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# A History of Rural, Economic, and Social Policies in China

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# A History of Rural, Economic, and Social Policies in China

*This report reviews major rural, social, and economic policies in China over the past century. These policies are discussed in historical context with a focus on how they responded to social, economic, and cultural changes at each stage. Assessment and analysis of these policies and their implications are provided by the author.*

**Key words:** *China, rural policy, history*

China in the 20<sup>th</sup> century saw a number of drastic changes. Politically, the nation moved from a feudal monarchy to a republic and then to a socialist regime; economically, the country reformed its peasant-based rural economy and is shifting toward a market economy; culturally, the Confucian heritage survived numerous challenges. This study aims to provide an overview of China's rural development in the 20<sup>th</sup> century with a focus on rural policy and its influence.

## Before 1949

### *Before the 20<sup>th</sup> Century*

Before the 20<sup>th</sup> Century, rural China was dominated by household-based small-scale production. Due to a long tradition of laissez-faire economics which discouraged commerce, farming as a career was regarded productive, decent, and honest, while commercial occupations were deemed nonproductive and suspect. Accordingly, feudal rulers in China suppressed the development of commerce.

The centralized state power in the Qin Dynasty was characterized by a top-down structure extending from the central government to the local (county) government. Below the county level, villages were autonomous to a large extent. Governance in rural communities was mostly implemented by the squire, the family, and the clan. Squires were generally rich with reputable family backgrounds, and had good relationships with both the government and the local community. The family represented a male-dominated and kin-based relationship, where several generations of a family lived together. The clan referred to a group of males and their family members who were paternally related to each other.

Rural China consisted of numerous villages where the smallest units were families and clans of the same family name. Local customs played an important role in maintaining social order. It was through trust and mutual aid that individuals were connected with each other.

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This report is an abridgement of the original Chinese version, which is available upon request. Translation was provided by Dr. Yuegen Xiong, an associate professor in the Department of Sociology, Peking University.

### *Influence of Confucianism and Taoism*

Confucianism and Taoism, formed more than 2,500 years ago, have profoundly impacted the life of Chinese people in many ways.

Confucianism places a great emphasis on the family and morality, and advocates for family-based collectivism, underlying which is the reciprocity between family members: economic responsibility for providing mutual assistance, moral responsibility for taking care of the needy, and political responsibility for maintaining community solidarity. Confucianism provides a set of social rules to strengthen people's relationships. According to Fei Xiaotong (1998), relationships based on blood are of vital importance to Chinese, outweighing relationships based on geographic proximity and friendships. Taoism emphasizes self-restraint, self-preservation, and the power of nature. Essentially, people should act within their strengths, without excessively pursuing material interests. One should rely on him/herself when facing difficulties and challenges, instead of seeking help from others.

Due to a combination of Taoism's emphasis on inactivity and Confucianism's value on the family, there has long been a stigma regarding poverty and seeking help from others. There was no concept of citizenship or public welfare in China. Individuals were mandated to pay taxes, without receiving governmental services in return. In summary, rural China was structured around the family and village-based community, comprised of extended families and relatives with moral responsibilities toward each other (Liang, 1987).

### *Emergence of Social Policies*

Given the sociocultural context discussed above, it is perhaps not surprising that there was no social welfare policy in the era of Chinese feudal empires. Essentially, families and communities served as welfare providers through mutual aid. In the late Qing Dynasty (1850s), China started to learn from western countries and emulated their modernization. As a result of the democratic movement led by Sun Yat-Sen, the Republic of China was founded in 1911. Three principles were adopted to guide policy making: Nationalism, Democracy, and the People's Livelihood. The goal of social policy at that time was to provide assistance through welfare facilities such as nursing homes and orphanages. Welfare policy was implemented to provide relief for poor citizens, children, the aged, and the disabled. In 1943, the national government issued the Law of Social Relief, which was the first comprehensive law regarding social assistance in China (Shi, 2002).

The early Republican Period, also known as the KMT Regime, saw a relatively rapid development of social policy. In contrast to welfare as beneficence of the community and the government in the feudal times, social policy in the early Republican Period made it explicit that social assistance was part of the government's responsibility to its citizens. Nonetheless, given the nation's poor economic situation, the effects of social policies were limited. They targeted only a small proportion of the poor, the aged, the orphaned, and the disabled.

### *The Rural Movement*

The military invasion of some of the western developed countries ended the closed-door era of the Qing Dynasty. A number of Chinese intellectuals chose to study abroad in Britain, America, and Japan, hoping to return to China and contribute to its development. In the 1920s, the first group of

intellectuals returned from overseas and developed social services to help vulnerable populations. Their rural development initiatives, known as the Rural Construction Movement, aimed to find solutions to economic and social problems in rural China, while involving local rural citizens in the process. With distinct backgrounds, understanding of rural problems, and resources available, these intellectuals developed various interventions. From the 1920s through the 1940s, more than 600 development projects were launched across the country, which covered a wide range of social services, including education, community organizations, and peasant livelihood development.

One of these development projects was the North China Citizen Education Movement, which was led by James Yen, a graduate of Yale University and Princeton University. His project had large-scale implications and it was by nature a social work practice as well. Yen was employed in a service program for Chinese workers in France during the World War I. When the war was over, he finished his studies in the U.S. and returned to China. According to Yen, China's problems were rooted in ignorance, poverty, physical weakness, and selfishness. To address these problems, the first step was to eliminate ignorance through education. He believed that education in economics,, literature, the arts, health, and civil rights would be of great importance. The educators would work together with rural citizens to seek solutions, rather than viewing themselves as saviors (Sung, 1989).

At the same time, other scholars with backgrounds in sociology, economics, and education were also involved with rural development. Yen's Northern China Citizen Education Movement attracted a number of scholars from the sociology department at Yen-Ching University (now Peking University). They employed scientific methods of social inquiry to identify problems, and addressed them by building rapport and working closely with rural citizens. Somewhat similar to modern social work, these values and methods received world-wide recognition (Sung, 1989; Buck, 1959).

Unfortunately, these projects were terminated due to the Japanese invasion in the 1930s. Nonetheless, the Rural Construction Movement was significant for organizing educational programs, developing a basic health care system, reforming local customs, and promoting socioeconomic development in rural areas (Zheng, 2000).

### *Evaluation*

Rural China in the first half of the 20<sup>th</sup> century was socially unstable and economically underdeveloped, partly as a result of long civil wars and foreign invasions. The small-scale household-based economy failed and the rural society was disorganized. State-building efforts in rural society were unsuccessful (Duara, 1998). A few social service organizations were formed to provide social relief for the homeless and children. These efforts, however, were rather limited. Despite the KMT government's efforts in social policy, there was hardly any noticeable impact on rural society.

## **The 1950s**

A series of changes took place after the Communist Party gained power in 1949. One of these changes was that almost all economic sectors being nationalized. As public ownership replaced private ownership from 1950-1957, there were also profound changes in rural society.

### *Rural Problems and Policy Choices*

The first mission of the new communist regime was to legitimize itself, to maintain social order, and to revive the economy. Being closely allied with the Soviet Union, the Communist Party of China decided to emulate the Soviet Union model of centralized government and collective economy.

The economic development focused on building industry. The first Five-Year Plan (1953-1957) made it clear that China was in need of its own heavy industry.

### *Movement to Cooperatives*

Given the peasants' widespread support for the Communist revolution, the China Communist Party began to address peasants' needs soon after it came into power. The land reform not only provided peasants with their own farmland, but also classified rural citizens by per capita landholdings (from top to bottom, the landlord class, the rich peasant class, the middle-rich peasant class, and the poor peasant class), and allocated farming land based on household size. Carried out at the village level, the land reform allowed poor peasants to have their own land, which stimulated the rural economy and helped the new Communist regime obtain grassroots legitimacy.

However, new problems emerged. For some poor and lower-middle class citizens, farming was difficult as they did not have any livestock or farming equipment. Some of them had to take out high-interest loans, and eventually had to sell their land to repay them. There was an increasing disparity between the rich and poor in rural society (Zhai, et al., 2006). Under these circumstances, the central government decided to adopt collectivism to improve social stability and agricultural productivity.

Policy interventions during this period focused on rural collectivization; private ownership of land was converted to state ownership. It was believed by the Communist Party that collectivization could serve peasants' interests best. From 1953 to 1956, the collectivization movement swept rural China.

### *Restructuring the Rural Society*

For a long time, rural China was loosely governed. Families and local gentry played important roles in local affairs. According to Sun Yat-Sam, the lack of structure in Chinese society, especially rural society, accounted for the nation's failure to defend itself against foreign invasions. Collectivism proved the best way to organize peasants under the central planning economy (Mao, 1955). As a result, individual peasants became members of agricultural cooperatives. Ownership of farming materials was made public in order to ensure collective management. Politically, grassroots organizations such as the China Communist Youth League and the Women's Federation were formed to bring villagers together in community affairs.

Rural society was restructured through the development of mutual-aid groups, elementary cooperatives, and advanced cooperatives. As a basic form of agricultural organizations, the production mutual-aid groups were formed on the basis of voluntary participation and reciprocity. Elementary agricultural cooperatives were developed for the purpose of economic production and income distribution. The land size and labor input of each rural household determined income

distribution. Compared to “semi-socialism” of primary agricultural cooperatives, advanced cooperatives were completely socialist organizations, where farming materials were all public and income distribution was commensurate with the input of each individual. During the six years following 1950, the rural economy transitioned from private ownership to public ownership, which not only absorbed individual peasants into collective production, but also changed their relationship with the state.

### *Rural Social Policies*

The harsh economic situation did not leave the government enough economic resources for social welfare. Social welfare in the early 1950s mainly included social assistance for the urban unemployed and victims of natural disasters and educational programs offered to prostitutes and the homeless. Aside from minimal levels of social assistance and the Five Guarantee Household System, there were no other social programs for rural citizens.

*The Five Guarantee Household System.* In 1953, the Ministry of Internal Affairs issued the Regulations of Food and Disaster Relief to help the elderly, widows, and the disabled in rural areas. The emerging rural collectivization offered a new approach to poverty. Essentially, rural cooperatives were encouraged to help the elderly and the poor by providing food, clothes, housing, firewood, and burial services, which constituted the Five Guarantee Household System (Chen, 1994). This community-based welfare system was funded and operated by rural cooperatives.

*Mandatory Education.* Mandatory Education was a key component in China’s public education. Before 1949, rural citizens hardly had any educational opportunities; illiteracy rates were over 80% and enrollment rates for school-age children were below 20%. After the People’s Republic of China was founded, the constitution clearly stated that every citizen had the right to obtain education and that it was the government’s responsibility to build public educational institutions. A series of educational policies were issued in the 1950s to promote literacy. Literacy classes and various vocational schools across the country played important roles in educating rural citizens (Zhao, 2007).

*Urban Development as a Priority.* In order to prioritize the development of heavy industry in urban China, the government adopted a unique approach to finance the urban economy. Essentially, the government unified the purchase and sale of both industrial and agricultural products. In this process, the government suppressed the price of agricultural products and increased the price of industrial products. In addition, household registration beginning in 1958 restricted rural residents’ free migration to urban areas. These policies appeared to favor urban development at the cost of rural development.

## **The Planning Economy Period**

### *Formation of the Planned Economy*

By 1956, the socialist reform was complete. Urban areas were dominated by state-owned enterprises while collective cooperatives controlled the rural areas. In 1958, a more aggressive movement toward public ownership developed in rural areas. The Communist party believed that people’s communes were most effective in organizing rural residents to work toward communism. Communes functioned as social, political and economic organizations and implemented policies

formed by upper-level governments. Communes represented an effort to create a rural entity that incorporated a variety of economic, social, and political functions. Individual peasants were then effectively involved with the socialist regime.

### *Social, Economic, and Political Environment*

“Large in size and collective in nature,” people’s communes served as both political and economic organizations. In addition, communes were required to develop comprehensive social and public services and facilities (e.g., schools and healthcare facilities). As economic organizations, communes also made production plans and provided supervision over production activities. More importantly, they were in charge of revenue distribution to individual peasants. As political organizations, communes were led by communist party members in local communities. Youth organizations and women’s organizations were also created in communes to facilitate peasant mobilization. As social organizations, communes offered rural residents free food, education, and health care. Each commune had nursery schools, kindergartens, primary schools, middle schools, and high schools to provide education for children. In addition, evening literacy classes were provided for adults.

Communes failed eventually. The subsequent Cultural Revolution in 1966 abandoned the economic approach to rural development, which greatly harmed the rural economy.

### *Social Policy Developments*

Social policy development during this period of time consisted mainly of the Five Guarantee Household System and the Cooperative Medical Care System. Both systems operated within the framework of the rural collective economy.

*The Five Guarantee Household System.* Operated by people’s communes, the Five Guarantee Household System had the following components:

- Able-bodied poor were given work and paid by the commune.
- People with employment disabilities received income from the commune.
- The commune sent caregivers to senior residents and people with disabilities (Chen, 1994). The commune assumed these responsibilities because the government did not play a substantial role in welfare provision to rural populations.

*The Cooperative Medical Care System.* First practiced in the 1950s, the rural cooperative medical care system was praised by Mao Zedong in 1968 and subsequently expanded nationwide. With its two principles adopted – collective support and voluntary participation – the cooperative medical care system was operated within each individual production team (a subdivision of the commune). Individuals paid fees to become a member of this system, subsidized by the commune. Eligible individuals received health services at the community health clinic. Patients would be referred to other health facilities if the community health clinic was not able to meet their needs. This medical system was characterized by:

- Accessibility. Located in the community, these health clinics were easily accessible to rural citizens.
- Doctors were local peasants with basic medical training.
- Substantial financial support from the collective.
- High-quality services.

The Cooperative Medical Care System became so successful that it was later recommended by the World Health Organization to other developing countries. According to the Women and Children's Fund of the United Nations (1980-1981 Annual Report), China's Cooperative Medical Care System provided a successful example of improving healthcare in rural areas. Gro Harlem Brundtland, the former General Secretary of the World Health Organization, recognized its extraordinary achievement in improving life expectancy and reducing infant mortality (Zhao, 2007).

It should be noted that the Cooperative Medical Care System received little support from the government. The role of the government in this system was mainly to provide free training programs for local doctors. The success of the program lay in its accessibility and considerable support from the collective economy. Unfortunately, the Cooperative Medical Care System collapsed in the 1980s.

#### *Community-Owned Enterprises*

China's urban-rural disparity also had implications for social welfare. The economic disparity between cities and rural areas formed barriers for sustainable economic development. To bridge this gap, the central government encouraged the development of community-owned enterprises owned and operated by communes. In many ways, they were similar to state-owned enterprises in urban areas. Benefiting from higher levels of profits generated by industrial production, community-owned enterprises thrived in rural China.

These community-owned enterprises contributed to rural social and economic development in the following ways:

- They helped increase per capita income by supplying rural residents with additional income streams.
- Profits from community-owned enterprises, communes, and production teams were used to purchase farming equipment and fertilizers that improved agricultural production.
- They generated funds to subsidize social services within local communities. This was particularly important given the limited government funding for rural education and health care.
- They effectively connected rural communities with urban industry.

*Evaluation*

With the establishment of people's communes in 1958, rural China, like the other areas of the country, entered the central planning era. Rural areas as a whole were under effective control of the central government. A series of movements in rural areas greatly weakened the cultural heritage, while collectivism was fostered. However, the economic development in rural areas did not fundamentally change the poor economic situation. Many peasants were still poor, with an annual per capita income of 133.6 Yuan, and nearly one third of rural populations did not have sufficient resources to meet their basic needs for food and clothing (the State Statistical Bureau, 2006).

**The Economic Reform Period***The Household Production Responsibility System*

China's economic reform started in 1978. In rural areas, with the establishment of the county and town governments, people's communes were no longer all-in-one economic, political, and social organizations; they focused only on economic production. People's communes eventually disappeared when the Household Production Responsibility System was introduced to every rural area. Essentially, the Household Production Responsibility System allowed rural households to have a long-term land lease with the state so that each household was able to have its own land for farming. Each household was obligated to fulfill procurement quotas, determined by the size of the land. If surplus produce remained, individual households were permitted to keep it or sell it on the market. Villages collected fees from villagers to cover administrative costs, education, and other local public affairs.

Compared with the previous collective economy, the Household Production Responsibility System was flexible in that rural citizens could make their own decisions about what and when to plant without much government intervention. It also changed the way income was distributed in rural areas; peasants were allowed to take in surplus income after fulfilling procurement quotas set by the government. This new system generated strong incentives for peasants to invest in agriculture. The subsequent years saw a significant growth in rural economy: per capita income in rural areas increased to 547.3Yuan in 1985 and 990.4 Yuan in 1990, compared to 216.9 Yuan in 1980. Meanwhile, the rural poverty rate declined from 17.5% in 1980 to 9.4% in 1990 (the State Statistical Bureau, 2005).

*Rural Community Organizations and Social Welfare*

The Household Production Responsibility System freed the rural economy by allowing households to become individual production units that could invest in and harvest their own farming land. Village committees were responsible for public affairs and the collection of agricultural taxes. During the planning economy period, implementation of the Five Guarantee System was mostly funded by communes. Under the Household Production Responsibility System, villages became the main providers.

By the end of the 1970s, nearly 90% of the rural population was covered by cooperative medical care. Despite its success in the past, this program collapsed due to the cutoff of funds it had previously received from the commune. Peasant doctors who had been trained in the program

returned to farming because it provided a higher income for their families. Many community clinics were privatized and the Cooperative Medical System shrank to a great extent. By 1986, only 5% of the rural population was covered by this system (Liu et al., 2005). On the other hand, some rural residents preferred to see urban doctors who had more professional training in medicine. The breakdown of the rural cooperative system left many rural citizens without affordable health care. According to Liu, et al. (2005), 20% of rural citizens in the Suzhou, an economically developed area, did not have access to affordable health care.

### *Township Enterprises*

Under the planning economy, human resources and production of rural enterprises were controlled by the government. This scenario changed completely as a result of the economic reform in rural China. Rural enterprises began to make independent decisions about their production. Village-owned township enterprises were thriving in the 1980s, which greatly contributed to the economic growth in rural areas. As suggested by Fei Xiaotong, a Chinese sociologist, rural China cannot develop without industrialization. In the 1990s, a series of policies were put in place to support the development of rural enterprises. In 1996, the total GDP created by township enterprises was 1,765.9 billion Yuan, about one quarter of the nation's GDP. As a result of the substantial development of township enterprises, the economic structure in rural areas greatly changed: the proportion of non-agricultural products increased from 31.4% in 1978 to 75.1% in 1996. More importantly, rural per capita income from non-agricultural products increased from 7.0% in 1978 to 32.2% in 1996 (Niu, 2000). Rural enterprises also facilitated agricultural development by supplying large subsidies, equal to 80% of the government's investment. These enterprises also provided more than 100 billion Yuan (RMB) to support public and social services. Small cities developed around these enterprises, which accelerated urbanization (Mao, 2001).

### *Development of Non-Agricultural Sectors and the Rural Mobilization*

Economic development led to a labor surplus in rural areas. Many rural citizens migrated to cities to look for work. From 1978 to 2003, an estimated 155 million rural citizens moved from agriculture to non-agricultural sectors. Non-agricultural employment increased from 7.1% in 1978 to 36.2% in 2003. However, due to the household registration system mentioned earlier, these migrant workers were still considered rural citizens and therefore were not eligible for welfare services that urban residents were entitled to. As an important exit for the rural labor surplus, migration to cities not only improved the economic fortunes of those who left, but also provided an avenue for urban technology, investment, and lifestyle to flow to rural areas. On the other hand, migration also created social problems in rural areas; many children were left in the care of aging grandparents..

### *Anti-Poverty Policies*

Rural China has been persistently afflicted by poverty. In 1978, about 250 million rural people (30.7% of the rural population) lived in poverty. A series of policies targeting poverty reduction turned out to be effective. In 1985, the poor rural population declined to 125 million (14.8%). In 1986, a working group was formed under the leadership of the State Council to specifically address rural poverty. By creating job opportunities and issuing small loans for farming, this working group successfully reduced the extreme poverty rate to 8.7%. A new poverty reduction strategy was developed, aiming at lifting 80 million people out of extreme poverty from 1994 to 2010. This was

the first policy to address rural poverty with specific goals and objectives. Under this policy, 592 counties were defined as poor and became eligible for government support and preferential treatment. These poverty reduction policies were not without their problems. Poor people outside the 592 targeted counties were largely neglected. Some of the poorest families were not even aware of their eligibility for social assistance, and bureaucracy sometimes presented barriers to policy implementation.

### *Rural Retirement Social Insurance Program*

The urban-rural disparity created during the planning economy period resulted in differential treatment of urban and rural citizens in education, employment, health care, and social welfare. As the first step to address this problem, the Rural Retirement Social Insurance Program was recognized a significant change in rural social welfare. There were three phases in the development of this program (Liu et al, 2005).

- Pilot (1986-1992). In 1986, the Ministry of Civil Affairs and the State Council had a joint meeting regarding Rural Retirement Social Insurance. They reached an agreement to conduct pilot projects in rural areas of Shandong and Shanghai to test the feasibility of the program.
- Expansion (1992-1998). Based on the pilot results, the Rural Retirement Social Insurance Program was launched nationwide in 1995. Local governments were mandated to take responsibility for this program. Agencies at the county level provided oversight of the program fund. Rural individuals participated in the retirement social insurance program by making regular deposits into their individual accounts. They became eligible for retirement insurance from the account at the age 60. Rural communities also made contributions to the fund through subsidies. This innovative program was successful in some areas but failed in others (Wang, 2006).
- Stagnancy. Beginning in 1998, there was a sharp decline in the number of Rural Retirement Social Insurance Programs due to various management issues. In order to strengthen the program with limited resources, the program stopped recruiting new participants. By the end of 2006, 53.7 million rural residents participated in the program, 3.6 million peasants received their retirement insurance and 3 billion Yuan was paid for pensions. The social insurance fund reached a total of 35.4 billion Yuan (the Ministry of Labor and Social Security, 2007).

The Rural Retirement Social Insurance Program has been controversial. On the one hand, such a program is considered essential to the well-being of rural citizens. On the other hand, there are concerns due to the problems that have occurred in policy implementation. The Rural Retirement Social Insurance Program in its current form is somewhat similar to commercial insurance in that it lacks support from the government and participation in this program is voluntary.

## Current Policies

### *Opportunities and Challenges*

China has been in a fast transition to a market economy since 1994. As a member of the World Trade Organization (WTO), China is now part of the global economy. The economic growth occurred alongside rapid urbanization. In 1978, only 17.9% of the nation's population lived in urban areas, and it increased to 26.5% in 1990 and 40.5% in 2003. Some rural areas have transformed into towns and small cities.

According to the World Bank (2007), China is experiencing two transitions: one is from an agricultural society to an industrial society, and the other is from a planning economy to a market economy, both of which could generate forces for development as well as social instability. The greatest challenge, one that has been widely recognized, is how to balance between socioeconomic development and social parity. Disparities in education, health care, and the labor market have reached levels that make it almost impossible for China to sustain its fast development without addressing these problems.

### *Scientific Development and People-Centered Governance*

The market-oriented reform initiated in the mid-1990s mainly focused on economic growth in urban areas. It largely ignored social development, especially rural development. The reform is considered successful from the economic point of view, but it also resulted in disparity between urban and rural areas, between industry and agriculture, and between economic and social well-being. In order to tackle these problems, scientific development and people-centered government have been introduced into policy-making.

### *Adjustment in Rural Policy*

The importance of agriculture and rural development in China has long been recognized, not only because the rural population is fairly large but also because agriculture is the foundation of the nation's economy.

In the 1980s, rural areas benefited substantially from policy promoting rural development. In the following decade, urban development took priority over rural development, and the gap between urban and rural areas grew. Beginning in 2004, a series of policies were issued to promote rural development. For instance, a document was issued by the central government in 2004 with the emphasis on increasing peasants' income. Each year from 2005 to 2007, the first administrative decree of the central government on New Year's Day concerned rural areas. These policies were introduced to achieve these goals:

- Increase peasants' income
- Repeal agricultural taxes
- Subsidize farming

- Implement a new rural cooperative health care system
- Establish a minimum living standard security system

*Income Growth.* Increasing peasants' income is perhaps the most effective way to reduce urban-rural disparity. In 2004, the central government started to reduce agricultural taxes, and local governments followed the steps of the central government, reducing various fees imposed on rural populations. By 2006, two years ahead of schedule, all types of agricultural taxes (which dated back 2,600 years in China) were repealed. To boost food production, rural farmers were also subsidized by the central government. With all these measures in effect, rural per capita income is growing rapidly. Special subsidies are provided for those who cultivate forests. Some citizens, encouraged by these policies, have returned to their rural communities and resumed farming.

*New Rural Cooperative Health Care System.* Disparity in health care is perhaps the most significant component in the rural-urban disparity. It was estimated that the urban population, 20% of the nation's population, used 80% of nation's health care resources. As a result of this disparity, rural citizens are often forced to pay for their health care out of pocket. Based on the pilot projects, the new Cooperative Health Care System was initiated with each individual paying 10 Yuan to join the system and the central government providing 20 Yuan for each rural citizen. For people living in extreme poverty, the 10 Yuan membership fee is covered by the central government. As of June 30, 2007, 2,429 counties around the country had adopted the new Cooperative Health Care System, which covered 84.97% of counties in China with 720 million rural citizens. The immediate goal of this policy is to cover all of rural China by the end of 2008.

*The Minimum Living Standard Security System.* As discussed above, the rural Five Guarantee Household System has been the most important assistance provided to extremely poor rural citizens. This system was operated and financed by local village communities. Because tax reform in the mid-1990s favored the central government over local governments, local governments had fewer revenues to support the Five Guarantee Household System. In order to fill the gap, in 2006, the central government made it mandatory for local governments to ensure the proper disbursement of subsidies to extremely poor areas. The rural Five Guarantee Household System, funded by villagers in the past, is now a publicly financed program.

China has made notable advances in poverty reduction over the past decades. However, most people with employment disabilities still live in extreme poverty. Developed regions on the southeast coast introduced a safety net, the Minimum Living Standard

Security System, to help these extremely poor citizens. According to the Ministry of Civil Affairs, 1,534 counties had established this system by 2005, covering 3.85 million households with a total of 7.77 million rural citizens. Local governments are mostly responsible for the operation and finance of this system with subsidies from the central government.

*Mandatory Education.* Education from grades 1 to 9 is mandatory in China. However, this policy is hardly implemented in poor rural areas. The major problems in public education are as follows:

- The quality of education is solely assessed by college entry rates (based on examinations). Grades 1-9 are far less invested compared to the high school education.

- Disparities between urban and rural schools as a result of local government financing.

In recent years, the central and local governments largely reduced parental expenditures for children's school enrollment. The Ministry of Finance and the Ministry of Education jointly provided free textbooks for children from poor families. Beginning in 2004, school-age children from poor families were also exempted from a variety of educational fees (Zhao, 2007). These initiatives ensured the delivery of public education to poor children. Yet some local governments were limited in their financial capacity to provide education because local revenues suffered after the taxation reform in mid-1990s. Transportation to school remains a problem for children in mountain areas.

*New Rural Construction.* New rural construction as a concept to guide rural development was formulated in 2005 to encompass economic, political, social, cultural, and civil development in rural areas. Its application in policy practice brought about immediate improvements in rural infrastructure. Successful rural development relies on not only economic growth but also institutions.

*Household Registration System Reformation.* The household registration system in China, originally introduced to restrict migration from rural areas to urban areas, served as an important mechanism in differential treatment of urban and rural citizens in employment, education, health care, and retirement. As more and more rural citizens migrated to cities, the institutional discrimination towards rural citizens became evident. In 2001, to ease the process of urbanization, the Ministry of Civil Affairs relaxed the regulations of the household registration system, allowing rural residents to become urban residents in small cities and towns. Larger cities also endeavored to provide services to meet the needs of migrant workers and their children.

#### *Assessment*

As China enters the new century, there has been a growing emphasis placed on rural development. The goal is to establish a universal social security system in both urban and rural areas by 2020. This, of course, requires enormous effort and collaboration across governments at various levels. Rural policy needs to take these key issues into account:

- Regional differences in economy and culture. In the past, the role of the central government in rural development was minimal, and there were a variety of barriers to policy implementation. The central government will have to assume more responsibility in providing resources for policy implementation (Wang, 2006).
- Building trust between citizens and the government as well as between local governments and the central government.
- Coordination between the central and local governments.

## Conclusion

In conclusion, rural social policies in China during the past century mainly targeted social relief and poverty reduction. Recent achievements in rural social welfare include the Five Guarantee System, initiated in the 1950s to meet the needs of the most disadvantaged population; the extension of mandatory education for children; improvements in the social and economic status of women; and the delivery of cooperative health care.

Welfare provision in rural China was primarily operated at the community level and the role of the government was minimal. Under the planning economy, this did not appear to be a serious problem. However, with the introduction of a market economy, the collective system of welfare provision quickly collapsed. China's rural policy has the following essential characteristics:

- It created the rural-urban disparity which prioritizes urban citizens.
- It targeted rural citizens living in extreme poverty.
- It emphasized self-help, which maximized the use of community resources and minimized reliance on the government.

As a result of rapid economic growth, poverty rates in rural areas have significantly decreased. However, prioritizing urban development over rural development in the past 30 years has created severe disparities between urban areas and rural areas. The recent rural policy developments targeting education, healthcare, social security, and poverty will, in the long run, have a pervasive influence on rural development.

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