590000 km^2. She is open to the south and her other three sides are surrounded by mountains. Her middle is low and flat, taking the shape of an incomplete basin. The Yangzi River runs across the province from the west to the east. Hubei covers 37.5% of the total length of the river's main stream navigable millage. The province has 15 prefectures, cities, autonomous prefectures, 70 counties and one forest zone. Hubei has nearly 4 million hectares of plains and lake districts which are the important base of commodity grain, cotton, oil, fowls and aquatic products; 4.7 million hectares of hills which are suitable for the diversified economy including fiber, silk, tea and fruit, and has a great potential of stock raising; 10 million hectares of mountain areas that have excellent conditions for the development of

forestry, stock raising; and other local products; nearly 0.5 million hectares of fishable water which is the second of all China and provides freshwater farming with natural and vast source.

Hubei is also important in terms of mineral resources in China. Some resources like phosphorus, rutile, and other are the first place in China. Some other resources as iron, copper, gold and marble are the seventh place in China. According to various regions' economic geographical differences, the economic area in Hubei can be divided into four types.

- The first is that of the city-suburb. Wuhan, Huangshi and other cities have quite a large area of suburb and the suburban counties of these cities and take pains in developing supplying bases of nonstaple foodstuffs in order to push the land's productive value up to ten thousand RMB per mu (15 mu equals 1 hectare).
- The second area is the river and plain type. Jianghan Plain is located in valleys of Yangzi River and Han River, its relief is smooth, with fertile land and a large amount of lakes. In the adjustment of structure, there have been established a few bases of high-yielding and high-qualified commodity grain, cotton, oil and fish, and the substantial resources of grain then promoted the development of stocks and fowls. The communication in these regions is convenient. With the strong influence of transportation, township enterprises and foreign trade have been rapidly developing. Due to the breakthrough development of the secondary and tertiary industries, these regions have been outstanding in Hubei's industrial structural adjustment.
- The third area is that of the hills. These regions have large areas and advantages of both plain and mountain. In order to bring their advantages into play, the province takes steps to develop grain, and with livestock farming and agriculture as the breakthrough, takes measures to develop diversification and farm products and non-staple foodstuffs processing. Thus gradually a new structure with grain as the mainstay, both diversification and rural industries has come into being.
- The fourth area is the mountain type. There are 38 mountain cities and counties, their cultivated land areas and population cover nearly one third of the province. Owning to the limit of communication, information, science and technology, intelligence and others, the economy is backward, which even influenced the whole province's development. In industrial structural adjustment, Hubei in these regions developed mining and energy industries by making use of the substantial mine resource and hydroelectric resource in the mountains, developed livestock farming and forestry and fruit planting by making use of vast grassland and deserted mountains, and developed the special bases of industrial raw materials.

4) POPULATION AND DEVELOPMENT

In 1993, Hubei province had a population of 55,904,600 and a territory of 185,900 sq.km.. There are nine cities directly under the jurisdiction of the provincial government, 22 cities at the county level, 47 counties, 1069 rural districts or villages, 848 towns, and 32,848 village's committees. In 1990, the urban population in Hubei shared a 28.9 per cent of the total provincial population, a 2.7 point higher than the national proportion. The minority population in the province is 2,140,500. Of the population above fifteen in age, the unmarried population covers a 24 per cent, people with spouses cover a 69 per cent, the spouse lost ones cover 6 per cent, and the divorcees cover a 1 per cent. Among every ten thousand people, there are 157 people educated at college level, and 887 people educated at high school level. Of the population above fifteen in age, the illiterates and the semi-illiterates cover a proportion of 22 per cent. In 1990, there were 700,000 people unemployed, among which 190,000 were urban residents waiting for jobs, and the meantime, a large number of employees are faced with potential unemployment.

From 1949 to 1993, the average population growth rate in Hubei was 1.8%, the same as the national average population growth rate. During the same period, the provincial national income has increased at an average annual rate of 9.4%; the provincial gross industrial output takes a growth rate of 13.8% averagely, higher than the national 13%; the grain output has increased at an average annual growth rate of 3.2% , corresponding to the national average. The total value of retail sales has increased at an average annual growth rate of 11.1%, higher than the national average of 10.1%; the number of registered college students has increased by 7% annually, higher than the national average of 6.3%.

Notes

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3. The statistics of Hubei province without citations are based on the Source:Statistical Bureau of Hubei (SBH),1994, Statistical Yearbook of Hubei (Special Issue) 1994, Hubei Tongji Ningjian Tekan, Beijing: Statistical Publishing House.

4. The statistics of China province without citations are based on source:State Statistical Bureau (SSB), 1994, Statistical Yearbook of China 1994, Beijing: China Statistical Publishing House.

5. National migration statistics are from the 1990 Chinese population Census.See Gu, Shengzu and Jian, Xinhua,1994, Population Mobility and Urbanization in Contemporary China,Wuhan,Wuhan University Press.

6. Hubei migration statistics are from the migration survey which was conducted by Institute of Population Research, Wuhan University: The Hubei Survey of Migration. Fertility, and Economic Change was conducted by the Wuhan University Population Research Institute in collaboration with the Population Studies and Training Center of Brown University. Fieldwork in a provincewide sample of cities, towns, and villages took place during 1988. In each of the 52 locations, a random sample of households was selected for the interview. The three-part questionnaire provided information on the community, on the selected households and all their members, and on the individuals interviewed in depth within each household head, the other was a randomly chosen adult. The questionnaires covered a broad range of individual characteristics and behavior patterns, including a life history matrix covering education, marital change, employment, fertility, and mobility. These data allow detailed examination of migration patterns and the characteristics of various types of migrants and of nonmigrants. In all, 7,688 individuals were interviewed. Of These, just over 50% were nonmigrants, about 25% were in-migrants, 13% were temporary migrants, and 9% were commuters.

Abbreviations

COE: Collective-Owned Enterprise
HCRS: Household Contract Responsibility System
ICRS: Industrial Contract Responsibility System
POE: Private-Owned Enterprise
SBH: Statistical Bureau of Hubei
SOE: State-Owned Enterprise
SSB: State Statistical Bureau
TVE: Township and Village Enterprise

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